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FOREIGN DIRECT INVESTMENT RISK: A CASE STUDY OF OPOLE VOIVODESHIP

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Purpose: The aim of the paper is to assess the investment risks associated with foreign direct investment in the Opole Voivodeship from 1991 to 2024.
Design/methodology/approach: The methodology combines quantitative analysis, using statistical data (e.g., GDP growth, inflation, exchange rates, and FDI inflows), with qualitative methods, including case studies of key enterprises with foreign capital in the region.
Findings: The research identifies several factors that initially deterred FDI in Opole Voivodeship, including macroeconomic instability, competition from larger agglomerations, and socio-political sensitivities.
Research limitations/implications: The study is region-specific, focusing on Opole Voivodeship, which may limit the generalisability of findings to other regions with different socio-economic contexts.
Practical implications: The study emphasises the importance of leveraging local diaspora networks and cultural ties to attract capital while diversifying the sources of foreign investment to mitigate risks associated with investor monoculture.
Social implications: The research underscores the role of socio-cultural factors, such as historical ties and community acceptance, in shaping investment dynamics.
Originality/value: This study contributes to the relatively underexplored field of regional FDI determinants in Poland.
Keywords: foreign direct investment, investment risk.
Category of the paper: Case study.

1. Introduction

Foreign direct investment (FDI) offers several strategic benefits to investors (Cohen, 2007; Fernandez, Joseph, 2020; Jankowiak, 2016). Firstly, it allows companies to access new markets and expand their global footprint, increasing their revenue potential and diversifying their customer base (Jankowiak, 2016). Secondly, FDI enables investors to leverage cost advantages, such as lower labour costs or favourable tax regimes in the host country, thus enhancing profitability. Additionally, establishing a local presence through FDI can provide investors with better control over supply chains and closer proximity to resources or key partners, thereby improving operational efficiency. Finally, FDI may grant investors access to local knowledge, innovation, and skilled labour, further enhancing their competitive edge in the global market (Jankowiak, 2016). However, the potential rewards of FDI are often accompanied by substantial risks (White, Fan, 2006; Yılmaz, 2024; Hayakawa et al., 2013; Mukhopadhyay, Das, 2020; Buckley et al., 2018).

Not even the largest multinational corporations (MNCs) can afford to invest everywhere or accept the risks inherent in choosing overseas production locations in a random, cavalier manner. An important phase of the foreign direct investment cycle is the decision that follows a company's making a commitment to overseas expansion: where the planned foreign subsidiary/ies should be situated. Due diligence is required to avoid costly and embarrassing mistakes in selection of site/s. One of the few valid generalizations about MNCs is that they invest in countries where their inquiries and calculations indicate a relatively high probability that financial rewards will exceed costs and risks by an acceptable margin in an acceptable time frame. The dynamics of those decisions are among the least subjective and least emotional aspects of the FDI/MNCs phenomena. Value judgments and controversy appear in far greater amounts after subsidiaries open for business (Cohen, 2007; Jankowiak, 2016). When assessing foreign direct investment risk, a company must carefully evaluate a wide range of factors that influence the investment's potential success. This evaluation is complicated by uncertainty regarding the accuracy of risk identification and the future evolution of these risks. The assessment process must consider the dynamic interplay between the host country's environment and the enterprise's operational needs, ensuring that the investment remains economically viable (Limański, Drabik, 2017). Consequently, FDI risk assessment is inherently a function of the uncertainty surrounding the evolving conditions of the external environment, as well as the enterprise's ability to adapt to and meet these changing conditions effectively. Understanding and managing these risks is essential for investors, policymakers, and stakeholders to maximise the benefits of FDI while minimising adverse impacts. This article explores the key indicators and measures that are instrumental in assessing FDI risk, offering insights into how these tools can guide investment decisions. The assessment of FDI risk involves evaluating a complex interplay of economic (Jinjarak, 2007; Canh et al., 2020), political (Jiang, Martek, 2021; Jensen, 2008; Beazer, Blake, 2018; Benáček et al., 2012; Rafat, Farahani, 2019), and social (Crețan et al., 2017) factors that can affect the stability and profitability of foreign investments. Economic indicators such as GDP growth rates, inflation, and exchange rate volatility provide a foundational understanding of the economic environment in host countries. Meanwhile, political risks, including government stability, regulatory frameworks, and corruption levels, also play a significant role in shaping the risk landscape. Social factors, such as labour market dynamics and cultural differences, further complicate the risk assessment process, requiring a holistic approach to evaluation. In addition to these broad categories, specific measures and tools have been developed to quantify FDI risks more precisely. Country risk ratings, for example, offer a composite measure of economic, political and social risks, providing investors with a clear metric for comparing different markets. Similarly, indices such as the World Bank's Ease of Doing Business Index, EY Europe Attractiveness Survey**,** Kearney FDI Confidence Index, and the Corruption Perceptions Index help identify potential challenges in the investment environment. The use of these quantitative measures, alongside qualitative analysis, enables a more comprehensive assessment of FDI risk.

This article seeks to provide an analysis of the key indicators and measures that are most effective in assessing FDI risk. By critically examining the methodologies and applications of these tools, the article aims to contribute to a deeper understanding of how FDI risks can be identified, measured, and managed. Such an understanding is crucial not only for investors seeking to optimise their investment strategies, but also for policymakers striving to create favourable conditions for foreign investment. Accordingly, the aim of the paper is to assess the investment risks associated with FDI in the Opole Voivodeship from 1991 to 2024, exploring both historical and contemporary factors influencing foreign capital allocation in the region.

