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Exports by Enterprises with Foreign Capital Participation

1. Exports by enterprises with foreign capital participation against the background of other forms of ownership

Enterprises with foreign capital participation have been playing an ever-increasing role in the Polish economy. According to the statistical data of the Central Statistical Office, the revenues of firms with foreign capital participation accounted for 16.6% of the revenues of all enterprises in the national economy. Their share in revenues from export sales was even higher and amounted to 24.4 %. Enterprises with foreign capital participation employed 10.1% of the total work force and their fixed assets - as of 31st December 1995 - accounted for 8.9% of total fixed assets of all enterprises[1].

The Central Statistical Office materials cover data on 10,235 companies with foreign capital participation. In the case of 534 companies, the share of foreign capital in their total stock capital amounted to more than PLZ 2.5 million. The data in tables 1 and 2 show the share of exports in total sales by these companies, which are divided into 5 groups depending on the share of foreign capital in their stock capital (from 100% to below 10%). The data lead to the following conclusions:

[1] Wyniki finansowe podmiotów gospodarczych z udziałem kapitału zagranicznego w 1995 r. (Financial Results of Economic Units with Foreign Capital Participation in 1995), Central Statistical Office, Warsaw, 1995, pp. 9-11.

1. Companies with high involvement of foreign capital (above PLZ 2.5 million) exported 13.5% of their total sales and thereby were less export-oriented than all the companies (which had a 16% share of exports);
2. Companies owned in full by foreign capital showed a greater propensity to turn out goods and services for the needs of the domestic market in comparison with other companies. Their involvement in export production was lower (they exported 12.6% of their production and those with foreign capital above PLZ 2.5 million exported even less, namely 9.4%).
3. Companies with the lowest share of foreign capital in their stock capital (below 10%) turned out to have the highest export propensity. They exported 37% of their total sales and the group of companies with foreign capital exceeding PLZ 2.5 million exported as much as 50% of their total sales.

Table 1. Exports by companies with different shares of foreign capital (1995)

Share of foreign capital in stock capital	Number of companies	Revenues from sales (in thousands PLZ)	Export sales taxed at a 0% VAT rate	Share of exports in sales (in%)
Total	10,235	76.279.7	12,241.9	16.0
of which:				
100.0% foreign capital	4,607	30,225.7	3,822.5	12.6
50.01-99.99%	2,893	26,996.7	4,658.0	17.3
25.01-50.00%	2,198	12,374.2	2,121.5	17.1
10.01-25.00%	358	3,855.5	594.5	15.4
up to 10.00%	179	2,827.6	1,045.4	37.0

Source: Wyniki finansowe podmiotów gospodarczych z udziałem kapitału zagranicznego w 1995r. (Financial Results of Economic Units with Foreign Capital Participation in 1995), Central Statistical Office, Warsaw, 1996, p. 18.

Table 2. Exports by companies with foreign capital above PLZ 2.5 million (1995)

Share of foreign capital in stock capital	Number of companies	Revenues from sales (in thousands PLZ)	Export sales taxed at a 0% VAT rate	Share of exports in sales (in%)
Total	534	37,790.8	5,086.7	13.5
of which:				
100.0% foreign capital	268	14,626.5	1,378.2	9.4
50.01-99.99%	214	18,195.8	2,972.5	16.3
25.01-50.00%	44	4,432.3	659.4	14.9
10.01-25.00%	7	424.6	19.7	4.6
up to 10.00%	1	111.5	56.8	50.9

Source: Wyniki finansowe podmiotów gospodarczych z udziałem kapitału zagranicznego w 1995r. (Financial Results of Economic Units with Foreign Capital Participation in 1995), Central Statistical Office, Warsaw, 1996, p. 30.

The analysis of export involvement of firms representing different ownership forms and different sizes measured in terms of work force number is based on statistical materials obtained directly from the Central Statistical Office. These materials cover the period of 1993-1994 and 16,297 industrial enterprises.

