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Foreign direct investments in western voivodeships of Poland and in eastern Germany.

Introduction.

In a market economy a foreign entrepreneur seeks the most profitable location for his economic activity, hence/thus in countries that wish to attract international capital local authorities initiative plays crucial role in enhancing attractiveness of their area.

Direct foreign investments are sources of capital that complements lack of internal savings not just for local communities, but also for regions and the whole country. Thus it is very important factor, increasing rate of modernization of the economy and assuring permanence of development.

Those investments contribute to creation of workplaces, rise of capacity, modernization of technology and techniques of production.

The aim of this article is an attempt to answer the question, what has influence on decisions of foreign entrepreneurs who invest their capital in voivodeships of western Poland, precisely in voivodeships: Lower Silesian, Lubusz, Greater Poland and West Pomeranian. Because of their proximity to the aforementioned voivodeships also the eastern German economic conditions for foreign capital will also be analysed.

Crucial words: foreign direct investments, foreign investor, regional development, local authorities.

1. The nature of Foreign Direct Investments (FDI)

Foreign Direct Investments are investments that are made in a country another than the investors country of residence, with a purpose of gaining profits from the economic activity, providing a know how¹ or investment goods². It is worth stressing that the foreign investor – also called

¹Knowledge know – how, it is technical knowledge, discovered by the producer which the possibility of identifying and the possibility are characterizing practical of for her using in conducted activity economic. It is possible to exploit her e.g. with a view to drawing up of methods of cut costing the manufacture of goods or also of working out of techniques the customer service. Also a team of experience, having the confidential nature which are being used among others for the achievement ranks among this category of the knowledge of above objectives. For regulation of No. 772 / 2004 applying art. 81 sec. 3 of Treaty to the category of agreements about the technology transfer

„rezydent” (resident) – owns at least 10 equity securities or has 10 % votes on an annual general meeting³.

Definition given above is consistent with the definition of the OECD, according to which foreign direct investments are those investments which are made to bring long run and higher profits from capital located in the enterprise of a resident⁴ of economy other⁵ than investor's country of origin.

Foreign direct investments may also take form of running a brand new enterprise or creating a new economic entity in cooperation with the local capital.

Recently more and more frequent form of FDI is a joint venture, a mutual enterprise of a company with the participation of foreign capital. A distinctive feature of that type of FDI is that the original capital comes from the associate from abroad. Joint venture has the advantage over other forms of FDI, because it is based on the foreign investor's knowledge of the market. Such knowledge consists mainly of the technology and resources present on the market⁶.

The main reason of growing number of FDI is willingness to widen market or avoiding customs or administration barriers of the country of the associate.

Slightly different form of FDI are greenfield investments. The difference is that in the greenfield investment the foreign investor founds a brand new enterprise⁷ in the economically undeveloped area, which is convenient though, because of the type of investor's activity. Furthermore, investor makes his choice due to cheap labour force and large quantity of resources. Thanks to greenfield investment the economy gains modern technology and lower unemployment due to new workplaces. Another form of FDI is brownfield⁸. This investment is taking over existing companies with bad financial situation. The aim of such takeover is modernization and restructuring its future activity or

(Dz.U. L 123 from 27.4.2004, p. 11 — 17).

2T. Sporek, T. Kasperska – Sporek, *BIZ inflow to Poland in competition conditions of the global and contemporary globalization*, [in:] *BIZ in raising the competitiveness of the Polish economy*, under the ed. W. Karaszewski, University of Mikołaj Kopernik, Torun 2005, p. 28.

3M. Jaworek, *Direct Inward Investments in the privatization of the Polish economy*, TNOiK, Torun 2005, p. 17.

4 In accordance with the act from the day 27.07.2002 r. (Dz. U. z 2002 r. Nr 141, poz. 1178) exchange law, a natural person having a place of residence in the country and a legal person having registered office in the country, and other having subjects are a resident registered office in the country. He has the ability to contract obligations and to acquire the right in its own name. Resident it is also being the one area of the given country branches, created representative offices through of non-residents.

