პლენარული მოხსენებები
PLENARY PRESENTATIONS

SPECIAL ECONOMIC ZONES THREAT OR AN OPPORTUNITY? EXAMPLE OF POLAND

Agnieszka Rzepka — Ph.D. Assistant Professor,
Lublin University of Technology, Poland

Summary

Over two decades ago Poland entered a path of democratic changes opening its doors to foreign capital and giving polish investors a chance. Exactly 20 years ago a Law was passed on establishing Special Economic Zones, as it turned out, a very effective tool of supporting polish and foreign investments. Special Economic Zones constitute an instrument that allows to attract investors and which drives the economy forward. Milliards of zlotys, thousands of workplaces, polish and foreign, it is generally a balance of two decades of functioning of Special Economic Zones in Poland. Special zones, in which the entrepreneurs may conduct their business on preferential rules and make use of income tax exemptions generated as a result of their business activity in the zone, are spread across the whole Poland. An important element of the landscape of polish entrepreneurship are Science and Technology Parks. Acting on the point where business and scientific and research spheres meet they constitute a diffusion tool for modern technologies, support development and create new worksites. Cooperation between a Park and Zone is a natural symbiosis between two business sectors [Rzepka A, 2015:18].

The author make an attempt to find answers to the following questions How did Special Economic Zones change in the last few years? SEZ are a opportunity or a threat in a economy?

Keywords: SEZ, FDI.

Introduction

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

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

The Act of 20 October 1994 on special economic zones as amended gave the legal basis for creating them. The legislator defined in the aforementioned act SEZ as a separate, uninhabited part of the country's territory where business activity may be conducted under preferential conditions defined in the Act. The special economic zone may be examined in the context of an enclave in which the countrywide regulations on business activity are not legally binding. In contrast, administrative and legal conditions are of an obligatory nature and their purpose is to refund the invested capital in a relatively short period of time. The managing body of the economic zone gives permission for activity on its territory. Conducting business activity in the administrative area of the zone without having permission carry with it serious consequences, such as no benefits in the form of income tax exemption [Hnatyszyn – Dzikowska A, M2005:33-3

Special Economic Zones

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

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

Table 1: The usage of the area of the zones in accordance to state on the December 31, 2014

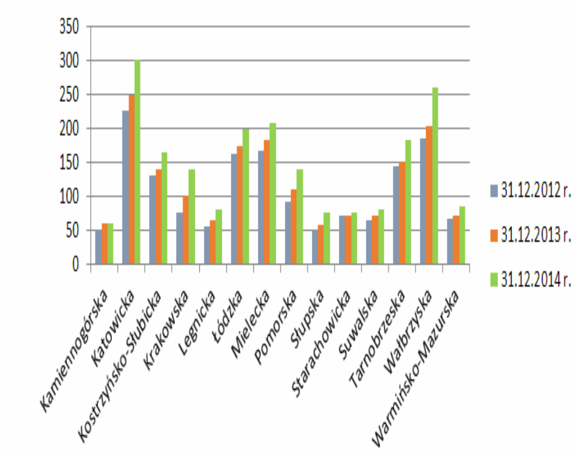
No.	Zone	Area of the zone (in ha)	Developed land (in ha)	The degree of land development (in %)
1	Kamiennogórska	413,3960	218,1234	52,76
2	Katowicka	2 347,3429	1 422,5299	60,60
3	Kostrzyńsko-Słubicka	1 746,9769	1 103,9667	63,19
4	Krakowska	707,7833	525,4489	74,24
5	Legnicka	1 212,4156	315,9095	26,06
6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

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

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

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

Chart 1: The number of granted permissions in the years 2012-2014



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

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

According to the report, "20 years of special economic zones in Poland - a guide through SEZ," prepared by an advisory company KPMG, the value of investment expenditures was assumed to exceed 100 milliard polish zlotys by the end of 2014, and 80 milliard zlotys in value have been lost since Poland entered the European Union. Pursuant to estimations made by the management bodies in 2014, the investment expenditures encumbered by the investors on the territory of the zones were anticipated to increase 7.5% above the previous year (2013), and amounted to 7.8 milliard zlotys. The forecast made by KPMG has been confirmed by data published by the Ministry of Economy. In 2014, the cumulated value of investments equalled almost 102 milliard zlotys, which meant it increased over 8.8 milliard zlotys (9.5%) above the previous year.

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

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

Conclusion

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

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

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