Introduction

The transition process to a free market system, initiated in the Central and Eastern European (CEE) countries more than two decades ago, has led to the emergence and subsequently solid growth of outward foreign direct investment (FDI) from that region. Currently, Poland is the largest outward FDI exporter among the 10 CEE countries, which are members of the European Union (EU). In 2009, Poland's outward FDI flows exceeded 5 billion EUR (over 7 billion USD) and were more than 30% higher than in 2008 in spite of the continuing signs of the recent financial crisis (NBP, 2010). By 2009, the cumulative value of Poland's OFDI had reached 26.2 billion USD (UNCTAD, 2010, p.172), representing 6.1 % of her GDP.

The present study undertakes to analyze the key emerging trends in outward FDI from Poland during the period of 1996-2009 in the context of relevant FDI literature, and attempts to determine which of the received theories might be appropriate in explaining the said trends. Therefore, the main purpose of the paper is not only to identify the main attributes of Poland's OFDI and propose relevant policy measures but also to set up a theoretical framework agenda for further investigation of identified trends and patterns, and not only in Poland but possibly also in other CEE countries. In this sense, the present study is very exploratory in nature.

An analysis of OFDI trends covers overall changes recorded in OFDI from Poland, as well as its geographic and industry profiles. This multi-faceted approach is envisaged to generate more meaningful observations and conclusions, and thus in a sense fill the gap

in the existing literature pertaining to CEE, which to a large extent has focused on aggregate OFDI country dynamics.

The time series under investigation, 1996-2009, do not cover the first half-decade of the transition period. This is simply because the geographic and industry breakdown of OFDI data were first published by the National Bank of Poland for 1996. Overall OFDI data, on the other hand, are available for the earlier years. However, for consistency reasons, all data presented in this study relate to the same period.

The first part contains an overview of the main theories of FDI from the perspective of outward FDI. Then a number of studies on outward FDI from CEE are investigated. In the three subsequent sections, the authors analyze Poland's overall OFDI, geographic and thereafter sectoral distribution of OFDI. The last section concludes with identification of the trends observed, policy prescriptions and finally suggestions for a theoretical framework and avenues for further investigation of OFDI from Poland and the CEE.

Theories Embracing Outward FDI

Theories of outward FDI are part and parcel of more general theories of FDI or internationalization as such. As inward FDI is conditioned upon outward FDI occurring first, one could argue that at the heart of any FDI theory should be an attempt to explain why domestic firms invest abroad. And this is indeed the central question that has attracted attention of international business scholars for many decades. But, of course, there are a host of related questions that researches have grappled with. For example, how do domestic firms select foreign countries to invest in, and what sectors or industries are likely to generate more outward FDI than others and what it depends on.

Arguably, the first theory to meaningfully explain FDI was advanced by Hymer in 1960 (Dunning and Rugman, 1985). When challenging the hitherto theories of capital flows caused by differentials between rates of return on investment, Hymer based his explanation of FDI on domestic firms monopolistic advantages not available to other countries' enterprises. Those monopolistic advantages could include: superior knowledge or intangible assets, economies of scale, access to raw materials, costs and financial advantages, production efficiency and product differentiation.

A few years later, Vernon (1966), who studied internationalization of US manufacturing firms, developed the Product Life Cycle Theory. According to this theory, there are three stages of firms' internationalization. In the first stage (called New Product Stage), the product is manufactured in the home country and exported into foreign markets. In the second stage (Maturing Product Stage), domestic production costs become a concern and the firm is induced to invest in other developed countries to reduce production costs through, *inter alia*, economies of scale. In the third stage (Standardized Product Stage), the firm will tend to shift its production to low-cost locations in developing countries.

Buckley and Casson (1976) introduced the concepts of internalization and transaction costs into the study of international business. The two concepts were later propagated by Hennart (2001) and incorporated by J.H. Dunning into his Eclectic Paradigm of International Production. According to Buckley and Casson, in international operations, firms prefer the mechanism of internal organization of value-adding activities rather than transacting in the external market, in order to reduce transaction costs and secure monopolistic advantages within the firm.

Combining his own location-advantage ideas with the previously reviewed theories, Dunning (1980) proposed and subsequently developed and refined (Dunning, 1988 and 1995) his Eclectic Paradigm of International Production, which has gained wide acceptance in the international business field and is regarded as one of the most comprehensive theories to-date to explain international business activity of firms.

J.H. Dunning is also the author of two theories or frameworks related to the context of this study, namely: the taxonomy of FDI motives and the investment development path (IDP) paradigm.

