STABILIZING ROLE OF FOREIGN DIRECT INVESTMENT IN EFFECTING EXPORTS – CASE STUDY OF POLAND

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ABSTRACT

The article raises the issue of the relations between foreign direct investment and exports, quoting the example of Poland. Most of the research done so far raises the issue of substitutability and complementarity of these phenomena. In their research of macroeconomic nature, authors such as Stehn, Stepniak and Markusen (Stępniak, 2005; Markusen et al, 1996) have proved that definitely in most cases we are dealing with complementarity of FDI in relation to foreign trade of the countries. Using the most up-to-date research regarding foreign investment (Melitz, 2003; Krugman), in this article I am trying to present FDI as that element of economic life that stabilizes exports, taking into account today’s context related to the economic crisis. Referring already in the first part to the research done also in Poland by the National Bank of Poland, I have presented FDI as a factor maintaining Poland’s exports on a high level despite temporary capital outflow.

The inflow of capital in the form of FDI to Poland is done in particular by companies from developed countries that are first of all looking for a location to move their own operations and reduce costs. Secondly, Poland is attractive as a location because of the availability of large markets. On the one hand, by operating in Poland, being an EU member, they get access to the EU internal market, while on the other they get close to the Russian market. Consequently, in their strategy for internationalizing their operations, investors making a capital involvement are planning to carry out their export operations dynamically.

Keywords: Foreign Direct Investment, Foreign Trade

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The discussion about the relations between foreign direct investment (FDI) and foreign trade has been going on for a long time. The main trends that appear in that discussion are the phenomena of:

- complementarity of trade and FDI,
- substitutability of FDI in relation to trade.

Robert Mundell (1957) began his research into these relations in late 50’s of 20th century. His research pointed to substitutability of FDI in relation to trade. However, many later studies contradicted such an explicit thesis. In their theoretical and empirical studies, (Krugman, 1986; Caves, 1971; Perry, 1978) tried to designate a common framework for clarification the relations between FDI and trade. Today, the so-called new trade theory shows disapproval of the assumption of stable productivity of companies causes the most effective companies to effect exports and to carry out international expansion, i.e. they will become not only exporters but also foreign investors (Melitz, 2003).

Referring to the concept of FDI and its relations to foreign trade, we should explain the phenomenon of FDI of the horizontal and vertical type. Horizontal investment is based on the theory of product differentiation (theory of intra-industry trade) (Markusen, Venables, Konan, & Zhang, 1996). The horizontal type of investment occurs between countries that are characterized by similar size and similar resources. Production takes place home or/and abroad. It is characterized by a large number of products on the market for which there will be demand from customers and by stable production costs. In this case, international trade causes market growth by the offer of cheaper products and a wider choice, which is a consequence of the benefits following from the scale of production (Markusen, Venables, Konan, Zhang, & 1996).

According to J.R. Markusen, A.J. Venables, D.E. Konan and K.H. Zhang (1996), vertical FDI means moving a certain part of production of the final product to another country to take advantage of other cheaper production factors, using capital. Consequently, moving part of the production process to another country may ultimately imply the impact of FDI on later exports of the location country (Weresa, 2007; Misala, 2009).
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In the case of complementarity of foreign direct investment we may be dealing with two scenarios at the same time (Kojima, 2000, Wysokińska, 2001):

1. Investment flows into a country with a higher level of economic development, which allows the home industry to develop by catching up product cycle;
2. Investment flows into a country with a lower level of economic development.

For the country receiving the investment it is a possibility to complement shortages in technology and capital. For the investor’s country this means rationalizing resources in those branches of the economy in which this country is losing the comparative advantage.

Assuming that investment is made in the location country in those sectors in which it has a relative advantage compared to the investor’s country, this will cause a dynamic development of trade in a given sector, which may contribute to increasing the comparative advantage.

