TRACK 4. FDI in and from emerging market economies

Format: Competitive

The Investment Development Path of Poland: a Current Assessment

Submission to the European International Business Academy (EIBA) 41st Annual Conference

ABSTRACT

The present paper attempts to explore the concept of investment development path (IDP) and its key component, the net outward investment position, as applied to Poland as an economy of Central and Eastern Europe (CEE). The starting point for data analysis is the beginning of Poland's transition process to a market-based economy back in 1990. The paper sets out with a brief literature review related to the concept of Investment Development Path (IDP). The section is then followed by a review of extant research applying the IDP model to CEE economies. The review sections are then followed by an analysis of available macroeconomic data identifying the IDP path for Poland and formulating the reasons and consequences of the country's current IDP position. The main conclusion is that Poland is at the end of stage 2 of her IDP, which is behind the position that the country's GDP level would imply. This is mainly due to the pull of the large internal market, the still weak competitiveness of domestic firms in international markets and the reluctance of government to adopt more active, firm specific ownership advantage stimulating policies towards outward FDI.

The Investment Development Path of Poland: a Current Assessment

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 pronounced role in the context of transition of former centrally planned economies of the region of Central and Eastern Europe, including Poland, towards a market led system. This process of economic transformation was accompanied by an increasing integration of local economies into the global business environment. Accordingly, one of the significant features of the Polish transformation initiated in 1990 was the systematic opening of the economy to foreign direct investment. This process was facilitated by economic reforms, including *inter alia* the liberalisation of legal regulations concerning the inflow of foreign direct investments, liberalisation of foreign trade and principles of currency convertibility, as well as privatisation of state-owned enterprises (Kubielas, Markowski and Jackson, 1996).

The interplay between inward and outward FDI in conjunction with economic development of a given country constitutes the essence of the investment development path (IDP) paradigm (Dunning, 1986, 1997; Dunning and Narula, 1994, 1996). In this context, the present paper attempts to explore the concept of investment development path (IDP) as applied to a transitional economy, in this case Poland. The point of departure for data analysis is taken as the beginning of Poland's transition process to a market led economic system in 1990. The role of the IDP approach seems to be very appropriate in that it tries to combine the effects of inward and outward FDI on the country's growth and development patterns, exerting a major influence on the extent and speed of the transition process. The main

objective of the present study is to analyze Poland's development along the IDP model in order to evaluate the country's current positioning and hence stage of development, as well critically reflect on the factors that have influenced the observed evolution of Poland's position.

The paper starts by presenting the IDP model (paradigm) and synthetically presenting its five stages. The subsequent section reviews extant literature pertaining to studies that used the IDP model in the context of CEE countries. In the ensuing section, the authors attempt to verify the current positioning of Poland along the IDP model. The data used in the present analysis have been derived from UNCTADstat. The data collected cover the entire period of Poland's transition process up to 2013, the last year for which all the relevant data were available. The authors analyze data on FDI inward and outward stocks, as well as GDP of Poland in the period 1990-2013. Subsequently, the NOI position for the period under study is computed. The analyses involve graphs depicting inward FDI stocks as percentage of GDP, Poland’s NOIP per capita, as well as Poland’s GDP per capita and NOIP per capita. Finally, data on Poland’s Inward and Outward FDI Performance Index are presented in tabular form. In the concluding sections, the authors summarize their findings and reflect on policy recommendations pertaining to Poland's further internationalization.

THE INVESTMENT DEVELOPMENT PATH (IDP) MODEL

The IDP model provides a framework to analyze the dynamic relationship between FDI and economic development. The model was conceived by Dunning (1981) several decades ago and subsequently refined and extended several times, with most significant modifications contained in Dunning (1986; 1997), Dunning and Narula (1994, 1996 and 2002), and Narula and Dunning (2000, 2010). Several other authors have made contributions

to the development of this concept, including Lall (1996), and Durán and Úbeda (2001 and 2005).

At the heart of the model is a dynamic interplay between two macroeconomic variables, net outward investment (NOI) per capita and GNP or GDP per capita, which determine a country's position on the IDP. The NOI position is calculated as a difference between outward FDI and inward FDI stock. Changes in GDP are treated as a proxy of economic development. As countries develop, they pass through 5 consecutive stages of the IDP, which are shown on Figure 1.

Each stage can be briefly described in the following way:

Stage 1 – Countries receive little inward FDI and make virtually no outward FDI, although the latter appears towards the end of this stage. The NOI position is initially close to zero but subsequently assumes negative and decreasing values. Inward FDI is low because countries in this stage possess few location advantages vis-à-vis foreign investors, and if they have attractive resources to exploit, these are usually natural resources. Therefore, FDI flows in mostly to take advantage of the country's natural assets. Outward FDI is almost non-existent, as local firms lack ownership advantages and foreign firms prefer to export, import and/or to enter into non-equity relationships with local firms.

********** Figure 1 about here **********

Stage 2 – As countries develop and improve their location advantages (e.g. market growth, low input costs or tax incentives) they receive increasing amounts of inward FDI but still invest relatively little abroad, thus becoming large net FDI importers. At the end of this stage, however, outward FDI grows faster than inward FDI and the negative NOI stops falling.

Stage 3 – Countries still record more inward than outward FDI stock, but the latter is growing faster than the former. Inward FDI is typically driven by efficiency-seeking motives

and moving away from import-substituting production, as was the case in the previous stages. Outward FDI is stimulated by domestic firms acquiring new ownership advantages, which are increasingly based on the intangible assets and reflect these firms' ability to manage and co-ordinate assets and activities across national borders (Dunning & Narula, 2002, p. 142). As a result, at the end of this stage, the NOI assumes values close to zero.