Borrowing from an earlier taxonomy developed by Behrman (1972), Dunning (1993 and 1998) placed the motives for FDI and the respective types of multinational enterprise (MNE) activity into the following four groups: resource seeking, market seeking, efficiency seeking and strategic asset seeking.

According to the basic IDP proposition, firstly proposed by J. Dunning in the early eighties (Dunning, 1981) and subsequently refined and extended by Dunning (1986 and 1997), Dunning and Narula (1994, 1996 and 2002), and Narula and Dunning (2000), the inward and outward investment position of a country is connected with its economic development. Changes in the volume and structure of FDI lead to different values in the country's net outward investment position (NOIP), defined as the difference between gross outward foreign direct investment stock and gross inward foreign direct investment stock. The changing NOIP passes through 5 stages intrinsically related to the country's economic development, measured by its GNP.

In addition to the above-mentioned theories, there were other contributions to the development of internationalization theory, providing more insight into OFDI. One of

them was the Uppsala model developed by Johanson and Wiederheim (1975) and Johanson and Vahle (1977) who identified firm internationalization as a sequential and gradual process. These authors also postulated that internationalizing firms will first select foreign countries with similar market conditions and similar cultures to those of their home country, and introduced the concept of "psychic distance" between the home and host countries.

Studies on Outward FDI from Central and Eastern Europe

A growing number of studies in the area of FDI focus on the transition economies of Central and Eastern Europe. They either investigate individual countries' FDI or conduct comparative analyses of FDI in groups of CEE countries. Several of these studies focus on outward FDI and several use the IDP model as a theoretical framework.

Among the individual country studies focused on Poland are Kubielas' (1996) analysis of the role of technology transfer and FDI in restructuring the Polish economy during the first five years of transformation and Rosati and Wilinski's (2003) study of the IDP concept and how it fits with FDI in Poland. In examining outward FDI from Poland, Rosati and Wilinski find that its limited extent is due to factors such as a large and growing domestic market, low savings rate and a still low degree of openness of the economy. This outward FDI is mostly market seeking and focused on the markets of Europe. A series of studies of Poland's FDI in the context of the IDP are conducted by Gorynia, Nowak and Wolniak (2005, 2006, 2008 and 2009). In the geographic composition of FDI, the authors find that while Poland is firmly in stage 2 of the IDP vis-à-vis Triad countries, it is in stage 4 with respect to most of the other CEE countries,

which means more Polish FDI flows into these countries than FDI from them into Poland.

Antalóczy and Éltető (2003) analyze home-country and host-country factors determining Hungarian outward FDI. These authors find that neighboring countries are favored by Hungarian investors. While Hungarian companies in the EU tend to set up only sales offices and trading posts, most Hungarian affiliates in the CEE region are manufacturing firms.

The study by Bohata and Zeplinerova (2003) on the Czech Republic's outward FDI provides evidence of an accelerated growth, although at relatively low levels, of outward FDI between 1996 and 2001. Nevertheless, these authors note that the gap between inward and outward FDI remains large in the Czech Republic at the end of the studied period.

Svietličič & Bellak (2003), on the other hand, conduct a comparative analysis of Slovenia's and Austria's net outward investment position (NOIP) . They come to the conclusion that both countries' IDP trajectory does not conform to the theoretical expectations derived from Dunning's model. According to these authors, the Slovenian IDP is highly idiosyncratic, as is Austria's IDP, but for different reasons. In Slovenia, deviations are more transition and history-related.

Similarly to the other CEE countries referred to above, the Estonian case presented by Varblane, Reiljan & Roolaht (2003) shows the emergence of outward FDI around mid-1990s, followed by a boom in 1997. Although Estonia's NOIP deteriorated in the subsequent years, the measure's rate of decline showed signs of abating in the early

2000s, signalling a possible transition towards stage 3 of the IDP in the coming years marked by a faster growth of outward than inward FDI.

Quite strikingly, Kalotay's studies of outward FDI from the Russian Federation (Kalotay, 2005 and 2008) reveal a paradoxical pattern of IDP development. In spite of being a lower middle-income country, Russia is already a net FDI exporter, thus technically passing through stage 4 of her IDP. Although Kalotay calls Russia "a premature outward investor" (2008, p. 89), he wonders if this finding should trigger a paradigm change in FDI theories, including the IDP paradigm.

Among the multi-country studies, Svietličič and Jaklič (2003) conduct a comparative analysis of several CEE countries' outward FDI (the Czech Republic, Estonia, Hungary, Poland and Slovenia). Their analysis clearly demonstrates that major increases of FDI outflows started in the latter part of the 1990s. At the same time Svietličič and Jaklič find positive correlation between a country's level of development and its rate of investment abroad, and observe that outward FDI of the five countries under study tends to be geographically concentrated in countries with close historical or cultural ties.

