

The Development of Foreign Investments and Transnational Corporations in the Context of Special Economic Zones. The Cross-Sectional Analysis on the Example of Poland

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Abstract: *Socio-economic changes in Poland that followed the political transformation caused our country to open its doors to foreign capital. The reasons this conditions were inequalities in the level of development of particular regions and structural unemployment at a large scale. The tool that could have cured this situation and smooth away many problems were special economic zones (SEZ), which could have been treated as a supporting tool for the domestic and foreign investments. Special Economic Zones constitute a tool that allows to attract investors. It is an important and effective negotiating instrument that drives the economy forward. Billiards of zlotys, thousands of workplaces, polish and foreign, it is generally a balance of two decades of functioning of Special Economic Zones in Poland. Special zones, in which the entrepreneurs may conduct their business on preferential rules and make use of income tax exemptions generated as a result of their business activity in the zone, are spread across the whole Poland.*

According to the latest report of the Ministry of Economy of May 2015, Economic Zones in Poland cover the territory of 18 134 hectares. The first of the zones were created in the 90s and their purpose was to attract investors to Poland, increase the number of worksites and reindustrialize unprofitable land that did not survive the system-wide changes.

This article shows the history of Special Economic Zones, the benefits they bring and barriers that prevent their development in Poland.

The authoresses of this article attempt is to answer the following questions:

a) What factors attract potential investors to Poland?

b) What is the situation of Special Economic Zones at the end of 2014 and the beginning of 2015 and how they developed in Poland so far?

Keywords: *SEZ, Transnational Corporation, FDI.*

1. INTRODUCTION

The Act of 20 October 1994 on special economic zones as amended gave the legal basis for creating them. The legislator defined in the aforementioned act SEZ as a separate, uninhabited part of the country's territory where business activity may be conducted under preferential conditions defined in the Act. The special economic zone may be examined in the context of an enclave in which the countrywide regulations on business activity are not legally binding. In contrast, administrative and legal conditions are of an obligatory nature and their purpose is to refund the invested capital in a relatively short period of time. The managing body of the economic zone gives permission for activity on its territory. Conducting business activity in the administrative area of the zone without having permission carry with it serious consequences, such as no benefits in the form of income tax exemption [Hnatyszyn – Dzikowska A, M 2005:33-34].

The purpose of creating a special economic zone is to strive for economic development of a given territory through the development of particular fields of economic activity, new technologies, an

increase of the competitiveness of produced goods, the proper management of the company property, infrastructure, creating new worksites, and other related activities. The purposes of the economic zones specified in the Act confirm the legitimacy of their creation, which is reflected in the modernisation of the economy and the stimulation of its development. Because of the fact that special economic zones were perceived by the authorities as a good instrument of regional politics that attracts new investments and increases the chances for the economic development of regions, establishing such zones had to fulfil the following particular criteria [Typa M., 2003:81].

- Restructuring the needs of the region with the possibility of the capital flow on the territory of the zones;
- Tempering of the developmental disproportions that exist in the regions; and,
- Creating a zone as a diffusion tool of a specialized technique.

In special economic zones there is a system of tax stimulus, given based on The Act of 20 October 1994 on special economic zones, which meant to encourage domestic and foreign investors to invest in particular branches of industry. Under the Act of 20 October 1994, the entrepreneur is totally exempted from paying income tax for a period of 10 years and exempted from paying 50% of the tax in subsequent years to the end of the existence of the zone. Furthermore, the entrepreneur is exempted from paying property tax. Diversification in the conditions of granting the national aid for entrepreneurs who have permissions that were issued before the end of 1999 and 2000 and for entrepreneurs who were given permissions after 2000 caused that two separate groups of entrepreneurs simultaneously requested national aid but on different principles and procedures. To give an example, small and medium-sized companies that had the permissions obtained before the end of 2000 were bound by acquired rights to a tax exemption to the end of 2011, whereas medium-sized companies were bound to the end of 2010. On the contrary, large companies that had permissions issued before the end of 1999 received the maximum aid of 75% of the cost of investment, and large companies that had permissions issued in the year 2000 could receive a maximum aid of 50% of the cost of investment [Golik D., 2014:181]

From the beginning of January 2007, a new map of the regional aid for the years 2007–2013 was adopted. The procedures of granting national aid for this period were as follows:

- 40% of an exemption from income tax could be received on the territory of the following voivodeships: Pomorskie, Zachodniopomorskie, Dolnośląskie, Wielkopolskie, and Śląskie, and in the period from January 1, 2007 to December 31, 2010, on the territory that belonged to Mazowieckie Voivodeship, excluding the capital city of Warsaw.
- 30% of an exemption from income tax could be received on the territory of the capital city of Warsaw, and, in a period from January 1, 2007 to December 31, on the territory of the whole Mazowieckie Voivodeship [Tax, 2015].

