CAPITAL ACCUMULATION IN A REGION. COOPERATIVES VERSUS FOREIGN DIRECT INVESTMENTS

KRYSTYNA ZIMNOCH

ABSTRACT
The main aim of this article is to demonstrate the ability of cooperatives to create internal resources of a region through foreign direct investments and the creation of financial, physical, human, and social capital. It concerns the comparing and emphasizing of the stability of resources created in a region by these forms of action. In order to demonstrate the stability of internal resources of a region, generated through foreign direct investment, a research was conducted involving the analysis of the rankings of the largest foreign investors in Poland, statistical data from the Central Statistical Office and the NBP, showing the inflow and outflow of FDIs, the number of companies with foreign capital participation, and the number of people working in them. In addition, a case study was used for the regions where the investments have been withdrawn, showing the importance of cooperatives for the stabilization of the potential of the regions. The study shows that the transfer of FDIs is always guided by the maximization of profit, tax optimization of a location, and the native currency exchange rate fluctuations. The following consequences of withdrawal have no significance to foreign investors but affect the regions: the increase in the unemployment rate, the reduction in the income of local residents, the increase in debt, the acquisition of real estate purchased on credit. The case study shows that cooperative enterprises can replace foreign capital in the region, ensuring the stability and durability of its internal resources. The concepts and strategies for regional development should focus on cooperatives as a way to create the internal resources of a region, which are seen as the current development source. Co-operatives can prevent the leaching of resources and backwash effects. The economic policy must ensure the equal treatment of all of the entities investing in the region. Currently, Poland gives the priority to foreign investors over the domestic ones. Cooperative enterprises are particularly discriminated against through double taxation. It is worthwhile to examine the scale of the cooperative movement in the economy of the EU and the US and the policy instruments applied to this form of business in those areas.

KEY WORDS
resources of the region, foreign direct investments, cooperatives, stability of capital

DOI: 10.1515/emi-2016-0020

INTRODUCTION

Foreign Direct Investment (FDI) is an issue from the area of the international flow of capital. From the point of view of economic development, macroeconomic theory and the practice of economic policy, it is seen as an external source of capital, financing economic activities carried out in a specific region or area of the national economy. The ruling politicians seek to improve the competitiveness of
a given economy or region, promoting the location of foreign capital through the use of the preferential treatment in the form of tax exemptions, formal, legal and organisational facilitation, particularly in Special Economic Zones.

In international economics, the theory discussing the foreign direct investment focuses primarily on the benefits of its launch in a given economy of a country or a region as well as the negative consequences, which mean the costs of FDIs. The benefits in the host country constitute costs for the investing country. On the other hand, the costs in the host country constitute the vice versa benefits for the country of origin. Rarely, however, there can be some consequences that result from the withdrawal of foreign investment. The article undertakes the problem of precisely those consequences, relevant to the internal resources of the regions. Foreign capital, through its withdrawal, destabilizes the economy of the region. The aim of the investors is profit, not the accumulation of resources in a given region. The pursuit of profit provides an incentive to invest capital where its productivity and, therefore, the rate and level of profit will be the highest.

Apart from the undoubted advantages and the importance of foreign direct investment for regional development, it is also necessary to show the negative consequences of the withdrawal of investors. For stable development, the internal resources are essential for the economy or a region. The regional development strategy can be based on internal resources, which is possible through their accumulation by cooperatives or cooperative enterprises. The local capital of cooperatives, also set for the implementation of social objectives, „will not escape“ and will contribute to the accumulation of resources. This accumulation in the case of cooperatives concerns both financial and physical capital as well as human and social capital. More than 170 years of history of the cooperative movement shows that such accumulation of resources occurs.

1. LITERATURE REVIEW

„Foreign Direct Investment is a term used to denote the acquisition abroad of physical assets, such as plant and equipment, with operational control ultimately residing with the parent company in the home country” (Buckley, 2004, p. 363). Foreign direct investments represent a specific type of investment, defined as the international transfer of capital in order to create a subsidiary in another country and maintain control over it (Krugman & Obstfeld, 2002). The definitions of foreign direct investments emphasize the fact that they are a specific transaction binding many planes: financial capital, knowledge, skills and know-how, technology, organisational and marketing patterns, management experience, and entrepreneurship (Dunning, 1981).