Stage 4 – In this stage, outward FDI stock continues to rise faster than the inward FDI, and the NOI position crosses the zero level and becomes positive. Location advantages are now mostly derived from created assets and local firms' ownership advantages develop and lead to their increased international competitiveness, which they seek to maintain by moving their operations to foreign countries. Therefore, stage 4 countries have more outward than inward FDI stock, thus becoming net FDI exporters.

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. This stage is characterized by two main phenomena: multinational enterprises' (MNEs') growing propensity to internalize their cross-border transactions (as opposed to relying on the market), engaging in an increasingly complex web of co-operative agreements among themselves; and a convergence of economic structures of stage 4 countries, as well as their international direct investment positions (Dunning & Narula, 2002, p. 143-144).

The IDP changes occur in response to the interplay between investment attractiveness of a country and the international competitiveness of its firms. Moreover, movement along the IDP generally occurs in line with these countries' growing wealth, measured by GNP or GDP. Accordingly, developed countries are typically in stages 4 and 5, least-developed countries are in Stage 1 and developing and transition economies are in stage 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 country 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.

A conceptual evaluation of the IDP paradigm, as evidenced in developed as well as in developing and newly industrialized countries, is undertaken by Lall (1996). Lall maintains that structural changes in ownership and location factors influence trends in international capital flows, corporate behavior and government policy. According to one of his suggestions the IDP could be better measured by the international transfer of intangible assets instead of relying only on FDI. His main observation is that countries exhibit long-term deviations from the IDP model caused mainly by the nature and efficacy of government policy. This might necessitate extending and modifying the model itself to encompass all the identified sub-patterns.

A more systematic evaluation of the IDP concept, its shortcomings and suggestions for its modification are found in the studies of Durán and Úbeda (2001 and 2005). In their call for a new approach to the IDP, they draw attention to such methodological problems as the incompleteness of the concept of NOI position as an indicator for analyzing the effects of structural changes on inward and outward FDI, as well as the insufficiency of GDP per capita as the indicator of a country's level of economic development. The first dilemma appears in countries where hardly any inward and outward FDI is made and which are classified as being in stage 1 of the IDP. Their NOI position will be close to zero, similarly to developed countries in stage 5 of their IDP. To solve this paradox, Durán and Úbeda propose to look at inward and outward FDI in absolute and relative terms. Suggestions to deal with the second issue revolve around the inclusion of structural variables which would reflect not only the degree of economic development but also each country's peculiarities and the nature of its international trade.

Another significant contribution to the debate around the IDP concept made by Durán and Úbeda concerns their redefinition of Stage 4. In the amended version it is proposed to include developed countries which have: a) a structural gap due to fewer endowments of created assets; b) the same levels of inward FDI as those in Stage 5 but smaller outward FDI compared to those in stage 5; c) a positive or negative NOI position but in all cases lower than that of countries in stage 5. All the proposed modifications depend on the availability of additional or more detailed data and offer much wider analytical possibilities.

IDP STUDIES FOCUSED ON CENTRAL AND EASTERN EUROPE

The IDP model has been used as a framework in numerous empirical studies, which by and large attempted to validate it by either employing cross-sectional or longitudinal data sets. However, a relatively small number of studies can be identified that directly or indirectly deal with IDPs of CEE countries, of which five represent a cross-nation comparative analysis.

While not using the IDP paradigm as a framework, Svetličič 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. This is an indication of the CEE countries entering stage 2 of their IDPs during that period. At the same time Svetličič 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.

While using the IDP framework, Kalotay (2004) examines outward FDI from most of the 2004 European Union (EU) 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 push to both their outward and inward FDI, with an uncertain

net impact of such a development on the IDP. However, based on the experience of Portugal (Buckley and Castro, 1998) and Austria (Bellak, 2001), Kalotay hypothesizes that CEE countries being on the verge of moving from stage 2 to 3 at the time of accession to the EU will be held back in their transition to stage 3.

Kottaridi, Filippaios and Papanastassiou (2004) attempt to integrate Dunning's IDP model with Vernon's Product Life Cycle and Hirsch's International Trade and Investment Theory of the Firm. These authors analyze the location determinants of inward FDI and the interrelationship between inward FDI and imports during the years 1992-2000 in eight new EU member states from CEE and two candidate countries – Bulgaria and Romania. They find evidence of the ten CEE countries going through the second stage of the IDP and gradually moving towards the third stage

The latter finding is corroborated by the study of Boudier-Bensebaa (2008), who 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 NOI. The NOI of "Eastern" countries places them in stages 1 or 2 of the IDP, while that of EU countries points to stages 4 or 5. The first most advanced group of "Eastern" countries consists of the Czech Republic, Estonia, Slovenia, Hungary, Slovakia, Poland, Latvia, Lithuania and Croatia. The said group is identified as moving towards the end of stage 2 of their IDPs or even towards the beginning of stage 3. Within the "Eastern" countries groups and sub-groups, their NOI reveals a tendency to converge. But as far as income levels are concerned no convergence is found either inside the "Eastern" countries or between them and the EU. Finally the author draws attention to the fact that data on FDI stocks and GDP do not cover all factors affecting FDI and development. In the FDI sphere, the non-equity forms of investment are left out. As for the effect on FDI, besides GDP,

elements such as EU accession, globalization and the transformation process per se should be also taken into account. Boudier-Bensebaa focuses on cross-sectional analysis across countries and does not attempt to assess and explain the individual countries' IDP trajectories.

