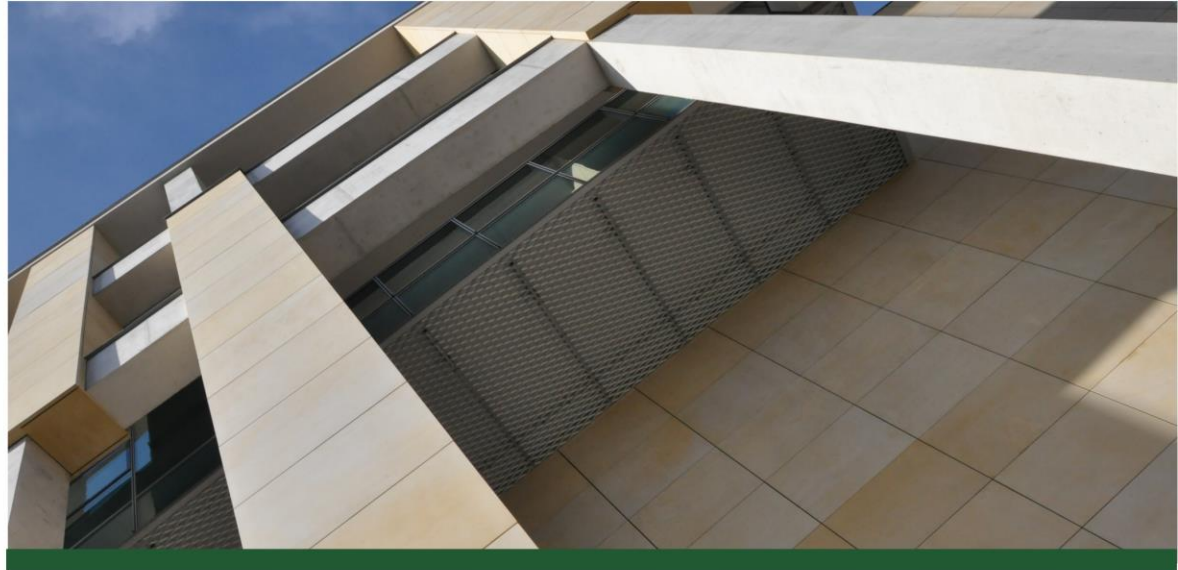




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KEY FACTORS IN THE EVOLUTION OF POLAND'S INVESTMENT DEVELOPMENT PATH