In the presented material, enterprises are grouped according to the following ownership structure: the public sector and the private sector which in turn is divided into domestic firms and firms with foreign capital participation. From among the latter companies, firms with a majority foreign capital share are singled out. Taking into account the number of employees, the total of firms are subdivided in 7 categories: from small firms employing below 50 employees (range 1) to firms with a work force of above 2,000 employees (range 7). The structure of industrial enterprises according to ownership sectors and sizes (measured in employment) is presented in Table 3.

Table 3. Structure of firms in industry by ownership sector and size (1994)

	Total		Structure of firms by number of employees (in %)						
	No. of firms	%	up to 50	51-100	101-300	301-500	501-1000	1001-2000	over 2001
Public sector	2,872	100	17.2	10.4	28.9	15.2	13.9	9.3	4.9
Private sector	13,425	100	72.3	11.7	12.1	2.2	1.2	0.3	0.2
of which:									
-domestic	8,964	100	80.7	8.8	7.7	1.3	0.9	0.4	0.2
-with foreign capital	3,179	100	77.4	8.7	9.2	2.2	1.5	0.6	0.4
of which:									
-with a majority foreign capital share	2,072	100	80.5	8.3	1.5	1.5	0.8	-	0.2

Source: Calculated on the basis of data obtained from the Central Statistical Office.

Analysing the enterprises according to the above-mentioned cross-section, three groups can be distinguished: small, medium-sized and large enterprises. Enterprises labelled small were in the first range covering firms with employment up to 50 persons. This group covers 17.2% of public sector enterprises and as much as 72.3% of private firms (including 80.3% with a majority share of foreign capital). Firms in the next two ranges, i.e. those with employment from 51 to 100 persons and those employing from 101 to 300 persons are treated as medium-sized enterprises. This group includes 23.8% of private firms. The small and medium-sized firms between them accounted for 91.1 % of the total number of private firms (including 97.5% of companies with a majority foreign capital share). The further four ranges are categorised as large firms. They employ from

301 to 550 persons (range 4) up to above 2,000 employees (range 7). Large firms account for a mere 4% of privately owned firms (including 3.5% of firms with a majority foreign capital share) and nearly half (43.5%) of all public sector companies.

Table 4. Share of exports in sales by industry in 1993

Sectors	Total	Number of employees						
		up to 50	51-100	101-300	301-500	501-1000	1001-2000	over 2001
public	17.5	9.9	7.0	8.7	10.7	11.5	21.3	20.6
private	18.4	12.4	14.3	13.6	14.2	13.4	16.6	42.5
domestic	15.3	11.9	13.9	15.2	3.2	11.4	18.1	30.2
foreign	28.3	25.9	23.9	27.5	13.0	14.7	19.5	45.0
with foreign majority	26.4	27.5	27.5	28.8	17.0	23.7	81.0	-

Source: as for Table 3.

Table 5. Share of exports in sales by industry in 1994

Sectors	Total	Number of employees						
		up to 50	51-100	101-300	301-500	501-1000	1001-2000	over 2001
public	17.5	9.3	6.0	7.8	10.3	11.5	16.6	21.7
private	18.7	12.5	14.8	16.1	15.4	16.6	21.1	27.2
domestic	18.8	11.1	13.0	16.4	14.6	14.6	23.3	41.7
foreign	25.9	23.7	28.1	28.3	22.6	18.4	21.3	36.0
with foreign majority	28.2	24.9	28.7	28.6	28.7	29.5	35.0	-

Source: as for Table 3.

The information about shares of exports in sales recorded by industry in 1993 and 1994 are presented in Tables nos. 4 and 5. From the information it follows that:

1. The share of exports in private enterprises is somewhat higher than in public firms.
2. Among private firms, firms with foreign capital participation show higher export activity.
3. Both public and private firms' involvement in export activity grows with their size. Small firms (up to 50 employees) have a relatively low share of exports in sales. This share is higher in medium-sized firms and reaches the highest

levels in firms employing over 1,000 employees. This pretty conspicuous trend is disturbed only in large enterprises with foreign capital participation. The share of exports in firms employing 301 to 500 persons and 501-1,000 persons falls somewhat in the analysed period in comparison with the share of exports in medium-sized enterprises, yet it is relatively high in large firms with employment of above 1,000 persons and especially in the largest firms (with employment above 2,000 persons).