This missing element in Boudier-Bensebaa's study is taken up by Gorynia *et al*. (2012). These authors argue that individual countries' IDP idiosyncrasies can provide a deeper understanding and more insightful explanation of the varying IDPs and their convergence or divergence within groups of countries. Gorynia *et al*. apply regression analysis to determine the relationship between NOI and GDP of 10 CEE countries and find that a quadratic specification best describes the IDP trajectories of these countries. They conclude that from a time perspective of 19 years from the start of transition, the 10 CEE countries all followed the basic premises as set in the original IDP model, with most of them being well into stage 3 of their IDPs.

In contrast to Boudier-Bensebaa (2008) and Gorynia *et al*. (2012), Narula and Guimón (2010) argue that based on the NOI calculations for 1990-2009, the four CEE countries included in their analysis (Bulgaria, Czech Republic, Hungary and Romania) are in stage 2 of the IDP. These authors also note that although inward FDI per capita grew dramatically in these countries from 1990 to 2009, significantly faster than in Western European countries or than the average for developed or developing countries, growth of outward FDI was much lower, leading to increasingly negative NOI positions and holding the four CEE countries in stage 2.

Studies of IDP focused on one CEE country include those of Kalotay (2005 and 2008) for Russia, Gorynia, Nowak and Wolniak (2007, 2008 and 2009, and Ciesielska 2014) for Poland; Maşca and Văidean (2010) for Romania, and Ferencikova and Ferencikova (2012) for Slovakia.

Quite strikingly, Kalotay's studies of the 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 stage 4 of the 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.

Gorynia et al. conducted a series of studies of Poland's IDP, first for the period 1990-2003 (Gorynia et al. 2007), then for the period of 1990-2005 (Gorynia et al. 2008) and the period of 1990-2006 (Gorynia et al. 2009) and finally for the period of 1990-2008 (Gorynia et al. 2012) (the latter study of Poland's IDP was conducted alongside the IDPs of other CEE countries). All these studies were showing Poland's progressing movement from stage 2, which the country entered in 1996, towards stage 3. However, this movement was not without setbacks and the conclusion that Poland, around 2008, was at the beginning of stage 3 was still tentative, due to a paradoxical effect of the global recession, which was pushing Poland, perhaps prematurely, into stage 3. Nevertheless, the latter assertion was later corroborated by Ciesielska (2014), who analyzed Polish inward and outward FDI for the period of 2000-2012 and, after applying the concept of IDP, concluded that the Polish economy was at the beginning of stage 3.

Maşca and Văidean (2010) found the IDP concept to be generally applicable to Romania, although her specific feature was faster growth of FDI inflows than economic growth. These authors concluded that Romania was situated in the second stage of IDP at the end of the first decade of the 2000s.

The Slovakian IDP was studied by Ferencikova and Ferencikova (2012) for the period 1993-2008. These authors found Slovakia in many respects showing signs of being in stage 3, at the same time noticing that the country lagged behind in the competitiveness of local

companies, their capital adequacy, strengths, and efforts to find investment opportunities abroad.

In the light of previous studies on the IDP of Poland and of other CEE countries, particularly those that are comparable to Poland in terms of economic development, one would expect Poland to be already at the beginning of stage 3 of her IDP. This assumption will be verified in the subsequent section.

IDP TRAJECTORY OF POLAND IN THE PERIOD 2004 – 2013

Among the many previous investigations of Poland's IDP trajectory, published by Gorynia et al., those which are most relevant in this section, appeared in 2007 (with data ending in 2003), in 2009 (with data ending in 2006) and in 2012 (with data ending in 2008). In 2007 their conclusion indicated that in 2003 Poland "was close to the border between Stages 2 and 3 of its IDP". The main factors explaining such positioning were as follows:

1/ The continuing pull of Poland's large internal market attracting large FDI inflows and thus increasing the negative NOI values which in turn were preventing the country's advent to Stage 3.

2/ The propensity of small- and medium-sized Polish firms to expand abroad much more often via only exporting and less via FDI which also kept the country positioned still in IDP Stage 2.

3/ The rising growth rate (starting from 2000) of outward FDI stock which seemed to be pointing to the imminent move to Stage 3.

In their next study in 2009 the said authors somewhat revised their standpoint by pointing to the fact that there were "no new, clear signs showing movement towards Stage 3 yet". This was accounted for by:

1/ The sustained influence of the attracting pull of the large domestic market for inward FDI despite the growth in labor costs and other FDI disincentives.

2/ Poland's accession as full member to the European Union thereby increasing the economy's capacity to absorb and attractiveness for inward FDI.

3/ The dynamic growth of outward FDI being still unable to generate investment outlays that could match those recorded as inward FDI.

The last study of 2012 concluded that Poland was well positioned at the beginning of Stage 3 of her IDP trajectory. This was paradoxically attributed to an external factor in the form of a downturn in the business cycle which was perceived as leading to a curb in inward FDI while not at all affecting the growth of outward FDI. The authors were quick to add, however, that this set and congruence of factors exhibited a relatively short-term effect and that reversals could be also expected as it was observed in the case of the IDP of Slovenia, Hungary, Slovakia and Estonia.

The current assessment resumes the analysis of the IDP of Poland and its components in 2004, which includes a certain overlap over the previously investigated time span covering this subject area, and updates all data until the last available year of 2013. Table 1 presents the situation concerning inward and outward FDI stock, as well as GDP dynamics since 1990. The first observation is that as far as inward FDI stock is concerned its constant increase was recorded until 2008 when as the consequence of the global downturn it dropped by 8 p.p. and thereafter rose again for two years to drop again in 2011 by 6 p.p., and for the last two years resumed growth. With respect to outward FDI stock its value was continuously rising until 2013 (the last available record) when it decreased by 4 p.p. Those two trends occurred with rising GDP values, with the exception of two years: 2009 and 2012, when GDP was lower but still was accompanied by rising inward and outward FDI stock.

