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Significance of foreign direct investment in the economic development of Lower Silesia 1989–2005

Introduction

In terms of Poland's market economy integration the most important things were its restructuring and opening to the Western countries and on the other hand regulation of its debt and creation of appropriate terms to the foreign capital inflow. Changes in the economy that happened at the beginning of the nineties and in particular those of ownership, economic regulations and institutional conversion were conducive for the foreign investors. The foreign capital inflowing to Poland plays an important role in the privatisation and restructuring process of its economy. The most desired is the foreign capital in form of foreign direct investments (FDI) – mainly because of its long term nature and also domestic units and the whole economy development.

Against a background of the country Lower Silesia is treated as a very attractive region for the foreign investors, being in the country's voivodeship ranking close behind Masovia, Silesia and Little Poland. Its most important assets are great economic potential and convenient location. The foreign capital in the regional development in case of Lower Silesia according to its border location and also central location in Europe is very interesting study object. In the article there was shown the inflow, location and influence of the FDI on the economic development of Lower Silesia in the transformation process based on rich subject literature and source data of the Central Statistical Office (CSO). The Companies Statistic and Registration Department of CSO has issued since 1993 "The economic operation and of the companies with foreign capital" where have been presented the data about number, location and operation of the companies with foreign capital in Poland and also about quantity and structure of the capital and about gained financial effects in the given year. The data are related to the collectivity of the share,

commandit and limited companies and also foreign companies divisions where the foreign capital is engaged, no matter of the quantity and the origin country. The source of CSO data are obligatory reports of the companies with foreign capital and financial reports of the balance and the profit-loss calculation.¹ It is worth to point that the CSO data including the trade law companies registered in the REGON system very often strongly differs from real state because many of the companies were logged out or took their headquarters to other voivodeships. The reason of this is the fact that after the company's logging out it remains for the long time in the register. It was estimated that the difference could reach even 40% of the given units. For the article the particular meaning have the synthetic studies of CSO "The foreign capital in the Lower Silesia voivodeship 1990–1999", SO Wrocław 2000 and "The companies with foreign capital in the Lower Silesia voivodeship 2000–2004", SO Wrocław 2004, because they consist of data about structure of the companies with foreign capital in the Lower Silesia voivodeship.

1. The inflow and location of FDI in Lower Silesia

1.1. The evolution of the FDI inflow in the areas and regions of Poland

In the FDI inflow process to Poland in the system transformation process the particular changes happened in its location in regions both according to value of its inflow and quantity of companies with foreign capital (Table 1).

I. 1989–1993. Until 1993 the most capital inflowed to the area of present Masovian voivodeship (32%), Silesia (25%), Lower Silesia and Great Poland (per 6%). With regard to the quantity of companies with foreign capital after the dominating Masovia (36% – 5644 companies) on the second place was Silesian and Great Poland (per 9%, appropriately 1348 and 1309 companies) and close to them was Lower Silesian (8% – 1261 companies).

II. 1994–2000. In the second stage still was the capital in Masovia that enlarged its share to 57%, increasing the domination over the rest voivodeships. On the second place 8% share was Great Poland that overtook the Silesian (7%). Interesting is the fact of growth of investments in Little Poland (7%) that equated the Silesian. The share of Lower Silesian voivodeship fell to about 5%. With regard to the quantity of companies with foreign capital after the dominating Masovian voivodeship (34%) was Lower Silesia (10% – 4379 companies), Great Poland (9% – 3919 companies), but Silesia fell to the fourth place with 8% – 3712 companies.

¹ Forms KZ, F-02 and SP.

Table 1. The foreign capital inflow to Poland 1993, 2000, 2003 and 2005

	1993		2000		2003		2005	
	Value of inflow in mln PLN	Quantity of companies with foreign capital	Value of inflow in mln PLN	Quantity of companies with foreign capital	Value of inflow in mln PLN	Quantity of companies with foreign capital	Value of inflow in mln PLN	Quantity of companies with foreign capital
Poland	35 473 571	15 167	65 213.3	43 737	97 020.7	48 973	111 028.3	68 340
Dolnośląskie (Lower Silesia)	2 286 923	1261	3124.1	4379	5189.5	4834	9575.0	6926
Kujawsko-Pomorskie	1 393 449	427	674.3	1163	1018.1	1281	1518.0	1818
Lubelskie	221 103	195	834.5	682	420.9	759	642.1	1132
Lubuskie	844 851	608	1033.0	1904	1154.4	2092	1222.0	2882
Łódzkie	1 420 529	701	1910.6	1820	2086.4	2071	2658.8	2879
Małopolskie (Little Poland)	980 796	674	4795.9	2196	7595.5	2375	9302.1	3451
Mazowieckie (Masovia)	11 105 002	5644	36 992.5	15 014	52 927.8	17 090	55 997.8	23 573
Opolskie	933 070	313	934.2	1014	1125.1	1106	1270.4	1567
Podkarpackie	1 774 834	106	880.6	560	1025.0	632	1258.4	949
Podlaskie	141 354	107	446.7	345	369.0	382	208.0	497
Pomorskie (Pomerania)	1 858 401	1147	1220.0	2897	1868.9	3221	2918.7	4376
Śląskie (Silesia)	8 963 855	1384	4279.5	3712	5997.7	4105	9295.2	5934
Świętokrzyskie	267 531	124	1128.3	428	1634.6	478	2902.0	643
Warmińsko-Mazurskie	2 70 811	179	581.2	733	793.2	801	496.3	1097
Wielkopolskie (Great Poland)	2182 341	1309	5408.3	3919	7591.9	4409	10218.1	6037
Zachodniopomorskie (West Pomerania)	828 825	988	969.8	2971	1067.8	3337	1545.3	1903

Source: CSO 1993, 2000, 2003, 2005, Warszawa 1994, 2001, 2004, 2006 and Statistical Year's Voivodeships Issues 1991–2006, CSO, Warszawa 1991–2006.

III. 2001–2005. In the third stage Masovia enlarged successive its domination over rest of the voivodeships reaching the level of 59% of all the investment. The second place 8% sustained Great Poland sharing it ex aequo with Little Poland. On the third place was Silesian (7%), Lower Silesian enlarged further its share to 6%. With regard to the quantity of the companies with foreign capital the percentage share of the particular voivodeships was similar to the second stage.

1.2. Reasons of the inflow to Lower Silesia

In Lower Silesian voivodeship there are very attractive terms for business operating, and also for location of foreign capital²:

- fast tempo of economy's transformation,
- long term and many area region economic development strategy,
- special economic zones,
- high communication access,
- fast telecommunication,
- developed banking net and business supporting institutions,
- high level of urbanization and concentration of the economic activity in the city centers,
- high level of job qualifications of the region citizens,
- access to the unemployed labour,
- valuable natural mineral resources,
- attractive environment, diversified green belts and mineral waters.

According to the studies ran by the Department of Economic Development of the Wrocław City Office the direct reasons that encourage foreign investors to run their business activities are³: absorptivity of the local market linked to the economic activity, human capital, high level of the technical and social infrastructure, developed economic structure, location at the important communication tracks, privatization and restructuring of the industry and also tourist attractiveness.

Among above mentioned the greatest significance have: labour cost, geographical location, investing tradition (German capital for example) and region's developing perspectives that are expressed by the big economic potential of the voivodeship – its among the four voivodeships (Masovia, Great Poland and West Pomerania) with the greatest economic potential in the country.⁴

² On the basis of: *Kapitał zagraniczny w województwie dolnośląskim w latach 1998–1999*, SO in Wrocław, Wrocław 2000, p. 17–19; *Spółki z udziałem kapitału zagranicznego w województwie dolnośląskim w latach 2000–2003*, SO in Wrocław, Wrocław 2004, p. 18–21.

³ Data of the reasons of foreign capital inflow of the Wrocław City Office.

⁴ M. Leśniak, *Konkurencyjność regionów Polski a integracja z Unią Europejską*, [in:] G. Rdzanek, E. Stadtmüller (eds.), *Człowiek, region, państwo w procesach globalizacji oraz integracji*, Oficyna Wyd. Arboretum, Wrocław 2004, p. 267.

1.2.1. The investing attractiveness of the region

Nowadays Lower Silesia is placed on the 4th position in the investment attractiveness ranking behind Silesia, Masovia and Little Poland and its most important attribute is economical and social infrastructure and also activity of the authorities to the investors. IBnGR to its analysis took 5 activity classes: A – the highest one (4 voivodeships), B – a high one (3 voivodeships), C – a middle one (4 voivodeships), D – a low one (3 voivodeships), E – a very low one (voivodeships) – Table 2.