5 M. Jaworek, *Direct Inward...*, op. cit., p. 16.

6A. Kłysik – Uryszek, *DII in regions in the light of the theory and empirical examinations*, [in:] *DII in the economy of the region. The theory and the practice*, under the ed. and. Kłysik – Uryszek, Professional CeDeWu Ed., Warsaw 2010, p. 58.

7Coming into existence of new factories, of the factory floors, of enterprises.

8This word in the free translation means the area industrial fallow land.

resale⁹.

Often, however, foreign entrepreneur buys equities of insolvent company to get rid of it, as a competitor. Such event can be seen as harmful not only for the insolvent company but also for its employees. Unfortunately similar situations, especially in Poland happened very often., mostly in companies, that were sole employers in given region.

According to quoted definitions it seems that in recent economic situation FDI are considered one of the safest forms of international investments¹⁰. They provide access to foreign market, restructuring of activity, inflow of modern technology and knowledge.

2. Influence of foreign direct investments on regions development.

Before foreign investor decides to start his activity in given country, he analyses its attractiveness.

The analysis is usually based on following factors:

- 1) Evaluation of economic situation of the country/region.
- 2) Evaluation of political and social situation of the country/region.
- 3) Law regulations.

Thus authorities of the region and of the country play crucial role in shaping those factors. Functioning of the labour market, competitiveness of the economy and relations with international corporations.

Development of economies and growing relevance of the international flow of capital accompanied the development of theories explaining causes of FDI and their influence on economic boom.

According to the eclectic theory of international production¹¹ of british economist J.H.Dunning,

9A. Kłysik – Uryszek, *DII in regions ...*, op. cit. p. 58.

10By DII two forms of the flow are still distinguished trace of border capital, i.e.: foreign portfolio investments (investment in foreign securities mainly in bonds and actions of achieving one's goal of profit higher than on the domestic financial market in the form of the dividend), and international credit (are performing the important function very much in achieving by the given state the growth in the economy. Apart from that he is protecting for her before „ with attack: of economic crisis. He consists in making capital transactions between foreign entities and domestic. Government authorities can be these subjects, international institutions, granting such credit, banks, whether finally enterprises).

11This theory is being called also a paradigm for OLI (ang. Ownership – Location - Internalization) which three groups are describing majority of transnational corporations. First from them concerns majority about character oligopolistycznym, second refers to majority on account of the specificity of economic activity of these corporations in the given region, whereas third includes the majority associated with the internalization of the corporation trace border. A. Kłysik – Uryszek, *DII in regions in the light of the theory and empirical examinations*, [in:] *DII in the economy of the region. The theory and the practice*, under the ed. and. Kłysik – Uryszek, Professional CeDeWu Ed., Warsaw 2010, p. 62.

there are four groups of motives of FDI.

First one deals with seeking of a new market. In Dunning's opinion, FDI are made because of willingness to capture new market by the foreign investor. For this motive very important are demand factors, such as size or growth potential of the market.

Second group of motives are connected to looking for cheaper and better resources – mostly natural resources (for example oil, crops), cheaper but worse qualified workforce or workforce qualified with creative talents (skills, culture of work).

Third group is – in brief – searching of efficiency, concerning acquiring in foreign country appropriate managerial qualifications and marketing skills.

Fourth one concerns looking for strategic assets. Due to this motive very important in attracting foreign investors are intellectual capital, research and development outcomes and capital accumulation.

Besides, Dunning asserted that the entrepreneur¹² would allocate his capital abroad only when he made sure that this activity was more profitable than investing in his own country.

Nowadays in the economy of European Union, during crisis and fear of accelerating inflation, regional development¹³ remains important challenge for economic policy, especially for cohesion policy. On dynamics of regions development depend not just their economies but also situation of the whole country, which is certainly very important reason to gain foreign investors.