2. FDI AND TNCs

The process of opening economies and expanding the idea of free trade have increased the possibilities international business activities, providing them with almost unlimited access to the resources and factors of production. Increase in the position and strength of international companies on the international scene was the result of the so-called global presence of increasing independence towards nations, and also the growth of potentials and expansion of interactions.

Therefore, an important manifestation of globalisation is the international flow of capital, especially the expansion of transnational corporations (TNCs). They appear as factors which co-create the process of globalisation, and constitute one of its main driving forces. The importance of both foreign investments and corporations and their important role in the global economy tend to regard them as one of the main manifestations of globalisation.

The internationalization of economic activity, that is keeping it abroad, is a complex process and indicates a growing geographic scope of this activity, performed in a sequential or complementary manner with the use of three forms: trade, contractual cooperation and foreign investments which aim at creating foreign subsidiaries and joint ventures. Foreign direct investments (FDI) were (and still are) considered as a determinant of an international expansiveness of enterprises, their wealth (in

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capital, including human resources, technology and other supremacies), managerial skills, knowledge of foreign markets and other important attributes. The growing volume of global FDI and the growing involvement of transnational corporations in international trade have become for researchers the evidence of the ongoing expansion of the companies abroad, and indirectly changes taking place in them.

Corporations affect the progress of the process of globalisation through an influence on the global economy. Their presence can manifest itself in two ways: indirect and direct [Jarczewska – Romaniuk A., 2003:140]. The indirect form is based on the presence of corporate goods and services outside the borders of home country. This form of the presence is seen as a transitional stage, followed by a further process of transition to a more complex phase of foreign activity that is investments. The direct form of global presence of corporations are direct foreign investments (FDI).

Broad definition of corporations based on the presentation of the organizational structure gives the United Nations Conference on Trade and Development (UNCTAD) in World Investment Report 2002. The definition of UNCTAD also determines the position of the parent company and affiliated entities associated with it (see Diagram 1).

Transnational corporations consist of a parent company and branches abroad. Because of the legal form, the branches are subsidiaries and related entities, which have legal personality and branches without legal personality. In a related entity the transnational corporation has no more than 50% of votes. However, in the subsidiary it has more than 50% of votes, therefore, the transnational corporation has the right to appoint and remove members of the administrative body, the management and the supervisory authority. In turn, the branches of the parent company, that is the entities belonging to it in whole or in part, are permanent agencies, offices in host country, companies which have no legal personality or joint ventures, land, buildings and other property belonging to a foreign entity and movable equipment used outside the territory of the home country of the investor for over a year.

Transnational corporations are formed and evolve through foreign direct investment (FDI) [Goldin I., Reinert K., 2006:78]. Direct foreign investments are based on locating the capital abroad by the parent company in order to obtain a direct impact on the activity of companies injected with capital with an the intention of financially support the entity in which the investor has significant share, or in order to create a new economic entity. Direct investment include investment transactions undertaken by the investor abroad in order to exert a direct impact on the production of the company in which the money are invested, or to provide finances, goods, technology, in which the market investor has ownership interests. Therefore, one shall not treat investments only as an international transfer of capital, but as a specific type of transaction which connects the capital, experience and entrepreneurship [J.H.Dunning., 1970:27].

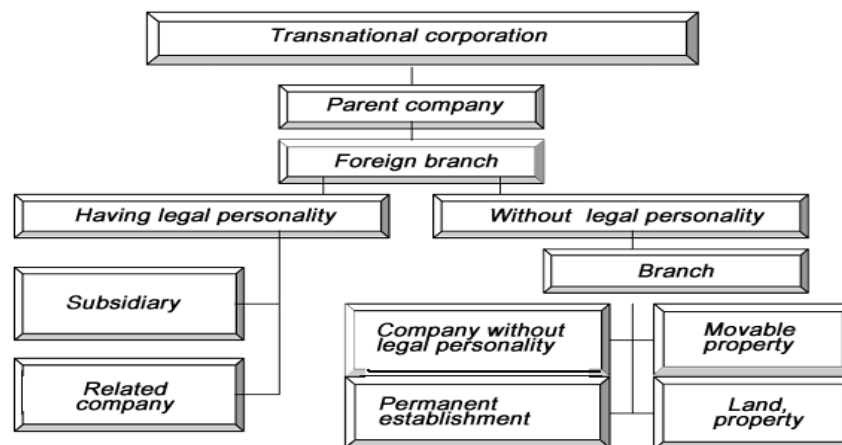


Diagram1. The organizational structure of transnational corporations

Source: Author's study based on: World Investment Report 2002, Transnational Corporations and Export Competitiveness, 2002, p. 291

In accordance with the definition of the Organisation for Economic Cooperation and Development (OECD) and the International Monetary Fund (IMF), one is dealing with FDI when a resident of one economy (direct investor) obtains a lasting benefit from the capital of an entity registered in a country other than the country of origin of the investor. Lasting interest points to a long-term relationship between the investor and subject of the investment, the latter has a significant impact on the management of the company. In the definition of the IMF attention is drawn also to the threshold level of participation in a company that allows the investors to effectively influence the decisions of the company. It is 10% of the ordinary shares or voting rights. This percent is considered to be sufficient because of the large dispersion of shares between different individual investors.