Table 2. The investing attractiveness of Lower Silesia 1999–2005

Criterion in 1999	Class	Criterion in 2005	Class
Communications accessibility	B	Transporting accessibility	B
Labour market	B	Labour costs and resources	B
Business encirclement	B	Economical infrastructure	A
Market absorptivity	A	Market	B
Industry development level	B	–	–
Economy transformation	A	–	–
–	–	Social infrastructure	A
–	–	Safety level	D
Tourism attractiveness	B	–	–
–	–	Authorities activity	A
General investing attractiveness	B	General investing attractiveness	B

Source: Author's own elaboration on base of IBnGR data 1999–2005.

1.2.2. Significance of SEZ for the FDI inflow

A very important significance for the Polish regions restructuring have special economic zones (SEZ) that creation has been one of the most important factors of the regions competitiveness. The competition among regions refers, next to the subventions gaining and other forms of support from the central budget or EU means, firstly to the private investment encourage – businessmen, business organizations (domestic and foreign ones),⁵ so among the others in the form of SEZ creating. In Poland 1995–1997 there were 17 SEZ created (nowadays there exist 14 of them), three of them are located in Lower Silesia: Wałbrzyska, Legnicka and Kamiennogórska SEZ. In 2004 only 14 SEZ attracted USD 2 billion (over a half were FDI).

In Lower Silesia SEZ have a developed infrastructure, besides greenfield fields they offer some industrial objects, buildings and halls as well as qualified labour force. Lower Silesian zones dragged the most of foreign capital absorbing

⁵ B. Winiarski, *Competitiveness factors of regions*, [in:] M. Klamut (ed.) *Competitiveness of regions*, Wyd. AE in Wrocław, Wrocław 1999, p. 49.

more and more of existing labour force. For example the Wałbrzyska SEZ until 2005 dragged 14 foreign companies that during their investment decision making aimed a close nearness of the border and also that the area has a great tradition of the foreign capital investments. Jointly in SEZ in Lower Silesia 2005 there were located 20 companies employing 2400 people. In all three zones their activity registered 134 companies and their real investing expenses exceeded their planned expenses. Together in the Lower Silesian zones 7.5 billion PLN has been invested and the employment was 27 200 people (Table 3).

Table 3. Comparison of SEZ in Lower Silesia (data at the end of 2004)

	Wałbrzyska SEZ “Invest-Park”	Legnicka SEZ	Kamiennogórska SEZ of small business
General zone area (in ha)	745.9	416.7	241.2
Subzones location	Wałbrzych, Dzierżonów, Nowa Ruda, Kłodzko, Jelcz-Laskowice, Żarów, Kudowa Zdrój, Nysa, Świdnica, Strzelin, Wrocław, Oława	Legnica, Legnickie Pole, Polkowice, Krzywa, Lubin, Złotoryja, Środa Śląska	Kamienna Góra, Nowogrodziec-Wykroty, Lubań, Jawor, Krzeszów, Lubawka, Piechowice
General number of companies	34	36	15
In that with foreign capital	21	14	3
Investment (in PLN millions)	4317 (41% of general investment)	2800 (27% of general investment)	600 (5.8% of general investment)
Employment	18 300 (2.1% of general employment)	6700 (0.8% of general employment)	2200 (0.2% of general employment)

Source: Author's own elaboration on base of: Domestic and foreign investors in SEZ in Lower Silesia 2004 (Wałbrzyska, Legnicka i Kamiennogórska SEZ). The state for January 2005 and Statistical Year's Issue of Lower Silesian Voivodeship 2005.

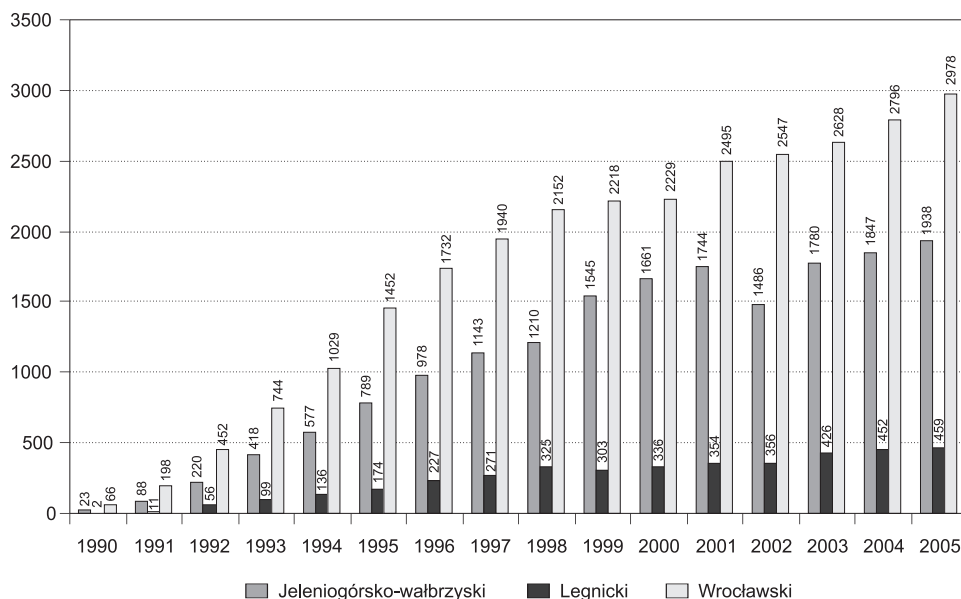
1.3. Location of FDI in subregions of Lower Silesia

The geographical structure of foreign investment in Lower Silesia has been changing for years. With regard to the capital location 1998–1999 the most of it was invested in Wrocław – 1977.1 million PLN (58.5% of all foreign capital), then in Polkowicki district – 395 million PLN (11.7%) and Strzełiński district – 253.8 million of PLN (7.5%) and in Legnica – 90.2 million PLN (2.7%).

In Wrocław among many in region operating companies 1914 located their activity in the city or on its suburbs (Toyota, Volkswagen, Volvo, Coca-Cola and

Pepsi Co). Particularly interests is in banking sector in where 72% of all city's foreign capital quantity were engaged (for example Irish capital in Bank Zachodni WBK SA – 585 million of USD and French Credit Agricole in Lucas Bank SA – 260 million of USD). Next to it over 355 million of USD that is only 25% engaged the foreign capital in production (for example French Alcatel – over 150 million of USD and British Oxygen Corporation (BOC Group) – near 130 million of USD).

In the years 1999–2000 an interest of foreign capital in immobility services activity, hiring and business running.⁶ Among urban boroughs of the region the most investments are located in subwrocławian Kobierzyce (Bielany cross): a chocolate factory Cadbury and glucose syrup works of American Cargill (36 million of USD), and also ice-cream works of Schoeller (10 millions of USD). A great investment is a furniture hypermarket IKEA (90 million of USD) and Castorama hypermarket (40 million of USD), Makro Cash and Carry (17.5 million USD), Tesco and OBI. Foreign companies willingly invest in other boroughs around Wrocław for example German Selgros in Długołęka, Roebben firm in Środa Śląska and British GKN in Twardogóra.⁷



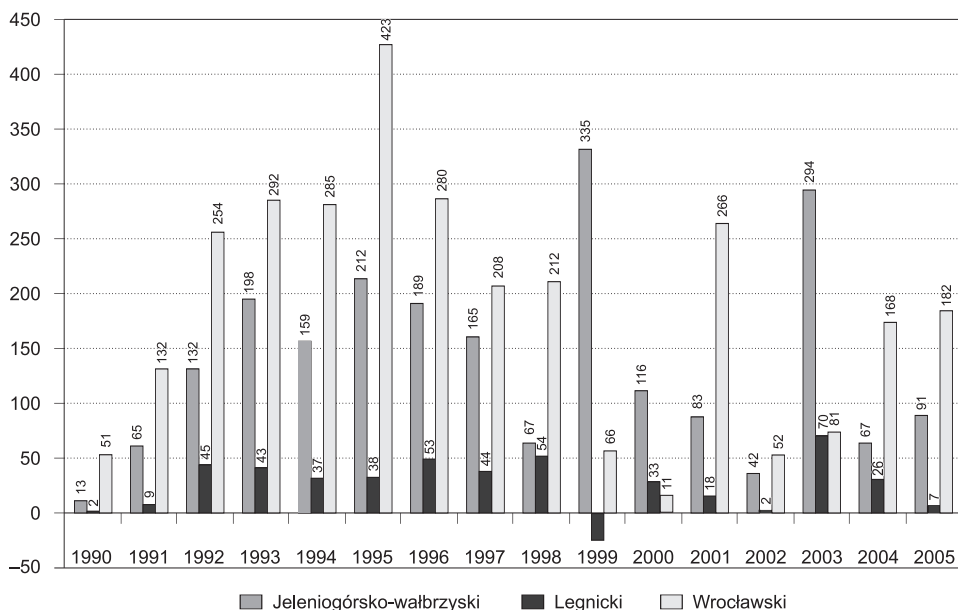
Graph 1. Quantity of companies with foreign capital in Lower Silesian voivodeship 1990–2005 (according to subregions)

Source: Author's own elaboration on base of: Statistical Year's Issue of Voivodeships 1991–2006, CSO, Warszawa 1991–2006.

