From Marshallian District to Local Productive Systems: The Polish Case
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From Marshallian District to Local Productive Systems: The Polish Case.

Abstract: The paper concentrates on the positive development dynamics of «industrial districts» based on the network of small and medium-sized firms, in opposition to the decline of industrial centres of mass production in transition countries. The crux of the matter is to establish whether or not industrial districts constitute a model for the regeneration of local and regional economies in central European countries. Our study concentrates on this new possibility, looking for the possible birth of local competitive productive systems in Poland. Regional production systems grouped together on the spatial level and integrated company networks at the regional level could serve to create local hubs of competition.

Key words: globalisation, transition, clusters, rural development.

JEL Classification: B3, R12, P2.

INTRODUCTION.

In the context of recent EU expansion eastwards is necessary to integrate new member countries to the ESDP (European Spatial Development Perspective) with its polycentric coherent development. Its three objectives are: 1/ social and economic cohesion, 2/ sustainable development, 3/ better competitiveness of European regions, with the motto: «No, for blue banana, yes for polycentric development of Europe» (SDEC, 2000). The 1st of May 2004 Poland joined the European Union and the competition between regions became stronger. It will then be necessary to establish aggressive marketing techniques, not only internationally, but also domestically and locally. In such an environment, thanks to their flexibility, clusters may be more effective in achieving new and maintaining old segments of the market. There are
many advantages that must be acknowledged. There are many examples from the world economy which demonstrate that clusters are more stable in comparison to market sectors. For example, there may be a decline in a given sector, while the flexible clusters are able to adapt to the ever-changing market with ease. This becomes an intellectual survival technique which is most important for less affluent regions. In fact, the aim of the article is to provide initial reflection on the relevance of the “Marshallian District” concept in the analysis of regional development in Central Europe taking especially into consideration the Polish case. Alfred Marshall's work forms an instrumental starting point, a toolbox, which needs to be adapted in order to study company’s behaviour, market structures and industrial performances (MARSHALL, 1920). The study of localized productive systems must be thorough and multidisciplinary carried out through fieldwork. The aim is to understand how work, relationships and culture as well as material and immaterial infrastructure that give a place to its original identity within the international division of labour regenerate in locally coherent forms.

I. THE MARSHALLIAN PARADIGM AND CENTRAL EUROPEAN DEVELOPMENT MODEL.

We face today “geographical turn” in economy which embraces three research programmes: 1/spatial agglomeration of economic activity; 2/dynamics of regional growth convergence; 3/ neo-Marshallian districts’ economics (Italian economists’ topic) (MARTIN, 1999). I privilege the last one in this article. The Marshallian district is based on the economies of urbanisation and agglomeration. Those agglomeration economies can be intra-industrial or inter-industrial. Urbanisation economies are external to a firm and to a branch, but internal to an urban region. They are linked to the diversity and quality of infrastructures. The type of development observed in new member countries today, concerns the economies of agglomeration and urbanisation (BRUNAT, 1996; SAMSON, 1996,). BRUNAT refers to diffuse
industrialisation, wherein the essentially familial relationship can be considered an informal type of relationship (BRUNAT, 1996). It was through A. Marshall's insistence on the question of the industrial localization of companies that the notion of “territory” was integrated into economic discussion (AZAIS, 1997). He was the first to propose a new interpretation of the market, bypassing the perfect competition framework in favour of the analysis based on a group of companies gathered together in an “industrial district”. He described a specific socio-historic trajectory of a territory and the territorial stronghold of industrialisation. Many contemporary authors underline that innovative clusters are to be explained primarily in terms of urbanisation economies. In contrast, Porter argues that this district (cluster) in advanced capitalist economies is not the result of urbanisation economies. Porter recognizes this same potential for change by noting that in developing countries, “free trade zones and industrial parks act as powerful policy levers favouring cluster growth” (PORTER, 1998). Similarly, the OECD observes that the new economic processing zone is a rule-defined, “dynamic incubator,” “investment-intensive and management-driven”, a logical outgrowth of yesterday’s labour-intensive, incentive-driven export processing zone (OCDE, 2001). In accord with the industrial district debate it may be impossible to explain all geographical clusters in terms of any single, universal theory (MARTIN, 1999).

The tenants of the first conception of the industrial district presented it as a productive complex whose operation is subject to market’s behaviour and rules of civil society (AZAIS, 1997). Indeed, the local productive system notion appears alongside the term “flexible production” (PIORE & SABEL, 1989). Piore and Sabel argue that a new logic of production – “flexible specialization” – emerged as a challenge to mass production once markets for standardized goods were saturated and higher quality and more specialized goods attracted consumers. This flexibility is based on small-sized production units, on the density of links between them and on
the rapid reaction time of companies when faced with new internal and external conditions in the area. This flexibility also implies the capacity to adapt to new technologies.

Competitive advantage of flexible specialization strategies and networks of small-sized companies relies on very specific conditions. It depends, on the one hand, on irregular and differentiated demand, and on low set-up costs on the other. (DUNFORT, 1992). Various factors may encourage a certain degree of regional concentration, such as, for example, certain sectors’ dependence on economies of agglomeration and the need for faster and more flexible adaptation of the productive system, from the conception stage right through to the final manufacturing of a product; geographic proximity may thus help to fulfil this need. Spatial concentration may also be made easier by job insecurity in a number of traditional industrial zones, making it less pressing to search for more flexible, less costly labour (MARTINELLI & SCHOENBERGER, 1992). The flexible specialization mode also brings about more flexible spatial relationships and competition between regions for industrial development, as the regions find themselves faced with problematic development of underprivileged regions and the gap between the centre and the periphery. The experience of the industrial districts answers this new requirement; it is a type of industrialisation which is particularly well adapted to the need for flexibility and which could help industrialisation in emerging countries as well as in transition countries (COURLET, 1997).

