

INFLUENCE OF SPECIAL ECONOMIC ZONES ON THE INVESTMENT ACTIVITIES OF ENTERPRISES

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Abstract: The purpose of this article is to analyse special economic zones (SEZ) with regard to attracting foreign and domestic investments. The article overviews selected studies addressing the importance of SEZs in enhancing regional and local competitiveness through the investment activities of enterprises operating under the permission to conduct business activities within their territory. To achieve the adopted goal, the article primarily presents the findings of the studies carried out, using the method of analysis of: the literature of the subject, published reports and papers (secondary data from the 'Investment attractiveness of regions and subregions Polish 2016' has been used), and a descriptive method.

Keywords: investments, special economic zones, local and regional development.

1. Introduction

Local and regional development is essential in enhancing the competitiveness of regions. Competitiveness is not only the sphere of business entities, but also of municipalities. The shaping of the community development in a market economy requires that the community have a competitive potential which will ensure new and maintain the existing benefits of the market (Krawczyk, and Kokot-Stępień, 2016, p. 139-140). The development of the competitive potential of the municipality is a strategic and operational task (Popławski, 2011, p. 173-174). Enterprise development should be supported by effective local institutions initiating the development. Some of them are to assist enterprises in establishing new organisations and attracting capital for emerging enterprises. Local self-government interventions should be based on a policy of economic, institutional and infrastructural incentives for business entities. Municipalities should create operating conditions ensuring development of entrepreneurship through the establishment of new and development of the existing enterprises as well as the creation of entrepreneurial attitudes among employees and residents of the municipality (Leśniewski, 2013, p. 31-32). The key factor influencing the social potential is the human capital of enterprises, namely the employees and their knowledge, experience and

qualifications. It is important to invoke adequate forms of development activation in the region in the long term. One of the ways of revitalising the regions and improving their competitiveness is the establishment of privileges in the areas the development of which should be supported. Modern forms and tools for stimulating competitiveness in these areas include (Filipiak, Kogut, Szewczuk, and Ziolo, 2015, p. 284):

1. business incubators,
2. technology parks,
3. special economic zones,
4. research and development units,
5. others – public-private partnership, structural funds, venture capital funds, Business Angels.

All of the above-mentioned forms are connected by the function they play in the economy, namely the shaping of internal competitiveness of regions with the use of economic, legal and administrative tools. The competitiveness of the region is defined as the ability to attract capital and aid as well as to maintain the existing production factors in the region.

In the article, I will raise the topic of support for regional development through special economic zones and their influence on the investments of economic entities.

2. Legal conditions of the functioning of special economic zones

Special economic zones are a relatively new tool of regional policy in Poland. They have been functioning in the Polish economic space for over twenty years. A detailed method of operation as well as legal principles, objectives and conditions of, and the procedure for the establishment of special economic zones in Poland are governed by the Act passed on the initiative of the Economic Committee of the Council of Ministers of 20 October 1994 on special economic zones (as amended). According to this Act: *a special economic zone is isolated in accordance with the provisions of the Act; it is an uninhabited part of the territory of the Republic of Poland within which economic activity may be carried out pursuant to the Act* (the Act on SEZ, 1994). A special economic zone is an administratively separate economic enclave where entrepreneurs may carry out business activity on preferential terms. Article 3 of the Act on SEZ states that the primary objective of the zones is to accelerate the economic development of selected areas of the country, in particular by implementing such objectives as:

- 1) increasing the investment attractiveness of less developed regions,
- 2) stimulating the development of own sectors of the national economy,
- 3) implementing and developing new technical and technological solutions,
- 4) increasing the connections between the local and domestic economy, and foreign economy (increased export dynamics),

- 5) improving the competitiveness of goods manufactured and services provided,
- 6) restructuring the given region through effective use of existing post-industrial assets and economic infrastructure,
- 7) creating new jobs,
- 8) optimal use of natural resources while respecting the principles of sustainable development and taking into account environmental objectives.

Such formulation of the objectives of SEZs suggests that, on the one hand, they should be a tool of industrial policy in the field of development of certain industries, transfer of modern technologies and support of the production for export. However, the functioning of those zones in Poland showed that the original objectives of the zones developed. At present, one may refer to the following purposes of special economic zone establishment: attracting new, technologically advanced or innovative investments (resulting in permanent modernisation of the economic structure of the region), activation of the labour market and development of a network of cooperation between economy and science.