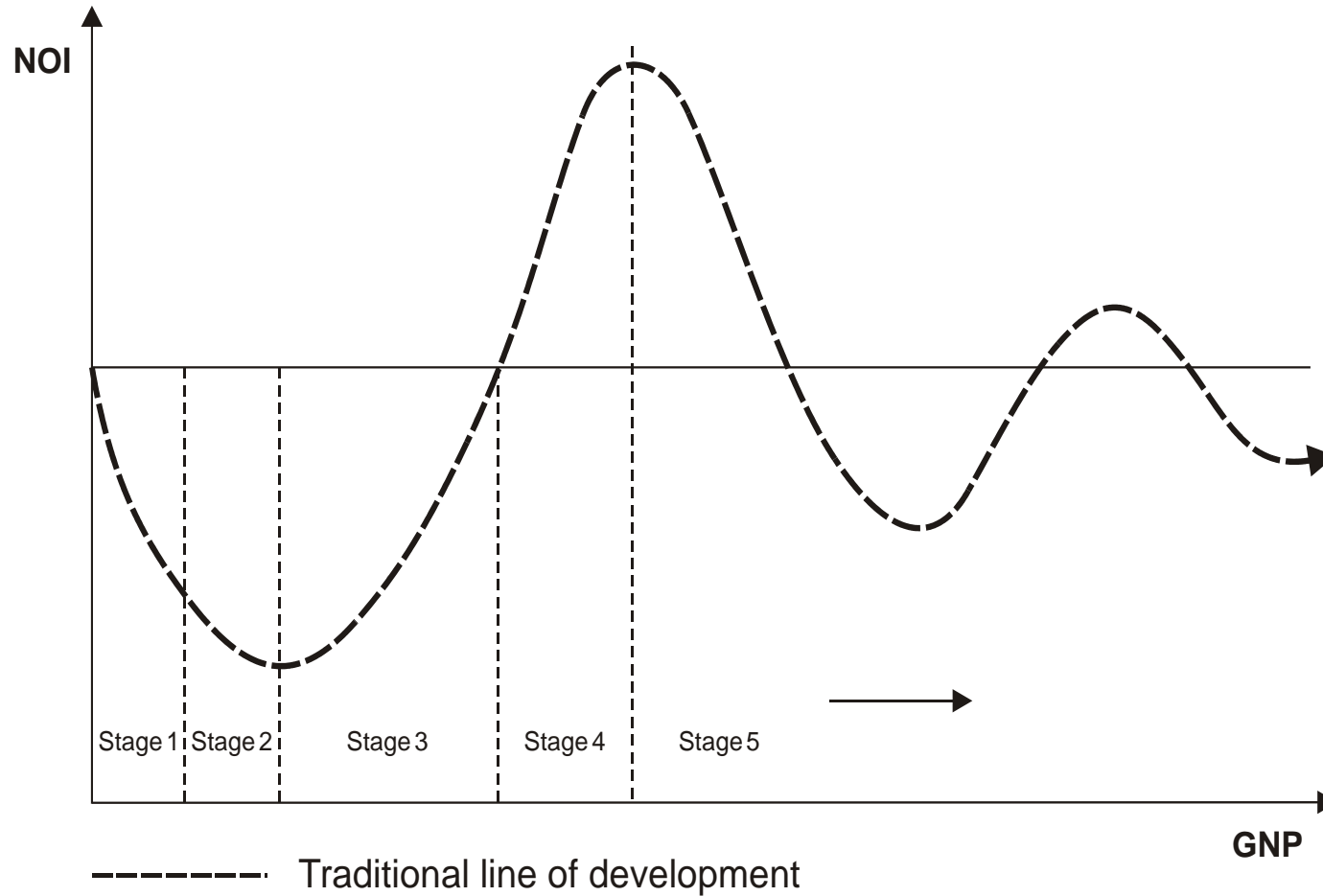
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Wolniak*

EIBA 2023, Lisbon

Research objectives

- Essence of the IDP paradigm in understanding a country's economic development.
- Inward and outward FDI dynamics play a pivotal role, particularly in emerging markets and transition economies.
- **OBJECTIVE:** Explore **Poland's IDP 2013-2021** and **include other factors into the discussion:** institutional factors, internal and foreign markets, recent turbulences (COVID-19 and war in Ukraine)
- Holistic conceptual approach integrating International Business (IB), economic policy, Institutional Theory, political economy.

Dunning's IDP Concept as a starting point



Note: Not drawn to scale - for illustrative purposes only
Source: Dunning and Narula, 2002, p. 139.

IDP and government policies

Stage 1

- **Objective: Resource-Seeking IFDI**
 - Improve basic infrastructure.
 - Upgrade human resources.
 - Implement import protection and export subsidies.

Stage 2

- **Objective: Attract IFDI, Stimulate OFDI**
 - Enhance domestic market attractiveness.
 - Engage in investment agreements.
 - Stimulate joint ventures and provide financial support for OFDI.

Stage 3

- **Dual Focus: IFDI Growth, OFDI Acceleration**
 - Attract MNEs with spillover potential.
 - Simplify investment procedures.
 - Actively foster OFDI growth.

