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II. REVIEWS AND NOTES

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EU COUNTRIES FROM CENTRAL AND EASTERN EUROPE, AND THE INVESTMENT DEVELOPMENT PATH MODEL: A NEW ASSESSMENT

In the context of the investment development path (IDP) model, a comparative analysis is conducted of the IDPs of eleven Central and Eastern European (CEE) countries, all members of the European Union. The main purpose of the paper is to determine the timing and explore the factors that have influenced the movement of these eleven CEE economies through their IDP stages. The authors try to identify the current positioning of the CEE countries on the IDP, using both a graph depicting the relationship between net outward investment position (NOIP) per capita and GDP per capita, as well as detailed data on inward and outward FDI stocks and NOIP's absolute values presented in Tables. Thereafter, the authors focus on the CEE-11 countries' outward FDI and apply the outward FDI performance index in their analysis of country IDP positioning. In the concluding section, the authors summarize their findings and reveal the need to add new theoretical considerations to the original IDP model.

1. INTRODUCTION

The concepts of macroeconomic competitiveness and foreign direct investment (FDI) have always stood at the forefront of international business research. Their relationship has played a particularly crucial role in the context of the transition of the former centrally-planned economies of the region of Central and Eastern Europe (CEE) towards a market-led system. This process of economic transformation was accompanied by the increasing integration of local economies into the global business environment. Accordingly, one of the significant features of the transformation in the CEE region initiated around 1989 was the systematic opening of the regional

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economies to FDI (Gorynia et al. 2016). This process was facilitated by economic reforms, including *inter alia* the liberalization of legal regulations concerning the inflow of foreign direct investments, the liberalization of foreign trade and principles of currency convertibility, as well as the privatization of state-owned enterprises (Kubielas et al., 1996).

The interplay between inward and outward FDI in conjunction with the economic development of a given country constitutes the essence of the investment development path (IDP) model (paradigm) (Dunning, 1981, 1986; Dunning and Narula, 1994, 1996). In the context of this model, a comparative analysis is conducted of the IDPs of eleven Central and Eastern European (CEE) countries, all members of the European Union: Bulgaria, Croatia, Czechia, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia. This group of countries shows relative homogeneity in terms of sharing the same communist heritage, common experience in establishing and developing a market economy, and in acceding to the European Union (EU): with eight countries joining the EU in 2004, two (Bulgaria and Romania) in 2007 and the last one (Croatia), in 2013. Moreover, all of these countries display relative homogeneity in terms of many socio-economic variables (Niroomand and Nissan, 2007) and have exhibited a tendency to economic convergence over the last two decades (Amplatz, 2003, and Matkowski and Próchniak, 2007). At the same time, however, there are considerable differences between them in their level of development and in the completion of the transition process to a market-led system (see e.g. Caporaleet al., 2009).

The main purpose of this study is to determine the timing and explore the factors that have influenced the movement of the eleven CEE countries through their IDP stages. Thereafter, conclusions and policy recommendations are presented, which are not only applicable to the analyzed countries, but which might serve as guidelines or simply be of interest to other CEE states, particularly those that are prospective members of the EU.

The paper sets out by presenting the IDP model (paradigm) and briefly describing its five stages. The same section reviews the relevant literature, focusing on those studies that applied the IDP model to the CEE economies. In the next section, the authors try to determine the current positioning of the eleven countries on the IDP, using both a graph depicting the relationship between net outward investment (NOI) position per capita and GDP per capita, as well as detailed data on inward and outward FDI stocks and NOI's absolute values presented in the tables. Thereafter, the authors focus on the CEE-11 countries' outward FDI and apply the outward FDI performance

index in their analysis of that outward investment. The index is used to supplement and enrich the analysis of the countries' IDP positioning conducted in the previous sections. In the concluding section, the authors summarize their findings and reveal the need to add new theoretical considerations to the IDP original model. The concluding section also outlines future research avenues regarding CEE countries' IDPs.

2. LITERATURE REVIEW ON RECENT STUDIES OF THE IDP IN CEE COUNTRIES

The concept (model) of the investment development path (IDP) was introduced by Dunning (1981), and further refined by Dunning (1986) and his co-authors (Dunning and Narula, 1994, 1996, 2002; and Narula and Dunning, 2010). The model provides a framework to analyze the dynamic relationship between FDI and economic development. The two variables used in determining a country's position on the IDP are the net outward investment (NOI) and GDP per capita. The NOI is calculated as a difference between outward FDI and inward FDI stock. Thus, the dynamic relationship between outward and inward FDI is at the heart of the IDP model. The changes in GDP are treated as proxy of economic development. As countries develop, they pass through five consecutive stages of the IDP. Each stage can be succinctly summarized as follows:

Stage 1 – Countries receive little inward FDI initially and make almost no outward FDI. The NOIP is negative and decreasing, first slowly and then more rapidly.

Stage 2 – Countries receive growing amounts of inward FDI but still invest relatively little abroad, thus becoming a large net FDI importer. At the end of this stage however, outward FDI grows faster than inward FDI and the negative NOI stops increasing.

Stage 3 – Countries still record more inward than outward FDI stock but the latter is growing faster than the former. As a result, at the end of this stage, the NOI assumes values close to zero.

Stage 4 – Countries record more outward than inward FDI stock, thus being a net FDI exporter. The NOI assumes consistently positive and growing values.

Stage 5 – After having seen inward FDI growing faster than outward FDI, countries experience balanced, albeit fluctuating from year to year, high levels of inward and outward FDI. The NOI first falls and then fluctuates, assuming temporarily positive and negative values.

The theoretical explanation of the underlying causes of the above-outlined stages is rather complex, but generally one can state that the IDP changes occur in response to the interplay between investment attractiveness of a country (L-advantages) and the international competitiveness of its firms (O-advantages). Moreover, movement along the IDP generally parallels countries' growing wealth, measured by GDP. Accordingly, developed countries are typically in Stages 4 and 5, the least-developed countries are in Stage 1, and the developing and transition economies are in Stages 2 or 3. However, Narula and Dunning (2010) caution against a simplistic, or narrow, application of these two variables – NOI and GDP – in order to identify and explain countries' IDP; they argue that studies using the IDP framework should adopt a broader perspective on a country's FDI changes, taking into account the idiosyncratic economic structure of each country, as well as the complex forces and interactions that determine the turning points of the IDP in each case. This is echoed by Narula and Guimón (2010) who recommend that an empirical analysis of the relationship between a country's NOI position and its GDP per capita "need to be complemented with a deeper qualitative assessment of the interaction between FDI and development" (p. 8).