To complement the macroeconomic and regional analyses, this study incorporated enterprise-level case studies to capture localized risk perceptions and investment responses. The selection of case studies was based on purposive sampling, aimed at reflecting a diverse range of foreign direct investment actors operating in Opole Voivodeship. A key selection criterion was direct exposure to regional risk factors. To ensure the reliability and validity of the qualitative insights, data triangulation was employed across multiple sources. Emerging themes were cross-checked through follow-up communication with interviewees and consultations with local investment advisors and regional development experts. Data were gathered through semi-structured interviews with company managers and local stakeholders, and supplemented by publicly available sources such as company websites, reports, and regional investment bulletins. Press releases were also reviewed to corroborate reported events.

2. Dimensions of uncertainty

Foreign direct investment risk can be classified into several key categories that encompass various dimensions of uncertainty and potential challenges for international businesses. These categories include global risk, country risk, industry risk, and enterprise risk (Jaworek et al., 2022), each of which plays a distinct role in influencing the overall risk profile of FDI. Among these, country risk is often the most critical, as it directly affects the investment environment within the host nation.

Global risk in foreign direct investment arises from events with potentially widespread impacts that transcend national borders. This category of risk encompasses natural disasters, such as earthquakes, floods, and droughts; social crises, including pandemics and epidemics; political upheavals, such as wars and conflicts (Soussane et al., 2023); economic downturns, like global recessions; and technical threats, such as cyber-attacks or spreading of computer viruses. Despite the potentially significant consequences of global risk, the existing literature offers limited insight into its direct impact on FDI decisions. However, studies like that of Escaleras and Register (2011) have demonstrated a statistically significant negative effect of natural disasters on FDI, suggesting that such risks are indeed a critical consideration for investors.

Country risk is defined as the possibility of unexpected deterioration in performance indicators or the failure to achieve strategic objectives due to exposure to the policies and conditions of the investment country. This risk category is further subdivided into political, economic, financial, and cultural risks, all of which must be carefully assessed by investors. Political risk, the first component of country risk, refers to the likelihood that the host country's government will be unwilling or unable to provide a stable and favourable environment for business and investment. This risk can arise from sudden policy changes, such as nationalisation or restrictions on capital transfers, as well as from broader issues like political instability, social unrest, or other unpredictable events. Closely related to political risk is economic risk, which involves significant changes in the economic structure or growth rate of the host country, potentially leading to a substantial impact on the expected returns on investment. Economic risk often overlaps with political risk, as both are influenced by government policies and the broader political environment. Financial risk, another component of country risk, is characterised by unexpected changes in the host country's creditworthiness or financial stability. This can include fluctuations in interest rates, currency instability, or changes in the availability of credit, all of which can adversely affect the profitability and sustainability of FDI. Lastly, cultural risk emerges from misunderstandings or misinterpretations related to the host country's cultural norms, business practices, and societal values. Cultural differences can lead to transaction costs, challenges in negotiations, and difficulties in adapting to local market conditions. These risks highlight the importance of a comprehensive and multidimensional approach to assessing FDI risk, ensuring that investors are well-prepared to navigate the complex landscape of international business.

Industry risk in foreign direct investment refers to the potential for adverse effects on key performance indicators or the achievement of strategic objectives due to unforeseen changes within a specific sector. This risk arises from factors such as technological advancements, shifts in consumer demand, regulatory changes, or increased competition, which can significantly alter the operating environment of the industry. Industry risk is particularly relevant for multinational enterprises (MNEs) as their exposure to this risk can vary depending on the sector in which they operate. For instance, industries that are heavily regulated or subject to rapid technological changes may face higher levels of industry risk. Additionally, the nature of an MNE's industry can influence its exposure to country risk, as certain sectors may be more vulnerable to political or economic instability in the host country. Therefore, a thorough assessment of industry-specific risks is essential for investors seeking to mitigate potential challenges in their foreign investments.

Enterprise risk in foreign direct investment pertains to the potential for negative impacts on an organisation's key performance indicators or the failure to achieve strategic objectives due to unforeseen events or changes in the enterprise's specific behaviour. This risk encompasses a range of factors, including operational challenges, financial instability, and behavioural risks associated with management decisions and organisational culture. Operational risks may arise from inefficiencies, supply chain disruptions, or technological failures, while financial risks could involve liquidity issues, currency fluctuations, or credit constraints. Behavioural risks, on the other hand, are linked to decision-making processes, leadership dynamics, and the overall governance structure of the enterprise. Given its broad scope, enterprise risk is critical for multinational enterprises as it directly influences the ability to adapt to the complexities of foreign markets and maintain competitive advantage. Effective management of enterprise risk requires a proactive approach to identifying and mitigating potential threats, ensuring that the enterprise can achieve its strategic goals in the context of international investment.