The research by Kojima indicates that in the case of horizontal types of FDI we may be dealing with trade replacement, when the investor does not take into account the changes related to comparative advantages in the country of investment location in the process of making investment-related decisions. Such a situation may be encountered when investment flows into those sectors of the economy in which the investor’s country enjoys comparative advantages, while the location country does not. Consequently, we may observe an increase in imports of component parts, assemblies of parts from the investor’s country with simultaneous exports of end products. In a case like this we are dealing with the phenomenon of intra-industry trade. The comparative advantage drops in the investor’s country, while it increases in the location country (Dunning, 2002; Weresa, 2007).

In 2008 Hagemejer and Kolasa did research into medium-sized and large enterprises with foreign capital, using data from the period 1996-2005 obtained from the Central Statistical Office. The main conclusions following from this research may be summed up as follows (Hagemejer & Kolasa, 2008):

1. Exports are dominated by large industrial enterprises
2. The examined exporting companies compared to Polish companies are larger, have greater capital resources,
3. The examined companies have a greater value added,
4. They offer higher pay reckoned per 1 employee,
5. The examined companies are more productive (TFP\(^1\)).

\(^1\) TFP - Total Factor Productivity.
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The research by Stehn (1992) and Stepniak (1996) referred to research on the level of sectors and indicated that sectors belonging to leading exporters of goods were at the same time exporters of capital. On the other hand, the research by Melitz (2003) confirmed the thesis that companies being exporters of goods implement the strategy of internalization made in the form of the FDI. Referring these theses to Polish conditions, we may consider the following situations. Firstly, we may be dealing with a country importing capital and at the same time exporting goods. In the second case we can have a situation where the country importing capital is at the same time an importer of goods. Whereas in the third case, the country exporting capital is at the same time an exporter of goods. Poland is a country importing foreign capital and intensely exporting goods. However, at the same time the FDI subsidy the imports (Weresa, 2007). With regard to Poland’s exports, the crucial element is the role of investors. Despite temporary capital outflow and smaller proceeds from FDI, Poland’s exports have not been exposed to long-term negative changes.

POLAND’S EXPORTS IN THE PERIOD 1991-2010

Before analyzing Poland’s export it is worth to put some attention on the determinants why the structure of Poland’s foreign trade looks so. At the end of 1989 Poland turned into market economics. The process of transformation touched the areas of living including the international relations. The main aspects of the Poland’s foreign trade structure were determined by the fact that till 1989 Poland led the central planning economy. Like most of the Central and Eastern European countries Poland’s production was dominated by heavy and energy based industry, which was not able to compete on global market. In years 1989-1994 the export of industry dominated the export of Poland. In 1994 it reached 88% of total export. In the area of agriculture sector the situation was difficult as it was fragmented, disinvested and overpeopled. The agriculture sector was very responsive for international competition (Budnikowski, 1996). In years 1989-1995 there was not extreme change in the structure of Poland’s exports, but the shift in partners to more demanding market proposed a new challenge for exporters. It led to push for increase of competitiveness of Polish products. In 1989 main partner in export was Russia (Soviet Union then), while already in 1995 it was Germany. The share of export to Germany rose from 14,5% in 1989 to 38,5% in 1995 (Główny Urząd Statystyczny, 1995).

In the period 1991-2010 the value of Poland’s exports of goods increased almost 10 times. In 1991 Poland’s exports amounted to 14.900 million USD, while in 2009, following an obvious slump in 2009, 136.700 million USD (Figure 1). Poland’s trade deficit deepened from 619 million USD to 12.800 million USD in that period. Given the growth dynamic, Poland’s
exports have been developing systematically since the beginning of the 1990s. However, the period of the greatest growth fell to the 2000s.

The dynamic of exports growth is definitely greater in the years 2000-2008 than in the 1990s. The average annual exports growth rate in that period was 22.8%, while in the years 1991-2009 – 8.1%. Year 2009 brought along a change in the upward trend. However, the drop of the exports volume was lower than in imports compared to the previous year. Exports dropped by 1/5 in 2009, while imports almost by 30% (Mendyk, Miszczyk&Walczak, 2010).