The revival of the industrial district concept was initiated by Beccatini in 1979 following the renewal of this type of local system in Italy, in particular, in the shape of a high level of concentration of small companies all active in the same sector within a given geographic area\(^1\). Another typical case is that of Silicon Valley in Santa Clara,

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\(^1\) Initial Italian research dates right back to the 1960’s and so Italy is now in possession of a great number of theoretical, historical and socio-economic studies on this subject.
although the growth in this case was linked to the first stages of the life cycle of electronic components. The Marshallian districts of greater Los Angeles and the flexible industrial systems of Hong Kong should also be mentioned (SCOTT, 1992).

I.1. Marshallian “atmosphere”.

The term “localized productive system” designates a collective way of living, thinking and producing that is characteristic of a given society, a space, and milieu. It is a socio-territorial entity characterised by the presence of an active community of people and a population of companies in a given geographical space. Alfred Marshall strongly emphasized the part played by human factors in his work, pointing out “mental and moral qualities, such as integrity, self-confidence, patience temperance, honesty, loyalty, etc., (ARENA, 2000). The local productive system creates an “industrial atmosphere”, a factor of osmosis and transmission of know how over time (MARSHALL, 1919). Its most noticeable characteristic is its relatively homogeneous system of values and thought, which may be seen as an expression of a certain system of ethics concerning work, activity, family and reciprocity, all of which may be seen to condition the main aspects of life (BECCATINI, 1992). The industrial district is governed by a set of community and religious values or corporatist practices. It has its own specific forms of know-how that are inimitable and deeply anchored in the territory (specific and general purpose artisan know-how).

Cultural change under the impact of economic change was argued by Alfred Marshall more than a century ago. Marshall understood that customs making a part of what economists call today informal rules are not immutable but “have been imperceptibly growing and dwindling again, to meet the changing exigencies of successive generations” (quoted in WINIECKI, 1998). Today, it is argued in New Institutional Economics that individuals with common cultural backgrounds and

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^2 An exception to this rule is undoubtedly the reconstruction of an industrial district specialised in jewellerrery established by Sudeten Germans forced to flee following World War II.
experiences will share reasonably convergent mental models, ideologies, and institutions (DENZAU & NORTH, 1994). Mental models and ideologies play a crucial role in choice making, the creation of ideologies and institutions is important for economic performance. But the social aspects of these models are vital importance in human society, and these cultural links are only now being explored. In fact, the world is too complex for a single individual to learn directly how it works. An entire structure of the mental models is derived from the experience of each individual – experiences which is specific to both local physical environment and the socio-cultural linguistic environment. Culture may be considered as “encapsulated the experiences of past generations of many particular cultural groups” (DENZAU & NORTH, 1994). A small group that maintains itself differentiated from the rest of society (such as Jewish, Indian or Chinese traders) can enjoy much lower transaction costs than two randomly chosen members of society.

1.2. The role of SMEs in Polish transition.

It seems that it will take a long time to establish a Marshallian “atmosphere” in the East (DALAGO, 1996; DUCHE, 2000), but we may expect that the return to the culture of capitalism and development of entrepreneurial spirit in Central Europe will be easier than in other former socialist countries, especially Russia.

Recent growth in Poland is closely linked to the dynamism of small and medium-sized emerging structures of a spontaneous nature. The country’s economic history and capitalist culture that make up the national heritage have helped to establish a new commercial and entrepreneurial spirit not only in the western part of the country. During the years of communist rule, Poland maintained a large private agricultural and significant retail and private crafts sectors. Furthermore in the 1980s, governments introduced several pro-market reform measures (economic self-government, relative autonomy for enterprises and partial price liberalization) as well as the fundamental law of 1988, which allowed to set up private commercial firms,
and which remained in force until the fall of 1989 (ROGULSKA, 1985; DESPINEY-ZOCHOWSKA, 1988). In the 1980s one could also notice growing social approval of entrepreneurship and the role of financial incentives in economic behaviour—important social preconditions of a private market economy. By the end of 1989, there were approximately 500,000 private enterprises outside agriculture, most of them created in the late 1980s (SURDEJ, 2000). But, the emergence of small and medium-sized industries and firms has been particularly visible since the beginning of transition (CHMIEL, 1997; GRUDZEWSKI & HEJDUK, 1998; DUCHENE & RUSIN, 2002). Small, private, spontaneously grown activities are the foundation stones of the Polish economic revival. Recent growth in Poland is closely linked to the dynamism of small and medium-sized structures emerging spontaneously\(^3\). Although the majority of small and medium-sized industries and firms were created in the commercial sector, new entrepreneurs are now beginning to orient capital accumulated in this sector towards manufacturing.

**II. POLISH TERRITORY BETWEEN TRANSITION AND GLOBALIZATION.**

The Polish territory is under influence of three major’s phenomena: transition, regionalism and globalisation. Transition has brought about a considerable restructuring process for the Polish economy, accompanied by a serious recession for a good number of regions.