The IDP model has been used as a conceptual framework in guiding numerous empirical studies which, by and large, attempted to validate it by employing either cross-sectional or longitudinal data sets (Gorynia, Nowak and Wolniak, 2006). However, a relatively small number of studies could be identified that directly or indirectly deal with the IDPs of CEE countries.

Gorynia *et al*. (2010a, 2010b and 2012) provide a comprehensive review of IDP studies concerning Central and Eastern Europe, covering the period 1990 through to the early 2000s. Four of the studies represent a cross-nation comparative analysis of IDPs (Boudier-Bensebaa, 2008; Kalotay, 2004; Kottardi et al., 2004; and Svetličič and Jaklič, 2003), while several others were focused on individual countries' IDP, most of them published in a volume edited by Svetličič and Rojec (2003). A general conclusion from Gorynia et al.'s literature review regarding the positioning of CEE countries on the IDP was that virtually all the countries, for which studies had been conducted, transitioned from Stage 1 to Stage 2 of the IDP in the latter part of the nineties, and were moving along Stage 2 in the early 2000s. A notable exception was the Russian Federation, which revealed a paradoxical pattern of IDP development (Kalotay, 2005, 2008). In spite of being a lower middle-income country, Russia was, during the early2000s, already a net FDI exporter, thus technically passing through Stage 4 of the IDP. Russia's

idiosyncratic IDP could be explained by the country's significant barriers to attracting FDI (notably high institutional and political risk) on the one hand, and the propensity to invest abroad by energy and raw material sector companies, fuelled by their surplus liquidity, on the other hand.

The empirical investigation of IDP conducted by Gorynia et al. (2010a, 2010b, 2012), first for four and then for ten countries of Central and Eastern Europe (new members of the EU), covering the period 1990-2008, complemented the earlier studies referred to above by extending the time frame of analysis well into the 2000s. A general conclusion from that investigation was that in their economic development viewed from a perspective of 19 years since the start of the transition process, the ten CEE countries followed the basic premise and trajectories as set forth in the original IDP model. There were, however, certain exceptions which could be explained by the idiosyncratic nature of the transition process per se and the varying effects of the 2008 recession. The regression analysis indicated that five of the studied countries (Czechia, Estonia, Hungary, Lithuania and Poland) were in Stage 3 of their IDPs, whereas the other five (Bulgaria, Latvia, Romania, Slovenia and Slovakia) were still in Stage 2, although Slovenia showed a tendency to fluctuate around the border of Stage 3 and Romania was about to enter Stage 3 (Gorynia et al., 2012).

A number of studies applying the IDP model to CEE countries have appeared since 2010 (they were not reviewed in the authors' previous publications). They can also be divided into single and multi-country analyses. The single-country studies concern Poland, Romania and Slovakia. Ciesielska (2014) undertakes a study of Polish OFDI during the period 2000-2012. This author's conclusion regarding the positioning of Poland on the IDP is that the country has already entered Stage 3. This position is seen by Ciesielska as a result of a stronger growth in outward FDI than inward FDI from 2007 to 2012. Ciesielska's finding corroborates an earlier conclusion reached by Gorynia et al. (2012) regarding Poland. Maşca and Văidean (2010), who studied Romania's IDP during 1990-2007, come to the conclusion that their country is in transition to Stage 3. This is also, by and large, consistent with Gorynia et al.'s (2012) study. On the other hand, Birsan et al.'s (2011) study of Romania's IDP for the period 1990-2009 clearly points to idiosyncrasies of the IDP trajectory in Romania which, according to these authors, was firmly positioned in Stage 2 at the end of the studied period. One of the idiosyncrasies observed by Birsan et al. was that Romania, unlike other EU CEE countries, entered Stage 2 only in 2004. Also, Ferencikova and Ferencikova's (2012) assessment of Slovakia's

position on the IDP differs from Gorynia et al.'s. These authors place Slovakia in Stage 3 at the end of 2008, although they admit that it most likely falls in the earlier parts of this stage. However, there is little empirical evidence in Ferencikova and Ferencikova's article to support that view as these authors do not conduct any quantitative analysis of Slovakia's NOI.

Three recent studies conduct a comparative analysis of IDPs of CEE and other countries. Zdziarski (2016) concentrates his analysis on the NOI position of the Visegrad Group vs. BRIC countries and finds this position changing from negative to positive, in favor of Visegrad, over the period of 2001-2012, overall. At the same time, this author, based on the observation of the rapid decline of the negative value of NOI for the four countries vis-à-vis the world, concludes that the Visegrad Group is still in Stage 2 of the IDP model.

Stoian's (2013) work, on the other hand, represents a different approach to IDP studies. This author tests a number of hypotheses derived from an augmented IDP model. The augmentation of the model consists of incorporating into it the effects of home country institutional factors on the level of OFDI (derived from institutional theory). The premise of this study is that GDP per capita is too rough an indicator of economic development and thus supplementary factors should be included in the IDP model (Stoian, 2013, p. 621). This is particularly important with respect to the post-communist countries which have undergone dramatic institutional reforms during their transition to a market economy. Stoian tested the proposed conceptual framework by using a panel data set for 15 years (1996-2010) and for 20 CEE countries. Support was found for the IDP theory, as OFDI was positively associated with both GDP per capita and inward FDI. It was also found that overall institutional reforms and reforms related to competition policy enhanced OFDI, while large scale privatization, enterprise restructuring or trade liberalization alone do not. Surprisingly, technological development of the country (measured as a percentage of R&D expenditures in GDP) had a negative effect on OFDI. This finding seems to indicate that CEE companies, when investing abroad, do not rely on R&D as a competitive advantage. As a cursory analysis (apparently based only on an examination of raw data), Stoian assessed the position of the 20 countries on the IDP and concluded that all CEE countries, except Russia, were in the second stage of the IDP (Russia was in the third stage). This is consistent with the earlier studies (notably Boudier-Bensebaa, 2008; and Kalotay, 2004) but contradicts some of the findings of the newer studies (e.g. Gorynia et al., 2012).

