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FDI from Central and Eastern Europe: the Polish perspective

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The concepts of international competitiveness of national economies and firms, and foreign direct investment (FDI) have always stood at the forefront of international business research. Their relationship has played a particularly pronounced role in the context of transition of former centrally planned economies of the region of Central and Eastern Europe (CEE), including Poland, to a market-led system. This process of economic transformation was accompanied by an increasing integration of national economies into the global business environment. One of the significant features of the Polish transformation was the systematic opening of the economy to foreign direct investment. This process was facilitated by economic reforms, including the liberalisation of FDI and foreign trade regulations, as well as privatisation of state-owned enterprises. As a result, Poland has received substantial FDI inflows since 1995, and has emerged as a significant outward foreign investor since mid-2000s, with accelerated growth rates over the past years.

Firms from Poland and other CEE countries have been recently intensifying their expansion into foreign markets via FDI. The cumulative value of outward FDI (OFDI) from Poland, for example, exceeded 65 billion USD in 2014. The ratio of the cumulative value of Polish OFDI in 2012 to that in 2003 reached the level of 2682.5% compared to that for the European Union (EU) of only 201.3%. It should also be stressed that in the Polish case, for every year in the 2004-2013 period, including the economic downturn, this ratio was higher than 100% recorded on a year to year basis. This rising trend has generated a pressing need to better understand and explain the expansion strategies of these newcomer foreign investors. The interplay between inward and outward FDI in conjunction with economic development of a given country constitutes the essence of the investment development path (IDP) paradigm. In this context, the concept of IDP can be applied to a transitional economy, in this case Poland, since 1990. The IDP approach combines the effects of inward and outward FDI on the country's growth and development patterns, exerting a major influence on the extent and speed of the transition process. Our research shows that in Poland the lag between outward and inward FDI is still greater than the country's GDP level would imply. This is mainly due to the pull of the large internal market, the still weak competitiveness of domestic firms in international markets and insufficient government policies stimulating more actively the formation of firm specific ownership advantages and implementing them abroad via outward FDI.

An important aspect of OFDI from CEE countries is the ongoing, albeit inconclusive, debate on its effects on home countries and therefore the rationale for governments to promote it. Although in many cases substantial support measures have been implemented, the established policy frameworks are frequently still at a nascent stage. At the microeconomic level, OFDI can be viewed as a means of achieving the firms' strategic objectives and enhancing their international competitiveness. At the macroeconomic level, research in international business has been disproportionately concentrated on the impact of FDI on host economies and the local firms. While there is no firm evidence that OFDI has a detrimental effect on home economies,

the consequences of OFDI for home economies can vary in the short- and in the long-run, as well as between developed and developing countries, which makes formulating clear policy recommendations a difficult task.

We argue that OFDI support measures should be investigated in a wider context. Alongside financial and non-financial instruments explicitly devised by governments to promote OFDI, broader policies supporting the competitiveness and internationalisation of local firms should be incorporated in the discussion on OFDI support. This approach is of particular relevance in the context of emerging markets, where it is still to be evaluated whether direct OFDI support can be effective unless preceded by an overall improvement of the domestic economies' and firms' competitiveness. This aspect should be an important consideration for policy-makers in choosing policies which serve the home country's sustainable development in the long-run. Finally, at the implementation level, a crucial determinant of effectiveness of an OFDI support system is its availability to and awareness by its potential recipients. The analysis of the Polish case shows that OFDI support measures are still dispersed and partly overlapping.

A salient advocated feature of government strategy in Poland regarding FDI resides in the adoption of a rational approach which stresses both the continuation of efforts to attract foreign investors to Poland and at the same time to encourage Polish firms to expand abroad using all available modes, especially exporting and OFDI. Since the outward thrust of Polish economic policy has been intensified only relatively recently (for approximately the last 3 years), taking advantage of these efforts by the corporate sector and their transmission into sustainable foreign expansion is still to be observed. Their principal aim and design should not only be guided by the logical and paramount drive to improve and develop the competitiveness of Polish firms in foreign markets, but also to upgrade the international competitiveness of the Polish economy as a whole. ■

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