

Chapter 3

Dilemmas on OFDI Measuring and Interpreting: The Case of Poland

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ABSTRACT

Foreign direct investments (FDI) seem to have been thoroughly studied in specialised literature. However the scope of available statistical data often significantly hampers or even prevents any in-depth analysis of the phenomenon. The dynamic economic processes lead to the formation of new linkages, new organisational solutions in international enterprises that co-exist with well described and recognised forms of FDI but escape proper monitoring of statistical institutions. The chapter discusses the different concepts of measuring and interpreting FDI to provide researchers helpful guidelines how to deal with the problems of different methodological dilemmas. A main conclusion is that data provided by official statistics are insufficient and incoherent, and analysis of the scale of OFDI engagement of enterprises (especially from emerging countries) carries some risk and its results should be approached with caution. The case study of Poland's statistics has been used to portray the most significant discrepancies and problems.

INTRODUCTION

Foreign direct investment plays crucial role in contemporary economy; however, despite abundant theoretical and empirical writings on the subject many issues have still remained unclear or unclassified. Additionally, rapidly changing economic reality generates new business relationships in connection with international capital flows. These new flows not always fit already existing FDI classification framework and thus cannot be reflected in theoretical considerations. Yet, they take place at significant scale and should be explored when it comes to their motives and economic effects. Hence, attention needs to be paid to indicators that measure and evaluate contemporary FDI.

DOI: 10.4018/978-1-5225-2345-1.ch003

Methodological difficulties connected with FDI analysis can be divided into two groups: statistical and formal. The first ones refer to inconsistencies between available statistical data (at national and international levels) and classifications described in official documents of international organisations (OECD, World Bank, UNCTAD, IMF) and in specialised literature, which provide the basis for analysing motives and assessing effects of investment. Despite many publications that offer detailed description and categories of international flows of capital (OECD 1999, OECD 2005, IMF 2004), national and international statistics often prevent any precise analysis of the phenomena due to over-aggregation of indicators or interpretation discrepancies.

Second group of difficulties results from the absence of theoretical considerations and in-depth cognitive surveys of different types of FDI (especially non-manufacturing ones). Numerous theoretical concepts that discuss FDI at micro scale focus predominantly on relocation of industrial operations and leave services, support to export or financial sector out. The main research problem concerns the interpretation of financial flows, which account for a growing share of FDI flows. And it is not just about establishing special purpose entities abroad to achieve tax optimisation but also about large scale investments made by investment funds (i.e. M&A). On top of that, balance of payments-based macroeconomic statistics classify as FDIs not only primary investment (in foreign affiliate equity and reinvested profit) but also intra-corporate loans used to support related companies. These FDIs are also out of the mainstream of theoretical considerations but they significantly impact overall FDI amount (in particular OFDI from countries such as Poland) and investment position of countries.

The goal of the chapter is to put in order all FDI-related lack of clarity at micro and macro levels; it also draws attention to serious inconsistencies between theoretical considerations that explain FDI specificity and the reality revealed by available statistical data.

The chapter is composed of the following parts: the Background gives a general outlook at selected methodological problems connected with FDI analysis. It identifies difficulties and discrepancies in definitions, collection and presentation of statistical data, as well as main problems of how theoretical concepts of FDI (motives, investment modes and effects) translate into real position of investors and countries.

Main focus of the chapter has been laid on the exemplification of the above mentioned problems and inconsistencies using the case of OFDI from Poland. The authors provide a general outlook at the available sources of data and discuss individual challenges faced by researchers who wish to explore reasons and effects of Poland's OFDI. Then, propose solutions and recommendations, as well as future research directions. Main findings are summarized in Conclusions.

BACKGROUND

FDI is an important category in international accounts, and one of the five functional categories used as the primary basis for classifying data on financial transactions, positions, and income (Kozłow 2011, p. 27). Unfortunately, the quality of FDI data remains unsatisfactory and apparently the collection of high quality data on inward and outward FDI is a challenge to statisticians and researchers, which has been raised as an issue since the 1990s (Cantwell 1992). The problem becomes particularly clear when we compare FDI in international and national economic accounts. The lack of reliable statistical information and inconsistency in data collection and reporting methods of many countries complicate studies and make impact assessment difficult. Besides, it limits the ability of policymakers to formulate appropriate

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