Indeed, observing the Polish economy in transition highlights two phenomena: 1/ emergence of small and medium-sized companies acting as a motor for growth and job creation, this emergence being spatially determined, 2/ overthrowing of old spatial hierarchies; the regions endowed with heavy industries which, traditionally, enjoyed a relatively large share of growth are now in a recession phase, while other regions show signs of dynamism (DATAR, 1996; DESPINEY, 2000). During the communist

\(^3\) Only in the first six months of 2008, 170 000 small enterprises were born in Poland.
period, the Polish authorities were not able to erase development gaps existing between regions, in spite of efforts undertaken (KUROWSKI, 1996). Eighteen years of transition have not deleted the regional disparities in Poland, but on the contrary, have accentuated them (SAMSON et al., 1996). The post-socialist transition has had an original effect on spatial dynamics; as elsewhere, growth is a factor of distortions, but, unlike market economies, these are the most developed countries that display the greatest regional disparities - Poland among them (SAMSON et al., 1996). Everything indicates that the faster the exit from the former system, the deeper regional differences. Affected by its history, Poland, (along with Hungary and Slovakia) is squeezed between the richest and the poorest countries of Europe and suffers from considerable gravitational asymmetries which produce substantial distortions of regional tissue.

As it was mentioned before, the type of development observed in Poland today concerns economies of agglomeration and urbanisation (BRUNAT, 1996; DATAR, 1996). In effect, for more than a century, economic growth in Poland has been linked to the expansion of industrial poles and cities. Poland is a multi-centred country: the network formed by the six largest cities, Warsaw, Gdansk, Szczecin, Poznan, Wroclaw and Krakow - they form growth poles with the influence on the development of outlying regions. The first two groups (the development leaders) are situated to the west of the Vistula (with the notable exception of Warsaw situated in the eastern part) which encompasses seven major centres as well as the infrastructure which is more developed than this in the eastern part of the country. The accumulation of the stocks of capital in this part of the country was brought about by considerable investment over the centuries. In fact, a global measurement of the level of endowment in networks and punctual equipment indicates that the stock of public capital has grown in greater proportion than the national average in the western part of Poland, bordering Germany. Half the rail network is of German origin and one third of the other half is
composed of railway lines built in the part of the country having belonged to Prussia. The same applies to road transportation. Those regional disparities in Poland are, above all, the legacy of the long history, based on the country’s partition among three bordering countries (Prussia, Russia and the Austro-Hungarian Empire), the legacy was reinforced by the border changes dating from 1945. In fact, the western and southern parts of the country, under Prussian and Austro-Hungarian occupation for over a century, called "Poland A", presents the characteristics of an industrially developed region, while the eastern regions (under Russian occupation), called "Poland B", carry the stigmata of a certain underdevelopment (little industry and infrastructure, parcelled and relatively unprofitable agriculture).

With regard to Mazovia, its level of development is due to its proximity to the capital, which in the field of FDI, has a beneficial effect on the outlying areas (especially Pruszkow, Piaseczno, Minsk Mazowiecki). The region around Warsaw has dynamic development, but this suggests that the gap between this region and other worse-off ones located in Mazovia is growing even bigger. Regional contrasts are particularly striking in the case of greenfield investment. The metropolitan province Mazovia (with Warsaw) has captured roughly 30% of the greenfield manufacturing FDI in Poland. It has accentuated disparities between the cities and the countryside since urban centres tend to concentrate financial activity, superior services and greater openness for international community. This more modern outlook found in the cities is a powerful factor of transformation\(^4\).

I.1. Impact of Transition on Polish territory.

Transition has caused considerable unemployment and new spatial configuration, with this imbalance becoming more apparent during the 1991-1993 periods, especially

\(^4\) The importance of this phenomenon is pointed out by the indicator of urban polarity. This indicator was inspired by settlement types based on four or nine categories elaborated by the BfLR (Bundesforschunganstalt für Landkunde und Raumordnung), refined by ROSES team in Grenoble. For more details, see SAMSON (I.) & GAUTIN-BOURLAT (E.), 1995.
due to the eminently political decision to privatise state farms (FERENS&DESPINEY, 1992; DESPINEY 1999, 2005). The study of unemployment averages between 1993 and 1999 indicates that a pocket of depression formed in the countryside of Western and Eastern Pomerania with peaks of 24-30%. The restructuring of the Polish state-run agricultural sector was the most spectacular example of excluding considerable sectors from the workforce. This situation didn’t change enormously during the last years (see Table 1 and Figure 2). There are studies demonstrating that it is not only the Eastern Poland that requires intervention as a whole, but because of persistence of highs unemployment rates in the Western regions, they also require more profound analysis (TYROWICZ&WOJCIK, 2007). The explanation of this phenomenon could be found in the dismantling of the state industry and state-owned farms (LIPOWSKI&DESPINEY, 1990). The restructurization of state-owned farms has had a big influence on the level of unemployment in Poland, and additionally posed problems for traditionally underdeveloped agricultural regions of the Southeast, unaided by important urban centers. In fact, restructurization brought about a noticeable “cutting back” process in Polish agriculture, which was accompanied by a serious recession for a number of regions. It has created what is known in sociology as an underclass, made up of former workers from State farms and their families. Dogmatic ideas on private ownership were the reason for the collapse of the majority of state farms in Poland. The decision to privatise state farms in Poland was highly political and the social and regional aspects were not taken into consideration. The state farms, which were nationalized by force, formed the foundations of the state sector in Polish agriculture and covered approximately 18,5% of agricultural land. The productive structures inherited from the centrally planned system are marked with a strong territorial anchoring, this being particularly true as far as nationalised agriculture is concerned. This agriculture, nationalised after the
war, was 70% concentrated in the western and north-eastern regions of the country (where unemployment is still the highest). It essentially concerns land that was previously German, and which became Polish following World War II and which was rapidly collectivised following the confiscation. State farms were situated in the regions granted to Poland by the Yalta Agreement: Lower Silesia, Pomerania and Masuria. For example, state farms in Pomerania voivodship\(^5\) made in Szczecin up to 56.4% of agricultural land, 55.0% in Koszalin, and 54.5% in Slupsk voivodship (see the Figure 1 below).