⁶ On the basis of the Economic and Analysis Department in Wrocław City Office Economical Initiative Department studies.

⁷ *Dolnośląska Panorama Samorządowa 2002.*

Taking into consideration the location of foreign capital in Lower Silesian voivodeship at the end of 2003 the greatest capital was still invested in Wrocław – 1698.9 million of PLN (32.7% of general quantity of foreign capital located in 695 companies), then in Wałbrzyski – 933.2 million of USD (18% in 50 companies) and in Polkowicki – 449.5 million of PLN (8.7% in 24 companies).



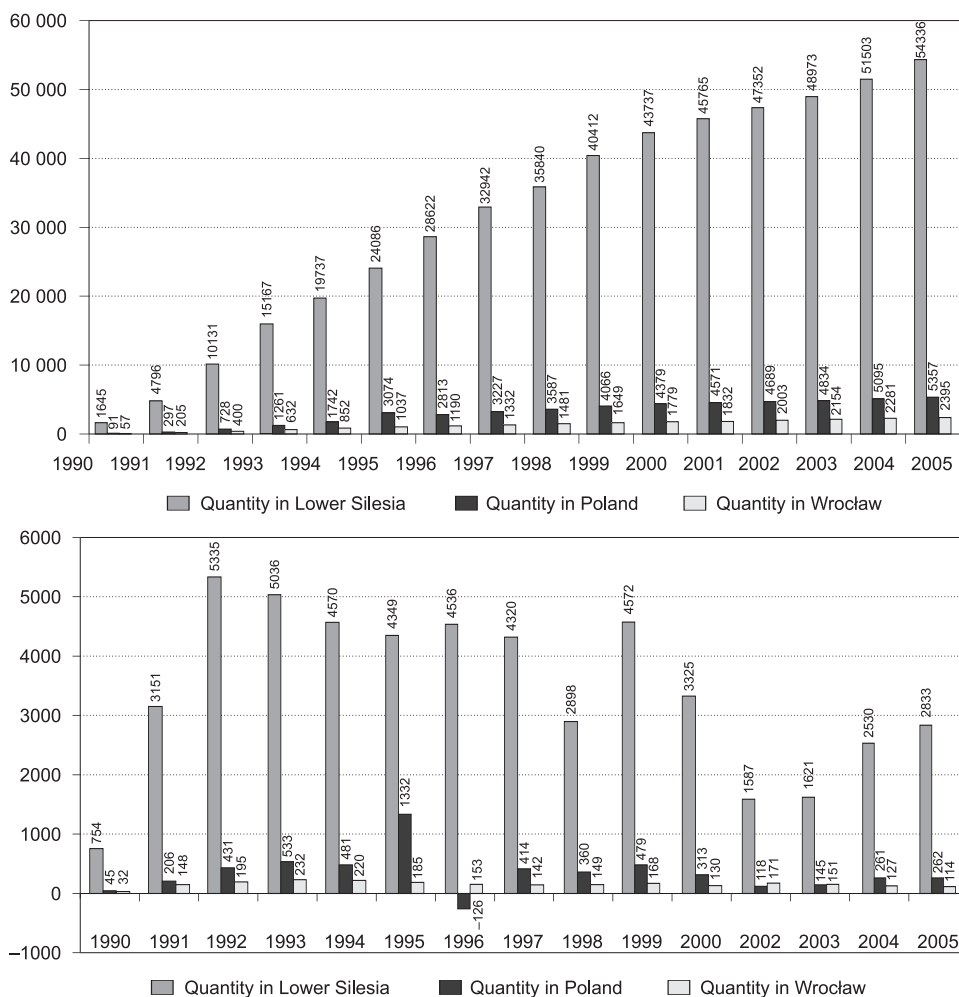
Graph 2. Dynamics of quantity changes of companies with foreign capital in Lower Silesian voivodeship 1990–2005 (according to subregions)

Source: Author's own elaboration on base of: Statistical Year's Issue of Voivodeships 1991–2006, CSO, Warszawa 1991–2006.

1.4. Phases of FDI inflow on Lower Silesia according to the number of companies and the value of foreign capital

Phases of foreign capital inflow to Lower Silesia in comparison to the phases of foreign capital inflow to Poland, according to the number of companies and the capital involved, show a great discrepancy (Graphs 3 and 4).

1989–1994. Number of companies with foreign shares was dynamically growing in that phase from 61 to 1742 which determined about 11% of companies on the whole, with foreign capital in Poland. Only in 1994, there were 936 new companies registered. Until 1994 the amount of the capital invested was systematically growing as well as due to its value and dynamics, and its accumulated value exceeded 333 mln PLN.



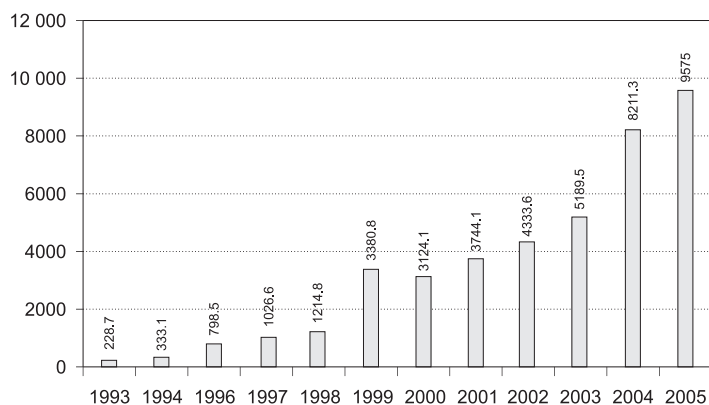
Graph 3. Companies with foreign capital in Poland, Lower Silesia and Wrocław 1990–2005 (according to quantity and inflow dynamics)

Source: Author's own elaboration on base of: Statistical Year's Issue of Voivodeships 1990–2005, CSO, Warszawa 1991–2006.

1995–1999. With the decrease of newly established joint stock companies with a foreign capital in Poland, the dynamics of their growth became weaker in Lower Silesia. They constituted only 9.7% of companies with the foreign capital in Poland on the whole. In the valuable configuration it is possible to notice a constant increase of the amount involved in foreign companies capital. In 1999 a dynamic investment leap took place and 3.4 billion PLN were invested.

2000–2004. Alike to Poland, the decrease trend of newly established companies with foreign capital was keeping on in Lower Silesia as well. In 2001 only 113

new companies were established and their participation in the foreign capital in Poland was kept on the level of 10%. In the valuable configuration the dynamics of capital invested into those companies was weaker and on the whole 3.1 billion PLN were invested. Since 2001 investments accelerated and reached 9.6 billion PLN in 2005.



Graph 4. Dynamics of foreign capital inflow in Lower Silesia 1990–2005 (in million PLN)

Source: Author's own elaboration on base of: Statistical data of CSO 1993–2005, Warszawa 1994–2006.

1.5. The structure of FDI inflow

1.5.1. Types of commercial law companies according to legal forms

At the end of 1998 in Lower Silesia province in the REGON system there were 11 018 commercial law companies registered, out of which 2477 declared to possess foreign capital. A year after there were 12 055 companies, out of which 3401 declared to possess foreign capital. Among transactors which submitted reports at the end of 1998, 1437 possessed foreign capital, in 1999 – 1556. The majority consisted of limited partnership companies in 1998 – 56 and 1381 limited partnership companies, and in 1999 there were 54 and 1502.

In 1999, foreign capital companies located in the area of Lower Silesia constituted 11.6% of foreign capital companies in Poland. The number of foreign capital companies placed Lower Silesia on the 2nd position among other provinces (straight after Masovia – more than 42%).

Among companies which submitted a report in 2000, the pace of the growth of foreign investments was stopped and for the first time the capital of the companies was lowered and the investment activity was weakened. In 2001, it is to be noticed that there existed 1587 foreign capital companies, in 2001 the number was diminished by 65 despite growing tendency in the country. In 2002 a growth of foreign capital companies took place and this tendency was kept till the very end

of 2003 and the number of foreign capital companies equaled 1675 (58 SA, 1605 limited partnership companies, 9 commandite companies and 3 departments of foreign business people – Table 4.

Table 4. Structure of companies with foreign capital in Lower Silesia in the years 1998–2003 (according to the law forms)

Specification	1998	1999	2000	2001	2002	2003
General	1437	1556	1587	1522	1593	1675
Share Companies	56	54	59	56	57	58
Limited Companies	1381	1502	1530	1465	1531	1605
Commandite Companies	–	–	–	–	3	9
Divisions of foreign entrepreneurs	–	–	–	1	2	3

Source: Author's own elaboration on base of: Statistical data of CSO 1998–2003, Warszawa 1999–2004.