********** Table 1 about here **********

The key information determining the IDP of Poland is presented in Table 2. Firstly the NOIP was constantly deteriorating (rising with negative values) until 2008 when it improved (was smaller), then deteriorated again for two consecutive years and then again in 2011 went up and in the last two years on record went down again. This characteristic fluctuation was evident also in the values of NOIP per capita. It was decreasing until 2008, in that year it rose, thereafter deteriorated again for two years, improved in 2011 and finally went down in the last two years. The dynamics of NOIP per capital versus the previous year further strengthened this peculiar pattern: its numerical value increased until 2007 (inclusive), then in 2008 it dropped to the level of 89.3% of the previous year, thereafter it increased , then dropped again in 2011 to the level of 87.8% of the previous year in order to rise at the end for two consecutive years.

********** Table 2 about here **********

A similar fluctuation was observed in the evolution of the share of inward FDI stock in GDP of Poland as presented in Table 3. The said share is seen as rising until the end of 2004 reaching 34.3%. It decreases for the first time in 2005 to 29.9% but then rises for two years reaching 42% in 2007, then again falls to 31% in 2008, then again goes up for two years to 46% in 2010, then a fall occurs to 39.4% in 2011 and at the end the share increases for the two last years.

********** Table 3 about here **********

These periodic fluctuations are better visualized in the following three diagrams. It is clearly visible that the NOI levels out/stops the downward trend but then resumes the downward slide for two years in order to move upward in 2008. A fall however recurs thereafter also for two years but is reversed with a steep upward rise in 2011 but at the end continues with the downward decline albeit with a decreasing rate for the last recorded year of

2013. These fluctuations are the same for the NOI curve in Diagram 1, as for the NOI per capita curve in Diagram 2.

********** Diagram 1 about here **********

********** Diagram 2 about here **********

********** Diagram 3 about here **********

The above analyzed fluctuations of Poland's NOIP are only partly corroborated by the evolution of the country's inward and outward FDI performance indexes as presented in Table 4. They demonstrate considerable volatility and fluctuations often in opposite directions. But the values of the inward index are consistently higher than those related to outward investment pointing to the higher absorptive capacity of the domestic market vs. similar capacity of external markets. Also a marked congruity of both indexes emerges after 2011 when both fall drastically with the outward index slide being much more pronounced than that for the inward one.

********** Table 4 about here **********

What does this situation show as far as Poland's current positioning on her IDP is concerned? The first obvious observation is that contrary to the authors' previous predictions and expectations Poland seems to be still in stage 2 of the IDP paradigm model, but possibly at the end of the said stage. The slight decline in 2013 of the downward growth of the NOI per capita which theoretically could signal the move towards reaching the bottom of the said NOI curve and eventually passage into stage 3, has already proved to be misleading in three such similar situations before. In 2005 the leveling out effect of NOI per capita was much stronger than in 2013, in 2008 the same effect was even more stronger than in 2005, and in 2011 the said effect was even stronger than in 2008. This also explains why the authors in their previous research were anticipating (although with an appropriate degree of caution) that Poland's move into stage 3 of her IDP was imminent. Unfortunately, the current picture does

not provide support for the authors' earlier predictions. The principal lesson that emerges from the current positioning of Poland on her IDP is that positive signals and tendencies are reversible and should be verified in a much longer time period than that encompassing 2 or 3 years.

The ensuing important issue is that dealing with the possible explanations for this observed trend of the Polish economy to remain embedded in stage 2 of her IDP. The first argument can be tied to external macroeconomic factors related to the global economic slowdown which decreased the stock of inward FDI in Poland in 2008 and in 2012 when at the same time, paradoxically outward FDI stock continued to grow albeit at a somewhat slower rate. This can be construed as indicating that firms investing out of Poland had sufficient competitive advantages to weather unfavorable economic conditions and pursue their expansion into foreign markets. However, a warning sign appeared in 2013 when an absolute fall in outward FDI was recorded (first such occurrence since the year 2000). Foreign companies in turn investing in Poland seemed to be much more sensitive to these external factors. Another explanatory factor resides in the role of Poland's large internal market and its sustained and rising sales potential. This component coupled with the country's vastly improved institutional environment facilitating business continues to attract rising inflows of foreign capital[i]. A corresponding argument also lies in economic policies pursued by Polish authorities and state or state-supported institutions which have been continuously soliciting and encouraging foreign investors to invest in Poland. Seemingly, it is only recently that they have noticed that Polish firms desiring to expand into foreign markets also require and deserve outward promotion and support measures.[ii] One should not neglect also the argument of possible idiosyncrasy of individual country IDP trajectories which explains a prolonged positioning at a given stage of the IDP model with little or no signs of advancing in the short or medium term to the next one. An alternative perception of this explanatory factor could be

based on the argument that the IDP model with its 5 stage trajectory can be perceived as being reversible in the sense that short term evidence of movement into a subsequent stage is countered thereafter with a reversed drop into the previous one. All those explanatory factors seem to be pointing to the fact that the attractiveness of Poland for foreign investors remains still higher, exerts a stronger pull, than the outward push/drive generated by the international competitiveness of firms investing from Poland. This peculiar imbalance should not be perceived as detrimental to the Polish economy but at least currently it definitely constitutes the core of the idiosyncrasy of her IDP.