Key benefits of the countries receiving foreign direct investment are extensively described and documented in the literature on the subject (Buckley, 2009; Hill, 2013; Mosa, 2002). The research shows that foreign direct investments are a source of economic development. They provide opportunities for technology transfer, the creation of human capital, the integration of international trade. They foster the emergence of a more competitive business environment and the development of enterprises. Foreign direct investments can also bring social and environmental benefits. This happens when the so-called clean technologies and policies applying corporate social responsibility are used. For example, through the implementation of internationally agreed measures that prevent child labour, elimination of discrimination at the workplace and removing barriers for the conclusion of collective agreements.

Studies show that the condition for obtaining the maximum developmental benefits is the appropriate policy of the receiving country and the international investment structure. From the point of view of foreign investors (in most countries of the Organization for Economic Cooperation and Development – OECD) national policies should develop a transparent, broad, efficient and favourable investment environment and provide human and institutional potential for the realization of investments (Foreign Direct..., pp. 24-26). The investing companies have a choice of their allocation of resources, driven by profitability and it is obvious that the purpose of their transfer will be its highest level. According to the Eclectic theory of international production (Dunning paradigm OLI: Ownership – Location – Internalization), the definitive reasons for the decisions pertaining to the application of FDIs arise from the specific advantages of ownership, location, and internalization. International business activity and directions of the flow of FDIs depend on the difference in the level of economic development of individual countries (Dunning, 1981, p. 27).

Among the negative effects of foreign direct investments for the target countries, the economic and social costs are mentioned. The negative
economic consequences can include primarily the deterioration of the balance of payments of the receiving country due to the transfer of profits from the capital to its home country. There is also a negative impact of the increase in competition, leading to the focus on domestic markets, which may hinder the access to the market for smaller domestic entities having higher production costs. In addition, foreign investments especially in the heavy and mining industries can have a harmful impact on the environment. There may be social costs resulting from the lack of positive relationships with the local environment, the sense of loss of national sovereignty and dependence on international corporations (Hill, 2013).

From the point of view of the foreign investors themselves, many of these negative effects are a result of shortages of national policies of the receiving countries (Foreign Direct… pp. 28-30). However, many authors emphasize that the focus of foreign companies solely on profits may destabilize the economies of both: the host country and the country of origin. Through three main effects, namely, the transfer of resources, the impact on employment and the impact on the balance of payments, FDIs affect the changes in the economic structure of both parties to the transaction. If a company invests abroad, it means that the financial resources, technology, and managerial skills „will follow“. In the receiving country, the opportunities for new jobs, the increase in labour productivity and wages will arise. In the balance of payments of the host country, in the current account, the turnover from exports may increase, but in the capital account, the liabilities will increase due to the outflow of foreign company profits to the country of origin.

The reversed effects of the transfer of assets will occur in the home country of the investor. The returning profit of a foreign company, by increasing its resources, provides opportunities for a further future increase of the market share. However, by utilizing their capital and technology for a given production abroad, the company can contribute to the reduction of this production within the country, and sometimes even to its closure and a total focus on the activities in the host country. It undoubtedly has a bad influence on the economy of the country of origin, particularly on the employment of native workers. Such an effect has been observed in the case of US economy, especially during the construction boom, when American builders had to import even the sheet metal and plasterboard from China. With time, the imported goods also included the machinery and equipment.

There is a gap in the knowledge relating to the actual course and development of the effects of foreign direct investment, especially on the mezzo-economic scale (Świerkocki, 2011). The literature rarely contains information relating to the effects of divestments or the withdrawal of foreign direct investments (Sadłakowski, 2015). The problem concerns the recognition of foreign direct investments as a transfer of resources – financial capital, human capital, and management practices. The transfer of resources means, however, both an inflow and outflow. Therefore, FDIs take the assumption of withdrawing in advance, once opportunities for a greater profit would appear in another location, for example in the form of a policy of tax exemptions in a host country. The impact of FDIs on economic development documented in the studies is conditioned by a long period of time. However, what remains in a given region if some years of functioning a foreign investor withdraws and transfers the resources to a different location? What resources remain in the region?