Narula and Guimón (2010), while focusing on the proposed revisions to the IDP model and advocating a broader perspective, encompassing the idiosyncratic economic structure of countries as well as the heterogeneous nature of FDI, draw certain implications for CEECs. The authors argue that: "any attempt to analyze the IDP of Central and Eastern European countries (CEECs) needs to carefully consider their very specific historical and political context. The shape and characteristics of the IDP in the CEECs are heavily influenced by the transition from socialism to capitalism taking place during the 1990s and the subsequent accession into the EU of many of these countries in the mid 2000s" (p. 13). In this context, Narula and Guimón compare the NOIs of four CEECs (Bulgaria, Czechia, Hungary and Romania) with those of six "older" members of the EU and conclude that the changes in NOI positions of CEE countries in the first decade of 2000s were characteristic of Stage 2 of the IDP.

In conclusion, one can draw two important implications from the above literature review for the present paper. First, the research findings are somewhat inconsistent regarding the positioning of CEE countries on the IDP. While there is almost a consensus that these countries moved from Stage 1 to Stage 2 in the 1990s (the only possible exception is Romania), conclusions differ regarding the possible transition to Stage 3 of the IDP in the first decade of the 2000s. Therefore there is a need to revisit this assessment, using newer data sets covering the years after 2008.

3. ANALYSIS OF CURRENT POSITIONING ON COUNTRY IDPS

The ensuing analysis of country positioning during the investigated period, i.e. the period 2009-2014, on the respective country IDPs, is based on the country IDP curves visualized in Figure 1, which does not show however the time axis, and Table 1, which does include this axis as well as corresponding GDP p.c. and NOI p.c. data.

The first in the studied group to attain the lowest negative NOI p.c. (i.e. the highest negative value) after which it started to increase (i.e. became less negative) indicating, according to the IDP paradigm, movement from IDP Stage 2 to Stage 3, was Hungary. Already in 2009 it reached the lowest value of -7,698 USD at a GDP p.c. value of 12,896 USD. However, after two subsequent years of NOI p.c. increase, its value fell again for two more years to rise in the last recorded year of 2014 at the GDP p.c. level of 13,803 USD. These increases were due to a fall in those respective years of inward FDI stock (as seen in Table 2). This case points to the fact that the movement on

a country's IDP trajectory might be reversible, at least in the short run. Such fluctuations as seen in Hungary are also visible in the IDP trajectory of Croatia, which had the lowest NOI p.c. of -9,147 USD in 2007 but in the currently studied time period reached a new minimum of -6,477 USD in 2010 and after a rise a still new minimum of -6,016 USD in 2013, at a GDP p.c. of 13,490 USD, attained due to the decrease for the last two years in outward FDI stock and increase in inward FDI stock (see Table 2). These
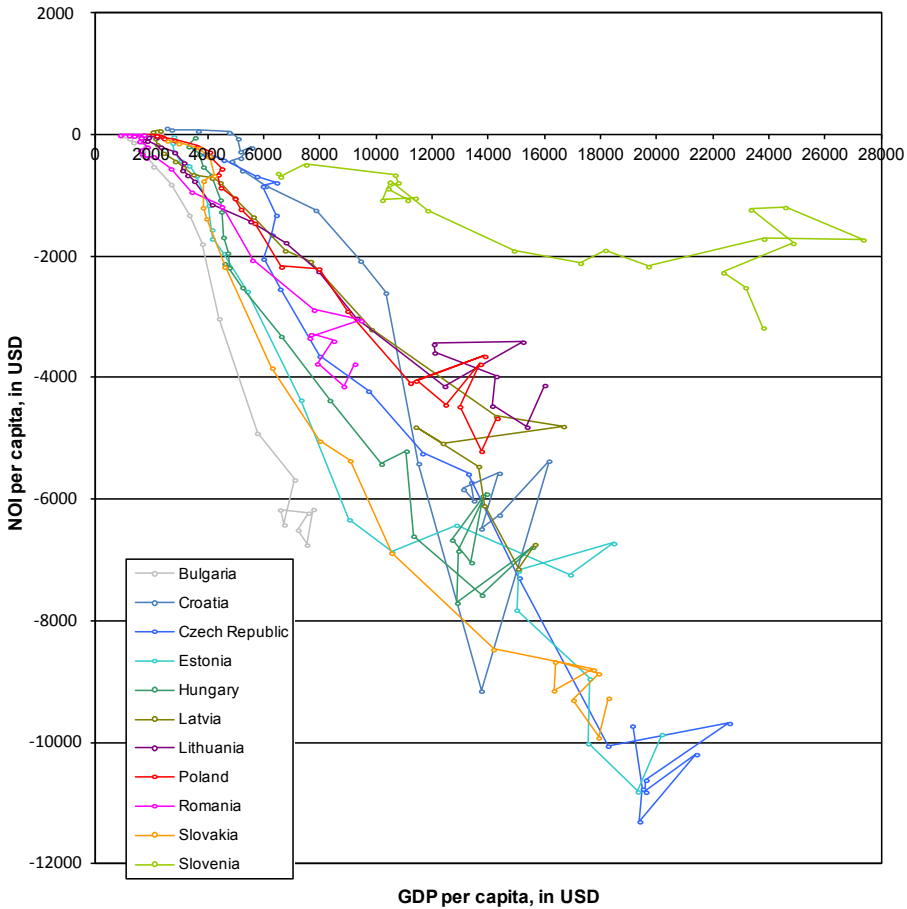
Fig. 1. NOI per capita and GDP per capita in USD, 1990 – 2014, CEE–11 countries

Source: authors' calculations based on UNCTAD Stat.