3. Key Indicators and Measures for Assessing Foreign Direct Investment Risk

Assessing risks in foreign direct investment is crucial for investors seeking to optimise returns while minimising exposure to uncertainties. Basic FDI risk assessment indicators and measures provide a structured framework to evaluate the economic, political, and social conditions of a host country (Table 1). These indicators, which include metrics like GDP growth rates, inflation, political stability, and regulatory environment, allow investors to gauge both the potential rewards and risks of entering a foreign market. Additionally, indices such as the World Bank's Ease of Doing Business Index, World Investment Report, EY Europe Attractiveness Survey, Kearney FDI Confidence Index, Corruption Perceptions Index, Political Stability Index, World Risk Index, and Global Climate Risk Index help quantify and compare these risks across different regions. By integrating these indicators, investors can make informed decisions that align with their strategic goals, while policymakers can use the same tools to create favourable environments for foreign capital inflows. This process not only enhances decision-making, but also mitigates the likelihood of investment failure due to unforeseen risks.

Table 1.
Basic FDI risk assessment indicators and measures

Specification	Characteristic
Gross Domestic Product	Gross Domestic Product growth measures the economic performance and expansion of a country. High and stable GDP growth signals a thriving economy with expanding markets, making it attractive for FDI. Conversely, low or volatile GDP growth may indicate economic instability, increasing the risk for investors.
Inflation rate	The inflation rate is a key indicator of economic stability. Low and predictable inflation supports stable operating costs and profit margins, which is favourable for investment. High inflation, however, can erode returns and increase costs, posing a significant risk to investors.
Exchange rates	Stable exchange rates reduce the risk associated with converting profits back into the investor's home currency. Significant fluctuations in exchange rates can impact the profitability of investments, introducing financial risk (Boburmirzo, Boburjon, 2022). Investors generally favour countries with low exchange rate volatility.
Public debt	The level of public debt indicates a country's fiscal health. High public debt may raise concerns about the government's ability to service its obligations, leading to potential tax increases or spending cuts. For investors, high public debt represents a risk as it may lead to economic uncertainty and policy shifts (de Mendonça, Brito, 2021).
Balance of trade	A positive balance of trade reflects strong export performance, which can stabilise the economy and currency. A negative balance of trade might indicate competitiveness issues and place downward pressure on the currency, increasing risk for foreign investors. A balanced trade position is generally viewed favourably in terms of long-term investment stability.
Political stability	Investors consider stability of the government, the likelihood of political unrest, and the potential for abrupt policy changes. Legal and regulatory risks also play a crucial role in the assessment of FDI risk. Investors examine the strength and independence of the judicial system, the enforcement of contracts, and the protection of property rights. A robust legal framework that upholds investor rights and provides clear regulations is vital for mitigating risk. Conversely, countries with ambiguous laws, inconsistent enforcement, or a lack of protection for foreign investors are deemed risky. Countries with a history of expropriation, frequent changes in leadership, or unstable regulatory environments are often seen as high-risk. Additionally, geopolitical tensions, corruption, and weak governance structures can further heighten the risk, discouraging investors from committing capital. Instability or frequent policy shifts increase the risk profile of a country (Hayakawa et al., 2013). The risks to investors include expropriation (Hajzler, 2012; Akporiaye, 2024), host-country restrictions on foreign investors, regulatory interference with the MNC's activities by host-county authorities, limits on profit repatriation (Vandervelde, 2009) etc. Expropriation represents a significant form of political risk in foreign direct investment, where a host-country government seizes or nationalises a foreign company's assets without providing fair compensation (Hajzler, 2012). This risk is particularly prevalent in developing countries with unstable political environments, where expropriation can be used as a tool for economic or political gain. The threat of expropriation serves as a major deterrent to foreign investors, as it undermines the security of their investments and can lead to substantial financial losses. Consequently, investors must carefully assess the political stability and legal frameworks of potential host countries to mitigate the risk of expropriation. High levels of corruption can significantly increase the costs of doing business and complicate decision-making processes (Corruption Perceptions Index). Corruption often leads to a lack of transparency and predictability, deterring foreign investment. Investors seek environments where business operations can proceed without undue influence or risk of unethical practices. Recently, Intellectual Property Rights (IPRs) have increasingly emerged as pivotal elements in investor-state dispute settlement cases, reflecting their growing significance. This shift underscores the critical role that IPRs now play in shaping international trade and investment policies (Mishra, 2022).

Cont. table 1.

Natural disasters	The higher risk of natural disasters such as earthquakes, hurricanes and floods can lead to greater uncertainty and concerns about investment safety (World Risk Index, Global Climate Risk Index). When a region is often exposed to such disasters, companies may avoid investment out of the fears for the lack of protection of their assets and operational stability. On the other hand, regions that effectively manage the risk of natural disasters and have appropriate conservation strategies can attract more FDI, seeing them as more stable and predictable. Thus, it can be said that the risk of natural disasters has a significant impact on foreign investment decisions, affecting the perceived attractiveness of a given country for investors.

Source: own elaboration.

According to survey data (EY Europe Attractiveness Survey, 2024), the top risks to Europe's attractiveness for foreign investors centre around regulatory, energy, and political factors (Figure 1). First, the increasing regulatory burden poses a significant challenge, with new European initiatives related to carbon disclosure, supply chain due diligence, data protection, and artificial intelligence potentially limiting business flexibility and growth. Investors fear that these regulatory complexities could undermine Europe's competitive edge. Secondly, energy prices and supply concerns, exacerbated by the recent energy crisis, continue to be a key threat, as uncertainties in energy supply could jeopardise operational stability for businesses. Lastly, political instability, fuelled by rising social tensions, political radicalism, and the upcoming European elections, adds another layer of uncertainty for investors evaluating long-term opportunities in the region. These concerns collectively impact the overall attractiveness of Europe as an investment destination, potentially influencing FDI decisions.