Kalotay (2004) examines outward FDI from most of the 2004 accession CEE countries plus Croatia, placing these countries in stage 2 of their IDPs. This author predicts that accession of the eight CEE countries to the EU in 2004 should give a major thrust to both their outward and inward FDI, with an uncertain net impact of such a development on their IDPs.

Boudier-Bensebaa (2008) undertakes a comparative analysis of the IDP in the whole region of Central and Eastern Europe (including the former Soviet Republics) and the European Union of 15 member states. The "Eastern" countries concerned are classified

into 4 distinct groups according to their per capita level of GDP and net outward investment (NOI).

In their latest study of 10 CEE countries, members of the EU, Gorynia, Nowak and Wolniak (2010) discover that in half of these countries, belonging to the more developed group, outward FDI is already growing faster than inward FDI.

Overall Changes in Polish Outward FDI, 1996-2009

As shown in Table 1, in absolute terms the stock of Polish OFDI amounted to 26.2 billion USD in 2009. Since in 1996 it was on the level of just 735 million USD, it grew nominally 36 times during the investigated time period of 1996 – 2009. Its dynamic growth was especially visible in the period from 2 years preceding Poland's entry into the EU in 2004 and ending in 2007 when the economy felt the effects of the global economic downturn. The surge from 2002 might have been due to the attempt by Polish firms to gain competitive footholds in new markets, especially those of the EU, prior to entry into the EU and right after it, to consolidate their positions. What is also remarkable is the growth of the share of OFDI stock in IFDI stock from 3.7% in 2003 to 13.5% in 2008 and 14.3% in 2009. This observation points to the growing competitiveness of firms investing outside Poland since 2001, and their willingness to use FDI in their foreign expansion strategies, but also reflects the lower rates of growth of inward vs. outward FDI since 2002.

Table 1. Polish Outward FDI (OFDI) and Inward FDI (IFDI) stocks in millions of USD, 1996-2009

	IFDI Stock	year to year % change	OFDI Stock	year to year % change	OFDI Stock as % of IFDI Stock

1996	11463		735		6.4
1997	14587	127.3	678	92.2	4.7
1998	22461	154.0	1165	171.8	5.2
1999	26075	116.1	1024	87.9	3.9
2000	34227	131.3	1018	99.4	3.0
2001	41247	120.5	1156	113.6	2.8
2002	48320	117.1	1457	126.0	3.0
2003	57877	119.8	2146	147.3	3.7
2004	86366	149.2	3223	150.2	3.7
2005	89694	103.9	6439	199.8	7.2
2006	103616	115.5	10705	166.3	10.3
2007	175851	169.7	19369	180.9	11.0
2008	161406	91.8	21814	112.6	13.5
2009	182799	113.3	26211	120.2	14.3

Source: UNCTAD and Statistical Yearbook of the Republic of Poland (2000, 2001, 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009 and 2010)

Geographic Structure of Poland's Outward FDI

The geographic structure of Poland's OFDI, as presented in Table 2, shows a clear and sustained focus on Europe. Throughout the analyzed period Europe accounted for, in cumulative percentage shares (besides 1996), well over 50% of total OFDI stock invested abroad by Polish enterprises. Starting from 2002, Europe's share has continuously surpassed 90% of the total. From 2007, due mainly to the global economic slowdown, the said share declined, but only to 94% in 2009.

Table 2. Geographic structure of Polish OFDI: selected countries and regions. Cumulative percentage shares of OFDI stocks, 1996 – 2009

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Europe	**47.2**	**71.4**	**88.2**	**92.1**	**87.4**	**76.0**	**90.7**	**97.3**	**96.3**	**96.5**	**97.0**	**96.7**	**93.8**	**94.0**
Luxembourg	na	na	na	-2.5	-10.7	-30.6	-21.6	-13.4	-2.3	-0.1	23.7	20.6	19.9	20.8
Switzerland	1.9	1.0	0.2	14.7	14.2	22.6	13.9	9.5	21.3	36.8	18.1	18.5	17.0	17.6
Lithuania	3.8	2.0	1.0	1.6	1.7	3.1	2.3	1.7	1.2	0.7	17.6	15.8	13.4	11.4
Netherlands	na	na	3.1	0.4	1.6	6.1	28.4	18.0	18.2	11.4	9.2	8.9	9.7	8.3
United Kingdom	1.9	1.0	11.6	12.8	13.4	-5.1	-4.9	-3.2	-0.1	3.7	6.5	4.7	5.7	4.8
Germany	5.7	36.7	8.2	5.7	4.9	-0.9	-2.9	13.2	12.5	3.0	1.8	3.0	3.5	3.4
Russia	5.7	4.1	-1.0	-1.1	-1.1	0.4	0.8	3.8	3.8	3.8	1.9	3.1	3.6	3.3