![Figure 1: Amount of Poland’s Foreign Trade Value in the Years 1991-2010 (million USD)](source: Primary data from the Central Statistical Office (Mendyk, Miszczyk, Walczak, 2010; 2011)

In the years 2000-2010 exports grew over four times from the level of 31.651 million USD to 159.758 million USD. In the same period imports grew three times: from 48.940 million USD to 178.063 million USD. It should be pointed out that in accordance with data from the National Bank of Poland, which gives data regarding Poland’s exports in PLN, no negative phenomenon was observed in relation to the reduction of Poland’s exports in the years 2008-2009. To large extent Poland’s exports in the years 2008-2009 expressed in dollars decreased as a result of the depreciation of the
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Polish zloty. In 2008 the average exchange rate of the dollar was 2,41 PLN/USD, while in 2009 the average rate was 3,11 PLN/USD\(^2\).

**Table 1: Poland’s Exports by Sections According to SITC**


<table>
<thead>
<tr>
<th>Sections according to SITC</th>
<th>1995</th>
<th>2000</th>
<th>2005</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food and live animals</td>
<td>7,9</td>
<td>7,5</td>
<td>8,8</td>
<td>9,3</td>
<td>9,2</td>
</tr>
<tr>
<td>Beverages and tobacco</td>
<td>1</td>
<td>0,4</td>
<td>0,6</td>
<td>0,9</td>
<td>0,8</td>
</tr>
<tr>
<td>Crude materials inedible, except fuels</td>
<td>3,9</td>
<td>2,8</td>
<td>1,8</td>
<td>1,4</td>
<td>1,5</td>
</tr>
<tr>
<td>Mineral fuels, lubricants and related materials</td>
<td>9,3</td>
<td>5,1</td>
<td>3,2</td>
<td>1,8</td>
<td>2</td>
</tr>
<tr>
<td>Animal and vegetable oils, fats and waxes</td>
<td>0,1</td>
<td>0,1</td>
<td>0,2</td>
<td>0,2</td>
<td>0,3</td>
</tr>
<tr>
<td>Chemicals and related products</td>
<td>7,2</td>
<td>6,8</td>
<td>7,2</td>
<td>7,8</td>
<td>8,1</td>
</tr>
<tr>
<td>Manufactured goods classified chiefly by material</td>
<td>25,9</td>
<td>24,8</td>
<td>20,3</td>
<td>16</td>
<td>16,2</td>
</tr>
<tr>
<td>Machinery and transport equipment</td>
<td>25,7</td>
<td>34,2</td>
<td>44</td>
<td>50</td>
<td>49</td>
</tr>
<tr>
<td>Miscellaneous manufactured articles</td>
<td>19</td>
<td>18,3</td>
<td>13,9</td>
<td>12,5</td>
<td>12,8</td>
</tr>
<tr>
<td>Commodities and transaction not classified elsewhere in SITC</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0,1</td>
<td>0,1</td>
</tr>
</tbody>
</table>

**Source:** Central Statistical Office, Statistical yearbook of foreign trade 2007, 2010 and 2011

\(^2\) The author made her own calculations based on NBP data.
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Poland’s forthcoming membership in the European Union brought along significant changes in relation to the geographical structure of Polish exports. According to the Ministry of the Economy, in the years 2000-2009 the share of developed countries in Polish exports increased to 85,6% with a definite domination of EU countries (almost 80%). Poland’s 15 most important export partners include as many as 12 EU countries. In the case of imports – there are 10 EU countries.

As regards the product structure of Poland’s exports we can observe over the years a shift in the centre of gravity from low-processed goods to high-processed goods. The diminishing share of raw materials and semi-products in the exports bears evidence of Poland’s growing competitiveness. This positive trend is obvious especially with regard to electrical appliances and chemical products. The manufactured goods decreased its share to 16,2% in 2010 (Table 1).