Table 1a. NOI per capita in USD, GDP per capita in USD and OFDIPI for CEE–11 countries, 1990–2004

		1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Bulgaria	NOI p.c.	1	–6	–11	–16	–29	–41	–58	–120	–187	–262	–330	–367	–518	–810	–1317
	GDP p.c.	2350	961	1095	1395	1265	1727	1222	1365	1799	1695	1669	1803	2077	2703	3347
	OFDIPI	–0.011	–0.087	–0.036	–0.030	0.002	–0.048	–0.227	–0.011	0.000	0.038	0.006	0.031	0.117	0.091	–0.390
Czechia	NOI p.c.				314	–411	–678	–782	–842	–1318	–1639	–2037	–2534	–3638	–4211	–5239
	GDP p.c.				3911	4579	5758	6466	5976	6449	6302	5997	6585	7998	9732	11655
	OFDIPI				0.247	0.247	0.053	0.184	0.028	0.088	0.042	0.020	0.139	0.177	0.151	0.419
Croatia	NOI p.c.			115	89	67	45	–57	–270	–208	–378	–430	–585	–841	–1235	–2071
	GDP p.c.			2556	2724	3670	4773	5094	5177	5584	5184	4866	5237	6073	7857	9449
	OFDIPI			0.000	0.152	0.038	0.027	0.089	0.708	0.293	0.083	0.005	0.356	1.490	0.269	0.411
Estonia	NOI p.c.			–24	–129	–279	–423	–504	–669	–1154	–1556	–1706	–1946	–2570	–4358	–6327
	GDP p.c.			2801	2761	2823	3061	3342	3610	4045	4159	4165	4595	5423	7333	9053
	OFDIPI			0.056	0.164	0.054	0.049	0.670	1.847	0.048	0.443	0.308	1.834	1.262	1.148	1.095
Hungary	NOI p.c.	–40	–188	–315	–522	–663	–1065	–1259	–1680	–1940	–2178	–2112	–2506	–3310	–4364	–5412
	GDP p.c.	3561	3333	3716	3850	4141	4461	4494	4565	4721	4776	4608	5250	6624	8355	10196
	OFDIPI	0.000	0.000	0.001	0.030	0.112	0.111	–0.006	0.658	0.262	0.153	0.376	0.399	0.375	1.543	0.630
Latvia	NOI p.c.			72	54	–55	–154	–296	–431	–528	–648	–705	–781	–1030	–1344	–1901
	GDP p.c.			2319	2055	2148	2208	2435	2846	3142	3498	4163	4451	4972	5632	6762
	OFDIPI			0.048	–0.101	–1.142	–1.044	0.040	0.059	0.329	0.060	0.027	0.078	0.017	0.255	0.335
Lithuania	NOI p.c.			–29	–37	–88	–97	–194	–284	–454	–580	–661	–757	–1143	–1421	–1767
	GDP p.c.			2206	1901	1762	1855	2337	2827	3162	3107	3287	3530	4161	5535	6794
	OFDIPI			0.000	0.000	0.000	0.013	0.001	0.179	0.017	0.024	0.009	0.033	0.082	0.148	0.570
Poland	NOI p.c.	0	–9	–33	–55	–86	–189	–278	–360	–552	–650	–863	–1042	–1219	–1449	–2169
	GDP p.c.	1696	2194	2414	2457	2827	3623	4082	4096	4511	4382	4477	4982	5190	5687	6632
	OFDIPI	0.008	–0.010	0.018	0.021	0.026	0.026	0.027	0.019	0.084	0.006	0.003	–0.063	0.048	–0.100	0.090
Romania	NOI p.c.	3	2	–02	–5	–13	–30	–43	–101	–196	–248	–308	–374	–352	–552	–937
	GDP p.c.	1737	1311	892	1206	1383	1640	1627	1578	1858	1609	1672	1825	2075	2697	3440
	OFDIPI	0.042	0.012	0.024	0.028	0.000	0.005	0.000	–0.017	–0.010	0.013	–0.010	–0.022	0.026	0.049	0.045
Slovakia	NOI p.c.				–92	–137	–216	–347	–344	–667	–754	–1191	–1375	–2169	–3831	–5033
	GDP p.c.				2578	2974	3722	4016	4067	4234	3859	3838	3967	4607	6307	8003
	OFDIPI				0.103	0.109	–0.180	0.211	0.292	–0.386	0.797	0.056	0.246	0.044	0.727	–0.032
Slovenia	NOI p.c.			–629	–686	–488	–656	–782	–880	–1072	–1036	–1069	–772	–1239	–1903	–2107
	GDP p.c.			6515	6606	7514	10681	10794	10434	11124	11407	10225	10492	11840	14914	17282
	OFDIPI			–0.017	0.011	–0.085	–0.042	0.027	0.102	–0.011	0.063	0.091	0.392	0.451	1.164	0.777

Table 1b. NOI per capita in USD, GDP per capita in USD and Outward Foreign Direct Investment Performance Index (OFDIPI) for CEE–11 countries, 2005–2014