In today's global economy, there has been no harmonization of conditions of activities of foreign investors. There are still differences in this respect between the different countries, but all countries continue to restrict the flow of FDI to sectors of strategic importance. Foreign capital investments allow to reduce international imbalances in capital equipment and promote new technologies [Czarny B., 2004:138].

Distribution of FDI in the world is not uniform. In the past there was a tendency to see the concentration of investment flows in developed countries, especially the countries that K. Ohmae [1995] called Triad consisting of: the United States, Western Europe and Japan. Currently, the Triad is defined more broadly by including nearly thirty countries in America, Europe and Asia. This group includes the countries of Western Europe, North America (USA and Canada) and East Asia (Japan, Singapore, Hong Kong, South Korea, Taiwan). Resources and FDI flows show a strong dominant position of the Triad countries among exporters and importers of foreign direct investments. Such an expanded Triad produced in the 90s of the twentieth century almost 50% of world GDP, and the outflow of foreign direct investment accounted for 95% of world outflows [Zorska A., 1998:9].

3. SPECIAL ECONOMIC ZONES (SEZ)

Special economic zones turned out to be a tool that makes economic development easier. The tool in the form of tax exemptions constitutes a form of aid from the nation in investment promotion and creates new worksites in connection with the investment.

There are 14 special economic zones in Poland: Kamiennogórska, Katowicka, Kostrzyńsko-Słubicka, Krakowska, Legnicka, Łódzka, Mielecka, Pomorska, Słupska, Starachowicka, Suwalska, Tarnobrzaska, Wałbrzyska, and Warmińsko-Mazurska. On the territory of each voivodeship, there is at least one SEZ. The area of SEZ continues to expand. At the end of 2014, the area of all zones covered 11.1 thousand hectares, with a total statutory limit of the zones equalling 18 thousand hectares. The total area of economic zones in use is more than 61.6%. The biggest usage has been recorded in the following zones: Łódzka (75.1%), Suwalska (74.8%), and Krakowska (74.2%). The lowest level of usage is in the Legnicka zone (26.1%). The moment the zones were created (that is in years 1995-1997), it was assumed that they would end their activity in a period of twenty years from their establishment. However, in December 2008, the period for the functioning of all economic zones was unified and prolonged to December 2020 (Table 1).

At the end of 2014, the total area of special economic zones in use was over 61.6%. Łódzka economic zone was characterized by the highest land usage (75.1%); whereas, Legnicka had the lowest (26.1%). The degree of particular zone usage depends on the number of properties sold to investors as well as the area included and excluded in a given year. Land excluded from a zone in one year could have been counted among developed land in a previous year. The reason for their exclusion could be, for example, the loss of permission by the investor or a seizure of the land under infrastructure. It means that the degree of the development of a zone provides an easy way to assess the development of a given zone in time, and it illustrates the relationship of the developed land to the whole surface at the end of an analysed period [mg.gov.pl].

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Table1. The usage of the area of the zones in accordance to state on the December 31, 2014.

No.	Zone	Area of the zone (in ha)	Developed land (in ha)	The degree of land development (in %)
1	Kamiennogórska	413,3960	218,1234	52,76
2	Katowicka	2 347,3429	1 422,5299	60,60
3	Kostrzyńsko-Słubicka	1 746,9769	1 103,9667	63,19
4	Krakowska	707,7833	525,4489	74,24
5	Legnicka	1 212,4156	315,9095	26,06
6	Łódzka	1 302,2636	977,7515	75,08
7	Mielecka	1 362,9864	967,0348	70,95
8	Pomorska	1 863,2748	1 205,7238	64,71
9	Słupska	816,7878	286,2692	35,05
10	Starachowicka	644,4646	425,4035	66,01
11	Suwalska	375,6334	281,0031	74,81
12	Tarnobrzaska	1 677,1664	1 154,5404	68,84
13	Wałbrzyska	2 648,5933	1 587,2946	59,93
14	Warmińsko-Mazurska	1 014,8810	705,4582	69,51
Total		18 133,9660	11 176,4575	61,63

Source: Ernst & Young -Special Economic Zones after 2020, <http://sse.slupsk.pl/images/Pobieranie/raporty/strefy%20po%202020%20roku.PDF>

The increase in land development is related to the increase in permissions to start a business activity in a zone. For comparison purposes, the chart below shows the dynamics of granted permissions in years 2012, 2013, and 2014.