The above presented information about exports will be juxtaposed with the information on gross profitability (measured as a ratio of gross financial result to costs incurred to obtain revenues) and we shall try to explain the reasons for divergences between these economic values. The gross profitability rate in the public sector (2.7% in 1993 and 5.0% in 1994) was higher than in the private sector (where it amounted to 1.0% and 3.2% respectively). Generally it can also be noticed that the bigger the firm, the better this index was (Table no. 6).

Table 6. Gross profitability in industry by ownership sector and firm size

		Total	Number of employees						
			up to 50	51-100	101-300	301-500	501-1000	1001-2000	over 2001
Public sector	a	2.7	-19.7	-7.5	-3.2	2.1	3.2	4.9	2.8
	b	5.0	-31.6	-11.5	-0.2	3.0	4.5	5.0	6.5
Private sector	a	1.0	1.3	3.2	2.1	2.0	6.2	0.9	-6.5
	b	3.2	2.2	4.3	3.0	2.4	5.3	-0.1	4.6
of which:									
- domestic	a	4.1	2.1	4.0	4.0	4.3	7.3	6.2	5.3
	b	4.4	2.7	4.8	4.7	5.7	5.1	4.1	5.9
- with foreign capital	a	-0.7	0.2	5.1	1.0	0.4	1.3	2.5	-6.5
	b	1.3	0.8	2.9	-1.0	-1.7	2.4	-0.8	6.5
of which:									
- with majority foreign capital	a	0.6	-0.6	-5.1	0.8	-1.9	-1.7	-	-
	b	-0.6	0.6	2.4	-1.7	-2.3	2.2	-	-

Source: As for Table 3.
Notes: a) 1993, b) 1994.

Alarmingly bad results (and deteriorating in 1994) were obtained by public sector enterprises employing up to 50 persons (-19.7% in 1993 and -31.6% in 1994). A negative profitability index although not as appallingly low was also recorded in medium-sized enterprises (with employment of 51-300 persons). It is not until the group of enterprises with employment of above 300 is reached that average positive profitability starts to appear. We think that this unfavourable financial result of small and medium-sized enterprises was affected by the then intensified tendencies to divide state-owned enterprises in difficult financial situation into separate parts (going concerns) some of which are structured in such a way as to be able to survive whereas the remaining ones have a small number of employees, a worse part of the assets, unprofitable production and most of financial liabilities. Such firms exist for a certain period of time and next they go into the process of liquidation or bankruptcy which sometimes drags on and lowers their financial results even more.

Gross profitability of the domestic private sector in 1993-1994 changed slightly (from 4.1% to 4.4%). Improvement in average profitability in the whole private sector from 1.0% to 3.2% is thus due to enterprises with foreign capital participation where the change in the profitability level is conspicuous - from a negative value of -0.7% in 1993 to a positive index of 1.3% in 1994.

Co-operatives, often deficit running, neglected and not very active are the weakest section of the private sector. Thus, their poor results account in part for the low rates scored by small and medium-sized enterprises.[2] The next reason is the widespread trend to hide profits by not disclosing some of the revenues, overstating the costs, including some of individual consumption into costs of production, etc. The smaller the size of the firm, the bigger are the possibilities of such informal actions.

In spite of the fact that profitability of companies with foreign capital participation was growing, the gross profitability index recorded by companies with foreign capital participation was still surprisingly low (-0.7% in 1993 and 1.3% in 1994) in comparison with that of domestic private companies (4.1% and 4.4% respectively). Companies with a majority foreign capital share in many ranges had even lower profitability rates. These outcomes come as a surprise, taking into account the fact that foreign companies represent on the whole a higher management level, have easier access to western technologies and western markets. They can also count on foreign partners for capital assistance. Also economic indices such as labour productivity (measured as the value of sales per employee), a share of exports in sales and a quick liquidity ratio (Table no. 7) point to a clear advantage of companies with foreign capital participation.