Thus the local authorities should intensify their efforts to make their community, county or voivodeship the most attractive place to locate foreign investors capital. Responsibility, however, is not only of the authorities. Citizens also have influence on their place of inhabitation. Inhabitants are local workforce, social capital and their wealth affects their community's wealth. It is important for the future of EU to choose such strategies for communities, regions or countries, which aim is modernization of its economy, attracting people with high skills and counteracting too big migration¹⁴.

Hence concerning improvement of competitiveness decisive factors are:

12. „foreign entrepreneur ” is a statutory notion. Because he is contained in the act on the freedom of the business activity around with the act from the day 02.07.2004 r. (Dz. U. z 2007 r. Nr 155, poz. 1095 ze zm.). According to art. 5 pt. 3 of this act, a foreign entrepreneur is a foreign person performing the business activity abroad.

13 One should understand the regional development, as „ process ” of an improvement in s of the competitiveness of regions happening by increasing of their economic potential as well as the standard of living their inhabitants. D. Murzyn, *The economic development – conditioning*, [in:] *The cohesion policy of the European Union but the process of reducing disproportion in the economic development of Poland*, C Ed.. H. Beck, Warsaw 2010, p. 22.

14E. Bojar, *Direct inward investments but the competitiveness of regions more poorly developed*, [in:] *Direct inward investments in underdeveloped areas*, E. Bojar, Ed. PWN, Warsaw 2001, p. 31.

- employees qualifications,
- quality of production,
- high rate of export's growth,
- high rate of region's economy growth.

Regions trying to attract large quantity of foreign capital compete among each other, using various incentives. To win this game contenders need to know strong and weak points of their own and of their adversaries. Having such knowledge enables to offer to foreign investor proper conditions for his activity.

Other factors relevant for investors decision are mainly:

- a) Distance from sources of supply, qualifications and culture of employees, transportation costs.
- b) Availability of the banking system.
- c) State interventionism, in form of, for example trade barriers.
- d) Political and legal stability.
- e) Size of internal market.
- f) Economic image of the region and experience of other foreign investors active in the region¹⁵, development of the infrastructure.
- g) Spreading of technology – level of technological progress in the place of investment.

Other factors, affecting the foreign investor's choice are also tax reliefs and tax holiday¹⁶.

Due to reflection above, there may be observed a relation between investment attractiveness of the region and its inner strenght, for country or region will be the more competitive, the more it will try to achieve fast economic growth, enlarge size of export, create new products and concentrate on innovations.

Many governments tries to attract attentions of foreign entrepreneurs because their country's savings are too little to accelerate the economic growth. Hence they consider FDI as their only chance. They treat FDI as a way to speed up technological progress, attain better availability of international markets¹⁷ and safeguard permanent economic development.

15T. Pakulska, *Direct inward investments in the development of the entrepreneurship in the region*, [in:] *The Entrepreneurship but the regional development in Poland*, under the ed. K. Kuciński, Difin Ed., Warsaw 2010, p. 169.

16 this is period set by the law of the exemption from paying tax for companies beginning the business activity. In Poland, such a form of the incentive for foreign investors turned up for the first time at years 80. Of the 20th century. Sick notes of this type are usually being granted to enterprises with the foreign capital.

17B. Liberska, *Factors attracting Foreign direct investments. Conclusions for Poland from experience of other*

3. Foreign Direct Investments in western voivodeships of Poland.

3.1 Investment diversity of Polish voivodeships.

Concerning economic development Poland is very diverse, what causes, that investors mostly choose relatively well developed regions.

Among voivodeships most attractive for investment usually mentioned are: Silesian, Masovian and Lesser Poland¹⁸. It is the outcome of absorptive market, developed railroad and road transport or transit¹⁹, and also strong research and development background (more than 40 colleges in each).