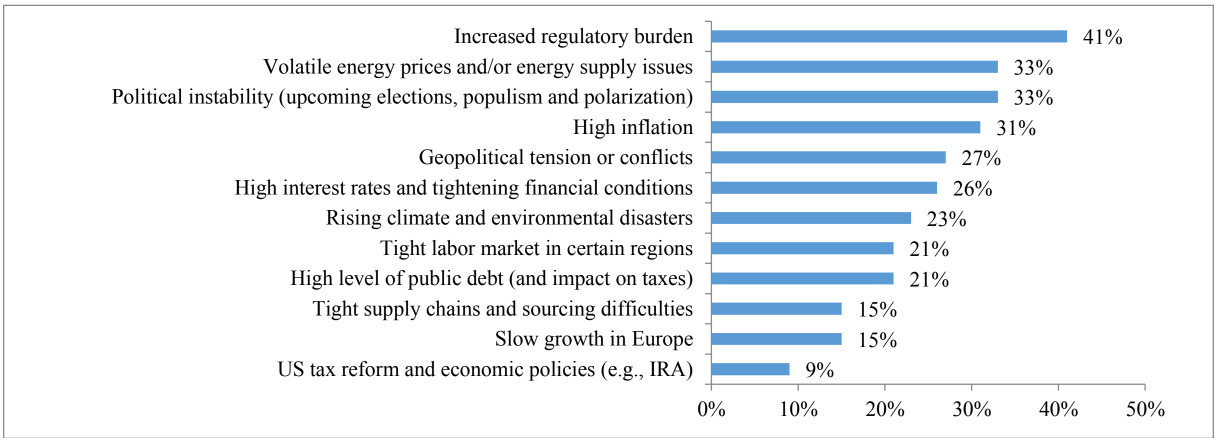

Figure 1. What are the main risks affecting Europe’s attractiveness over the next three years? Rank up to three.

Source: EY Europe Attractiveness Survey 2024, Retrieved from: ey-attractiveness-survey-06-2024-v3.pdf

The Covid-19 pandemic, Russian aggression against Ukraine, and the ensuing energy crisis have had a profound impact on the global economy (Beri et al., 2024; Contractor, 2021; Lee et al., 2022; Song et al., 2022; Soussane et al., 2024; Zysk, 2025). These events have disrupted global supply chains, heightened geopolitical tensions, and accelerated shifts in trade and investment patterns. In response, many governments have implemented protective fiscal measures, re-evaluated energy dependencies, and introduced new industrial policies aimed at strengthening economic resilience. These transformations have directly influenced the determinants of capital flows, including investor risk perception, sectoral preferences, and geographic diversification strategies. For instance, heightened geopolitical risk has led to increased scrutiny of investment destinations, particularly in Central and Eastern Europe. Simultaneously, energy security has emerged as a key factor shaping investment decisions. Furthermore, the pandemic underscored the vulnerability of globally integrated production networks. As a result, understanding how these global disruptions recalibrate capital allocation is crucial for designing effective regional investment strategies.

4. Assessing Investment Risks in Opole Voivodeship: A Long-Term Perspective (1991-2024)

The market-driven process of foreign capital allocation results in significant regional disparities, with individual areas benefiting from and being exposed to the risks of external capital absorption to varying degrees. While the extensive literature on the role of FDI in the Polish economy primarily addresses the macroeconomic aspects, including structural and technological transformations within specific manufacturing and service sectors, comparatively little attention has been directed towards the determinants of FDI at the regional level. This gap in the literature has prompted the undertaking of a meso-economic analysis focused on Opole Voivodeship.

Opole Silesia is a distinctive region in many respects, particularly in historical, socio-cultural, and economic terms, which naturally influences the volume and structure of incoming foreign capital. However, this distinctiveness does not imply that the region functions as an enclave or anomaly on a national scale, as it is subject to the same processes associated with structural transformations and the broader macroeconomic conditions of the country. Even a cursory examination of the region's economy reveals the significant presence of German capital, as substantiated by the available statistical data. This presence is not merely incidental but reflects deeper historical and economic ties between Opole Silesia and Germany, which have shaped the patterns of foreign direct investment in the region.

The initial reluctance of foreign investors towards Opole Silesia during the early years of the transformation, reflected in a low propensity to undertake large-scale investment projects, can be attributed to three key factors:

- The risk of macroeconomic stabilisation affecting the entire economy (Figures 2-6).
- The priority interest of corporations in large agglomerations such as Warsaw, Poznań, Gdańsk, and Wrocław stems from their strategic advantages as investment locations. These cities offer well-developed infrastructure, skilled labour markets, and greater access to business networks, making them highly attractive to foreign investors.

- Investors' concerns stemming from the complex social situation in Opole Silesia, and the associated risk of a lack of acceptance within the local community.

While the first two factors influenced investors regardless of the country of origin of their capital, the latter set of reasons particularly discouraged German investors. This hesitation was likely exacerbated by the historical context of the region, where socio-political sensitivities and historical memories may have played a role in shaping local attitudes towards foreign, particularly German, investment.