In 2000, in comparison with the previous year, there was a 2% growth of foreign capital companies in the county itself, and in 2001 there was a decrease by 4.1% and in the years coming – growth by 4.7% and 5.2%. When it comes to the contribution of commercial law companies in the general number of companies, in 1998–2003 it decreased from 13% to 9.8%.

1.5.2. The value of the country and its origins

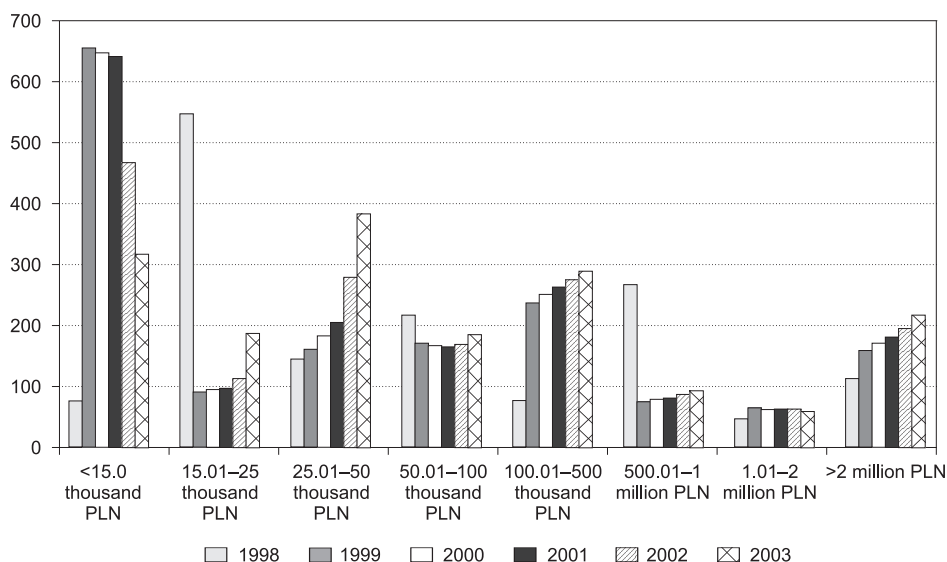
In 1998–2005 capital located in foreign capital companies mainly came from abroad. The dynamics of foreign capital after 2000 was very high and in the coming years it grew up to 19.8%, 15.7% and 19.8%. This capital equaled 5189.5 mln PLN at the end of 2003 which means growth by 66.1%. Companies with foreign capital exceeding 1 mln PLN stated only 15% of the general number of companies, however, companies with the value of foreign capital – 500 thousand PLN – as much as 80% (Graph 5).

1.5.3. Types of activity according to branches

Between 1998–2005 the most (almost two thirds) of companies having foreign capital were accumulated in sections: commerce, repairs, production activity, property services and firms as well as building industry. In all those specializations activity, after a slight increase in 2000 (in comparison with the previous year), in 2001 it decreased. In 2000 the biggest capital was owned by companies which dealt and owned industry – 2462 mln PLN, which meant 70.7% of capital on the whole.

1.5.4. Countries of origin

In 1999 foreign capital invested in Lower-Silesian enterprises came from 59 countries (in comparison with 1998 – from 56). The highest amount of capital, investors and companies came from Germany – 52.6% (640.4 mln PLN).



Graph 5. Commercial companies with foreign capital in Lower Silesia in the years 1998–2003 according to quantity and capital size

Source: Author's own elaboration on base of: *Kapitał zagraniczny w województwie dolnośląskim w latach 1990–1999*, SO in Wrocław, Wrocław 2000; *Spółki z udziałem kapitału zagranicznego w województwie dolnośląskim w latach 2000–2003*, SO in Wrocław, Wrocław 2004.

In 2002 foreign capital of companies came from 58 countries (in 2003 from 62). Main investors were from EU countries – the companies dominating usually came from Germany and their shares in 2001 accounted for 40.1% (1739.4 mln PLN). This capital came from 1145 shareholders, and was invested in 882 companies. In the end of 2003 German capital equaled 1815.3 mln PLN (35.0%) and came from 1205 shareholders in 913 companies.

In 2003, in the structure of capital invested according to the origin of the country, there were vital changes: Germany was still the leader – 35%, followed by Dutch 12%, and then 9,6% – French, English – 4,5%.

Till the end of 2004, in the general number of companies with foreign capital – 86.2% – were those ones with the capital coming from European Union.

1.5.5. The income

In 1998, foreign capital companies (1.6% of the general entities submitting the balance) overall incomes reached 10.5 billion PLN, which meant 16% of incomes by entities submitting the balance.

In 1999 incomes of scrutinized foreign capital companies rose to 16.8 billion PLN and costs of obtained incomes were 17.1 billion PLN. Gross outcome of those equaled minus 289.4 mln PLN. In the coming years financial outcomes were slightly better. The growth of the overall activity influenced their growth.

The value of circulating assets in the scrutinised companies in 2003 equaled 26.8 billion PLN and was bigger by 12.6% – as in the previous year, and among those reserves – higher by 8.3%, amount due and claims higher by 11.5%. Relation of covenants to amount due and claims got better in 2003. Short and current liabilities rose to 14.7 billion PLN and were by 2.1 billion PLN higher than in 2002. Current liabilities stated 33.7% of covenants total (28.5% as in the previous year).

1.6. Wrocław agglomeration

Despite lack of data on the process of foreign capital inflow to all the former agglomerations in Lower Silesia (Jelenia Góra, Wałbrzych, Legnica), agglomeration of Wrocław has been deeply analysed on the basis of CSO, PAIIZ and elaboration by Wrocław City Council.⁸

Investment such as *greenfield* – based on the cooperation with Polish companies or those related with purchases of already existing building – are the proof that the city attracts as well as the surrounding areas. It is a significant fact that companies which decided to purchase land for building and industrial purposes accumulate their investments in suburbs. Foreign capital, of a great value and meaning for the city itself, is located at motorway junction where the greatest investments took place. Those companies are: British Cadbury, Swedish IKEA, Dutch Makro Cash & Carry, French Castorama and American CARGILL and General Bottlers. In 2004 a new rebuilding extension of Castorama, IKEA centre and TESCO took place. A German company BOSCH started a new investment, at the very border with Wrocław – those are car breaking systems produced by limited liability companies. Moreover, Japanese consortium – Toyota started rebuilding of factory of diesel engines in areas belonging to Jelcz-Laskowice. Many out of foreign entities decided to cooperate with Polish companies or to buy already existing industry buildings. Among those are: VOLVO which opened a new industrial centre, WABCO, 3M purchased majority of holdings owned by Viscoplast and Spanish Fagor Electrodomesticos – a strategic investor of Wrozamet, Whirlpool, which bought shares of a leading household goods producer – Polar and shareholder of Pafawag – Bombardier Transportation. In Wrocław itself, an international potentate invested under the name of Maco Pharma consortium.

1.6.1. Conditions and phases

In the whole process of system transformation to market economy, there was an inflow of 1.6 billion USD of foreign capital to Wrocław. At the end of 2004, among 8066 commercial law companies recorded in REGON registry in the area of Wrocław commune, there are companies out of which are foreign capital companies. The number of foreign capital companies has been becoming bigger as

⁸ *Kapitał zagraniczny we Wrocławiu*, issued by Urząd Miejski Wrocławia, Wrocław 2004.

well as in Lower Silesia (with the exception of 1996) and in Wrocław.⁹ In the past decade the number of companies in Lower Silesia has increased by 50 times (out of 91 to 4834 companies), and 30 times in Wrocław.¹⁰

Companies with foreign capital registered in Wrocław state 42% of all entities having foreign capital in Lower Silesia.

Wrocław is one of highly marked cities according to the investment attractiveness. The city's main assets are: a big local market, its absorption and quality of the local market, social atmosphere for investments – high level of education and qualifications of Wrocław residents. The city is regarded as the main centre of education, science, art and highly developed technical infrastructure as well as business surroundings, accessibility, effectiveness of system and economic transformation and tourist attractiveness.

Due to the fact that there is a lack of data regarding the accessibility of foreign capital inflow to Wrocław, the phases of the inflow itself were traced on the basis of number of companies criteria with a foreign capital, registered in REGON system:

I. 1989–1993. In this phase the number of foreign capital dynamically grew from 25 in 1989 to 632 in 1993, which gives an average increase of companies on the level of 151 annually. This year (1993) was the most beneficial regarding the number of registered companies – 232 new companies.