The migration of agricultural workers who originally came from the Polish lands lost in the East and the expulsion of the Ruthenians from the Carpathian region (in 1947) had specific rural traditions and their integration posed a problem for the authorities throughout the communist period. This fact contributed greatly to the low output of work on these farms. The limited number of family farms presently in place
on the Polish side of Oder-Neisse River also appears to be linked to the absence of any traditions sufficiently anchored in the local community following the post-war nationalizations and migrations (DESPINEY-ZOCHOWSKA, 1995). We face here the problem of displaced populations who suffered twice by the decisions made by communist authorities, first after the Second World War, and second after the 1989 transition. The property rights were not respected during the nationalization after Second World War, and the same was done after 1989 by privatization of state-owned farms. By deciding to privatise, central authorities chose to ignore the question of social justice, faced with a sub-population that has been entirely excluded from the privatisation process. Today, unemployment haunts entire regions given over to alcoholism and delinquency. The marginalisation of entire communities through decollectivisation has touched younger generations. And although it would be quite easy to suggest that a generation of these workers needed to be sacrificed in order to ensure progress, today it would appear that their children have also been condemned.\(^6\)

Surveys carried out by Elżbieta Psyk-Piotrowska and Maria Halamska make this inference. The former surveys carried out for the Agency for Rural Ownership of the State Treasury in March 1997, and the latter ones in 1998 done while carrying out personal research based at the Polish Academy of Science confirmed this phenomenon.\(^7\) Today’s bad economic performance of these regions, measured by low level of economic activity, is the result of the destruction of historic and regional continuity (see Figure 2).

\(^6\) according to Professor Wilkin, cf. Wielkoobszarowe gospodarstwa rolne, ich załogi i nowi gospodarze, Instytut rozwoju wsi i rolnictwa, PAN, Warszawa, 1998.

\(^7\) HALAMSKA (M.), Spoleczne aspekty osiedli popegeerowskich. Synteza, PAN, Warszawa, 1998;

WOJCIC’s study on patterns of regional convergence in Poland observes that voivodships that lost the most in relative terms between 1995 and 2004 were not those situated on the eastern border (WOJCIC, 2006). The highest decrease of relative GDP per capita was recorded in Opolskie (-11.9), then Kujawsko-Pomorskie (-10.4), Zachodniopomorskie (-9.9), and finally the eastern one – Lubelskie (-8.8).

In fact, today, the situation on the job market is still difficult in agricultural regions of the northern and north-western Poland, e.g. in the Warmińsko-Mazurskie [Warmia-Masuria] or Zachodniopomorskie [Western Pomerania] voivodships. There are poviats and communes with a disastrous level of more than 40% of inactive people. These differences show disproportions in economic development of particular regions. In 2006 unemployment was the highest in the following voivodships: Zachodniopomorskie (21.5%), Warminsko-Mazurskie[Warmia-Mazuria Voivodship]...
(23.6%) and Kujawsko-Pomorskie (19.2%). The lowest in Great Poland voivodship (11.7%), Mazovia Voivodship (11.8%) and Little Poland Voivodship (11.3%).

Table 1: Voivodships of lowest and highest unemployment rate between 2000 and 2006 (in %)

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<tr>
<td>Great Poland voivodship</td>
<td>13.2</td>
<td>17.1</td>
<td>18.2</td>
<td>16.0</td>
<td>11.7</td>
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<td>Mazovia voivodship</td>
<td>12.8</td>
<td>15.5</td>
<td>16.9</td>
<td>14.8</td>
<td>11.8</td>
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<tr>
<td>Little Poland voivodship</td>
<td>11.5</td>
<td>14.1</td>
<td>16.1</td>
<td>14.6</td>
<td>11.3</td>
</tr>
<tr>
<td>Warmia-Mazuria voivodship</td>
<td>24.0</td>
<td>23.7</td>
<td>24.8</td>
<td>28.6</td>
<td>23.6</td>
</tr>
<tr>
<td>Kujawia-Pomerania voivodship</td>
<td>19.2</td>
<td>24.3</td>
<td>22.5</td>
<td>21.8</td>
<td>19.2</td>
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<tr>
<td>Western Pomerania voivodship</td>
<td>18.5</td>
<td>22.8</td>
<td>25.9</td>
<td>26.9</td>
<td>21.5</td>
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Source: [www.stat.gov.pl](http://www.stat.gov.pl)

Other than the regions devastated by the privatisation of state farms, a second group of Western regions in recession is composed of the regions with historical industrial traditions – regions with extractive activities and heavy industry with their negative external effects - areas of extreme industrial and urban pollution which are subject of deep restructuring. Among these regions figure Walbrzych and Katowice (Upper and Lower Silesia).

But, in the Western part of the country, the situation seems better because of the better public infrastructure and often better humans competences. There are characteristic clusters of foreign and domestic greenfield investment along the future motorways: west of Poznan (Tarnowo Podgorne) and south of Wroclaw (Kobierzyce). Kobierzyce and Tarnowo Podgorne have seen a concentration of foreign investments not met anywhere else in Poland outside of the largest cities. Our two municipalities are located on the two major transport corridors: A2 (Paris-Berlin-Warsaw-Moscow) and A4 (Berlin-Wroclaw-Katowice-Krakow-Lvov), and
near two airports: Wroclaw - Starachowice and Poznan – Lawica. Both were on the first positioning municipalities’ ranking for 1999 and 2000. The success of Kobierzyce and Tarnowo Podgorne rests not simply on their attractive conditions (location on the highways) but to a large extent on the activity of their local governments. As Plassard point out, the impact of a new motorway depends very much on how it is integrated into the broader planning activity taking place in the region (PLASSARD, 1994). The role of local government is absolutely fundamental in the development of the two municipalities. In fact, local government appears to be one of the most important factors in the post-communist transformation in Poland. Our two rural municipalities have proven that local governments are able to mobilize much local potential that lay dormant under the socialist system. On the contrary, the role of central government was fundamental in the creation of Special Economic Zones (SEZs), which can be considered as prelude to clusters.

