Jüri Sepp, Dean Frear (eds.)

The Economy and Economics after Crisis

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Polish Foreign Trade and Foreign Direct Investment during the Transition Period

Marian Gorynia[*]

Abstract

The aim of this paper is to answer the question whether the rate of the Polish economy's integration with the international environment during the so-called transition period keeps pace with the general rate of globalisation in the world. In other words, the aim is to analyse two of the most important aspects of the Polish economy's participation in the processes of globalisation, namely Polish foreign trade and foreign direct investment. From the theoretical point of view, Poland's participation in the processes of globalisation could be considered via the studies of the internationalisation of the Polish economy. The author discusses the general dynamics of Polish exports and imports, tries to formulate the most important tendencies and presents his opinion about the future development of Polish foreign trade. He carries out the same kind of analysis concerning foreign direct investment and takes into consideration outward and inward FDI. The period of analysis covers the years 1990–2008.

1. Introduction

Up till 1990, the year the construction of a market economy began, the Polish economy had been, to a large extent, closed as far as its ties with the external environment were concerned. Development processes occurring in Poland after World War II bore many signs of autarchy. However, for the last twenty years, Poland, as well as other countries of Eastern Europe, has been going through a difficult and sometimes turbulent process of systemic transformation to a market-led system (Gorynia and Wolniak 2002). At the same time, in its external environment, radical processes of change were taking place, with globalisation as a dominant element. *Globalisation* as such is not a very precise term (Bhagwati 2004; Brown 1992; Dicken 1992; Dunning ed. 2003; Milward 2003; Ohmae 1995; Parker 1998; Stiglitz 2002; Streeten 2001).

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The specificity of countries which transform their economies from a centrally-planned to a market-led system lies in the fact that after a few decades of relative economic autarchy they try to integrate with the rapidly changing outside world and participate in the globalisation process.

Generally, the aim of this paper is to answer the question whether the rate of the Polish economy's integration with the international environment during what is called the transition period keeps pace with the general rate of globalisation in the world. In other words, the aim is to analyse two of the most important aspects of the Polish economy's participation in the processes of globalisation, namely Polish foreign trade and foreign direct investment. From a theoretical point of view, Poland‘s participation in the processes of globalisation could be considered via the studies of the internationalisation of the Polish economy.

We assume that by internationalisation of the economy we mean any forms and instances of co-operation between the national economy and its international environment, irrespective of the direction of the cooperation. This is a broad understanding of the term. In this sense, internationalisation is not just, for instance, Poland's exports and outgoing foreign direct investment (active internationalisation), but also imports and foreign direct investment coming into Poland (passive internationalisation).

While it is acknowledged that globalisation covers not only the real sphere of the world economy but the regulatory sphere as well, the analysis is limited only to the former. It is assumed that efforts to liberalise trade and the flow of direct investments, deregulatory moves, privatisation, etc., ultimately lead to changes in the real sphere (volume and structure of international trade, volume of inward foreign direct investment). The paper reduces globalisation to two dimensions – international trade and foreign direct investment. In consequence, our analysis will be restricted to two most important aspects of globalisation, namely foreign trade (exports and imports) and foreign direct investment (outward and inward FDI).

One characteristic feature of Poland's market transformation is that the country's economy is forging economic ties with foreign partners at an accelerated pace. Two forms of such ties are of critical importance as far as Poland's participation in globalisation is concerned: foreign trade and inward foreign direct investment. The role of foreign capital as a growth factor and the country's share in international trade have always been the key development issues, not only for the transition economies of Eastern Europe but also for a wider group of countries defined as emerging nations (Contractor ed. 1998).

An analysis of national economy internationalisation via foreign trade and foreign direct investment can be conducted using two approaches. The first one takes as its starting point comprehensive data about exports and imports as well as FDI, and then uses a microeconomic illustration of trends observed in the whole economy. The other approach uses the opposite logic – first we conduct individual observation at the company level, then the data is aggregated. The result is a comprehensive picture of a national economy. The work of statistical offices is based on the latter approach. Without it, it would be impossible to obtain general data. In this sense, the latter approach constitutes a starting point for this work. Generally, however, the present author adopts the former approach: he uses macroeconomic data, and attempts to analyse and interpret them.

