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# Outward FDI Policies in Visegrad Countries. Final Report

## Czech Republic, Hungary, Poland, Slovak Republic

Andrea Éltető, Sonia Ferenčíková, Marta Götz, Tatiana Hlušková, Barbara Jankowska, Erich Kříž, Magdolna Sass

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Visegrad Fund

Research project, No. 11430010
Small Grants Program
of the International Visegrad Fund

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# Contents

# Streszczenie

Niniejsze opracowanie stanowi efekt badań prowadzonych przez międzynarodowy zespół w ramach projektu Funduszu Wyszehradzkiego – Research project, No. 11430010 Small Grants Program of the International Visegrad Fund, "Outward FDI Policies in Visegrad Countries".

Raport dotyczy polityki prowadzonej wobec bezpośrednich inwestycji zagranicznych (BIZ) wypływających z Czech, Węgier, Polski i Słowacji. Poświęcony jest systemowi  wspierania ekspansji zagranicznej firm w jej najbardziej zaawansowanej formie, tj. BIZ. W części pierwszej zarysowano podstawowe charakterystyki wszystkich czterech krajów grupy, zwracając szczególną uwagę na kontekst kryzysu finansowo-gospodarczego 2008 r. Następnie przybliżono główne tendencje rozwojowe i specyfikę inwestycji bezpośrednich z tych państw i omówiono najważniejsze wnioski płynące z przeglądu literaturowego, a więc dotychczasowych opracowań w tym zakresie. W kolejnym rozdziale przedstawiono zasadnicze wyniki prowadzonych prac, a więc rezultaty ankiet i wywiadów pogłębionych przeprowadzonych wśród przedsiębiorców podejmujących ekspansję zagraniczną, jak i przedstawicieli państwa – władz lokalnych i innych oferujących wsparcie i odpowiedzialnych za realizację w praktyce polityki wobec BIZ. Raport zamykają główne konkluzje płynące z badań wraz z rekomendacjami sugerującymi ewentualne dalsze kroki mające na celu usprawnienie obecnego systemu.

# Executive summary

Visegrad Four (V4) due to the specific dependence on foreign capital have been labelled as "dependent market economies" with a comparative advantage in the assembly of goods such as cars or consumer electronics [Noelke, Vliegenthart 2009]. This project focuses on the opposite side of international capital movements as it explores the phenomenon of outward investment made by V4 indigenous firms.

This report presents the findings of a project funded by the Visegrad Fund, which aimed at investigating the (post) crisis practices of OFDI polices in V4 – the Czech Republic, Hungary, Poland and Slovakia. It has been organised around four research proposals touching upon: possible (post)crisis change of perception of and subsequently of policies towards OFDI in the Visegrad countries towards a more beneficial ones; specificity of assistance offered directed mainly to SME; priority given to "perspective markets" i.e. fast growing far economies (Brazil, Algeria) that are often promising high returns, and finally upon reception of available support often critically seen by potential beneficiaries as ill-suited, negligible or simply inadequate.

There has been no clear trend in all V4 countries with respect to OFDI flows. Likewise, the year 2008 when crisis erupted, has not constituted any watershed moment signifying change in capital flows. It seems some reverse of tendency has taken place on the eve of crisis in years preceding 2008. Existing figures do not confirm particular change to happen after crisis in terms of scale of outward investments.

The research encompasses thorough and critical literature review and several in-depth interviews with practitioners and policy makers (case studies). The results should be important to researchers as well as policy/decision makers and practitioners.

In our project, we specifically examine the changes in FDI policies. Though, given the scarcity of reliable information and perhaps the relatively short period of time covered in our research, this task proved to be a difficult one.

In the Czech Republic, the (post)crisis shift of perception with regard to country's internationalisation is evident only indirectly and mainly via the state policy focusing on export (with OFDI holding only auxiliary position). Research proposals on the specificity of offered help and of its reception could not have been properly tested due to the overall scarcity of information limited in fact to intelligence gathered from Embassies. OFDI does not seem to be perceived as an important topic among business associations either. The general focus of government is export, which has been also explicitly emphasized by the export strategy for years 2012-2020. Statistical data revealed specific territorial composition of Czech OFDI, yet on the basis of the data the preliminary hypothesis of priority given to new / distant markets cannot be confirmed. Export of capital tends to concentrate in European countries. Russia has been important destination among BRICS group, however, due to Ukrainian crisis large decline in 2014 and 2015 can be expected. The literature review demonstrated a complex image of Czech OFDI position as well as the fact that the topic itself is at the margin of academic debates. There is, however, the discourse dedicated to the comparison of Central European and East European countries emerging. The Czech Republic is described as a country heading towards the third phase of investment development path concept, i.e., the levelling of FDI and OFDI. This process, though, would certainly take time due to the changed conditions of international economy, which are less favourable for spill-over effect from foreign investments to domestic ones,.

In the Central and Eastern European region Hungary was the first country to invest considerable amount of capital on foreign markets. Main destinations were the neighbouring countries. Over time, a supportive institutional background has been established in order to help companies investing abroad. Especially micro-, small- and medium-sized companies can benefit from the support provided by various institutions. After the year 2010, with the new government and institutional background, main aims as well as the staff of these institutions have been changed to a great extent. We assume that the support for capital export has been pushed into the background, relative to the initiatives enhancing goods and services export and encouraging incoming FDI. This can be proved by the fact that we had serious difficulties in finding the responsible department and/or staff members at the relevant institutions responsible for this more advanced form of internationalization. The companies taking part in our mini-survey were in general satisfied by the support received; they praised especially its relevance, but were much less appreciative of its bureaucratic nature. However, four out of 13 companies could not find a relevant support scheme for their foreign expansion. The transformed (ITDH/

/HITA/HIPA) Hungarian Investment and Trade Agency still seems to be the most important actors in the area. In spite of the fact that according to the companies, lack of finances is only the third most important inhibiting factor of foreign expansion, financial help (grant) is actually the most frequent help received by them.

The sectoral structure and geography of Polish OFDI differs depending on whether we take into account the assets accumulated abroad (OFDI stock), the number of entities established, employment figures, sales or exports. In general, despite the recent trend of increasing the role of services and quite significant share of transit flows counted as OFDI, neighbouring European countries and manufacturing sector prevails at least in terms of measures such as the number of affiliates, overseas staff or sales generated.

The policy supporting OFDI seems to evolve after the years of a laissez faire approach, when firms have been left to themselves in their internationalization endeavours, towards more active approach. The size and scope of available support suggest that it is directed towards SMEs, although officially not always confined to them. In practice larger firms show no interest in applying for internationalisation schemes. The attention is indeed paid by policy makers to fostering expansion to distant more promising so called perspective markets. Given that main recipients of such assistance are SMEs, the policy focus on remote, fast growing more risky markets may imply some mismatch. This imperfect fit of such help cannot be fully confirmed, however, with beneficiaries valuing the received assistance differently.

In Poland, the growing approval for foreign expansion with evident state support and promotional actions in this respect reflect not that much the crisis realm but shall be seen rather as the result of long-term processes which started 25 years ago. The recently observed acceleration of pro-expansionary actions seems to be path dependant. Internationalisation is not a reaction to the crisis but rather a part of comprehensive processes of strengthening the economy by building larger multinational companies.

Slovakia is the third most open economy in the European Union, and also the most open among the V4 countries: foreign trade represented 189% of GDP in 2013, with 98% share of exports and 91% share of imports in GDP. Nevertheless, share of FDI outflow in GDP is significantly smaller in Slovakia than in the whole V4 group, even though it reveals a rising tendency. Based on the interviews with providers of internationalization assistance and managers of the internationalizing companies as well as on publicly available information, we can conclude that the state support for Slovak OFDI is negligible, since the assistance offered is predominantly directed to export activities. Major institutions with OFDI-focused services in Slovakia are: EXIMBANKA (Export-Import Bank of the Slovak Republic) providing mainly loans and insurance of investment, and Ministry of Foreign and European Affairs of the Slovak Republic and its Slovak Aid programme, which is focused on participation of Slovak entrepreneurs in projects aimed at sustainable development of the target countries. One of its tools is the support of Slovak start-ups in developing countries. Only 5 companies out of our 60 firms sample have used EXIMBANKA services, no one mentioned taking advantage of start-up support. Other institutions offer services which could potentially help OFDI, but it is not their primary goal. In this respect only 2 investigated companies mentioned having used the assistance from SARIO (Slovak Investment and Trade Development Agency). We can conclude that state policy is predominantly focused on attracting inward FDI and the support of export. OFDI seems to be basically neglected in the official economic strategy of the Slovak Republic.

The almost omnipresent reluctance among companies to take part in research surveys such as the one designed within this project has lead us to recommend the introduction of a special certificate of "science friendly company". It would award firms willing to cooperate in scientific projects which are based in fact on companies' openness, responsiveness and readiness to help scholars conduct their studies and for whom such input is in many cases *sine qua non* condition for reaching valuable findings and thus achieving scientific success. Paradoxically this lack of responses and negative answers might be insightful as to the direction of future research. It clearly shows the huge need for investigating this problem.

We believe, that this preliminary report analysing the current state of (post)crisis polices towards OFDI in V4 may serve as starting point for further detailed research. This project shall thus constitute the first step of a more comprehensive research devoted to the growing phenomenon of foreign market expansion by firms from V4 countries and the role played by official assistance in this respect.

# I. Introduction

## 1. Project's background

The Investment Development Path theory suggests that countries turn from being FDI receptors to FDI sources in the course of their economic development [Dunning 1986]. Several existing studies point to the impact of FDI promotion and incentives in location choice by investors. Anecdotal evidence suggests that besides providing incentives to inward FDI, governments increasingly take part in promoting outward investments of locally owned (and/or controlled) companies. This report presents the findings of the project funded by Visegrad Fund, and aimed at investigating the (post)crisis practices of OFDI polices in V4 – Czech Republic, Hungary, Poland and Slovakia. We specifically tried to verify following research proposals:

- since the crisis eruption in 2008 we have observed a certain change of perception of OFDI in the Visegrad countries towards a more beneficial one. Such outflow is not regarded as cost for domestic economy anymore (adversely affecting labour market i.e. creating jobs abroad instead of in home country), which can also be associated with a number of benefits;
- offered help is directed mainly to small and medium enterprises (SMEs) as bigger players do not need it, there is no demand for such support from larger firms and EU regulations do not allow it (or there is a demand for other type of support from large firms: at the government level);
- priority is given to "perspective markets" i.e. fast growing distant economies (BRICS, etc.) that are often promising high returns whereas OFDI as such is largely directed towards other V4 countries;
- available support is, however, often perceived critically by potential beneficiaries as ill-suited, negligible or simply inadequate, thus suggesting a room for improvement.

The research encompasses a thorough and critical literature review and several in-depth interviews with practitioners and policy makers (case studies). The fieldwork, however, has revealed profound challenges as far as obtaining information is concerned. We thus have to tap other available sources to make up for this scarcity. Despite these impediments we see our findings and conclusions as valuable and enriching the scant public discussion concerning this seemingly neglected area.

The results should be important to researchers as well as policy/decision makers and practitioners. This preliminary report analysing current state of (post)crisis polices towards OFDI in V4 may serve as starting point for further detailed research. This project shall thus constitute the first step of a more comprehensive research devoted to the growing phenomenon of foreign market expansion by firms from V4 countries and the role played by official assistance in this respect. In our undertaking we also tried to insert a certain "Visegrad aspect" by analysing how these policies may affect FDI from one Visegrad country to other Visegrad countries (i.e., to examine mutual flows).

In our research endeavour we identified following groups of potential beneficiaries:

- firms undertaking foreign expansion as well as those planning it in the V4 countries may find it interesting to learn about available support;
- policy makers in the V4 countries may acquire valuable knowledge on good and bad practises from other countries, which shall help them better design right instruments in the future;
- the scientific community through providing more detailed data about the present state of the OFDI policies. Results can be important to professionals and academics as they shall enrich the existing studies devoted mostly to FDI flowing from highly developed states by adding the post-communist countries perspective.

Concerning methodology, it should be stressed that the whole research process included the following stages:

Preparatory work started in December 2014 and continued through mid-January 2015. It aimed at setting out the research agenda, elaborating research design, clarifying other aspects via exchange of e-mails, phone calls.

Desk research began in January and lasted till the end of February 2015. It was devoted to exploration and review of strategic documents or / assessment of activities of dedicated support institutions and, to the degree that proved possible, it was enriched by case study or information gathered from investors (in some countries the fieldwork started later). At this main stage, we conducted interviews with experts from ministries and investment promotion agencies; and with companies, which invested abroad (and used the promoting schemes), using e-questionnaire survey or interviews. Stages one and two offered food for thought and necessary input for the seminar.

On March 13th 2015 we held the working seminar – one half-day event at Poznań Institute for Western Affairs which wrapped up country results gathered so far, formulated guidelines and set out the agenda for further research.

In May 2015 we were able to issue this concluding Report on OFDI policies in V4 countries in the (post)crisis era. Results in abridged version have also been made available to wider international community via the online special series of four "Bulletins of the Institute for Western Affairs" – an immediate expert commentary on current political events.

As it turned out, proving our apprehensions, the main problem we encountered in the course of our project was to obtain information from firms venturing abroad and other institutions involved. Receiving investors or officials agreement to participate in project and being interviewed proved to be the real challenge.

Besides this report being a special inventory of current state of (post)crisis polices towards OFDI in V4 which may serve as a compendium of existing practices, the main findings of our joint research endeavour are also presented in four detailed country case studies laying out the present state and developments of OFDI policies in the V4 countries – available on the project website and in series of special Bulletins of Instytut Zachodni also free to download from the website: www.iz.poznan.pl/.

## 2. Visegrad countries

Due to their specific dependence on foreign capital "Visegrad Four" have been labelled "dependent market economies" with a comparative advantage in the assembly of goods such as cars or consumer electronics [Noelke, Vliegenthart 2009]. This project focuses on the opposite side of international capital movements as it explores the phenomenon of outward investment made by V4 indigenous firms.

The Czech Republic has a leading position among V4 countries in terms of GDP per capita. The crisis in 2008 hit the economy seriously and resulted in fiscal restrictions that ultimately helped to keep the good rating of public finances and to avoid the debt crisis. The restrictions, however, had negative effect on the GDP growth with the prolonged "W" shaped recession. The Czech Republic is a small open economy and attraction of FDI is still the primary target of the government. With the economic growth and the rise of cost of labour, the shift towards investments with high value added is particularly sought after. As befits a highly export-focused country, the main strategic aim is to provide Czech companies with new markets and to move the production up towards more complex position in the value chain. Current export strategy emphasises the necessity of geographical diversification and reduction of the EU share in order to maintain higher resilience to external shocks that cannot be influenced by domestic means. Czech OFDI are dominated by the Netherlands and financial and insurance services, which suggest primarily tax optimization and "favourable legal frame seeking" as motives of investments. Continuous importance of Slovakia as destination country reveals the capital interconnection between these two economies. Specific indirect OFDI primarily connected with transnational companies and located in tax favourable countries should also be mentioned. These investments effectively blur the statistics by the concealment of capital's origin.

Hungary was the first country in the Central and Eastern European region to invest a considerable amount of capital abroad, and it still belongs to the leading outward investor states among the new members of the European Union. In terms of overall OFDI-stock, Hungary is surpassed only by Poland, and in terms of per capita OFDI stock, only by Estonia, according to the data published by UNCTAD. Both, the target countries and the changes in the values of Hungarian investments highlight two important patterns. One is the importance of large transactions capable of influencing the change of the host (and home) country FDI composition, and the second is the significance of outward investments in tax havens serving tax optimization purposes. Besides the incumbent, Hungarian-owned and/or – controlled companies, there are important foreign-owned affiliates in Hungary, which were used by their multinational parent to invest abroad: thus realizing so-called "indirect outward investments".

Poland is the sixth largest country in the EU and the largest market among the V4. However, according to Eurostat, Poland was the only economy among the V4 and even in the whole EU that achieved 1.6% GDP growth in 2009. The avoidance of the economic recession in the time of the world economic turmoil 2008-2009 gained Poland the name of "green island". The relatively good performance of the Polish economy in the group of the CEE countries makes the Polish market still very attractive for the inflows of foreign direct investment. Following the transition from communism, Poland's OFDI was almost negligible and limited to trade-supporting activities in key export markets for many years [Zimny 2013]. It actually took off after EU accession in 2004, when the Polish private sector had matured enough to start generating home-grown multinational enterprises (MNEs) and state owned enterprises

(SOEs) also began investing abroad. Whereas they sometimes could count on Government's encouragement, emergence and expansion of private MNEs has been left to market forces.

Slovakia is the third most open economy in the European Union, and also the most open among the V4 countries. Foreign trade represented 189% of GDP in 2013, with 98% share of exports and 91% share of imports in GDP, which marked the highest level of openness of Slovak economy since the establishment of the sovereign Slovak Republic in 1993. Slovakia is highly dependent on its export, and the export is highly dependent on foreign direct investment (FDI) as all of the ten largest Slovak exporters have foreign-investor roots. Slovak export success is based mainly on large companies, namely in the automotive and consumer electronics sectors. The biggest exporters are foreign--owned subsidiaries such as Volkswagen, Kia, PSA Peugeot Citroën, Samsung or Slovnaft-MOL. SMEs are lagging behind the large companies in terms of export performance. In 2012, the number of exporting SME reached 27,474 which accounts for 97,1% of all Slovak exporters. Nevertheless, the value of SMEs export was only 17,486 bln EUR, what represents 27,8% of the overall value of Slovak exporters. This disproportion along with the increase of SME competitiveness has been already recognized by the Ministry of Economy of the Slovak Republic (2013) as requiring proper action. However, when speaking of internationalization, Slovak state institutions seem to give priority to export support and only little attention is paid to OFDI.

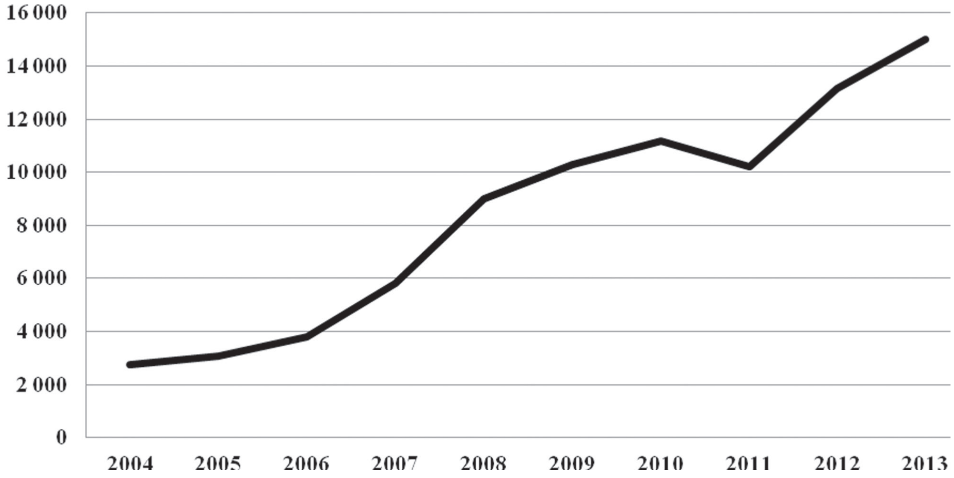
Summing up, the broad brush picture of V4 countries, accentuating only briefly some points worth mentioning shows similarities as well as differences among them with respect to the general internationalisation processes. Regional concentration, tax optimizing as motives, high bias towards export activities and yet various share of OFDI in country's GDP or in relation to IFDI suggest although a group it is a pretty diversified one. Paraphrasing the L. Wojciechowski [2013] study on inflowing FDI in V4 countries we can indeed state that "…the originality of our work lies in studying some aspects of FDI outflow from <u>the group of both similar and yet very different</u> countries in economic measures terms".

# II. Statistics

## 1. Individual V4 countries' statistics

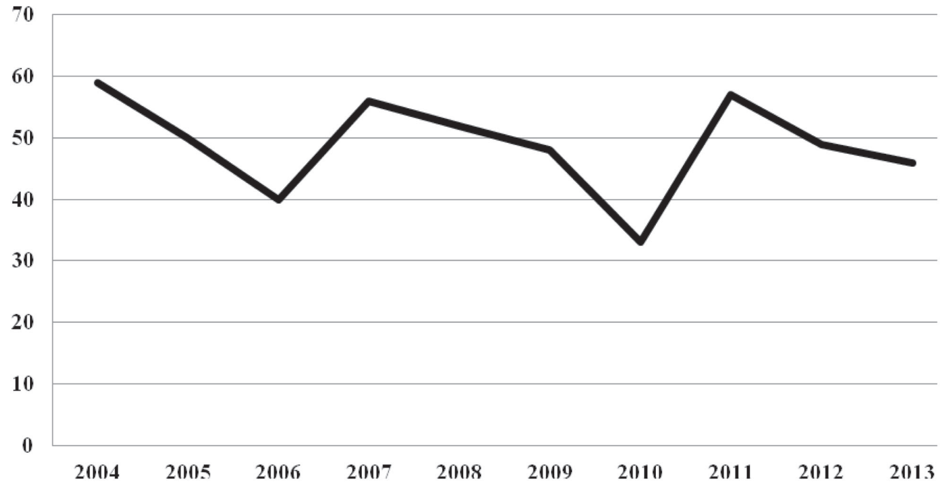
The stock of Czech OFDI has been steadily growing since 2004 with the exception of the decline in 2011. However, the composition and target countries have changed during reported period.

Figure 1. **Total OFDI, 2004-2013 (mln EUR)**




*Source: Czech National Bank.*

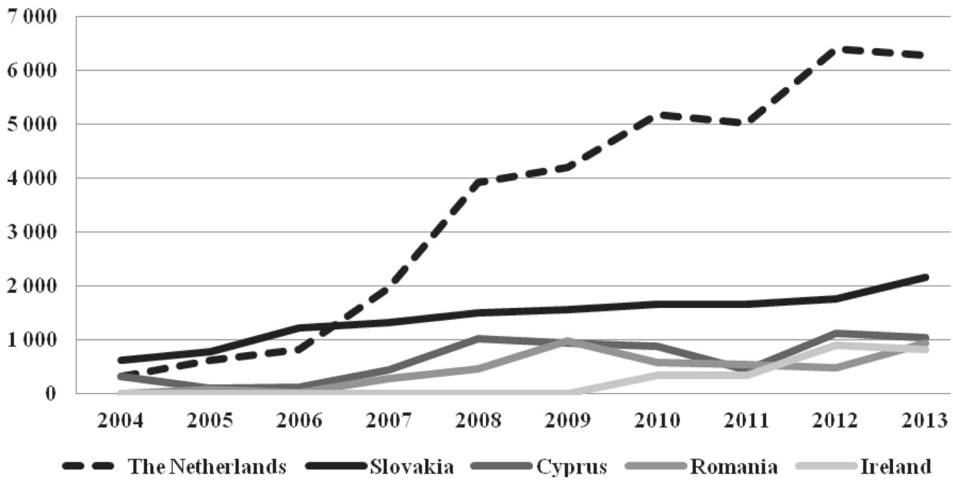
Figure 2. **Number of Czech OFDI target countries**




*Source: Czech National Bank.*

Total number of target countries, i.e., locations where Czech firms invest, tends to be slightly decreasing during the investigated period. In the long term it oscillates around 50. Czech investments have focused on European countries during the reported period. The noticeable amount of more than 1 bln EUR in 2013 was invested in non EU/EFTA European countries. According to some authors [Zemplinerova 2012] this prevailing tendency can be explained by personal and trade links combined with geographical proximity. There is also strong tie between trade and investments, which results in higher attraction of neighbouring countries.