II. 2. Special Economic Zones as prelude to clusters.

The Polish experience of greenfield FDI and generally of SMEs location in the 1990s confirms a considerable role played by local institutions in the process of location choice. The idea to create SEZ is relatively new in Poland (DESPINEY, 1998). This project is most promising for a country like Poland having an important transport and transit system. The concept of the SEZ as a potentially dynamic business cluster is broadly similar to the life cycle model. In this cluster model, the dynamic nature of the zone is twofold (BOLIN, 1998). First of all, it is argued that free economic zones and economic processing zones (EPZs) can indeed contribute to the upgrading of the technological and skill levels of the zone-operating nation. Rather than constituting a distinct type of enterprise cluster, as suggested by UNCTAD (1998) in its typology of enterprise clustering, many zones in Asia, Latin America, the Middle East and elsewhere in fact encompass two dynamic types of clustering: technology parks and shelter incubator programs for small and medium-sized firms. From the perspective of national
and local business development, even the modest assembly activities of some traditional EPZs need to be analyzed as a strategic first step prior to subsequent cluster upgrading. Drucker’s early analogy for dynamic clustering in Mexico’s “maquiladora” zones was the “ugly duckling”: many zone assembly plants employing essentially unskilled labour would be transformed over time into exemplary, integrated operations complete with research, design and extensive training facilities (DRUCKER, 1990). Porter recognizes this same potential for change when noting that in developing countries, “free trade zones and industrial parks act as powerful policy levers favouring cluster growth » (PORTER, 1998). Some of these zones thus qualify as innovative clusters on the basis of the criteria developed by Porter (1998), UNCTAD (1996, 1998) and others: general technology levels and degree of change within the cluster over time, and the level of coordination and networking achieved with related firms over time. Similarly the OECD observes that the new economic processing zone is a rule-defined, “dynamic incubator,” “investment-intensive and management-driven”, a logical outgrowth of yesterday’s labour-intensive, incentive-driven export processing zone (OECD, 2001). The fifteen existing zones in Poland occupy 2,670 ha of land, and according to forecasts, they could provide 90,000 new jobs in a few years. Almost all of them are located along the major Polish motorways (the zone’s creation is closely related with the necessity to make important capital investments by host country government in zone’s infrastructure, among them transportation infrastructure). In Poland it appears that in some cases the influence of Special Economic Zones on the location of FDI is starting to be seen. Gliwice - a large city situated in Upper Silesia - has made a considerable improvement in this field thanks to Special economic zone, established in 1996. There are other examples. For the first SEZ created in 1995 in Mielec it means a pretty good position in the ranking of medium-sized cities (Class “B” in terms of investment attractiveness). With another city Pulawy, Mielec is performing better than other medium-sized cities on the whole territory of the “East Belt “ voivodship. Mielec’s SEZ is a partner in “Aviation
Valley” created in 2003 by 18 enterprises and institutions. But the influence of SEZ on the position of all cities involved in this experience is neither automatic nor immediate.

II.3.”The Eastern Belt”.

In general, it would appear that a more substantial increase in employment in services in rural regions, when compared with urban and industrial regions, could prove to be quite fortunate for several Polish regions located on the “Eastern Bell”. This phenomenon was a general rule for all European countries during the 1970-1980 decade (QUEVIT, 1986). The rural voivodships like Holly Cross, Lower Carpathians, Podlasia, Lubelskie, (now called "Poland C"), although covering vast stretches of land, remain cut off from development. Those regions are characterised by moderate foreign investment and are unaided by important urban centres. They are the poorest on Polish and European levels and their GDP per capita did not change in comparison with 1995 (WOJCIEK, 2005). The lowest GDP per capita in 2004 was in Lubelskie (69,5%), only slightly higher in Podkarpackie (69,8%), then Podlaskie (74,8%) and Swietokrzyskie (77,5%).

However the existence of medium-sized agglomerations nearby (Bialystok, Lublin and Rzeszow) through their structuring impact as well as the related network of small and medium-sized industries and companies may facilitate economic transformation in a rural environment. DOMANSKI’s forecast for near future indicates emergence of two cities: Bialystok and Lublin on the “Eastern Wall” (DOMANSKI, 1997). Our work for DATAR in 1996 mentioned this phenomenon too (SAMSON et al, 1996).

Taking in consideration a rural character of those regions the French experience of SYAL (Systèmes Agro-alimentaire localisés) could be applied in this field. The notion of “local agro-food system” thus reinforces the emergence of agro-food development models based on highlighting local resources (products, knowledge, competence, businesses, institutions, etc). SYAL stand for the organization for the
local development process based on concentration of agro-food businesses (farms, input suppliers, processing outlets, marketing units, service and catering businesses, etc) in relative proximity, which allow them to be structures around common activity. Is it very important to establish ownership of an identity: relationship of the agro-food system with local place, history and knowledge; identity of products vs. territorial identity; producer-consumer relationships in the process of establishing an identity; consensus and divergence about notions of quality and safety; links with tourism and cultural dynamics. Indeed, much of the social science research on local agro-food systems within the United States concerned itself with (JAROSZ, 2002):

1/ linking production directly to consumption within a particular territory or space;
2/ emphasizing the flow of commodities in their relation to the economics of production, distribution and marketing or the configuration and location of firm alliances and relationships;
3/ opposing local food systems to global food system and identifying a local agro-food system as alternative networks which stress a diverse array of social values and social movement perspectives (environmentalism, social justice, sustainability etc).