The natural tendency of private firms to resort to the 'grey sphere' can account for that lower profitability of privately owned (especially small and

[2] From the Central Statistical Office data for 1993 it follows that on average co-operatives employing up to 100 persons recorded a negative profitability rate (small co-operatives employing up to 50 persons brought a very big deficit of -11.8% and co-operatives employing 51-100 persons also had a negative result of 1.3%). A. Krajewska, Opodatkowanie sektora publicznego i prywatnego w Polsce (Taxation of the Public and Private Sectors in Poland), Gospodarka Narodowa nos. 7-8, 1994.

medium-sized) companies in comparison with their counterpart firms from the public sector. However, it can be surmised that informal actions of this type occur more frequently in domestic firms than in the foreign ones. It seems that one of the reasons of the relatively low profitability of firms with foreign capital may lie in the differences in profitability of sales in the country and abroad. In the case of many firms having capital ties with foreign firms, export production calculated at the threshold of profitability or even with a certain deficit can be one of the ways to avoid profit taxation in Poland.

Table 7. Basic financial indices of industrial enterprises by ownership sector in 1994

	Labour productivity (old PLZ million)	Share of exports in sales (in %)	Quick liquidity ratio
Public sector	561.4	17.7	0.42
Private sector	466.9	16.8	0.41
of which:			
- domestic	490.1	18.8	0.39
- with foreign capital	639.2	25.9	0.38
of which:			
- with majority foreign capital	641.8	28.2	0.48

Source: As for Table 3.

This thesis can find its corroboration in the data showing that the share of exports in sales grows step in step with increments in the share of foreign capital involved in the stock capital of the company. The data for 1993-1994 are presented below.

Share of foreign capital in stock capital	Share of exports in sales (in %)	
	1993[3]	1994[4]
up 9.4%	5.3	10.6
9.5-30.4%	8.4	14.7
30.5-49.4%	11.1	10.1
49.5-50.4%	11.1	18.8
50.5-70.4%	16.1	18.3
70.5-99.4%	16.8	23.4
99.5-100.0	11.6	11.8
Total	15.0	15.6

[3] Podstawowe informacje o podmiotach z udziałem kapitału zagranicznego w 1993 r. (Basic Information on Companies with Foreign Capital Participation in 1993), Central Statistical Office, p. 30.

[4] Financial Results of Economic Units with Foreign Capital Participation in 1995, op.cit., pp. 38-39.

Similar conclusions for 1995 can be drawn when analysing the data in Tables 1 and 2.

We can see that companies with a majority share of foreign capital had a higher share of exports in sales in comparison with the average share. This note does not apply to companies owned entirely or almost entirely by foreign capital (99.5-100%). However, these companies were most often located in areas oriented first of all at capturing the Polish market (beverages, tobacco products, paper products, household chemicals, computers and office equipment).

2. Export by enterprises with foreign capital participation in the light of empirical research

The export activity of enterprises with foreign capital participation is evaluated on the basis of empirical researches conducted at the end of 1995 by a team headed by Prof. Maria Jarosz. The research project financed by the Polish Committee for Scientific Research covered economic, sociological and social aspects of firms privatised with the participation of foreign capital. Being on that team I investigated the economic aspects of privatisation.

The research covered 51 firms with foreign capital participation. They were selected in such a way as to represent different spheres of economic activity, different regions of Poland and different sizes measured in terms of their assets and number of employees.

Table 8. Average fixed assets, production and employment levels in examined companies, 1991-1994

Year	Fixed assets (in millions of old zlotys)			Total revenues (in millions of old zlotys)			Employment		
	Total	A	B	Total	A	B	Total	A	B
1991	202,599	260,174	91,562	228,357	282,365	141,941	1,030	1,334	624
1992	208,041	261,295	98,985	299,284	377,981	183,553	911	1,193	559
1993	266,252	333,787	156,268	374,857	474,404	243,873	878	1,115	579
1994	333,847	404,170	205,526	557,416	728,406	353,857	781	1,002	520

Source: Calculated on the basis of the questionnaires.