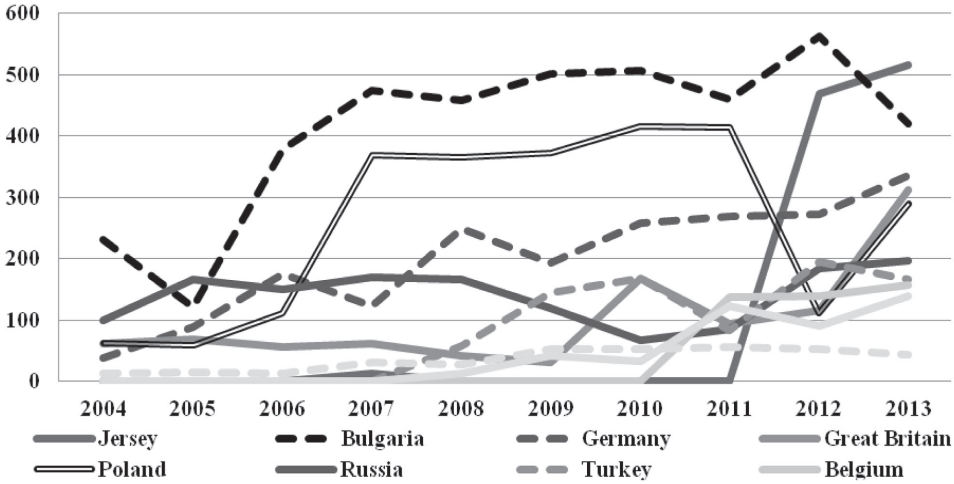
Figure 3. **Czech OFDI Top 5 destination countries, 2004–2013 (mln EUR)**




*Source: Czech National Bank.*

Figure 3. shows clear domination of "capital-favourable" countries as mostly preferred destinations among Czech investors. This trend is more visible after 2007. The dominant position of the Netherlands and emerged shares of Cyprus and Ireland can be explained as motivated by tax/capital optimization. What seems very interesting in this light is the steady growth of Slovakia that remained relatively resilient to economic downturn. The disinvestment (withdraw of Czech capital from abroad) reported in 2011 took place with regard to capital allocated in the Netherlands and Cyprus. Romania has become important target of Czech foreign investments since 2007.

Figure 4. **Other destination countries for Czech OFDI, 2004-2013 (mln EUR)**




*Source: Czech National Bank.*

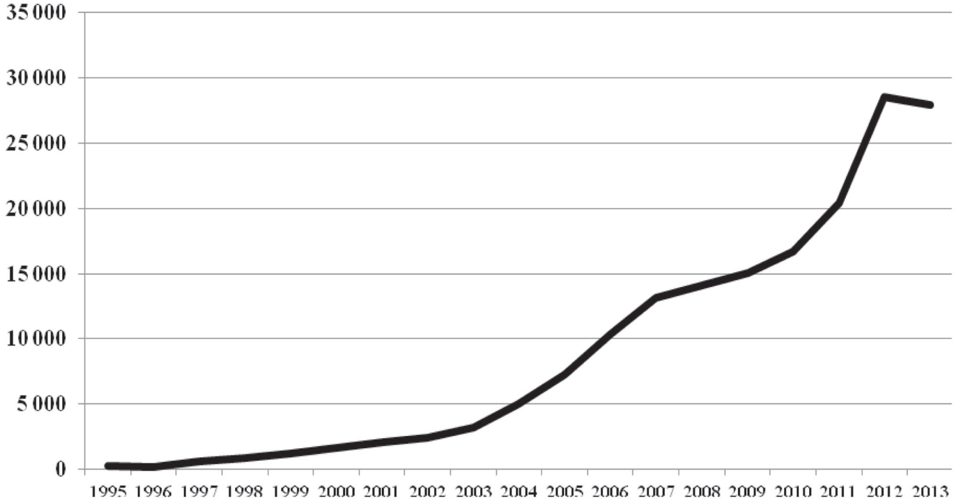
Figure 4. covers countries on the 6th to 15th position according to 2013 data. Even though the volume of OFDI directed there is tenfold smaller than in TOP 5 countries listed on Figure 3 further preferred locations have been included to provide broader picture of the composition of Czech OFDI. The emergence of Jersey as the 6th biggest receiver of investments clearly supports an earlier statement on the general trend of optimization-led capital transfer in the form of OFDI. Hungary has not been the target of investments in the long run, Poland experienced big disinvestment in 2012. The position of Bulgaria is mainly influenced by investments of the CEZ (major state-controlled Czech utility enterprise).

In order to test the hypothesis assuming the tendency of moving OFDI towards developing countries with higher investment return rate, BRICS countries were examined. Czech OFDI in Russia experienced rapid decline in 2009 and 2010, however, it recovered in 2012 reaching almost 200 million EUR in 2013. South Africa did not feature in the statistics on OFDI. That might suggest its negligible role as destination for Czech firms expanding abroad. Presumably, the dominant position of Russia will be affected by Ukrainian crisis. Nevertheless, due to the trend to concentrate investments in European countries we should not expect any rapid growth of Czech OFDI in Brazil or India. China remains a potential area, however, legal and cultural differences combined with physical distance are challenging.

The structural composition of Czech OFDI since 2004 has significantly changed, although the transformation was already advanced at that time [Zemplinerova 2012]. First important trend discerned among Czech investments abroad is the concentration of capital in the service sector at the expense of manufacturing. Zemplinerova [2012] recognizes 4 types of investors. The first group is focused on production and sale operations, however, its share is declining in the long term. The second group invests in foreign market due to tax optimization and in order to improve management operations (business process). The third one specializes in provision of financial and credit services. The last one is made up of companies investing in the energy sector. The increasing share of services is obvious since 2007. In 2010, the share of investments into construction industry has started to rise. Shares of agriculture, forestry, fishery and mining are negligible. It also needs to be stressed that the total amount of Czech OFDI underwent profound increase – OFDI in 2013 were 15 bln EUR thus 5 times larger than in 2004 when it totalled less than 3 bln EUR. Decline of particular sector's share does not necessarily mean decline in total amount. The increasing overall stock of OFDI translates from statistical point of view into lower significance of single transactions.

The outward FDI stock of Hungary exceeded EUR 27 billion at the end of 2013 according to the data published by the Hungarian National Bank. With this amount, Hungary is still among the leading outward investor countries among the new member states of the European Union. In terms of overall OFDI-stock, Hungary is surpassed only by Poland, and in terms of *per capita* OFDI stock, only by Estonia, according to the data published by UNCTAD. The so called "capital in transit" still distorts the stock data. This phenomenon has been increasingly important, both in 2011 and in 2012 large amounts were transferred through foreign-owned subsidiaries operating in Hungary.

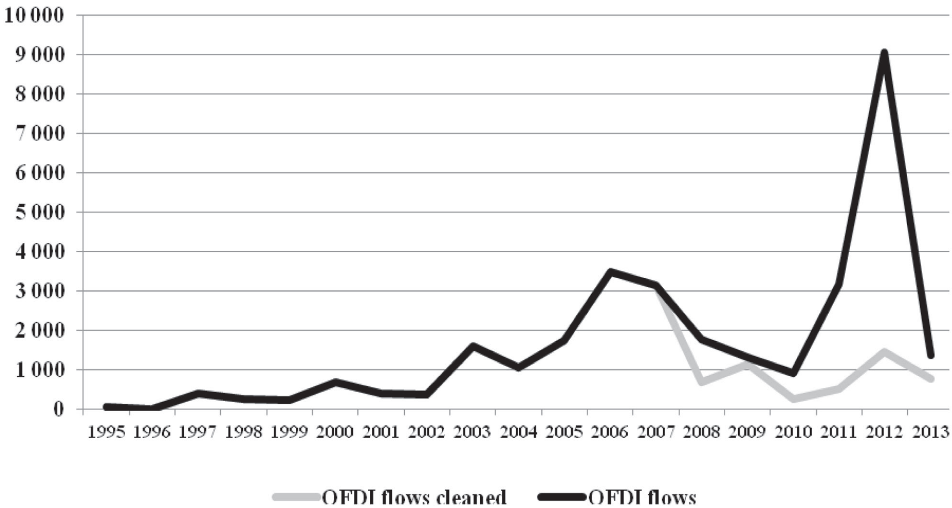
Figure 5. **Hungarian outward FDI stock, 2005-2013 (mln EUR)**




*Source: Hungarian National Bank.*

The Hungarian National Bank publishes FDI flow data also without capital in transit and restructuring of asset portfolios. This kind of cleaned data are much lower in the past five years than otherwise (see Figure 6.).

Figure 6. **Hungarian outward FDI flows, 2005-2013 (mln EUR)**




*Source: Hungarian National Bank.*

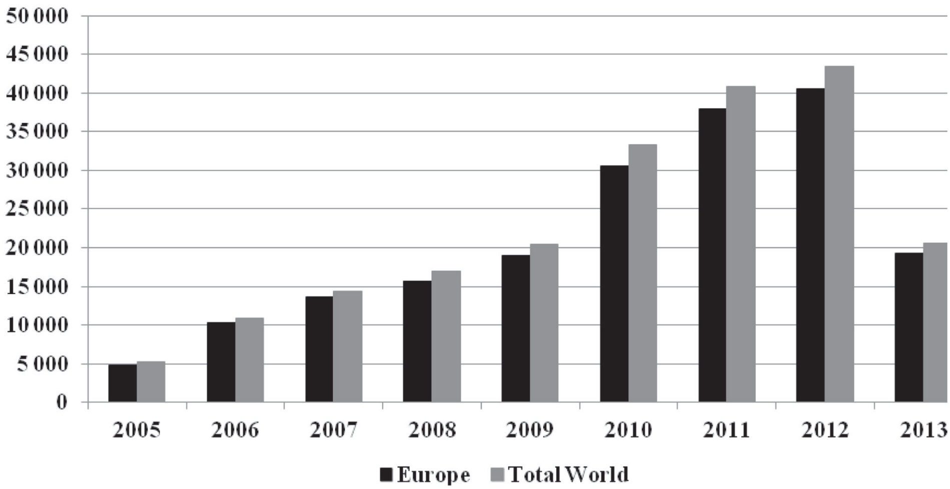
As far as the geographical distribution of Hungarian OFDI is concerned, neighbouring and geographically close countries (especially Croatia, Slovakia, Bulgaria, Romania, Russia, and Ukraine) have always had a relatively large, though declining share in outflows. These countries together with Macedonia, Czech Republic, Poland, Montenegro, Serbia and Slovenia accounted for 28% of the Hungarian outward FDI stock in 2013. The share of these 12 countries in Hungarian OFDI stock was 56% in 2008 and 43% in 2011. This decline, however, is due to an increase in the shares of other destinations, as the absolute value of the OFDI stock in these 12 countries slightly increased over time. Within Europe, new destination countries include Belgium (11% in 2013, while previously negligible) and Luxemburg (9%, with volatile shares previously), Cyprus (7%) and Switzerland (6,5% in 2012, gradually gaining shares from 3,5 % in 2008, and declining to 2% in 2013. The most important destination country however is still outside Europe: the Dutch Antilles accounted for almost 27% of Hungarian OFDI stock, increasing gradually from 7% in 2008. These target countries and the changes in the values of Hungarian investments in them highlight two important patterns: one is the importance of large transactions in changing the composition of host countries, and the second is the significance of outward investments in tax havens with tax optimization purposes. The increasing share of the Dutch Antilles in inward FDI (9% in 2013) points at a possible round-tripping element in Hungarian FDI flows. As far as the sectoral composition of the stock of outward FDI is concerned, it has changed significantly during the 2000s. By 2013 "other business services" is the leading industry with a 29% share. FDI data also show that Hungarian MNEs were involved in providing financial and insurance services (11% of the total OFDI stock in 2013), professional, scientific and technical activities (8%) and activities of head offices and management consultancy services (8%). Manufacturing represented 17%, with pharmaceuticals (8.4% of total) being the most significant, mainly due to the activities of Gedeon Richter, one of the leading investor companies. The relatively high share of manufacturing of petrol (3%) is due to the activities of MOL, the top investor. Another important firm, Videoton is partly responsible for the relatively high share (3%) of electronics. Mining and quarrying high share (10%) is also due to the foreign activities of MOL. Besides the incumbent, Hungarian-owned and/or – controlled companies, there are important foreign-owned affiliates in Hungary, which were used by their multinational parent to invest abroad: thus realizing the so-called "indirect outward investments". One of the most well-known cases is that of the German Deutsche Telekom, which used its Hungarian affiliate to invest in Macedonia and Montenegro. In 2001, the Macedonian state-owned telecom company was acquired, which was the largest transaction at that time, it represented around 75 per cent of the total annual outflow. In 2005, 51,12% of the shares of the state-owned Telekom Montenegro were sold to the Hungarian MATAV, the subsidiary of Deutsche Telekom. Another important investment is that of the Hungarian Samsung subsidiary, which established a manufacturing company in Slovakia. There are many other similar cases, even in recent years. However, according to our estimation, the share of outward FDI of incumbent, real domestic companies in total OFDI stock has been increasing over indirect OFDI. The most important Hungarian-owned and/or – controlled foreign investor companies are the following: MOL Group (including TVK, which is majority-owned by MOL) in Oil and gas exploration, production, refining and retail; OTP Bank in Financial services; Gedeon Richter in Pharmaceutical products; Videoton in the Manufacture of electrical equipment and KÉSZ in Construction. These companies are also partly foreign owned, but their foreign ownership is dispersed, the investment and strategic decisions are made by the Hungarian management [these are the "virtual indirect" companies – see more in Sass et al. 2012]. Furthermore, the TriGránit Group, which is not included in Hungarian OFDI statistics is responsible for large Greenfield investment projects (TriGránit is owned by a Cypriot company, which in turn is majority--owned by a Hungarian private person).

With 2013 edition NBP, the Polish Central Bank, started applying a new methodology – Benchmark Definition of Foreign Direct Investment 4th ed. (BD4). This enables more accurate calculations, however, implies the new figures as from 2013 onwards cannot be compared to previous statistics [*Polskie inwestycje*…2013]. In 2013 the Polish direct investment outflows amounted to minus 1063 mln EUR meaning the withdrawal of capital from abroad. Capital has been transferred mainly to Cyprus (444 mln EUR) and UK (325 mln EUR), whereas divestment has been registered in case of Luxemburg (-2139 mln EUR) and Sweden (-299 mln EUR). Most investment in 2013 has been directed to construction (1108 mln EUR), and financial and insurance activities (248 mln EUR). Capital has been withdrawn from professional, scientific and technical activities (-1894 mln EUR). The Polish OFDI position totalled in 2013 20 650 mln EUR. It has been mostly accumulated in Luxemburg (6877 mln EUR), Cyprus (4514 mln EUR), the Netherlands (1776 mln EUR) and Lithuania (1613 mln EUR). Whereas the highest negative balance has been registered in Sweden (-3213 mln EUR), which signifies a withdrawal of

Polish capital from abroad. The highest OFDI stock was recorded in financial and insurance activities (8846 mln EUR), manufacturing (4271 mln EUR), administrative and support service activities (3162 mln EUR). Negative balance meaning the withdrawal of Polish capital from abroad was recorded in information and communication (-1311 mln EUR).

In the period 1996-2013 Polish FDI stock has grown from 365 mln EUR to 20 650 mln EUR. As our analysis focuses on the time 2005-2013, we can notice that the stock increased from 4790 mln EUR to 20 650 mln EUR and the leading position of Europe as the main destination for Polish OFDI is clearly visible (Figure 7.).

Figure 7. **Polish OFDI stock (mln EUR)**




*Source: National Bank of Poland.*

In the studied period, the vast majority of Polish OFDI stock was located in Europe. The share of Polish FDI hosted in Europe in total stock grew from about 61% in 1996, through 67% in 2000 to 90% in 2005 and 93% in 2013. Poland joined the European Union in 2004 and the share of Polish outward stock in total stock experienced substantial growth from 67% in 2000 to 85% in 2004. This increasing presence of Polish companies on the European market signifies economic integration of Poland with the whole European economy.

A more detailed analysis of the data reveals that Polish OFDI stock grew in almost each of the European countries from 2005 until 2012. The Polish OFDI stock in 2013 was, however, much lower than in 2012. The decline is substantial when we compare the 2013 and 2012 stock of Polish FDI in

Belgium, Bulgaria, Luxembourg, Germany, Greece, Spain, France, Ireland, Italy, Netherlands, Portugal, United Kingdom, Austria, Finland and Sweden. But one has to be careful when comparing the data, as in 2013 the new methodology was introduced by the National Bank of Poland.

In 2013 the top locations in Europe in terms of the total value of the outward stock (mln EUR) were Luxembourg, the Netherlands, Cyprus, Czech Republic, Lithuania and Switzerland. Luxembourg and Cyprus as two of the main destinations of Polish OFDI stock can be surprising as those are not very large markets. The attractiveness of these countries, however, is related to very convenient tax regulations for capital-in-transit directed to third countries.

As leading region hosting most of Polish affiliates, Europe is followed by North America and Asia. The main North American locations attractive for Polish investors were the United States with the stock of 397 mln EUR in 2013. Polish companies have been systematically increasing their presence on the North American market since 2005. However, the share of Polish FDI hosted in North America (The United States, Greenland and Canada) in the period 2005-2013 was relatively stable at the level of 2%. It suggests that attractiveness of this direction has not changed. Interestingly, the growth of the value of the stock has been very strong since 2010. It is the time when the North American economy, especially the economy of the United States was recovering from the economic crisis, which may suggest that Polish companies exploited emerging opportunities that appeared after the economic downturn. In 2013 the value of the Polish stock dropped by 74%. Still, due to the fact that the methodology was changed, it is impossible to compare the statistics.

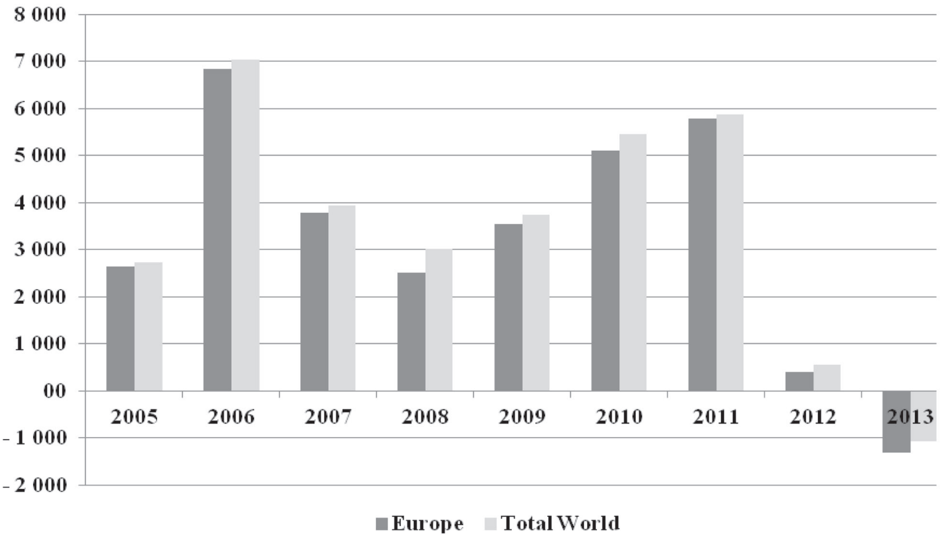
Central America lured some Polish firms too. However, the share of Polish OFDI in this market in total stock of Polish OFDI was quite small – around 1% in 2005 and less than 1% in 2013. The highest value of the stock was characteristic for the period 2008-2009. South American markets are still less penetrated by Polish firms. But it is worth mentioning that the Polish OFDI stock grew substantially in Brazil – from 1 mln EUR in 2005 to 17 mln EUR in 2013.

Polish firms were actively exploring the Asian market in the period 2005--2013, but in 2013 investments there decreased by 25%. Asia accounted for 3% of total Polish OFDI stock in 2013. The share of Polish OFDI hosted in Asia in total Polish OFDI stock fluctuated in the studied period between 3% and 4%. The most important Asian markets for Polish investors were India, China and Japan. In 2010, the leading position of China was taken by India.

African markets are still less popular among Polish investors. The share of Polish OFDI located in Africa in total Polish OFDI stock oscillated around 1% in the analysed period. The main African markets where Polish companies located their business are Liberia (113 mln EUR in 2013), Senegal (41 mln EUR in 2013) and Morocco (32 mln EUR in 2013). Polish investor activity on the African market has become more intense since 2009. This might be explained by the economic crisis in the developed countries. Unfavourable conditions in the Western markets especially in Europe, might have facilitated a search for new foreign markets. The African markets are perceived as huge with growing consumer awareness [Niavas, Spivey, von Koschitzky 2014]. As it seems it should be possible and desirable for Polish investors to increase their presence in the South American, Asian and African markets, as North America seems to be already relatively well penetrated by Polish affiliates. Although the geographical and cultural distance between Poland and Asia is huge, the size of Asian market is tremendous and there are certainly more opportunities for Polish firms. The same holds for the South American and some African markets.

The Polish OFDI flows were relatively volatile throughout the period studied (Figure 8.). In the years 2008-2009 that are recognized as time of economic downturn the flows were lower than in the pre-crisis time. Decrease, however, was not drastic as the flows amounted to 3011 mln EUR and 3745 mln EUR in 2008 and 2009 respectively. This resilience even during the crisis can be attributed to Poland's relatively strong economic position. In 2009 Poland recorded the 1,6% GDP growth, in 2010 it was even higher – 3,9% and in 2011 – 4,3%. The next years 2012 and 2013 brought less optimistic but still positive results – 1,9% and 1,6% GDP growth respectively. Good performance of the domestic market supported firms' foreign expansion and the crisis, fortunately, did not have a particularly negative impact on their internationalization efforts. However, the figures for 2013 and 2012 show decreases in Polish OFDI flows.

Figure 8. **Flows of Polish OFDI in EUR mln**

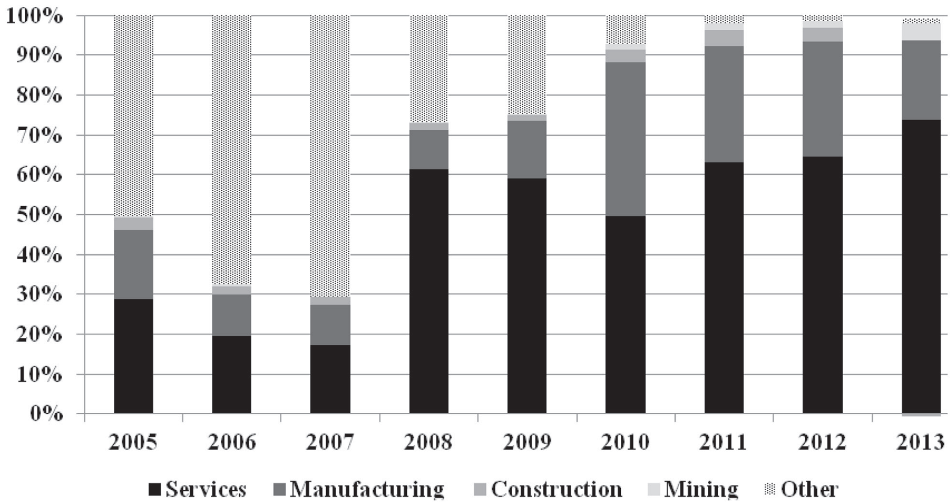



*Source: National Bank of Poland.*

In 2013 Polish entities switched from investment to disinvestment and withdrew from abroad 1063 mln EUR netto. The Polish direct investment abroad declined mainly due to the reduced FDI activity in Europe – especially in Luxembourg (-2139 mln EUR), Sweden (-299 mln EUR) and Ukraine (-244 mln EUR). In the period 2005-2012 Polish OFDI in Europe shrank to 395 mln EUR from 2646 mln EUR in 2005 and 5796 mln EUR in 2011. The decrease in 2012 was the consequence of reduced FDI activity especially in Luxembourg (-716 mln EUR), Switzerland (-647 mln EUR) and Sweden (-489 mln EUR). The main recipients of Polish outgoing FDI flows in 2013 were Cyprus (444 mln EUR), Great Britain (325 mln EUR), Denmark (267 mln EUR) and Germany (187 mln EUR).