Over time, however, as the region has gradually stabilised and integrated more fully into the national and European economic frameworks, the barriers to investment have diminished, leading to a more favourable environment for foreign capital. This evolution reflects a broader trend of increasing economic integration and regional development, which has helped to align Opole Silesia more closely with the investment patterns observed in other parts of Poland.

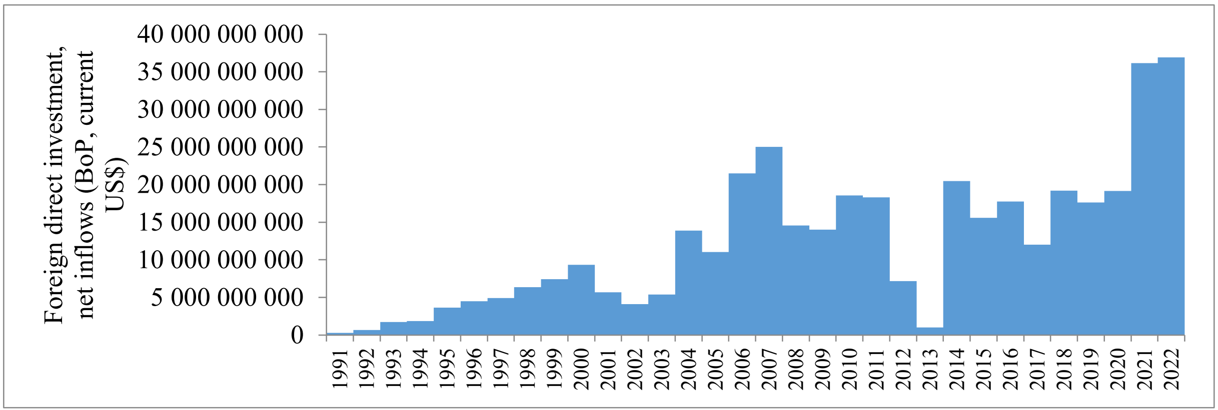

Figure 2. Foreign direct investment, net inflows (BoP, current US$), Poland 1991-2022.

Source: World Bank, Retrieved from: https://data.worldbank.org/indicator/BX.KLT.DINV.WD.GD.ZS?view=chart

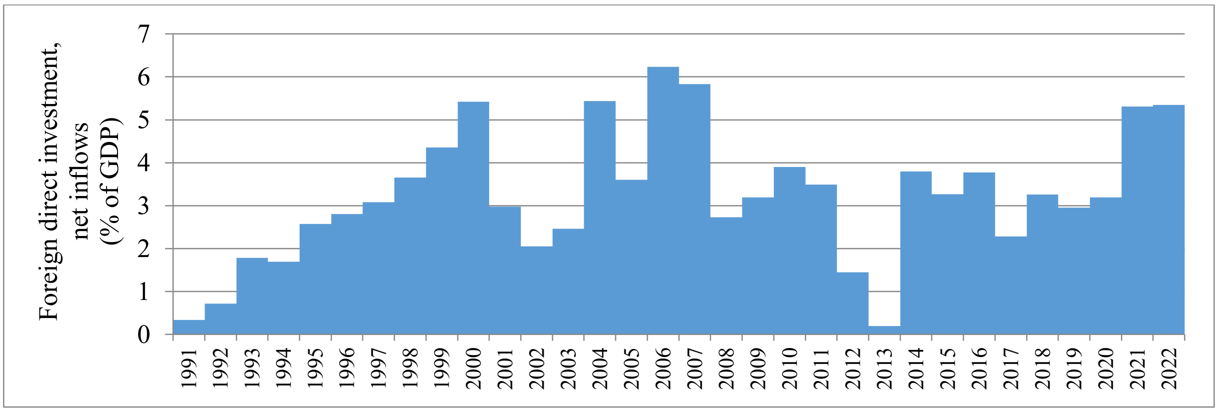

Figure 3. Foreign direct investment, net inflows (% of GDP), Poland 1991-2022.

Source: World Bank, Retrieved from: https://data.worldbank.org/indicator/BX.KLT.DINV.WD.GD.ZS?view=chart

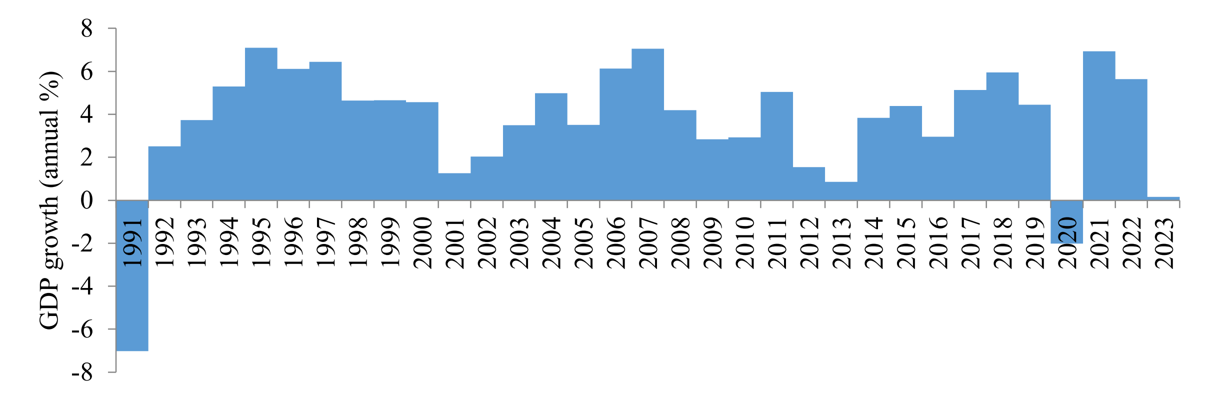

Figure 4. GDP growth (annual %), Poland 1991-2023.