POLICY RECOMMENDATIONS

An important component of the original IDP paradigm have been economic policy measures introduced at each IDP stage, focused on FDI, and designed to move the country's economy along its IDP trajectory and thus, as per net result, to higher levels of domestic and international competitiveness. Taking into account this somewhat prolonged stay of Poland in stage 2 of her IDP, the vital question arises as to the necessary actions that should be taken by the government. An extensive, in-depth answer to this question can be found in the analysis of realized or advocated economic policy measures in Gorynia, Nowak, Wolniak (2009). The most important feature of government strategy in this field resides in the adoption of a rational approach which stresses both the continuation of efforts to attract foreign investors to invest and expand in Poland and at the same time to promote, support and encourage Polish firms to expand abroad using all available modes but focusing especially on exporting and FDI.

Since the outward thrust of economic policy has been intensified only relatively recently (for approximately the last 3 years) taking advantage of these efforts by the corporate sector and their transmission into foreign expansion, generating at the end the desired effect of the economy advancing on the IDP trajectory, is still to be observed. Of course, the principal aim and design of these policy measures is not guided directly by prescriptions of the IDP

paradigm per se but by the logical and paramount drive to improve and develop the competitiveness of Polish firms in foreign markets.

REFERENCES

Bellak, C. (2001). The Austrian Investment Development Path, *Transnational Corporations*, 10(2), 68-107.

Boudier-Bensebaa, F. (2008). FDI-Assisted Development in the Light of the Investment Development Path Paradigm: Evidence from Central and Eastern European Countries, *Transnational Corporations*, 17(1), 37-67.

Buckley, P.J. and Castro, F.B. (1998). The Investment Development Path: the Case of Portugal, *Transnational Corporations*, 7(1), 1-15.

Ciesielska, D. (2014). Polish Foreign Direct Investments – Trends, Patterns and Determinants. *The Macrotheme Review*, 3(1), 214-229.

Dunning, J.H. (1981). Explaining the International Direct Investment Position of Countries: Towards a Dynamic or Developmental Approach, *Weltwirtschaftliches Archiv*, 117, 30-64.

Dunning, J.H. (1986). The Investment Development Cycle Revisited, *Weltwirtschaftliches Archiv*, 122, 667-676.

Dunning, J.H. (1997). Alliance Capitalism and Global Business. London and New York: Routledge.

Dunning, J.H. and Narula, R. (1994). Transpacific Direct Investment and the Investment Development Path: The Record Assessed. *Essays in International Business*, 10.

Dunning, J.H. and Narula, R. (1996). The Investment Development Path Revisited: Some Emerging Issues, in J.H.Dunning and R.Narula (eds.), Foreign Direct Investment and Governments: Catalysts for Economic Restructuring, London and New York: Routledge.

Dunning, J.H. and Narula R. (2002). The Investment Development Path Revisited, in J.H. Dunning, *Theories and Paradigms of International Business Activity. The Selected Essays of John H. Dunning*, Volume 1, Cheltenham, UK and Northhampton, MA: Edward Elgar.

Durán, J. and Úbeda, F (2001). The Investment Development Path: a New Empirical Approach, *Transnational Corporations*, 10 (2), 1-34.

Durán, J.J. and Úbeda, F. (2005). The Investment Development Path of Newly Developed Countries, *International Journal of the Economics of Business*, 12(1), 123-137.

Ferencikova, S., Sr and Ferencikova, S., Jr. (2012). Outward Investment Flows and the Development Path. The Case of Slovakia, *Eastern European Economics*, 50(2), 85-111.

Gorynia, M., Nowak, J. and Wolniak, R (2007). Poland and Its Investment Development Path, *Eastern European Economics*, 45(2), 52-74.

Gorynia, M., Nowak, J. and Wolniak, R. (2008). Poland's Investment Development Path and Industry Structure of FDI Inflows and Outflows, *Journal of East-West Business*, 14 (2), 189-212.

Gorynia, M., Nowak, J. and Wolniak, R. (2009). Poland's Investment Development Path: In Search of a Synthesis, *International Journal of Economic Policy in Emerging Economies*, 2(2), 153-174.

Gorynia, M., Nowak J., Tarka P. and Wolniak, R. (2012). Foreign Direct Investment in New EU Member States from Central and Eastern Europe: An Investment Development Path Perspective. In: M. Marinov and S. Marinova (eds.), *Internationalization of Emerging Economies and Firms*. Basingstoke, Hampshire, UK: Palgrave Macmillan.

Gorynia, M., Nowak, J., Trąpczyński, P., Wolniak, R. (2014). Should Governments Support Outward FDI? The Case of Poland. In: S. Marinova, *Institutional Impacts on Firm Internationalization* (ed.), Palgrave Macmillan, London, pp. 120–145.

Kalotay, K. (2004). Outward FDI from Central European Countries, *Economics of Planning*, 37, 141-172.

Kalotay, K. (2005). Outward Foreign Direct Investment from Russia in a Global Context, *Journal of East-West Business*, Vol. 11, Issue 3&4, 9-22.

Kalotay, K. (2008). Russian transnationals and international investment paradigms, *Research in International Business and Finance*, 22, 85-107.

Kottardi, C., Filippaios, F. and Papanastassiou, M. (2004). The Investment Development Path and the Product Cycle – An Integrated Approach: Empirical Evidence from the New EU Member States of CEE. University of Reading Economics and Management Discussion Papers 003. Reading: University of Reading.

Kubielas, S., Markowski, S. and Jackson, S. (1996). Atrakcyjność Polski dla zagranicznych inwestycji bezpośrednich po pięciu latach transformacji. In M. Okólski and U.Sztanderska (eds.), *Studia nad reformowaną gospodarką. Aspekty instytucjonalne*, Wydawnictwo Naukowe PWN, Warszawa.

Lall, S. (1996). The Investment Development Path: Some Conclusions. In J.H.Dunning and R.Narula (eds.), Foreign Direct Investment and Governments: Catalysts for Economic Restructuring, London: Routledge, 78-100.

