One of the most important phenomena in the world economy characterized as globalization is the upsurge of foreign direct investment (FDI). Cross-border investments have organized activities of companies in manufacturing and service sectors beyond national borders, while the globalizing playing fields have encouraged (or forced) them to internationalize their activities in order to survive the intensified competition. Cross-border investments are no longer confined to among developed economies or from them to developing and/or emerging economies. Outward direct investment is now the significant instrument for catching-up economies to internationalize themselves.

This is the case for Central and Eastern European Countries (CEECs). Inward FDI has been one of the most essential ingredients for transition, while over the past five to seven years, outward FDI from CEECs has sharply increased. In fact, the ‘year 1997 represents a kind of take-off point. Since then, the outward FDI stock of the five analyzed countries [i.e. Czech, Estonia, Hungary, Poland and Slovenia] more than doubled, i.e. from USD 2.5 billion in 1997 to almost USD 6 billion in 2001. In 2000, outward FDI of CEECs has grown faster than their inward FDI’ (p.50).

The previous studies on CEECs have exclusively focused on the impacts or roles of inward FDI on their economic restructuring and integration into the European Union. Therefore, this book is a pioneering result of the works of researchers who instantaneously recognized the possibility and importance of this new phenomenon of outward FDI and emerging MNCs from transition economies which was initially regarded as ‘an illusion’ (p.xxviii). They theoretically inquire how internationalization of firms from transition economies can be explained by the existing theories or whether it requires any modification or not. In addition to the theoretical implication, the book aims at examining what role outward FDI plays in enhancing competitiveness and facilitating restructuring of firms from CEECs and, through distinguishing between direct investment (outward FDI by local firms) and indirect investment (that by inward investors), to what extent it is incorporated in international networks of foreign MNCs.

One of the difficulties for this kind of study on CEECs lies in the fact that standardized and comparable statistical data has not yet been gathered or available. This book compensates for the statistical defectiveness by questionnaire survey on main investors from the above-mentioned five countries. Additionally, it exhibits copious case studies at every turn, which also helps our understanding of the current status of multinationals from CEECs.

This volume is well-structured by two parts, though there are some overlapping descriptions; in the first
part, overall features of outward FDI from CEECs are explored in light of the ‘eclectic theory’ and the ‘investment development path (IDP)’ paradigm (and the Scandinavian ‘sequential theory of internationalization’) (chapter 1 and 4), while taking up thematic issues, i.e. outward FDI in terms of small country (comparing with Austria, in chapter 2) and in terms of less developed European economy (comparing with Portugal, in chapter 3), that in service sectors (in chapter 5) and comparison between direct and indirect investment (in chapter 6); and in the second part (from chapter 7 to 11), along with macro data analysis of outward and inward FDI, the results of survey by country are analyzed in terms of motivation, entry mode, ownership structure, entry barrier, and impact on parent company (export, import, output and employment).

The conclusions based on those elaborate analyses are quite clear and suggestive. There are some variations by the analyzed country, especially though a ‘system-specific reversed IDP’ (starting with system escape type FDI). However, in the long run, the previous theory on stages of internationalization is largely applicable in terms of entry mode, type of activity, and geographical orientation and concentration. This most clearly observable in Slovenia, which had been an investor country prior to the 1990s. On the other hand, in light of the IDP hypothesis, the process has been unexpectedly accelerated and jumped up some stages.

More specifically, the macro data and the questionnaire surveys tell us that outward FDIs concentrate on neighboring countries with geographical, historical and cultural (and linguistic) ties and older business relationships; they prefer greenfield to acquisition or joint venture; they concentrate on service-related activities more than manufacturing; and they contribute to enhancing competitiveness and restructuring of firms from transition economies by increasing export and gaining market shares of parent companies (though the impacts on employment, output and import are neutral or negligible).

More interesting is the analytical result that most of outward investors are motivated mainly by market-seeking factors. This is suggestive in terms of comparison with internationalization of firms from developing or emerging economies, one of future research tasks enumerated in chapter 13.

In East Asia, the newly Industrializing Economies (NIEs) such as South Korea and Taiwan, have internationalized since the late 1980s. Outward FDI from these countries to their neighboring countries has been mainly motivated by internal changes of factor conditions (rising wage and currency appreciation) and changing external circumstances (especially intensified trade conflict with the United States), and has been characterized as efficiency seeking (though market-related factors are also the significant motivations). In the region, such FDI has brought about sequential industrial relocation into less developed economies, forming the region-wide chain of late-industrialization.

In contrast, firms from CEECs, even manufacturers, have invested in service-related activities, creating distributing networks for the purpose of sales of their products in the neighboring countries. This is true of multinationals from Slovenia with relatively higher wage level, where efficiency seeking relocation of production is an exceptional activity of existing large MNCs. Owing to market narrowness of small countries, CEECs have to expand their markets beyond their national borders in order to maintain and increase competitiveness. Outward FDI is the instrument to reorganize the market they had lost after the dismantling CMEA and disintegration of Yugoslavia and Czechoslovakia, while older business relations and recognition of brand inherited from the socialist era contribute to success of market-seeking outward FDI. Internationalization of firms has, to a considerable extent, regional specificity, reflecting geographical, historical and geopolitical factors. The conclusion of this book seems to convince this regard.

On the other hand, it is not that this volume is free from weakness. There are data spreads chapter by chapter. In regard to data exhibition, most comprehensive is chapter 10 of Poland, where applicability of the IDP model to Polish FDI is examined by comparing various real values of FDI with theoretical
ones calculated by a regression analysis and data on parent companies (export to sales ratio, employment ratio of higher educated persons etc.) are given. If the same analysis and data were given in other chapters on country study, we could draw more in-depth comparison.

More significant is that the positive correlation between inward and outward FDI is observed, while the evaluation of indirect investment is ambiguous. In spite of the fact that in chapter 6, adopting 10 per cent of foreign participation as a criterion of an indirect investor (in this case, for example, 81.8 per cent of survey samples in Hungary are indirect investors), the authors compare the two kinds of investors, they adopt another criterion that ‘control is foreign and strategic decisions are made abroad’ (p.161) in Hungary and conclude, in chapter 13, that ‘foreign subsidiaries (the so-called indirect investors) have proved to be rather important but not dominant drivers of outward FDI from the analyzed transition economies’ (p.245). This is not an obvious contradiction, but rather owing to the ambiguous and inconsistent definition of an indirect investor.

Nevertheless, these would not deflate the value of this book. It is no doubt the first and excellent interim research on internationalization of firms from CEECs and, at the same time, the starting point for further comparative study.

Finally, the prospect on internationalization of CEECs’ firms is also suggestive. Today, firms, whether from developed or from developing countries, increasingly connect themselves to or are incorporated into global networks. One of the essential ingredients of the globalized economy is nothing more or less than such networked business relationship. In this context, the book says, ‘Acquisitions are therefore expected to be very frequent, probably the dominant form of internationalization of firms from transition economies, nationally, regionally and globally. This will substitute the already prevailing greenfield FDI abroad. In the future, we will see more and more regional CEE multinationals, which will be under pressure to be taken over by the largest global player, depending on industry’ (p.245).

How will MNCs from CEECs be embedded into international networks organized by the global players? This will be also our future task.

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