Economic development requires the pooling of resources as well as the accumulation of physical, financial, and human capital. An invaluable role it also played by social capital, particularly in regional development. In turn, the benefits and the costs of FDIs, analysed in the literature and shown in the studies, do not allow the claim that FDIs create resources in a host country. Divestments, which occur in the contemporary international investment structure, denote the outflow of financial capital. What leaves a „hole“ in the form of unused human resources, destabilization of trade and organisational relations, especially at the mezzo-economic level? The negative effects of divestments can also be seen in the decline in the income and consumption in the region, the increase of debt, the decrease in tax revenues and the emigration of the population. The outflow of foreign capital from a given region is accompanied by the leaching of broadly defined resources from that region.

2. RESEARCH METHOD

The theories of foreign trade argue that the international exchange and foreign trade bring benefits but are not fair. The benefits are therefore apparent at the macroeconomic level. It is emphasized
here that the benefits pertain to a country as a whole economy, as its production and exports increase, the consumption structure becomes more diversified, and the productivity and wages grows. Injustice becomes visible at both the meso- and microeconomic levels. It refers to the situation of individuals who must close their businesses because of foreign competition and those who lose their jobs as a result of these closures. In practice, the national policy exposes more localization incentives addressed to foreign investors through the foreign trade policy, and the politicians do not always see the need to improve the situation for entities and employees who experience losses as a result of the inflow and outflow of foreign direct investments.

In Poland, the institution acting on behalf of the government and dealing with the politics of foreign investment is the Polish Information and Foreign Investment Agency (PAIiIZ). It provides investors with comprehensive information about the economic and legal environment, about the potential partners and suppliers as well as the location. It helps investors in legal and administrative procedures. The mission of the PAIiIZ is the creation of a positive image of Poland in the world and the promotion of Polish products and services (http://www.paiz.gov.pl). The actions of this institution are therefore to a high degree aimed at foreign investors. For several years, PAIiIZ has been issuing an annual list of the largest foreign investors in Poland. On the other hand, it does not conduct the register of the foreign companies that have withdrawn their capital and activities from the territory of Poland.

In the article, the author used the method of comparative analysis of the contents of the lists of the largest foreign investors issued by the PAIiIZ. Also, the analysis encompassed the statistical data provided by the Central Statistical Office (GUS) and the National Polish Bank (NBP). The Central Statistical Office collects data on the activities of enterprises with foreign capital participation on the basis of the statistical reports submitted by them. NBP presents the annual inflow and outflow of foreign direct investments to the Polish economy also on the basis of reports of foreign companies. It shows the impact of these transfers, leaving a mark on the balance of payments, primarily in the form of increased liabilities. The summary and comparison of this data allowed assessing the level and stability of FDIs in Poland. To show the durability and the stability of the local capital created by cooperative enterprises, compared with FDIs, the analysis of case studies was used. The latter analysis shows a Polish cooperative enterprise taking over an establishment of a withdrawing foreign investor.

3. Research results

The transfer of foreign capital to a receiving country can be done through the establishment of a completely new company (Greenfield), mergers and acquisitions – the purchase of a part of stocks or shares of an already existing company (Brownfield), or creation of a new company together with a national partner (joint venture). The described benefits and costs of a national partner are formed depending on whether the investor will take action by relocating the departments that specialise in various stages of the production process, i.e. vertical investments, or the entire independent production plants, i.e. horizontal investments. In the case of vertical investments, there is an increase in both exports and imports, an increase in employment, and the rise in wages. However, such actions hinder the flow of technologies and organisational solutions to national companies. On the other hand, in the case of horizontal investments, the transfer of technologies and organisational experience is broader, but there occurs a decrease in foreign trade turnover, increase in competition, exclusion of national entities, and the decline in employment in local companies.