Ukraine	13.2	15.3	4.3	4.8	4.6	8.2	8.9	14.8	11.0	6.4	3.7	4.8	3.7	3.3
Czech Republic	3.8	1.0	0.2	0.8	2.5	2.9	1.3	2.0	1.8	11.1	4.8	4.9	2.9	2.8
USA	3.8	7.1	2.9	0.0	0.6	1.6	-2.3	-3.2	-1.2	0.8	1.2	1.1	1.7	1.4
Singapore	3.8	2.0	0.5	0.4	0.5	0.8	0.6	0.7	0.3	0.2	0.4	0.4	0.4	0.4
China	1.9	2.0	0.5	0.5	0.6	1.0	0.7	0.5	0.4	0.3	0.2	0.2	0.2	0.1
European Union – 25	na	na	na	na	na	na	na	20.6	35.5	38.6	69.2	64.2	62.1	62.3
Central and East European Countries	na	na	na	1.9	4.8	7.5	3.6	4.8	7.8	15.6	25.2	24.1	20.8	17.7
Tax havens	na	na	na	-0.7	2.5	6.7	4.6	6.7	3.2	1.8	1.1	1.0	2.9	2.9

Source: National Bank of Poland, 1997-2010

Inside Europe, a marked concentration in certain countries has been observed as well. The first observation relates to the fact that countries with small internal markets such as Luxembourg, Switzerland, Netherlands and Lithuania attracted the majority of Poland's Europe-bound OFDI. In 2006 those four countries accounted for 69% of Poland's OFDI and in 2009 58% respectively. Also from 2006 on, Luxembourg clearly took over from Switzerland the lead in Poland's OFDI. The peak share for Luxembourg was 24% recorded in 2006, for Netherlands it was 28% recorded in 2002. Switzerland had its highest share of 37% in 2005 and Lithuania 18% in 2006. This then leads to the observation that Polish outward investors were not so much market seekers in Dunning's understanding of this expansion motive, only they were striving to benefit from certain strategic location advantages which those destinations were able to offer them. Seemingly, foremost among those advantages were preferential financial and disclosure regulations which allowed Polish investors to lose their Polish identity and/or and continue further expansion, supported by their new status as investors (in the form of trusts or holding companies, for example) originating from Europe's key financial centers. This kind of "capital flight" was much less evident in the context of transferring investment to offshore tax havens which had an average share of 3.3% of Poland's OFDI

between 2000 and 2009. Lithuania stands out as an exceptional case in his context because the main motive of Polish OFDI seemed to be geographic proximity and historical ties with this country.

Also inside Europe, but viewed from a narrower, regional perspective, two groups of countries stood out in attracting Polish OFDI. The most important one was the European Union. Available data reach back only to the year 2003 and cover only 25 member states and thus bearing in mind those limitations it can be seen that the EU accounted for 62.3% of Polish OFDI in 2009 with the highest share of over 69% being reached in 2006. The second group consisted of countries of Central and Eastern Europe (CEE). Their role was small at first until Poland's accession to the EU in 2004, ranging from 1.9% in 1999 to 7.8% in 2004. Thereafter there was a greater surge of investment into the region with shares rising to 25.2% in 2006 and then falling due to the general slowdown to 17.7% in 2009. Of course one must not forget that those two regions overlap since 10 of the CEE countries are also members of the EU.

On the other hand, two of Poland's eastern neighbors with large internal markets, i.e. Russia and Ukraine, attracted relatively small shares of Poland's OFDI. For 2009, the last year investigated, those shares for both countries were identical (3.3%). Russia had the highest share of 5.7% in 1996 whereas Ukraine peaked with 15.3% one year later.

Other European countries which attracted OFDI of some significance from Poland were the UK, Germany and the Czech Republic. After Poland's entry into the European Union in 2004 the UK's shares ranged from 3.7% in 2005 to 4.8% in 2009. The highest share of 13.4% was registered in 2000. Germany had the highest chare of 13.2% in 2003, just before Poland's EU accession; thereafter, the share dropped somewhat in 2004 to

12.5% and then sharply to 3% in 2005 and 1.8% in 2006. In 2009, the last year on record, it was at a higher level of 3.4%. The Czech shares ranged from 0.2% in 1998 to a maximum of 11.1% in 2005 and back to a low 2.8% in 2009.