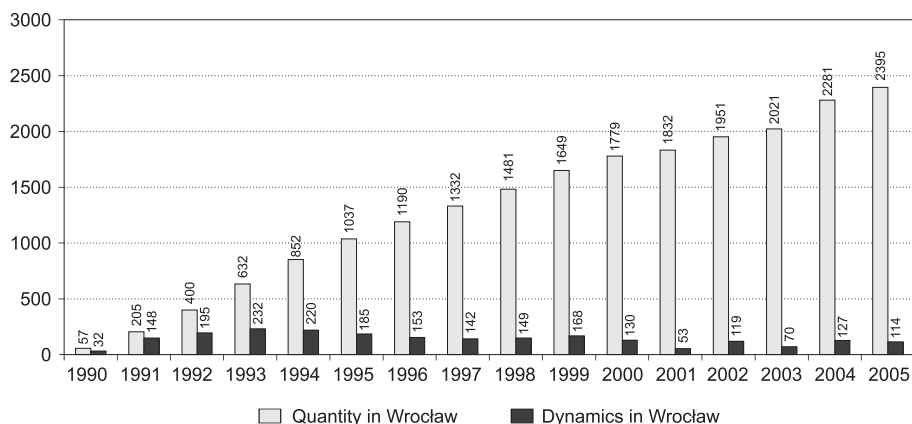
II. 1994–1997. With the general growth of the inflow of foreign capital to the city and further increase of newly opened companies, the dynamics of newly registered ones was getting weaker. From the very beginning of 1994, when there were 220 newly opened till 1997 when only 142 opened, however, an average annual growth was higher and was about the level of 175.

III. 1998–1999. From 1998 a growth of newly opened companies (those of foreign capital) could be seen in Wrocław and the number was increased by 142 in 1998 and by 168 in 1999.

IV. From 2000 there was a sudden abatement in interest of creating new companies. In 2000 there were 130 opened and in 2003 only 70. There was a positive prognosis in 2002 when 119 new companies were opened. In those years 372 newly opened companies were registered which gives 100 companies annually and due to this fact that it was the worst outcome.

⁹ According to: *Kapitał zagraniczny w województwie wrocławskim w latach 1993–1997*, SO in Wrocław, Wrocław 1998.

¹⁰ According to: *Kapitał zagraniczny w województwie dolnośląskim w latach 1998–1999*, SO in Wrocław, Wrocław 2000.



Graph 6. Companies with foreign capital in Wrocław in the years 1990–2005

Source: Author's own elaboration on base of the CSO data 1990–2005.

1.6.2. Changes in structure

Due to the value of foreign capital inflow, 94% of shares engaged in the capital are owned by: Ireland (Bank Zachodni WBK), Germany and France. Due to the number of foreign capital companies, German capital created 954 – almost a half (47%) of companies, then Vietnamese 10% and then with some small shares – Italy, France, USA, Austria and 4% by the Netherlands with share of 3%. It is a very interesting fact that capital of about 409 thousand USD came from Vietnam and created 198 companies. On the other hand, Irish capital has the biggest amount of shares according to the capital itself – about 746 mln USD and opened only 5 companies.

Due to the value of foreign capital, 96% of it has been invested into financial mediation (about 1 billion USD), 34% into production activity (about 0.5 billion USD), wholesale commerce and retail property services, lease and activity related to business guidance (accordingly: 48 and 6 mln USD).

Due to the number of foreign capital companies, the highest number of entities declared commercial activity (897 companies, 45%), production (406 companies, 20%) and related with property services, lease and business guidance companies (333 companies, 16%).

1.6.3. Wrocław on the background of city agglomerations in Poland

When it comes to evaluating the attractiveness of Wrocław for foreign investors it should be compared to other big cities situation.

Gdańsk, Kraków, Łódź, Poznań and Szczecin have been chosen to be analysed.

Table 5. Companies with foreign capital in several cities in Poland 2000–2004

	2000			2001			2002			2003			2004*		
	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C
Gdańsk	5764	1063	18.44%	6113	1092	17.86%	6438	1114	17.30%	6624	1136	17.15%	6714	1147	17.08%
Kraków	7050	1553	22.03%	7612	1514	19.89%	8417	1550	18.42%	8900	1609	18.08%	9204	1648	17.91%
Łódź	4651	1163	25.03%	5107	1242	24.32%	5642	1282	22.72%	5973	1327	22.22%	6095	1341	22.00%
Poznań	7173	1892	26.38%	7865	2010	25.56%	8524	2097	24.60%	8969	2146	23.93%	8992	2174	24.18%
Szczecin	3787	1317	34.78%	4134	1342	32.49%	4492	1374	30.59%	4719	1445	30.53%	4825	1472	30.51%
Wrocław	6190	1973	31.78%	6915	2047	29.60%	7555	2088	27.64%	8020	2154	26.86%	8299	2200	26.51%

A – Commercial companies total; B – Commercial companies with foreign capital; C – Percentage of companies with foreign capital in relation to total number of commercial companies; * – Data at the end of 30.06.2004

Source: Author's own elaboration on base of "Miasta wojewódzkie – wybrane dane statystyczne", GSO, Warszawa 2004.

Table 6. Dynamics of changes of number of companies with foreign capital in several cities in Poland

City	Years	Quantity of companies with foreign capital					Dynamics of changes of number of companies with foreign capital				
		2000	2001	2002	2003	2004	2001/2000	2002/2000	2003/2000	2004/2000	
Gdańsk	1063	1092	1114	1136	1147	1147	103	105	107	108	
Kraków	1553	1514	1550	1609	1648	1648	97	109	104	106	
Łódź	1164	1242	1282	1327	1341	1341	107	108	114	115	
Poznań	1892	2010	2097	2146	2174	2174	106	108	113	115	
Szczecin	1317	1342	1374	1445	1472	1472	102	110	110	112	
Wrocław	1973	2047	2088	2154	2200	2200	104	107	109	112	

Source: Author's own elaboration on base of "Miasta wojewódzkie – wybrane dane statystyczne", GSO, Warszawa 2004.

All of them are capitals of the counties. The juxtaposition (Table 5) shows that due to the share of foreign capital in the general number of commercial law companies, Wrocław is constantly placed on the second place, straight after Szczecin. Gdańsk and Kraków are presented in the worst situation. Wrocław with the average share of 29% and Szczecin (32.6%) in a meaningful manner stand out on the background of other cities. This share decreases every year and this concerns all the cities.

Dynamics of that process was shown in Table 6.

1.6.4. Outcomes of foreign capital inflow to Wrocław

Foreign investors, accumulating their activity in the area of Wrocław, arranging their capital there, contributed broadly to economically developing city.

The most of results of foreign inflow of capital covers with nationwide ones – it has been limited to characteristic list for the FDI inflow to Wrocław agglomeration.

a) Positive:

FDI accelerates modernization of economic structure and influence unemployment¹¹ – there are some big investors assuring 1000 vacancies (Volvo Polska Sp. z o.o., Wabco Polska Sp. z o.o., Cussons SA, Polar SA, Bank Zachodni WBK SA, LUKAS Bank SA).¹²

b) Negative:

From another point of view, foreign capital is dispersed among small companies. Majority of them employs a small number of workers – 96% does not employ more than 49 people, 88% up to 9.

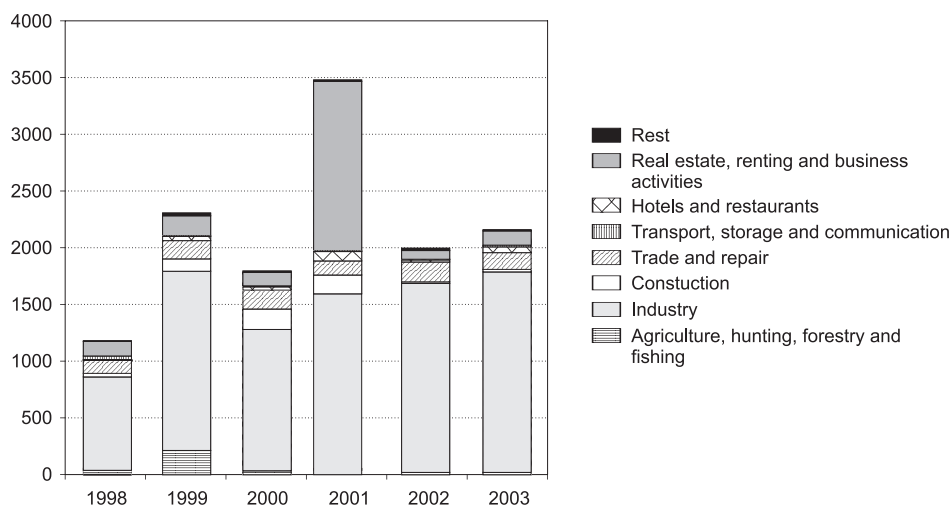
2. Influence of FDI on economic development of Lower Silesia

2.1. Investment expenditure of FDI in the region

In the whole period being examined, the share of foreign capital companies in investment expenditure was growing from 35.5% (1.9 billion PLN – persistent funds 1.5 billion PLN) to 40.5% (2.2 billion PLN persistent funds in it – 1.8 billion PLN). Companies dealing with industry, commerce and repairs, building services and property and firms services (Graphs 7 and 8).