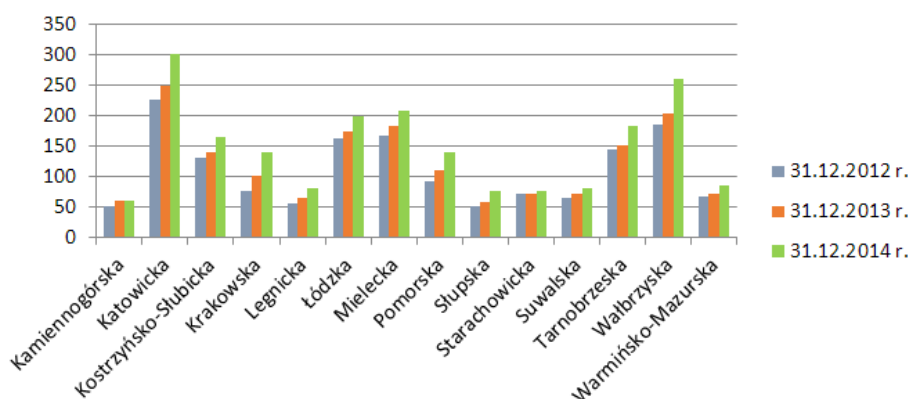


Chart1. The number of granted permissions in the years 2012-2014.

Source: study based on: Ministry of Economy, Information on the implementation of the law on special economic zones, p.9.

In 2014, 436 permissions were issued to conduct business activity on the territory of special economic zones, which constituted 21.2% of the total number of valid permissions. In comparison to 2013, the number of granted permissions increased by 72.3%. In 2014, the biggest number of permissions was obtained by entrepreneurs in Wałbrzyska (64), Katowicka (58), Krakowska (44), Mielecka (42), and Tarnobrzaska (39) economic zones. In five of the aforementioned zones, almost 56.7% of the permissions were issued in 2014. As in previous years, the biggest number of permissions were obtained by entrepreneurs in the Katowicka Zone (302) and then in the Wałbrzyska (261), Mielecka (207), Łódzka (200) and Tarnobrzaska (184) zones. The entrepreneurs who conducted business activity on the territory of the zones obtained more than 56.1% of all valid permissions. The total number of permissions issued from the beginning of the functioning of the zones to the end of 2014 equalled 3 211. Some were withdrawn, taken back, cancelled, or annulled [Raport, 2014:9-10].

According to the report, “20 years of special economic zones in Poland - a guide through SEZ,” prepared by an advisory company KPMG, the value of investment expenditures was assumed to exceed 100 milliard polish zlotys by the end of 2014, and 80 milliard zlotys in value have been lost since Poland entered the European Union. Pursuant to estimations made by the management bodies in 2014, the investment expenditures encumbered by the investors on the territory of the zones were

anticipated to increase 7.5% above the previous year (2013), and amounted to 7.8 milliard zlotys. The forecast made by KPMG has been confirmed by data published by the Ministry of Economy. In 2014, the cumulated value of investments equalled almost 102 milliard zlotys, which meant it increased over 8.8 milliard zlotys (9.5%) above the previous year.



Chart2. Investment expenditures in SEZ (in milliard zlotys) between 2004-2014

Source: KPMG report in Poland, 220 years of special economic zones in Poland - a guide through SEZ”, p.54.

Similar forecasts concerned the increase in the number of the employed in SEZ. At the end of 2014, the number of people employed by the investors who acted based on a permission was estimated at 287 thousand, which would be an increase of 7.7% compared to 2013. None of the 14 zones had negative dynamics of employment. Results achieved in 2013 and optimistic forecasts for the 2014 showed that, in the eyes of SEZ companies, zones remain an attractive place for locating investments. A dynamic increase in investment expenditures and employment seemed almost certain.[KPMG, 2014:54]. There was a good probability that the SEZ will be an important factor that would speed up the development of the whole country and its particular regions. At the end of December 2014, investors employed a total of almost 296 thousand people. Compared to 2013, their number increased 28.9 thousand (10.8%). The increase was higher than in previous year by 3.0%. In turn, the number of new worksites increased 9.1%, transcending the increase recorded in 2013 by 3.8%. At the same time, the average employment in the business sector (in which the number of the employed exceeded 9 people) increased in 1.1 % (y/y).

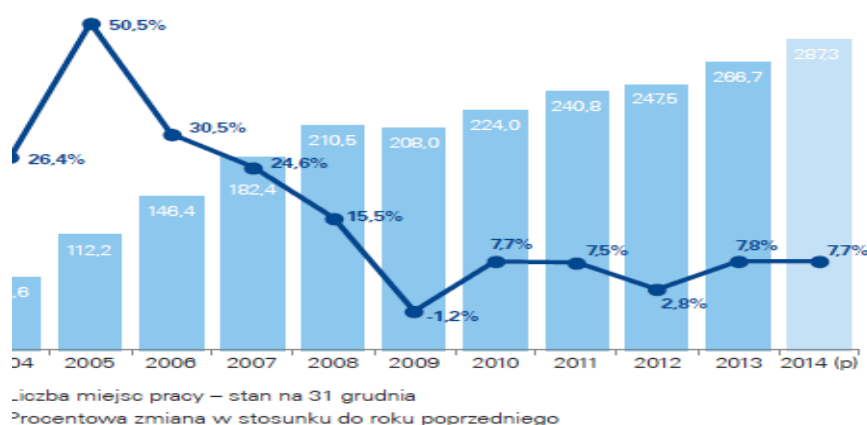


Chart3. Number of worksites (in thousands)

Source: KPMG report in Poland, 20 years of special economic zones in Poland- a guide through SEZ”, p.55.

