

Paths and limits to industrial upgrading: high- or low-road of development in Polish manufacturing

The fundamental feature of the world economy is its division into the core and peripheral regions. In the former, innovations are born, high value-added products are produced, and the labour market is characterised by high demand for highly qualified employees and high earnings. In contrast to the core, the peripheries specialise in the manufacture of standardised products, less technologically advanced and therefore cheaper. The ability of the periphery to move upwards in global production networks is the subject of a lively debate, which also comprises the position of Central and Eastern Europe countries, including Poland, as the semi-periphery of the European Union. These countries are often perceived as a case of ‘dependent’ or ‘branch-plant economy’, since their success is based on the combination of qualified, relatively cheap workforce with the inflow of capital and innovation from abroad. For some researchers Central and Eastern Europe represents the syndrome of ‘truncated development’ dominated by foreign-owned subsidiaries. On the other hand, numerous studies indicate the move of Central and Eastern Europe upwards from its historically peripheral position through the development of new capabilities, which manifests itself in increasing exports of high value-added products. Therefore, the understanding of the scope, types, mechanisms, and determinants of upgrading processes in Polish manufacturing is a challenging research venture that should bring new insight into core-periphery relationships and their contemporary evolution. This is particularly important as the current change in the realms of economy, politics, society, and technology may indicate that Polish economy is at a turning point.

The main objective of the project is to capture the scope and mechanisms of upgrading in Poland in medium-high and high technology manufacturing industries heavily dependent on foreign investors. Upgrading processes are understood as a move towards high value-added products and services with growing competences of firms operating in Poland within global production networks. This will be regarded as a high-road of development in contrast to the low-road characterised by the manufacturing of standardised products with limited non-production competences. The following four questions are posed in the study:

1. To what extent has industrial upgrading been taking place in various types of manufacturing companies (foreign subsidiaries and domestic producers, large and medium-size firms, manufacturers of both labour-intensive and capital-intensive products, three manufacturing sectors)?
2. What are the trajectories, mechanisms, and factors of upgrading?
3. What are the relationships between industrial upgrading processes and the employment conditions and labour market trends?
4. What is the impact of both regional and local characteristics on upgrading processes?

The authors adopt a theoretical perspective combining the concept of global production networks with an evolutionary approach. The concept of global production networks is based on the belief that neither the attributes of firms and their strategies themselves, nor the characteristics of the given territory, but the dynamic relationships between the two allow capturing economic globalisation. The evolutionary approach is focused on the mechanisms of change of spatial economic structures, rests on the evolutionary theory of the firm and is concerned with the processes of path dependence. The project offers a comparative investigation of three Polish manufacturing sectors of varying characteristics (automotive, aviation, and home appliances) based on quantitative and qualitative primary and secondary data from a variety of different sources.