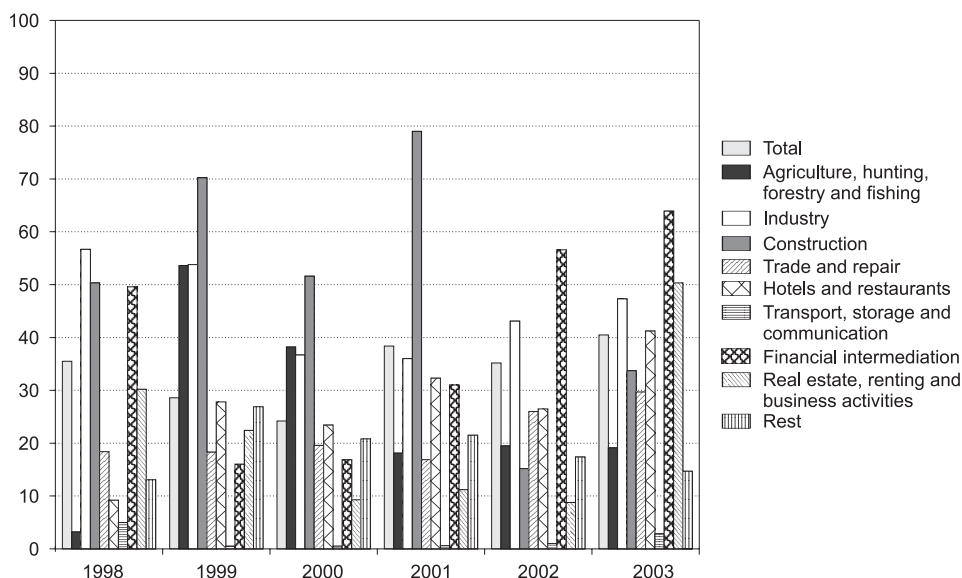
¹¹ Data taken from Wrocław City's Office research 2004.

¹² According to: *Listy największych inwestorów zagranicznych w Polsce*, PAIZ, Warszawa 1993–2003.



Graph 7. Structure of investments of companies with foreign capital in Lower Silesia in the years 1998–2003 in millions of PLN

Source: Author's own elaboration on base of "Kapitał zagraniczny w województwie dolnośląskim w latach 1990–1999", SO in Wrocław, Wrocław 2000; "Spółki z udziałem kapitału zagranicznego w województwie dolnośląskim w latach 2000–2003", SO in Wrocław, Wrocław 2004.



Graph 8. Percentage of commercial companies with foreign capital in investments of commercial companies in Lower Silesia in the years 1998–2003

Source: Author's own elaboration on base of the CSO data 1998–2003.

2.2. The influence of FDI on the work market, level of employment and unemployment level

The share of employed in foreign capital companies in Lower Silesia county in 1998–2003 systematically grows (from 5.5% in 1998 to 8.4% in 2003). Hotels, restaurants and industry companies employ the highest number of people (see Table 7).

Table 7. Employees in companies with foreign capital and employees total in Lower Silesia in the years 1998–2003 (in %)

	1998	1999	2000	2001	2002	2003
Industry	16.7	18.4	21.3	20.0	22.2	24.7
Construction	2.0	2.4	2.9	4.4	4.2	4.1
Trade and repair	3.5	3.9	4.7	4.7	6.4	6.6
Hotels and restaurants	5.9	9.1	21.8	25.7	26.8	26.0
Transport, storage and communication	0.4	0.5	0.8	0.8	1.1	1.5
Real estate, renting and business activities	5.2	6.9	3.7	3.9	3.9	3.8

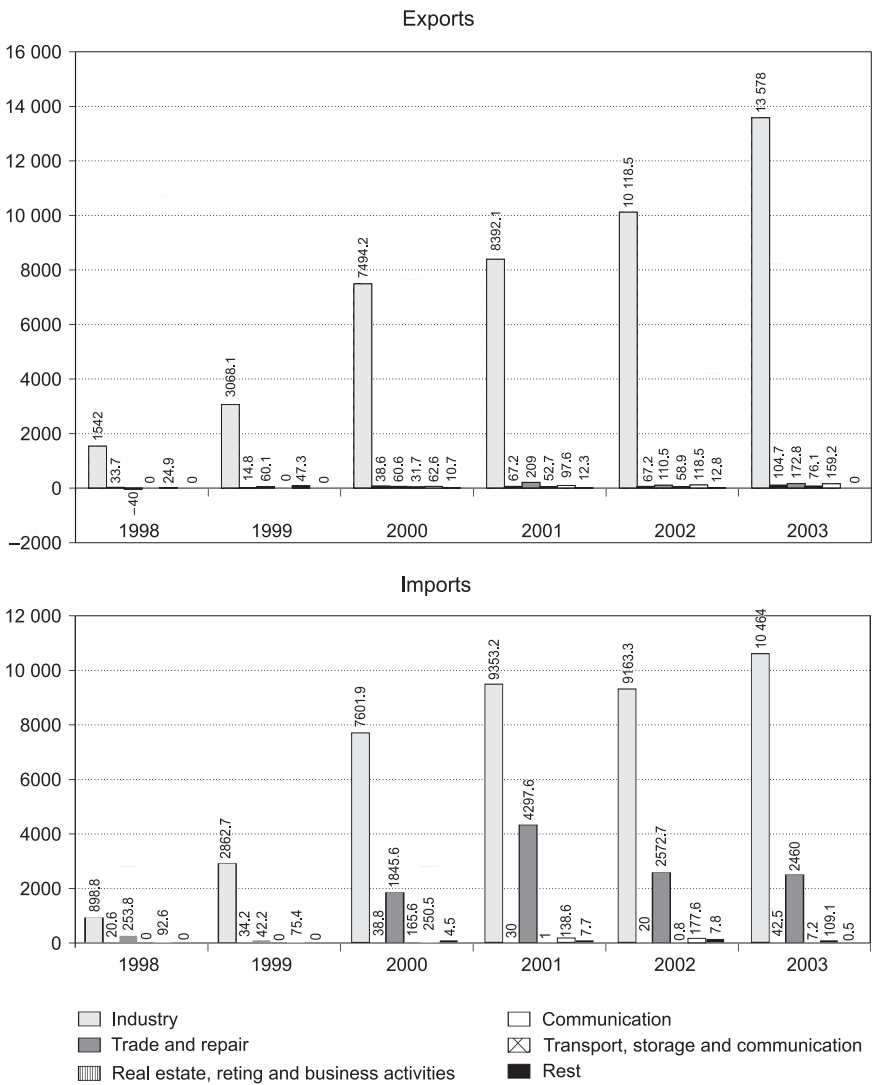
Source: Author's own elaboration on base of the CSO data 1998–2003.

2.3. Exports and imports of foreign capital companies

Out of existing and functioning companies in Lower Silesia country, in 1998 – 304 dealt with goods export and 241 exported their services. Out of the exporting companies, 237 dealt with production activity and the value of their export equaled 1.3 billion PLN which meant 95% of the general value of exported goods. In 1999, 594 companies dealt with export activity out of which 358 exported goods and 236 their services. The value of export increased twice as much as it was in 1998 and equaled almost 3 billion PLN. The value of services levelled the same and equaled 271.8 mln PLN.

In 2000–2003, 45% companies imported and 35% exported goods and services. In 2001 a higher rate of growth was observed, however, from the beginning of 2002 after a meaningful growth of export value by 18.7% in comparison with the previous year and the decrease import value by 13.5%, a faster pace of export could be noticed.

The biggest group of exporters and importers as well were entities dealing with industry and commerce.



Graph 9. Value of exports and imports in companies with foreign capital in Lower Silesia in the years 1998–2003 (in millions of PLN)

Source: Author’s own elaboration on base of the CSO data 1998–2003.

2.4. Extension of innovation and organisational-technological development¹³

Extension of innovation and organisational-technological development comprise the effect of demonstration, competition and effect *learning by watching*.

As it can be concluded from opinion pools conducted in December 2003 by Institute of Social Research in Sopot for the Centre of European Integration at Gdańsk University,¹⁴ among categories of technologies introduced to enterprises with the arrival of foreign investors, the biggest meaning was played by new machines and devices, new methods and general quality improvement.

It is not doubtful that LG Philips LCD constant innovation and technological development have been the most spectacular phenomena in Lower Silesia. The giant of electrical branch announced their decision on building a supermodern factory in suburban community of Kobierzyce. In Biskupice Podgórne, there will be wide-screens LCD produced. Primarily production lines will carry 3 mln of screens annually and in 2011– produced 11 mln of units. LG Philips investment is outstanding not only because of the amount of the edition but also because of new vacancies. Straight after LG Philips there will be 6 new subcontractors in Kobierzyce. They are going to invest 1.1 billion PLN into their factories and will employ about 7000 people.