In 2010 the greatest share in Poland’s exports fell to machinery, appliances and transport equipment. The share of that section has been growing systematically since the 1990s. Currently, it reaches almost 50% and has been consolidating systematically. In the period under examination, chemicals and related products 7-8%, as well as widely defined manufactured goods hold a strong position in the structure of exported goods. Special attention should be paid to two sections: manufactured goods classified chiefly by material and miscellaneous manufactured articles. Together with the previously mentioned sections they constitute over 86% of exports. Manufactured goods classified chiefly by material include: leather and rubber articles, wood (exclusive of furniture), bark, paper, cardboard and articles made of paper mass, paper or cardboard, fabrics, non-metallic products, iron, steel, non-ferrous metals, articles from metals etc.

The section of mineral fuels, greases and their derivatives is currently of definitely smaller importance. In 1995 they constituted over 9% of the exports, while today the number is just under 2%. The changing economic structure, the development of technologies causes Poland to record competitive advantages no longer as a supplier of raw materials but as that of processed products. The exports of Poland are still dominated by labor intensive products. Since last 20 years the foreign trade shifted from products based on natural resources and agricultural products. Weresa (2007) in the research underlines the increase of technology intensive products. The export of capital intensive products like transport equipment, assemblies and components is directly connected with dynamic activity of foreign investors like Opel or Volkswagen.
FOREIGN DIRECT INVESTMENT IN POLAND

Poland is among the countries attractive from the point of view of locating investment in the form of FDI. The 1990s have caused a considerable inflow of foreign capital to Poland. Positive reforms, which aimed at turning the Polish economy into a market economy, have a positive impact on the way Poland is perceived as a country that is attractive for investment. The 1990s brought along with the transformation a change in the rules of conducting business activity by foreign investors. In 1991 the Act on companies with foreign capital was passed. A number of institutional and legal changes allowed making the conditions for conducting business activity equal for foreign investors and home entrepreneurs (Jaworek, 2006).

Figure 2: Foreign Direct Investment in Poland and Polish FDI in 1995 and 2000-2011 (million USD)

Source: Own study on the basis of NBP data, Poland’s balance of payments 1994-2011

With regard to FDI, downward tendencies appeared in 2001 and remained until 2003 (Figure 2). The situation in Poland reflects the situation in the world, where it is this period that is marked by reductions in the FDI made. Year 2004, i.e. the moment Poland joined the EU, is characterized by an almost tripling of the growth compared to the preceding year. An interesting phenomenon may be observed over the period 2004-2005, a time when FDI dropped by 30%. This significant drop followed in particular from a
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drop of investment in equity capital (by 47.9%) and a drop of reinvested profit almost by half. Moreover, it should be remembered that 2004 was a specific year in which Poland experienced interest on the part of foreign operators. Until 2007 Poland was in the process of rebuilding its potential with regard to attracting foreign investment. The economic crisis affected Poland directly already in 2008, leading to a reduction in the FDI coming to Poland.