In 2014, for every hectare of land developed by investors who had a permission for conducting business activity in a zone there was 12.52 mln zlotys of investment expenditures and 36 worksites. In 2013, the average value of investment expenditures for 1 hectare increased by 0.63 mln zlotys, while the average number of worksites increased by 2 job positions. Taking into account the investment expenditures for 1 hectare, according to the conditions at the end of 2014, the Legnicka Zone (27.58 mln zlotys) and the Katowicka Zone (21.60 mln zlotys) were higher than the average for all zones, as in previous years. In the Legnicka Zone, the largest increase in investments for 1 hectare compared to 2013 was simultaneously recorded, which was 2.25 mln zlotys. The increase in

investment per 1 hectare of land developed by the investors who obtained permissions was noticed in: Łódzka, Suwalska, Tarnobrzaska and Mielecka economic zones (the highest was in the first of the aforementioned zones and equalled 1.14 mln zlotys, and the lowest was in the last zone – 0.10 mln zlotys). In nine of the zones, the value of implemented investments per 1 hectare decreased. The decrease was from 0.04 mln zlotys to 1.96 mln zł and was the biggest in the Katowicka Zone (mainly because of the fact that one of the leading investors in the zone has lost a permission).

With reference to the size of employment falling for 1 hectare, the best result was obtained by the Katowicka Zone (56 worksites), the Mielecka Zone (55 worksites), and the Krakowska Zone (46 worksites). In turn, the largest increase in the number of worksites per 1 hectare compared to 2013 was recorded in the Kamiennogórska Zone and equalled over 5 worksites. An increase in the number of job positions per 1 hectare was also noticed in Suwalska, Legnicka, Mielecka, and Łódzka economic zones. On the other hand, a decrease from 0.5 to 5 job positions was recorded in eight economic zones; whereas; in one zone (Warmińsko-Mazurska Zone) the aforementioned result did not change.

At the end of 2014 more than 74% of the value of the capital invested in the zones came from six countries: Polish, Germany, USA, Netherlands, Japan, and Italy. In previous years, the investors from these countries also were among the leaders. Their share in the total value of investment expenditures in the years 2009 – 2013 was in the range of 69% – 75%. Polish entrepreneurs whose investments at the end of 2014 amounted to nearly 19.4 mln zlotys have been occupying first places in respect to capital invested in the zones, directly preceding the investors from Germany. In 2014, the Polish share of investments in the total value of invested capital accounted for 19.0%, while the German share was 17.7%. Third place was occupied by entrepreneurs from the USA being slightly ahead of investors from the Netherlands. Their share in total investments amounted to 12.3% and 11.5%, respectively. %.

As in previous years, the largest share in the total investment expenditures belonged to the automotive sector (26.0%, which is almost 0.4 percentage points less than in 2013). The second place was occupied by manufacturers of rubber and plastic articles with a share that reached almost 10.2% (10.7% in 2013), and a third – by producers of products from remaining non-metallic minerals, with a share in investment of 8.7% (9.2% in 2013).

Analysis of current activity of SEZ in Poland is reflected in economic performance. Plans for special economic zones in 2015 forecast the issuance of 217 permissions, whose liabilities are investments of 7.7 mld zlotys. It is anticipated to create around 11 thousand new worksites. One of the encouragements for investors includes an idea to create investment activity zones along the expressways in a strict cooperation with local governments. With a thought of small- and medium-sized enterprises, Local Industrial Parks will be created in cooperation with regional authorities. Incubators will be established and halls for rent. Advisory activity will be strengthened and directed for specific needs of small- and medium-sized companies. Activities will be continued for the purpose of the creation and development of existing clusters that constitute a source of new technologies. The year 2015 opens new perspectives for the zones. The engagements of people who manage special economic zones in education and the activation of new investment areas additionally make the zones' offer more attractive [Eurofound, 2015].

The year 2014 was another successful year for the development of special economic zones. In 2014, the growth of the area of zones, which amounted to more than 1.9 thousand hectares, was over five times higher than in 2013. The investment dynamics was also higher, because, in 2013, the investments increased by more than 7.3 million zlotys (8.5%), and the speed of their growth was higher by 0.8% compared to 2012/2011 results. In turn, the investment growth in 2014 amounted to 8.8 milliard zlotys and was higher by 1% compared to 2013. By contrast, in 2014, the dynamics of new worksites ratio amounted to 109.1, exceeding the growth recorded in 2013 by 3.8% [Eurofound, 2015]

4. CORRELATION BETWEEN FDI, KTN AND SEZ

For Poland, the total value of foreign direct investment (ang. FDI stock) amounted to 160.5 billion EUR at the end of 2013. They comprised of liabilities from capital share participations and reinvested profits (125.3 millions of EUR) and remaining capital liabilities (35.2 millions of). In contrast, the

highest investment values were in the following countries: Germany (27.5 millions), the Netherlands (25.9 millions), France (19.1 millions).