		2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Bulgaria	NOI p.c.	−1789	−3020	−4905	−5672	−6411	−6165	−6218	−6497	−6744	−6158
	GDP p.c.	3813	4414	5770	7105	6737	6587	7605	7226	7543	7775
	OFDIPI	0.627	0.200	0.175	0.534	−0.103	0.308	0.259	0.355	0.198	0.519
Czechia	NOI p.c.	−5576	−7285	−10053	−9679	−10614	−10810	−10191	−11297	−10759	−9721
	GDP p.c.	13292	15106	18265	22590	19619	19616	21422	19395	19510	19132
	OFDIPI	−0.008	0.360	0.232	0.685	0.251	0.270	−0.066	0.497	1.115	−0.147
Croatia	NOI p.c.	−2596	−5403	−9147	−5362	−6252	−6477	−5562	−5829	−6016	−5714
	GDP p.c.	10348	11519	13751	16158	14399	13754	14394	13114	13490	13395
	OFDIPI	0.298	0.197	0.140	0.740	1.094	−0.073	0.031	−0.057	−0.180	1.885
Estonia	NOI p.c.	−6860	−6418	−7233	−6719	−7170	−7815	−8946	−10013	−10806	−9861
	GDP p.c.	10566	12865	16925	18471	15081	15010	17616	17556	19328	20183
	OFDIPI	2.808	2.280	2.049	1.761	3.805	0.384	−2.977	2.609	0.873	0.521
Hungary	NOI p.c.	−5198	−6597	−7569	−6780	−7698	−6843	−5904	−6661	−7032	−5938
	GDP p.c.	11083	11337	13774	15586	12896	12939	13949	12713	13403	13803
	OFDIPI	1.151	1.448	0.839	0.629	0.777	0.433	1.539	5.287	0.811	1.410
Latvia	NOI p.c.	−2077	−3197	−4629	−4793	−5070	−4803	−5450	−6097	−7136	−6734
	GDP p.c.	7673	9839	14280	16682	12383	11417	13658	13857	15064	15663
	OFDIPI	0.445	0.300	0.323	0.254	−0.129	0.038	0.099	0.387	0.772	0.245
Lithuania	NOI p.c.	−2240	−3012	−4133	−3403	−3441	−3582	−3969	−4457	−4803	−4117
	GDP p.c.	7953	9327	12455	15237	12070	12089	14286	14143	15381	16013
	OFDIPI	0.784	0.367	0.407	0.261	0.287	−0.007	0.058	0.526	0.239	−0.043
Poland	NOI p.c.	−2199	−2895	−4080	−3639	−4044	−4438	−3770	−4466	−5200	−4659
	GDP p.c.	7968	8987	11227	13883	11428	12479	13725	12986	13760	14319
	OFDIPI	0.558	0.849	0.220	0.242	0.455	0.618	0.319	−0.307	−0.363	0.544
Romania	NOI p.c.	−1176	−2058	−2878	−3051	−3339	−3280	−3389	−3762	−4134	−3767
	GDP p.c.	4509	5599	7792	9478	7640	7685	8499	7908	8853	9249
	OFDIPI	−0.018	0.130	0.044	0.049	−0.031	0.002	−0.007	−0.038	−0.085	−0.022
Slovakia	NOI p.c.	−5357	−6876	−8463	−8797	−9142	−8669	−8863	−9299	−9916	−9265
	GDP p.c.	9079	10554	14185	17749	16337	16381	17928	17031	17928	18287
	OFDIPI	0.232	0.422	0.237	0.213	0.555	0.509	0.334	0.005	−0.250	−0.071
Slovenia	NOI p.c.	−1893	−2163	−1708	−1722	−1188	−1228	−1779	−2263	−2508	−3170
	GDP p.c.	18169	19704	23816	27352	24577	23352	24856	22374	23161	23800
	OFDIPI	1.026	0.806	0.888	0.944	0.232	−0.018	0.177	−0.321	−0.269	−0.011

OFDIPI – outward FDI performance index reflects the ratio of the share of a country's outward FDI in a given year in world outward FDI, to the share of the country's GDP in a given year in world GDP.

Source: authors' calculations based on UNCTAD Stat.

Table 2a. Outward FDI stock, inward FDI stock and NOI for CEE–11 countries, in millions of USD, 1990–2004

		1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Bulgaria	FDI Outward	124	118	116	112	113	105	76	74	75	69	67	34	40	52	-87
	FDI Inward	112	168	210	250	355	445	554	1059	1597	2184	2704	2945	4118	6371	10108
	NOI	12	-50	-94	-137	-242	-341	-478	-985	-1522	-2115	-2637	-2911	-4078	-6319	-10195
Croatia	FDI Outward			672	691	698	703	728	914	998	878	760	828	1612	1980	2052
	FDI Inward			129	273	388	496	988	2136	1932	2564	2664	3406	5309	7402	11133
	NOI			543	418	310	207	-260	-1222	-934	-1686	-1904	-2578	-3697	-5423	-9082
Czechia	FDI Outward				181	300	345	498	548	804	698	738	1136	1473	2284	3760
	FDI Inward				3423	4547	7350	8572	9234	14375	17552	21644	27092	38669	45287	57259
	NOI				-3242	-4246	-7005	-8074	-8685	-13571	-16854	-20906	-25957	-37196	-43003	-53499
Estonia	FDI Outward			56	63	65	67	107	218	198	281	259	440	677	1030	1417
	FDI Inward			92	255	472	674	821	1161	1822	2465	2645	3149	4231	7014	10045
	NOI			-36	-193	-407	-606	-714	-944	-1623	-2184	-2386	-2709	-3554	-5984	-8628
Hungary	FDI Outward	159	159	159	170	219	278	265	647	784	924	1280	1854	2566	4082	6815
	FDI Inward	570	2107	3424	5576	7087	11304	13282	17968	20733	23260	22870	27407	36224	48340	61567
	NOI	-410	-1948	-3265	-5406	-6868	-11025	-13016	-17321	-19949	-22336	-21590	-25553	-33658	-44258	-54752
Latvia	FDI Outward			365	361	296	231	209	222	281	244	20	32	52	111	238
	FDI Inward			176	221	436	615	936	1271	1557	1796	1692	1862	2438	3185	4529
	NOI			189	140	-140	-384	-727	-1049	-1276	-1552	-1672	-1830	-2386	-3074	-4291
Lithuania	FDI Outward			0	0	0	1	3	26	16	26	29	48	60	120	423
	FDI Inward			107	137	321	352	700	1041	1625	2063	2334	2665	3981	4960	6389
	NOI			-107	-137	-321	-351	-697	-1015	-1609	-2037	-2305	-2618	-3922	-4840	-5966
Poland	FDI Outward	95	88	101	198	461	539	735	678	1165	1024	268	304	432	382	1065
	FDI Inward	109	425	1370	2307	3789	7843	11463	14587	22461	26075	33477	40394	47295	56110	84469
	NOI	-14	-337	-1269	-2109	-3328	-7304	-10728	-13909	-21297	-25051	-33209	-40090	-46864	-55727	-83404
Romania	FDI Outward	66	87	79	103	107	121	120	126	135	144	136	116	145	208	272
	FDI Inward	0	44	122	215	402	821	1097	2417	4527	5674	6953	8339	7846	12202	20486
	NOI	66	43	-43	-112	-295	-700	-978	-2291	-4392	-5530	-6817	-8223	-7701	-11994	-20214
Slovakia	FDI Outward				149	166	139	183	234	584	628	555	718	758	1144	1084
	FDI Inward				642	897	1297	2046	2083	4174	4549	6970	8125	12437	21773	28185
	NOI				-493	-731	-1159	-1863	-1849	-3590	-4062	-6415	-7407	-11679	-20629	-27101
Slovenia	FDI Outward			558	560	355	502	464	460	633	628	768	986	1509	2367	3019
	FDI Inward			1819	1931	1329	1808	2019	2208	2765	2687	2894	2522	3973	6150	7213
	NOI			-1261	-1372	-974	-1306	-1555	-1749	-2131	-2060	-2126	-1536	-2463	-3784	-4194

Source: authors' calculations based on UNCTAD Stat.