What appears to be somewhat surprising is the minor role played by Polish OFDI in the USA and China. The share of USA was highest in 1997, reaching 7.1% but then fell sharply and in the last four years of the investigated time span did not surpass 2%. Even lower shares were recorded for China. They ranged from a high of 2% in 1997 to below 0.3% in the period from 2006 to 2009. In South East Asia only Singapore showed slightly better share levels: between 3.8% in 2006 to 0.4% in a similar time span of 2006 – 2009. These observations confirm the role of Polish firms as regional, Europe bound players, unwilling or unable to expand into large and distant markets.

The rate of growth of Polish OFDI (year to year) in 2009, as evidenced in Table 3, revealed significant variations as well. The highest, 6120%, was recorded for the group of Central and East European countries. The EU in contrast showed a growth of only 223%. On the country level, Denmark had the highest growth rate of 570%, followed by 482% for Switzerland, 284% for Luxembourg and 283% for Lithuania. Outside Europe there was Brazil with a 200% growth rate and Hong Kong with a 100% growth record. Offshore financial centers recorded only a 36% growth but a year earlier (in 2008) the growth rate had soared to 1127%.

Table 3.Geographic structure of Polish OFDI. Year to year growth rates, 1996-2009. Selected countries and regions.

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Central and Eastern Europe	na	na	na	na	154.7	44.4	-108.5	335.9	460.0	678.4	408.9	36.3	-0.4	6120.0
Denmark	na	na	na	na	-350.0	-14.3	3000.0	63.3	31.6	916.7	-70.9	87.2	67.6	569.6

Switzerland	na	na	na	na	0.6	4525.0	0.6	2100.0	14309.5	509.5	41.6	146.5	23.4	481.5
Luxemburg	na	na	na	na	-341.1	-168.3	-25.3	58.9	816.7	47.7	8944.9	16.3	83.2	284.0
Lithuania	na	na	na	165.0	15.2	720.0	61.1	68.2	440.0	256.1	14472.8	20.2	-11.6	283.2
European Union-25	na	na	na	na	na	na	na	na	247.8	297.0	567.3	30.2	63.2	222.6
Brazil	na	na	na	na	na	na	na	500.0	-80.0	325.0	76.9	120.0	25.0	200.0
Hong Kong	na	na	na	na	na	na	na	na	-100.0	-400.0	na	na	366.7	100.0
Tax havens	na	na	na	na	456.3	92.5	21.5	1134.5	-9.1	1216.7	148.8	72.6	1126.9	35.9

Source: National Bank of Poland, 1997-2010

Industry Structure of Poland's Outward FDI

Comparable data on aggregate industry shares of outgoing Polish FDI are available only since 2003, as shown in Table 4. However, data by specific industry cover the whole period between 1996 and 2009. The first observation points to the dominating share of the service sector compared with the manufacturing one, confirming thus the prevailing preferences of Polish outward investors of being in line with the overall structure of a mature developed economy. Manufacturing recorded a 27.4% share in 2004 compared with 41.1% for services. In 2006, manufacturing's share rose to 30.6%, whereas that of services went up to 60.1%. In the following three years, the share of manufacturing fluctuated, ending up with the level of 28.6% in 2009. Instead, services stayed at the above 62% level, reaching 62.6% in 2009.

Table 4. Industry structure of Polish OFDI. Cumulative percentage shares of OFDI stocks, 1996-2009. Selected industries.

Industry:	**1996**	**1997**	**1998**	**1999**	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**
Total manufacturing	**13.2**	**16.3**	**20.8**	**18.5**	**20.4**	**15.7**	**10.2**	**33.2**	**27.4**	**27.1**	**30.6**	**27.7**	**25.9**	**28.6**
Coke, petroleum products and nuclear energy	na	na	na	na	na	na	na	14.6	10.2	11.3	21.3	18.4	15.9	13.6