Stage 4

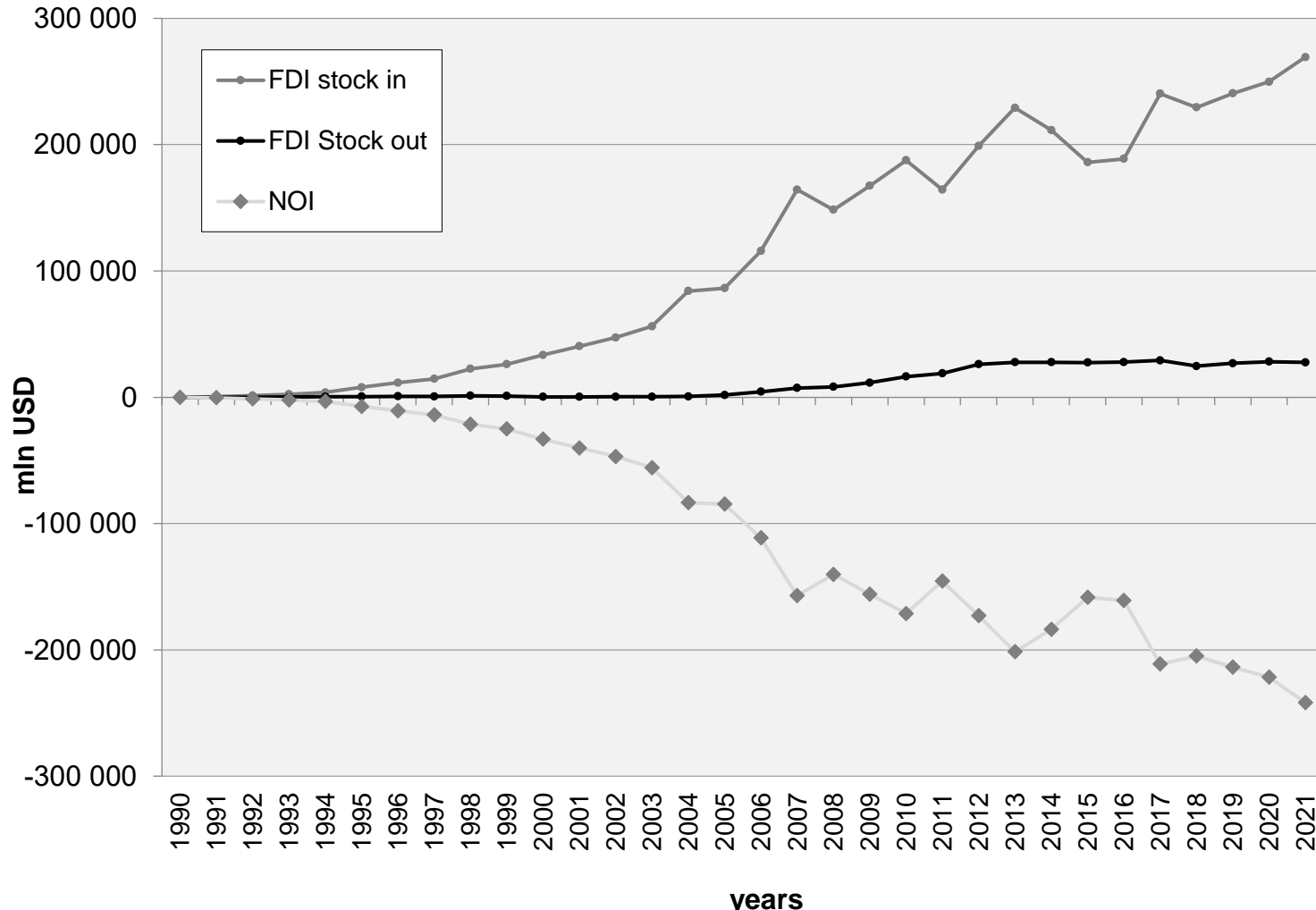
- **Shift: Less Interventionist, More Strategic**
 - Ensure efficient market operations.
 - Maintain supervisory functions for IFDI.
 - Assist in turning domestic firms into global players.

Stage 5

- **Reduced Government Role in FDI Attraction**
 - IFDI and OFDI grow autonomously.
 - Shift focus to fostering linkages, creating clusters.
 - Collaborate with local entities.
 - Assume a strategic orientation for efficient markets.