The sectoral structure of outward FDI stock is dominated by the services (Figure 9.). In the studied period 2005-2013 we witnessed a strong rise of services share in OFDI stock in total OFDI stock from 29% to 77%. The services include wholesale and retail trade, repairs, transportation and storage, accommodation and food services, information and communication, as well as financial and insurance activities. The largest contribution to OFDI stock made the financial and insurance services as their shares in total OFDI stock grew from 31% in 2010 to 43% in 2013. High growth was recorded by the financial intermediation, too. This subsector increased its share in total OFDI stock from 3% in 2005 to 42% in 2013. Amongst industry sectors, manufacturing has definitely prevailed with a strong position of food products, beverages and tobacco products from 2005 until 2010. In 2011 this subsector recorded a fall but in 2013 grew again. Manufacturing is followed by construction and mining. Polish OFDI stock in construction has been increasing from 2005 till 2012. In 2013 disinvestment was recorded, but we have to remember about the changes in methodology and the difficulties in comparing the 2013 statistics with previous years. Mining and quarrying contributed to the positive development of the value of Polish OFDI stock. This subsector has been recording a substantial increase since 2010.

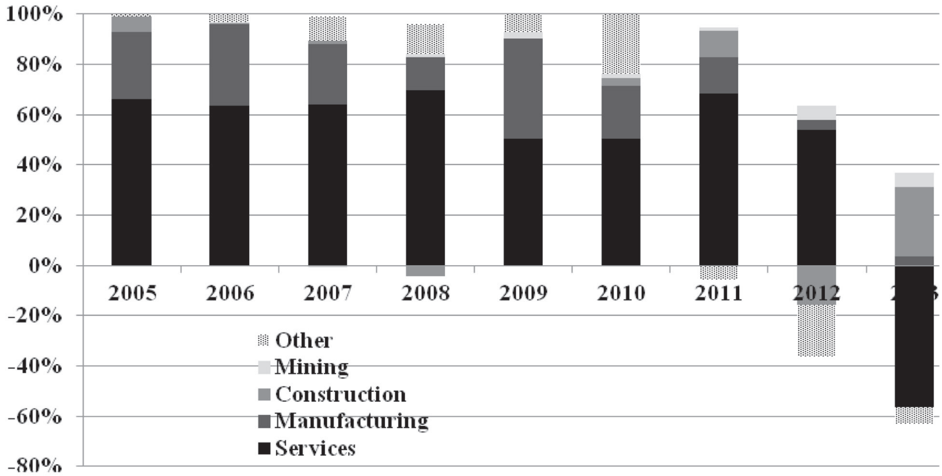
Figure 9. **The sectoral structure of Polish OFDI stock in %**




*Source: National Bank of Poland.*

The sectoral structure of Polish OFDI flows was changing in the period 2005--2013 (Figure 10.). In 2005, there was a very strong dominance of manufacturing (742 mln EUR), and financial and insurance activities (1354 mln EUR).

Figure 10. **The sectoral structure of Polish OFDI flows in %**




*Source: National Bank of Poland.*

In 2013, the highest value of flows characterises construction (1108 mln EUR). The second position goes to financial and insurance activities (248 mln EUR). Polish entities withdrew their capital from professional, scientific and technical activities (-1894 mln EUR). One year earlier the structure of OFDI flows was dominated by support service activities (2538 mln EUR). In that year the disinvestment was characteristic especially for financial and insurance activities (-1270 mln EUR) and like in 2013 for professional, scientific and technical activities (-1884 mln EUR). The situation in that sector was quite different in 2011, as Polish entities invested especially in professional, scientific and technical activities (2508 mln EUR) and in manufacturing (932 mln EUR).

Table 1. shows the FDI indicators of Slovakia and of the V4 group as a whole. Slovak economy shows a great disproportion between inward and outward FDI stock as a share of GDP.

Table 1. **FDI Indicators for Slovak Republic**

| Indicator as a percentage of GDP | 2000-2003 | | 2004-2007 | | 2008-2012 | |
|---|---|---|---|---|---|---|
| | V4 | SR | V4 | SR | V4 | SR |
| FDI inward stock | 36,03 | 31,08 | 50,00 | 52,38 | 56,00 | 57,23 |
| FDI outward stock | 1,71 | 2,08 | 4,28 | 1,93 | 8,40 | 3,85 |
| FDI inflow | 6,06 | 9,67 | 5,56 | 6,38 | 3,15 | 2,46 |
| FDI outflow | 0,43 | 0,33 | 1,21 | 0,18 | 1,39 | 0,62 |

*Source: Burda Š., Významné aspekty v medzinárodnom podnikaní Slovenska, 2013, http://www.prog.sav.sk/fileadmin/pusav/download_files/prognosticke_prace/2013/clanok_3_BurdaPP_5_2013_2. pdf/*

While Slovak FDI inward stock in relation to GDP is only slightly higher in comparison with other V4 countries, the difference in FDI outward stock in relation to GDP is considerably bigger: the FDI outward stock share in GDP is more than two times smaller in the case of Slovakia, compared to the V4 group. Share of FDI outflow in GDP is also significantly smaller in Slovakia than in the whole V4 group, even though it has a rising tendency. Slovakia experienced a temporary decline of FDI outflows and outward stock after its accession into the European Union, notably in 2005 and 2006. While FDI inflows to Slovakia experienced rapid decline in the wake of the Great Recession in 2009, and similarly fast recovery (from almost no FDI inflow in 2009 to 2,199 bln EUR in 2012), FDI outflows showed an opposite development: the maximum value was reached in 2009 (651 mln EUR) and 2010 (714 mln EUR) followed by the steep decline to almost no FDI outflow in 2012. Eurozone aggregate data show similar development: the investment activity of its members abroad was even more intense during the crisis period than before [Burda 2013]. Slovak balance of payments shows that the highest investment income on direct investment abroad was in the crisis years of 2008-2010. However, Slovak investment activity abroad is still low. In the period of 2008-2012, the FDI outflow of Slovak companies amounted to 2,020 bln EUR. The FDI outward stock was 3,253 bln EUR in 2011.

Table 2. **Outward Foreign Direct Investment from Slovakia, 2004-2013 (mln EUR)**

| | 2004 | 2005 | 2006 | 2007 | 2008 |
|---|---|---|---|---|---|
| Outward FDI | -17 | 120 | 408 | 438 | 362 |
| | **2009** | **2010** | **2011** | **2012*** | **2013*** |
| Outward FDI | 651,031 | 714, 367 | 513,043 | -16,424 | 47,969 |

* preliminary data

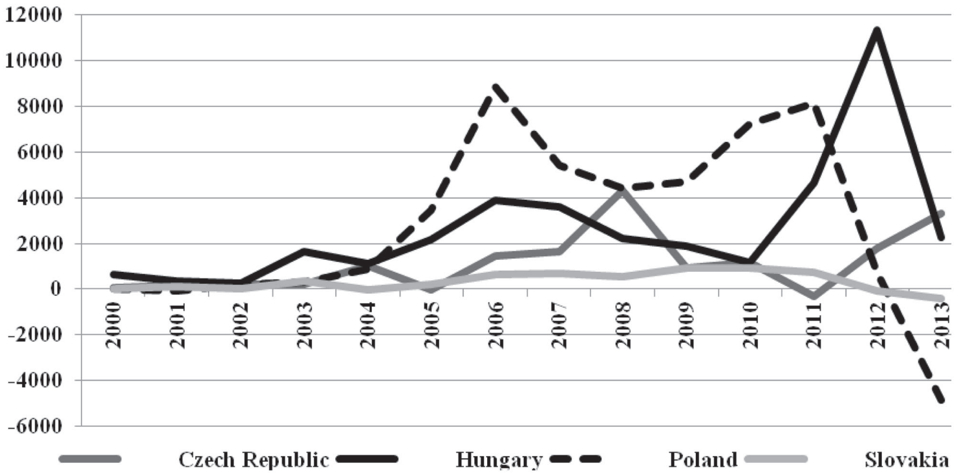
*Source: Data from Národná banka Slovenska [2010; 2013a; 2013b; 2014].*

Significant increase in OFDI can be seen after the Slovak accession to the EU on May 1, 2004. OFDI temporarily decreased in 2008, but posted record highs in the crisis years of 2009-2011. Very steep decline occurred in 2012, with only a mild recovery taking place in 2013. The newest data published on OFDI stock is from 2012 (preliminary data). The overall stock of Slovak OFDI totalled 3,344 bln EUR. The countries with the highest level of Slovak OFDI are the Czech Republic (1,841 bln EUR), Cyprus (0,354 bln EUR), Luxembourg (0,254 bln EUR), Austria (0,204 bln EUR) and Turkey (0,126 bln EUR). It can be assumed that the high OFDI stock in Cyprus and Luxembourg might be caused by their favourable investment (namely tax) conditions [Národná banka Slovenska 2013b].

## 2.V4 OFDI in international statistics

Given the need to rely on comparable aggregated data for all V4 countries statistics offering insight into Visegrad states OFDI can be retrieved from UNCTAD databases. Outward foreign direct investment flows and stocks have been analysed.

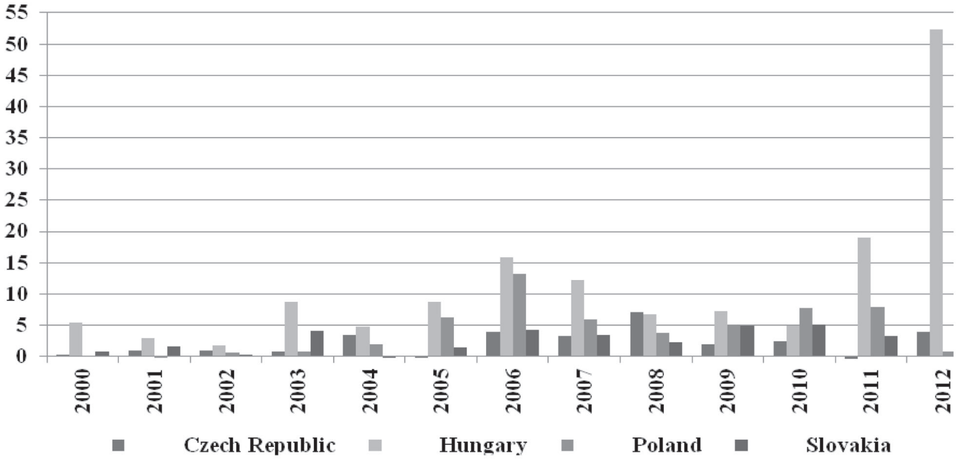
Figure 11. **OFDI flows, USD at current prices and current exchange rates in millions**




*Source: UNCTAD databases, http://unctadstat.unctad.org/wds/ReportFolders/reportFolders.aspx, retrieved January 2015.*

Most aggregated data on absolute flows shows that: first – there has been no clear visible trend in any of V4 countries, second – neither the year 2008 nor any of the adjacent years constitute any borderline, which might signify the crisis hypothesis (confirm that after certain moment in time V4 countries witnessed drastic change in OFDI) although some decline could have been spotted around 2006 with the exception of the Czech Republic. Not only is there no tendency, but the group is highly heterogonous itself since, even given the natural different conditions and potential (country size), the behaviour of OFDI is anything but homogenous.

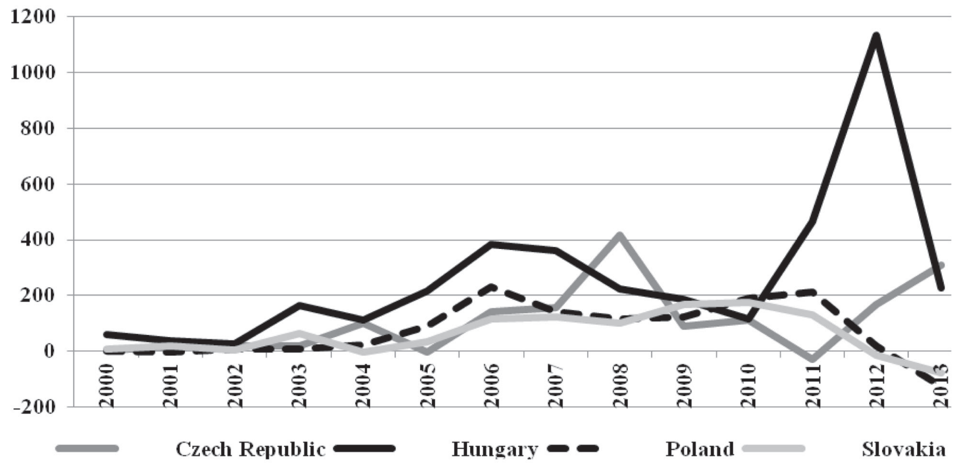
Figure 12. **OFDI flows, percentage of Gross Fixed Capital Formation**




*Source: UNCTAD databases, http://unctadstat.unctad.org/wds/ReportFolders/reportFolders.aspx, retrieved January 2015.*

The relative importance of OFDI flows to the economy can be measured by reference to gross fixed capital formation. As it seems such flows carry particularly heavy weight in Hungary where they make up for significant portion of capital formation. Again no clear trend could be detected among the V4 countries in this respect.

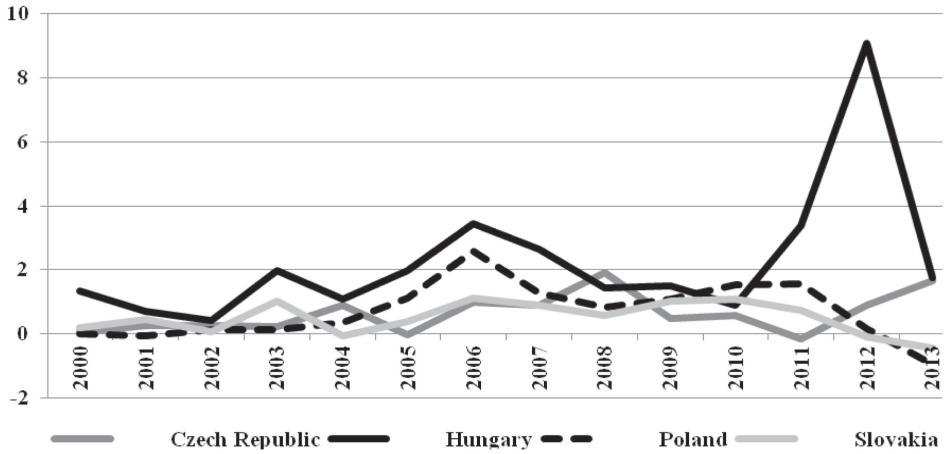
Figure 13. **OFDI flows, USD at current prices and current exchange rates per capita**




*Source: UNCTAD databases, http://unctadstat.unctad.org/wds/ReportFolders/reportFolders.aspx, retrieved January 2015.*

The above mentioned relative importance of OFDI flows for Hungarian economy can be confirmed by referring to another measure namely p.c. levels. Available data indicate not only highest among V4 countries values of outflowing investment p.c. but also considerable volatility particularly in recent years which is due partly to the already mentioned capital in transit. Here again although clear trend cannot be detected, some decline might have started around 2006 (except the Czech Republic).

Figure 14. **OFDI flows, percentage of Gross Domestic Product**

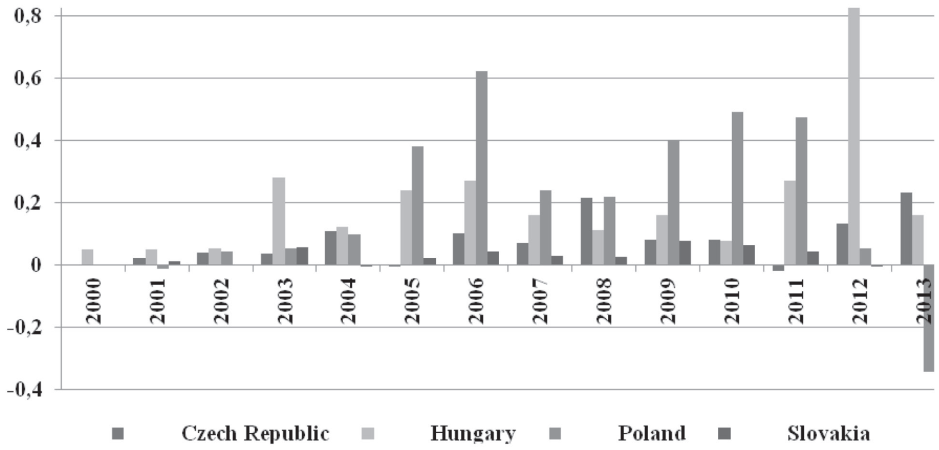



*Source: UNCTAD databases, http://unctadstat.unctad.org/wds/ReportFolders/reportFolders.aspx, retrieved January 2015.*

The above mentioned regularity can be repeated for another index namely OFDI flows as percentage of Gross Domestic Product. Again it is Hungary who features maximal amplitudes of changes in flows and for whom OFDI represent significant part of GDP.

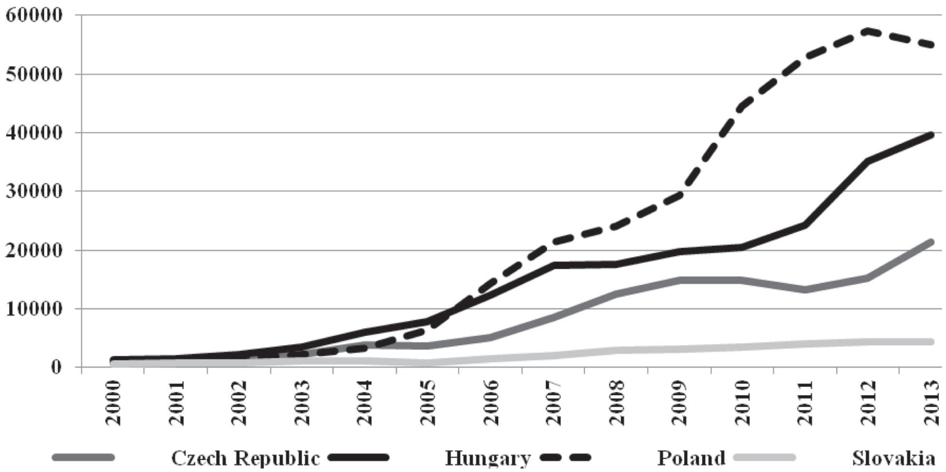
One cannot disagree with K. Kalotay (2012), who labelled countries of CEE as dwarfs when it comes to OFDIs. Available statistics reveal that flows from V4 countries represent maximum 0,8% of world flows (exceptional case in 2012 in Hungary), and usually range within some 0,001-0,4. Even Poland (the largest country of V4 group with seemingly highest potential although visible leading within the group) has once barely exceeded the 0,6% mark. Altogether, the V4 share in total world flows has been going up for some years but experienced some backlash around 2006.

Figure 15. **OFDI flows, percentage of total world**




*Source: UNCTAD databases, http://unctadstat.unctad.org/wds/ReportFolders/reportFolders.aspx, retrieved January 2015.*

Figure 16. **OFDI stocks, USD at current prices and current exchange rates in millions**

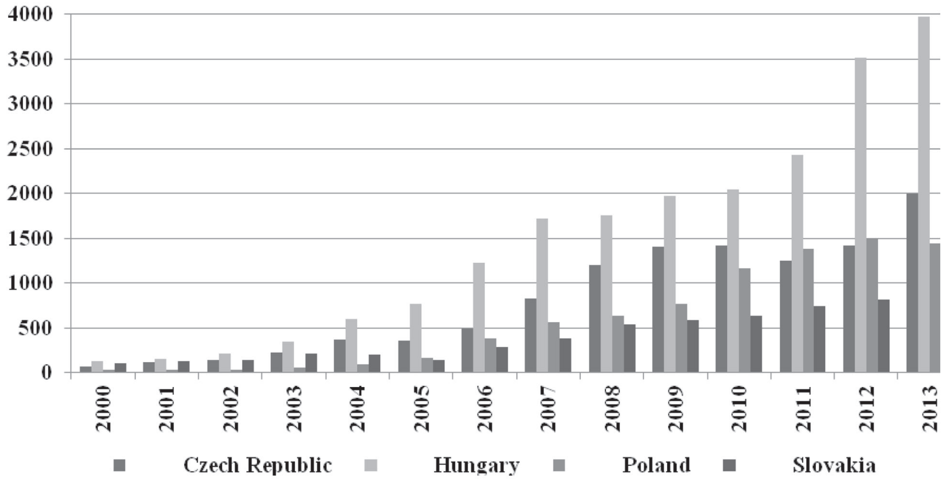



*Source: UNCTAD databases, http://unctadstat.unctad.org/wds/ReportFolders/reportFolders.aspx, retrieved January 2015.*

As judged by the increasing OFDI stocks, all V4 countries seem to be continually expanding their presence abroad. Poland due to its sheer size leads the group although other states are also faring well. Two dates stand out – first

– 2004 and accession to the EU after which OFDI stocks have picked up and second – 2008 when the value accumulated stagnated. This may result not only from decline in outflows, but from revaluation of assets hold due to crisis.

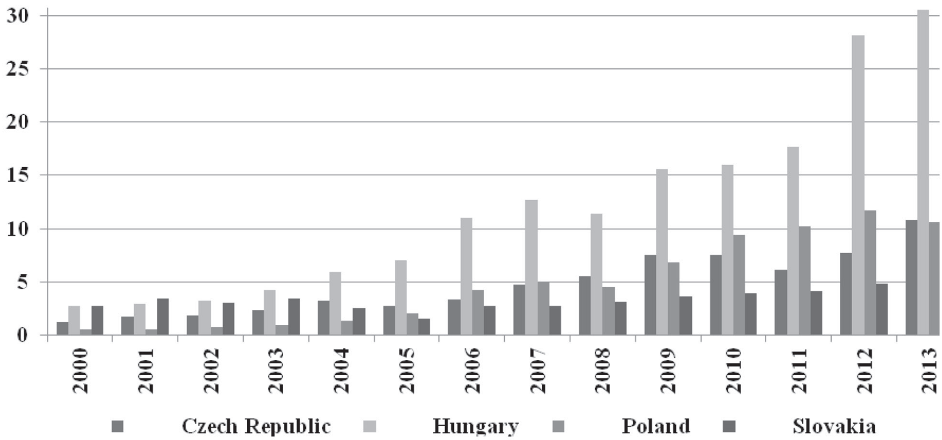
Figure 17. **OFDI stocks, USD at current prices and current exchange rates per capita**




*Source: UNCTAD databases, http://unctadstat.unctad.org/wds/ReportFolders/reportFolders.aspx, retrieved January 2015.*

Although Poland leads in absolute terms, when we express these values p.c. Hungary can claim undisputable victory with steady increase.

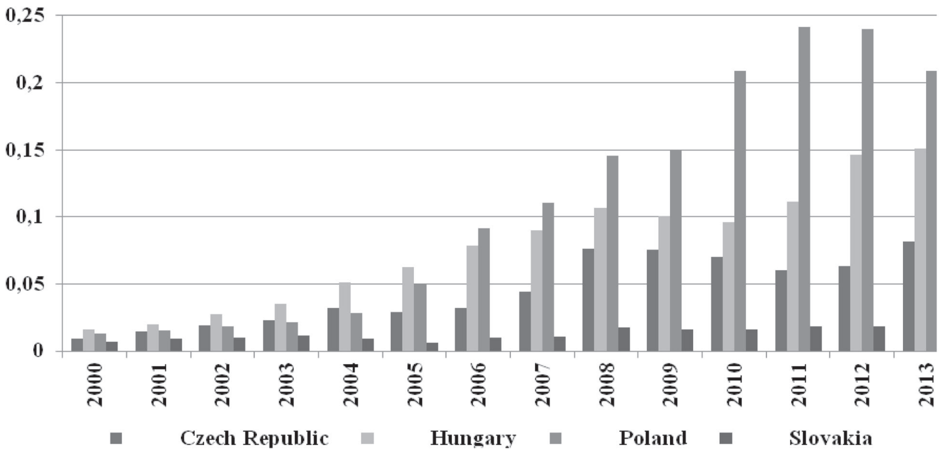
Figure 18. **OFDI stocks, percentage of Gross Domestic Product**




*Source: UNCTAD databases, http://unctadstat.unctad.org/wds/ReportFolders/reportFolders.aspx, retrieved January 2015.*

The pattern persists when we compare the stocks values to country GDP. Here again Hungary's leadership is striking with OFDI stock equating almost one third of country's GDP.