The author's intention is to discuss the general dynamics of Polish exports and imports, formulate the most important tendencies and present his opinion about the future development of Polish foreign trade. He is going to carry out the same kind of analysis concerning foreign direct investment and take into consideration outward and inward FDI.

The period of analysis covers the years 1990–2008.

2. Exports and Outward FDI as Instances of the Polish Economy's Active Internationalisation

2.1. Polish Exports

As mentioned in the introduction, we talk of active internationalisation when Polish companies expand abroad. The expansion may take various forms: export, cooperation, or independent activity in foreign markets through subsidiaries. While recognising that the Polish economy's cooperation with the international environment is not restricted to export and outward foreign direct investment, the present paper focuses on these two forms as the most obvious and spectacular instances of a progressing active internationalisation of companies and the Polish economy as a whole. Because of limited space, the paper does not discuss changes in the structure of Poland's exports and outward investment in terms of geography and type of goods, although they are very important aspects of the Polish economy's internationalisation.

Table 1 shows data concerning Poland's gross domestic product (GDP) and exports in 1990–2008. Data presented by UNCTAD [http://stats.unctad.org/ Handbook] suggest that the ratio between the values of world exports in current prices in 2008 and in 1990 was 417%. Worldwide, the ratio between the per capita values of exports in US dollars in 2008 and 1990 was 340%.

The following conclusions can be drawn from statistical data concerning Poland:

- The ratios between the values (in current prices) of GDP and exports in 2008 and in 1990 were 896% and 1200%, respectively. The level of exports rose 1.3 times as much as that of GDP. There were, therefore, considerable differences in the dynamics of changes in the values analysed.

- In the same period, the ratios between the values (in current prices) of GDP and exports per capita were 896% and 1200%, respectively. The disproportion in the pace at which the values changed was the same as in the case of total GDP and export values.

Years	GDP		Export of goods			
	in US$m [a]	per capita in US$ [a]	in US$m	per capita in US$	share in the world, as %	export of goods and services, as share of GDP
1990	58976	1547	14322	376	0.4	24.3
1991	72924	1998	14903	390	0.4	20.4
1992	84326	2198	13187	344	0.4	15.6
1993	85853	2232	14143	368	0.4	16.5
1994	117978	3057	17240	447	0.4	14.6
1995	126348	3086	22895	593	0.5	18.1
1996	134550	3484	24440	633	0.5	18.2
1997	143066	3702	25751	666	0.5	18.0
1998	157274	4068	28229	730	0.6	17.9
1999	155151	4014	27407	709	0.5	17.7
2000	171300	4110	31651	820	0.5	18.5
2001	183000	4737	36092	934	0.6	19.7
2002	189000	4944	41010	1073	0.7	21.7
2003	209600	5486	53577	1403	0.8	25.6
2004	252400	6610	73781	1932	0.9	29.2
2005	303200	7944	89378	2342	0.9	29.5
2006	340900	8940	109584	2874	1.0	32.3
2007	424600	11141	138785	3641	1.1	40.8
2008	528300	13861	171860	4509	1.1	40.0

[a] According to the official exchange rate

Tab. 1: *Poland's gross domestic product and exports in the years 1990–2008 (current prices)*
Source: Statistical Yearbook of the Republic of Poland (2000, 2001, 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009)

Comparing data for Poland and for the world, we can reach the following conclusions:

- The dynamics indicator for world exports in current prices in 1990-2008 was 417%; the figure for Poland's exports was 1200%. From the viewpoint of growth in exports value, the Polish economy's integration with the international environment was relatively fast.
- The Polish economy's share in world exports in 1990-2008 grew from 0.4% to 1.1%.

- The world's per capita level of exports in 2008 was US$2212; for Poland the figure was US$4509. In 1990 the figures were US$651 and US$276, respectively. In 1990-2008 the value rose by 340% worldwide and 1200% in Poland.