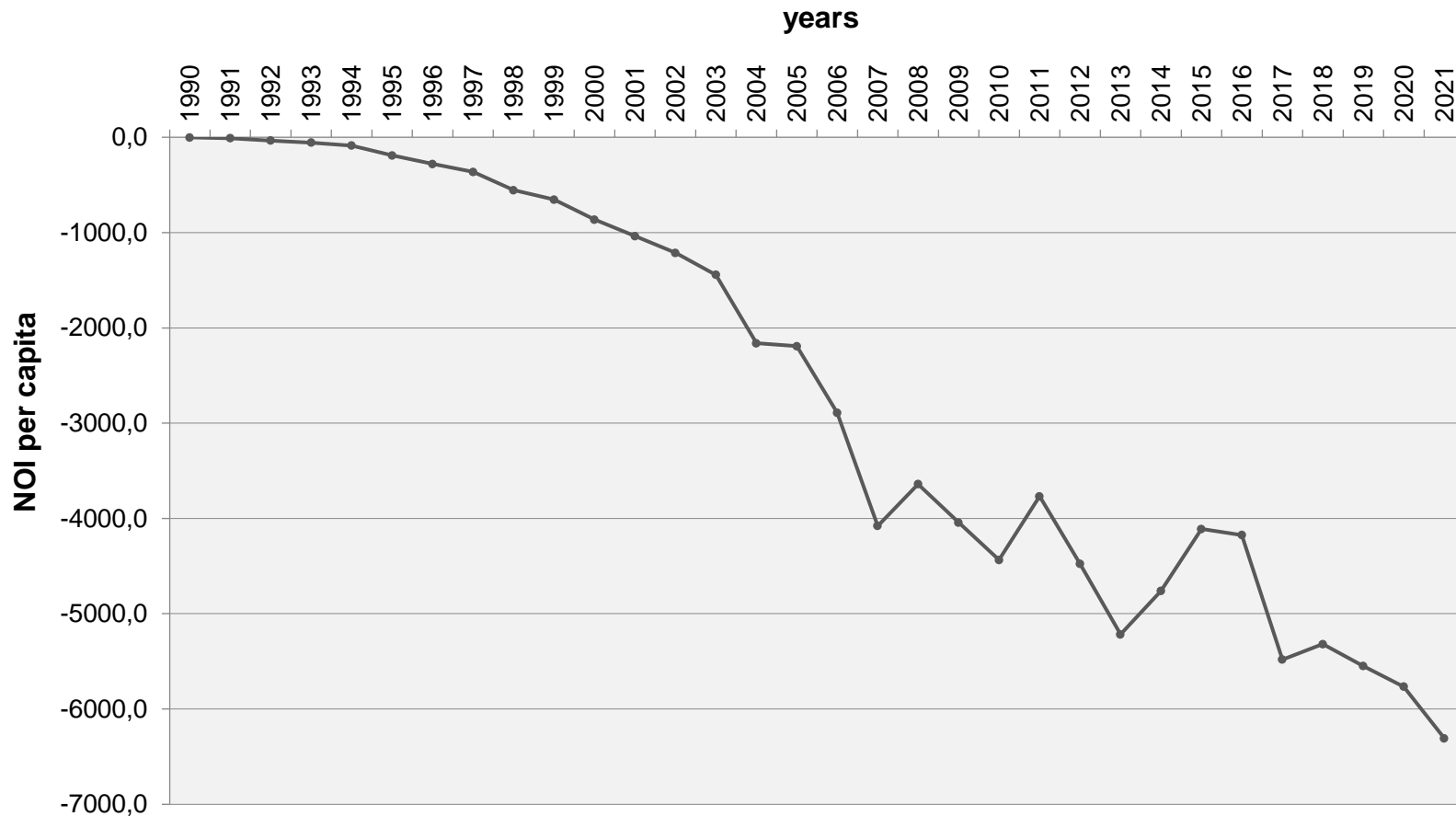
Poland's IDP trajectory – empirical evidence

Poland's Inward FDI Stock, Outward FDI Stock and NOI Position in million USD, 1990-2021