With regard to FDI made by Polish economic operators, we can observe an especially obvious change in the years 2004-2006, where the amount of foreign investment grew from 966 million USD to 9 168 million USD. The activeness of Polish operators was related to Poland’s accession to the European Union and the completely unrestrained access to the investment market. Long-standing trade relations supported the investment process. Polish companies undertake foreign investment in those areas where they carry out their exports. The bulk of foreign investment is made in EU countries. Apart from large enterprises like: Grupa LOTOS, Orlen or KGHM, foreign investment is also made by Polish brands like Reserved, Cropp and companies from the food sector (Stepniak, 2005). The sharp drop of incoming FDI to Poland in years 2008 and 2009 was a result of global financial crises. In the global market the similar situation was observed. UNCTAD showed in 2008-2009 there was a drop of inflow of FDI from 16 116 billion USD to 12 522 billion USD. Still the world did not achieve the level from the pre-crisis time. FDI flows in 2010 remained some 15% below their pre-crisis average, and nearly 37 per cent below their 2007 peak (UNCTAD 2011). In the case of Poland it is observed that inflow of FDI is rising. However, still did not reach of the pre-crisis level. However, the Central Statistical Office noted the increase in the number of foreign owned companies in 2010 in comparison with 2009. The number rose by 4,1% and reached the level of 23078 entities. It rose from 12649 in 1998 (Jaworek 2006). Even though, the crisis touched the economy of Poland, the foreign investors are interested in Polish market and the number of foreign investors is systematically increasing (Central Statistical Office, 2011). Most of foreign companies was operating in sectors: “Trade; repair of motor vehicles”- 27,7%; “Manufacturing” – 21%; “Real estate activities”- 9,7% and “Construction”- 9,2 in 2010.

Since 2008, when due to the crisis and poor financial performance of companies reinvested earnings reached a negative value, in the next two years value of this category was close to or exceeded the investment in the form of purchase of shares in Polish enterprises. This shows the improvement of financial situation of investors. It is also a forecast to their future plans for broadening the scope of their activities in Poland (Ministerstwo Gospodarki, 2011). This is also a result of quite good
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macroeconomic index that Poland reached in 2008 and 2009, what makes Poland stable in the foreign investors’ eyes.

To underline the linkages between the Poland’s export and incoming FDI to Poland it is important to look at the data according to FDI in main manufacturing area. Why it is important to analyze the linkages between foreign trade of Poland and inflow of foreign capital. The foreign investors engaged in companies in Poland realize ca. 60% of Polish export. Almost half of them (41%) is involved in export activity.

Revenues from total activity of companies with foreign capital in 2010 reached the level of 359990.45 million USD. While at the same time the revenues from export achieved the level of 84250 million USD. For the manufacturing sector the share of revenues from exports reached 44%. In total value of export the in the manufacturing sector the most important was the intra-firm industry trade was on the level of 49% (Central Statistical Office, 2011).

Figure 3: Share of Main Sectors (by NACE) in the Accumulated Inflow of Foreign Capital at the end of 2009

Source: Ministerstwo Gospodarki (2011)

3 Central Statistical Office in his report on Activities of Foreign Companies wrote the revenues reached the level of 1085623,2 million PLN. The author to have the same data – previously used in the text in USD calculated the revenues with usage of average annual rate in 2010 announced by the National Bank of Poland as follows 1 USD=3,0157 PLN.
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Table 2: Foreign Direct Investment in Poland in 2003, 2005, 2007, 2008 and 2009 Broken by the Economic Activity (million USD)\(^4\)