Food, beverages and tobacco products	5.7	4.1	1.0	1.0	1.0	1.6	1.3	1.2	3.6	4.0	1.6	1.4	2.0	6.4
Motor industry	na	na	15.7	13.9	13.4	2.2	1.6	0.9	5.4	2.8	1.2	1.1	1.7	1.9
Electricity, gas and water services	na	na	**-1.4**	**-3.4**	**-3.3**	**-3.5**	**-1.9**	**-1.1**	**-0.5**	**-0.2**	**-0.1**	**2.2**	**2.5**	**3.0**
Total services	na	na	na	na	na	na	na	**6.1**	**41.1**	**57.4**	**61.1**	**63.0**	**65.4**	**62.6**
Legal, accounting, consultancy and management services	na	na	na	0.1	1.8	2.4	2.7	7.0	3.5	2.4	22.8	26.0	22.5	26.3
Financial intermediation	13.2	12.2	3.6	16.2	9.7	-16.3	1.6	1.0	21.7	39.9	20.3	16.3	15.2	13.2
Trade and repairs	28.3	22.4	1.4	0.2	1.6	-4.5	-5.6	-1.2	12.5	9.5	10.5	11.5	16.1	12.6

Source: National Bank of Poland, 1997-2010

Inside manufacturing, the main industry attracting Polish investors abroad was petroleum, coke and nuclear energy production jointly, which appeared only in 2003 and accounted for 14.6% of all OFDI that year. Its share went up to 21.3% in 2006 and then declined to 13.6% in 2009.

Next in importance was the food, beverage and tobacco industry, recording a share of 5.7% in 1996, then declining, then going up again to 3.6% in 2004. Further fluctuations ensued ending in 2009 with a share of 6.4%.

The last component of importance inside manufacturing was the motor industry, which started with the all-time share of 15.7% share in 1998, and then fluctuated downward to reach 5.4% in 2004 and 1.9% in 2009.

Inside the service sector, the most noted industry, but only since 2006, was that of accounting, consulting, management and legal services jointly. This group had a share of 22.8% that year and fluctuated upwards to the level of 26.3% in 2009. Next was financial intermediation, consisting mainly of banks and other financial institutions. In 1996, as

well as at the end of the investigated time period, its share was the same (13.2 %). The highest share of 39.9% was recorded in 2005 and afterwards it gradually decreased. The last industry worth noting was trade and repairs which had the maximum share of 28.3 % in 1996 and then it reached 12.5% in 2004 to settle at practically the same level of 12.6% in 2009. The utilities, although recorded as a separate industry outside services, meaning electricity, gas and water supply, had meaningful shares of OFDI only since 2007 (2.2%), rising gradually to 3% in 2009.

The dynamics of Polish OFDI in the different industries were also quite varied as presented in Table 5. In the last year investigated (2009) the highest growth rate (year to year) was registered by legal, accounting, consulting and management services (15683%). The lowest growth of 0.8% for that industry was recorded in 2008. Coke, petroleum and nuclear products production showed the second highest growth rate (6132%) and the lowest growth for this industry (-0.8%) also in 2008. Those two industries: one from the service sector and one from manufacturing, showed extraordinary capacity of recovering from the last economic slowdown. This was followed by food, beverage and tobacco products with a 779% growth rate and the lowest rise of 14% in 2006. The IT industry had also a high 649% growth in 2009 and the lowest level of over 20% in 2004. Radio, TV and communications equipment recorded a 597% growth in 2009 and only -0.2% also in 2004. Lower growth rates in 2009 were recorded by such industries as crude oil and gas extraction (138%) and electricity, gas and water supply services (224%), with their lowest levels being in 2007 (-73%) and 1999 (-155%) respectively.

Table 5. Industry structure of Polish OFDI. Year to year growth rates, 1996 - 2009. Selected industries.

Industry:	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Crude oil and gas extraction	na	na	na	na	130.0	220.5	na	na	na	284.0	152.1	-73.1	1141.8	138.0
Electricity, gas and water supply services	na	na	na	-155.0	na	na	63.6	135.7	31.6	-16.7	1300.0	32261.5	30.1	223.9
Radio, TV and communications equipment	na	na	na	na	na	na	na	na	-0.2	37600.0	-129.3	5.6	-433.3	596.6
IT	na	na	na	na	na	233.3	na	na	20.4	145.9	133.3	426.4	26.4	649.4
Food, beverages and tobacco products	na	33.3	na	na	50.0	650.0	153.8	125.0	2224.0	252.0	14.4	189.6	434.7	779.2
Coke, petroleum products and nuclear energy	na	na	na	na	na	na	na	na	41.4	740.7	598.3	19.3	-0.8	6132.4
Legal, accounting, consultancy and management services	na	na	na	na	2633.3	8.9	1057.1	628.4	2.4	5418.2	5183.4	54.7	0.8	15683.0

Source: National Bank of Poland, 1997-2010

Conclusions

The first general conclusion is that Poland's OFDI has had so far a limited regional scope, being largely concentrated in Europe. Within Europe, the EU and countries of Central and Eastern Europe were the preferred destinations for Polish firms. What is worth noting in this regional context is the very high growth rate of OFDI registered for the markets of Central and Eastern Europe in 2009, much higher than for the EU. This seems to confirm that firms investing out of Poland had more competitive advantages in Central and Eastern Europe than in the EU as such, although there is a territorial overlap in the boundaries of these two groups of countries.