The conducted study indicates the high volatility of FDIs. Both the inflow and the outflow of foreign capital in individual years of the period 2006-2014 exhibit large fluctuations (Tab. 1). In Table 1, the second column included Total FDI inflows, thus taking into account the outflow of capital from Poland. In order to achieve the objectives of the research, it was necessary to also show the level of the withdrawal of foreign capital from the Polish economy. The highest level of FDI inflow occurred in 2007 and amounted to almost PLN 63 billion. However, in 2008, FDI inflow decreased to PLN 34.5 billion (45%). The period 2008 to 2012 is characterized by a relatively stable increase in capital inflows at the level of over fifty billion PLN. However, the year 2013 saw a big slump in net inflows of FDIs down to PLN 8.6 billion. In 2014, once again there was an increase to PLN 37.6 billion, even though, at the same time, there simultaneously occurred a significant outflow of capital from Poland of PLN 16.3 billion.

The instability of the net results of Total FDI inflows, among other things, arises from the volatility
of the withdrawal of capital from Poland. Foreign investors are guided by profitability and withdraw their resources from deposits where that profitability decreases or such decreased is predicted by forecasts. Likewise, they invest where growth occurs or is predicted. Often, the change of location results from assessments and forecasts of changes in politics and the economy, and even just the titles of articles reporting a threat to the free market from corruption and the nationalization of pension funds in Poland induce the changes in the decision-making process of foreign investors (Tyrmand, 2015). In the analysed period, the outflow of capital was in the range from PLN 0.2 billion to PLN 34 billion. The first moment of the outflow of FDIs occurred in the years 2008-2009 (PLN 3.3 and 5.6 billion). However, in 2013, there was a withdrawal of foreign capital at the level up to PLN 33.9 billion (Tab. 1). While for the period 2008-2009, the explanation is the beginning of the global financial crisis, in 2013, the record level of FDI outflow was mainly due to the withdrawal of companies from the financial and insurance sector (Section K in PKD). This was when the elimination of a number of special purpose entities with the involvement of transit capital occurred. It is the capital inflowing in a given year and increasing the equity of domestic companies, at the same time invested in the created branches abroad with the aim of financial optimization. This is done through special purpose entities and is not associated with the actual investment activities of entities from the investing country (NBP, 2013, pp. 33-37). The involvement of foreign investors in a special local financial institutions does not mean liquidation of Polish entities. Change in the ownership in the financial sector can also mean the reorganisation, cost reduction through the elimination of branches, and the decrease in employment.

The analysis of the number of enterprises with foreign capital participation operating in Poland shows a stable growth. In 2006, the number of such companies amounted to eighteen thousand and was steadily increasing to over twenty-six thousand in 2014. There was also a systematic increase in the number of employees working in these enterprises from 1.3 million people in 2006 to 1.7 million in 2014. It should be noted that the largest share (80%) in this group of companies were small enterprises employing up to 49 people, but the largest share (70%) was constituted by large companies employing more than 250 people. Their share in the capital also represents about 60% (NBP, 2014; PAIiIZ, 2015).

The comparison of the investment in new fixed assets in Poland made by entities with foreign capital to domestic capital for one workplace in the reporting period reveals a narrowing of the gap between the two groups of entities. In 2006, entities with foreign capital invested PLN 43.5 thousand into one workplace, while all of the companies employing 10 or more people invested only PLN 18.3 thousand. This difference decreased to PLN 1.5 thousand in 2014 (Tab. 2). So, one can conclude there is no significant additional capital expenditures by companies with foreign capital.

Detailed information concerning the enterprises with foreign capital participation is included in the publications of the PAIiIZ. For the purposes of this article, the list of the biggest foreign investors in