Table 2 presents selected indicators for Poland, compared with similar data for Spain and Portugal (since the two countries joined the EU relatively late, they can serve as a points of reference for Poland and the other new EU members), as well as for two groups of countries undergoing transformation: leaders – the Czech Republic, Slovakia and Hungary; and countries less advanced in transformation and integration with the European Union – Bulgaria and Romania.

Country	GDP			Export of goods			
	in US$m [a]	per capita in US$ [a]	share in the world, as %	in US$m	per capita in US$	share in the world, as %	export of goods and services, as share of GDP
Poland	528300	13861	0.9	171860	4509	1.1	40.0
Spain	1604200	35185	2.6	277695	6082	1.9	26.4
Portugal	243600	22929	0.4	57057	5358	0.4	33.0
Bulgaria	49900	6573	0.1	22587	2984	0.2	60.5
Czech Republic	217100	20815	0.4	145921	14020	1.0	77.1
Romania	203300	9518	0.3	49539	2303	0.3	30.9
Slovakia	95000	17566	0.2	70982	13142	0.5	82.6
Hungary	154700	15408	0.3	107466	10712	0.7	81.7

[a] According to the official exchange rate

Tab. 2: *Selected countries' gross domestic product and exports in 2008 (current prices)*
Source: Statistical Yearbook of the Republic of Poland (2000, 2001, 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009).

The data presented lead to the following conclusions:

- The value indicator for per capita exports in Poland in US dollars is comparable to those in Spain and Portugal (the indicator for Poland is 74% and 84%, respectively, of the indicators for the two countries); it is much higher than in Bulgaria and Romania (the indicator for Poland is 151% and 196%, respectively, of the indicators for these countries), but at the same time it is much lower than in the Czech Republic, Slovakia and Hungary (the indicator for Poland is 32%, 34% and 42%, respectively, of the indicators for the three countries).

- Poland's export of goods and services as a share of GDP has considerably exceeded the same indicators for Spain and Portugal; it is higher than in Romania, but at the same time much lower than in Bulgaria, the Czech Republic, Slovakia and Hungary.
- The levels of exports per capita and exports as a share of GDP in Poland and in the countries selected suggest that there is a great potential for export growth in the future, although, especially in the case of exports as a share of GDP, this forecast is not totally reliable because for two countries better developed than Poland (Spain and Portugal) the indicator was lower than for Poland.

2.2. Polish Outward FDI

Table 3 shows data concerning Poland's and the world's outward foreign direct investment. For reasons of space, it is not possible to discuss here the industry and geographical structure of Poland's outward investment.

Years	Outward FDI Poland Flow	Outward FDI Poland Stock	Outward FDI World Flow	Outward FDI World Stock
1990	5	95	239111	1785584
1991	-7	88	200464	1982668
1992	13	101	204054	2086435
1993	18	198	241964	2280376
1994	29	461	287887	2601707
1995	42	539	361679	2941724
1996	53	735	398324	3276593
1997	45	678	476125	3701085
1998	316	1165	688505	4308408
1999	31	1024	1078189	5137182
2000	16	1018	1213795	6069882
2001	-90	1156	745662	6495219
2002	230	1457	536572	7269150
2003	300	2145	563399	8642210
2004	915	3351	929641	10093117
2005	3399	6277	878988	10603662
2006	8875	14317	1396916	12953546
2007	4748	21201	2146522	16226586
2008	3582	22560	1857734	16205663

Tab. 3: *Poland's and the world's outward FDI in 1990-2008 (US$m)*
Source: World Investment Report, UNCTAD for relevant years; National Bank of Poland, Poland's International Investment Position for relevant years

As can be seen in Table 3, in the years 1990–2008 outward FDI Poland stock increased from 0.005% to 0.14% of outward FDI world stock. Although the share rose 28 times, it is still very small if compared with Poland's exports as a share of world exports.