Maşca, S.G. and Văidean, V.L. (2010). 'Outward FDI and the Investment Development Path in Romania', *Young Economists Journal*, 1(15S), 27-38.

Narula, R. and Dunning, J.H. (2000). Industrial development, globalization and multinational enterprises: New realities for developing countries, *Oxford Development Studies*, 28(2), 141-167.

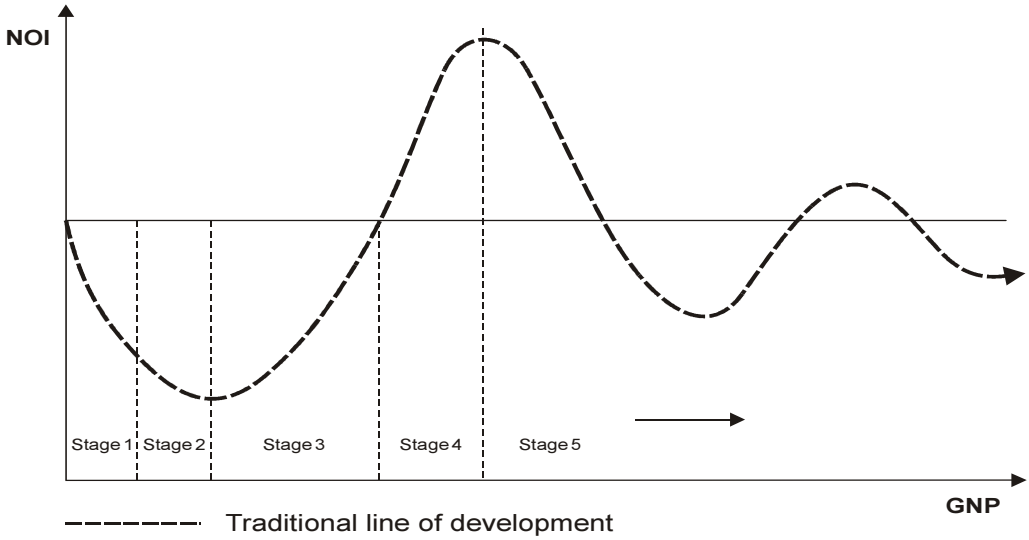
Narula, R. and Dunning, J.H. (2010). 'Multinational enterprises, development and globalization: Some clarifications and a research agenda', *Oxford Development Studies*, 38 (3), pp. 263-287.

Narula, R. and Guimón, J. (2010). The Investment Development Path in a Globalised World: Implications for Eastern Europe, *Eastern Journal of European Studies*, 1(2), pp. 5-19.

Svetličič, M. and Jaklič, A. (2003). Outward FDI by Transition Economies: Basic Features, Trends and Development Implications. In M. Svetličič and M. Rojec (Eds.), *Facilitating Transition by Internationalization: Outward Direct Investment from Central European Economies in Transition* (pp.49-76). Aldershot: Ashgate.

Figures and tables

Figure 1. The Pattern of the Investment Development Path[iii]



Note: Not drawn to scale - for illustrative purposes only

Source: Dunning and Narula, 2002, p. 139.

Table 1. FDI Inward and Outward Stock, and GDP of Poland in 1990-2013

Year	FDI Inward Stock, mln USD	FDI Inward Stock, (previous year = 100)	FDI Outward Stock, mln USD	FDI Outward Stock, (previous year = 100)	GDP[(a)], mln USD, at current prices	GDP (previous year = 100)
1990	109		95		64 550	
1991	425	390	88	93	83 705	130
1992	1 370	322	101	115	92 326	110
1993	2 307	168	198	196	94 122	102
1994	3 789	164	461	233	108 425	115
1995	7 843	207	539	117	139 062	128
1996	11 463	146	735	136	156 684	113
1997	14 587	127	678	92	157 154	100
1998	22 461	154	1 165	172	172 902	110
1999	26 075	116	1 024	88	167 802	97
2000	34 227	131	1 018	99	171 276	102
2001	41 247	121	1 157	114	190 421	111
2002	48 320	117	1 456	126	198 179	104
2003	57 872	120	2 144	147	216 801	109
2004	86 755	150	3 351	156	252 769	117
2005	90 877	105	6 308	188	303 912	120
2006	125 782	138	14 392	228	341 597	112
2007	178 408	142	21 317	148	425 129	124
2008	164 307	92	24 094	113	529 423	125
2009	185 202	113	29 307	122	430 912	81
2010	215 639	116	44 444	152	469 799	109
2011	203 111	94	52 849	119	515 763	110
2012	235 113	116	57 367	109	489 852	95
2013	252 037	107	54 974	96	516 534	105

[(a)] - according to official exchange rate
Source: UNCTAD, (http://unctadstat.unctad.org/wds/ReportFolders/reportFolders.aspx, 27.03.2015).