Group of voivodeships highly attractive for investment consists also of: Lower Silesian, Greater Poland²⁰ and Lodz. Main advantage of Lodz voivodeship are low labour costs, large reserves of lignite – due to which it's the second voivodeship concerning energy production in Poland²¹. Besides it also has springs of thermal waters which are of significant importance due to its medical use in rehabilitation.

Next group of voivodeships of average attractiveness consists of: Pomeranian, West Pomeranian, Opole and Lubusz. Their shortcomings are poor transportation infrastructure and undeveloped markets. Their advantages are diversified economic structure, good housing conditions, well developed industrial background.

Unfortunately next group includes voivodeships of low attractiveness: Subcarpathian, Kuyavian – Pomeranian and Warmian – Masurian²². Their situation is caused mainly by poorly absorptive markets and low level of transportation infrastructure (Subcarpathian, Warmian – Masurian).

The worst group of voivodeships consists of: Świętokrzyskie, Lublin and Podlaskie. Their basic problems are bad transportation infrastructure and small workforce. Reasons of these problems may be traced back in history to the Russian partition.

Analysis of voivodeship diversity quoted above shows that the most important factors determining location of foreign capital are beneficial geographic placement, absorptive market, transportation

countries, [in:] *Foreign capital in Poland. Activity conditions*, under the ed. around. Z. Sadowski, Ed. Bellona public-private partnership, Warsaw 1999, p. 39.

18A. Golejewska, *Location of direct inward investments in the arrangement sector – regional*, [in:] *The Location of the industry but the competitiveness of Polish regions in the context of the European integration*, under the ed. A. Zielińska – Głębocka, Ed. of the Gdańsk University, Gdańsk 2008, p. 190.

19The Małopolskie Province has the main transit corridor from countries of Western Europe to Ukraine – motorway and 4 and international airport Cracow – Balice.

20More widely Dolnośląskie Provinces and Greater Poland, will be described in next subsections of the work, on account of her subject matter.

21State Agency of inward investments

22 A. Golejewska, *Location of direct...*, *op. cit.* p. 191.

infrastructure, cheap or qualified workforce. Especially nowadays voivodeship's absorption of European funds may turn out important. Its role for attracting foreign capital may even grow in the future.

3.2. Foreign Direct Investments in Lower Silesia.

Lower Silesian voivodeship is characterized by very high attractiveness for foreign investments. Among greenfield investments an important role is played by special economic zones²³, in which most of international corporations' capital is located. Advantages due to which Lower Silesia draws attention of foreign investors are well developed economic infrastructure and local authorities' engagement in creating good image and climate for investment²⁴. Lower Silesia is mostly chosen by investors because of its beneficial geographic location. Important factors for investors are roads connecting it with Germany and Czech Republic. Transportation infrastructure (roads, railroads, airways, rivers) as well as telecommunications network, high level of urbanization, possibilities for tourism, developed industry and large education, scientific and cultural potential are all features of Lower Silesia²⁵.

Concerning investments of large size the leading subregions of Lower Silesia are that of Jelenia Góra, Wrocław and Wałbrzych. Subregion with the smallest quantity of large investments is Legnicko-Głogowski. The cause of this state of affairs is the fact, that some of subregions are near the big metropolitan area of Wrocław, have appropriately developed communication network and also many special economic zones²⁶.

Among most important foreign investors of Lower Silesia are²⁷:

- a) Toyota, Volkswagen, Volvo – concerning automotive industry,
- b) Coca-Cola Hellenic Bottling Company, Pepsi Co, Cadbury Polska – in food industry,
- c) Deutsche Bank, Lukas Bank, Millennium – in financial sector,
- d) Electrolux Poland, Whirlpool, FagorMastercook – in home appliance sector.