This generally European focus seems to stem from the fact that Poland is an emerging market and thus still in its initial or early stage of foreign expansion with outward investing firms just starting to acquire competitive advantages allowing them to expand

into foreign markets via FDI, especially the said markets of CEE. This “infant” stage of OFDI expansion is confirmed by the investment development path (IDP) paradigm analysis where Poland is positioned at the beginning of its IDP stage 3 (see more in this context in Gorynia, Nowak, Wolniak 2010).

Within Europe, the main emerging expansion motive however seems to be less directly related to firm specific ownership advantages and much more to the opportunistic capital flight thrust or drive as evidenced by the concentration of OFDI in countries like Luxembourg, Switzerland and the Netherlands, each with small internal markets but attractive financial and fiscal regulations allowing for “more denationalized” and less regulated investment opportunities, unhampered by eventual negative country of origin effects. It should be noted here that this re-location of capital to “somewhat safer” locations has nonetheless been inside Western Europe and not outside that region with relatively small scale OFDI moving into non-European tax havens which still offer more security and less disclosure although the pressure to change, reduce or eliminate this type of advantage is mounting within the international community.

Poland’s OFDI destined for the markets of her neighbors showed considerable volatility with generally lower shares visible towards the end of the studied time period, due mainly to the effects of the global economic slowdown. And this tendency was not affected by the size of the neighboring internal markets, such as Russia or Ukraine, nor by the common membership in the EU, as far as Germany, the UK and the Czech Republic were concerned.

The perceived competitive advantage of firms investing out of Poland in the above mentioned countries rested basically in their knowledge of the specificity of doing

business in those markets and in the relatively short psychic distance between them. But these factors were largely absent in the expansion to markets located (both in the physical and psychic aspect) much more far away from Poland but offering much larger sales and expansion potential, such as the USA, China and other key countries of South East Asia. Accordingly, the shares of these non-European markets in Polish OFDI were also quite low, indicating lack of material and/or financial capacity to expand to these locations and/or absence of sufficient firm specific ownership advantages required for successful entry into these highly competitive environments.

As for the industry cross section of Polish OFDI, the service sector consistently dominated that of manufacturing, attesting to the acquisition by Poland in this framework of a structure of a mature developed economy. Within the manufacturing sector, peculiar is the dominance of the petroleum industry over food, beverage and tobacco, and especially over the motor industry. The specificity of the petroleum industry resides not so much in the quest for acquiring direct access to sources of crude oil but more in establishing distribution networks abroad. In this sense expansion in this industry was expressly market seeking and not resource seeking. Especially prolific in this respect has been the key Polish petroleum firm Orlen. Also in line with this observation was the exceptionally high growth rate of the petroleum industry recorded in 2009.

In the services sector a new trend appeared in the rise into prominence of OFDI in accounting, consulting, management and legal services. This trend, if sustained in the coming years, would indicate a new competitive advantage of Polish firms in a knowledge intensive sector and, viewed from a different perspective, an emerging specialization in the field of business process off-shoring (BPO) and/or outsourcing.

Another evidence of this trend was provided by the exceptional growth of the share of this industry in 2009. The other key service industries represented in Poland's OFDI included banks and other financial institutions plus retail chains (the trade and repairs industry) plus the utilities. All those three industries were also prominent in FDI flowing into Poland (see Gorynia, Nowak, Wolniak 2008). However, a partly different set of industries formed the leaders in OFDI growth rates. These included the utilities (electricity, gas and water supply) and the IT industry. In the manufacturing sector the high growth leaders included food, beverage and tobacco products, radio, TV and communications equipment, as well as crude oil and gas extraction.

What needs to be stressed in the present exploratory study is the still unknown nature of the real ownership of firms undertaking OFDI from Poland. It is nowhere recorded whether these firms are ethnically Polish or whether they are subsidiaries of foreign investors who have already established local production in Poland and have thereafter decided to continue further expansion abroad (frequently referred to as indirect FDI). From case by case evidence, it is known that at least part of Polish OFDI has been of this indirect category. In this context it is crucial to find out which category of OFDI has prevailed and also in which industries because only when this dimension becomes clear will it be possible to determine whether and to what extent have truly Polish firms been capable of being competitive in foreign markets. But this is a challenging and intriguing objective for future research and analysis.