Table 2. NOI Position and GDP of Poland in 1990-2013

Year	NOI Position	GDP(a), mln USD	NOI per capita in USD	GDP[(a)], per capita, in USD	NOI per capita (previous year = 100)	GDP per capita (previous year = 100)
1990	-14	64 550	-0.4	1 692		
1991	-337	83 705	-8.8	2 188	2400.5	129.3
1992	-1 269	92 326	-33.1	2 408	375.7	110.1
1993	-2 109	94 122	-54.9	2 450	165.9	101.7
1994	-3 328	108 425	-86.5	2 819	157.6	115.1
1995	-7 304	139 062	-189.8	3 614	219.3	128.2
1996	-10 728	156 684	-278.8	4 072	146.9	112.7
1997	-13 909	157 154	-361.6	4 086	129.7	100.3
1998	-21 296	172 902	-554.2	4 499	153.2	110.1
1999	-25 051	167 802	-652.5	4 371	117.8	97.2
2000	-33 209	171 276	-865.9	4 466	132.7	102.2
2001	-40 090	190 421	-1046.3	4 970	120.8	111.3
2002	-46 864	198 179	-1224.2	5 177	117.0	104.2
2003	-55 728	216 801	-1456.9	5 668	119.0	109.5
2004	-83 404	252 769	-2181.9	6 613	149.8	116.7
2005	-84 569	303 912	-2213.5	7 954	101.4	120.3
2006	-111 390	341 597	-2916.4	8 944	131.8	112.4
2007	-157 091	425 129	-4113.5	11 132	141.0	124.5
2008	-140 213	529 423	-3671.5	13 863	89.3	124.5
2009	-155 895	430 912	-4081.7	11 282	111.2	81.4
2010	-171 195	469 799	-4481.7	12 299	109.8	109.0
2011	-150 262	515 763	-3933.0	13 500	87.8	109.8
2012	-177 746	489 852	-4651.7	12 820	118.3	95.0
2013	-197 063	516 534	-5156.4	13 516	110.9	105.4

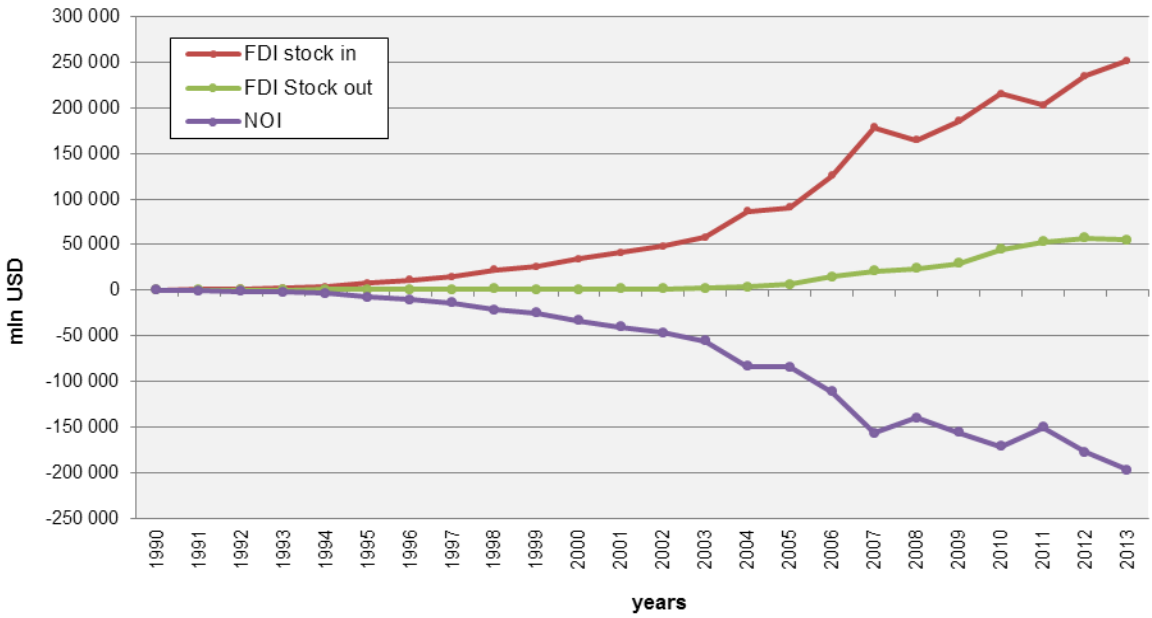
[(a)] - according to official exchange rate
Source: UNCTAD (http://unctadstat.unctad.org/wds/ReportFolders/reportFolders.aspx, 27.03.2015), Authors' own calculations.

Table 3. Inward FDI Stock as percentage of GDP of Poland, 1990-2013

Year	Inward FDI Stock as a Percentage of Gross Domestic Product
1990	0.2
1991	0.5
1992	1.5
1993	2.5
1994	3.5
1995	5.6
1996	7.3
1997	9.3
1998	13.0
1999	15.5
2000	20.0
2001	21.7
2002	24.4
2003	26.7
2004	34.3
2005	29.9
2006	36.8
2007	42.0
2008	31.0
2009	43.0
2010	45.9
2011	39.4
2012	48.0
2013	48.8