As reported by Holik and Novak (Lizińska, and Kissel, 2012, p. 19), all the zones operating in Poland may be characterised by dividing them into three groups, depending on the purpose of their establishment and operation, the location attractiveness, and the level of land use and development:

- 1) *Katowice, Mielec, Legnica, Wałbrzych and Lodz Special Economic Zones* – established within areas exposed to recession caused by obsolete production capital and industrial monoculture;
- 2) *Suwałki, Starachowice, Tarnobrzeg, Pomeranian, Kamienna Góra, Warmia and Mazury, Kostrzyń-Słubice and Słupsk Special Economic Zones* – established within economically underdeveloped areas with a high level of structural unemployment resulting from the disestablishment of state-owned agricultural holdings or state-owned companies;
- 3) *Krakov Technology Park* – operating within an area of high location attractiveness, near academic centres with a good scientific and research base.

Initially, Special Economic Zones were established for 20 years, except for technology parks established for 12 years. According to currently applicable regulations, the zones will operate until 31 December 2026. This will enable investors to take advantage of the maximum permitted public aid for the activity carried out within the zones.

3. Aspects of regional development

Dynamic development of special economic zones was a response to the growing demand of economies and communities for new products and services as well as rapid technical and

technological development. Within special economic zones, entrepreneurs might carry out business activity facilitating creation of entrepreneurship through the application of a variety of economic policy instruments. Regional development components most frequently listed in the literature include:

- economic growth and employment,
- increase of welfare and quality of life,
- increase of investment attractiveness,
- technological development and innovation,
- restructuring and diversification of economic activities,
- development of services and social resources,
- development of institutional infrastructure,
- better environmental quality.

Table 1 presents factors and instruments increasing local and regional competitiveness in privileged areas.

Table 1.

Forms and instruments increasing local and regional competitiveness in special economic zones

Factors	Instruments
<ul style="list-style-type: none"> • economic • legal • technical and technological • natural (natural values of the region) 	<ul style="list-style-type: none"> • legal and administrative (taxes and fees, tax reliefs and exemptions) • economic (subsidies, investment refunds, regional assistance in the creation of new jobs)

Source: Filipiak, Kogut, Szewczuk, and Ziolo, 2005, p. 285.

The importance of SEZs in enhancing the regional and the local competitiveness consists in facilitating development in selected areas with economic, administrative and legal, social, technical and technological factors involved. Among economic factors, one should refer to public aid regarding new investments and creation of new jobs. Administrative and legal factors include tax incentives, reliefs and preferences as well as less bureaucracy for entrepreneurs operating within SEZs, resulting from there being no need to obtain specific administrative decisions (certain types of business activity do not require obtainment of a permit to carry out business activity). Social factors include systematic improvement of qualifications of persons residing in the area of the zones, resulting from the requirements of the local entrepreneurs.

An important feature of the existing SEZs is the differentiation resulting from the varying macroeconomic environments of the regions, the structure of the existing industries in the area of the zones, the level of qualified labour, the road and railway network, or the distance from the markets. Such differentiation results in the fact that investments in individual zones are or will be interesting to enterprises representing different industries and different investment strategies. Consequently, it is an indirect form of public aid for both enterprises and regions. Its existence, through the impact on the development of and rational management in a specific

region, affects the condition of a given local and regional structure. In a wider context, the zone is an element of the global economy, the purpose of which is to build mechanisms of interrelations on the global market through a system of special economic and financial incentives.

4. Investment attractiveness of Poland

Following the period of political changes, enterprise restructuring and changing economic policy of the country, in particular following Poland's accession to the European Union, there was a period of economic growth primarily based on increased investments, that being foreign investments coming to Poland. The country had become an attractive investment location mainly because of low costs of labour, a wide market for products and services, and an increased internal demand. Special economic zones are a tool stimulating the inflow of investments to Poland. At this point, it is worth mentioning the so-called Keynesian multiplier stipulating that if public investments are undertaken, there is an increase in the demand for consumption articles and production, which in turn will create further demand for additional investments (Pastusiak, 2011, p. 257). The increase in the volume of investments in the SEZs resulted in a more extensive application of the investment multiplier mechanism, which in turn resulted in an increased consumption demand in the regions.

As stated in the Report of the Ministry of Economy (2017, p. 3), the 2016 cumulative value of the capital invested by entrepreneurs carrying out business activities in the special economic zones pursuant to relevant permits to 112.3 billion Polish zlotys. In 2016, the greatest contributors to that value were: Wałbrzych SEZ – 21.7%, Lodz SEZ – 13.88% and Katowice SEZ – 12.56%, while the least significant one – at the level of 1.51% – was Słupsk SEZ. On the other hand, the greatest dynamics of investments in 2016 was recorded in Mielec SEZ, in which investments increased by 23.8% as compared to 2015. In the analysis of the volume of investments in 2016, Lodz, Mielec and Pomeranian SEZs stood out. The investments amounted to PLN 1.95 billion, PLN 1.27 billion, and PLN 1.15 billion, respectively. In the first of the foregoing zones, the greatest investments were made by such companies as UMA Investments and Ceramika Tubądzin III; in Mielec SEZ – Ball Packaging Europe Lublin and Kronospan Mielec, and in the Pomeranian SEZ – Mondi Świecie, SPX Flow Technology Poland and MrGarden. (Report, 2017, p. 11-13).