Source: World Bank, Retrieved from: https://data.worldbank.org/indicator/NY.GDP.MKTP.CD?locations=GR

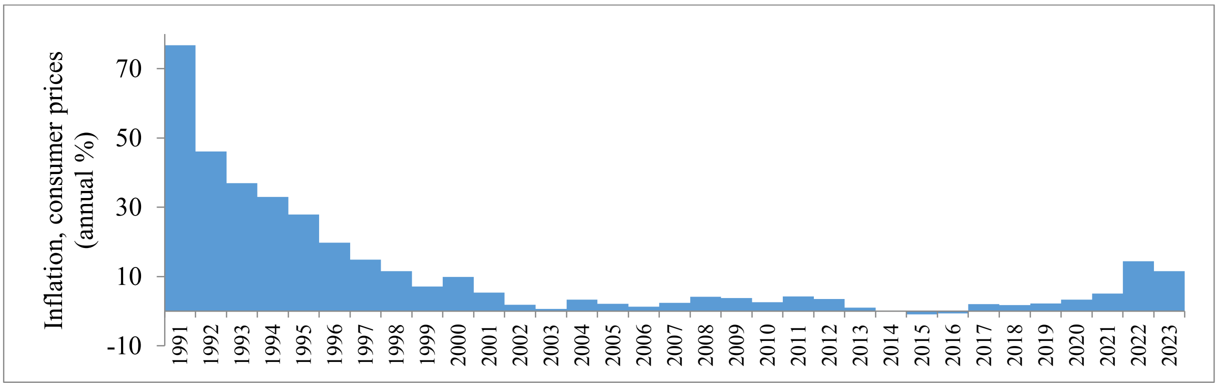

Figure 5. Inflation, consumer prices (annual %), Poland 1991-2023.

Source: World Bank, Retrieved from: https://data.worldbank.org/indicator/FP.CPI.TOTL.ZG?locations=GR

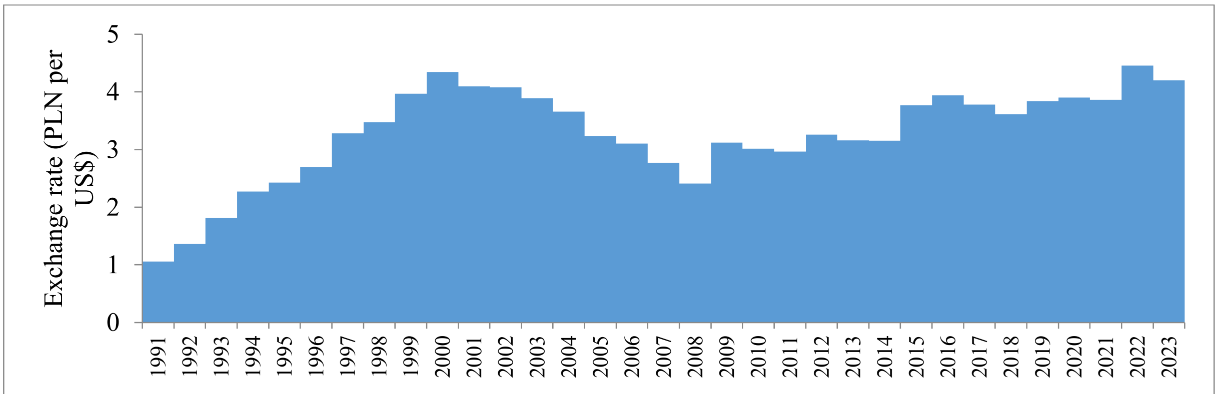

Figure 6. Exchange rate (PLN per US$, period average), 1991-2023.

Source: World Bank, Retrieved from: https://data.worldbank.org/indicator/PA.NUS.FCRF?locations=PL

The direct link between investors and the region through origin, family roots, or place of birth, while not widespread, is a noticeable phenomenon that plays a significant role in foreign investment patterns. Municipalities relatively infrequently establish direct contacts with foreign investor communities, which can limit the potential for attracting external capital. However, municipalities that include representatives of the German minority on their governing boards possess a natural advantage in this domain. Such representation facilitates direct communication with German investors, effectively removing the language barrier, which is a significant obstacle in international business dealings. Furthermore, these connections may be rooted in pre-existing private relationships, thereby serving as a catalyst for the inflow of German capital. Nonetheless, there is a risk associated with this dynamic, as it can lead to an investor monoculture, where the region becomes overly dependent on capital from a single foreign source.