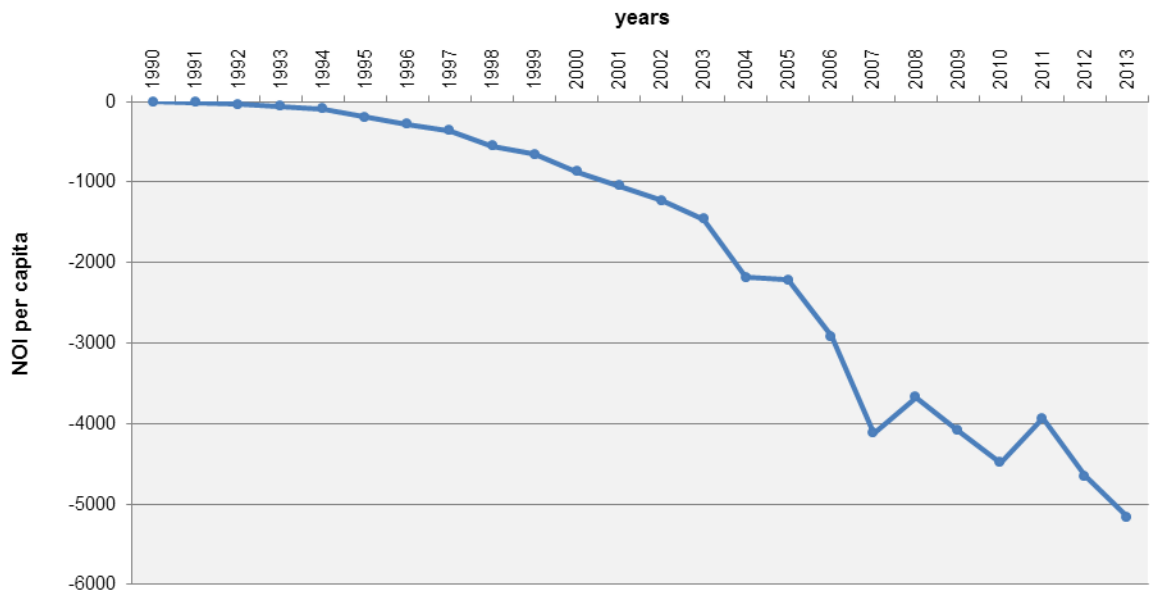
Source: UNCTAD, (http://unctadstat.unctad.org/wds/ReportFolders/reportFolders.aspx, 27.03.2015).

Diagram 1. FDI Inflow and Outflow Stocks, and Poland's NOIP, 1990-2013



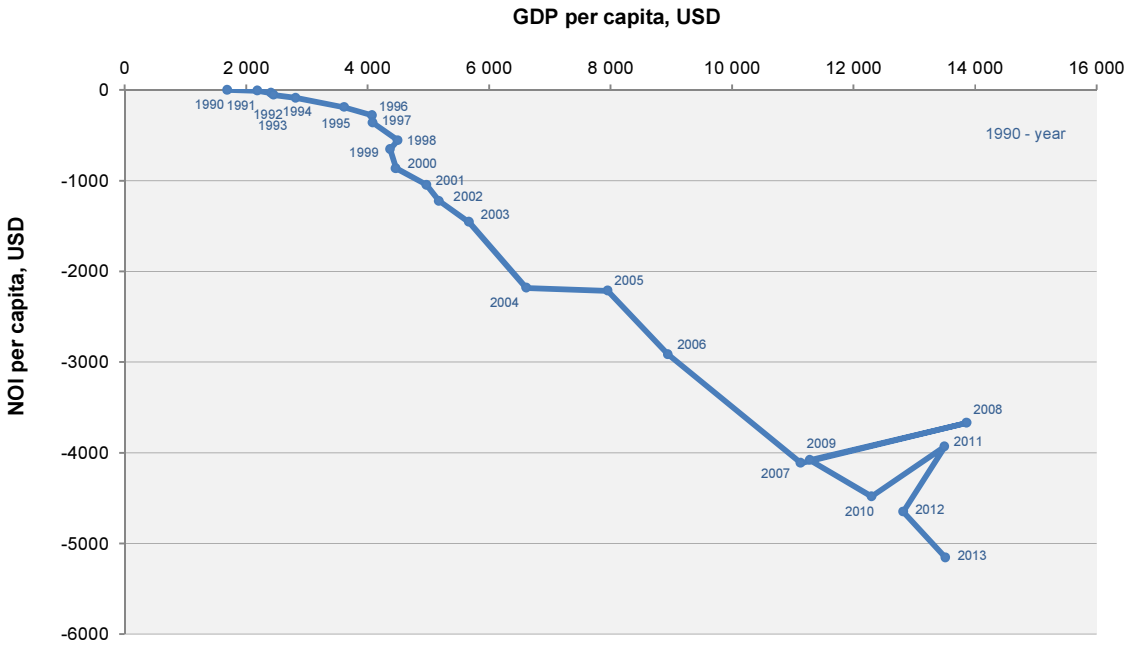
Source: Authors' own calculations.

Diagram 2. Poland's NOIP per capita, in USD, 1990-2013



Source: Authors' own calculations.

Diagram 3. Poland's GDP per capita and NOIP per capita, in USD, 1990–2013



Source: Authors' own calculations.

Table 4. Poland's Inward and Outward FDI Performance Index, 1990-2013

Year	FDI Inward Performance Index	FDI Outward Performance Index
1990	0.148	0.007
1991	0.655	-0.010
1992	1.113	0.018
1993	2.116	0.020
1994	1.866	0.026
1995	2.334	0.025
1996	2.284	0.027
1997	1.980	0.019
1998	1.609	0.082
1999	1.267	0.005
2000	1.281	0.003
2001	1.168	-0.020
2002	1.125	0.074
2003	1.336	0.092
2004	2.965	0.166
2005	1.580	0.582
2006	1.952	0.919
2007	1.569	0.318
2008	0.957	0.259
2009	1.448	0.549
2010	1.337	0.675
2011	1.674	0.658
2012	0.676	0.080
2013	-0.601	-0.497

Source: Authors' own calculations based on UNCTAD data, http://unctadstat.unctad.org/wds/ReportFolders/reportFolders.aspx, 27.03.2015

Endnotes

[i] Poland was ranked 31st in the World Bank Group ranking of ease of doing business in 2014. http://www.doingbusiness.org/rankings. 19.04.2015.

[ii] For an extensive analysis of government support for outward FDI from Poland see Marian Gorynia, Jan Nowak, Piotr Trapczyński, Radoslaw Wolniak (2014).

[iii] The IDP line shown is called by Dunning and Narula (2002) a traditional one. On this traditional line, they superimposed a line, parallel to the traditional one but flatter (ibid., p.139), that, according to these authors, reflects technological and organizational changes in FDI emerging in the 1990s.