Table 2b. Outward FDI stock, inward FDI stock and NOI for CEE–11 countries, in millions of USD, 2005–2014

		2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Bulgaria	FDI Outward	124	453	813	1444	1399	1565	1650	1949	2286	2195
	FDI Inward	13869	23483	37936	44059	49225	47231	47381	49400	51195	46539
	NOI	-13746	-23029	-37122	-42615	-47826	-45666	-45732	-47451	-48910	-44344
Croatia	FDI Outward	1966	2339	3730	5120	6466	4314	4469	4343	4213	5444
	FDI Inward	13332	25943	43584	28415	33537	32273	28398	29333	29911	29761
	NOI	-11365	-23604	-39854	-23295	-27072	-27959	-23929	-24990	-25697	-24317
Czechia	FDI Outward	3610	5017	8557	12531	14805	14923	13214	17368	20627	19041
	FDI Inward	60662	79841	112408	113174	125827	128504	120569	136493	134085	121530
	NOI	-57052	-74824	-103851	-100642	-111023	-113582	-107355	-119125	-113458	-102489
Estonia	FDI Outward	1892	3459	5948	6445	6262	4851	4049	5469	6690	6319
	FDI Inward	11192	12119	15671	15449	15841	15261	15930	18726	20954	19298
	NOI	-9300	-8660	-9722	-9003	-9579	-10410	-11881	-13257	-14264	-12979
Hungary	FDI Outward	8637	13662	19290	19913	21624	22314	26357	37682	38444	39641
	FDI Inward	61110	80153	95469	88054	98876	90845	85331	104017	108231	98360
	NOI	-52474	-66491	-76180	-68141	-77251	-68531	-58974	-66335	-69786	-58719
Latvia	FDI Outward	281	478	939	1033	893	895	864	1114	1600	1170
	FDI Inward	4906	7510	10991	11309	11629	10935	12111	13534	15956	14567
	NOI	-4626	-7031	-10051	-10276	-10735	-10040	-11247	-12421	-14356	-13396
Lithuania	FDI Outward	721	1041	1570	1990	2300	2086	2079	2588	3263	2683
	FDI Inward	8211	10996	15062	12949	13216	13271	14266	16033	17499	14691
	NOI	-7490	-9955	-13491	-10959	-10916	-11185	-12186	-13445	-14236	-12008
Poland	FDI Outward	3616	10302	15006	16960	21028	24214	29174	30899	70858	65217
	FDI Inward	88185	121692	172097	157173	176923	195409	174661	203333	271687	245161
	NOI	-84569	-111390	-157091	-140212	-155895	-171196	-145487	-172435	-200830	-179944
Romania	FDI Outward	213	879	1240	1466	1397	1511	1358	1298	851	696
	FDI Inward	25383	44516	61610	64759	69883	68093	69508	76329	82687	74732
	NOI	-25170	-43637	-60370	-63293	-68486	-66583	-68150	-75031	-81836	-74036
Slovakia	FDI Outward	747	1520	2081	2940	3152	3457	4022	4765	4365	2975
	FDI Inward	29595	38567	47713	50416	52537	50328	51980	55124	58105	53216
	NOI	-28848	-37047	-45632	-47476	-49385	-46872	-47959	-50359	-53740	-50241
Slovenia	FDI Outward	3276	4518	7492	8469	8850	8147	7827	7534	7132	6193
	FDI Inward	7056	8856	10939	11966	11277	10667	11490	12203	12310	12743
	NOI	-3780	-4338	-3446	-3497	-2427	-2519	-3663	-4669	-5178	-6550

Source: authors' calculations based on UNCTAD Stat.

fluctuations had however the desirable upward trend of moving the country positioning ever closer to the juncture with the IDP Stage 3. In the Czechia's case the absolute (in terms of records for the whole investigated period) lowest (negative) NOI p.c. reading of -11,297 USD was observed in 2012. Thus Czechia, with a GDP p.c. of 19,395 USD, the highest of the three countries being at the interface of Stage 2 and Stage 3 of their respective IDPs, was also the last to reach such positioning.

The remaining seven countries in the investigated group (Bulgaria, Poland, Romania, Slovakia, Estonia, Latvia and Lithuania) recorded their lowest (in the entire analyzed period) NOI p.c. in 2013, which indicates that in that year they were on the verge of passing from Stage 2 to Stage 3 of their IDPs. Romania had the highest but still negative NOI p.c. of -4,134 USD, due however to a relatively low level of outward FDI stock compared with the rest of the group, and the lowest GDP p.c. of 8,853 USD. Thereafter came Lithuania, also with a relatively high negative NOI p.c. of -4,803 USD but a much higher GDP p.c. of 15,064 USD. Third in this ranking was Poland with a NOI p.c. of -5,200 USD, due to relatively high levels of both outward and inward FDI stocks as visible in Table 2 (the inward FDI being continuously attracted by the country's large internal market). This was recorded at the GDP p.c. level of 13,760 USD. Next in line was Bulgaria with a NOI p.c. of -6744 USD recorded at a GDP p.c. of 7,543 USD. Then came Latvia with a NOI p.c. of -7,136 USD, due to relatively low levels of both outward and inward FDI stocks compared with the rest of the group, and a moderate GDP p.c. of 15,064 USD. Slovakia followed with a higher negative NOI p.c. of -9,916 USD and a higher GDP p.c. of 17,928 USD. Estonia closed the year 2013 with the lowest NOI p.c. classification with a larger negative NOI p.c. of -10,806 USD and also a larger GDP p.c. of 19,328 USD. The trend in this sub group was clear: countries with larger GDP p.c. also exhibited decreasing values of NOI p.c. at which point the passing from Stage 2 to Stage 3 of their IDPs occurred. One possible explanation for this could be that higher GDP p.c. reflected higher internal demand which attracted more inward FDI at a still nascent stage of outward FDI, which remained much lower than the inward one.

