FOREIGN DIRECT INVESTMENTS IMPACT ON COMPETITIVENESS OF ENTERPRISES AND SELECTED ASPECTS OF THE POLISH ECONOMY DEVELOPMENT STABILITY

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The aim of the paper was an attempt at assessment of the influence of foreign direct investments on competitiveness of enterprises and thus on selected elements determining in Polish economy its stable growth (investment level, including foreign direct investment and innovation development - increasing numbers of awarded patents and wider use of high technologies in the industrial production). The research used statistical data made available by the Central Statistical Office (GUS). Entities with participation of foreign capital have significant influence on development stability among others: by a high share of investment outlays in these companies in total investment outlays in Poland (averaged 40%), developed research and development activities (foreign entities were awarded 1542 patents, Polish 1099) and wider use of high technologies in the industrial production sold than is the case with the domestic entities.

Key words: foreign direct investments, innovation, economic development.
JEL codes: F210, O110, O310.

Introduction

During the process of economic development of Poland the current sources of economic growth such as relatively low labour costs, availability of cheap raw materials, favourable geographic positioning or accession to the European Union will gradually be exhausted. As a consequence we should search for new sources of competitive advantage. Development of innovations leading to restructuring of the industry and introduction of new business models, in particular those focused on costs reduction and improvement of credibility among clients represents one of the key paths for maintaining stable economic development. This applies in particular to new organisational forms focused on increasing effectiveness in use of the available resources where the term resources covers both the tangible and intangible ones including the qualifications and motivations of employees, organisational culture, reputation or know-how.

Companies with participation of foreign capital established as products of foreign direct investments (FDI) are the enterprises that conduct developed innovative activities allocating to it much higher capital outlays than the domestic enterprises (Kuzel, 2007). Enterprises with foreign capital that are well developed technologically become the cause of intensified competitive combat and development of cooperation between individual companies, sectors and entire economies. The process

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1 Among priorities contained in document Ministry of Economy Activities for stability and development drew up in 2010 were among others: increasing of investment level, including foreign direct investment and innovation development (increasing numbers of awarded patents and wider use of high technologies in the industrial production)
of technological changes is characterised by accumulation, which means that achievements of the past influence the present technological potential of the country (Kolarz, 2006). Development of research and development activities (R&D) has immense influence on innovation in economies of individual countries and that is why the investments leading to intensification of R&D centres are the most beneficial from the perspective of the importer country (Jaworek, 2006).

For countries going through the process of economic transformation they become helpful in achievement of relatively permanent economic growth (Chidlow, 2009). The financial capital additionally represents the medium the flow of resources invested in the so-called „investment packages” created by modern technologies, know-how, innovative organisational solutions new management systems and methods, knowledge and skills (Karaszewski, 2005; Kisiel, 2008).

The developing countries, not participating in creating new technologies, may use them thanks to the foreign direct investments. The influence of foreign direct investments on the economies of host countries represents a process encompassing economic, social and political interactions. According to the Akamatsu theory complemented by Kojima (2000) the investments accelerate “closing the gaps” in relation to the better-developed areas. The research by Kojima indicates that operation of entities with participation of foreign capital contributes to development of entrepreneurship and management as well as technological potential. The issue of importance of foreign investments to economic development of the host country was also covered in the works by M. Adler, G. Stevens (1974), L. An-loh Lin (1995), E. Bojar (2001), T. Pakulska, M. Poniatowska-Jaksch (2004), Z. Wysokińska, J. Witkowska (2004).

**Objective, scope of work and methodology of investigation**

Dynamic development of enterprises established as a result of making foreign direct investments is a characteristic feature of contemporary economies. Foreign direct investments have significant influence on economic growth of the host country because they support, inter alia, transfer of modern technologies and innovation, which as a consequence leads to improvement of competitiveness of that economy as well as its stable growth. The aim of the paper was an attempt at assessment of the influence of foreign direct investments on competitiveness of enterprises and thus on selected elements determining in Polish economy its stable growth.