<table>
<thead>
<tr>
<th>Year</th>
<th>Description</th>
<th>Total FDI inflows net (BN PLN)</th>
<th>Withdrawal of capital from Poland (BN PLN)</th>
<th>Number of entities with foreign capital</th>
<th>Number of working in entities with foreign capital (people)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td></td>
<td>40.3</td>
<td>0.2</td>
<td>18015</td>
<td>1313359</td>
</tr>
<tr>
<td>2007</td>
<td></td>
<td>62.9</td>
<td>1.2</td>
<td>18515</td>
<td>1453733</td>
</tr>
<tr>
<td>2008</td>
<td></td>
<td>34.5</td>
<td>3.3</td>
<td>21092</td>
<td>1531668</td>
</tr>
<tr>
<td>2009</td>
<td></td>
<td>42.5</td>
<td>5.6</td>
<td>22176</td>
<td>1460650</td>
</tr>
<tr>
<td>2010</td>
<td></td>
<td>53.2</td>
<td>0.9</td>
<td>23078</td>
<td>1518398</td>
</tr>
<tr>
<td>2011</td>
<td></td>
<td>58.7</td>
<td>0.7</td>
<td>24910</td>
<td>1566533</td>
</tr>
<tr>
<td>2012</td>
<td></td>
<td>59.2</td>
<td>0.7</td>
<td>25914</td>
<td>1571235</td>
</tr>
<tr>
<td>2013</td>
<td></td>
<td>8.6</td>
<td>33.9</td>
<td>26128</td>
<td>1628516</td>
</tr>
<tr>
<td>2014</td>
<td></td>
<td>37.6</td>
<td>16.3</td>
<td>26464</td>
<td>1747811</td>
</tr>
</tbody>
</table>

Source: author’s elaboration on the basis of (NBP, 2014; GUS, 2014).
Poland for the years 2003-2014 was analysed (there is no such list yet for the year 2015). These lists represent investors who have committed at least USD 1 million in Poland and had at least a 10% share in a company. The number of companies in the ranking doubled from about 1000 companies in 2003 to nearly 2500 companies in 2014. The origin of that capital includes all the countries of the world. The analysed ranking indicates from 30 to 50 countries in individual years. However, most companies originate in Germany (in each year from 30 to 500), the Netherlands (150-200), the USA (150-300). In the years 2013-2014, the number of companies from France increased to 260 (more than from the Netherlands) and from Italy – to 180. The population of the companies included in the analysed ranking changes when comparing the lists from consecutive years. By 2011, dozens of companies „disappeared” from the list. In 2011, the list had 150 fewer companies than the list of the previous year, and about 200 companies were „missing” as compared to the previous one. The inability to account for the processes of mergers and acquisitions is one of the limitations of this study. However, for testing the stability and sustainability of the involvement of resources, it is important to change the structure of business entities having capital at their disposal, their number, and the sites of their activity.

As compared to the state as of the end of 2008, for example in 2009, the following companies left the PAIiIZ list: Polish Bakery Investment BV and it closed the plant Elite Confectionery Poland Sp. o.o. in Szczecin. Previously, the German Stollwerck withdrew and closed the chocolate factory in Jankowice, and the brewery Bitburger (later bought by the company Carlsberg-Okocim). The factory was bought by the Swiss-American company Kraft Jacobs Suchard and was afterwards transformed into Kraft Foods Poland, acting as Mondelēz Poland SA Cieszyn from 2013. One may also mention several banks that have disappeared from the list of the biggest investors: British HSBC, the Royal Bank of Scotland, and the networks; Centro (Russian) or the British Empik Media &Fashion and many others.

Foreign investors particularly focus on fiscal benefits offered by obtaining a permit to operate in a Special Economic Zone (SEZ). The tax exemption offered at SEZs is now a form of a regional state aid, the aim of which is to promote productive investment or job creation. State aid granted to undertakings constitutes an interference with free competition and, therefore, in principle, can be considered illegal from the point of view of the Community law.

Such aid is regarded as acceptable if it does not violate the principles of the common market. Placing a business in a SEZ, an investor can obtain individual relief or exemption from local taxes in addition to the income tax exemption. However, there is no bill of law, a government directive or a particular regulation, which would determine in advance the rules for granting the tax reductions or exemptions as this is done by way of individual negotiations. This means that foreign investors gain additional competitive advantage and inhibit the activities of domestic companies with a similar business field, which leads to job losses.