A relatively large number of companies with German capital identify family contacts as their primary source of information about the region during the start-up phase. This phenomenon is particularly prevalent among small and medium-sized enterprises (SMEs), where investors, often the capital owners themselves, have Silesian ancestry. An illustrative example of this type of investment is the “Gościniec” in Dębska Kuźnia, established by individuals who emigrated permanently during the 1980s. Their favourable assessment of the political and economic changes in Poland motivated them to return and invest in the region of their origin. Such investments are often characterised by a unique calculus, where the costs of acquiring information are lower, and the process of navigating administrative procedures is relatively straightforward due to the investors' familiarity with the local environment.

Moreover, this familiarity extends beyond administrative ease; it significantly enhances social assimilation, thereby reducing investment risk. Investors with personal ties to the region often possess a deeper understanding of the local culture and social norms, which facilitates smoother integration into the community. In some cases, these investors are also fluent in Polish, which provides them with an additional advantage over those for whom both the region and the country are entirely foreign. A portion of these returnees possess considerable capital and are inclined to invest it in various business ventures within the region. This trend not only highlights the potential of diaspora capital in regional development, but also underscores the importance of cultural and social factors in shaping investment decisions.

In the case of large multinational corporations, where investment location decisions are primarily guided by global expansion strategies in foreign markets, it may initially appear difficult to attribute these decisions to the private ties of individual investors, particularly given the involvement of international capital. However, as evidenced by several companies operating within the region, the final decision to invest locally can sometimes be influenced, to a certain extent, by the personal connections of certain employees, especially members of the management boards. Similar to smaller enterprises, these personal ties can play a crucial role in overcoming informational barriers, identifying points of contact within the region, and even substituting for the functions typically performed by business environment institutions, which are usually tasked with facilitating such connections.

Notable examples of this phenomenon can be observed in large companies with German capital operating in Opole Silesia, such as Novomex, Rütgers AG, Uwe Eco, Jokey Plastik, and Bischof & Klein. Members of the management boards of these entities, who have roots in the Opole region, often acknowledge their connections to the area. This personal investment in the region represents a significant asset for Opole Silesia in its efforts to attract capital not only from the Federal Republic of Germany but also from other international sources.

The influence of such personal ties, while important, should not be overestimated, particularly when considering the broader investment climate. Although these connections can serve as an invaluable asset, facilitating entry and integration into the local environment, they cannot fully compensate for deficiencies in fundamental aspects of the investment climate, such as the availability of adequate technical infrastructure, regulatory stability, or access to skilled labour. Thus, while personal ties to the region, often rooted in historical context, may enhance the attractiveness of Opole Silesia to certain investors, they must be supported by a robust and conducive business environment. This underscores the necessity for regional policymakers to address infrastructural and institutional gaps in order to create a more comprehensive and appealing investment climate that can attract a diverse range of investors.

It is often theorised that foreign entities derive greater benefits from tax exemptions compared to their domestic counterparts. Undoubtedly, the statutory measures implemented in Poland during the early stages of the economic transformation utilised tax exemptions as a key incentive to attract foreign investors. These measures were designed to offset the significant investment risks associated with that initial and most unstable period of the transition. Investors active in the region, such as the German conglomerate Heidelberger Cement and the Dutch corporation Numico, took advantage of these exemptions to establish and expand their operations.

The early phase of opening up of the Polish economy was also conducive to the influx of foreign capital of a speculative nature, aimed primarily at exploiting tax privileges and securing quick profits. This trend was largely driven by the high level of investment risk prevalent in the country at the time. A notable example of this is the privatisation of the Osowiec Metal Works, where the investor, the German company Bersch und Partner GmbH, sought to capitalise on these tax benefits. However, the failure of this privatisation transaction had far-reaching consequences. Given the scale and significance of the entity involved, the collapse of the deal not only tarnished the reputation of German investors in the region, but also deepened the scepticism of local authorities towards potential foreign partners.

The negative experience with Bersch und Partner appears to have had a lasting impact, influencing the rejection of German investors in several subsequent privatisation efforts within the region, such as those involving Paczków Pollena and the Zakłady Wapiennicze in Tarnów Opolski. This episode highlights the broader implications of speculative investment during the early transformation period, where the pursuit of short-term gains by foreign entities sometimes undermined long-term economic development and trust between local stakeholders and international investors.

Moreover, the experience underscores the importance of rigorous due diligence and strategic alignment in the privatisation process. Ensuring that foreign investments are not only financially viable but also conducive to sustainable regional development is crucial. This requires a balanced approach, where incentives such as tax exemptions are coupled with stringent evaluation criteria to mitigate the risks of speculative capital inflows that may destabilise the local economy.

Moreover, a significant dispute occurred between the workers and management of the German company Hochtief in Praszka, which involved substantial job cuts. This situation triggered a wave of protests by trade unions in the city, highlighting the tension between foreign management practices and local labour expectations. While these negative experiences associated with foreign investors are relatively rare, they nonetheless have a significant impact on the perception of foreign capital in the region. Such incidents stress the importance of maintaining rigorous standards of corporate governance and adherence to local labour laws. These issues not only affect the immediate stakeholders - such as employees and local authorities - but also have broader implications for the region's attractiveness to future investors. The negative precedents set by companies like Grella Stahlbau and Eurofashion may contribute to a climate of distrust, where foreign investors are viewed with increased scepticism by local communities and regulatory bodies.