<table>
<thead>
<tr>
<th>NACE</th>
<th>2003</th>
<th>2005</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture and fishing</td>
<td>30,5</td>
<td>50,6</td>
<td>117</td>
<td>151,6</td>
<td>35,7</td>
</tr>
<tr>
<td>Mining and quarrying</td>
<td>-1,4</td>
<td>4,2</td>
<td>70</td>
<td>19,7</td>
<td>-19,9</td>
</tr>
<tr>
<td>Manufacturing of which:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>food, beverages and tobacco products</td>
<td>212,7</td>
<td>505,9</td>
<td>413,5</td>
<td>520,5</td>
<td>2389,1</td>
</tr>
<tr>
<td>textiles and wearing apparel</td>
<td>-8,2</td>
<td>0,6</td>
<td>19,3</td>
<td>-19,9</td>
<td>47,1</td>
</tr>
<tr>
<td>wood, publishing and printing</td>
<td>32,6</td>
<td>62</td>
<td>795,3</td>
<td>-161,7</td>
<td>681,1</td>
</tr>
<tr>
<td>refined petroleum &amp; other treatments</td>
<td>4,6</td>
<td>23,1</td>
<td>1,4</td>
<td>8,9</td>
<td>48</td>
</tr>
<tr>
<td>chemical products</td>
<td>96,1</td>
<td>-59,1</td>
<td>437,4</td>
<td>500,9</td>
<td>311</td>
</tr>
<tr>
<td>rubber and plastic products</td>
<td>132,8</td>
<td>389,5</td>
<td>618,5</td>
<td>267,1</td>
<td>223,9</td>
</tr>
<tr>
<td>metal products</td>
<td>206,1</td>
<td>317,8</td>
<td>1683,6</td>
<td>456,4</td>
<td>-124</td>
</tr>
<tr>
<td>mechanical products</td>
<td>154,3</td>
<td>426,4</td>
<td>400,7</td>
<td>256,2</td>
<td>324</td>
</tr>
<tr>
<td>office machinery and computers</td>
<td>44,9</td>
<td>27,6</td>
<td>245,3</td>
<td>102,9</td>
<td>-36,4</td>
</tr>
<tr>
<td>radio, TV and other communication equipment</td>
<td>94,2</td>
<td>54,3</td>
<td>354,4</td>
<td>-161</td>
<td>264,6</td>
</tr>
<tr>
<td>motor vehicles, trailers and semi-trailers</td>
<td>1016,1</td>
<td>391,3</td>
<td>922,6</td>
<td>-492</td>
<td>624,1</td>
</tr>
<tr>
<td>other transport equipment</td>
<td>-34,4</td>
<td>12</td>
<td>196,4</td>
<td>-176,7</td>
<td>135,7</td>
</tr>
<tr>
<td>Electricity, gas, water</td>
<td>355,5</td>
<td>222,3</td>
<td>617,2</td>
<td>1535,9</td>
<td>1197,8</td>
</tr>
<tr>
<td>Construction</td>
<td>-179,1</td>
<td>82,3</td>
<td>513,1</td>
<td>415</td>
<td>590,4</td>
</tr>
<tr>
<td>Total services</td>
<td>-</td>
<td>6504</td>
<td>13068,8</td>
<td>9819,4</td>
<td>6438,8</td>
</tr>
<tr>
<td>Trade and repairs</td>
<td>699,1</td>
<td>2576,5</td>
<td>2895,3</td>
<td>2193,8</td>
<td>1232,9</td>
</tr>
<tr>
<td>Hotels and restaurants</td>
<td>39,2</td>
<td>32,4</td>
<td>147,8</td>
<td>-31,4</td>
<td>34,6</td>
</tr>
<tr>
<td>Transport, storage, communication</td>
<td>-158,7</td>
<td>-462,2</td>
<td>822</td>
<td>-756,5</td>
<td>226,8</td>
</tr>
<tr>
<td>Financial intermediation</td>
<td>374,9</td>
<td>3146,6</td>
<td>3435</td>
<td>4466,7</td>
<td>2243,8</td>
</tr>
<tr>
<td>Real estate and business activity</td>
<td>485,3</td>
<td>1374,9</td>
<td>5582</td>
<td>3826</td>
<td>2799,8</td>
</tr>
<tr>
<td>Other services</td>
<td>321,1</td>
<td>-163,5</td>
<td>186,3</td>
<td>120,5</td>
<td>-99,1</td>
</tr>
<tr>
<td>Not allocated</td>
<td>1,5</td>
<td>0,1</td>
<td>220,7</td>
<td>14,8</td>
<td>534,2</td>
</tr>
<tr>
<td>Total</td>
<td>4123</td>
<td>9515,4</td>
<td>22612</td>
<td>14728</td>
<td>13698,1</td>
</tr>
</tbody>
</table>


\(^4\) The (+) means a grow of liabilities, whereas (-) means a reduction of liabilities.
The biggest beneficiary of incoming foreign capital in Poland is the service sector in accumulated terms (Figure 3). In 2009, 4.7 billion USD flowed into the services sector, which constituted for almost 50% of the inflowing FDI. If we look in the accumulated amount of foreign capital the service sectors has the share of almost 60%.