Notes: A - firms under capital privatisation
B - firms under direct privatisation

The examined sample included 27 enterprises privatised by means of a capital method and 24 enterprises privatised via a direct method, i.e. by selling an enterprise or an organised part of its assets (9 companies) or by contributing an enterprise or an organised part of its assets to a company (15 companies). The characteristics of the economic potential of the examined firms will be started form this cross-section. From the information given in Table 8 it follows that when account is taken of the average levels of their fixed assets, total revenues and number of employees in 1994, the companies under capital privatisation were twice as big as the firms which came into being via a sale or contribution of assets of a state-owned enterprise to a company with foreign capital participation. It is also worth noting that the distance between the potentials of both the groups was clearly narrowed in the years 1991-1994 in favour of companies under direct privatisation.

Either of these groups included companies differing considerably in their assets and employment. For example in 1994, when the average employment in companies privatised via the capital method was 1,002 persons, the largest company employed 3,108 persons and the smallest 105 people. Companies privatised via the direct method recorded an average employment level of 520, and the largest firm had employment of 2,210 persons while the smallest 54 persons.

The export activity of the examined firms will be considered from the view point of the privatisation method (capital or direct privatisation) and size of employment in 1994. As regards the number of employees, four groups were distinguished[5]:

1) up to 300 employees (10 companies),
2) 301-500 employees (15 companies),
3) 501-1000 employees (10 companies)
4) above 1,000 employees (16 companies).

Safeguarding sales markets for manufactured products became one of the major, often vital problems faced by a large majority of Polish enterprises in the period of transformation. Confronted by a rapidly shrinking domestic market, enterprises started to pay special attention to growth of exports. For this reason it is advisable to analyse the role of exports in enterprise privatised with foreign capital participation. It can be assumed that foreign capital creates favourable conditions for development of exports owing to capital support, know-how and familiarity with foreign markets.

In the process of direct investment made by foreign capital, the first stage in which the problem of exports can occur is the location-choosing phase.

[5] 3 companies were not taken into account in this classification owning the lack of data.

It turns out that looking for attractive possibilities of investing in Poland, foreign capital does not give priority treatment to the export potential of the enterprise which it is going to take over. Only in 15.7% of all the cases foreign investors took into account the fact that the enterprise had a possibility of exports to Western Europe, the USA or other Western countries. The interest in the opportunities of entry into the markets of the Commonwealth of Independent States was even smaller (13.7% of the examined cases).

The Polish market turned out to be much more important and attractive for western investors. Almost half of them (45%) saw and appreciated the advantages which could be achieved by entering that market. Such a bias gives rise to a certain concern. It leads to growth of supply in the domestic market which has a limited absorptive power and cannot absorb many of the products turned out by enterprises owned by Polish capital. However, the fact must be taken into account that foreign investors add to the attractiveness of the market offer, which places domestic buyers in a more favourable situation and simultaneously forces Polish producers to raise competitiveness of their products.

It also turns out that to a much smaller degree than it might be expected foreign investors treat the entry into Polish enterprises as an indirect stage in expansion onto the former Soviet Union markets. And the role of the indirect stage is potentially extremely attractive as exports to the eastern territories might cover many final consumer goods turned out in Poland which find it hard to enter other sales markets. This can be a serious important impulse for flow of capital into enterprises, their modernisation and growth of managers' qualifications.

It is necessary to identify the reasons why the chance presenting itself in the early 1990s failed to be taken in full. It seems that the factors responsible for that failure were:

- prejudices and inhibitions springing from the bad experience in the previous period,
- great hopes and expectations connected with widened contacts with western markets,
- a difficult and unstable economic and political situation within the former USSR.

The technological barrier is of smaller importance in the case of exports to the East, for this market does not yet pose high requirements which cannot be met by Polish enterprises.

On the other hand, the technological and quality barrier plays a basic role in exports to the West. The awareness of low technological and quality competitiveness of Polish products in confrontation with the requirements made in western markets affects foreign investors' approach. Among others for this reason they are interested in the Polish market for good. Exports by enterprises controlled by foreign capital consist largely of co-operative components and products at a low processing level.