23 according to SAII enterprise zones (SSE) it is the part of territory distinguished from an administrative point of view of Poland, intended for the conducting business activities on specific terms, i.e.: tax allowances. Essential roles which have it to the SSE fulfilment: precipitating the economic development of the given region, the development and using technological new solutions, job creation, of the production of goods and services on the competitive level. Apart from SSE, in the Lower Silesia many technology parks are functioning and of business incubators.

24 They are included in an investment climate: transparent for every entrepreneur regulations, assisting efficient institutions conducting business activities, state of the infrastructure and human resources.

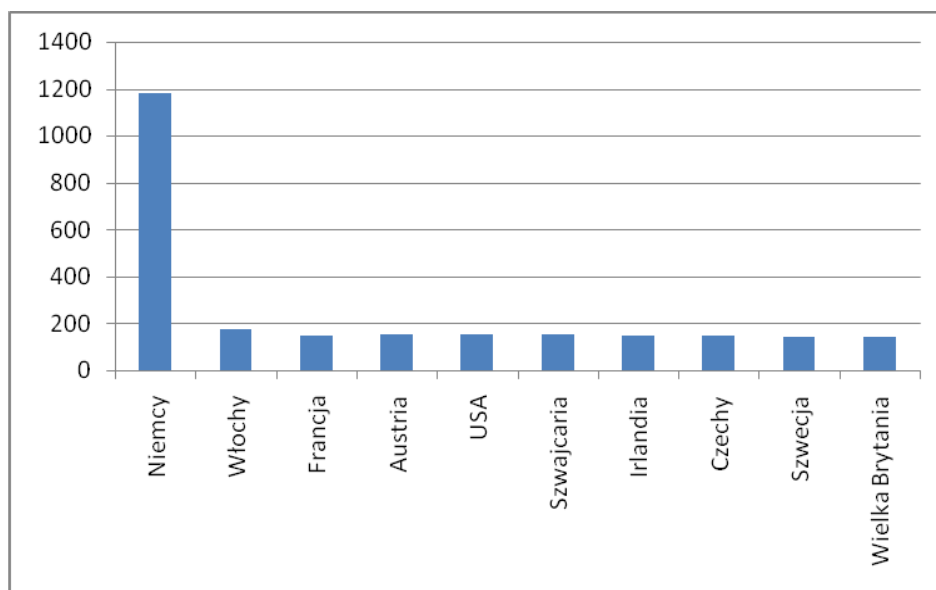
25 www.paiz.gov.pl [16.02.2010 r.]

26 M. Stawicka, *Analysis of investment attraction of the region in the light of contemporary trends*, Marshall office of the Dolnośląskie Province, December 2010, p.44.

27 M. Stawicka, *Directions of the action of local governments supporting the lifting attraction of investment Poland for foreign exchange investors*, [in:] *Investment Attraction of Poland*, under the ed. M. Stawicka, CeDeWu Ed., Warsaw 2007, p. 201.

The number of foreign investors of Lower Silesia in comparison with the rest of Poland is impressive and most of them are divisions of German companies. Each year there are more of them and they represent wide range of branches, from building chemistry to financial services. Spreading of German investments was significantly affected by small firms, founded in Lower Silesia in 90'ties. Those firms showed that Lower Silesian voivodeship may become promising place to invest, additionally having broad offer of benefits for foreign capital, hence many big corporations started activity in the region.

Graph 1. Companies with foreign capital in Lower Silesia in numbers, according to the country of origin.



Source 1. M. Stawicka, *Analysis of investment attraction of the region in the light of contemporary trends*, Marshall office of the Dolnośląskie Province, December 2010, p. 47.

Significant presence of German firms is the outcome of geographic proximity of the region and communicational availability. Another important factor is the fact, that German firms are acquainted with conditions of Lower Silesian market²⁸.

It is worth stressing, that Lower Silesia is one of Polish voivodeships with the fastest accumulation of foreign capital. Hence its position among Polish regions of investments is strong and it has good opinion of foreign investors.