According to a study carried out by Instytut Badań nad Gospodarką Rynkową in 2016 (Report, 2016, p. 8-12), subregions of Poland characterised by long-time industrial traditions featured the highest level of investment attractiveness with respect to industrial activities. The value of investments per one job created shows a high level of investment capital intensity. This proves modernity of the production methods used, a high level of production automation,

and highly qualified personnel. Given the industrial nature of the activity selected to be carried out within a SEZ, the location of the zones of the greatest investment attractiveness to a large extent covers the subregions of the country that are the most attractive to industrial investments (data shown in Fig. 1).

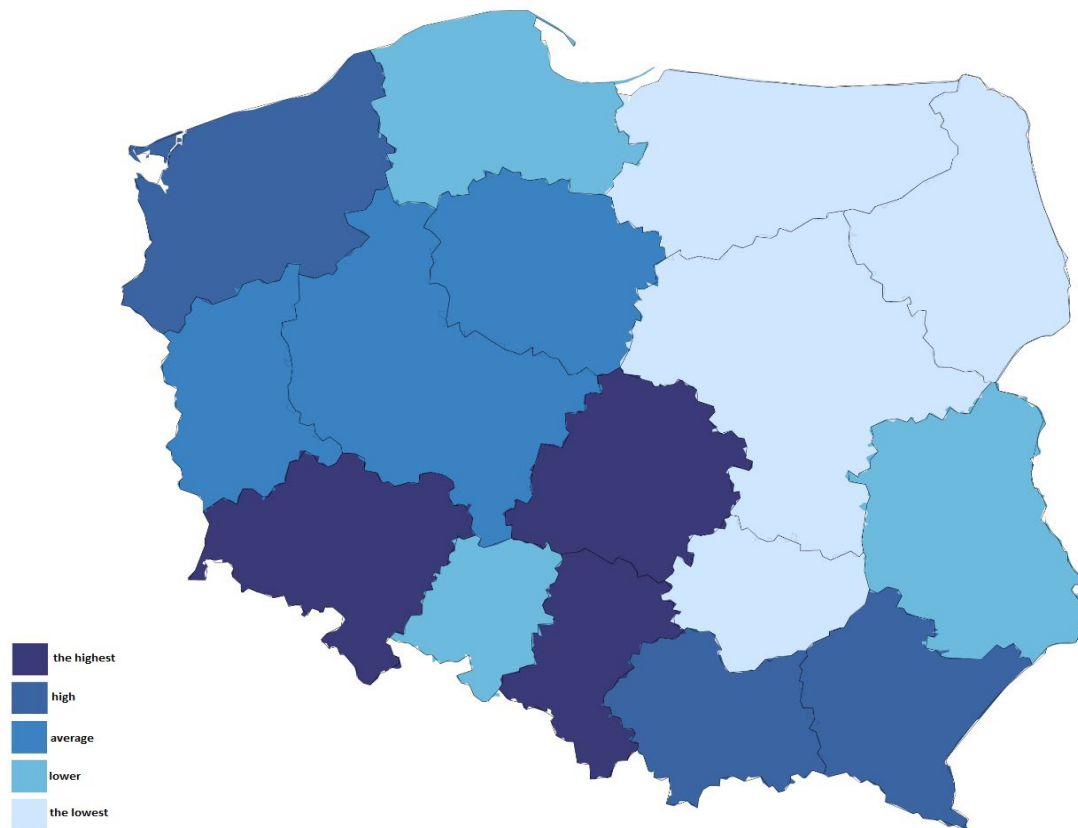


Figure 1. Voivodeship investment attractiveness to industrial activity in 2016. Source: *Atrakcyjność...*, p. 10.