More than half of current zone investors declare not planning to implement new investment projects in their SEZ for until 2020. 81% of the respondents declared readiness to carry out new investments provided the zone continued to work longer. Continuation of the operation of SEZs is, therefore, a direct factor in the attractiveness of areas. As the main benefit of business in the zones, 96.7% of the respondents indicated an income tax exemption (according to the survey: Specjalne Strefy Ekonomiczne po 2020 roku).

To present the instability of foreign capital in developing the resources of the region, it is worth to present a case study of Colgate-Palmolive. Colgate-Palmolive America Inc. is an international company producing household items, soap, detergent, toothpaste, and toothbrushes. It was founded in 1806.
in New York. The company entered Poland in 2001 with a 55% share in Colgate-Palmolive Poland Sp. z o.o. In Halinów, which is close to Warsaw, it constructed its first Polish factory. This plant employed 300 to 500 people through the years. Colgate, however, still carries out the strategy changing the locations of its activities. In 2005, they announced the closure of five factories: one in the UK and four in mainland Europe, including the one in Poland. The objective was to obtain funding for investments in new products in a new place. In the strategy announced in November 2012, the company clearly indicated the intention to liquidate its first plant in Poland in Halinów and the plan for the expansion of its second factory in Świdnica (opened on 1 July 2008), moving the production of toothpaste there and employing about 200 new employees. In 2013, they received a permit for a new investment in the Wałbrzych Special Economic Zone. At latest by the end 2015, Colgate was supposed to invest at least PLN 102.5 million in the expansion of the Colgate-Palmolive plant in Świdnica and employ at least 80 new employees. Thus, the Colgate-Palmolive factory in Świdnica was supposed to become a strategic factory for the company in Europe, and the company used all the perks offered by the activity in the special economic zone.

The factory in Halinów was closed in December 2015 (http://www.colgate.com). Already in May of that year, Colgate reported the largest number of people to be made redundant in the Mazowieckie voivodship (http://wupwarszawa.pl). At the end of 2015, the unemployment rate in the Minsk district was 8.8%; in January 2016 – 9.2%; in February – 9.7%; and in March – 9.3%. Most of the registered 359 people were from the rural-urban municipality of Halinów (http://www.praca.powiatminski.pl).

In April 2016, the ownership of the Colgate-Palmolive company in Halinów went to the Cooperative of the Disabled Świt. Then, the transaction of sale of the organised part of the enterprise together with full infrastructure as well as production lines was finalized (http://www.swit.com.pl).

4. Discussion of the results

When describing the history of the Świt cooperative, it is possible to see a universal property of the cooperative movement. As in the case of most cooperatives, Świt was established to achieve the objectives of a group of people with a good will to cooperate, aware of its benefits and open towards others (Czternasty, 2013). A group of fifteen people, including veterans, created the Cooperative of Manufacturers Świt on 15 October 1944. In the ruined buildings after the Zylberman's soap factory, the production of soap, face powder, baby powder, and shoe and floor polish began, which in fact was packed in the boxes of canned products. Generally, the Polish co-operative movement was ruined and destroyed during the World War II by the German and Russian occupants. In the central and eastern Poland, the German occupants physically destroyed the Jewish merchants, who were predominant among the merchants before the war. Immediately after the war, work began on the Polish soil to rebuild the cooperative. Now, the cooperative had to respond to the local needs and the necessity to rebuild the country (Brodziński, 2014, p. 65).

The creation of the Świt cooperative was therefore not an act of the communist authorities but resulted from the needs of cooperative members and the needs of the local community. In 1949, the name was changed from the Cooperative of Manufacturers to the Cooperative of the Disabled Świt (SI Świt). The cooperative also became a member of the Headquarters of the Cooperative of the Disabled. In the years 1958-1961, with the use of the own resources of the Cooperative, at Taśmowa 1 Street, a modern industrial and office building was constructed with an area of over 11 thousand sq. meters, as well as blocks of flats for the members at Bogunki Street. The number of cooperative members systematically increased, but always more than 70% were the employees with disabilities, also the mentally disabled since 1960.