The provision of conditions favourable for export expansion was not among the most important criteria taken into account by the Polish side while making the decision about which foreign investor to sell an enterprise to. The ensuring of the best opportunities for sales in western markets was treated as a priority in less than one-fifth (19.6%) of the examined cases. Preference was given to investors who:

a) had a well organised sale network and made it accessible for products turned out in the Polish enterprise taken under control,

b) ensured a high volume of exports of co-operative production.

The possibility to obtain high exports was much more often appreciated by enterprises privatised in the capital way (in 25.9% of firms privatised with foreign capital participation) than by enterprise privatised directly (12.5% of the cases).

Most firms recognised the flow of modern technology (58.8% of all cases) and the undertaking of high investment commitments (52.9%) as the most important. These criteria do not affect the export potential directly and in a short-period of time but in the long run they are unquestionably favourable for it.

Privatisation with the participation of foreign capital proceeded at a time of radical systemic changes and intensified recession. Most enterprises recorded a reduction in their production volume. This paper, however, does not focuses on changes in the production volume but on changes in the growth rate of total revenues and exports in nominal terms in enterprises with foreign capital participation and on changes in the share of exports in sales. The relevant data are presented in Tables 9 and 10.

Table 9. Share of exports in sales (in %)

	1991	1992	1993	1994
Total sample	25.1	23.0	22.8	21.6
of which:				
1. *by privatisation method*				
A. capital	26.0	24.5	26.4	24.2
B. direct	21.4	18.9	13.5	15.1
2. *by firm size*				
a) up to 300 employees	28.8	18.6	23.4	22.3
b) 301-500	18.0	12.2	10.5	13.4
c) 501-1,000	14.3	15.8	17.9	19.0
d) above 1,000	28.0	26.8	26.9	24.1

Source: As for Table 8.

Table 10. Growth rates of revenues and exports in 1991-1994 (in nominal terms, 1991 = 100)

	1992	1993	1994
I. Total revenues	141.1	185.2	287.9
of which:			
1. *by privatisation method*			
A. capital	139.4	175.0	268.7
B. direct	146.6	217.6	349.0
2. *by firm size*			
a) up to 300 employees	105.9	246.9	429.8
b) 301-500	199.4	272.5	407.2
c) 501-1,000	132.6	197.2	277.1
d) above 1,000	135.2	166.5	263.5
II. Value of exports	129.3	237.1	247.8
of which:			
1 *by privatisation method*			
A. capital	130.4	267.6	255.8
B. direct	125.2	127.2	218.7
2. *by firm size*			
a) up to 300 employees	68.8	159.5	204.2
b) 301-500	138.1	159.1	303.9
c) 501-1,000	140.6	244.6	375.9
d) above 1,000	129.8	161.1	231.4

Source: As for Table 8.

It turns out that the growth rate of total revenues was higher than the growth rate of export production. As a result of that, the share of exports in sales decreased.

The growth rate was different in firms undergoing privatisation via the capital and direct way. Total revenues grew faster in companies privatised directly. This resulted among others from a greater fall of production in these firms in comparison with firms privatised via the capital method. The latter firms were as rule in a better technical, financial and market shape and did not have to 'make up for' such big oscillations in the volume of production. Their better position made it easier for them to score a higher export growth rate.

Analysing the production growth rate from the viewpoint of sizes of the examined enterprises (measured in the number of employment) it becomes apparent that the highest total revenue growth rate was recorded by small and medium-sized enterprises. The export growth rate shows a different pattern. Small enterprises recorded the slowest export growth rate. Also exports by the largest firms were characterised by a relatively low growth rate.

The share of exports in sales decreased from 25.1% in 1991 to 21.6% in 1994. The fall in the share of exports was comparatively small in enterprises under capital privatisation (form 26.0% to 24.2%) but much more serious in companies under direct privatisation (from 21.4% to 15.1%). These data confirm the better situation and greater opportunities of firms privatised by means of the capital method.

Taking into account the size criterion, only the group of medium-sized firms (501-1,000 employees) recorded an increase in the share of exports (from 14.3% to 19.0%). There is not enough information to try to answer why the changes in that group had such a character.