The last in the studied group was Slovenia which reached the turning point (absolute lowest NOI p.c.) in 2014 (the last year for the whole group), with a value of -3,170 USD (the highest recorded level for the whole group) and the highest GDP p.c. of 23,800 USD. Slovenia's lowest NOI p.c. was due to a continuous rise since 2010 in inward FDI stock coupled also with a continuing decrease in outward FDI stock (Table 2). The overall trend

observed was that with rising GDP p.c. of a country, the said turning point was positioned later on the time axis. This produced the somewhat paradoxical effect that "poorer" countries were reaching the IDP Stage 2 and Stage 3 interface earlier that the "rich" ones.

4. THE EFFECTS OF OUTWARD FDI PERFORMANCE INDEX ON COUNTRY IDP PERFORMANCE

The outward FDI performance index (OFDIPI) determines the magnitude of outward FDI which a country generates relative to its economic potential, indirectly indicating whether the country has the capacity to advance on its IDP. The values of the said index of less than 1 signify that outward FDI is less than proportional to the potential of the home country's economy as measured by its participation in the global economy. If, on the other hand, the values of the said index are higher than 1, then the outward FDI is more than proportional relative to the aforementioned potential of the home economy. From the point of view of IDP positioning, the closer the index is to 1 or higher than 1, the more predisposed a given country is to move along on its IDP trajectory or, in the case of the present research, to reach Stage 3 of its IDP or continue moving within Stage 3.

In this context, the values of the said index as applied to the eleven countries in this study are also presented in Table 1. It should be stressed that the data for the beginning of the 1990s were not available for all the investigated countries and data published earlier were often revised and changed, frequently leading to the ambivalent structure of the said index.

From among the 11 countries, Estonia was the unquestioned leader reaching first the index value of over 0.5 in 1996 and 1.0 in 1997. During 2001-2009 Estonia recorded the highest OFDIPI values, and in 2009 the index went up to a record level of 3.805. Such an outstanding performance by Estonia was due to a surge in outward FDI even in the face of rising inward FDI stock. In subsequent years the OFDIPI of Estonia showed considerable fluctuations.

Another leader, Hungary, recorded its highest OFDIPI values in 1997 (together with Estonia and Croatia) and in 1999 (together with Slovakia), surpassing in 2003, 2005, 2006, 2011, 2012 and 2014 the threshold value of 1, reflecting high relative effectiveness in outward FDI expansion, which in turn was perceived as the key factor in upgrading the country's international competitiveness. Worth noting was the one-time OFDIPI of 5.287 reached by Hungary in 2012.

The case of Slovenia's OFDIPI is particularly interesting. It recorded a value of over 1 only twice (in 2003 and 2005) but eight times it showed negative values, indicating disinvestment abroad on the part of Slovenian investors. Then there is the case of six countries (Bulgaria, Latvia, Lithuania, Poland, Romania and Slovakia), which had a common attribute of OFDIPI being lower than 1. In 2014 the OFDIPI of Bulgaria, Latvia, and Poland was positive and for the rest of the group (Lithuania, Romania and Slovakia) negative. It should be emphasised that Bulgaria, the least developed in the group of all the 11 countries, had a much higher OFDIPI of 0.519 in 2014 than the six other more developed countries (Czechia, Latvia, Lithuania, Romania, Slovakia and Slovenia). This can be interpreted as evidence of the rising international competitiveness of Bulgarian firms. Croatia and Czechia differentiated themselves from the rest by recording, at least once, values of OFDIPI higher than 1. In the case of Croatia this occurred in 2002, 2009 and 2014, but taking into account data from the remaining years it cannot be considered as a continuing trend. Also worth noting is the fact that Czechia had only once (in 2013) an OFDIPI higher than 1 (1.115), however next year its value turned negative (-0.147).

The above observations concerning OFDIPI country values lead to the following key conclusions. If the observed OFDIPI trends can be interpreted as an indication of a country's capability to move from one IDP stage to the next, the referenced data do not unequivocally confirm such trends. Secondly, there is a marked lack of correlation between OFDIPI values and the level of economic development measured by GDP p.c. Worth stressing is the considerable spread of this index between countries for a given year as well as its volatility for each country in a dynamic perspective.

5. DISCUSSION AND CONCLUSIONS

5.1. Summary of key findings

The first group of conclusions relates to the issue of the permanent character of each of the investigated countries' passage into IDP Stage 3 or being firmly lodged in that stage. The findings of the authors' previous study with a similar profile and objectives, but encompassing an earlier time period, were subjected to detailed scrutiny and verification. In many cases the previous findings have been modified by the passage of time (six years) and the economic development of those countries in that period of time.

The first conclusion is that currently none of the 11 CEE countries was in its IDP Stage 2 anymore, which indicates that they were able to liberate

themselves from the absence or low level of international competitiveness leading them to rely more on inward FDI than on their fledgling outward investments. Yet at the same time they were also far away from IDP Stage 4 (the second conclusion) which, according to the original IDP model, is the stage where the most economically advanced countries are positioned. This of course is not a drawback but may be considered as a specific benchmark to which these 11 states should aspire to, providing motivation for their firms to acquire competitive advantages allowing them to continue on their foreign expansion trajectories and for their economic policies to stimulate and sustain such outward investment expansion.

The third conclusion, perhaps the key one, is that the majority of the investigated countries were positioned somewhere between the crossing point from Stage 2 and Stage 3 of their IDPs and the beginning/first leg of Stage 3. This can be construed in a way as a sign of success for countries which have since the early 1990s undertaken the historic, challenging and largely unexplored project of transition to a market-led system. Through this project the development and competitive gap separating them from the highly developed economies has been reduced considerably.