New enterprise of Taiwan company Advanced Digital Broadcast (ADB) is to be launched in Wołów. The firm was founded by Andrzej Rybicki, a Polish engineer living in Taiwan. It is going to deal with software and decoders for Polish digital television.

Italian company Adeo Group opened an enterprise producing screens for videorepresentations. In the built factory (for 11 mln PLN) there will be 23 vacancies. 30 thousand of screens of the width of 2–4 m will be made and about a thousand of the width up to 20 m.

3 M is also preparing for new modern technology investments. The owner of old Viscoplast has recently bought a 13-hectare land for about 10 mln in Kowalska street.

Americans are going to build a new factory. It is not the only venture of this consortium in Wrocław. In this very year, in Wrocław, there is going to be a production of light plaster launched – for 30 mln USD.

¹³ E. Stawasz, *Przegląd podstawowych pojęć: innowacje, transfer technologii, krajowy i regionalny system innowacji, polityka innowacyjna*, [in:] T. Markowski, E. Stawasz, R. Zembaczyński (eds.), *Instrumenty transferu technologii i pobudzania innowacji, wybór ekspertów*, Zespół zadaniowy ds. polityki strukturalnej w Polsce, Warszawa 1997, p. 10.

¹⁴ A survey studies ran in December 2003 by Pracownia Badań Społecznych (Institute of Social Research) for Ośrodek Badań Integracji Europejskiej (Centre of European Integration). Among the surveyed companies there were 151 companies with foreign capital. Surveyed were also companies with Polish capital only (38 companies) to identify and point the intensiveness of technology transfer effects from companies with foreign capital to the Polish ones.

Research Centre – so-called prototype house – which is going to be launched by Whirlpool. Engineers from Wrocław will be preparing new models of products for the consortium factories all over the world.

Siemens is also systematically developing its department in Wrocław, where they deal with software for mobile network representing the newest generation (UMTS system). This is the biggest centre of the consortium of this type in Europe.

Lower Silesia is also very much appreciated by household equipment companies. It is mainly due to traditions of the region itself. A classical industrial cluster is being created here. Giants bring subcontractors who very often produce for more than one client.

New ventures are planned, among others by owners of long-term tradition. In April last year, a new board in Whirlpool Europe announced that they are going to invest about 100 mln Euro into rebuilding the factory in Wrocław. In September 2005 kitchen tiles factory was officially launched. About 500 vacancies are to be found there.

A Spanish group Fagor, owner of Wrozamet, is going to cover expenditures of 131 mln PLN of new washing machines and fridge factories. Already existing line producing cookers will also be rebuilt. The launch of production is planned to be started in March, next year.

Introduction of a Swedish giant into the market was the most spectacular event of the ending year. Electrolux is building 3 factories in Lower Silesia. In Żarów there will be dishwashers produced. All in all Electrolux is going to invest more than 300 mln PLN into Lower Silesia factories and is going to create 1000 vacancies.

2.5. The impact on the economic level of development

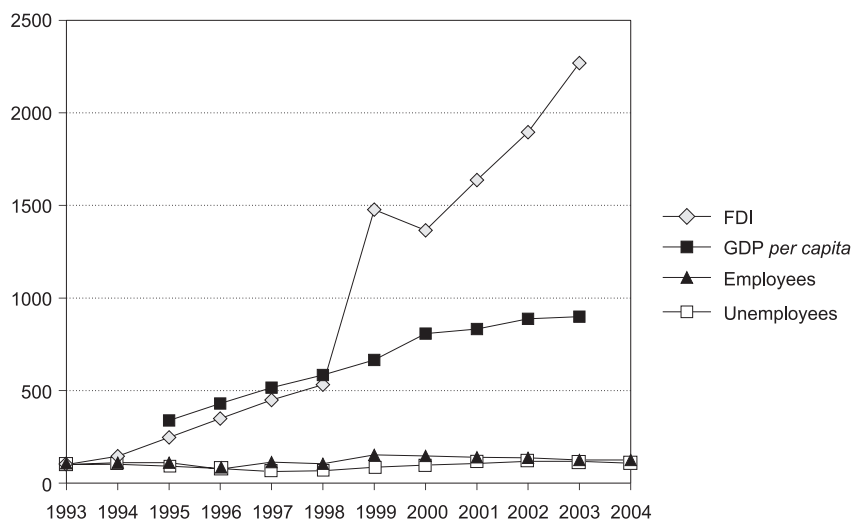
The GDP level of reached economic development in Lower Silesia can express outcomes of industrial conversion in the region. Due to preliminary analysis it can be concluded that GDP developmental slump also influenced Poland and the economy in Lower Silesia 1989–1992 as well. GDP slump in this region *per capita* turned out to be more severe than average in the country. From the very 1993, with a gradual increase of economy, the country experiences GDP growth in Lower Silesia. A question appears: when and if Lower Silesia is going to reach the level of development from 1989? According to the optimistic version, the rate of economic development of counties shows that the economic growth in Lower Silesia was faster and its level was being rebuilt till 1995. Simultaneously the GDP rate *per capita* exceeded the average one in the county. According to the new version, in 1995–1998 economic growth in the region was slower than in other ones and GDP *per capita* placed the region on the 4th position. If that tendency of development had been keeping on it could have been considered as the consequence of

Table 8. The amount of FDI, GDP *per capita*, employment and unemployment in Lower Silesia 1993–2004 according to the administrative partition after 1998

	FDI		GDP <i>per capita</i>		Employees		Unemployees	
	in millions of PLN	dynamics (1993=100)	in PLN	dynamics (1993=100)	quantity	dynamics (1993=100)	quantity	dynamics (1993=100)
1993	228.7*	100	2445.0	100	702 400	100	238 300	100
1994	333.1*	145	—	—	775 735	110	240 500	101
1995	565.8	247	8300.0	339	774 407	110	216 400	91
1996	798.5	349	10 507.0	430	525 995	75	189 600	79
1997	1026.6	449	12 619.0	516	791 962	113	150 000	63
1998	1214.8	531	14 290.0	584	730 234	104	160 510	67
1999	3380.8	1478	16 273.0	665	1 072 639	153	203 376	85
2000	3124.1	1366	19 765.0	808	1 025 616	146	231 653	97
2001	3744.1	1637	20 380.0	833	974 805	139	252 450	106
2002	4333.6	1895	21 193.0	887	961 803	137	279 309	117
2003	5189.5	2269	21 986.0	899	876 031	125	278 271	117
2004	—	—	—	—	875 865	125	257 129	108
2005	9575.0	4187	—	—	—	—	—	—

* – values in PLN.

Source: Author's own elaboration on base of Statistical Years Voivodeships Issues 1993–2006, CSO, Warszawa 1993–2006; GDP according to voivodeships in the years 1993–2005, CSO, Katowice 1994–2006.



Graph 10. Dynamics of the FDI inflow, GDP *per capita*, employment and unemployment in Lower Silesia, 1993–2004

Source: Author's own elaboration on base of Statistical Years Voivodeships Issues 1993–2006, CSO, Warszawa 1993–2006; GDP according to voivodeships in the years 1993–2005, CSO, Katowice 1994–2006.

double industrial conversion in the region and factors such as outcomes regarding negligence of development in the two primary phases and outcomes of recreations being made under the conversion influence leading to market economy.¹⁵

Analysis of results of GDP inflow to the region of Lower Silesia, outcomes of comparable inflow analysis GDP and FDI *per capita*, employment and unemployment in 1993–2004 should be taken into account (Table 8, Graph 10).

It can be seen from the graph that a considerable growth of GDP dynamics inflow in the region as accompanied by a slow growth DPI growth *per capita* and also by a slow but constant increase in employment and decrease in unemployment.

2.6. The influence on the economy in Lower Silesia in the process of privatisation

Most distinctly the influence of foreign capital on the economy of Lower Silesia can be established on the basis of foreign capital shares in the process of privatisation.

¹⁵ J. Kociszewski, *Specyfika i skutki podwójnej restrukturyzacji społecznej i gospodarczej w rozwoju Dolnego Śląska*, [in:] *W kręgu historii i politologii. Księga jubileuszowa dedykowana prof. S. Dąbrowskiemu*, Wyd. Uniwersytetu Wrocławskiego, Wrocław 2002, p. 317.

Table 9. Foreign capital in economy privatisation process in Lower Silesia in 2005

Lower Silesia	Companies		Income		Employment		Investment	
	quantity	in %	in billions of PLN	in %	quantity	in %	in thousands of PLN	in %
General	148	100.0	71.9	100.0	159 397	100.0	4 891 555	100.0
Public	18	12.0	31.2	43.0	72 001	45.0	3 220 194	66.0
Private	130	87.0	40.6	56.0	87 396	55.0	1 671 361	34.0
In that (total):	130	100.0	40.6	100.0	87 396	100.0	1 671 361	100.0
private public	69	53.0	18.3	48.0	48 512	55.5	575 214	34.4
private foreign	61	47.0	22.3	52.0	38 884	45.5	1 096 147	65.6

Source: Author's own elaboration on base of Lista 2000, Rzeczpospolita.