Regions of the greatest investment attractiveness included areas primarily located in the south and south-west of Poland. The greatest level was achieved by regions located around the Upper Silesia: Katowice, Rybnik, Bielsko-Biała and Częstochowa areas with the oldest and the largest plants of Katowice SEZ; Krakow and Oświęcim with areas covered by Krakow SEZ; the Lower Silesia, around Wrocław and Wałbrzych, with the area of the 'Invest-Park' Wałbrzych SEZ; and Jelenia Góra with Kamienna Góra SEZ. This group also included Lodz subregion with Lodz SEZ subzones, Poznań subregion with Kostrzyń-Słubice subzone, and Bydgoszcz-Torun subregion with the areas of the Pomeranian SEZ. Investments carried out in the SEZs are predominated by investments carried out within the Lower Silesian Voivodeship and the Silesian Voivodeship, with nearly 53.7% of the funds invested by the fifteen largest investors. In Katowice area (Gliwice, Siemianowice Śląskie, Dąbrowa Górnicza, Tychy, Czerwonka), the automotive industry is developing the most dynamically; it specialises in industrial investments of high capital and labour intensity. The region is also characterised by a well-developed transport infrastructure and a specialised labour market (qualifications and skills obtained by the local community beforehand may be fully used in the current structures), and a well-

developed sector of production companies. As it may be noted, the location of investments in individual sectors of activity often corresponds to the location of former industrial plants in a given area.

SEZs were established to increase the competitiveness of the economy of Poland through an increase of investments in modern sectors of economy. Nearly 10% of the investments carried out by zone companies are investments of industrial nature, as business management and transport services account for barely 1.3% of the total investment value. Nearly 1/3 of industrial investments are investments in the automotive sector, about 8% in the sectors of paper and paper products, articles of other mineral non-metallic raw materials, and food products. The structure of investments by sector in the zones was specified at the level of the Polish Classification of Goods and Services, established pursuant to the Ordinance of the Council of Ministers of 29 October 2008 on the Polish Classification of Goods and Services. Statistical data on the structure of investments in SEZs in Poland have been shown in Table 2.

Table 2.

Structure of investments by sector in the SEZ in 2016

Name of section	Investments (in mln PLN)	Total share in investments (in %)
Vehicles, trailers and semi-trailers	27,079.25	24.12
Rubber and plastic products	11,897.07	10.60
Finished metal products, excluding machinery and equipment	8,936.95	7.96
Paper and paper products	8,704.32	7.75
Articles of other mineral non-metallic raw materials	7,530.02	6.71
Food products	6,542.56	5.83
Computers, electronic and optical products	5,873.29	5.23
Chemicals and chemical products	5,592.44	4.98
Electrical equipment and non-electrical household appliances	5,563.45	4.96
Machinery and equipment, not classified elsewhere	5,563.45	4.96
Wood and products of wood and cork	4,295.62	3.83

Source: Report of the Ministry of Economy..., p. 25-26.

The automotive industry, most extensively represented among the investors, was one of the leading industries in four zones, i.e. in Legnica, Wałbrzych, Katowice, and Kostrzyń-Słubice. In Legnica, its share exceeded half of the value of the capital invested, and it amounted to nearly 59.6%. In Wałbrzych and Katowice SEZs, the automotive industry's share was at a similar level, and it amounted to 45.7% and 45.5%, respectively. In Legnica SEZ, the largest automotive investors included Volkswagen Motor Polska, Sitech and Basf Polska; in Katowice SEZ – NGK Ceramics Polska, General Motors Manufacturing Poland and Brembo Poland, and in Wałbrzych SEZ – Volkswagen Poznan in Września, Toyota Motor Manufacturing Poland, and Toyota Motor Industries Poland (Raport 2017).

5. Conclusions

One of the main objectives of the existence of special economic zones was the need to eliminate the disproportions in the social and economic development of individual regions. Establishment in Poland of special economic zones as an instrument supporting the local and the regional development was related to the need to actively stimulate the development of individual regions through directing foreign and domestic investments to them. The capital invested by the companies operating in the zone plays a significant role in the development of the regions. The volume of the incoming investments determines the level of territorial development of the special economic zones. A high cumulative volume of investments characterises both the Upper Silesia and the Lower Silesia. This is reflected in the leading role of both of the aforementioned regions.

The foregoing deliberations confirm the positively posed research question if the special economic zones are an attractive place for entrepreneurs to invest. Special Economic Zones are an interesting concept of regional and local development. The world shows a significant interest in their development. An analysis of statistical data shows a positive impact of special economic zones on the social and economic development of the region. However, it should be remembered that uneven distribution of foreign investments leads to growing disproportions in the development of individual regions; consequently, it may result in growing disproportions in the regional development of the country.

Of particular importance is the special economic zones' positive impact on the development of the regions, including through such aspects of carrying out business activity within a privileged area that affect decisions stimulating investment location, for instance the increasing level of enterprise innovativeness, the changing structure of employment, the development of entrepreneurship, or the impact on the model of education, and their innovativeness and competitiveness not only on the local, but also on the national or the international level, hence the great popularity of the concept.

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