The analyses presented in the paper were based on statistical reporting. The research used statistical data made available by the Central Statistical Office (GUS) concerning the influence of the FDI on the economy of Poland. This was presented using indicators such as the value of funds allocated to investment outlays, including new fixed assets, by companies with foreign capital and all companies, share of the number of Polish licenses sold abroad in the number of foreign licenses used in Poland and the share of high technology used in production sold of industrial processing sector in all the enterprises in Poland and in the foreign entities employing more than 49 persons as well as numbers of domestic and foreign patents awarded and the countries that were awarded the highest numbers of patents in Poland during the years 2003–2008.
Consequences of the influence of foreign direct investments for development of the Polish economy

The inflow of foreign direct investments influences competitiveness of the economy and its development in the host country, among others through implementation of technological innovations or purchase of real property, means of transport, new machines and devices by companies with participation of foreign capital. Technological innovations employed by foreign investors cause improvement of products’ quality and decrease in production costs. Technologically developed entities with foreign capital stimulate intensified competitive combat as well as development of cooperation between enterprises. The present technological potential of the country is influenced by the achievements of the past as the process of technological changes is characterised by accumulation.

The influence of the DFI on the technological development of the host country is illustrated by the investment outlays of entities with participation of foreign capital as compared to such outlays on investments by domestic entities (fig. 1). During the entire analysed period the investment outlays and outlays on new fixed assets of companies with foreign capital increased continually similarly to the investment outlays and outlays on new fixed assets in Poland as a whole. The investment outlays in Poland 2003 amounted to PLN 110,9 billion and in 2008 to PLN 217,3 billion which gives the average of PLN 154,4 billion for the entire period covered. The highest increase of total investment outlays occurred in 2007 as compared to the preceding year (23,8%). The investment outlays by companies with foreign capital during the 6 years covered averaged PLN 61,7 billion i.e. their share in the total investment outlays in Poland averaged 40%, which may indicate the important role of the direct foreign investments in the development of technological resources in the host country.

Investment outlays encompassed e.g. purchase of fixed assets that are the material equipment of the enterprise characterised by long-term use. It is worth noticing that outlays on fixed assets represent almost the whole of investment outlays in Poland in total. During the years 2003–2008 the difference between the investment outlays and outlays for new fixed assets in Poland averaged just PLN 201 million.

The situation looks different in companies with participation of foreign capital. The highest share of outlays on new fixed assets in the investment outlays of entities with foreign capital occurred in 2008 (80%), and the lowest in 2006 (67,4%). The lower share of outlays on new fixed assets in the investment outlays could be the consequence of the fact that companies with participation of foreign capital allocate much larger funds than domestic entities on investments in intangible and legal assets encompassing, e.g.: research and development activities, various kinds of training for the staff, know-how, patents, inventions, designs and purchase of licenses.
Fig. 1. Value of investment outlays including outlays on new fixed assets by companies with foreign capital and all companies during the years 2003–2008

The innovation of enterprises and the research and development potential as well as competitiveness of the entire country may be expressed by the number of proposed and awarded patents (fig. 2). Development of the domestic entities in that area does not look favourably although Polish economy may benefit thanks to the increase of innovation by foreign enterprises operating in the country.

Fig. 2. Number of awarded domestic patents and foreign patents in Poland during the years 2003–2008

In Poland, during the years 2003–2008, the vast majority of patents were

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2 Source: own work based on the publication by CSO Economic activity of companies with participation of foreign capital (for the years 2003-2008) and Statistical Yearbook of the Republic of Poland (for the years 2004–2009)

3 Source: own work based on the publication by CSO Economic activity of companies with participation of foreign capital (for the years 2003–2008) and Statistical Yearbook of the Republic of Poland (for the years 2004–2009)
awarded for foreign inventions and not for the domestic ones. During the entire analysed period, excluding 2004 (-7.9% as compared to 2003), the number of patents awarded to foreign entities increased. During 6 years, 1542 patents were awarded in Poland to foreign entities.

The number of patents awarded to Polish entities increased during the years 2003–2007, but in 2008 the number of patents awarded was lower by 124 than in 2007. During the entire period, domestic entities were awarded 1099 patents. The share of domestic patents in the foreign patents was the highest in 2004.