Figure 19. **OFDI stocks, percentage of total world**




*Source: UNCTAD databases, http://unctadstat.unctad.org/wds/ReportFolders/reportFolders.aspx, retrieved January 2015.*

The negligible role the V4 countries play in world as sources of FDI can be again confirmed by figures on stocks as a percentage of world total. Even group's leader Poland cannot claim more than 0,25%. Year 2008 has not constituted any borderline signifying some change in OFDI stocks.

Summing up the statistical considerations, it seems that:

- There has been no clear trend in all V4 countries with respect to OFDI flows.
- Likewise, year 2008 when crisis erupted, has not constituted any watershed moment signifying change in capital flows.
- As it seems some reverse of tendency has taken place on the eve of crisis in years preceding 2008.Observable, sudden formidable surge or plunge of OFDI flows may suggest the possible significance of single contracts/deal//acquisition which may distort the stream size.
- Hungary stands out in terms of fluctuations size and relative importance of OFDI for domestic economy as measured by relation to GDP or p.c. which can be partly explained by large transactions, partly by capital in transit.

• The share of V4 countries in world OFDI flows point to their negligible significance in this respect.
• Comparison revealed significant asymmetry among V4 countries which is not surprising given their size (population, GDP).
• Existing figures do not confirm any particular change after crisis in terms of scale of outward investments.

The crisis impact on OFDI is reflected in the number of deals concluded whether as M&As or Greenfield. Such information can be retrieved from UNCTAD Country Fact Sheets which contain the most relevant indicators about FDI in a country. Each Sheet contains the most recent data on OFDI flows and stocks, mergers and acquisitions, largest TNCs and regulatory changes.

Table 3. **Cross-border merger and acquisition overview, Purchase (mln USD)**

| Country | 2005-2007 (pre-crisis annual average) | 2013 |
|---|---|---|
| Czech Republic | 654 | 4012 |
| Hungary | 647 | -7 (2012) |
| Poland | 1102 | 243 |
| Slovak Republic | 1 64 | -30 (2012) |

*Source: UNCTAD Country Fact Sheets.*

Table 4. **Greenfield investment project overview, As source (mln USD)**

| Country | 2005-2007 (pre-crisis annual average) | 2013 |
|---|---|---|
| Czech Republic | 2525 | 1960 |
| Hungary | 1797 | 599 |
| Poland | 1389 | 855 |
| Slovak Republic | 260 | 246 |

*Source: UNCTAD Country Fact Sheets.*

Except the outstanding increase of cross-border mergers in the Czech Republic, in the other V4 countries a significant drop has been registered and even the retreat of capital from abroad. The value of Greenfield projects carried out abroad in 2013 has been significantly lower form the pre-crisis average in all Visegrad members.

International Investment Agreements Navigator offers insight into the number of treaties concluded in each country.

Table 5. **Number of Treaties concluded**

| Country | BIT | IIA (incl. association agreements) |
|---|---|---|
| Czech Republic | 79 | 63 |
| Hungary | 58 | 63 |
| Poland | 62 | 63 |
| Slovakia | 55 | 63 |

*Source: http://investmentpolicyhub.unctad.org/IIA/IiasByCountry#footnote/*

Whereas the number of IIAs is the same for the whole V4 group, the Bilateral Investment Treaty (BIT) figures differ with the Czech Republic having the highest number of treaties signed – 79, followed by Poland with 62, Hungary – 58 and Slovakia 55. However, updated figures from UNCTAD (2015) suggested total number of IIAs amounted to 143 in the Czech Republic, 122 in Hungary, 126 in Poland and 119 in Slovakia. From the point of view of this project of special importance is the number of treaties concluded after the crisis year of 2008, i.e., from 2009 onwards. UNCTAD IIA Hub lists such agreements. Out of 88 treaties where EU MS where a party, 14 were concluded by V4 countries with outstanding performance of Slovakia with 8 agreements (the Czech Republic – 6 treaties).

Table 6. **Bilateral Investment Treaties recently signed**

| Short title | Type | Parties | Date of signature |
|---|---|---|---|
| Kenya - Slovakia BIT (2011) | Bilateral Investment Treaties | Kenya, Slovakia | 14.12.2011 |
| Azerbaijan - Czech Republic BIT (2011) | Bilateral Investment Treaties | Azerbaijan, Czech Republic | 17.05.2011 |
| Czech Republic - Sri Lanka BIT (2011) | Bilateral Investment Treaties | Czech Republic, Sri Lanka | 28.03.2011 |
| Canada - Slovakia BIT (2010) | Bilateral Investment Treaties | Canada, Slovakia | 20.07.2010 |
| Slovakia - Viet Nam BIT (2009) | Bilateral Investment Treaties | Slovakia, Viet Nam | 17.12.2009 |
| Czech Republic - Saudi Arabia BIT (2009) | Bilateral Investment Treaties | Czech Republic, Saudi Arabia | 18.11.2009 |
| Slovakia - Turkey BIT (2009) | Bilateral Investment Treaties | Slovakia, Turkey | 13.10.2009 |
| Czech Republic - Georgia BIT (2009) | Bilateral Investment Treaties | Czech Republic, Georgia | 29.08.2009 |
| Canada - Czech Republic BIT (2009) | Bilateral Investment Treaties | Canada, Czech Republic | 06.05.2009 |
| Czech Republic - Turkey BIT (2009) | Bilateral Investment Treaties | Czech Republic, Turkey | 29.04.2009 |
| Libya - Slovakia BIT (2009) | Bilateral Investment Treaties | Libya, Slovakia | 20.02.2009 |
| Lebanon - Slovakia BIT (2009) | Bilateral Investment Treaties | Lebanon, Slovakia | 20.02.2009 |
| Slovakia - Syrian Arab Republic BIT (2009) | Bilateral Investment Treaties | Slovakia, Syrian Arab Republic | 18.02.2009 |
| Kuwait - Slovakia BIT (2009) | Bilateral Investment Treaties | Kuwait, Slovakia | 17.02.2009 |

*Source: http://investmentpolicyhub.unctad.org/IIA/AdvancedSearchBITResults/*

As far as bilateral investment treaties are concerned, since the start of the transition process in 1989, the Hungarian government pursued an active FDI policy [Antalóczy et al. 2011] in which concluding BITs with important and potential partners played a significant role. At present, there are 58 Hungarian BITs, which represents an "average BITS-intensity" in the Central and Eastern European region (at one extreme, the Czech Republic signed 90 such treaties, while Estonia only 20), and is similar to the number of BITs concluded by other EU-members such as Austria (60), Finland (56), Italy (53), or Sweden (55).

## 3. V4 FDI mutual flows

Certain consideration in our project has been given to V4 mutual FDI flows. Using the available datasets, we tried to examine the mutual importance of V4 states for each other as sources / destinations of FDI. Figures available in the IMF library CDIS (Coordinated Direct Investment Survey) offer insight into outward investment position while distinguishing between outward debt instruments position and outward equity position (Coordinated Direct Investment Survey CDIS, data extracted from IMF). Investigation of the make-up of V4 countries "20 top outward destinations" – Outward Direct Investment Positions (Top 20 Counterpart Economies), allows us to argue that in general, the line-up has not changed significantly for none of the V4 members over the four years for which data are available.

The Czech Republic reported in 2009 – SK on place 2, PL on place 6, HU on place 13; in 2010 – SK 2, PL 6, HU 14, in 2011 – SK 2, PL 6, HU 15, in 2012 – SK 2, PL 13, HU 17.

Closer inspection revealed the composition of outward investments. For the Czech Republic the equity financing prevails as the method of financing outward investment.

Table 7. **The Czech Republic Outward Direct Investment Positions with other V4 countries (mln USD)**

| | Hungary | | Poland | | Slovak Republic | |
|---|---|---|---|---|---|---|
| | Equity | Debt | Equity | Debt | Equity | Debt |
| **2009** | 50 | 26 | 341 | 197 | 2089 | 163 |
| **2010** | 56 | 16 | 442 | 114 | 1942 | 264 |
| **2011** | 40 | 33 | 441 | 95 | 1930 | 229 |
| **2012** | 45 | 25 | 111 | 36 | 2171 | 141 |

Source: *Coordinated Direct Investment Survey (CDIS), Data extracted from IMF Data Warehouse on 11/15/2014 6:32:05 AM, http://elibrary-data.imf.org/DataExplorer.aspx/*

Hungary's top outward investments recipients are in2009 – SK 5, PL 18, CZ 19; in 2010 – only SK 7 and PL 13; in 2011 – only SK on place 8 and PL on 13; in 2012 – again only SK on place 13 and PL 18.

Table 8. **Hungary Outward Direct Investment Positions with other V4 countries (mln USD)**

| | Czech Republic | | Poland | | Slovak Republic | |
|---|---|---|---|---|---|---|
| | Equity | Debt | Equity | Debt | Equity | Debt |
| **2009** | 296 | 10 | 288 | 37 | 2675 | -55 |
| **2010** | - | - | 622 | 69 | 2074 | -21 |
| **2011** | - | - | 604 | 78 | 2069 | -12 |
| **2012** | - | - | 741 | 44 | 1498 | 63 |

Source: *Coordinated Direct Investment Survey (CDIS), Data extracted from IMF Data Warehouse on 11/15/2014 6:32:05 AM, http://elibrary-data.imf.org/DataExplorer.aspx/*

Like it was in the case of the Czech Republic also Hungary usually finance its outward FDI via equity capital.

Poland reported among its largest outward investment destinations in 2009 – CZ 4, HU 17; in 2010 – CZ 5, HU 16; in 2011 – CZ 8, HU 17, in 2012 – CZ 7 and HU 16. Slovakia not a single time over the period 2009-2012 belonged to Poland's twenty top outward destinations.

Table 9. **Poland Outward Direct Investment Positions with other V4 countries (mln USD)**

| | Czech Republic | | Hungary | | Slovak Republic | |
|---|---|---|---|---|---|---|
| | Equity | Debt | Equity | Debt | Equity | Debt |
| **2009** | 1224 | 296 | 101 | 217 | - | - |
| **2010** | 1752 | 664 | 173 | 367 | - | - |
| **2011** | 1629 | 832 | 82 | 409 | - | - |
| **2012** | 1908 | 698 | 190 | 447 | - | - |

Source: *Coordinated Direct Investment Survey (CDIS), Data extracted from IMF Data Warehouse on 11/15/2014 6:32:05 AM, http://elibrary-data.imf.org/DataExplorer.aspx/*

What stands out in Poland's case is not only the missing ties with Slovakia but also the different financing modes. Whereas investments in the Czech Republic usually draw on capital equity, those in Hungary rely mostly on debt financing.

Among Slovak Republic top outward destination in 2009 were CZ on place 1, HU 5, PL 7; in 2010 CZ 1, HU 5, PL 7; in 2011 – CZ 2, HU 4, PL 5 and in 2012 – CZ 1, PL 4, HU 8.

Table 10. **Slovak Republic Outward Direct Investment Positions with other V4 countries (mln USD)**

| | Czech Republic | | Hungary | | Poland | |
|---|---|---|---|---|---|---|
| | Equity | Debt | Equity | Debt | Equity | Debt |
| **2009** | 1182 | 139 | 196 | 17 | 50 | 42 |
| **2010** | 1056 | 104 | 229 | 12 | 75 | 52 |
| **2011** | 1296 | 1033 | 93 | 46 | 52 | 80 |
| **2012** | 1261 | 1169 | 59 | 2 | 88 | 75 |

Source: *Coordinated Direct Investment Survey (CDIS), Data extracted from IMF Data Warehouse on 11/15/2014 6:32:05 AM, http://elibrary-data.imf.org/DataExplorer.aspx/*

With one small exception (Poland, 2011) Slovakia like other V4 countries finances its outward investment via capital equity mostly with debt financing being less widespread.

This ranking suggests some, though, not profound modifications, which occurred over crisis time as far as V4 countries major FDI partners are regarded. Poland as largest country is the most open and internationally oriented and thus least integrated with other V4 members. The fact that the Czech Republic and Hungary feature on the list of "top 20 OFDI destinations" signifies this. Similarly Hungary seems relatively open, outside V4 looking economy, less tied with other Visegrad members. Slovak Republic, on the other hand, is strongly dependent on V4 partners, with whom it cooperates significantly.

# III. Literature review

## 1. OFDI policy and crisis

OFDI policy can come in many forms [Mistura 2011]. It may draw on financial support, fiscal relief, technical assistance or other promotional support. It involves different actors, instruments and methods. Over time countries usually tend to evolve from OFDI restrictive stance through neutral to more positive and often even explicitly supportive position as far as capital export in the form of FDI is concerned [Mistura 2011]. For emerging economies and most likely to some extent for CEE countries "OFDI promotion is a legitimate political action needed to help compensate for these countries' competitive disadvantages and organizational deficiencies" [Luo, Xue, Han 2010]. Thus far, the literature has failed to provide any in-depth coverage of policies promoting foreign investments by domestic companies and specifically, the related policy instruments, ways to select adequate businesses for promotion and evaluation in terms of effectiveness [Hutson, Sinkovics, Berrill 2008]. Research findings concerning this challenging period and, among others, the specific characteristics of individual industries, are of critical importance for determining whether investments abroad complement or substitute domestic projects. Even studies of emerging economies emphasize the specializations of individual economies and differences among them, thus making it legitimate for countries to pursue far-reaching specialization and adjust investment assistance to the capacities of the national economy. It is therefore difficult to point to a single appropriate policy of supporting outbound FDI or to formulate an optimal solution for promoting domestic enterprises abroad by means of tax policies and by supporting national champions.

The crisis has generally eroded macroeconomic performance by undermining businesses and slowing down the private sector, with all of its consequences such as increased unemployment and public finance volatility [Demary 2014], which impacted the modification as far as state intervention is concerned. This little turnover manifests itself in economic policies viewed as part of the so called economic diplomacy, i.e. programs and initiatives undertaken in the field by public administration [Götz 2013b and 2013c] or voiced fears regarding "economic patriotism" expressed in ongoing economic discourse and a revival of various forms of protectionism. The 2008+ crisis has triggered an overhaul of state approaches to economies, including the involvement of public administration in investment policies, which entails interventionism, economic patriotism, protectionism, *etc.*

The UNCTAD Monitor established in the aftermath of crisis in response to the need to track the changes in international investment policy making delivers inconclusive results as far as policy towards outward investments is concerned. In general, whereas earlier editions pointed to more outward oriented policy aiming at supporting domestic companies in foreign expansion, this approach seems to have been replaced with policy of repatriation and retaining capital in country. "The growing tendency to support own firms foreign expansion by simplifying approval and administrative procedures, or incentivizing outward foreign investment through preferential tax treatments" ["Investment Policy Monitor" 2009, no. 1,] evolved in 2013 so that "all in all, more countries seek to retain foreign investors or promote repatriation by domestic investors, to cumulate capital in the country" ["Investment Policy Monitor" 2013, no. 11]. Such evolution might indicate growing recognition that outward investments may impoverish home economy adversely affecting labour market and depleting capital stock. Our literature review finds that UNCTAD Monitor no 1 and no 2 – the only ones – explicitly touching upon outward investments, do not list instances of using outward promotional measures in V4 countries. The international investment policy making is evidently dominated by measures oriented towards incoming investors and they encompass both direct investment specific measures as well as indirect investment related measures. Outward investment instruments are rare and seldom covered by available reports.

The publication explicitly linking OFDI from Central and Eastern Europe and the state aid focuses on the state-ownership of expanding companies [Kalotay 2012]. Most investment coming from the Czech Republic is made by foreign investors who already operate in those countries. In Hungary, partly foreign owned but locally managed "virtual indirect" investors are the most important (see later). In Slovenia, decisions to expand abroad are made by domestic companies aspiring to turn multinational. Investments originating in Poland, on the other hand, typically come from large operations which are partially state-owned and stem from such strategic sectors as the fuel industry. Meanwhile, Poland is listed next to Estonia, Croatia, Hungary, the Czech Republic, Slovakia and Slovenia, as one of the "seven dwarves" whose investments are distinguished from those of the Russian Federation by the limited state involvement in persuading local businesses to pursue FDI.

## 2. Survey of selected studies on OFDI policies in V4 countries

Resources on Czech OFDI are scarce both on academic and government levels. Due to the fact that the main aim of government and other business bodies is to strengthen export possibilities of Czech companies, the topic has not gained significant attention in the past years. After 2000, the approach to studying Czech OFDI has started to focus on individual aspects of foreign expansion, which was most likely caused by the unique experiences of market economy transformation. Bohata [2001] examined the investments of Czech companies in heavy industry during 1990s in South America, China and South Korea. The main aim of these investments was to start profitable production, however, due to the lack of experience and knowledge, they turned out to be premature. The newest research concerning Czech OFDI in broader perspective was conducted in 2012, also dealt with Visegrad countries.

Zemplinerova and Bena [2002] focused on the verification of Investment Development Path model in the Czech Republic. They concluded that the Czech economy is mainly in the second phase of the model. The overall structure of OFDI between 1993 and 2002 was examined by Bohata and Zemplinerova [2003]. This research was also based on a sample survey. These authors found, that Czech OFDI was not led by the necessity of labour costs reduction, but by the aim to enter a new market and be able to gather additional information needed to fully utilize the local market potential. They also found that tax optimization was a significant reason for investing abroad.

Radło and Sass [2012] examined the role of so called indirect investments (by companies belonging to other western MNE) and found it more important in the Czech Republic than in other V4 countries. This thesis was based on the fact of foreign ownership of Skoda Auto and Zentiva reported by Zemplinerova [2012].

Zemplinerova [2012] has provided the most up-to-date complex analysis of Czech OFDI so far. The paper examined the period from 2000 to 2010 with the special attention devoted to V4 countries. Three case studies regarding CEZ, Zentiva and Skoda Auto were also included. The previous period from 1993 to 2010 is characterized by the steady growth of OFDI with distortions caused by big individual cases and small amount of total capital invested. During the period, the biggest acquisition was the entry of CEZ to Bulgarian electric distribution company in 2004, followed by the investment of Zentiva in Turkish Eczacibasi Generic Pharmaceuticals in 2007.

Paul [2014] examined the position of CEE countries at IDP path and came to the conclusion that V4 countries together with Estonia are close to the 3rd stage of IDP according to the amount of reinvested earnings. Growth of OFDI/ /FDI ratio confirms the steady shift of the Czech Republic moving along the Investment Development Path, as predicted by the theoretical concept.

According to Rugraff [2009] the Czech OFDI is dominated by foreign-controlled multinational subsidiaries that control the largest industrial companies and banks. Also the dominant position in terms of inward FDI caused by the high attractiveness of Czech Republic in mid-1990s, led to high investment activity by Czech companies (owned or controlled by foreign MNEs). Due to these connections, the risk of failed investments in foreign countries was very low. In addition, the author distinguishes between horizontal and vertical OFDI flows and argues that the horizontal one is prevailing in the Czech Republic, therefore confirms the conclusions of Bohata and Zemplinerova [2003] about not witnessing a negative effect of investments on the domestic market. The main actors of horizontal investments abroad were CEZ and CSOB (major bank with operations in Slovakia).

The theory suggests the existence of vertical and horizontal positive spill-over effects on local economy, however, they have not been proved in the case. For example in the case of electronics and motor industry, the intense flow of international capital did not help local companies to emerge and even though local suppliers are export-oriented, they do not expand their business internationally in more advanced forms. The small effect of horizontal spill-over is caused by the shift of international production towards globalized production hubs (other than Czech) and sub-contractors [Rugraff 2009].

Kotkova [2011] distinguishes three main motives of Czech foreign investments. The first and dominant is the tax-optimization seeking (the Netherlands, Cyprus), the second is asset-seeking in energy sector (CEZ) and the third is new market-seeking combined with savings-seeking (Slovakia, Russia, Germany). Large and medium large companies generally lead Czech OFDI. The further development towards the 3rd phase of IDP is highly improbable due to the unfortunately successful suppression of domestic competition by international companies, which disabled the emergence of more "national champions" capable of foreign venturing.

The literature on emerging multinationals is large, but analyses are generally made on firms in the BRIC countries, while multinationals originating from Central and Eastern Europe are analysed much less often. These "transition country multinationals" fit neither in the traditional theories of advanced multinationals, nor in the theories of emerging multinationals [Svetličič, 2004]. CEE countries are somewhere in between the developed and developing countries. The example of Hungarian MNCs is a good illustration of a "middle-developed" economy and its companies, which invest larger and larger sums abroad.

The dominant part of Hungarian investment value abroad is given by a few firms [Sass, Kalotay 2011; Sass,Kovács 2013] like MOL, OTP and Richter Gedeon. These are "virtual indirect" investor companies, which was first introduced in the literature and described in Antalóczy, Éltető [2002] and Sass et al. [2012]. The mentioned firms are majority foreign-owned, but not foreign-controlled. They all were privatised on the Budapest stock exchange in tranches, which resulted in a dispersed majority foreign ownership, where there is no foreign owner with above 10% shares (or votes). According to the literature, they are considered to be indirect investors as they are majority foreign-owned [e.g. Rugraff 2010], however, we would rather call them "virtual indirect", as many of their characteristics are much closer to direct than to indirect investors. The main reason is that in our understanding, majority foreign ownership is not necessarily equal to foreign control. In these cases the Hungarian management or the domestic Hungarian controlling owners residing in Hungary make all decisions of strategic importance. These companies were already important and successful market players in the pre-transition era with a strong management. Their early privatisation provided an invaluable asset for them in terms of gaining knowledge about privatisation and the post-privatisation restructuring of state-owned enterprises and banks, on which they could later build their foreign expansion. Moreover, the foreign expansion of these companies also served strategic purposes for the management: it could strengthen their position and the market position of their respective companies as well [Sass et al. 2014].

There are only a few Hungarian studies, addressing the problem of the main barriers concerning internationalization, including foreign investment of Hungarian companies, and the role of various policy tools and institutions in helping them to overcome these. In a project, analyzing among others the barriers to the internationalization of innovative small- and medium-sized companies, it was found that inaccessible knowledge and lack of human resources are the most important inhibiting factors, together with the lack of language knowledge and willingness to work abroad [see e.g. Inzelt 2011; Csonka 2011; Sass 2011]. The same project found that high costs and lack of financial resources are only of secondary importance compared to human factors. Mikesy [2013] analyzed manufacturing companies, and proved that large companies considerably differ in terms of the barriers to internationalization from SMEs. For SMEs, product problems and high transport costs were the most important barriers. For a fifth of SMEs, financial problems, lack of knowledge about foreign markets and language barriers were also important. These latter were not important for large companies. Specific analyses of policy tools and institutions include Szerb and Márkus [2008] or Sass [2011]. Sass [2011] describes that ITDH was the most important partner for internationalizing companies in the medical precision instruments sector: 40% of the 35 analyzed companies used this type of support. 5 companies (14%) used help from sectoral associations. Other type of help was hardly used.