An analysis of Table 3 suggests that the indicator of growth in the value of outward FDI world flow in 1990–2007 (777%) was about 92 times as low as the same indicator for Poland (71640%). The ratio between outward FDI stocks for the world and for Poland in 2008–1990 was 908% and 2375%, respectively. Poland's indicator, therefore, was 2.6 times as high as that for the world.

Data on Poland's exports and outward FDI testify to the existence of a significant turning point in the Polish economy's active internationalisation in 1990–2008. However, the results produced can hardly be interpreted as a clear success. A comparison between indicators for the Polish economy's internationalisation and relevant indicators for neighbouring countries, whose situation in communist times was similar, is not very favourable for Poland.

3. Imports and Inward FDI as Instances of a Passive Internationalisation of the Polish economy

3.1. Polish Imports

Passive internationalisation takes place when foreign companies join the Polish economy – in this case, the direction of economic cooperation is opposite to that of active internationalisation. As with active internationalisation, we will restrict ourselves here to two most important forms, namely Poland's imports and inward foreign direct investment.

Table 4 shows the levels of Poland's GDP and imports in 1990-2008. Data provided by UNCTAD [http://stats.unctad.org/Handbook] suggests that the ratio between the values of the world's imports in 2008 and 1990 in current prices was 455%. The ratio between the per capita values of imports in US$ in 2008 and 1990 was 333%. On the basis of these statistics, we can reach the following conclusions about Poland:

- The ratios between the values (in current prices) of GDP and imports in 2008 and the 1990 levels were 896% and 2209%, respectively. Imports growth was nearly 2.5 times as high as GDP growth. There was, therefore, a considerable disproportion between changes in the values under analysis.
- In the same period, the ratios between the levels (in current prices) of GDP and imports per capita were 896% and 2209%, respectively. The disproportion between the paces at which these values changed was the same as in the case of total values of GDP and imports.

Years	GDP		Import of goods		
	in US$m [a]	per capita in US$ [a]	in US$m	per capita in US$	share in the world, as %
1990	58976	1547	9528	250	0.3
1991	72924	1998	15522	406	0.4
1992	84326	2198	15913	415	0.4
1993	85853	2232	18834	490	0.5
1994	117978	3057	21569	559	0.5
1995	126348	3086	29050	753	0.6
1996	134550	3484	37137	962	0.7
1997	143066	3702	42308	1094	0.7
1998	157274	4068	47054	1217	0.9
1999	155151	4014	45911	1188	0.8
2000	171300	4110	48940	1266	0.8
2001	183000	4737	50275	1301	0.8
2002	189000	4944	55113	1442	0.8
2003	209600	5486	68004	1780	0.9
2004	252400	6610	88156	2309	1.0
2005	303200	7944	101539	2661	1.0
2006	340900	8940	125645	3295	1.1
2007	424600	11141	164173	4307	1.2
2008	528300	13861	210479	5522	1.4

[a] According to the official exchange rate

Tab. 4: *Poland's gross domestic product and imports in 1990-2008* (*current prices*)
Source: Statistical Yearbook of the Republic of Poland for relevant years

If we compare data for Poland and for the world, we can make the following observations:

- The dynamics indicator for world imports in current prices in 1990–2008 was 455%, and for imports to Poland 2209% – from the viewpoint of imports growth, Poland's integration with the international environment was extremely rapid.
- The Polish economy's share in world imports in 1990–2008 grew from 0.3% to 1.4%.
- In 2008 the per capita value of imports in the world was US$2244 and in Poland US$5522, whereas in 1990 the figures were US$674 and US$250, respectively. In 1990–2008 the indicator changed by 333% for the world and 2209% for Poland.