In Poland also the number of foreign licenses used is much higher than the number of Polish licenses sold to other countries. During the years 2003–2008 the number of foreign licenses used in Poland and Polish licenses sold abroad increased (tab. 1). The largest increase in the number of foreign licenses applied in Poland was recorded in 2007 as compared to 2006 (153.5%). The largest increase in the number of Polish licenses used abroad was recorded in 2008 as compared to 2007 (63.6%). Also in 2008, the highest share of the number of Polish licenses sold abroad in the number of foreign licenses used in Poland was recorded.

Table 1. Share of Polish licenses sold * abroad in foreign licenses used in Poland during the years 2003–2008

<table>
<thead>
<tr>
<th>Item</th>
<th>Year</th>
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<tbody>
<tr>
<td></td>
<td>2003</td>
</tr>
<tr>
<td>Foreign licenses</td>
<td>308</td>
</tr>
<tr>
<td>Polish licenses</td>
<td>7</td>
</tr>
<tr>
<td>Share (%)</td>
<td>2,3</td>
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* by entities employing more than 49 persons in the industrial sector

The competitiveness of enterprises may be represented by the share of high technology used in production as well as equipment with information technologies (computer hardware and software). Production involving high technology uses development research, highly qualified personnel, modern equipment as well as high capital outlays. Entities with participation of foreign capital applied high technologies for production of their products than the domestic entities (fig. 3). In the whole country the value of high technologies applied to the industrial production sold was the highest in 2003; during the years 2004–2005 it decreased and again in 2006 it increased to decrease significantly during the later years. The same dynamics was recorded in case of high technology used in companies with participation of foreign capital. The Central Statistical Office has not published the data for 2008.
Fig. 3. Share of high technology used in production sold from the industrial processing sector in all the enterprises in Poland and in the foreign entities employing more than 49 persons during the years 2003–2007.

In the whole country in the industrial processing sector high technology was applied in case of over 5% of production sold in 2003 only. On the other hand foreign entities, in 2003, used high technology to almost 8% of industrial production; they achieved the lowest share of high technologies in production sold in 2005 (5.8%), which anyway was a much higher result than the best result achieved by all enterprises in Poland in 2003.

**Conclusion**

1. Foreign direct investments are, for the host country, first of all a source of inflow of capital from abroad, which may have a significant influence on neutralising shortages of funding within the country. Those investments, however, should not be limited to just capital flows because they are also the source of modern technologies, *know-how*, skills, technological and organisational innovations and they cause that countries creating favourable conditions for investments by transnational corporations become more competitive in the international market through which they have positive influence on economic development of Poland.

2. Entities with participation of foreign capital have significant influence on improvement of the competitiveness of enterprises and thus on potential of the Polish economy in the international markets. This result, first of all, from large outlays on investments and research and development activities, which leads to improvement of products’ quality, introduction of innovations or improvement of work organisation by foreign entity. This can be confirmed by a high share of investment outlays in companies with foreign capital in total investment outlays in Poland (during the 6 years covered it averaged 40%), developed research and development activities (during the entire analysed period foreign entities were awarded 1542 patents) and wider use of high technologies in the industrial production sold than is the case with the domestic entities (average more that 30%).

*Source: own work based on the publication by CSO Science and Technology (for the years 2003–2007)*
Literature

TIESIOGINIŲ UŽSINERIO INVESTITIŲ POVEIKIS LENKIJOS ŪKIO PLĖTROS STABILUMO PASIRINKTIEMS ASPEKTAMS
Roman Kisiel, Wiesława Lizińska
Olszyno Varmės ir Mozūrijos universitetas
Santrauka
Darbo tikslas – įvertinti tiesioiginiių užsienio inovacijų poveikį pasirinktiems elementams, lemiantiems Lenkijos ūkio stabilią plėtrą. Darbe panaudoti Lenkijos Centrinės statistikos valdybos statistiniai duomenys. Subjektais su užsienio kapitalu daro įtaką plėtros stabiliui didelėmis investicinėmis išlaidomis (apie 40% bendrų investicinių išlaidų Lenkijoje), išplėtotais moksliniais tyrimais (1 542 patentai pripažinti užsienio subjektams, 1 099 – Lenkijos subjektams) ir platesniu aukštųjų technologijų taikymo pramonėje lyginant su nacionaliniais subjektais.
Raktiniai žodžiai: tiesioigines užsienio investicijos, inovacijos, ekonominė plėtra.
JEL kodai: F210, O110, O310.