Hungary is a small open economy that during its transition to a market economy embarked on a deep process of liberalization, which to a large degree is irreversible. Although the Government's attitude has shifted in recent years towards more state intervention, Hungary is a founding member of the World Trade Organization, and therefore bound by its rules on trade and subsidies. In addition, it has been full member of the European Union since 2004, benefiting from its customs union, and since 2007, also from the free movement of persons due to its entry into the Schengen zone. Hungary is bound by EU rules on state aid and signed the Lisbon Treaty, which envisages a gradual transfer of some FDI policy responsibilities from member states to the European Commission. The most visible effect of that change concerns bilateral investment treaties: the Commission is now entitled to negotiate BITs in the name of all 27 member countries, and the treaties of the latter have to be revised for their compatibility with the Lisbon Treaty. EU investors have to be treated like local investors without exception. This situation however may change in the future, as some of the most recent policy measures adopted by the Government especially the windfall taxes on selected industries (banking, energy, retail, telecommunications) can be interpreted as not fully compatible with national treatment [Sass, Kalotay 2012].

The present Hungarian government has sent mixed messages to the international investment community. On the one hand, it continued supporting export-oriented projects, especially in the automotive industry, electronics production and shared service centers that build on the country's undoubted cost advantages and skills. At the same time, the Government has explicitly and implicitly taken a hostile stance (high windfall taxes) towards FDI in certain service industries, especially in banking, energy, retail trade, telecommunications and water supply. Concerning outward FDI, there is no "official" position of the government on that. On the basis of recent developments, big national champions, such as the largest foreign investor, MOL are supported when a hostile takeover attempt is made. At the same time there is a lack of programs for helping smaller-sized companies in investing abroad.

An important source of intelligence on OFDI from Poland are reports jointly produced by the Vale Columbia Center on Sustainable International Investment (VCC) and The Institute for Market, Consumption and Business Cycles Research (IBRKK). Three so far available reports covering years 2011-2013 constitute part of the Emerging Market Global Players (EMGP) Project, which focused on the rapid global expansion of multinational enterprises (MNEs) from emerging markets. The 2011 Edition stresses geographic concentration (top 3 firms controlled 78% of asset abroad located mainly in Europe) and industrial diversity. The 2012 Report finds some reshuffles in composition of top Polish MNEs. The 2013 Edition highlights the opportunity to strengthen innovation by investing abroad [IBRKK, VCC 2011]. The latest figures show that as it used to be just three top-ranked Polish MNEs in the survey i.e. PKN Orlen, PGNiG, and Asseco Group together held 72% of foreign assets, with PKN Orlen alone holding roughly 50%. PKN Orlen also dominates in terms of foreign sales, whereas the top firm in terms of foreign employment is Asseco Group. The top 30 Polish MNEs controlled nearly 500 foreign affiliates in more than 60 countries, mostly in Europe. Overseas investments primarily went into the mining, exploration and refining industries, then into chemicals and pharmaceuticals, followed by software and information technology (IT) services, building materials, metals and metal products as well as machinery and equipment. Polish multinationals prefer control over the equal or minority equity ownership and other non-equity cooperation[IBRKK, VCC 2013, p. 10]. In the period of 2010-2012, Greenfield investments were relatively less popular among Polish multinationals compared to M&As. A significant number of Polish affiliates in Europe (34 out of 336) have taken the form of special purpose entities (SPEs), which solely focus on tax avoidance and fundraising without any other strategic operations such as sales in the host country.

When we broaden our sample and include all Polish companies and when (instead of FDI stock) foreign affiliates' sales or employment numbers are taken as measures of the international production, the geographical distribution indicates that the most important host countries for Polish foreign affiliates are its neighbours or nearby countries of Central and Eastern Europe [Zimny 2013; Gorynia, Nowak, Wolniak 2012]. The most important determinants of the attractiveness of host locations are market size and economic growth with lower importance of labour cost [Obłój, Wąsowska 2012]. Most Polish OFDI is located in Europe and governed by EU and OECD rules and treaties (in 2012 Poland had signed 63 bilateral investment treaties (BITs) and 92 double-taxation treaties (DTTs). The focus of Polish investors on the European countries with leading role of CEE is related to geographic and cultural proximity [Karpińska-Mizielińska, Smuga 2007]. As regards the sectoral composition of Poland's OFDI stock, services account for the largest share.

The internationalization pattern of Polish firms is often gradual – firms start with exporting and later undertake FDI and their first foreign markets are EU-15 [Witek-Hajduk 2010]. However, as Jarosiński argues, among Polish firms there are entities that deserve the name of "born globals" [Jarosiński 2013]. Experts underline that notwithstanding the genuine home-grown expansion of domestic firms certain portion of Poland's OFDI constitutes in fact "transit capital" – flows of funds within units of MNEs also Polish ones to other economies, undertaken mainly for tax and regulation-related reasons [Zimny 2013, p. 5-6]. Recent figures may suggest that less than three quarters of Poland's outward FDI represents international production of MNEs, or "genuine" FDI, and an even closer look at the industry and geographical composition of Poland's OFDI stock suggests that the share of genuine FDI in total OFDI stock may be less than one half of the OFDI stock, and perhaps even less than that. As foreign expansion can be an opportunity to enhance innovativeness, recent studies dealing with this phenomenon find that the most innovative Polish multinationals in terms of both total R&D spending and R&D intensity were IT companies followed by chemicals and pharmaceuticals, machinery and equipment [IBRKK, VCC 2013, p. 3]. Whereas the latter industries led the list of holders of international patents, IT companies did not protect their intellectual property rights in this way. On average, research reveals low propensity to file for patents abroad by Polish multinationals. The study conducted by Szałucka [2009] demonstrates that technology product innovations are recognized as less important in achieving the advantage in foreign markets. The key skills that Polish firms can exploit in the process of foreign expansion are marketing, managerial and organizational [Gorynia, Nowak, Trąpczyński, Wolniak 2014, p. 184—216]. The sometimes visible advantage of Polish firms in foreign markets is related to such sources of strength like relationships with customers, competitive delivery times, product brand and reputation and lower price for similar quality products [Pierścionek, Jurek-Stępień 2006, p. 101]. To be successful Polish investors need the financial resources and foreign market knowledge [Karpińska-Mizielińska, Smuga 2007]. A broad study on the determinants of foreign affiliate's performance was conducted by Trąpczyński [2014]. The research encompassed 100 Polish firms that possess at least 10% of shares in an affiliate located abroad, and are registered in Poland, while their ultimate owners might be located abroad. 61% of the entities operate in industrial sectors and 39% represent services. The study indicates that these firms that are well endowed in skills and abilities are capable of undertaking sustainable and high performing FDI projects. It is reflected in the competitiveness of the entire group. However, even firms that undertake FDI as they are seeking strategic assets have to possess some threshold resources and competences. The findings of his study demonstrate that the beneficial impact of intangible resources on the performance of Polish firms' affiliates is lower when the parent ownership share is high. In other words, even in the Polish context it is visible that the autonomy of subsidiaries is important when we think about the impact of intangible assets on the affiliate's performance. The above-mentioned study points to the fact that affiliate size is positively related to its performance. Conversely, MNE size is negatively related to affiliate performance and it can be explained by the rise of costs of managing the MNE complexity growth. The research conducted by Trąpczyński manifests that in the Polish context the age of an affiliate is negatively related to affiliate performance.

Foreign business media lead by the prestigious The Economist appreciate Polish successes – "Polish firms have grown in size and confidence along with the economy, which after years of expansion is twice the size, in real terms, that it was when democracy was restored in 1989" [*Companies in Poland*... 2014]. Now, some of the firms are looking beyond the domestic market and going global. Most prominent examples include: Nowy Styl maker of office furniture, InPost producing automated parcel lockers, Comarch – IT firm, Pesa – train maker, KGHM, a copper miner, Azoty – fertiliser maker. They are however rather an exception rather than the rule. The biggest problem seems to be their size "even the largest Polish firms are small by global standards" and small investment in R&D disabling more bold venturing abroad and acquisitions. Polish media have also reported about misfortune of foreign expansion done by state owned enterprises. Due to simply bad luck or because of crass governance failures many of them have not been successful [*Narodowe czempiony*...2014].

"As competition grows fiercer as states in emerging economies gain significance, it becomes increasingly critical for the Polish authorities to define a strategy of support that, in its multiple aspects, would go well beyond the promotional and advisory efforts pursued at the present time" [Balcer et al. 2013]. Aid for enterprises which embark on foreign expansion, i.e., support for the internationalization of domestic businesses, appears to be an excellent way to revamp today's industrial policy. Whereas previously, to ensure the country's modernization, special care was taken to secure foreign capital with a number of incentives offered to inbound investors, Poland's interests today are to support enterprises intent on expanding internationally. Importantly, care needs to be taken to ensure that no such policy contributes to reviving nationalism or ill-conceived economic patriotism or focuses on resolving current problems. Instead, the policy should set a course for the country's long-term development.

The proposed report can be seen as answer to the inconclusive results on state aid role for Polish firms [Banno, Piscitello, Varum 2012; Götz 2013a]. They have no common model for cooperating with public administration to foster foreign expansion. While some fear "excessive governmental intrusion", others stress the importance of such help especially in the (post-)crisis era of "interference and protectionism" and hope for proactive "lobbing" for Polish investors [Götz 2013b]. One would expect a favourable competitive environment enabling Polish firms expansion abroad. It can be presumed, that the indices of negative assessments may well have to do with the incompetence of the public administration and poor experience with state assistance. Examples of inadequate assistance include the lack of coordination among Ministries, incoherent decisions, often duplication of work. The authorities are also criticised, as they often shy away from contacts with businesses and representatives from some of Polish embassies who do not provide necessary support e.g. translations of commercial codes from their countries of deployment is missing. Some advocate the need to rebuild the Polish Information and Foreign Investment Agency into, e.g., an Agency for the Support of International Expansion. Evidence so far point to the potential role for such support, although there is no clear cut opinion aiming Polish firms in this respect. It seems highly desirable in view of the very limited extent of Poland's foreign direct investment and justified by the fact that other countries engage in similar support practices [Götz 2013a].

Three phases in Poland's development of policies towards inbound FDI could be distinguished [Reports of the Institute for Market, Consumption and Business Cycles Research and the Vale Columbia Center on Sustainable

International Investment]. Phase One, which lasted up until 1989, was characterized by hostility towards capital flows and by a proliferation of barriers which either hampered or completely blocked such flows. Phase Two, observed in the two decades that followed, may be described as neutral. As of 2010, the state, including ministries and various agencies, actively promoted the internationalization of Polish companies.

Expansion by domestic companies abroad is being regarded as deliberate goal of pursued foreign policy, goal which has been enshrined in strategies, official papers and state programmes [Götz 2014, p. 5-6]. Internalization strategy seeks increase of trade and investment volumes and more commercial presence of Polish entities abroad. Actively involved actors include not only the ministry of Economy but also specialised units (COIE), Agencies (PAIIZ) and even Scientific Centres (NBR) promoting commercial dissemination of Polish scientists innovations on foreign markets via competition/calls. Although the transformation has started 25 years ago, internationalization has barely begun around 6-7 years ago [Karaszewski 2013, p. 37].

One of the studies of Karaszewski [2008] revealed that majority of surveyed firms have expected assistance from Polish authorities. This can take form of information on foreign market providing or assuring conducive business climate by maintaining good diplomatic relations. This special treatment required by firms from V4 reflects their late comer status in the unfavourable global conditions which put them at a disadvantage with respect to the more affluent, more experienced firms from Western Europe. Public assistance is seen therefore as necessary fair redress of current situation. A qualitative research conducted on the selected group of Polish firms who went abroad do not yield conclusive results [Götz 2014]. Whereas some companies expect such support by public authorities and value it as an important factor contributing to the success of foreign venture, others are more sceptical or even regard the public intervention as harmful. Such negative opinions usually draw on earlier experiences and highlight the strings attached to offered help, its small impact or ill-designed character. For larger, well-funded companies support proposed by the state is simply negligible, and similarly for those representing highly specialised area offered help is too general and thus not valuable. Therefore, if any assistance is expected at all, it is mainly this sort of assistance which safeguard the right business environment, help firms grow and assure the positive diplomatic relations. Many firms point to the double standards applied in Western Europe where officially state aid is seen as a distortion of market competition but many companies particularly these of special significance for the national economy (champions enjoy multiple privileges). They claim it is much that needs to be done with respect to the state aid even the basic approach towards state assistance deserves more positive public attention.

Recent studies distinguish five areas of the system of Poland's promotion abroad [*Promocja polskiej gospodarki za granicą*... 2014]. Firstly, there are measures aiming at advertising Poland as a brand and improving the image of Polish firms (addressing Polishness as liability). Secondly, during state visits Polish officials are frequently accompanied by representatives of Polish business (economic missions). Thirdly, departments of Polish Embassies (Promotion and Trade and Economic Units) offer assistance to Polish firms setting up business there. Fourthly, special system of information provision has been set up which provide insight into conditions for business activities on foreign markets. Finally, and fifthly, financial support for export is made available. Despite its comprehensive character, the current system reveals certain weaknesses among other lack of clear competence division, lack of flexibility, scattered information, and understaffing of authorities tasked with assistance. Well-designed foreign market support shall take into account [*Promocja polskiej gospodarki za granicą*... 2014], among others: better coordination and a clear division of tasks between Departments of Economy of Polish Embassies supervised by Ministry of Foreign Affairs and Departments of Promotion and Trade reporting to Ministry of Economy; referring to outsourcing – relying on business, local entities when more efficient and effective; relying on and better harnessing of Poles living abroad Polonia and establishment of new Agency combining the task of outward and inward investment promotion shall be considered.

While venturing abroad, many of Polish firms are confronted with the problem of Polish liability – negative stereotypes, prejudices limiting the success on foreign market. Thus the potential role for state assistance could address this issue [Götz 2013a]. Earlier studies drawing on inconclusive results and investors' opinion advocated with respect to the state aid among others:

- necessity of earlier assistance, i.e., promotion and creation of favourable condition at home facilitating development of strong / well equipped domestic firms;
- ability to benefit from peculiar crisis situation and under-pricing of some assets enabling cheaper acquisitions. Legal experts however warn that purchase on foreign market requires good preparation [Marcinkowski 2013, p. 70-71]. Crucial stages of each M&A transaction encompass: letter of intent or memorandum of understanding where preliminary issues between acquiring and being acquired firms are drafted, due diligence including

important legal, accounting aspects of the firm's functioning, which in turn determines the final stage i.e. share purchase agreement;
- need for ongoing monitoring and supervision of expansion processes by domestic firms;
- fostering the ambidexterity skills for both domestic and foreign development, for cooperation and competition;
- *Spill-over* instead of *trade off* effects preventing relocation, i.e., FDI at the expense of existence in Poland;
- inserting rules upon which the aid would be available – multiplier effect requirement of pulling other domestic firms (bandwagon effect) as condition for help;
- available support shall be also adjusted to the required positive backward spill-overs, i.e., subject to positive benefits stemming from expansion to be channelled to other domestic firms;
- paradoxically not only best practices shall be highlighted, often bad experience and failures can be illustrative and serve as important warning / lesson for other firms planning to embark upon internationalization.

Experts argue that notwithstanding the recent trend of internationalization by Polish firms, a new role for state and task for public administration should be considered [Bonikowska et al. 2013]. Differentiated modes of successful foreign expansion (company size, geographic area, export/FDI) confirm that globalisation and *europeisation* can materialize in various models. Although a country such as Poland with impressive potential may achieve more (should be even punching above its weight) in terms of internationalisation, relatively short time of Poland's openness makes this achievements worth praising. It must be noted however that when internationalisation is invoked, then mainly in the form of trade and export.

Gorynia, Nowak, Trąpczyński and Wolniak [2013, p. 112] stress that designing and implementing OFDI policies in emerging economies should in particular address two issues. First one relates to the effectiveness of such policies, in particular "it is to be evaluated whether direct OFDI support can be effective unless preceded by an overall competitiveness improvement". Second problem underlines the need of "availability to and awareness by its potential recipients" of offered support. In Poland "OFDI-dedicated support measures still remain relatively scarce, with responsibilities spread over several institutions".

There is virtually no research concerning Slovak OFDI and only very few studies of Slovak companies' internationalization in general. At present, economists – both at home and abroad – do not pay sufficient attention to FDI issues involving Slovakia and thus the information on foreign investment is limited to several findings. The only study focused solely on Slovak OFDI was carried out by Ferenčíková Sr. and Ferenčíková Jr. [2012]. Based on Investment Development Path Theory (IDP) of J. H. Dunning and S. M. Lundan [2008] and selected case studies of Slovak companies' OFDI in manufacturing, finance and IT sectors, the authors have concluded that Slovakia is in the Stage III of IDP. This stage is characterized by a shift toward an industrialized or mixed economy. Government is supposed to play a more active role in the economy, modifying policies in attempt to make home market more competitive, notably by then – 19% flat tax rate [Ferenčíková Sr.,Ferenčíková Jr. 2012]. However, Slovakia lacks one of the key characteristics of this stage – faster OFDI growth as compared to inward FDI. Other aspects where Slovakia does not fully adhere to the features of Stage III are competitiveness of the local companies and their capital adequacy, and efforts to find investment opportunities abroad. Compared to other V4 countries, the majority of the biggest Slovak companies are affiliates of foreign investors and they thus do not carry out foreign investment. Companies investing abroad are mainly private equity companies and financial groups such as J&T, Penta, and Istrokapital. However, the nature of these groups explains the rerouting of their capital to subsidiaries in various tax havens which act as their investment intermediaries. The second group of foreign investors are Slovak manufacturing companies represented by e.g. Grafobal, Železiarne Podbrezová, IDC Holding, Elektrokarbon, and several other companies, but due to their size, they cannot be compared to the much larger investors from the other the V4 countries, such as CEZ, MOL or PKN Orlen. The main reasons of low FDI outflows from Slovakia are [Dudáš 2007]:

- large privatized Slovak companies are embedded in the MNCs' networks and the all foreign investment strategies are managed from the headquarters of MNCs mostly, with foreign investment only seldom carried out via Slovak subsidiary;
- only a few of the large financial groups (J&T, Penta) and several Slovak-owned companies (Železiarne Podbrezová, Matador) execute their own investment policy; financial/private equity groups are often focused on acquisition of existing CEE companies; Slovak-owned companies also prefer European countries due to familiarity of their investment environment;

- smaller companies are very cautious and they usually invest only in neighbouring countries – with the exception of IT companies such as ESET, which tend to invest in USA as the global centre of R&D in IT.

However, the state support of Slovak companies' FDI abroad is significantly less intense than the support for FDI inflow to Slovakia, which is associated with new jobs and technologies. Slovakia lacks a unified framework of FDI outflow support, which would help companies willing to expand abroad. Slovak companies investing abroad are mainly focused on more familiar markets of Central Europe. Despite numerous business opportunities, Slovak FDI in developing countries is virtually non-existent. As the markets of developed countries are saturated and dominated by MNCs, developing countries present an interesting investment opportunity for Slovak companies. Gradual improvement of the citizens' purchasing power and the quality of life in developing countries might attract a larger number of foreign investors, including Slovak firms. Countries with low production costs (and especially low-cost labour force) might be interesting for those Slovak companies which would need to decrease their own production costs. However, Slovak firms usually do not have sufficient information on the market opportunities in the developing countries, they are thus often focused on more familiar European countries. According to T. Dudáš [2007], the most suitable institution to help overcome these investment obstacles might be SARIO (Slovak Investment and Trade Development Agency). The support system should be based on the team tasked with gathering and processing the information on foreign markets and potential business opportunities, and should be made available as the information system on the Internet.

Research on seven Slovak IT start-ups (ESET, Sygic, aSc, WebSupport, Quality Unit, Nicereply and Synopsi.tv) revealed interesting information about the internationalization of Slovak companies [Ferenčíková,Hlušková 2014]. IT companies can be considered as the most successful in foreign expansion among the Slovak firms.  They had to rely on their most valuable assets – human resources, if they wanted to enter foreign markets. This is particularly important, as the companies had to counterweight their lack of finance and foreign market knowledge with unique and high-quality products. Important factor might be their narrow specialization, as they do not diversify their product portfolio into new categories, but they rather focus on improving the quality of their existing product or creating its new variations. General conclusions allow to discern some features of the Uppsala model of gradual internationalization. in the Slovak OFDI. Nevertheless, the combination of the resource-based view with the International New Venture theory (early expansion abroad) seems to be the most suitable theoretical approach to be used in the conditions of the small, once transitional economies.

Given the rather small domestic market, many Slovak companies aim to expand abroad. However, SME in particular often have to cope with the scarcity of resources, both tangible (finance, technology) and intangible (foreign market knowledge, managerial know-how). In order to succeed on the foreign markets, they have to substitute the missing resources with others, e.g., unique product serving a niche market, patented technology or highly qualified and skilled human resources. All of them could serve as the sources of their competitive advantage. Based on this advantage, the companies could attract potential partners for joint venture, willing to provide the resources in need. Taking into account their lack of foreign market knowledge, only limited access to the distribution channels abroad and possible negative country-of-origin effect, the partnership with the foreign investor might be the best solution to overcome these obstacles of foreign expansion. To achieve this goal, it is important to provide the companies with the opportunities to meet the prospective partners. The state institutions might be the right intermediaries facilitating the creation of such partnerships. Despite their numerous benefits for entrepreneurs and the economy itself, joint ventures (and other forms of strategic alliances) are given only marginal attention in Slovakia. Research of 45 Slovak-foreign joint ventures [Hlušková 2014] shows that Slovak companies underwent significant development since last studies on the topic from 1990s. Concerning OFDI, Slovak companies participate in joint ventures abroad to a larger extent than in 1990s. This fact is in line with other findings which prove emancipation of the Slovak partner companies, namely their improved bargaining position due to higher awareness of their potential partners and the experience amassed during two decades of functioning in the market economy. According to research results, Slovak companies no longer just adapt to the strategies of their foreign counterparts as was the case of the joint ventures in 1990s, which almost unanimously used the strategy of the foreign investor. It is a proof that the business and management strategies of Slovak firms are applicable in today's highly competitive markets. Another difference concerns research and development: even though the Slovak Republic lags behind other countries in funding and also in research results, there are also Slovak companies which contribute their research to the joint ventures. This is also in sharp contrast with 1990s, when access to know-how and technology of the foreign investor was one of the most important motives of Slovak firms to form a partnership. All these findings support the notion of improved competitiveness of the Slovak companies, which might eventually result in their better chances to successfully expand abroad via OFDI. Nevertheless, the state institutions neglect OFDI and focus almost exclusively on support of exports.

Despite obvious differences in the way the OFDI policy problem is touched upon and covered in the literature in V4 countries the general picture emerges signifying the rather negligible importance of this topic in general discussion. It indirectly points to the early stages of these economies internationalization still predominately relying on export.

# IV. Interviews

In this chapter we focus on the two sides involved in OFDI policy – its providers i.e. public authorities and other institutions tasked with assisting firms who wish to internationalise and respective beneficiaries of this support, i.e., companies venturing abroad or intending to do so. We have been trying to obtain feedback from both sides. In some cases we were successful, in others not. Thus in this part we refer when possible to the information obtained directly from our interviews. Since it has not been feasible in all V4 countries, general information of existing official state support has been reviewed.

If it was possible, in our in-depth interviews and talks we have been trying to find out the general approach towards supporting domestic firms' internationalisation in its most advanced form of FDI, as well as challenges' encountered and last but not least the recent changes in this policy most likely resulting from crisis induced developments.

## 1. Providers of assistance

This part should be dealing with each case study and interviews with experts, however the research showed that the topic of OFDI is not resonating among Czech academic sphere, companies, business associations or government. In case of the business sector, it was even hard to explain the aim of the study due to the fact that companies primarily export and their associations are set to support this export of goods. This fact has led to the replacement of individual information obtained from companies with information provided by government as main and prevailing source of state support to OFDI. The governmental support is limited to gathering information and providing them to potential investors by state agencies. There are two main bodies dealing with investments and trade. The current government cancelled the merge into one agency intended by former minister of industry and trade in 2013.

The first is the agency CzechInvest that is directly focused on attracting new investors to the Czech Republic. The agenda of outward investments is not even supported by this agency because its aim is also to promote investment opportunities for Czech investors on Czech soil.