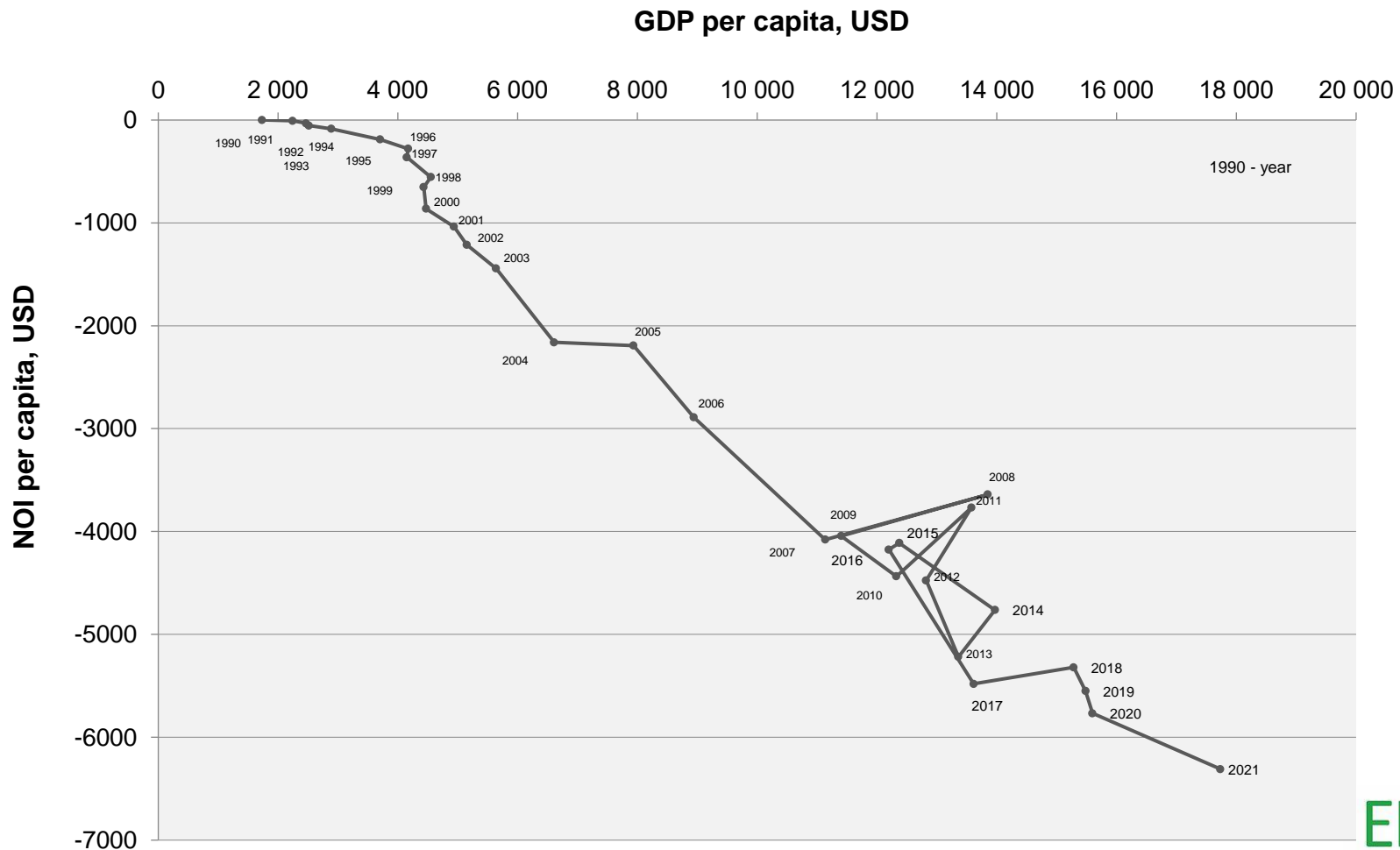
Poland's IDP trajectory – empirical evidence

Poland's NOIP per capita in USD, 1990-2021



Poland's IDP trajectory – empirical evidence

Poland's GDP per capita and NOIP per capita in USD, 1990-2021





The Role of the Internal Market

- **Significant Internal Market Size**
 - Largest economy in Central and Eastern Europe (CEE).
 - Underserved markets with substantial growth potential.
 - Attractive for MNEs in the "going East" strategies in the 1990s.
- **MNEs' Initial Focus**
 - Primarily aimed at accessing new sales markets.
 - CEE used as a springboard for further regional market access.
 - Cost advantages played a role in vertical FDI.
- **Shift in Employment**
 - Gradual shift from production to higher value-adding activities → higher productivity
 - Positive effects on value capture in various activities (R&D, distribution, logistics, etc.).
- **Impact on Outward FDI**
 - Large internal market slows down the progress of outward FDI.
 - Firms opt for economies of scale in the home market.
 - Postponement of OFDI decisions due to domestic growth potential.
- **Consistency with Internationalization Process Model**
 - Patterns consistent with predictions of the internationalization process model.
 - Reluctance to engage in FDI due to initial lack of experiential knowledge.
 - Psychic distance to foreign markets plays a role in decision-making.