Years	GDP			Import of goods		
	in US$m [a]	per capita in US$ [a]	share in the world, as %	in US$m	per capita in US$	share in the world, as %
Poland	528300	13861	0.9	210479	5522	1.4
Spain	1604200	35185	2.6	417049	9134	2.7
Portugal	243600	22929	0.4	89736	8427	0.6
Bulgaria	49900	6573	0.1	37369	4937	0.2
Czech Republic	217100	20815	0.4	141593	13604	0.9
Romania	203300	9518	0.3	82965	3857	0.5
Slovakia	95000	17566	0.2	74034	13708	0.5
Hungary	154700	15408	0.3	106380	10604	0.7

[a] According to the official exchange rate

Tab. 5: *Selected countries' gross domestic product and imports in 2008* (*current prices*)
Source: Statistical Yearbook of the Republic of Poland (2000, 2001, 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009)

Table 5 presents the levels of gross domestic product and the import of goods in absolute terms and per capita. The data shown lead to the following conclusions:

- In the whole period, despite spectacular changes in this area, Poland's level of imports per capita continues to be considerably lower than Spain's or Portugal's (the indicator for Poland is 60% and 66%, respectively, of the two countries' levels).
- The indicator for Poland is considerably higher than that for Bulgaria or Romania (the indicator for Poland is 112% and 143%, respectively, of the two countries' levels).
- Poland's per capita imports are particularly low in relation to the indicators for the Czech Republic, Slovakia and Hungary (the indicators for Poland are 40%, 40% and 52%, respectively, of the indicators for these countries).
- To put it simply, as it reaches further stages of economic development, Poland has a large potential for imports growth.

3.2. Polish Inward FDI

Table 6 shows the levels of Poland's and the world's inward foreign direct investment.

The data suggest that Poland's share in inward FDI world stock in 1990 was 0.006%, and in 2008 it stood at 1.1%. The share increased more than 183 times and is slightly lower than the share of Poland's imports in world imports.

Years	Inward FDI Poland Flow	Inward FDI Poland Stock	Inward FDI World Flow	Inward FDI World Stock
1990	88	109	207273	1942207
1991	359	425	155686	2102464
1992	678	1370	166594	2161141
1993	1715	2307	222408	2335247
1994	1875	3789	256785	2571967
1995	3659	7843	341144	2915311
1996	4498	11463	390443	3246279
1997	4908	14587	485808	3503400
1998	6365	22461	70533	4152438
1999	7270	26075	1078606	4921699
2000	9343	34227	1381675	5757360
2001	5714	41247	82043	6129811
2002	4131	48320	629675	6739773
2003	4870	57877	56516	8160410
2004	12756	86756	734892	9607801
2005	10249	90876	973329	10050885
2006	19591	125782	1461074	12404439
2007	22612	178408	1978838	15660498
2008	16533	163360	1697353	14909289

Tab. 6: *Poland's and the world's inward FDI in 1990-2008* (*US$m*)
Source: World Investment Report, UNCTAD for relevant years; National Bank of Poland, Poland's International Investment Position for relevant years

The data presented in Table 6 suggest that the growth indicator for the world's inward foreign direct investment in 1990–2008 (819%) was about 23 times as low as the same indicator for Poland (18788%). The ratios between inward FDI Poland stock and inward FDI world stock in 1990-2008 were 768% and 149872%, respectively. The dynamics indicator for Poland was 195 times as high as that for the world. Such great progress in the dynamics of Poland's inward FDI was possible predominantly thanks to the low initial levels in the early 1990s.

4. Conclusions and Further Research

The data and indicators briefly presented in this paper lead to the general and simplified conclusion that in 1990–2008, the years of Poland's economic transformation, the country's integration into the world economic system was faster than the world average, in the area of both international trade and foreign direct investment. The macroeconomic trends outlined above developed in very diverse ways in different sectors of the Polish economy and in economic relations with particular countries and geographical regions. Nevertheless, their more thorough and exhaustive analysis would require a separate study. In the context of the above discussion, it would be advisable to examine the influence of the processes described on the development of the Polish economy's financial relations with the international environment. As for foreign trade (export and import), the discussion carried out in this paper should be continued to analyse trade balance in the years 1990–2008. As far as foreign direct investment is concerned, it would be advisable to supplement the present discussion with an analysis of the relationship between Poland's outward and inward investments. The relationship is described in the concept of net outward investment position (NOIP), related to J. Dunning's investment development path (IDP) theory (Dunning 1996; Gorynia et al. 2007).

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