3.3 Foreign Direct Investments in Lubusz voivodeship.

Lubusz voivodeship has one of the smallest areas among voivodeships in Poland.

²⁸ M. Stawicka, *Analysis of investment...*, op. cit. p. 53.

It is located in mid-western part of the country. It's investment advantages are certainly:

- a) Numerous frontier crossings – on roads, railroads and rivers.
- b) Clean environment, favourable for tourism and agrotouristic activity.
- c) Proximity of markets of European Union.

Large number of frontier crossings makes investors choose this region because of possibility of comfortable delivering their goods to the biggest markets in Western Europe²⁹.

Traditional branch of region's economy is timber industry. Apart from it other industries are:

- a) automotive,
- b) chemical,
- c) food.

There is only one special economic zone in Lubusz voivodeship: Kostrzyń-Słubice. It is placed in the very middle of Europe, near Germany and Czech Republic. Mobility of people is enabled by railroad track Paris-Berlin-Warsaw-Moscow. Most of foreign direct investments concerns paper industry(Trebuk, Kappa Packing), timber industry (Krono – Holding AG) and electronic industry (Siemens)³⁰.

Firms of this region are mostly microenterprises, employing not more than five workers³¹.

Majority of foreign capital comes from Germany, and it is invested in metal and automotive industry. Also Belgian, Swedish, Japanese and Taiwanese(optical industry). Foreign companies investing in Lubusz voivodeship may also receive a CIT tax relief, because of their investment inputs and created workplaces³².

Most common form of enterprises in the region is Polish-German joint venture enterprise.

3.4 Foreign Direct Investments in Greater Poland voivodeship.

Greater Poland, like Lower Silesia is one of the most often chose regions of investment by international corporations and in these terms it is one of the most developed regions of Poland.

This voivodeship's feature is uniform economic development, high level of industrialization and advanced technology. Poznań International Fair, famous in Europe, increase Poznań's chances of growth and is perfect way of promoting it's advantages among potential investors.

The advantages of Greater Poland according to PAIiZ are:

29 M. Stawicka, *Directions of the action...*, op. cit. p. 204.

30www.paiz.gov.pl [16.02.2010 r.]

31www.euroreg.uw.edu.pl [17.02.2010 r.]

32M. Stawicka, *Directions of the action...*, op. cit. p. 204.

- a) activity of local authorities, concerning European Funds,
- b) international airport,
- c) advanced technological infrastructure,
- d) highly educated society,
- e) high quality of labour market,
- f) high quality of food, due to biggest agricultural area in Poland.

Investors were mainly interested in industry and services. In industry the largest amount of investment were made in automotive (almost half), food and pharmaceutical branch.

Poznań is one of bigger centers of automotive industry in Poland³³.

The most significant corporations investing in Greater Poland are:

- 1) German – BSH **Sprzęt Gospodarstwa Domowego** (home appliances), Prowell (paper goods);
- 2) American – Dell Products (IT), Gillette Poland International, Procter and Gamble Operations Polska (cosmetics), UMA INVESTMENTS (food);
- 3) Italian - Indesit(home appliances),
- 4) Japanese – Fuji Seal.

Foreign investors are recently more and more interested in Poznań's real estate market. Furthermore, new foreign investments appear, concerning services using global network, for example accounting, computer science and research and development centres. Recently such centres were established by Roche and Unilever. Also many foreign centres of research and development are active in Poznań.

Also the structure of investments is changing. Foreign investors are not any more interested only in building huge hypermarkets, but in creating large centres of various functions, in which stores occupy just a part of the area. Today in Poznań there exist 6 such centres belonging to foreign investors (M1, King, Poznań Plaza and Galeria Malta). The number of cheap supermarkets of foreign companies is growing. These are shops of German owners: Aldi, Billa, Kaufland and Lidl, Danish Netto, Portuguese Biedronka and Czech Żabka³⁴.