The Role of Foreign Markets

- **Relative Position to Other Countries**
 - Determined by economic and institutional development.
 - Competitive advantage of Polish firms abroad influences IDP.
- **Geographic Concentration of Polish Outward FDI**
 - Traditionally focused on European markets.
 - Limited access to capital influences investment decisions.
 - Motivations include market-seeking and efficiency-seeking.
- **Impact on IDP Positioning**
 - Relationship between host country development and Poland's IDP position.
 - More developed host countries correlate with higher negative value of Poland's NOI.
 - The less developed the host country, the more advanced Poland's IDP position.
- **Geopolitical Situation (2022 Onward)**
 - Tense geopolitical situation may affect Poland's IDP.
 - Pressure to reorient exports and investments towards Western markets.
 - Short-term cementing in Stage 2, long-term potential progression to Stage 3.

The Institutional and Regulatory Environment

- **Institutional Determinants**
 - Importance of institutional quality in location decisions.
 - Efficiency of the judiciary system and stability of legal regulations.
 - Decline in Corruption Perception Index score for Poland.
- **Recent Reforms (Since 2017)**
 - Integration around the Polish Development Fund.
 - Multiple institutions providing support for outward investors.
 - Initiatives to enhance the competitiveness of Polish companies.
- **Outward FDI Policy**
 - Historical dispersion of government support for outward FDI.
 - Integration and improvement since 2011 with the launch of a dedicated OFDI support program.
 - Challenges in establishing a cohesive institutional framework for outward FDI.
- **Innovation and R&D Incentives**
 - Innovativeness of Polish companies below EU average.
 - Reforms and incentives since 2016 and the "Polish Deal" in 2022.
 - Success of outward FDI contingent on competitiveness and innovativeness.

The Role of Unexpected Factors

- **COVID-19 Pandemic**
 - Global disruptions in 2020, but Poland rebounded in 2021 and 2022.
 - Record outward and inward FDI values post-2020.
 - Catalyst for questioning existing global value chain configurations.
- **War in Ukraine (Since 2022)**
 - Significant disruptions in trade and supply chains.
 - Increased risk for CEE-based investments.
 - Questions about the stability of global value chains.
- **Potential Effects on IDP**
 - Shift in priorities within global value chains.
 - Greater balance between efficiency and resilience.
 - Potential increase in inward FDI to Poland.
 - Acceleration of Poland's progression towards Stage 3 of the IDP.



Policy implications

- **System of Support for Outward FDI**
 - Opportunities behind ongoing reforms.
 - Positive steps since the 2017 transformation of the support system.
 - PAIH's restructuring and revised tasks may enhance assistance effectiveness.
- **Barrier to Investment Expansion**
 - Pre-pandemic survey: 70% of Polish exporters lack a clear need for foreign investment.
 - Emphasis on indirect instruments to strengthen international competitiveness.
 - Broader classification of outward FDI support, beyond direct financial aid.
- **Stimulation of Innovativeness**
 - Tailored consultancy services for SMEs investing in digital technologies.
 - Promotion of Industry 4.0 technologies.
- **Role of Agencies like PARP**
 - Expansion of consulting services for SMEs.
 - Advise on digitalization and financial and support for ICT investments.
 - Addressing the knowledge and skills gap in ICT investment among SMEs.
- **Tailored Support Programs**
 - Recognizing different challenges in host countries.
 - Needs of outward investors vary based on host country's IDP stage.
 - Support for legitimacy building and networking in advanced countries.
 - Developing market knowledge and risk reduction for countries at lower IDP stages.



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Thank you very much for your attention!

Do you have any questions?