The fall in the share of exports should be evaluated negatively especially when account is taken of the fact that it occurred in enterprises being on the whole in a better situation and having greater opportunities than average Polish enterprises (for relatively good enterprises were selected for privatisation with the share of foreign capital and the changes which proceeded in them were as a rule more serious than in the remaining firms).

The decrease in the share of export in enterprises with foreign capital participation is - as it can be surmised - the consequence of the adoption by foreign investors of a certain strategy. It is necessary to consider what undertakings should be made within the economic policy in order to change this state of things. It is also necessary to allow for the fact that enterprises with foreign capital participation often have a high share of imported input in their production. The tendencies occurring in enterprises with the participation of foreign capital contribute to the perpetuation of lack of equilibrium in the balance of trade which has been intensifying in Poland in the recent years.

Enterprises with foreign capital participation improve their position in the Polish market by pushing out the goods and services offered previously by the state-owned sector. This is what is said by half of the surveyed firms with foreign capital participation, including over 60% of firms privatised via the capital method and almost 40% of those under direct privatisation. Enterprises privatised through the direct method are more oriented at expansion of production competitive to imports from the West. Such an opinion is expressed by about 44% of enterprises privatised in this way. The above direction of action was adopted by a mere 10% of companies privatised via the capital method.

Large enterprises with foreign capital privatisation improve their position on the domestic market first of all at the cost of state enterprises and to a smaller degree also thanks to competition with imports from western countries and rivalry with other companies with foreign participation. Small-sized enterprises are more oriented at expansion of production competitive to imports from the West and to products turned out by private domestic firms.

In order to determine the dependence between the share of exports in sales and selected characteristics of the examined enterprises, the Spearman range coefficients were calculated. Account was taken mainly of factors showing changes in sales and assortment structure, potential (employment, technological level, machinery and equipment), wear and tear of assets and rate of their replacement, share in the domestic market. Outcomes of this analysis were shown in Table 11.

Table 11. Range correlation indices between the share of export in sales and selected characteristics of the surveyed enterprises

	1991	1992	1993	1994
1. Sales growth rate	0.01	0.19	0.10	0.30
2. Share in the Polish market	0.12	-0.02	-0.10	-0.28
3. Share of new product lines in sales	-0.10	-0.08	0.21	0.24
4. Operating profitability index	0.10	-0.03	-0.02	-0.11
5. Number of employees	-0.02	0.25	-0.10	-0.06
6. Labour productivity growth rate	-0.01	-0.07	-0.18	-0.27
7. Degree of tooling	-0.10	-0.15	-0.18	-0.19
8. Degree of fixed assets wear and tear	-0.03	0.19	0.08	0.20
9. Degree of the firm's enlargement	-0.08	-0.02	0.97	0.34
10. Fixed assets replacement index	-0.10	-0.05	0.97	0.49

Source: As for table 8.

Assuming that correlation coefficients below 0.2 show a slight dependence, the obtained results constitute a basis for presenting the following conclusions:

1) there was no correlation between the examined phenomena in the period of 1991-1992, that is to say in the period of intensified recession phenomena;
2) the following correlations occurred in the period 1993-1994:
   a) an apparent correlation was revealed between the share of exports in sales and the degree of enlargement of the firm (measured as a ratio of investment outlays to gross fixed assets) at the level of 0.97 in 1993 and 0.34 in 1994 and the index of machinery replacement (understood as a ratio of investment outlays to amortisation) - respectively 0.97 and 0.49;
   b) a correlation became to emerge between the share of new lines of products in sales and the firm's involvement in exports (0.21 in 1993 and 0.24 in 1994);
3) In 1994, a dependence can be noticed between the share of exports and the growth rate of sales (0.30) and a negative dependence of a similar value between the firm's involvement in export production and its share in the Polish market (-0.28), which is understandable for firms having no established

position on the domestic market opt for export expansion. The share exports and the productivity growth rate show a negative correlation, which is hard to explain without further deeper analyses (-0.18 in 1993 and -0.27 in 1994).