3.5 Foreign Direct Investments in West Pomeranian voivodeship.

West Pomeranian's economy is dependent on it's location. It's main features is access to Baltic Sea and neighbourhood of Germany and Scandinavia.

³³www.poznan.pl [16.02.2011 r.]

³⁴Ibidem, [16.02.2011 r.]

Biggest advantages, thanks to which this region is becoming attractive place for foreign capital are³⁵:

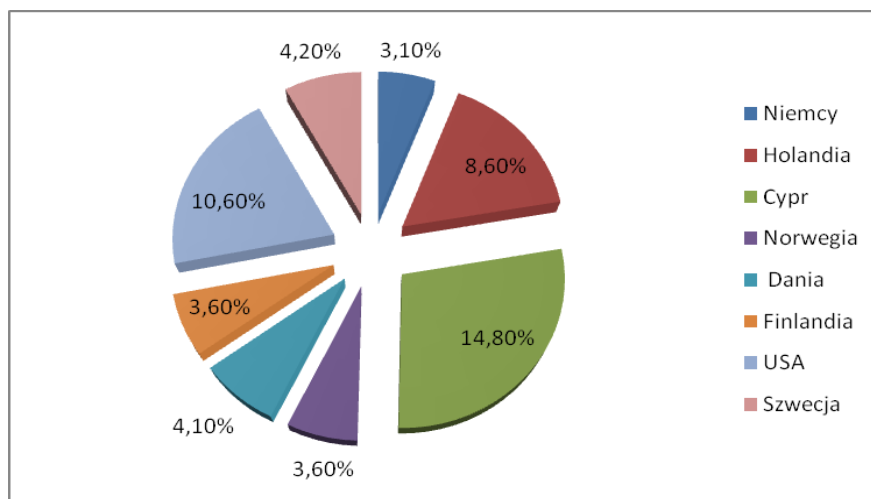
- a) Possibility of inland navigation towards Lower Silesia and Berlin.
- b) Close neighbourhood with Germany.
- c) Well developed higher education.

In addition, there are four industrial parks in the voivodeship. Modernization and expansion of infrastructure achieved thanks to these parks gave the region appreciation among investors.

Geographical location makes West Pomerania ideal place for investor, who intends to be active on EU markets. Besides, each potential investor may receive a real estate tax relief of 100% for 3 up to 5 years³⁶.

The largest amount of investments in West Pomerania comes from Germany. FDI from Polish western neighbour are located mostly in Szczecin. Another foreign investors in the are come from Danmark, Belgium, Netherlands, Italy, USA. Investments are made in the following branches of economy: banks, insurance companies, hyper- and supermarkets, petrol stations, hotels and restaurants, cinemas and telecommunication companies³⁷.

Graph 2. Enterprises with foreign capital in West Pomeranian voivodeship in numbers, according to the country of origin in first quarter of 2010.



Source 2. www.szczecin.eu [17.02.2011 r.]

³⁵paiz.gov.pl [17.02.2011 r.]

³⁶Ibidem, [17.02.2011 r.]

³⁷www.szczecin.pl [17.02.2011 r.]

The analysis of investment attractiveness of western Polish voivodeships showed, that Lower Silesia and Greater Poland are the most appreciated. Next ones: Lubusz and West Pomeranian are rated a bit lower. Presumably main reasons of this disproportion among regions are too big disproportions inside voivodeships themselves. In this matter regional policy of government as well as of local authorities play crucial role.

4. The inflow of Foreign Direct Investments to eastern Germany.

Extension of European Union to 12 countries of Central-eastern Europe made economic activity of German entrepreneurs in these countries easier. However there were some concerns in German society about the possibility of outflow of foreign capital from „old EU” to „new EU”, due to lower labour costs, more attractive offer of tax reliefs for investors in 12 new EU states³⁸.