The second agency is named CzechTrade and its mission is to promote Czech trade interests abroad. Investments are not directly mentioned as supported area, however, they are indirectly linked with the strategy of entering new markets.

The main strategic document is called "Export strategy 2012-2020", which is defined by the Ministry of Industry and Trade and the Ministry of Foreign Affairs as the two main bodies involved in promoting Czech business. The support of OFDI is not mentioned in the document, as the main aim is to shift the Czech production and export towards higher value added activities in the global production / value added chains. The focus is on the internalization of SMEs, which is supposed to bring more results and be more effective in terms of reaching defined goals. The strategy emphasizes the need of high quality and reliable information but only related to export. Investments are mentioned only as auxiliary activity focused on support of acquisitions of Czech companies abroad in terms of export expansion. Support should be provided by state agencies EGAP (Export Guarantee and Insurance Corporation) and CEB (Czech Export Bank) by dedicated products for funding acquisitions. Investments are primarily perceived as an opportunity to improve Czech export potential.

CzechTrade runs the web portal BusinessInfo.cz that should provide information related to foreign trade. The section "Regional information" offers information on every country. Details about investment possibilities in single countries are provided by local embassies. This is also the only source of complex investment information abroad.

Due to the mentioned problems with obtaining the information needed, remarks presented in this section draws on sources of Czech Embassies in TOP 10 OFDI countries. The variety of information is considerable. The basic facts are always provided, however, details vary among countries. Since information is provided directly by particular embassy, one of the main factors influencing the type and scope of information sent is the size of the mission. For each country, the report includes contacts to local agencies that can help investors with further proceedings. Important companies are listed where the data were available. Data has been mostly obtained on www.businessinfo.cz, portal of CzechTrade agency focused on providing information and Ministry of Foreign Affairs, www.mzv.cz

THE NETHERLANDS – Tax optimization via "Special Financial Institutions" is more important in the Netherlands than any other FDI. In 2013 FDI in this country totalled 2,935 trillion EUR with the biggest share of the USA (633 bln EUR), Luxembourg (474 bln EUR) and Great Britain (317 bln EUR). The Czech Republic OFDI amounted to 5,4 bln EUR according to DNB, 6,3 bln EUR according to CNB. Czech companies transferred almost 1 bln EUR in 2013. Companies are advised that services such as transport and bank services are at the highest level, so due to this saturation any demand for Czech investments should not be expected. The recommended and viable sectors for investments are IT and machinery. Also, the direct capital involvement is highly recommended as a tool of closer connection with domestic companies. Energy sector as priority area was closely examined by the Ministry of Foreign Affairs. This resulted in materials with detailed descriptions of possible investment opportunities in this sector until 2020. Ministry explicitly noticed its readiness to provide necessary informational and diplomatic assistance. Czech Republic and the Netherlands have signed the bilateral investment treaty (BIT) which provides necessary protection of umbrella clause to the companies based in the Netherlands.

SLOVAKIA – In the case of Slovakia, the updated data is not available, however, during 2011, almost 280 million EUR was invested, mainly by CEZ and RegioJet. The Czech Republic was the biggest investor of 2011 in Slovakia. The year 2009 was perceived as unsuccessful due to the economies recession combined with some negative approach expressed towards foreign investments. According to the embassy, possible opportunities come from various sectors, however there are no updated information. The possibility of PPP (Private--Public Partnership) projects is mentioned as public investments are concerned, however this type of instrument has not been implemented yet. Neither has the issue of new railway connection to Austria and the completion of nuclear power plant Jaslovske Bohunice. The privatization process that was stopped by Robert Fico government might be restarted. The recession in 2009 had major impact on chemical production that might be investment possibility to the Czech Novacke chemicke zavody and Chemlon. The support of automotive industry is oriented on subcontractors who are fully dependent on car production. Energy remains the main priority, specifically the completion of nuclear power plant Mochovce. There are also investment possibilities in glass industry with the advantage of traditional apprenticeships, high school and university students. The state support will be oriented on R&D centres, high-tech projects, strategic services and manufacturing industry. Another growing industry is recycling of materials also combined with glass manufacturing. The last mentioned opportunity is the investment in paperwork industry with the specialization on food packaging. The transparency is the main and prevailing problem of investments in Slovakia especially in case of public contracts. There is also no consolidated land ownership registry. Global recession renewed the old debate on re-purchasing companies already privatized and thus some renationalisation (back to state ownership). Bilateral investment treaty on mutual protection of investments has expired on 1st May 2005 and has not been renewed since.

CYPRUS – Cyprus is not mentioned as perspective destination for Czech investments due to the limited size of its market, however, with the growing number of rich repatriates and residents from EU there are possibilities of small FDIs with fast growing rate of return. There was an ambition to support hi-tech centres and R&D facilities by public funding, however, this came to an abrupt end by bank and financial crisis. At the end of 2010 there were 1550 Czech companies registered in Cyprus. Information support is continuously updated. Investors from the Czech Republic are advised to contact Cyprus ARIS agency to get detailed info. There are also information about currently available state subsidies – 600 mln EUR for the period 2015-2023. The minimal investment eligible for the subsidy is 10 mln EUR and must involve building new facility or expanding current one. Bilateral investment treaty on mutual protection of investments with Cyprus was adopted on 25th September 2002. However, due to unsolved ownership issues connected with the division of the country, companies are advised to check the possibility of disputes settlements by local legal offices.

ROMANIA – The Czech Republic is the 13th largest investor in Romania with total FDI amount over 1 bln EUR (Hungary hold almost the same share). Main Czech investors in this country are: Tomis Team srl; CEZ Distributie; CEZ Vanzare (CEZ); Generali Romania Asigurare Reasigurare (Generali PPF Holding); Generali Societate de Asministrare a Fondurilor de Pensii Private, SA (Česká pojišťovna), Kenvelo Romania (Frenta), Dejmark Partners (Dejmark Group), Eftec Romania, srl (Eftec), Intercora srl (Sc Intercora), Conti Real Estate (Boda Cornel), Techo Romania srl (Techno), Kwesto Service srl (Kwesto Service), Kopos Electro srl (Kopos Kolin SA), Azelis Romania (Azelis CEE Holding), Lichtgitter RO srl (Lichtgitter CZ), Invia Travel srl (Invia CZ). Energy, infrastructure, construction, machinery, services, IT, environment and agriculture are regarded as perspective sectors. Instable often changing legislation is perceived as a main source of potential investment risks in Romania. Bilateral investment treaty is in force since 1994 with the protocol of 2008.

IRELAND – Ireland is described as stable and favourable state for business operations with low corporate tax rate (12,5%). Before investing, companies are advised to contact state invest agency IDA. Preferred sectors are electronics, chemical and pharmaceutical industry, production of consumer goods, financial services, research and development. There are also explicitly mentioned sectors with "difficult entry" such as mining or sectors operated by state-sponsored-bodies. Possible benefits are listed in detail. Privatization of state property offers an attractive investment opportunity as many sectors are still not privatized

– mining, traffic constructions and oil industry. Czech investments are mainly represented by Zetor and Škoda Auto. Companies run in Ireland their branch offices and promotion services. Business climate is described as favourable, attention should be, however, paid to written forms of contracts. Bilateral investment treaty was not negotiated.

JERSEY – The Czech Republic has officially no representation on Jersey and therefore no information is provided, despite the fact that this territory belongs to the favourite destination for Czech capital.

BULGARIA – Conditions of investing in Bulgaria are well described and investors are advised to contact state agency InvestBulgaria. Available data refers to the end of 2012. Attention is drawn to such advantages as the proximity to Asian markets and the role of Bulgaria as the major intersection of transit corridors. Investments in properties at Black Sea Coast, mountain and ski resorts are mentioned as good opportunity. Tax rates are described as favourable with possibility to lower them down to 0 in regions with high unemployment rate. In 2010 the Czech Republic was on the 4th position with almost 500 mln EUR invested only overtaken by the Netherlands, Slovakia and Romania. The largest investor is CEZ. Sectors with Czech presence are transport infrastructure, energetics and environment. The investments in existing companies are described as potentially hazardous due to the possibility of restructuring and reduction of employees. Also the strong position of labour unions is mentioned. Implementation of EU legislative is perceived as problematic as well as low quality of infrastructure, slow judiciary and corruption. Bilateral investment treaty applies since 2000.

GERMANY – The Czech capital investment in Germany is relatively small (almost 300 mln EUR by 31.12.2012) and the Czech Republic is not yet distinctly involved on this market due to the high requirements of necessary capital stock needed to enter the market successfully. The share of Czech investments amounts to some negligible 1-2%. Currently there are approximately 250 Czech companies with 9000 employees. That is considerably smaller number than in case of Holland (6800), USA (5 700), Great Britain (4400), France (3500), China (600), Poland (350), however bigger than India (215). Bundesbank reports 7 Czech companies with equity of more than 3 mln EUR. Important Czech companies are: Mibrag, Agrofert Deutschland GmbH, Pilsner Urquell Deutschland GmbH, and Stickstoffwerke Piesteritz. There are certain investment opportunities connected with the decline of industry in former GDR and therefore some spare production capacities. Potential sectors are traffic infrastructure and IT related to "Industrie 4.0" concept. The Czech investments, which previously focused on small shipping and gastronomy projects, are currently driven by energy sector investments of EPH group. Investment environment is perceived as stable and safe. Competition is very high and embassy states that Czech companies do not pay enough attention to acquisitions. Each sector available and recommended for potential investors is very well described with detailed specifications needed. Consumer goods, traffic, energy and healthcare are favourable sectors. Bilateral investment treaty applies since 1992.

GREAT BRITAIN – Last large investment project in UK was the acquisition of Rotortech Composites Ltd. by Czech-Slovak financial group Penta in 2007. The value of the transaction was nearly 4 million EUR. The company produced composite spare parts for aircrafts and helicopters. Production, however, moved to the Czech Republic in 2011. Main Czech investors in country are SkodaAuto, Linet, Budejovicky Budvar, Plzensky Prazdroj, CSA, Jablonex Group, Techo, Sipral, Moravske naftove doly and PPF. British economy is described as highly competitive with a transparent legislative system and professional public administration. Main areas of potential investment are energetics (nuclear, renewable energy, low carbon emission technologies), biotechnology, development of drugs, creative industries. The possibility of further privatization of public sector is also mentioned. PPP (public-private partnership) projects are described as good possibilities for private investments. Main obstacles preventing Czech companies to invest more in UK are large capital requirements to enter the market and longer return of investment. Since 1992 the bilateral investment treaty between United Kingdom and the Czech Republic exists.

GREECE – Czech investments in Greece have (according to Greek national bank) reached almost 12 mln EUR in 2012. The investment of Czech-Greek capital fund Emma Delta Hellenic Holdings Ltd. is mentioned among the largest foreign acquisitions. The fund bought 33% share in betting and lottery company OPAP with the initial amount of 622 mln EUR in 2013 and 30 million annual payments following 10 years. In 2014 OPAP succeeded in tender for 20 years to carry on horse racing with the amount of more than 40 mln EUR annually. The embassy noticed increased interest among Czech entities of investments into photovoltaics in 2012. This trend, however, ended following year due to changed conditions of state support. Investments into local industry namely agriculture and food processing is described as perspective. Tourism is described as an industry with great comparative advantages and possibility of further infrastructure investments. In energy investments are described as perspective with respect to small water power plants, oil and gas production and power grid. Traffic infrastructure is another opportunity with renewed construction of highways. Environment projects are perceived as necessary, however, the allocation of needed funds is not clear yet. Agriculture is considered to be undercapitalised with the potential to reduce high unemployment and substitute import of food by domestic production. Privatization of state ownership is considered a great opportunity specifically the investment into long-term lease of land. Regulation of investments as well as regulation of labour is considered to be in development so investors are advised to pay close attention to probable changes of conditions. Public sector should be approached with maximum caution due to the long-term crisis of public debt. Partners in Greece can often speak Czech, however, this should not be considered as sufficient condition of success. Greece and the Czech Republic signed Agreement for the Promotion and Reciprocal Protection of Investments in 1992.

POLAND – The information about law regulation is provided with detailed names of appropriate laws. Disposition and acquisition of properties is described. The law of investment subsidies adopted in 2000 is described in details even with limits to invest in special economic zones (100 000 EUR). Investments outside the zones can also receive subsidies in other forms. Finally there is a possibility of direct public financial assistance in the case of investment bigger than 10 mln EUR and subject to fulfilment of further conditions. The study of Instytut Badań nad Gospodarką Rynkową (2006), devoted to Polish regions' and provinces' attractiveness is also mentioned as a source of additional information for investors. The SWOT analysis is provided, however, outdated. According to the 2012 data the Czech Republic was the 6th biggest investor in Poland being the largest investor of new members of the EU. Czech investments are described in detail. The total amount of companies with Czech capital was around 480 most of them representing small business. Due to the traditional business relations between Polish and Czech companies the spectrum of possible investments is very wide. Nevertheless, energy, production of rail vehicles, environment and traffic infrastructure are particularly recommended. Also the potential possibility of privatization of state property, mainly mines, should be taken into account. Risks are considered to be at very same level as in the Czech Republic. Bilateral investment treaty applies since 1994.

HUNGARY – Potential Czech investors in Hungary are provided with updated information. So far the main investments were: in 2006 Skoda Holding purchase of Ganz Transelektro for approximately 2 mln EUR (Hungarian company was originally the competitor at the market of trolleys) and CEZ who entered the market in cooperation with MOL. In 2008 RAVAK company finished investment of 10 mln EUR into Ravak Business Center in Budapest. In 2014 AAA Auto, which trades with used cars, reopened its operation in Hungary after 5 years. Agrofert, holding of currently Czech vice premier Andrej Babis invested into NT Group, which is the 8th biggest world producer of vegetable oil. The information about perspective sectors are provided by HIPA (Hungarian Investment Promotion Agency). Main areas are energy sector, automotive industry, construction, environment and healthcare. Risks are considered to be at standard of Central European level, however, legislative has been recently unstable – special instruments as sector taxes have been introduced. Bilateral investment treaty applies since 1995.

There are a couple of actors potentially involved in OFDI promotion in Hungary.

Hungarian Investment and Trade Development Agency (ITD Hungary) was founded in 1993 to help implement the government's investment and trade promotion policies. ITD Hungary had 20 offices in Hungary and more than 50 offices in 46 countries. It also organized events to promote foreign direct investment in Hungary, and hosted conferences and other networking events to bring local and international players together. ITD Hungary helped to realize the national development plan, which is supported by EU structural and cohesion funds. Another goal for ITD Hungary was to help and promote Hungary's small and medium-sized enterprises, encouraging SMEs to think beyond Hungary's borders. ITD Hungary was well known abroad and had a role in OFDI promotion. In 2012 considerable governmental reorganization took place, and – mainly for political reasons – from September 2012 ITD Hungary was dissolved and merged into the Regional Development Holding owned by Hungarian Development Bank. Most of the tasks of the ITD were taken over by a new agency called HITA. HITA (Hungarian Investment and Trade Agency), was established in the beginning of 2011 by the Hungarian Government, as a nationwide public non-profit organization. Its role was to support the foreign trade activities of SMEs and help them to strengthen their position in the global market, and also supporting foreign companies to invest in Hungary. HITA was no longer an independent agency but an office subordinated to the Ministry for National Economy, hence it is less independent in its actions. It employed 155 people with an annual budget of EUR 13,5 million. Most of the staff members of HITA were former ITD employees, it took over all international projects from ITD. HITA had a certain role to help SMEs to export and invest abroad, mainly with information, events, advisory work, trainings, conferences, development programmes, exhibitions, seminars, delegations, joint economic committees, joint sessions, match-making events. The successor of HITA, the Hungarian Investment Promotion Agency (HIPA) was established under a Government Decree in 2014 to provide professional help to foreign companies intending to invest in Hungary (The director of HIPA is the former director of Nokia Solutions.). HIPA supports the implementation of the Government's key investment promotion targets, offers company and sector-specific consultancy, attends professional events, recommends locations, and organizes site visits for foreigners. Promoting outward FDI is not a task of HIPA anymore.

Another important organization – but first of all of export promotion – is the Hungarian National Trading House  that was established in 2013 by the Hungarian Government and the Hungarian Chamber of Commerce and Industry. As part of the new foreign trade strategy "Opening towards the East", the Hungarian National Trading House seeks new markets and new opportunities for Hungarian exporting companies. The Hungarian National Trading House offers its partners complex services legal and financial consultation, negotiation (www.tradehouse.hu). OFDI promotion does not belong to the profile of the Trading House but for those firms whose exports and investment is connected it may offer some help.

In every embassy there is a foreign economic *attaché*. Their role is to represent Hungarian foreign economic interests abroad, that means partly export development, partly investment promotion. The task of the *attaché* is to collect information, advising, match-making, coordination, and logistic. If a Hungarian firm wants to invest abroad, it can appeal to this diplomat. First the *attaché* provides information concerning the foreign country: tax system, legal system, negotiation techniques. The *attaché* also gives contact lists to accounting firms, interpreters, tax advisories and connects the firm with the local investment agency. The attaché can also help to prepare negotiations with the authorities (like environment protection or else) to help to realize the given investment. A general role of this *attaché* is also to continuously report on privatization, public procurement and tender possibilities. These diplomats help to organize the joint (intergovernmental) economic committees that meet periodically once in Hungary once in the other country. These events are very useful for the firms, they find partners and business opportunities and sector--specific agreements are often signed too.

The Hungarian Chamber of Commerce and Industry has 12 bilateral committees (like Committee for Hungarian-Slovakian relations, *etc.*) to help investors generally and also sector specifically. There are mixed chambers of commerce functioning in several foreign countries. The chamber also collects and makes available to the business organizations economic, technical, environmental and legal information; defends the rights of entrepreneurs and free business, *etc.* The Hungarian Chamber has internal regional departments in the countries.

Banks and two state organizations provide financial help. Eximbank helps Hungarian firms with investment credit. It partly finances such foreign investment that helps Hungarian exports of goods or services. Credits can be used to establish a firm abroad, buy a firm abroad, buy shares of firm abroad, raise capital in a firm abroad or provide a long-term owner loan for an affiliate abroad. The Hungarian investor firm cannot decrease its export capacities during the credit terms of maturity and it has to possess control (majority ownership) on the affiliate abroad. The export of the Hungarian firm cannot be less than the sum of the credit. Other conditions of the credit: at least two closed business years, stable and sound background, at least 3 bln HUF revenue or HUF 500 million export revenue per year, minimum 30% own resource (that cannot stem from other loan). The time span of the credit is maximum 7-10 years. Corvinus International Investment Ltd was established in 1997 by Eximbank, Hungarian Development Bank, Ministry of Economy and Export Insurance Ltd in order to help Hungarian companies to invest abroad. Its capital was raised continuously to 15 bln HUF and its sole owner became the Hungarian Development Bank. Between 2009-2011 it nonrefundable supported Hungarian micro and small entrepreneurship abroad but later this activity was given to the state Bethlen Foundation. Since 2012 Corvinus Ltd realizes co-investment in the CEE countries, mostly in Romania, Serbia, Ukraine, Slovakia. Conditions of investment are: Corvinus risks (invests) 100-150 mln HUF per deal, own resource is needed from the investor, 5-8 year term, share of 10-49%, constant monitoring, at the end of the term, the investor buys the shares of Corvinus. Funding for Growth Scheme of the National Bank was announced in 2013 and was extended until end-2015. It provides liquidity to credit institutions using its monetary policy instruments, in order to alleviate disruptions in lending to small and medium-sized enterprises. This means interest-free loans to commercial banks and this programme enables companies to finance themselves on a forint basis at low cost.

Important role in supporting Hungarian investment abroad played by the foreign economic attachés in Embassies in respective host countries. In March 2014 a Hungarian consulate general was opened in Krakow, Poland directed by a Hungarian foreign economic *attaché*. If a company wants to invest capital into Poland than this consulate helps to realise the investment with information, contacts, *etc*. Poland is popular among Hungarian investors (TriGránit, Futureal, Richter, MOL-Slovnaft). The bigger Hungarian investors themselves often also actively participate in local social life (for example TriGránit has aid programs for children, support orphanage and religious activities). *Attaché* also participates in these events that help to strengthen contacts. Hungarian OFDI is quite strong in South-Poland. It is very important to have a local partner, contacts. In several cases Hungarian companies establish a local affiliate or joint venture. In this way they are entitled to local credit schemes. The consulate in Poland receives yearly around 550-600 inquiries from firms. Main investors in Poland are:

- Richter Gedeon pharmaceutical company that in 2002 acquired majority stake in Polfa in Godzisk. The firm employs 740 workers, produces for the local market and exports too. Petrochemia-Blachownia S.A.is owned by BorsodChem since 2006.
- TriGránit built Silezia City Center in Katowice and in 2009 they opened Bonarka City Center in Krakow (EUR 300 million investment) In 2010 TriGránit gained a tender to reconstruct Poznań station (EUR 385 million investment) that was finished in October 2013.
- MOL is present with plastic base material trade on the Polish market. Slovnaft (owned by MOL) is also active. MOL was introduced to the Warsaw Stock Exchange in 2004.

Another example is a much farther market: Brazil. The Hungarian Embassy is in Brasília and last year the Sao Paolo mission became a consulate general. The Hungarian foreign economic *attaché* had been delegated there by the HITA and now works for HIPA and National Tradehouse (under the Ministry of Foreign Economy). Brazil is a special market, because it is far away from Hungary and it is very complicated to do business there. Most Hungarian firms investing in Brazil receive help from Eximbank. Instead of pure exporting they very often establish joint ventures or a firm in Brazil in order to produce, because of high transport costs and local regulations. There is a large protectionism and bureaucracy in Brazil. In the OECD countries it takes 11 days to establish a company, in Brazil it is 107 days. One has to go to 13 different offices, authorities. There is an extremely complicated tax system, regional, federal, state taxes. A Brazilian firm spend 2600 hours with tax calculations in general; while in the OECD it is 165 hours and other Latin American countries it is 360 hours. Corruption also makes deals costly and difficult. Regarding knowledge of languages, even those Brazilian firms who state that they speak and know English, do not know speak the language properly. It is not enough for a foreign company to provide printed material in English; it has to be translated to Portuguese. It is very difficult to get a residence permission for work: the company in Brazil has to prove that no other Brazilian can do that job. The permission is costly too – 50 thousand EUR for investors. There are however large and even small Hungarian firms venturing in Brazil. A significant Hungarian-directed multinational is Gedeon Richter pharmaceutical company. In December 2013, Richter has bought an initial majority stake in privately-owned Brazilian drug distribution firm Next Pharma Representacao, Importadora, Exportadora e Distribuidora Eireli EPP. Richter's agreement to purchase a 51% stake in Next Pharma includes an option to acquire the remaining 49% stake in the future. The Brazilian company was renamed as "Gedeon Richter do Brasil Importadora, Exportadora e Distribuidora SA". There can be specific profiles of SMEs that find market. These can be bound to innovations or to special products. The profile of Polaritás GM Ltd is technical research and development of sport technical products; they have contract to build kayak-canoe tracks and starting apparatus in the Olympic Games in Rio. Another firm, KONsys Ltd entered the Brazilian market with software optimising and measuring energy. There is a large need for European technology, for example in wastewater treatment (85% of Brazilian waters are cleaned before flow into the river). The Hungarian firm Organica has good opportunities. In the Brazilian luxury industry there was no crisis, luxury products have good market (for example Hungarian feather pillows, duvets, porcelain). There is a large need of European technology, for example in waste-water treatment (85% of Brazilian waters are cleaned before flow into the river). Lots of social houses are built in Brazil, so there is a need for quick-building technology and a Hungarian firm has such. They can build a house in 3 months, it is very popular in Brazil. Infrastructure development also offers possibilities. In the luxury industry there was no crisis, luxury products have good market (for example Hungarian feather pillows, duvets, porcelain). Other niches: the Hungarian Mozaik firm offers digital education and the firm Job Control offers working time organisation software.