In this process, among the total number of companies in Lower Silesia, are private companies. Simultaneously in relation to the national rate, this section reached much higher incomes – 56.4% and employs 55.5% of the total number of employed, however, in relation to the share in investments the rate is lower – 34.5%. Predominance of foreign capital in privatisation of the region can be seen in the relation of the total number of companies in the private sector which states 47%, but also has much bigger shares in incomes – 52%, and simultaneously employs fewer people which is 45.5% of the total rate of the employed. It results from the fact that foreign capital is much more effective from the national, realizing its own goals – profits, as at smaller shares in the total number of private companies, lower rate of employment, it has a higher efficiency and invests more and has more than half of shares in incomes of all companies from the private sector. The specificity of foreign inflow on privatisation in Lower Silesia on the background of the whole country is seen due to the rate of foreign capital shares income among private companies and equals 56.4% in Lower Silesia (in Poland 48%). In Lower Silesia foreign capital private capital employs 45.5% (national 45%), and in Poland 46.7% (national 55.5%). Among private companies the employment equals 55.6%, and foreign 44.5%. The income of foreign capital companies is higher and equals 52% (national 48%).

3. Advantages and negative outcomes of foreign capital inflow to Lower Silesia

Foreign investors accumulating their activity and capital in Lower Silesia, contribute to the increase of economic activity in the region. The outcomes can be classified as positive and negative at the same time. The evaluation is not easy and requires detailed scrutiny via analogies of tendencies in the region. This can result from a comparable estimation with a general foreign capital estimation function in countries and regions. On the background of country, foreign capital number stabilization can be seen in the region of Lower Silesia, and it undergoes further increase and concentration in the form of foreign capital increase in the basic capital in the region of all companies and its domination which exceeds 80%. First and foremost there are bigger companies characterising with capital more than 1 mln USD. Highlighted virtues of Lower Silesia with its progressive modernization make it Poland's strategic region also in the future, and this demonstrated great needs and possibilities to absorb foreign capital.¹⁶ Foreign capital inflow outcomes to the region, on the whole, level show a great discrepancy with the outcomes of its inflow to Poland, so vital ones – due to the level of economic development of the county – have been most concentrated on.

¹⁶ Z. Olesiński (ed.), *Bezpośrednie inwestycje zagraniczne w Polsce*, Warszawa 1998, p. 113; Z. Sadowski (ed.), *Kapitał zagraniczny w Polsce. Warunki działania*, Warszawa 1999, p. 119.

a) Positive:

– Stimulation of economic increase despite decrease of foreign capital companies share in the general number of commercial law companies (from 13% in 1998 till 9.8% in 2005) due to constant increase in engagement of foreign capital in those companies;

– A serious source of capital in conditions accumulation of its deficiency (investments of particular type such as *greenfield*) via constant increase of expenditures of foreign capital companies in investment expenditures total – 35.5% (1.9 billion PLN in which 1.5 mln PLN for permanent means) to 40.5% (2.2 billion PLN in which 1.8 mln PLN for permanent means – 1.8 billion PLN). Companies dealing with industry, commerce and repairs, building industry and property and firms services have been the ones investing most;

– Creating new places of work and attractive vacancies in foreign capital companies – the share of employed in foreign capital companies in the totality of employed in the county systematically increases (from 5.5% in 1998 to 8.4% in 2005), the majority of employed work in hotels, restaurants and in industry sector;

– Sections generating the highest number of vacancies – production activity, commerce, repairs, property and firms services gathered the highest number of foreign capital companies also engaging capital;

– GDP contributes to the increase of employment conditions, but their numerous sizes make their influence on the market and it can be considered as narrow/slight;

– Balance of foreign capital companies trade with foreign capital creates itself as one beneficial for export, and the highest value transactions are entered into in sections of industry, commerce and repairs;

– The increase of region's supply in production factors (capital in *know-how*), so-called invisible assets, due to which productive factors productivity increases;

– New technologies medium – Lower Silesia has become a region of the highest number of automotive industry companies in Poland and also many others such as electromechanical and electrotechnical *high-tech*, with equipment designed for grocery industry and food processing industry. A well designed web of finance services and generally services such as hotels and restaurants and retail trade can be found here. Special economic areas as well as industrial-technological parks make the transfer easier¹⁷;

¹⁷ One of the most known effects is the demonstration effect. It operates when local companies observe foreign ones and try to use information and experience of the technologically and organizationally advanced foreign companies to build their own competitive position on the market – L. Olszewski, B. Olszewska, *Efekty zewnętrzne inwestycji bezpośrednich w krajach Europy Środkowo-Wschodniej*, AE we Wrocławiu, Wrocław 2004, p. 2, and M. Wachowska, *The role of FDI in knowledge spillovers*, [in:] L. Olszewski, *L'économie nationale et les entreprises au début du XX^{ème} siècle*, Kolonia Limited, 2003.

- Speeding up of economic modernization structure as well as infrastructure;
- In the local environment demonstration effects take place. Local companies carefully observe foreign units. They try to use information and experience of technologically and organisationally advanced foreign companies to build own competitive position in the market.¹⁸

b) Negative:

- A distinct majority of economic units launched by means of foreign capital is satisfied with registry moment relatively limited number of workers, only in industry – the proportion of companies exceeds 40% and employs more than three people;
- At the moment, 80% of foreign capital companies are the ones employing less than 50 people companies, which in 60% means companies employing up to 9. In the biggest companies in which number of workers exceeds 50 people. These companies are the most common group in all sections. In the biggest companies – meaning 16% of all foreign capital companies – where the total number of employees exceeded 50 people, 85% of total number of workers are employed in foreign capital companies. In the biggest companies such as hotels, restaurants more than 90% of the total number of the workers was employed there and in other sections the proportion kept in limits of 30–60%;
- Investments of medium size contribute to the increase of employment, bigger ones, however, feature with work-saving traits and result in vacancies limitations;
- FDI contributed to degradation of home minor sector because of great trade consortiums.

Afterword

Research on the impact of foreign capital on economic development of Lower Silesia could not have been conducted without a previous detailed analysis of its circulation in worldwide, European and nationwide economy as well. The analysis above let one to determine its circulation in a global scale as stated before. Foreign affairs politics has also got a considerable impact on its size and structure. It is symptomatic that system transformation has influenced the inflow to Poland.

Foreign capital impact on the region level should be considered not only from effectiveness position, but also from the positioning process. Foreign enterprises put the pressure on the competition increase of enterprises gathered. *Glocalisation* is a neologism made up of two words: “global” and “local” – enterprises exist

¹⁸ L. Olszewski, B. Olszewska, *Efekty zewnętrzne inwestycji bezpośrednich w krajach Europy Środkowo-Wschodniej*, Uniwersytet Wrocławski, Wrocław 2005, p. 2.

and function in worldwide scale, but still use the specification of local sources.¹⁹ Foreign capital companies aim at making new contacts with local environment, its authorities, take part in satisfying needs of local environment and training employees and in charity actions. Those are not universal basics, but a considerable part of companies tends to tighten this type of cooperation with economic activity environment. Foreign capital companies, running in regions, are described as corporate citizenship (corporate citizenship).²⁰ In this manner new patterns of highly developed countries take adjustment attitude being in accordance with existing interests of companies in the local environment.

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Significance of foreign direct investment in the economic development of Lower Silesia 1989–2005

Summary

The article is an attempt at estimating the significance of foreign direct investment in the economic development of Lower Silesia 1989–2005. The article consists of three main chapters: The inflow and location of FDI in Lower Silesia, the influence of FDI on economic development of Lower Silesia and advantages and negative outcomes of foreign capital inflow to Lower Silesia. The first chapter consists of six parts: an evolution of the FDI inflow in the areas and regions of Poland; main reasons of the inflow to Lower Silesia (including investment attractiveness of the region and significance of special economic zones for the FDI inflow); location of FDI in subregions of Lower Silesia, phases of FDI inflow to Lower Silesia according to the number of companies and the value of foreign capital, structure of FDI inflow (including types of commercial law companies according to legal forms, value of the country and its origins, types of activity according to branches, countries of origin and the income). The chapter performs an exact analysis of Wrocław agglomeration: conditions and phases, changes in structure, Wrocław as compared with city agglomerations in Poland and outcomes of foreign capital inflow to the city. The second chapter is an attempt at pointing the influence of FDI on economic development of Lower Silesia. It consist of six parts: investment expenditure of FDI in the region, an influence of FDI on the work market, level of employment and unemployment, exports and imports of foreign capital companies, extension of innovation and organizational-technological development, the impact on the economic level development and the influence on the economy in Lower Silesia in the process of privatization. The last chapter outlines advantages and negative outcomes of foreign capital inflow to Lower Silesia.