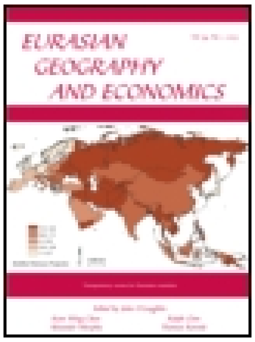

Eurasian Geography and Economics

ISSN: (Print) (Online) Journal homepage: https://www.tandfonline.com/loi/rege20

Integration and investment development paths of CEE countries.Does EU-membership make a difference?

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EURASIAN GEOGRAPHY AND ECONOMICS
https://doi.org/10.1080/15387216.2020.1828124

Integration and investment development paths of CEE countries.Does EU-membership make a difference?

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ABSTRACT
A number of studies have dealt with the effects of economic integration on foreign direct investment, yet without a comprehensive and simultaneous analysis of the overall positioning of the countries involved along the investment development path (IDP). In the current paper, a comparative analysis of IDPs of five Central and Eastern European (CEE) countries, both members and nonmembers of the European Union (EU), is conducted. The purpose of the paper is to determine the effect of economic integration on foreign direct investment (FDI) flows and on the movement of these CEE economies through their IDP stages. An attempt is made to identify the positioning of the sample countries on the IDP, using trend estimation depicting the relationship between net outward investment (NOI) per capita and gross domestic product (GDP) per capita, as well as detailed descriptive data on inward and outward FDI stocks and flows, subsequently complemented with econometric analysis. While the findings point to a generally positive effect of EU membership on FDI growth and IDP trajectories, integration tends to exert a stronger effect on inward FDI than on outward FDI of the investigated member countries. At the same time, the study's findings reveal the need to add new theoretical considerations to the interface between EU integration and the IDP model, as well as formulate certain policy implications.

ARTICLE HISTORY
Received 14 March 2020
Accepted 21 September 2020

KEYWORDS
Investment development path; economic integration; Central and Eastern Europe

Introduction

The main objective of this study is to determine whether integrating a country's economy in an organization of regional economic integration such as that of the European Union (EU)[1] will upgrade the said economy's international competitiveness, thus influencing its inward and outward foreign direct investment (FDI). The main drivers in this process have been identified and selected as outward and inward FDI stocks which are at the core of the concept of net outward investment (NOI), which in turn is the central variable in the investment development path (IDP) model of Dunning (Dunning 1981, 1986; Dunning and Narula 2002). Particularly, the

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