According to the data collected by the **German Association of Chambers of Commerce and Industry**, there is a process of transferring production of small and medium enterprises to EU-12. This situation concerns mostly industries: electronic, textile, clothing and engineering³⁹.

The transfer of production by German small and medium enterprises may become threat to German labour market, because of their utmost importance for the country's economy.

eastern part of Germany may lose competition with some countries of the „new EU”, concerning foreign investments. High labour costs in eastern Germany might affect the situation. It seems, that investments will more often be made in Poland, Slovakia or Czech Republic, due to their higher attractiveness. It can mean further worsening of situation on eastern German labour market⁴⁰.

Recently new foreign investment in this region are rare.

According to B. Brocka-Palacz, the process of transferring production from Germany will depend on immigration policy of this country. For a long time German government has been limiting the inflow of human resources. Since 2011 German labour market has been opening for highly qualified but cheap workforce from Poland.

FDI of eastern Germany are mostly dependent on investments from western Germany, which are usually of brownfield type – precisely taking over whole or part of already existing companies – or of greenfield type.

Foreign investors⁴¹ take over enterprises which produce goods on the western Germany market, due

38Konkurrenz aus dem Osten, „Handelsblatt” 2004, Nr 165.

39The engineering industry is a traditional speciality of Germany.

40B. Brocka – Palacz, *Implications of extending the EU for the economy of the eastern part of Germany*, [in:] *The Economy of Germany but countries of Centre and Eastern Europe*, SGH, Warsaw 2006, p. 58.

41One should remember, that with foreign exchange investor in this part of Germany, are for the entrepreneur from the west part of this country. It results from it that the rest can see no prospects of investing capital for oneself, of development of own activity. They are afraid that they can incur a loss. Therefore the state should try to return its

to its proximity, and proximity of local markets⁴².

Branches especially interesting for investors are: building, energetic, environmental protection and automotive.

Conclusion

Analysis of investment attractiveness of western Polish voivodeships showed that apart from slightly worse Lubusz voivodeship, they are appreciated by investors. It is mainly the outcome of local authorities' engagement in promotion of their regions, meeting the investors' expectations and taking care of the regions' development.

Besides, the attractiveness is improved by geographic location, proximity the biggest markets of western Europe and equally important high intellectual potential of these voivodeships.

Enlargement of the EU increased eastern German enterprises' chances of better utilisation of their productive capacity, improved chances of newly established companies and created better conditions for FDI, thanks to intensified competition.

Apart from it, there are additional benefits inducing eastern Germany to increase technologically advanced production, which may cause further improvement of general conditions for investments.

It is possible, that in the transitory period the eastern Germany economy will be protected from violent inflow of additional workforce from abroad. This is why properly developed Polish-German transborder cooperation, that can improve investment cooperation, is so important.

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4. W. Karaszewski, *DII in raising the competitiveness of the Polish economy*, University of Mikołaj Kopernik, Torun 2005.

greater attention to the economic development in former GDR which the increased inflow of foreign capital is entailing.

42 P. Bross, *Neue Märkte, neue Chancen*, "Handelsblatt" 2004, Nr 163.

5. A. Kłysik – Uryszek, *DII in the economy of the region. The theory and the practice*, Professional CeDeWu Ed., Warsaw 2010.
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Polish legal Acts:

1. Exchange law, the act from the day 27.07.2002 r. (Dz. U. z 2002 r. Nr 141, poz. 1178).
2. The act on the freedom of the business activity around with the act from the day 02.07.2004 r. (Dz. U. z 2007 r. Nr 155, poz. 1095 ze zm.).
3. The regulation of No. 772 / 2004 applying art. 81 sec. 3 of Treaty to the category of agreements about the technology transfer (Dz.U. L 123 from 27.4.2004, p. 11 — 17).

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3. www.poznan.pl
4. www.szczecin.pl

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1. Graph 1. Companies with foreign kapital in Lower Silesia in numbers, according to the country of origin.
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