Now we tray applying new GREMI\(^8\) approach (the so-called GREMI VI inquiry) to a new empirical phenomenon, milieux and local production systems operating around natural and cultural resources (CAMAGNI et al, 2004). The local milieu or the local environment of the firm may be considered as one, and perhaps one of the most important, on the local level. Generally, this last GREMI’s approach is used in urban studies, but from our point of view this approach could be useful especially in the region like the Carpathian region very rich in terms of natural and cultural heritage.

\(^8\) GREMI (Groupe de recherche sur les millieux innovateurs) was created at University Paris the First Pantheon-Sorbonne in 1986.
II.2. 1. Emergence of Rural Clusters in Poland.

Unlike large firms, small and medium-sized companies usually have a strong anchoring. Their role in regulating the present Polish crisis has been fundamental, and they are more and more frequently the product of dispersed initiatives which bring about truly endogenous local development. Creating jobs remains the most important task for local authorities. The local economic initiative, and more precisely an individual rural enterprise, should find themselves at the centre of local authorities concerns. Creating clusters is therefore a means of creating new job opportunities. The advantage of operating at local and regional levels tends to be more knowledgeable about local conditions and responsive to local circumstances than the initiative at the national level.

There are many definitions of a cluster but, for the purpose of this paper, we would define a “cluster” as a loose organisation, in which the co-operation of partners gives a synergy effect in a relatively short time. “Partners” are a group of businesses (e.g. farms) and associated institutions, which are spatially concentrated and which operate in a specific business area, supporting and complementing each other’s activity. The effect of their co-operation is expected to be bigger than the sum of their separate activities. Is it possible to compare the local agro-food clusters with clusters in industrial areas? Rural clusters in the Lubelskie voïvodship are akin to Italian industrial districts according Polish economists (SZYMONIUK, 2002, SZYMONIUK&WALUKIEWICZ, 2004). This type of clusters are characterized by, among other things, the domination of small and medium-sized businesses, strong specialization, as well as fierce internal competition, accompanied by the operation of a system of associations based on trust. FILIPPA arrives at a different conclusion: according to her agricultural clusters are different by comparison with industrial ones, due to the specificity of agricultural products (FILIPPA, 2002). Agricultural clusters share the process of commercialisation only, not production, according to her.
II.2.2. Agricultural Producers Groups as a Prelude to Clusters.

Agricultural producers’ groups are legal and official organizations whose main aim is to market their products and services. There are about 60 groups in the Lublin region only. As a rule of thumb, the clusters working there are typically associations of fruit and vegetable producers. Furthermore, their customers are predominantly domestic and international supermarkets and wholesalers. The key to their success in selling fruits and vegetables is that they are able to provide large quantities, with standardized quality. It is impossible for a single farmer to achieve such success and level of profit; it requires group’s dynamics of to attain this result. As a unit, they are able to establish modern storage facilities and refrigeration warehouses, as well as quality assessment factories. These clusters allow for value to be added to their fruits and vegetables through creating more processed goods beyond the basic initial produce. The examples include conserved fruits and vegetables, sliced or peeled produce, frozen products and more.

One of successful examples is the Association of Fruit Producers “The Stryjno Orchard” - ZPOSS (Zrzeszenie Producentow Owocow “Stryjno Sad”). This particular agricultural cluster is thriving, as well as establishing the region of Eastern Poland as a hub of agricultural production and sales. The primary foundation of this cluster goes back to one successful small company, which has been in existence for eleven years. Its owner established this association and it has now reached a much broader scale to include 41 individual participants. “The Stryjno Orchard” is an association which represents a cluster, although its members would not entitle it as such. Together, they organize training courses; use their joint expertise to choose the best fruits and vegetables for production; and disseminate up-to-date information on crop protection and fertilization. They cooperate with scientists from the Agricultural Academy of Lublin, as well as the scientific association of Towarzystwo Rozwoju Sadow Karlowych which formulates research on the orchard techniques throughout the world.
The cluster “The Stryjno Orchard” has also developed a strong group effort in their marketing. Many representatives from the cluster attend trade fairs together and also take part in regionally organized economic missions abroad. In terms of sales, ZPOSS offers up to 20 varieties of apples throughout the year, blackberries, and many types of forest nuts. All these products are grown in the most environmentally clean area of Poland and they are certified by the IPO\(^9\) as organic goods. Half of all the fruit is sold to supermarkets, while the other half is distributed to smaller grocers or sold in open air markets. Lubelskie voivodship is first heaving the cluster called “Organic Food Valley” (SZYMONIUK, 2005).

II.2.3. Agro-tourism Systems.

More than the tourist region of Northeast, those rural east-southern voivodships need the agriculture-tourism combination. Agro-tourism clusters have definite objectives which justify the need to integrate, such as:

a) joint marketing projects,

b) supervision of the quality of the services,

c) lobbying,

d) applying for subsidies.

Concerns for the marketing activities of agro-tourism clusters include:

- designing a district tourist offer of a specifically local character, embracing folk art, rituals, local cuisine, cultural monuments or natural wonders;
- developing local infrastructure and providing new tourist services (rentals of sports equipment, camping sites, ski-lifts, bicycle paths, scenic views, pharmacies, post offices, Internet access), promotion.