The Cooperative of the Disabled expanded the structure of production by the manufacture of components for television sets and tape recorders
in cooperation with M. Kasprzak Warszawskie Zaklady Telewizyjne and Zaklady Radiowe. In 1978, it also set up its own workshop in Myszyńce, in the region of Kurpie, which took over the production of welded plastic products (from 1982, the Cooperative of the Disabled). In the period of economic transformation, the collapse of the eastern market, and a massive influx of Western cosmetics, the cooperative survived the crisis of 1989-1991. The solution was to sign a contract with the German manufacturer of parapharmaceuticals – Sebapharma GmbH for the production of natural cosmetics, in line with the requirements of medicine of cosmetics from the series Sebamed. Then, the employment status was the highest in history with 1240 people, including 892 handicapped (http://www.swit.com.pl).

In 1994, SI Świt created Sp. z o.o. Świt in Kaliningrad for the operations in the eastern market. Its activity, however, was suspended in 1998 because of the crisis in Russia. However, in the same year, the company’s Świt cooperative Pharma was founded in Malbork for the implementation of tasks relating to export to eastern markets. In 2001, the cooperative received the Quality System Certificate No. 8/ QMS/2001, confirming the compliance with the requirements of the standard PN-ISO 9002: 1996 in the following areas: manufacturing of perfumes, cosmetics, and household chemicals, as well as plastics processing.

Since mid-2004, SI Świt suffered from a critical financial situation. The cooperative, however, began the process of restructuring, which was also associated with the necessity to lay-off workers. The restructuring lasted until December 2007. Then, the cooperative employed 212 people, including 126 handicapped. In the period of restructuring, SI Świt opened a flagship store at Taśmowa Street in Warsaw, launched online sales and an advertising campaign in trade magazines, women’s magazines and the Internet. It participated in many international fairs (http://www.swit.com.pl). In 2008, the implementation of an innovative business project of the Outplacement Centre was launched, involving the direct sales of cosmetic products by consultants who were people with disabilities. In 2011, a branch in Radom was established (printing services), and in 2012, other two were started in Opole (production of protective clothing) and in Władysławowo (production of pallets).

In recent years, the participation in many prestigious international fairs and exhibitions has brought SI Świt the recognition of their products and numerous awards: Customer Laurel – Discovery of the Year 2013, the Excellence of the Year according to Twój Styl 2013, PEDI Award 2013, Art Of Packaging 2014, Customer Laurel – Discovery of the Year in 2015.

The cooperative conducts extensive educational and social activities. It organised workshops and co-organised the beauty pageant Miss Poland in a Wheelchair. A line of skin care products designed for fans and enthusiasts of the Polonia Club was started up in Świt Pharma. The profit from the sale of these cosmetics will be used to finance the Polonia Club (http://www.swit.com.pl).

On 15 October 2014, the SI Świt celebrated its seventieth birthday. Throughout the period of its activity, its products were appreciated by the consumers. There never was a situation as in the case of Colgate-Palmolive, which was brought to court for jeopardising consumer health due to the presence of hazardous substances in their products. Triclosan, which according to a recent research may cause cancer cells to grow and interfere with the normal development of animals, is one of the components of the popular toothpaste Colgate Total. The US office for regulating drugs and food market Food and Drug Administration (FDA) approved the sale of this paste as a non-prescription drug in 1997. After seventeen years, it turned out that the company concealed from the FDA a part of the documents containing test results. They were disclosed only as a result of a lawsuit (http://www.bloomberg.com).

The activities of the cooperative Świt are based on the Good Manufacturing Practice (GMP). The Good Manufacturing Practice is a system of procedures enforcing and guaranteeing the highest quality and purity of the products and ensuring complete control over the origin of raw materials.

For over 70 years, SI Świt has been a manufacturer of household chemicals and cosmetics for face and body, which are appreciated by consumers. Among the brands in the portfolio, the Abra brand should be mentioned, which has been continuously available for sale for several decades, almost since the inception of the company. The company also owns brands such as Exclusive Cosmetics, Days Cosmetics, and Clean Hands, which is anti-bacterial gel for hands (http://www.rp.pl/Biznes, 25.04.2016).