Overall, it seems that those firms who have serious intentions to invest abroad usually turn to the embassy or attaché in the given foreign country and they offer useful help. Apart from the former ITD/HITA and after their dissolution partly these *attachés* try to undertake the task of OFDI promotion.

Data and opinions concerning Polish OFDI policy were collected during interviews with the representatives of selected institutions.

The assistance for the internationalization process of firms in Wielkopolska region is provided by the Internationalization Division within the Department of Economy in the Marshal Office of the Wielkopolska Region. On the 20th of November 2014 we conducted an interview with the representative of this Division. He explained that the assistance for firms involved in internationalization or eager to expand abroad is structured geographically and sectorally. As far as the geographic dimension is concerned the assistance and attention is drawn to exotic faraway destinations such as Kazakhstan, Kirgizstan, Georgia, China, Iraq, Iran and Mongolia. The expansion onto EU markets is recognized as not requiring special support as the neighbouring markets are easier to win, even from the position of SME. The sectoral dimension of assistance corresponds with the attempts to reorient the regional economy towards "smart specialisations". They were selected on the basis of extensive consultations with all regional stakeholders and drawing on existing clusters (food, furniture, biochemistry, logistic). These bottom-up approach accounting for local strengths and weaknesses enables focusing in the future on these areas of Wielkopolska economy which have real potential and are equipped to face international competition (www.is.org). The future planned assistance within Framework Programme – Wielkopolski Ramowy Program Operacyjny – shall not only focus on smart specialisations as more advanced forms of clusters but also take into account different levels of companies' development. Four groups – potential beneficiaries – have been distinguished: (1) infant ones who exist for some time but have no foreign experience and require all kind of knowledge on internationalisation; (2) more advanced, which plan expansion and need basic information; (3) firms who are successful at home and want to expand with their offer abroad and require very concrete knowledge about this product abroad and finally; (4) experienced successful firms who plan to expand into distant risky markets. Help provided encompasses mainly participation in economic missions abroad and in fairs. Missions usually take place in distant countries and indeed can be regarded as a "game changer" for companies especially SME as without they wouldn't have afforded visiting such places. They usually include meetings with local business, chambers of commerce, other roundtables. Fairs are chosen based on the criterion of their coverage, popularity and publicity. Usually high profile events are selected, such as CEBIT or international air shows. Department usually book the place there and as umbrella organisation subletting it to various firms which couldn't have afforded such fee if it was not for Marshal help. COEI – Centres funded by Ministry of Economy and housed by the Marshal Office deal with incoming and outgoing investors and have pro-business and pro-invest character. Their help is however directed mainly to concrete cases.

Another institution that was founded to support firms' internationalization efforts and is embedded in the regional context is the ARAW – The Wroclaw Agglomeration and Development Agency. Two representatives of this organization agreed to share with us their expertise regarding the assistance for firms eager to internationalize. ARAW (set up in 2005) started as an institution entrusted in attracting foreign firms and offering aftercare services. Over time it has been evolving towards agency assisting local companies in their regional development as well as their expansion on foreign markets. It is a municipal company with shareholders such as city Wrocław and local villages / districts Kobierzyce_Środa Śląska. Project "Polski champion" co-run with ARAW started as joint initiative with PWC and with cooperation with RP daily. Whereas the country edition is still in a rather nascent phase and in fact limited to annual contest and granting awards, in Wrocław the project is up and running. The formula does not include any competition, as it is perceived as too sensitive an issue. It encompasses instead various projects, initiatives, joint actions, etc. The line-up of participating firms is stable as companies usually continue cooperation. ARAW helps to improve company's image by brand campaign or arrange economic foreign missions often under auspices of PAIIZ. Stressed should be the perceived need to work on improving the image of local firms even the big ones with quite good reputation as respectable and reliable employer. Such voices underline the necessity to foster some economic patriotism, to start with building strong fundamentals and assist firms in gaining necessary reputation. This bottom up approach, adjusted to real needs, draws on the concept of capacity building as a stepping stone in firms expansions abroad and necessary building block determining future expansion possibilities.

The institution that focuses its activity on foreign investors interested in the Polish market and on Polish firms that attempt to expand abroad is PAIIZ – Polish Agency for Information and Foreign Investment. On the 28th of November 2014, we conducted the interview with one representative of this organization. PAIIZ is responsible mainly for inward investments and typically Greenfield projects, whereas outward FDI are under remits of KUKE (Insurance Corporation for Export Credits) and PARP (Polish Agency for Enterprise Development). KUKE however is hardly involved in fostering expansion in the form of FDI and focuses predominantly on granting on favourable conditions credits and guarantees for exporting firms. In order to reach some synergies and improve the cooperation, attempts to create platform of investment agencies across Europe have been undertaken, but have not fully materialized. For the moment being some Memoranda of Understandings have been signed. Worth mentioning are specific cooperation: "4+1" between Visegrad countries and Japan and "16+1" between new EU members and China. There is no specific distinction between assistance directed to existing or new investors.

In the whole set of actions aimed at facilitating the outward internationalization of Polish firms, an important place belongs to the think tank "Poland, Go global!". On the 12th of February 2015 one representative of the think tank explained the philosophy behind "Poland, Go global!". The aim of the think tank "Poland go global" is to complement the official initiatives by governments and its agencies. Being closer with companies – as it derives from think tank operating formula – implies more effective, targeted and tailor made support. Since 2013 annual survey among Polish firms expanding abroad is conducted. New initiative seeks to produce the expansion map, i.e., the detailed geographic coverage of Polish firms abroad (geographical database of Polish FDI). Special attention is being paid to middle-stage companies occupying niches resembling German *Mittelstand*. There are neither big players who usually do not need support nor typical SME but enterprises with huge potential, delivering state of the art solutions with already good reputation and successful but with rather low profile in media and public opinion. One of the competition "Future global leaders" ("Globalni liderzy przyszłości") was dedicated exactly to them. Among 200 firms Aeropag (council of business leaders, scientists etc) selected 13 of them and then the best three laureates. The winner "Bank of stem cells" (Bank komórek macierzystych) received a grant from NCBR.

Last but not least we provide the opinions of one Polish expert in the field of FDI and MNE. During the phone call on the 9th of December 2014 we had the opportunity to learn more about the FDI policy in Poland. Beside official populist rhetoric, it does not seem to be any tangible FDI policy change. Populism, however, is independent of the economic crisis, as has been observed also beyond crisis difficult years. Successes in attracting foreign capital has been frequently attributed (as any other positive developments) to ruling parties, whereas usually no one takes credit for failures. Declarations and popular narrative do not translate into politics/ policy. In Poland no indices of particular change of FDI policy can be diagnosed. Up until 2016, incoming investors can enjoy incentives in SEZ which are however available for firms regardless their origin (other factors requirements come to play). Crucial for foreign firms decision to invest in Poland have been also European Union Funds again available for companies regardless their country of origin (non-discriminatory). Whereas in the US there have been some cases of more restrictive law preventing inflows of foreign, mainly Chinese investors into strategic sectors on security reasons, in Europe such moves are hardly available. On the contrary, instances of increased promotional activities can be registered. Apparently CzechInvest offers more incentives trying to encourage more investors which, as it seems, over the crisis are more reluctant to venture abroad and tend to pile up cash. France undertakes measures to prevent divestment by already active subsidiaries and branches. It need to be stressed the approach although positive to inflows of FDI is significantly more favourable to the Greenfield investments than M&A. With regard to the outgoing FDI in Poland this topic seems to be in the aftermath of crisis much debated but not followed by any concrete actions. The tendency of simultaneously *en block* targeting just foreign expansion without clear differentiation of export and investment should be regarded as ill-designed. Trade and setting up subsidiary require definitely other skills, incentives, engagement and approach. Worth mentioning is the initiative by Ministry of Treasury and BGK to support foreign market entry by small and medium Polish firms ("Puls Biznesu" 14-16.11.2014, p. 14) this initiative explicitly stipulates earmarking some funds to encourage companies to venture abroad. Worth considering as best practise can be the German system of commerce and industry chambers spread all over the world. AHK are tasked among other with some sort of scouting young developing German firms and assist them in their expansion abroad. In Poland, PAIIZ and Ministry of Economy are in charge of promoting Polish firms abroad but for the moment being they seem to have problems with fulfilling their tasks.

Slovakia lacks a unified framework to support OFDI. State institutions focus predominantly on attracting inward FDI or aim at supporting export. There is virtually no institution or policy aimed exclusively or predominantly at OFDI. OFDI support is usually indirect (in the case of internationalisation support) or it is just a side-effect of certain activities (support of start-ups). This part of the report thus specifies various organisations' activities which could in the end lead to OFDI support, even though it is not their primary (and often not even secondary) goal. The information was gathered from publicly available sources as well as from the information provided by the institutions' representatives who agreed to speak on the topic. However, representatives of

Ministry of Foreign and European Affairs of Slovak Republic and SBA did not respond to the questions sent, not even after repeated reminders.

Slovak Investment and Trade Development Agency (SARIO) is an institution which provides support for foreign companies willing to invest in Slovakia, but also for Slovak enterprises which aim to expand abroad. SARIO facilitates this cooperation by several means:

- the Slovak Sourcing and Cooperation Portal, matchmaking portal aimed to coordinate foreign demands with production possibilities of Slovak companies; there are 63 firms registered at the Portal as of March 25, 2015 [SARIO 2015a]; this number is considerably lower compared with 108 companies registered as of May 23, 2014 [Hlušková 2014];
- organisation of business journeys and fairs to provide the companies with the possibility of negotiations with prospective partners;
- organisation of matchmaking events in Slovakia – e.g., Hungarian – Slovak Forum for real estate developers, Slovak – Serbian Business Forum or the seminar on Transatlantic Trade and Investment Partnership (TTIP), all of which will take place in 2015 [SARIO 2015b];
- direct searching and screening of prospective partners abroad.

The Slovak Sourcing and Cooperation Portal offers an on-line database of the latest export opportunities and production cooperation offers. The aim of the Portal is to achieve more effective export promotion of Slovak products, to intermediate the cooperation between Slovak and foreign companies and to help to create Slovak-foreign joint ventures. The Portal cooperation offers are divided into four sections: subcontracting, joint ventures, investment and tenders [SARIO 2015c]. Another tool for promotion of partnerships, which was created in 2013, is the Database of Investment Opportunities presented at the meetings with various foreign entities. However, promotion of OFDI is not a task of SARIO: the Agency is focused only on inward FDI to Slovakia or export of Slovak companies. The territorial structure of support is aimed at countries labelled as prioritised in the Strategy of External Economic Relations for the years 2014-2020: besides the EU countries, other important states include countries of Western Balkan, Southeast Asia, Commonwealth of Independent States, Brazil, India or USA. Nevertheless, the Strategy is also focused on export, not OFDI. In spite of that, SARIO aims to diversify its services in the future. In 2014, the Agency undertook first steps to establish the Association of the Complete Industrial Plants Suppliers, a voluntary association in order to facilitate cooperation and subsequently export of complete industrial plants from Slovakia.

On the European level, Enterprise Europe Network (EEN) aims to provide opportunities for the cooperation of companies from various countries. EEN connects business-supporting organisations from more than 50 countries – 28 EU members and 26 non-EU members [Enterprise Europe Network 2015a]. In Slovakia, EEN is represented by the BISS Slovakia project (Business and Innovation Support Services in Slovakia) coordinated by Business and Innovation Centre (BIC) Bratislava. 50 organisations participate in EEN services in Slovakia [Enterprise Europe Network Slovensko 2015]. In years 2008-2012, Slovak EEN partners organized nearly 180 seminars with more than 4500 participants, 66 matchmaking events and 21 company missions with 1500 participants. The Network team provided free consultation services for more than 5200 companies and visited more than 1000 companies to evaluate their business and technology opportunities. All these activities resulted in 66 international trade and technology partnerships. In order to seek business and technological partners, the companies can make use of two databases: Partnering Opportunities Database and The Projects & Results Service. Partnering Opportunities Database allows companies to register their offers or request to find potential business partners. However, the number of Slovak companies seeking foreign partners is relatively low: there are 48 business offers, 124 technology offers, 6 business requests, 1 technology request and 1 research and development request, as of March 27, 2015 [Enterprise Europe Network 2015b]. The Projects & Results Service provides information on EU-funded research projects and their results, with the goal to facilitate the exploitation of the research results in practice. There are 109 projects in which Slovak entities act as coordinators and 1247 in which Slovak entities participate [CORDIS 2015]. According to recent information from BIC, there is no systematic evidence of partnerships whose establishment was based on EEN services, and no evidence of Slovak-foreign joint ventures abroad at all.

EXIMBANKA SR (Export-Import Bank of the Slovak Republic), founded by the state in 1997, offers many products aimed at facilitating of the companies' foreign expansion, both banking and insurance. Its main goals are to improve the competitive position of Slovak firms abroad and to support the export of products with high value added, in the highest possible volume. The products of EXIMBANKA SR can be divided into banking and insurance, and also their combination. However, majority of the products is focused on export facilitation, only direct loans to finance an investment might be considered as OFDI-centred support. EXIMBANKA SR provides an investment loan for the exporter to establish a subsidiary or a joint venture with foreign partner, or to purchase the shares of an existing company in the country where the Slovak firm exports its products. The ultimate goal of investment loan is to increase the export performance of the Slovak company. The minimum share of exporter's own resources on the investment value is 10%. The Slovak firm should be involved in the investment for at least three years. The exporter primarily uses the profits generated by its foreign investment to repay the loan. The maturity of the loan is eight and a half years at maximum. In its profile, EXIMBANKA SR presents the support of investment abroad (and especially the establishment of joint ventures) as the value added of its activities. The value of export loans (including loans to invest abroad) has been rising steadily in 2009-2013, as the receivables from export loans increased from 24,479 mln EUR in 2009 to 104,129 mln EUR in 2013. The share of export loans on overall granted direct loans in the period of 2009-2013 has risen from 21,86% in 2009 to 48,72% in 2013 [EXIMBANKA SR 2014]. Slovak companies can also make use of the export credit insurance products in order to insure the risk of failure to repay the credit related to their own investment abroad. This product type represented 9,32% on the overall non-marketable risk insurance products exposure as of December 31, 2013 [EXIMBANKA SR 2014]. Insurance of credit financing the investment of Slovak legal entities abroad is a product oriented mainly on manufacturers that should get into a more advantageous position by the establishment of the foreign subsidiary in their export market, e.g., by reducing logistics costs or eliminating regulation barriers. Slovak companies often intend to acquire their foreign competitor or they want to benefit from the favourable investment conditions in specific areas of local economy. The bank of the Slovak company which provided the loan to finance investment is insured by EXIMBANKA SR. The support scheme of EXIMBANKA SR has not undergone any significant changes since 2008, but there is a higher pressure on the quality of project and its reviewing process. There is also more emphasis on the experience of the investor in the given region. EXIMBANKA SR does not particularly focus on SME. To invest abroad, the company must have certain knowledge of the local environment, sufficient quantity and quality of human resources and also dispose of certain amount of capital on its own. Only a few of Slovak SME consider the possibility of foreign investment. Territorial diversification is one of the four main goals of EXIMBANKA SR stated in its strategy for the years 2014-2020 [EXIMBANKA SR 2013]. The Bank has divided the countries of priority into two groups: Group 1: Serbia, Bosnia and Herzegovina, FYROM, Turkey, Vietnam, Indonesia, Cuba, Egypt, India, South Africa, Kenya, Russia, Ukraine, Belarus, Georgia, Azerbaijan, Kazakhstan, Tajikistan, Turkmenistan, Uzbekistan, Chile, Brazil, China, Mongolia. Group 2: Pakistan, Argentina, UAE, Iraq, Armenia, Libya. These countries are the most promising for the Slovak exports. Based on historical trade ties from the socialist period, countries of Southeast Asia, Central Asia and Latin America, Middle East, Southern Balkan and North Africa seem attractive for Slovak companies. However, there is significant difference between exporters and investors, as the latter are more cautious. They seem to prefer safe markets with lowest risk and countries in which the companies have already certain experience. Thus, there is no special focus on particular countries and their choice depends on the demand of the potential investor. As for the satisfaction of the support recipients, every project is monitored within the internal guidelines of EXIMBANKA SR. Regular meetings with clients, including the discussion about possible further cooperation are a part of the process. The satisfaction can be also indirectly seen in the amount of provided loans and guarantees.

PODNIKATEĽSKÉ CENTRUM – Business Center is under the competence of Ministry of Foreign and European Affairs of the Slovak Republic. Its task is to provide all the information needed for the export of goods, services or capital, creation of cooperative ties or establishment of joint ventures abroad. The aim of Center is to provide contacts and to monitor business and investment opportunities suitable for Slovak companies [Ministry of Foreign and European Affairs of the Slovak Republic 2015]. The Ministry also coordinates its activities and cooperates with other institutions such as SARIO (e.g., in the case of the Slovak-Turkish Business Forum). As stated, the main mission of the Center is to provide information: it issues the Weekly News Bulletin in support of the business abroad, which contains not only news, but also information on business and investment opportunities, international tenders, business fairs and other events. Another means of support is the economic information about respective countries, accompanied by the contacts on Slovak embassies and representations abroad and their planned activities in the foreign territories. The Ministry is also active in the Official Development Aid Programme (Slovak Aid), focused on participation of Slovak entrepreneurs in projects aimed at sustainable development of the target countries, divided into two groups: programme countries (Afghanistan, Kenya, Moldova) and project countries (Albania, Belarus, Bosnia and Herzegovina, Georgia, Kosovo and Ukraine), along with South Sudan as a country of exceptional humanitarian and development needs. In 2013, the Platform of Entrepreneurs for the Foreign Development Cooperation was established in order to engage the entrepreneurs in development aid. During ten years of its existence (2003 – 2013), the Programme spent more than 40 mln EUR on 400 projects in more than 20 countries. One of the sub-programmes is the Business Partnerships Programme: Slovak entrepreneurs are able to be given a grant to cooperate with company in the developing country. The main tool of this programme is the support of Slovak start-ups in developing countries, with the budget of 250000 EUR in 2015 (Ministry of Foreign and European Affairs, 2014). As for the feedback on their services, the Ministry is conducting a questionnaire survey concerning the Weekly News Bulletin about the companies' satisfaction with its content.

The aim of NÁRODNÉ PODNIKATEĽSKÉ CENTRUM – the National Business Center, which should be established in 2015 in Bratislava, followed by 5 other regional centers in 2015-2016, will be to ensure complex support of SME, including the systemic support of R&D transfer to the businesses. The Centre should act as a one-stop-shop and offer support for new companies, including start-ups and spin-offs [Národné podnikateľské centrum 2015]. The Centre will provide two groups of services: (1) EEN services – free consultancy services, workshops, training for entrepreneurs, matchmaking events to meet potential foreign partners (EEN services have been already described in detail in this report) and (2)Services within the framework of Growth Programme: these services will be aimed at SME in the growth phase of development. These services cannot be further specified as they are only in the process of creation. However, they should be complementary with the existing support tools. As for the territorial scope of support, particular attention will be given to non-EU countries, due to their large growth potential and gradual saturation of EU markets. The Centre also intends to investigate the satisfaction of the support recipients with its services.

Združenie mladých podnikateľov Slovenska (Young Entrepreneurs Association of Slovakia) was founded in 2010. Its goal is to assist entrepreneurs aged less than 40 in order to help them overcome the lack of know-how, contacts and capital. Lack of attention to young entrepreneurs and the obstacles they have to cope with in Slovakia were the main reasons for association's establishment. One of its activities is the Slovak Business Angels Network, established in 2011 by the Association, then-National Agency for the Development of SME (nowadays SBA) and Hospodárske noviny (economic newspaper). Business angels provide funding necessary for the start-up companies, which usually have difficulties to gain finance in ways traditional for established companies (e.g., bank loans, capital markets). In the case of Slovakia, they are even more important due to undeveloped capital market and relative lack of venture capital [Združenie mladých podnikateľov Slovenska 2015]. The Network has several goals such as: increase awareness of entrepreneurs about venture capital topics; create a meeting platform for investors (business angels) and entrepreneurs; provide consulting on business planning and assistance in the investment process. The number of angel investors in the Network fluctuates between 20-30. Until December 31, 2014 the Network registered the total of 828 applicants and 97 of them have met the qualitative conditions and presented their projects to potential investors, 43 of them started negotiations with investors. The investment was eventually carried out in less than 10 cases, in the fields of energy, IT and services. Angels do not only provide finance, but they also have to act as mentors for the starting entrepreneurs. The investment by angel investors in Slovakia tends to range from 10 000 EUR to 50 000 EUR per investor and up to 100 000 EUR per project (higher amounts are exceptions).The Network co-organised 17 matchmaking events where the start-ups had the possibility to present their ideas to potential investors. However, the Network does not have information whether any of the Slovak business angels has engaged in investment abroad.

SLOVAK BUSINESS AGENCY (SBA) is an institution focused on SME support, founded in 1993. The partners of SBA include SARIO and Young Entrepreneurs Association of Slovakia. Its organisations include EEN and the Platform of Entrepreneurs for the Foreign Development Cooperation. SBA is also involved in the National Business Center project. The role of SBA is therefore tied to other institutions and projects in which it is involved, e.g., in EEN, the Agency can register Slovak companies in the Partnering Opportunities Database or provide them with contacts on their foreign counterparts already registered in the database. Nevertheless, the specific feature of SBA is its main focus on SME.

## 2. Internationalising firms

Interviews were organized with the use of a short, simple questionnaire – one devised for all V4 countries (see attachment). As the results presented in this chapter show, having companies agree to participate in our survey proved to be a tough task. The success in this respect as measured by the size of sample and information gathered differs considerably. It only once again points to the general problem of missing intelligence disabling in fact design and running of appropriate policy since even its main potential beneficiaries do not seem interested. A sad conclusion.

In the analysis of the Hungarian system of support for outward investments, two sources of information were employed – a mini-survey of companies, which already invested abroad, has been conducted and actors of OFDI promotion were planned to be interviewed. In other words, there has been an attempt to supplement the information collected from the firms with evidence from interviews conducted with experts from the various organisations and institutions dealing with the promotion of capital exports. However, we had difficulties in achieving that aim. One reason for that was the recent multiple reorganisation of the institutions providing support for goods, services and capital exporters, resulting in a completely new staff and lack of clear competences in this area. Another reason we came across during our search for suitable staff members was that – maybe reflecting a mercantilist approach – the promotion of capital exports has been pushed into the background compared to goods and services exports, and thus we could not find any department or staff member responsible for it despite multiple search. As a result, the number of interviews concerning OFDI actors remained very low and is restricted to foreign economic *attachés*.

As far as the company survey is concerned, first, on the basis of various sources of information 63 Hungarian resident companies (both foreign-owned and Hungarian-owned) having already invested abroad have been identified. In the following process by further selections fully filled-in questionnaires have been obtained from 13 companies (28,9%). The questionnaire sent out was based on the extended questionnaire template of the research project that includes additional questions. Among the 13 companies, there were one micro, two small-, five medium- and five large-sized companies. 10 companies were Hungarian-owned and three foreign-owned. (Two of them changed owners recently one went from Hungarian to foreign ownership and another one the other way round.) Eight companies are headquartered in Budapest and five in the countryside. There were six manufacturing and seven services companies in the sample. Among the services companies, five can be characterised as carrying out at least partly high tech activities. Seven companies invested abroad in only one country, four in two, one in 10 and there was one with investment in two dozens of countries. Among the host countries, there was a European dominance, with geographically close countries (especially Romania – five companies, Bulgaria – three companies and Germany – three companies) figuring high. Furthermore, in the case of two companies (one manufacturer and the other one service provider), an affiliate was established in the US. The two companies with multiple host countries were present in Asia as well. Among the Visegrad countries, Poland was present as the host country for three companies and the Czech Republic and Slovakia for two firms each. It is obvious that the sample does not represent proportionately the group of Hungarian companies investing abroad (for example the industry and sector composition indicates that), however, the information gained from the mini-survey may give important insights into the use and opinion of companies about the help offered to foreign investor firms. Detailed results of the company mini-survey are discussed below. As far as the motivation of outward investments is concerned, the dominance of market-access-motivation is reinforced by the answers of the companies in our survey. For eight of them that was the only motivation and for four of them, market access was one of multiple motivations. This result is in line with the results of previous surveys either in Hungary [e.g. Antalóczy, Éltető 2002; Sass et al. 2014; Sass et al. 2012] or in the CEE [see e.g. Svetličič et al. 2007]. Three companies indicated that the business environment of the host country was important from the point of view of their outward expansion. In two instances, the host country was a highly developed economy (the US and Germany), but for the third company, it was Romania. Two companies indicated the importance of lower prices of raw materials and energy; as well as that of the infrastructure and the acquisition of existing capacities. Their motivation may be labelled as resource-seeking. One company, which realised investments in Eastern neighbouring countries of Hungary, pointed at the importance of labour costs – thus this can be the example of an efficiency-seeking investor.