Agro-tourism has a long tradition in Poland: it used to be colloquially called “vacations under the pear tree.” In Poland, as in other European countries, agro-tourism will continue developing. There is a tendency now for vacationers to switch

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\(^9\) IPO (Instytut Przemysłu Organicznego) - Institute of Industrial Organic Chemistry.
from large tourist centers and resorts. Short weekend trips to the country are becoming
popular because of natural, quiet environment and low prices that agro-tourism farms
offer. More and more frequently these farms are visited by grandparents accompanied
by grandchildren. The essential feature of the agro-tourism farms and associations is
their potential to activate rural women, no matter what their age or level of education
is, to find ways to earn money. These are women’s traditional skills, involving
household management, cooking traditional dishes, handcraft, knowledge of folklore,
etc., that are appreciated. There are about 5,000 agro-tourism farms in Poland,
approximately 2,000 of which are members of the Polish Federation of Agro-tourism
“Hospitable Farms”. The Federation is made up of local associations, which may be
considered as cores of agro-tourism clusters. There are eight associations of this kind
in the Lublin region. The Agro-tourist Association “The Lubartow Land “(Ziemia
Lubartowska”) in Lubelskie may serve as an example of an agro-tourist cluster. The
Lubartow region attracts interest because of its lively folklore, numerous cultural
monuments, lakes and vast areas of unpolluted forests and meadows. The Association
constitutes the core of the cluster. The member farms, although they compete with
each other, are willing to cooperate, for example in coordinating their specialization,
investment plans or mutual assistance. The cluster is also connected, informally, with
other bodies, such as: neighboring farms (which provide visitors with local produce
and additional services), museums, the Regional Centre for Agricultural Consultancy,
and church organizations. An original idea of the Association, going back to an old
agricultural tradition of the region, is to promote buckwheat cultivation. Buckwheat
cereal could be offered to tourists as health food, while the by-products of threshing
might be used to manufacture ecological mattresses of wholesome qualities. Another
example is a cluster in the Podlasie region. In the beginning the Chamber of Agro-
tourism in Suwalki (created in 1991) was composed of 61 farms belonging to Podlasie
and Warmia- Mazuria. Starting from 12 in December 2001, the chamber became Local Tourist Organization composed of 300 agro-tourist farms. A tourist data base is created by Polish and Lithuanian authorities.

The project « Green Lungs of Europe” which covers the northeastern regions of the country can bee considered as a prelude to another cluster. This project is the first attempt in Poland to entirely implement the rules of the ecological development policy at the regional level. The prospects for establishing of the Bilateral Biosphere Reserve of Bialowieza Wilderness are studied by Polish and Belarus authorities (KOZLOWSKI&WOLFRAM, 2004). Another project of cluster could be located in Podkarpackie voivodship based on material cultural heritage: wooden greek-catholic churches situated between the three countries: Poland, Ukraine and Slovakia (DESPINEY&TABARIÈS, 2007)

II.2.4. Rural Clusters Future: Challenges and Opportunities.

The transition has made it more urgent than ever before to adopt the measures and public policies that would help local firms to adjust to recent technological mutations and significantly increase the ability of rural economies to create jobs (QUEVIT, 1986). But, establishing clusters in rural areas faces many barriers. The central and eastern European countries’ economic history and lack of capitalist culture that makes up the communist heritage did not helped to establish a commercial and entrepreneurial spirit in the majority of them. The situation seems better in Poland.

**Social and historical problems.** The greatest barrier to the proliferation of clusters in CEEC’s is the lack of tradition to cooperate between companies, especially among competitors. These businesses resist the sharing the information, as well as the sharing and dividing the market. This is closely related to the infancy of capitalism in this region and the heritage of the communist regime. Therefore, businessmen are more focused on competition and rivalry, rather than on creating partnerships and

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10 Cf *Territoires, hommes, produits*, CIRED, Bialystok-Paris, N°2/2002
attempting cooperation\textsuperscript{11}. In the area of agriculture, there exists a different situation. Here, we find that the lingering effects of communism, whereby farmers were forced to cooperate, have, ironically, catapulted the establishment of clusters in today’s Polish farm regions, due to their historical experiences with such organizations. In fact, the cooperative sector, representing 3.7% of arable land under communism, has entered in the accounts as a part of the private sector since 1990 (DESPINEY-ZOCHOWSKA, 1999). Polish farmers were hostile against such forced co-operation; but nowadays, they are returning to their roots and taking advantage of such communal marketing. This comes under one condition, which differs from the communist period: that one respects each contributor’s individual property and ownership.

\textbf{Legislation and taxation problems.} The number of new clusters would be much higher if the laws and legislation weren’t so antagonistic to the formation of such market organizations. In 2000 the act of parliament dealing with producers’ groups was passed, but it is not sufficient. Subsidies specified by the act are still difficult to obtain. Moreover, the act discriminates against some producers’ groups when it comes to availability of bank credits. Another barrier to the development of the groups is the high cost of launching of their activity or of applying for subsidies.

However, there is optimism that the situation is going to change after the country’s adhesion to EU. In the Lublin region, it would be fruitful to establish international clusters with Ukraine, for example\textsuperscript{12}. In the past, there were some very successful co-operative initiatives between Ukraine and Poland, but they were dismantled after the law restricted their activity. Now there is a return to such cluster


\textsuperscript{12} In fact, existing cross-border cooperation in the « Bug » Euroregion could probably facilitate the common legislation process, see DESPINEY (B.), “L’effet de frontière et les nouvelles formes d’organisation territoriale en Pologne ”, in \textit{L’organisation du développement territorial dans les pays en transition}, IUT-Espace-Europe, Grenoble, 1998.
formations, but the incentive comes from businesses, rather than from government organizations. Laws, regulations and cross-border duties are incompatible between Poland and their eastern neighbors, causing a major hindrance to the establishment of such clusters. For many years, there has been lip service paid by both governments to supposedly endeavour upon cooperation between the two countries, but it is to be seen whether these words will come into action. The taxation of to clusters’ contributors is much higher in comparison to that of individual farmers.