Poland becomes more and more interesting place for investments in service sector in the form of BPO, which constitute the biggest part of investment projects. In the industry sector the highest share has the manufacturing section (31.8%) and special attention should be made to food, beverages and tobacco products (5.9%) and motor vehicles, trailers and semi-trailers (4.5%).

WTO and UNCTAD reports emphasize that there is a change in relation to increasing the intensity of foreign capital invested in services. Poland does not deviate from global trends with regard to inflowing foreign direct investment emphasized in WTO or UNCTAD reports ("World Trade Report", 2009;"World Investment Report", 2010). The years 2007 and 2008 depending on economic activity suffered from the global crisis, what meant the outflow of capital or lower level of investment. Most of activities felt this trend sooner or later. 2009 was far more optimistic for foreign companies in Poland.

If we go into the details of incoming foreign capital to Poland it is observed that in manufacturing sector dominate 3 subsections: “food, beverages and tobacco products” with continuous grow of invested foreign capital; secondly it is “wood, publishing and printing” and thirdly- “motor vehicles, trailers and semi-trailers”. First two subsections can be characterized as low-intensive technology, but the motor vehicles is the medium high-technology. “Food, beverages and tobacco products and motor vehicles, trailers and semi-trailers stood for 59% of Poland’s export in 2009.

The main conclusion is that, in these sections, continuously is observed the rise of engaged foreign capital and at the same its share in export of Poland is increasing. The crisis for a moment influenced the situation with foreign investors as they just invested less in most of branches. But still the pro-trade oriented activeness and global character of foreign investors leads finally to increase of incoming FDI to Poland. The character of investment in Poland shows that foreign investors stimulate the development of Poland’s exports. Not only in the area of manufacturing, but also in services, what is in line with global trends. As the main determinant for investors is the localization, the FDI inflow to labor intensive and export oriented economic activities (Wersea, 2006). But it is worth underlying, that the branch structure of FDI changes into the direction of technology intensive sectors like: office machinery, including computers or chemical products and services. It means that in the future not only the size of market, localization and costs of labor will have the crucial meaning for
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foreign investors. Ministry of Economy, in its reports, underlines that already now the biggest share of FDI is led in the form of BPO in the service sector.

If you look at the list of the biggest companies in Poland it is observed that in the area of export, which is considered as one of the main determinants of success, the highest share of production for export, have the companies producing motor vehicles such: Toyota Motor Industries Poland Jelcz-Laskowice, Volkswagen Poznań or Toyota Motor Manufacturing Poland Wałbrzych (90%). Also high share of production for export dominates the activities of radio, TV equipment and home equipment branch, which in Poland is characterized by many foreign investors - 73,9% (Lista 500, 2012). The foreign capital engaged in Poland in its strategy is focused on pro-trade oriented strategy, especially in the area of export. As it was underlined in this section very high share is the intra-firm export, which characterizes the profile of foreign companies active on Polish market.

FOREIGN DIRECT INVESTMENT AS STABILIZER OF POLISH EXPORTS – CONCLUSIONS

A major difficulty in comparing data regarding FDI and exports lies in that FDI is based on the Polish Classification of Economic Activities, while exports are expressed in the form of goods. In the article I have used in relation to exports the SITC classification. Regardless of the statistical difficulties, it is possible to arrive at preliminary conclusions based on the analysis carried out. It is a starting point for deepening the analysis and standardizing statistical data.

Over the period 2005-2010 companies with foreign capital accounted for over 60% of Poland’s exports (Słomska, Szefer & Walkowska, 2011). In 2010 over 41% of companies with foreign capital were involved in exporting activity. The largest number, as many as 72% of the exporting companies, were operating in the area of industrial processing and they were the ones that dominated in the amount of exports (82%). The structure of exports concentrated on products (74,8%), services (13,4%), and on exports of goods and materials - 11,8% (Słomska, Szefer & Walkowska, 2011).