Thus, according to the analysis conducted in this study Bulgaria, Hungary, Slovakia, Lithuania and Estonia were found to be positioned at the very beginning of their IDP Stage 3. Taking into account the data presented in Table 1. Poland, Romania and Czechia could also be added to this group. Slightly more advanced on the IDP curve of Stage 3 were Latvia and Croatia. Slovenia, the wealthiest (as per GDP p.c.) in the group, was positioned as the most advanced in the IDP Stage 3.

Moreover, taking into account the time frame of moving from IDP Stage 2 to Stage 3, in the case of Hungary, Croatia and Czechia, this happened before 2013. For the majority: Bulgaria, Poland, Romania, Slovakia, Estonia, Latvia and Lithuania it was 2013, and only for Slovenia it turned out to be 2014.

Within the sub-group of countries, where the turning point from IDP Stage 2 to Stage 3 occurred in 2013, a trend was detected that with rising country GDP p.c. the turning point was generally positioned at a lower NOI p.c. value. In line with this trend, countries with low GDP p.c. in the group like Romania and Bulgaria, were able to cross the line over to Stage 3 at a relatively high NOI p.c. values, due not as much to the competitiveness of their firms investing abroad but rather to lower outward and inward FDI stocks. The explanation of this phenomenon might also reside in the idiosyncratic character of GDP p.c. and NOI p.c. movements of these

countries. Another important observation concerned the recurring reversibility of a country's movement along its IDP trajectory. In this study this happened with Hungary and Croatia but was limited to a relatively short time period and concerned fluctuations in and out of IDP Stage 3.

Thus, the current findings provide indirect confirmation of the success of the transition process to a market-led system which the 11 countries had been implementing throughout the past two decades and of the prominent role which foreign direct investment has played in this process and in the overall economic development of these economies. Of course, the contribution of FDI to the positive effects of that transition varied in the analyzed economies. Without doubt there were differences as to the impact of inward and outward FDI on the GDP of each country, and a number of idiosyncratic factors played a role in the development trajectories of the respective economies. However, it should be stressed that FDI, together with many other key factors, played an important role as drivers of the transformation process.

5.2. Policy implications

The policy implications presented below, although based mainly on the experience of Poland, are nonetheless generally applicable to all the 11 investigated countries. Recommendations for economic policy based on the IDP analysis conducted in this study focus on the issue of the countries' governments support and stimulation of outward FDI of their firms. Moreover, a careful scrutiny of received FDI theory reveals at microeconomic level, more or less explicitly, that outward FDI does serve as a means of achieving firms' strategic objectives and enhancing their international competitiveness. At macroeconomic level there is no sound evidence that outward FDI has had a detrimental effect on home economies (Gorynia et al., 2015). The consequences of outward FDI for home economies vary in the short-run and in the long-run, as well as between developed and developing countries, which does not make formulating clear policy recommendations an easy task.

In Poland the current policy approach has focused on stimulating economic growth through a plan of supporting the investment expansion of Polish firms abroad. An important problem in implementing the Polish system of support measures for outward FDI and relating to its overall efficiency has been its dispersion and overlapping of responsibilities. Thus, a challenge for Poland, like for the other post-transformation economies from

the region, lies in establishing a central authority institutional framework with a clearly defined scope of responsibility and appropriate competences in terms of fostering outward foreign direct investment. Such centralization would potentially also contribute to an improvement of awareness by the potential recipients of such support measures. Currently, aside from anecdotal evidence, little is known about the barriers of using support measures, as well as their productivity from the perspective of users, hence the call for more analytical efforts.

Apart from questions related to the institutional arrangement, a more nuanced approach seems to be necessary to reflect the potential beneficial effects of outward FDI for the home economy. One of the important variables determining the access to and type of support measures should be the origin of capital of outward investors, whereby genuinely domestic firms should be fostered rather than foreign subsidiaries located in a given host country, whose rationale for investing may be quite different. Also (as observed in Poland), innovativeness-oriented investments seem to have been currently less in the focus of managerial attention compared to those aimed at only increasing foreign sales. Accordingly, specific support programs connected to the accomplishment of a given set of competitiveness-enhancing objectives should also be introduced. In this context it should be noted that in received literature (e.g. Gorynia et al., 2015; Luo et al. 2010; Sarmah, 2003; Te Velde, 2007), as well as in economic policy statements there has been an ongoing discussion as to the dilemma of whether governments should actively influence the sectoral structure of inward and outward foreign investment. Yet this issue was not considered as key here and therefore was left outside the scope of this study.

5.3. Future research suggestions

It appears that the IDP evolution of the 11 investigated countries of CEE, members of the EU, was driven by the transition process to a market-led system initiated at the beginning of the 1990s. Its progress was facilitated by the policy of systemic change. Among the 11 CEE countries there were significant differences regarding each of these two variables, which unquestionably contributed to the creation of differing foreign capital absorption capacities as well as different premises for capital exports. Thus, the comparative analysis of this study could be complemented and enriched by a country case study approach, since even in the situation of congruence

of some of the investigated factors it is quite probable that they could conceal dissimilar economic, sociological, political and institutional components, generating IDP country idiosyncrasies.

The second research avenue could focus on international comparisons of groups of countries, determined according to various criteria. The IDP model in such approach could yield much insight if in its framework, for example, the evolution of the new EU members from CEE was set against the experience of earlier entrants, such as Spain, Portugal and Greece. Another comparison in the IDP context could embrace the present 11 CEE countries and those post-communist states that did not join the EU. It is possible in this case that the roles of inward as well as outward FDI in both those groups could prove to be significantly different and contribute to a differentiated level of economic development. Thus, the scale and mechanisms generating such differences are worthy of exploration and could form a promising research agenda.

The third potential research issue consists of investigating the present 11 countries from the perspective of the geographic and industry structures of their inward and outward FDI. Determining and explaining the differences along such cross sections, as well as showing their consequences for the welfare of each country, could develop into an inspiring research project.

Last but not least on the forthcoming research agenda should be the role of institutional factors in analyzing the progress of the CEE countries on their IDPs. The effects of EU accession in this context were discussed already in the authors' previous study but this was conducted from a necessarily short-term perspective. Therefore, since more time has passed, it would be valuable to revisit this issue. Of primary importance remains also the investigation of the extent and character of the role of governments and their institutions in planning and implementing economic policy measures enhancing the competitiveness of firms and countries.

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