Within the development strategy of the Cooperative, the purchase of the Colgate production plant in Halinów was a key element. The deal allowed increasing the production capacity of the Cooperative from the existing 20 to over 110 million units per
year, which puts the company among the largest manufacturers of cosmetics in Poland. The plant in Halinów (23 km from the centre of Warsaw) is one of the most modern and automated facilities in Poland. The property, with the area of nearly 6 ha, is suitable for the production of lotions, shampoos, gels, pastes, and powders. In the production halls with the total area of 10 thousand sq. meters, there are modern, automated production lines designed for mixing, homogenizing, filtering, screening, as well as bottling of products. The factory is equipped with the automatic systems of measurement and control equipment, through which the entire production process may be continuously monitored in terms of the highest quality standards. On the premises, there is also a modern chemical and microbiological laboratory (http://www.swit.com.pl).

Among the main business objectives, the SI Świt is planning a significant expansion of the range of branded products, the expansion of the existing brands for the Polish into foreign retail chains, the development of contract manufacturing for current and new customers, and dynamic growth in exports. In connection with the first orders from the customers in Germany, Finland, France, Russia, Ukraine and Spain, the launch of the production lines will take place already in May. In the new factory, SI Świt will produce gels, liquid soaps, shampoos, dishwashing liquids, laundry liquids, rinse liquids, liquids for oral hygiene, etc. The offer will also be extended to include washing and cleaning powders, while in 2017, it is planned to launch the production of toothpaste. The Halinów plant of SI Świt will employ approx. 100 people, mainly machine operators and the production staff. From the end of April, approx. 30 people will begin working, most of them being the former employees of Colgate-Palmolive (http://www.swit.com.pl).

CONCLUSIONS

Comparing the activity and strategy of the multinational Colgate-Palmolive group with the objectives and strategy of the SI Świt, it is clear who participates in the achieved benefits. From the point of view of gathering resources in a particular economy or region, international capital flows do not provide a stable and sustainable growth. Moving towards greater profitability, FDIs are not concerned with the consequences of the withdrawal of their production from a particular region. As seen in the case of Colgate-Palmolive, closing factories and layoffs are caused by the fluctuations of the USD, the currency in which the capital owners ultimately count their profits. And although Colgate has been operating for over a century, SI Świt managed to accumulate non-monetary profits and benefits in the same field of activity during seventy years.

The accumulated physical and financial capital resources are the effects of the operation of Świt co-operative. Besides, we should not underestimate the importance of creating economic and social opportunities for people living with a disability. The use of modern technologies is possible having the necessary human capital. Undoubtedly, the effects of increasing the level of the social capital are also visible; not only the local community of Mazowieckie or Minsk Voivodships, but all Polish citizens and consumers can have greater confidence not only in the product quality, stability of employment but also in the opportunities and chances for success of joint action.

The development of the SI Świt for over seventy years is the proof that for the local community permanent indigenous entities are more important than the international companies relocating production from one place to another. You can ask how US consumers and citizens benefit from the activities of Colgate-Palmolive America Inc., if 75% of its revenues come from foreign markets. Does it provide them with jobs and ensures tax revenues to local budgets?

In conclusion, it is worth noting that:

• in the economies of the countries that are more developed than Poland, there are many cooperative enterprises; they operate successfully in various industries, and socio-economic policies of these countries support the cooperative movement,
• promotion of cooperatives also takes place in the activities of the European Union and the United Nations, for example, 2012 was declared the International Year of Cooperatives,
• unfortunately, the Polish policy of the political transformation period and also the later period has taken steps that were rather detrimental to the development of cooperatives,
• and even if, according to some people, the success of the SI Świt (is mainly due to the people with disabilities, whose jobs are subsidized by the State Fund for Rehabilitation of Disabled Persons (PFRON), these jobs exist and new will be created. The case of the SI Świt is a good example of economic patriotism. This was evident in the comments of Internet users. They expressed joy about
the takeover of the western factory by the Polish cooperative. Therefore, with its very action, the Świt educates the Polish society, showing that cooperatives are not a relic of the communist collectivism. A cooperative company, which in addition to profit meets the objectives of its members, can surely be a way for people who are open, with good will to work together, to create a place in the economy and civil society.

**LITERATURE**