With regard to the inflow of FDI, we can observe their concentration in industries of medium-low and medium technological advancement, such as: production of machinery and appliances, production of mechanical vehicles and trailers. Foreign direct investment is also addressed to high-tech branches like chemical products, which also include pharmaceuticals. With regard to exports, it is exports of machinery, appliances and transport equipment that today constitutes about 50% of exports, and that share is on the increase. It is the result of carrying out FDI by transnational corporations in Poland in the automotive sector (production of mechanical vehicles,
production of transport equipment). According to Stehn (1992), in Germany in the case of the chemical sector there is a correlation between exports and FDI in the form of substitution. Moreover, similar conclusions are true of the electrotechnical sector in Japan and Great Britain (Stępniak, 1996).

In the case of Poland, referring to the theories showing relations between FDI and foreign trade we may conclude that the foreign direct investment made is vertical in its nature and is mostly trade-oriented. Consequently, Poland, which is also reflected in statistical data, is a country with inflowing FDI from developed countries aimed to take advantage of cheaper production factors. The motives mentioned by foreign investors regarding Poland as a place for investing capital include location but also the size of the market as factors of significance.

Referring to the theoretical considerations presented briefly at the beginning of the article, taking Poland as an example we can observe that as a country receiving capital we can benefit not only from this. Involved investors have to satisfy global demand, as is the case with household appliances, production of subassemblies and parts for the automotive industry or even companies producing all types of machinery and appliances. Initially, the inflowing FDI initiate imports growth to then achieve growth in exports in the prospect of 2-3 years. Initially, imports growth is related with the purchase of production factors by entrepreneurs, and then with effecting exports.

In the statistical model of the relation between FDI and Poland’s foreign trade in the years 1993-2001, these variables are correlated (Zysk, 2004). W. Zysk examined 33 countries that in that period carried out 95% of the FDI made. It was shown that if the inflow of FDI goes up by USD 1 million, exports will grow by USD 0,5 million. Moreover, the growth of investors by 1% will increase the value of exports by USD 164,9 million (Zysk, 2004).

Looking at foreign investors from the Polish Agency for Information and Foreign Investment list, it can be observed that concentration of FDI is done in sectors that carry out exports especially intensely. Companies such as Fiat, General Motors, Reemtsma, British American Tobacco, Coca-Cola, Pepsi, Unilever, Alcatel are global brands looking for new markets to increase their share in the world market. Poland as country located in the very centre of Europe is a perfect place for making export-oriented FDI; not only from the perspective of a still inexpensive and qualified labor force, but also as a country giving access to the European Union market and close to Russia. Consequently, transnational enterprises making foreign direct investment in Poland may treat Poland as a platform for developing exports and as a perfect market. Transnational corporations treat the foreign currency exchange rate as a side issue. Regardless of the foreign currency exchange rate, they carry out exports to satisfy global demand.
Stabilizing Role of Foreign Direct Investment in Effecting Exports – Case Study of Poland

The involvement of developed countries in FDI in Poland plays a stabilizing role, as the global nature of the operations carried out by investors causes global sectors to implement their planned operations even if the inflowing capital is reduced. Such a phenomenon is visible in the automotive sector, in household appliances, the chemical industry (including the pharmaceutical sector) or even in food products. The global nature of these sectors and investors in Poland shows that, given the motives of the FDI made and the benefits following from the location in Poland, exports are carried out despite temporary outflow of FDI or reduced dynamic of the inflowing foreign investment as it is observed in the time of global economic crisis. Poland’s example shows that the country’s attractiveness and the resulting involvement of capital in economic development does not pose a threat and does not cause a slump in moments of crisis in the area of foreign trade.

REFERENCES


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