The results of the analysis show that export production in most cases did not have a favourable impact on economic results obtained by firms with foreign capital participation.

Table 12. Range correlation indices between gross profitability and selected characteristics of the surveyed enterprises

	1991	1992	1993	1994
1. Total revenue growth rate	0.20	0.31	0.28	-0.03
2. Sales growth rate	0.21	0.29	0.16	-0.02
3. Share in the Polish market	0.22	0.09	0.13	0.28
4. Share of new product lines in sales	-0.13	-0.23	-0.24	-0.25
5. Share of exports in sales	0.02	-0.08	-0.02	-0.04
6. Operating profitability index	0.75	0.10	0.64	0.72
7. Number of employees	0.03	-0.05	-0.01	0.14
8. Labour productivity growth rate	0.30	0.28	0.36	0.34
9. Degree of tooling	0.08	0.01	0.05	0.09
10. Degree of fixed assets wear and tear	0.26	0.08	-0.07	0.05
11. Degree of the firm's enlargement	-0.04	-0.38	0.02	0.11
12. Fixed assets replacement index	-0.20	-0.44	0.01	0.04

Source: As for table 8.

The Spearman correlation range indices between the gross profitability rate in 1991-1994 and the selected 12 characteristics of the examined enterprises (among others the rate and structure of production, employment and labour productivity, wear and tear of machinery and equipment, expansion and replacement of machinery and equipment) point to lack of correlation (throughout the examined period of time) between the profitability rate and the share of exports in sales.

A mere 21.2% of exporters claimed that export production ensured higher profitability than production sold in the country. Such an opinion was expressed by 12.5% of exporters privatised via the capital method and 30.4% of exporters privatised via the direct method. At same time, however, the former group had a much higher share of exports in sales (24-26% compared with 13-15% in the latter group).

It is hard to give an unequivocal answer why companies under capital privatisation decide on a relatively high share of exports although they do not provide satisfactory profitability. The following circumstances have most probably their say in this matter:

– even less profitable exports permit growth of production and cuts in unit costs, which can consequently lead to higher profitability;

– some firms decide on a temporary cut in prices, treating it as an element of a long-term strategy of export expansion;

– foreign investors undertake actions aimed at lowering costs in the purchased enterprises and temporarily export at a loss so as not to lose their markets;

– wishing to reduce the consequences of high taxation in Poland, foreign investors export their products to firms with which they have capital at consciously set low prices in order to transfer some of the profits obtained in Poland.

The last aspect seems to be significant in practice although it is difficult to prove. The opportunities of an elastic price setting are big, especially in the case of firms with foreign capital participation which have co-operation and financial ties with firms possessed abroad by the present owner. Almost two-thirds of the examined firms were in such a situation. It is characteristic that the question of how prices obtained by the firms in foreign markets compared with prices achieved by other exporters was left unanswered by as many as 30% of the companies who said that they lacked such information. They were first of all the largest enterprises after capital privatisation, that is to say such enterprises that should have a good base data.

From the gathered materials it follows that a higher export profitability in comparison with production intended for the domestic market was shown by:

44.4% of exporters employing up to 300 employees,

21.4% of exporters from medium-sized companies (301-500 employees),

11.1% of exporters from large firms (501-1,000 employees),

8.3% of exporters employing more than 1,000 persons.

It turns out that profitability of export production falls very clearly with the firm size even though this does not find its reflection in the changes in the share of exports in sales. In spite of their declaration that export production has low profitability, large firms recorded growth of exports from 14.3% in 1991 to 19.0% in 1994 and the largest firms maintained a rate of 24-28% throughout the examined period.

The hitherto not very favourable situation in exports in the case of enterprises with foreign capital participation should change for better in the future. This is pointed out by the analysis of the goals at which the firms aim. The priority treatment is on whole given to costs cuts, quality improvement, upgrading of employees' qualification. And thus they are aims which favour the creation of good conditions for development of exports. It is also necessary to take into account the fact that most foreign owners have optimistic evaluations of the opportunities of increased demand for their products and declare their wish to undertake actions leading to expansion of their production capacity.