On the basis of data¹, it should be noted that the balance of foreign direct investments in Poland amounted to 2.2 millions of Euro in 2013. During this period, the main investors were companies from the following countries:

- United Kingdom (3.3 millions of EUR),
- Germany (1.9 millions of EUR),
- Switzerland (1.0 millions of EUR).

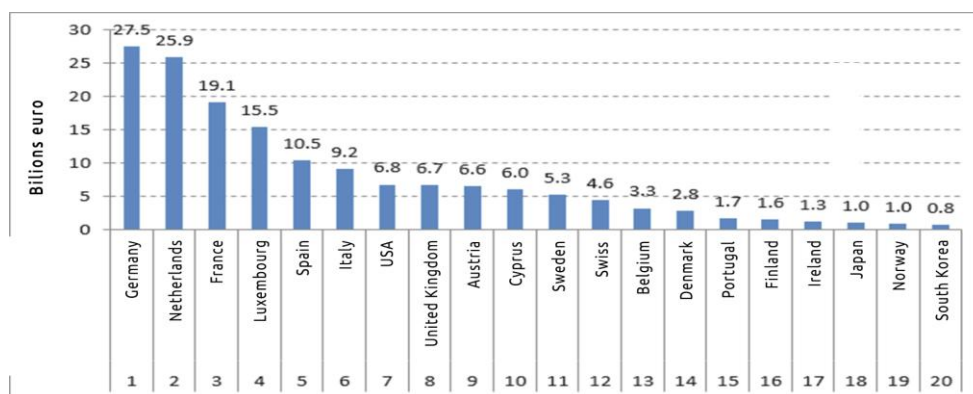


Chart4. 20 main investors at the end of 2013

Source: own study based on NBP data [NBP- National Bank of Poland]

Meanwhile, the largest outflow of investments (withdrawal of capital from Poland) took place in Jersey (-3.4 millions of EUR), Luxembourg (-1.8 millions of EUR), Sweden (-0.5 millions of EUR).

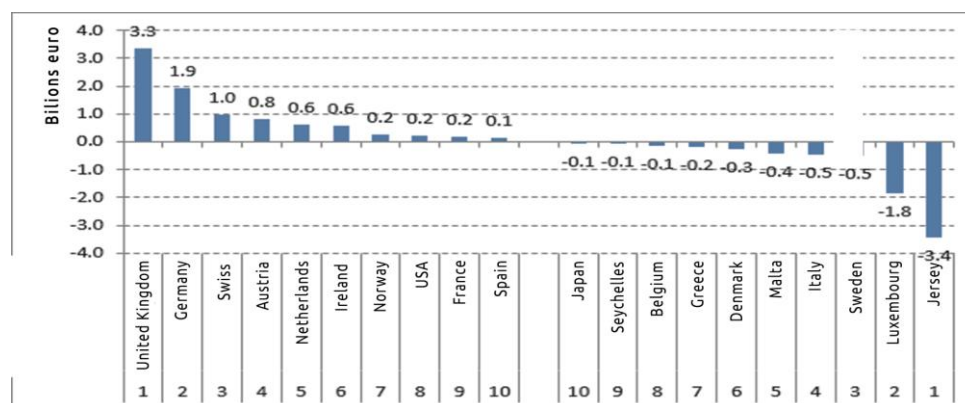


Chart5. Main countries of the inflow and outflow of investments in 2013

Source: Author's study based on: NBP data [NBP-National Bank of Poland]

TNCs are not homogeneous, but vary in size and nature of the business. One also shall not identify TNC solely with large companies, because of among the entities competing in the global market, the significance of smaller but highly internationalized companies that are called micro multinationals or the born globals. “Born global” companies is one example of the new types of businesses in the current phase of globalisation, but not the only one. Talking about the different causes of the establishment of branches of foreign companies it is worth to distinguish between vertical and horizontal multinational enterprises. Markusen and Maskus [7, p.1] define vertical multinationals as

¹ Information on foreign direct investment in Poland in 2013 was prepared for the first time based on the new standards of the Organization for Economic Cooperation and Development (OECD) concerning the way of making direct investment statistics, as described in Benchmark Definition of Foreign Direct Investment 4th ed. Because of the changes, data from the previous years and current data are not directly comparable. These data also cease to be directly comparable with direct investments presented in current account deficit and international investment position divided into assets and liabilities.

companies which divide production on locations which are in different geographical regions. There are produced different technological products (components) using comparative advantages of each location. Horizontal multinationals are completely different in nature; they employ a lot of employees, conduct similar activities in different countries of the world. Horizontal multinationals are established to produce products and provide services destined for the branches in each location and its neighbouring countries.