Policy Implications

The above conclusions lead to certain economic policy implications and prescriptions. The first one relates to the pressing necessity to provide more support for ethnically

Polish firms of all sizes but, in the initial stage, especially for the small and medium sized ones, since they are the most handicapped and plagued by lack of sufficient resources to invest abroad and sustain their market presence there. The envisaged support should include providing financial instruments in the form of, for example, sovereign guarantees to facilitate securing funding for investment projects or organizational, know how and training support facilitating formation of strategic alliances and/or investment consortia.

The existing geographic focus on Europe should be continued but firms should be encouraged also to look beyond the observed financial and fiscal perspective and motive of moving capital abroad. The reasons for having the majority of OFDI located in countries like Luxembourg and Switzerland should subside but in order for this to happen, appropriate de-regulation must be accelerated in the domestic environment of Poland.

Financial and organizational support through, for example, providing knowledge and information but also by subsidizing know-how is necessary to show the advantages and encourage Polish firms to invest in emerging low cost countries with large internal markets like China, India and Brazil. Those are the regions attracting now a considerable part of global FDI flows and being absent now will make it all the more difficult to enter these markets later. Also the market of NAFTA should not be forgotten and measures similar to those specified above and required to attain adequate competitiveness on this highly competitive environment should be introduced as well.

Last but not least, support programs on different jurisdictional levels (i.e. central, regional but also local self government levels) should be introduced designed to reduce the negative country of origin effects frequently hampering the marketing efforts of

Polish firms selling and/or producing their products abroad. This applies to many product categories especially in the manufacturing sector requiring high inputs of capital and/or technology. Since such programs should be designed and addressed to change the attitudes of customers (which per se are very resistant to any change) purchasing Polish products in foreign markets they must be long term oriented since only in such perspective can their aims be effectively achieved and sustained.

The total OFDI effort of firms investing out of Poland is still much lower than that of inward FDI. This is succinctly attested to by the OFDI performance index for Poland which for the years 2004-2008 was on the average level of 0.340 indicating underperformance of OFDI relative to Poland's economic potential (Gorynia, Nowak, Wolniak 2010). Among the key drivers required for this structural imbalance to change is a continuous high rate of GDP growth, which, of course, is a function of effective macroeconomic policy. However, in a narrower framework, a re-balancing of focus on inward and outward FDI is required in the sense that Polish firms, especially the small and medium sized ones, should see their internationalization process in a wider perspective than that ending with attaining success on foreign markets uniquely via exports. Education and support is thus necessary to show those firms that sustained competitive advantage can be reached by proceeding to enhanced forms of presence on foreign markets via FDI.

Implications for Further Research

It is evident from the above empirical analysis and an earlier review of literature that most of the theories reviewed have relevance to the analysis and explanation of Poland's OFDI at the country and industry level. However, the aggregate data used in the analysis

of OFDI in this study are the result of differing behaviors of individual firms that invest abroad. Although in general it is possible to infer firms' behavior by observing certain overall trends, the country and industry level analysis does not allow for delineating between the various investment criteria and motivations followed by individual firms. For example, can the focus on Europe by Polish firms' investing abroad be explained in light of the Uppsala model and the concept of psychic distance or is it more a result of the elimination of many entry barriers within the European Union that still exist in other potential investment destinations? In other words, while the macro analysis allows us to observe where firms tend to invest, it does not allow us to provide a full answer as to the question why they invest there. For probing further this issue, one needs to study the behavior of representative samples of individual firms.

A notable exception is Dunning's IDP paradigm, whose testing is based on two aggregate variables: GDP or GNP and NOI (net outward investment) position. However, the IDP model has already been applied quite extensively to the study of Poland's and other CEE countries' FDI, and the conclusions from those studies have been widely publicized.

Dunning's eclectic paradigm, the most comprehensive and widely accepted theory of international business activity, can be a more useful framework for a study of outward FDI at the firm level. Alternatively or to complement the above-outlined research avenue, Duning's framework of FDI motives can be used to determine what and to what extent motivated Polish firms in their pursuit of foreign investment opportunities. It is possible, however, that Dunning's framework of FDI motives will not be sufficient to capture all

the important motivations exhibited by the studied firms, in which case his framework will need to be expanded or an alternative framework will have to be applied.

Although the present study does not provide exhaustive answers to many questions raised in the preceding paragraphs, it can be used as exploratory research to help frame hypotheses and research questions in an undertaking that could investigate the types of Polish firms investing abroad and their behavior as foreign investors. It could also help determine an appropriate sample of firms to be used as a basis for such research.

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