Problems of Financing. Another outstanding barrier to cluster formation in the Polish regions is lack of funding and capital, to establish and support such clusters. There are few local entrepreneurs and the distance between these regions and the country's financial centers discourages the few individuals who would like to create a family business. In the beginning of transition, the greater part of measures put in place to favor local economic initiatives aimed to improve local entrepreneurs' access to credit. According to estimates, in the agricultural sector, only 8 to 10% of Polish farmers possessed the necessary means to carry out productive investments before the adhesion to the EU. The evaluation of the level of urgent investment needed in rural areas during the three-year period of pre-adhesion was set at one billion euros. The end of the previous system and the state’s rapid release from all-encompassing responsibility, added to budgetary and fiscal problems have considerably reduced the resources available for distribution. The Agency for Restructuring and Modernizing Agriculture mainly concentrated its aid in the agricultural regions in the West of the country. The adhesion to the European Union changed this situation, the five rural regions benefited from special European financing. In fact, Podlasia, Lubelskie, Podkarpackie, Warmia-Masuria and Holly Cross voivodships which have the

14 This information was given during discussion at the conference organized by the Institute of Rural and Agricultural Development of the Polish Academy of Science, Warsaw, December 2, 1997.
lowest GDP in Europe (34% of the average European GDP) are to obtain additionally 2.3 billions euros in the period 2007-2013. The problem now is that Polish businesses are not aware of the procedures how to acquire such funds, such as what forms to fill in and how to do it (they do not know English) and other hurdles.

**Training.** Clusters are likewise an occasion to make connections between small business and educational institutions, vital to improved marketing, as well as for incorporating innovations. The connections between trade schools and universities with corporate businesses are severely weak, causing another barrier to the establishment of clusters. Corporate businesses should employ post-secondary students, but they are not prepared for the market and are unaware of the needs of today’s businesses. As a result, these unqualified students simply add to the ever-increasing unemployment rate. Ideally, managers of clusters should be professionals, optimistic and innovative. Currently, there is a need for such managers in the rural areas of Eastern regions. Meanwhile, the local businesses lack specialized employees in the labor market, as well as in the field of high technology. They are then forced to seek employees from other regions or even abroad. However, the recent migration of the young, educated university graduates to the metropolitan areas or even from abroad is a harmful trend in terms of fulfilling the needs of these regions. If more clusters were to employ these young professionals, Poland might stop the exodus of this intellectual power. There could be a strong draw to such employment opportunities for these young intellects, as such management is rewarding and satisfying work in most cases. This work is important for the local community and one might take pride in his/her cluster.

In Poland farmers generally show discontent about the state policies towards agriculture, including also those directed at producers groups. There are frequent protests against market interventions of the Agricultural Market Agency, which buys up products of average quality for the average price. This leads to the situation when it
is not profitable for producers groups to increase the quality of their offer, because high quality is expensive. On the contrary, there are positive opinions about the national network of agricultural consulting, the so-called Agricultural Consultancy Centers, operated by voivodes, or Regional Centers for Agricultural Consultancy run by the Ministry of Agriculture. These centers offer training programs, spreading the idea of agricultural cooperation within clusters and give aid in acquiring European Union funds. Agricultural Consultancy Centers cooperate with the Catholic Church structures, which are extremely strong in Poland, for example by staging training programs for farmers in the Church facilities.

**Politics.** The last barrier is that economic decisions strictly depend on local politics, causing a lack of consistency when new groups are elected. There is a tendency to eradicate many of the positive initiatives taken up by the former government, hence leaving an unstable environment for business ventures like clusters. Moreover, there is a consistent trend for the outgoing political group to become inefficient when nearing the end of their term in government, as a result few positive initiatives are put into effect.

**CONCLUSION.**

Local productive systems can be an instrument for territorial development policies. With the appearance of LPS, there is a movement towards a new system of dialogue between the State (i.e. the twenty seven members of the European Union) and local communities. The industrial districts analysis used in Italy points to the first elements of local governance on this territory through the decisions of local government authorities, the private sector and civil society. In Central Europe, state territorial structures are decentralised, we must, therefore, ask ourselves how the territorial element can help to orient this evolution towards improved productive organisation, for example the creation of clusters. For some, the revival of LPS will only take place with the active support of regional authorities (either owners or simple
players) in developing a network of diffuse, non spontaneous industries. Will the two processes, i.e. decentralisation presently underway in the East and the possible revival of LPS in this part of Europe, reinforce one another or follow a different dynamics? For the moment it is difficult to answer this question, bearing in mind that the process has only just begun. The future of Polish rural regions in the East of the country will depend, to a great extent, on the CAP reform. The CAP reform (the reallocation of part of Europe's resources in favor of environmental projects and developing rural lands) could prove favorable for the development of rural clusters. The fact is that small- scale ecological farming in Poland might well come to serve as a model for Western Europe. As far as the Commission is concerned, the reform should try to protect a European agricultural model that will be competitive while at the same time respecting the environment and the quality of products. There is a new desire to commit agricultural policy to defending the environment and multifunctionality as well as associating it with a reinforced policy in the field of rural development. The Polish authorities should draw their own conclusions from the European paradox: first of all, the spending of tens of billions of euros in the CAP framework in order to encourage farms concentration of and, secondly, the very high level of structural policy intended to counterbalance the devastating effects of the former. Taking into account a certain "under-development" of Polish farms (limited use of fertilizers, among other things) it might be possible to subsidize them in order to maintain a certain level of biological production, in keen demand by consumers. The natural and cultural heritage of Eastern part of the country could help in creation of tourist activities there.
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