Multinational companies take up manufacture in different countries in order to minimize costs. And so, for example, multinational companies take-up labour-intensive activities in countries which are rich in labour, because wages there are relatively low. This means that the final product is not created in one country, but in many. Semi-finished products which require huge input of raw material is done in the vicinity of the place of extraction of this product. Components whose production is labour-intensive, are produced in countries with cheap labour. The capital-intensive products which require technical knowledge (know how) are made carried out in industrialized countries [Rzepka A, 2013].

At present, the development of transnational corporations is also seen through the prism of new communication techniques and the evolution of the factors of production in the liberalized international trade exchange [4, p.142]. The ability to use modern communication techniques, determines the competitive advantage because due to quick and reliable information one is able to make effective economic business decisions, among other about the location of economic activity, its scope and size. The second element that determines the development and high competitiveness of corporation is their care for the intellectual capital. I agree with W. Szymański [12, p.32], who claims that the combination of advanced knowledge with the abundant factors of production allows to expand such scale of production which creates the opportunity for further development, funding and implementation of technical progress.

Important for the current rapid expansion of transnational and multinational corporations may be the desire of national governments and certain international organizations, to take control over global activities. Previous attempts to implement the International Code of Conduct for multinational enterprises, and effective control of internal trade, did not bring any results. However, many fields of the corporation's activity continues to operate outside the control of national governments and the situation in this regard so far, has not been improved [Rzepka A., 2015:98].

Another sector are entities with foreign capital. According to surveys of the Central Statistical Office, the population of these entities amounted to 26 128 units in 2013. In the same year, 1 489 entities with foreign capital were established compared to 1 712 of such entities in 2012. Among the entities set up in 2013 there were 1 214 new units, so called "Green field investors". The highest number of new entities was observed in activities related to culture, entertainment and recreation – 9.0%, in mining and extractive industry - 8.5%, in production and supply of electricity, gas and water – 8.2%. Foreign capital in entities which its value exceeded 1 million USD constitutes 96.8% of total foreign capital in Poland. The highest share of foreign capital of these entities was recorded in enterprises operating in the field of manufacturing & trade (36.3%), and the repair of motor vehicles (21.1%). Generally, foreign capital allocated in Poland at the end of 2013 came from 125 countries. From the European Union countries 89.5% of the foreign capital came, and from OECD countries 94.3%. Countries that allocated capital in Poland in the greatest extent include: the Netherlands (17.1% of total foreign capital), France (16.6%), Germany (16.4%). At the end of 2013, entities with foreign capital employed 1 628.5 thousand people, 3.6% more in comparison with 2012. Most people worked in entities engaged in the processing industry - 46.3% of the total number of people working in entities with foreign capital- and in trade and repair of motor vehicles - 23.9%. Almost 70% of the total number of employed in companies with foreign capital were employed in entities established in four voivodeships: Mazowieckie (33.7%), Wielkopolskie (14.3%), Slaskie (11.1%) and Dolnoslaskie (9.5%).

Since the introduction of the free market in Poland and the international opening of the Polish economy that followed the collapse of communism, our country has made a tremendous progress towards global economic integration.

The 27th place of Poland in Globalisation Index 2012 – ranking of most globalized world economies prepared each year by Ernst & Young - is the confirmation of this progress. Poland precedes in the ranking, among other countries, Italy (which is at 30th place), South Korea (33rd), Japan (43rd), but

also the BRIC countries - Brazil (45th), Russia (48th), India (54th) and China (44th). Compared with the previous edition of the Globalisation Index 2011, Poland has improved its overall score by 0.06 points to 4.23 points, which was enough to defend its position in the ranking. In the first edition of the ranking of Ernst & Young in 1995, Poland was at the 40th place, while the highest, 25th position in the Index, Poland has achieved in 2012.

Globalisation Index allows to identify areas that are the strengths of Poland compared to other countries of the world, as well as sides that should be improved. The report shows that in the category of openness to trade, Poland comes out best. The weakest side of Poland is rated in terms of technology and knowledge. Small investments in research and development and related to it low level of trade exchange shows a direction in which Polish economy and enterprises should evolve. According to the report, another possible direction of development is to increase export, both by entering new markets and expanding the range of exported goods. Another challenge for the Poland is to increase, in the context of increasing globalisation, competitive advantage in Central and Eastern Europe as an attractive country for foreign investment. An activity that certainly would contribute to the increase of the inflow of foreign direct investments to Poland is an extension of operation of special economic zones that offer investors preferential conditions that cover, among other things, tax credits. In the light of current legal regulations, these zones would cease to operate in 2020 what is, unfortunately, not an optimistic sign in a long-term perspective.

Investment attractiveness may be a subjective term, but the inflow of investments is hard data. These data show that in 2012, Poland has attracted significantly less foreign investment than a year earlier. According to preliminary data of the National Bank of Poland, the inflow of foreign direct investment to Poland last year amounted to 2.9 millions of Euros, while in 2011 reached 13.6 millions of Euros. These data seem to be confirmed by the estimated calculations presented at the United Nations Conference on Trade and Development (UNCTAD), which show that in 2012 inflow of FDI of amounted to 4.1 millions of USD and a year earlier to 18.9 millions of dollars.