When analysing the risks associated with activities of enterprises with foreign capital, it is essential to consider a broader perspective that encompasses the nature of these multinational enterprises. Despite their often considerable economic power, these enterprises are not immune to challenges arising from both global economic conditions and internal issues related to their ownership structures. Consequently, the presence of such investors in a region introduces a degree of risk associated with the potential transmission of organisational problems from their global operations to the local labour market.

For instance, the Korean conglomerate Daewoo exemplifies this dynamic. Daewoo, with its facilities in Nysa and Opole, has experienced difficulties extending beyond the Polish market. In the case of Daewoo, financial troubles and restructuring efforts at the global level led to the bankruptcies of their Opole and Nysa plants. After running into financial difficulties, Daewoo sold most of its assets in 2002 to General Motors for $1.2 billion, becoming a subsidiary of the American company. Daewoo Motors was bought out by General Motors, but overseas manufacturing subsidiaries, such as the Opole and Nysa plants, were not part of the deal.

A mention should also be made of the risks associated with natural disasters. Devastating floods occurred in the years 1997, 2010, and 2024, affecting Opole Voivodeship. One example of a business affected by the 2024 flood is Schattdecor. Schattdecor Group is a global enterprise with 3000 employees across 16 locations worldwide. Its facility in Głuchołazy, which employs 250 people, suffered considerable damage during this calamity.

Devastating floods have left a lasting impact on the local economy, causing extensive damage to both private and public infrastructure. For businesses, such natural disasters not only lead to immediate financial losses, but also contribute to longer-term concerns about future flood events, making the region appear less appealing for investment. The recurring nature of these floods highlights the ongoing vulnerability of Opole Voivodeship, adding an additional layer of risk that companies must carefully consider when deciding whether to invest in the area.

5. Conclusion

The reduction in investment risk in Poland, which was significantly influenced by the country's accession to the European Union and the subsequent macroeconomic stabilisation, led to a notable increase in the share of investment by multinational corporations. Poland's accession to the EU not only enhanced its economic stability, but also provided a more predictable regulatory environment, which in turn made it a more attractive destination for foreign direct investment.

The macroeconomic stabilisation achieved through various reforms and policies contributed to a reduction in inflation rates, improved fiscal discipline, and enhanced overall economic growth. These factors collectively lowered the perceived risks associated with investing in Poland, thereby encouraging multinational corporations to increase their investments in the country. Moreover, EU membership granted Polish businesses and investors access to a larger single market, further boosting investor confidence. The alignment of Polish regulatory standards with EU norms facilitated smoother business operations and reduced barriers to entry for multinational firms. This alignment included improvements in legal frameworks, intellectual property protection, and trade regulations, which collectively contributed to a more favourable investment climate. As a result, the share of investment by multinational corporations in Poland saw a marked increase, reflecting the growing confidence in the country's economic prospects and its integration into the European market. This influx of investment has not only bolstered the Polish economy, but also played a significant role in advancing regional development and industrial growth. Poland's accession to the EU and its subsequent macroeconomic stabilisation were pivotal in mitigating investment risks, thereby enhancing the attractiveness of the country to multinational investors.

Relatively scant attention has been devoted to the factors affecting foreign direct investment at the regional level within the country, with a predominant focus in the literature on macroeconomic trends and national-level analyses. This oversight has significant implications, particularly regarding the understanding of investment risks specific to individual regions. While macroeconomic studies provide a broad view of investment environments, they often fail to address the nuanced risks and opportunities that vary across different regions. Consequently, this gap in research underscores the need for targeted analysis of regional determinants, which can offer a clearer picture of the risks associated with FDI in specific localities and inform about more effective risk mitigation strategies.

At the early stages of economic transformation, foreign investors exhibited a noticeable reluctance to invest in Opole Silesia, primarily due to three significant factors. First, the macroeconomic instability that affected the entire Polish economy posed substantial risks, discouraging large-scale investments. Second, corporations prioritised larger urban centres such as Warsaw, Poznań, Gdańsk, and Wrocław, which were viewed as more attractive and secure investment locations. Third, concerns regarding the complex socio-political situation in Opole Silesia and the potential lack of acceptance from the local community further deterred investment, particularly from German firms. This hesitation was likely intensified by the historical and socio-political sensitivities of the region, influencing local perceptions of foreign, especially German, capital. Consequently, these factors collectively limited the initial flow of foreign direct investment into the region.

The higher risk of floods in Opole Voivodeship poses significant challenges to investors, leading to increased uncertainty and concerns about the safety of their investments. Regions prone to frequent natural disasters, such as floods, create an environment of heightened risk, which may discourage both domestic and foreign companies from establishing or expanding their operations. Companies often prioritise the security of their assets and the continuity of their business activities, meaning that areas susceptible to frequent flooding have to struggle to attract long-term investment. The potential for disruption caused by flood damage to infrastructure, supply chains, and facilities adds another layer of uncertainty, further deterring investors who are looking for stable and secure environments.

By identifying specific risks, investors can gain a deeper understanding of the factors that may impact their operations and adapt their strategies accordingly, ensuring resilience and sustainable growth. A risk assessment enables investors to anticipate potential disruptions and allocate resources more effectively. This proactive approach not only minimizes exposure to localized threats—such as natural hazards or sociopolitical tensions—but also enhances long-term investment performance. Moreover, aligning investment strategies with region-specific conditions can foster stronger partnerships with local stakeholders and institutions.

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