The entry mode is predominantly Greenfield (8 cases), followed by the opening of a representative office (4). The establishment of a joint venture with a foreign partner and acquisition of majority share in an existing firm appeared in the case of two companies. One company bought minority shares in an existing venture and another one opted for another type of entry mode (it acquired the Hungarian parent company, thus it became owner of its foreign subsidiaries).

In terms of the major barriers to foreign expansion, the companies could indicate more factors. The most important inhibiting factor was the regulatory system of the host country (6 firms), followed by the lack of suitable foreign partners (5 firms) and lack of financial resources (4 firms). In previous research financial problems were not found to be an important inhibiting factor [see e.g. Sass 2012]. In our sample, however, it was one micro, one small-sized and two medium-sized companies, which found that important. For one medium-sized company, that was the only problematic area. Lack of information about the host country was the next most important inhibiting factor (3 firms). Internal to the firm problems (lack of human resources or lack of language knowledge) were indicated by only 3 companies. The latter indicates an improvement compared to the results of previous research [see e.g. Szerb, Márkus 2008], where small- and medium-sized companies found these factors the most important from the point of view of their internationalisation.

In terms of receiving support, four companies indicated that they have not received any help, three of them have not asked for it and one of them could not find a suitable, relevant help among the existing schemes and institutions. Thus, overall in our sample, nine companies received any type of help for their foreign expansion. Two of these relied on "commercial" sources (not public ones), one received financial help from a commercial bank, another one from a private consulting agency. Both these were large companies, thus they might not be eligible for various types of public support – that can be one reason for not using public support. The remaining seven companies relied mainly on help from ITDH/HITA, the Hungarian trade and investment promotion agencies (four firms). This is in line with the results of previous research [see e.g. Inzelt 2011 or Sass 2012]. Two received financial support in the framework of EU-co-financed Hungarian operative programs. One company received help from Eximbank-MEHIB. The type of help received was predominantly in the form of grants – financial help (6 companies – one company may have received more than one form of help), in the case of the two EU-co-financed programs the companies had to have own shares, in the other case it was free of charge. Two companies indicated that they received information about the host country, and one company was helped in finding a suitable foreign partner. One of the large companies received a very special type of support, when a local consulate was opened in order to help its expansion in the region.

In terms of the evaluation of support, we could not find a clear pattern. Out of the eight companies giving an evaluation, there was one, which was completely satisfied with all the characteristics of the support: with its speed, relevancy and level of bureaucracy. At the other extreme, two companies found the help immensely bureaucratic. Overall, six companies found that the support could be evaluated as average (giving 3 or 4 on the scale from 1 to 5). In their evaluations, the relevance of support had the highest score (4.125 simple average from 8 companies), followed by its speed (3.375), while overall they were found to be quite bureaucratic (3.125). In terms of changes in public support over time, the majority of companies received that type of help only once, thus they could not judge whether there was any improvement or deterioration in that area. Four companies, which received help on multiple occasions, could not see any change in that respect; while one company indicated that it experienced improvement.

The questionnaire contained a last, open question on the overall opinion of the companies about the Hungarian support system. One company indicated, that the support is dwarfed by the overall financial and human effort, which has to be made in order to realise a successful expansion. Another company remarked that in other, mainly developed countries, the support is much more substantial and more flexible in that area.

Overall, the information gained from our mini-survey indicated that the majority of companies is more or less satisfied with the public support received, however, four companies (31% of the sample) could not find a suitable support scheme, and among those, which received support, at least two firms indicated general or partial dissatisfaction. Thus, basically half of the sample expressed discontent in any way, while the other half can be considered as content with the available public support. It is important to add, that it is mainly the lower range of large firms (which just pass the upper limit set for medium-sized companies), which could not really benefit from the support schemes. These companies are too large for qualifying for support, and at the same time, too small in terms of own financial and human resources to be able to expand abroad successfully and at the speed they plan to.

In Poland, interviews with representatives of firms that invested abroad were conducted from 20th November 2014 until mid-February 2015. Numerous repetitive emails have been sent to selected Polish companies investing abroad with invitation to participate in the study. The used sampling technique was the convenient sampling as firms are rarely willing to share their experiences with regard to OFDI. From about 19 approached companies only 5 agreed to participate in the project and have filled in the questionnaire. Their answers have been however very spare. Interviewers have been reluctant to provide information, limit themselves to raw answers without expanding upon some issues, also refrain from being named in official report. They represent vehicles manufacturing (Firm A), chemical industry (Firm B), IT sector (Firm C and Firm D) and special appliances (Firm E).

Firm A is a family business that operates in around 28 foreign markets. The internationalization process of this firm started as the owners of the company noticed that they needed more market space to grow. That is why they complemented their exporting activities with foreign direct investment. As the crucial motive they mentioned the market-seeking. The firm's representative argues, no particular state assistance in this process has been used, though also names benefiting from fiscal and financial incentives mainly in the form of grants from the EU Funds. This mismatch and incoherence of answers might derive for the fact that the support received has not been directly linked to expansion process, nevertheless, it made the firm better equipped for internationalisation and in this way contributed to FDI.

Firm B operates in the Polish market since 1992 and its products are delivered to more than 50 foreign markets. Export operations are accompanied by the foreign direct investment. The firm possesses 17 foreign subsidiaries and among them there are 7 production facilities. In that case not the simple cost reduction, market-seeking or favourable conditions in the host market were the stimuli to invest abroad. Since the interviewer pointed to the need to grow as the motive we can conclude that the company looked for opportunities to discount its advantage. The representative of the firm admitted receiving support of the home government in undertaking OFDI and the assistance of other bodies not naming them. It has taken advantage of diplomatic information and contacts. Thus the assistance received can be classified as "information". The support was free of charge. It was assessed as quick and relevant (4/5) and not much bureaucratic (3/5). Since the company applied for the aid more than once it can vale its changes which it evaluates as improving.

Firm C is an IT company that started its operations in 1993. As the company was able to create a strong position in the Polish market, it decided to expand abroad. It entered the Western Europe. The first steps were put on the German market, the next steps in Austria and Switzerland. The driving force for conducting FDI for the company has been market seeking. The investment has been also motivated by the need to support export activities. The firm has not made use of any help from home government for the investment abroad in the past 10 years.

Firm D was founded in 1991. It possesses its subsidiaries in CEE markets, in Western and Northern Europe. The latest internationalization efforts of the firm are directed towards emerging markets like the African or Asian countries. The firm quotes market reasons and in particular the attractive acquisitions bid promising market growth and new products as driving force for conducting. The company has not made use of any state support.

Firm E is a producer of special appliances. It manufactures high quality process instrumentation. The company was founded in 1992. The internationalization process was initiated in 2001. The first foreign markets that the firm won were the Eastern markets like Russia, Belarus and Ukraine. The next steps were directed towards Germany and France. The appliances provider quotes market seeking as the main reason for expanding abroad. The firm claims it has not taken advantage of state support for internationalization, although, it benefited in early days when it was still entitled to export passport. Besides it has taken part in some foreign fairs and economic missions. Apparently these events are not perceived as classic state aid. It stresses, however, the funding under EU Funds which enabled scaling up production development in domestic market which obviously in long term perspective may make company better equipped for foreign expansion.

60 companies were interviewed in Slovakia. The sample encompassing firms with international activities was created on the base of data in economic press ("Hospodarske noviny") and dictated by the willingness of managers to answer our questions. Five companies mentioned that they were provided loans for the internationalization from EXIMBANKA and other banks. Three companies were provided non-financial assistance from SARIO. Three companies were recipients of the investment stimuli in Slovakia (what helped them to be successful on the foreign markets as well) and three of them received funds from the European Union projects for the innovation and technology which again helped them to succeed abroad. All together only nine companies out of 60 interviewed were recipients of direct or indirect support (some of them mentioned two forms of support) that helped them to operate on the foreign markets.

# V. Conclusion

Four Visegrad states have been the focus of this project. They are regarded as emerging economies and called also transition economies or middle income countries which are catching up economically and also in terms of FDI [Gorynia et. al. 2013] .

The year 2008 has had obvious repercussions for the region as well. Crisis in Eurozone has sent ripples felt in V4 group. Only Poland managed to avoid the output fall, which bestowed it the name of "green island". The major aim of the joint research project was to examine the post crisis changes in OFDI policies in V4 countries by closely investigating four research proposals.

If one wants to refer to the FDI policy types' classification it shall be concluded that:

- with respects to information and technical assistance it seems the policy is targeting indeed mostly SMEs;
- promotional / institutional help seems to be the most developed one and comprising all types of investors; it includes also IIA;
- fiscal assistance seems the least available or even not existing one as there has not been much indices of certain tax preferences, tax exemptions, *etc.*;
- financial help is mainly directed to SMEs and often focused on export facilitation (export passport in Poland).

Summing up, the changes in 1-4 types of assistance seem to have started long time ago and simply reflect global tendencies and modifications which cannot be particularly ascertained to the 2008 crisis. Companies often expect simply a certain "protection shield", political umbrella providing specific protection while venturing abroad, particularly in distant, unfamiliar markets (Africa).

Whereas there are certain similarities such as the role of capital in transit distorting the real picture of OFDI or high concentration with few firms accounting for a bulk of OFDI, V4 countries reveal also differences. The importance of foreign investors as source of further OFDI (so called virtual indirect direct FDI) clearly distinguishes Hungary and the Czech Republic.

Findings included in this document shall be considered as the results of exploratory pilot research. OFDI policy is still under-researched area in V4 countries.

In the long run, internationalization and foreign presence are unavoidable for country's global performance. Public administration mindful of the role national home grown firms can play on international markets cannot afford ignoring the needs of domestic companies which plan to go international. Therefore the significance of properly designing and deploying a foreign investment policy should not be underestimated. With regard to OFDI, one of the findings of this project can be formulated as some inadequate conception or more specifically blurred perspective towards the promotion of foreign expansion. As the matter of fact the tacit assumption is that this internationalisation consists actually only of export with investments – the more advanced form of foreign expansion – being neglected. As far as INFDI are concerned, what arise from the research is the need to differentiate incoming FDI not only due to their country of origin, or sector but first and foremost to the mode of entry with M&A being seemingly less welcome than Greenfield projects creating apparently more value added for the host economy.

In our research we tried to focus exactly on the changes in FDI policies.

Summarising, we believe that this preliminary report constitutes a special inventory of current state of (post)crisis polices towards OFDI in V4 may serve as starting point for further detailed research and can offer a valuable compendium for practitioners and academics.

The following pages summarise of the main findings with respect to each V4 country is presented. The general conclusion of the Czech country study is that the volume of OFDI is becoming more important, however, the academic, business and public sectors still consider OFDI as a marginal topic. Czech OFDI is perceived as beneficial among companies and by the government, though, marginal, part of foreign trade, which is not harming domestic economic activity. The main purpose of OFDI is seen by the government to open new markets for exporting goods produced in the Czech Republic. This is also connected with the new export strategy, which emphasizes seeking new markets as a direct response to the 2008 recession. Public debate on the phenomenon of Czech OFDI has basically not emerged yet. Negative perception is connected with tax optimization and virtual transfer of investments abroad. Structured assistance to SMEs concerning OFDI does not exist. Companies are advised to contact local agencies in the relevant country. Czech government provides only basic info via CzechTrade agency and economic sections of embassies. In most cases, large companies have already started operations abroad – they have the ability to set up foreign establishments without state support. If any, the state support happens via joining official Czech representations and dealing with relevant local politicians. Data suggest continuous concentration of investments into Europe and neighbouring countries. Share of BRICS countries is negligible with the exception of Russia. African countries do not even appear in the statistics. The structural composition also suggests that the Czech OFDI are motivated mainly by tax optimization and result from seeking more favourable legal environment and umbrella clauses, i.e., provisions in bilateral investment treaties that allow individual companies to sue states in case of possible thwarting of the investment. As there is basically no debate on state support of OFDI, no conclusions regarding the effectiveness or efficiency of offered support can be drawn.

Hungary is an important outward investor among the new member countries of the European Union. Over time, a supportive institutional background has been established in order to help companies investing abroad. Especially micro-, small- and medium-sized companies can benefit from the support provided by various institutions. After the 2010 change in government, the institutional background and the main aims of the institutions have been modified to a great extent, as well as the staff of the two main institutions offering public support. We assume that support for capital export has been pushed into the background compared to goods and services export and incoming FDI. This can be proved by the fact that we had serious difficulties in finding the responsible department and/or staff member at the relevant institutions. The companies taking part in the Hungarian mini-survey were in general satisfied by the support received; they praised especially its relevance, but were much less satisfied with its bureaucratic nature. However, four of 13 companies could not find a relevant support scheme for helping their foreign expansion. The investment and trade agency still seems to be the most important actors in the area. In spite of the fact that according to the companies, lack of finances is only the third most important inhibiting factor of foreign expansion, financial help (grant) is the most frequent help received by them. That may point to the problems of reorganization of the Hungarian support system alongside "EU-lines" (i.e. dominance of financial compared to fiscal and other support). However, as it was already mentioned, and as it is reinforced by one company taking part in the questionnaire: "in other, mainly developed countries, the support is much more substantial and more flexible" and supporting capital export is one of the main priorities of economic policy.

Following the transition commence, Poland's OFDI was almost negligible and limited to trade-supporting activities in key export markets for many years [Zimny 2013]. It actually took off after the EU accession in 2004, when the Polish private sector had matured enough to start generating home-grown multinational enterprises (MNEs) and state owned enterprises (SOEs) also began investing abroad. Whereas they sometimes could count on Government's encouragement, emergence and expansion of private MNEs has been left to market forces. The main findings of our research referring to Poland are the following:

(1) the growing approval for foreign expansion in Poland reflects not that much the crisis realm but shall be seen rather as the result of long-term processes which started 25 years ago. Transformation induced several processes and triggered profound changes in economic landscape but, as argued by experts, foreign expansion does not seem to be one of them. Such presence of Polish films abroad has barely begun. The recently observed acceleration of pro-expansionary actions seems to be path dependant. Crisis may have only catalysed this tendency by giving more opportunities for cheaper acquisitions. Thus, internationalisation is not reaction to crisis but rather part of comprehensive processes of strengthening the economy by building larger multinational companies;

(2) the size and scope of available support suggest it is directed towards SMEs, although not always officially confined to them. In practice, larger firms show no interest in applying for internationalisation schemes mostly as they can fend well for themselves;

(3) the attention is indeed paid by policy makers to fostering expansion to distant more promising so called perspective markets;

(4) given that main recipients of such assistance are SMEs, the policy focus on remote, fast growing and more risky markets may imply some mismatch. This imperfect fitting of such help cannot be fully confirmed, however, with beneficiaries valuing the received assistance differently.

It seems that there is no special support directed towards investments flowing to other V4 countries. Most likely these economies are regarded as stable, familiar and close neighbourhood and not demanding any special treatment. Potential investors seem to manage well there.

Specific feature of Poland's FDI landscape is its character of a transit country for large cross-border flows of funds within both foreign and Polish MNEs, classified as FDI flows, and inflating OFDI data. Although the ratio of OFDI stock from Poland to IFDI stock in Poland is still rather small and accounted for 25% in 2011, compared to 126% in the European Union, it has grown rapidly from 3% in 2000 and 7% in 2005. The quite resilient record of OFDI during the financial crisis can be mainly attributed to Poland's relatively good economic performance since in 2009, Poland was the only EU member with a real GDP growth and a good situation at home meant that companies' profitability still allows them to invest abroad. Notwithstanding, the natural bottom up conditions enabling firms to thrive, open remains if Poland will adopt a concrete active policy to turn SOEs into national champions and, eventually, into MNEs. So far, successive Polish governments have been rather neutral about OFDI or Polish MNEs. Nevertheless, certain government involvement (political consultations, encouragement, need to diversify gas supply, etc.) could be found in at least some foreign investments by SOEs after 2011. Certain activities and declaration over the last three four years; such as the talk about the need to protect the remaining large Polish SOEs or the need to "re-polonize" foreign-owned banks may indeed give impression that Government has been trying to pursue policy of creating "national champions".

All in all, we can state, that:

- Poland's outward investment is to a certain extent the result of tax optimizing and reflect pure inter-company capital flows without any deeper economic involvement in host country.
- The sectors and geography of Polish OFDI differs depending on whether we take into account the assets accumulated abroad (OFDI stock), the number of entities established, employment figures, sales or export. In general, despite the recent trend of increasing role of services and quite significant share of transit flows counted as OFDI, neighbouring European countries and manufacturing sector prevail at least in terms of measures such as the affiliates number, overseas staff or sales generated.
- The policy supporting OFDI seems to evolve after the years of certain laissez faire approach, when firms have been left on their own in their internationalization endeavours, towards more active approach.

A larger pool of companies participating in our research was gathered in Slovakia. The sample has 60 firms. Only 8 of them, which is 13%, admitted having used direct financial credit links or indirect support from the state agencies while internationalizing. Major institutions with OFDI-focused services in Slovakia are: EXIMBANKA providing loans and insurance of investment, and Ministry of Foreign and European Affairs of the Slovak Republic offering Slovak Aid – grants for Slovak start-ups in developing countries. Whereas 5 investigated companies used EXIMBANKA services, no one mentioned start-up support. Other institutions offer services which could potentially help OFDI, but it is not their primary intention and as it turned out only 2 companies out of 60 used assistance from SARIO. Official support is focused not only on EU countries, but there are also other groups of priority countries, most notably non-EU European countries and Asian countries. We have not recorded any significant changes in the OFDI support in the aftermath of the 2008 global economic crisis. There is no special focus on SME, except SBA, which is itself focused on SME support in general. As for recipient feedback, we have not found any specific information, but some of the state institutions are assessing their clients' satisfaction by surveys, interviews, and as demonstrated in repeated interest in services. There is an initiative to assist the internationalization of Slovak companies – a specialised webpage http://export.slovensko.sk/, with the aim to provide all the information for potential exporters in one place. However, nothing even remotely similar exists for OFDI. Therefore, we can conclude that state policy is predominantly focused on inward FDI and export. OFDI exclusively is not mentioned in any policy or strategy, and it is basically neglected in the official economic strategy of the Slovak Republic. Promotion of OFDI in Slovakia does not seem to be regarded as priority for policy makers. Support towards this more advanced form of internationalisation as compared to export is hardly articulated in official strategies. Similarly few institutions offer such assistance. The help offered to companies is mainly directed to foreign trade. Nevertheless, the support of exports and also tools helping to establish new firms and their subsequent functioning may indirectly lead to more Slovak OFDI in the future.

As our study shows, firms in V4 countries are in general very reluctant to participate in scientific research, despite future likely benefits they might get from results obtained and recommendations formulated. Whereas in Hungary the respondents were most research-friendly, quite many firms participated in Slovakia, a few in Poland, it was impossible to get feedback from Czech firms.

However, providers of OFDI support seem to be more willing to share their knowledge. They informed us mainly about possible assistance they offer to companies willing to expand abroad, but the assistance is mostly export-centered.

Low profile of discussion on foreign expansion by Visegrad business, evident dominance of export and meagre assistance provided to OFDI seem to confirm relatively early level of internationalisation of V4 economies. Preference for close neighbouring countries additionally back this statement.

Referring to our four research proposals stated at the beginning of the project we can claim that:

(1) No particular crisis-induced shift in policy towards OFDI can be seen in the V4 group. It does not seem that global financial and economic turbulences have had significant impact on the course of action pursued towards OFDI. This policy undergoes modification rather as a result of general global tendencies. What stands out, however, is the dominance of export promotion as less advanced form of foreign expansion and only minor attention, bordering with neglecting, paid to OFDI.

(2) Indeed, the offered help seems to target SMEs especially. It is evident not only given the character of dedicated authorities assigned with helping smaller entities but also in the conditions attached to potential support, practically excluding larger companies.

(3) Apart from programmes explicitly focusing on distant markets such as the Polish initiatives “Go Africa” or “Go China” remote markets do not seem to be given priority in national OFDI policies among V4 countries.

(4) Obtained results, although scarce, might confirm that there is a room for improvements as far as design and implementation of OFDI policy is regarded. Companies that have used public assistance usually have some remarks and restrictions complaining mainly on arduous bureaucratic procedures.

Slightly on the margins of our main research topic, some interesting conclusions might be worth stressing. It is worth mentioning, very specific yet fast developing tendency of lawsuits with regard to patent law on intellectual property rights violation. These are facing incoming investors in host markets and can effectively hamper FDI or even render it economically unfeasible. Hostility towards incoming investors takes often the form of cascade of lawsuits. As it turned out, legal cases on patent rights have been brought to the court only to impair smooth investment rather than to win in the end. They, nevertheless, effectively made it harder to start business abroad. There are evidences of multiple accusations of patent rights violations without legal point. Ultimately won, effectively hampered easy expansion. It seems that such unjustified legal actions and patent lawsuits can act as hostile policy towards foreign investors and block OFDI from V4 countries. Experts seem to suggest that well designed and thought through more selective European policy towards incoming Chinese investors should not be ignored. It is in Western economies interest to maintain certain technological know-how advantage over Chinese competitors which guarantees the export on Chinese markets. Otherwise massive acquisitions by Chinese firms may lead to appropriation of intellectual property rights, patents and technologies which will make them independent of European sources and endanger the commercial relations. Thus some steps in this respect aiming at certain protection of important firms or sectors shall be seen as strategic thinking. It is in European interest to avoid future enormous imbalances in favour of Chinese economy via seeking certain protection of domestic firms.

The reluctance among companies to take part in our research surveys has led us to recommend introduction or at least to consider introduction of special certificate of "science friendly company". It would award firms willing to cooperate in scientific projects based on companies' openness, responsiveness and readiness to help scholars conduct their study and for whom such input is in many cases *sine qua non* condition for reaching valuable findings and thus necessary for scientific success. Paradoxically this lack of responses and negative answers might be insightful as to the direction of future research. It clearly shows the huge need for investigating this problem.

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# Appendix

**Questionnaire**

1. Why did you invest abroad?
   Cost reasons (labour and/or resources)
   Market seeking
   Conditions (rules) in host country
   Other (please name):...........

2. Have you had any kind of help from home government for your investment abroad in the past 10 years?
   Yes No
   If no: why?
   If yes:

3. From what outside organization did you receive help and/or incentives? Chamber
   Ministry
   Inv. Agency
   EximBank
   Other bank
   Advisor firm
   Other (please name):

4. What type of help /incentive did you receive?
   Fiscal (e.g. tax reduction)
   Financial (e.g. grant)
   Technical
   Information
   Matchmaking

5. Are you content with the services you received? (5 is the best/max) 1 2 3 4 5
   Was it free of charge? Yes no
   Was it quick? 1 2 3 4 5
   Was it relevant? 1 2 3 4 5
   Was it too bureaucratic? 1 2 3 4 5

6. If you received help several times, do you see a changing tendency (like ease of access, bureaucracy, conditions of help) ?
   Improvement
   Worsening
   No change

7. Your opinion in general, any kind of comment you would like to make: …..

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