In the most recent ranking of Global Free Zones of the Year 2014, developed by "fDi Magazine" of "Financial Times" group, four Special Economic Zones were given a recommendation: Łódzka, Katowicka, Pomorska and Wałbrzyska. It indicates that Poland is in the top three most attractive Economical Zones in Europe. A great role in the attractiveness of polish Special Economic Zones play tax exemptions. According to information provided by the Ministry of Finances, the income of companies and partnerships which manage the Economic Zones that are exempted from tax in a period of the last 15 years have exceeded 14,6 milliards of zlotys. The total national aid granted to entrepreneurs who conduct their activity in the zones amounted to next 14,4 milliards of zlotys. This was the main reason, among other things, of attracting the capital from Germany, USA, Holland, Japan and Italy to Poland.

Table2. *Leading investors in Special Economic Zones*

Zone	Entrepreneur	Type of business	Capital country of origin
Katowicka	General Motors Manufacturing Poland	Automotive industry (car manufacture)	USA
	NGK Ceramics Polska	Automotive industry (ceramic filters for diesel engines)	Japan
	Fiat Powertrain Technologies Polska	Automotive industry (engines)	Italy
Wałbrzyska	Toyota Motor Manufacturing Poland	Automotive industry (gearshifts)	Japan
	Mondelez Polska Production	Food industry	Holland
	Toyota Motor Industries Poland	Automotive industry (diesel engines)	Japan
Legnicka	Volkswagen Motor Polska	Automotive industry (engines)	Holland
	Sitech	Automotive industry (car seats)	Holland
Warmińsko-Mazurska	Michelin Polska	Tyre manufacture	Switzerland
Tarnobrzaska	LG Display Poland	LCD panels manufacture	South Korea
Łódzka	Gillette Poland International	Electric shavers manufacture	Holland
Wałbrzyska i Kostrzyńsko-Słubicka	Volkswagen Poznań	Automotive industry (car manufacture)	Germany
Wałbrzyska i Katowicka	Electrolux Poland	Household equipment	Sweden
Pomorska	Mondi Świecie	Paper industry	Holland

Source: *Global Free Zones of the Year 2014, p.54*

The Development of Foreign Investments and Transnational Corporations in the Context of Special Economic Zones. The Cross-Sectional Analysis on the Example of Poland

A major role in the attractiveness of Polish Economical Zones play tax exemptions. According to information provided by the Ministry of Finances, the income of companies and partnerships which manage the Economic Zones that are exempted from tax in a period of the last 15 years have exceeded 14,6 milliiards of zlotys. The total national aid granted to entrepreneurs who conduct their activity in the zones amounted to next 14,4 milliiards of zlotys. This was the main reason, among other things, of attracting the capital from Germany, USA, Holland, Japan and Italy to Poland as was presented in the table above. According to a report of the Ministry of Economy each year in Special Economic Zones the automotive industry plays the leading role, next modern business services and research and development centres.

5. CONCLUSION

In conclusion, the size of the global foreign direct investments are growing much more rapidly than world trade or production, which in turn causes a rapid increase in the role of FDI as a “binding agent” of global economy. With increasing globalisation, FDI are increasingly used to minimize the possible adverse effects of globalisation and enhance its positive effects. Over the course of liberalization of restrictions on FDI it is important not to cause a situation where national regulations and restrictions could be replaced by a restriction put forward by private companies [Rzepka A., 2013:80]. Those countries that fail to attract foreign investors and use them as a catalyst in the process of modernization of the domestic industry, are at greater risk of being on the verge of globalisation of the world economy.

The basic accusation against special economic zones is an interference with free competition between companies operating in the zone and outside it. A question should be answered whether the development of only particular areas of the zones would attract investments to the same extent as it attracts today. A decision about an investment is conditioned by benefits from running a particular business activity, among other things, tax exemptions. The costs of conducting an economic activity in the zone are lower than conducting it outside the zone. The limitations in granting public aid would definitely be reflected in reducing the number of worksites in the region. A high percentage of unemployment was minimalized by creating special economic zones. The lack of their development would result in a smaller number of the employed and a decrease in the present number of worksites. The characteristic feature of special economic zones in Poland is the fact that the area of one zone may cover the area of a few voivodeships. Each zone is a tool that is able to greatly improve the dynamics of the development of a given region through creating new worksites or locating foreign capital. Moreover, they are a chance to overcome the economic stagnation for many local communities.

Domestic companies that undertake investments abroad may also bring benefits from participation in the processes of globalisation. The government policy in Poland has been focused on attracting foreign investors to Poland for a dozen of years. It supports investing domestic resources abroad in a small extent. Other countries use many instruments to supports such action. In an era of globalisation the investments should flow in both directions. The investors are looking for suitable locations for business and its forms worldwide. The possibility to expand contacts for Polish companies and access global markets, to a large extent, depends on the level of globalisation infrastructure.

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