

Systems Research Institute, Polish Academy of Sciences

Preprints

TRANSITION TO ADVANCED MARKET ECONOMIES



Abstracts

of papers prepared for the IFORS Specialized Conference

June 22-25, 1992, Warsaw, Poland

Edited by

Jan W. Owsinski

Jacek Stefanski

Andrzej Straszak

SESSION 7

INTERNATIONAL TRADE AND CAPITAL FLOW

DETERMINANTS OF THE DISTRIBUTION OF FOREIGN DIRECT INVESTMENT WITHIN THE UK : LESSONS FOR EASTERN EUROPE

S. Hill, M.Munday

*Cardiff Business School,
Colun Drive, Cardiff, U.K. CF1 36U*

One of the key elements that will aid the the speedier transition from the planned towards the market oriented economy is the attraction of foreign direct investment (FDI) to Eastern Europe. Specifically the attraction of FDI does not just result in new jobs and incomes, but also the importation of managerial skills and technology, together with a wide variety of more indirect effects. The presence of multinational (MNE) firms thus constitutes a valuable agent for change. Given the importance of such mobile capital projects, Western European regions have actively attempted to influence MNEs in their locational decisions. Whilst a variety of grants and subsidies influence the location decision of the MNE, recent UK evidence suggests that factors such as infrastructure spending, labour costs, and domestic growth are also relevant attracting features.

This paper examines both the potential and limits of the role of FDI in local and regional development. Initial conclusions are drawn from an empirical analysis of the determinants of the regional distribution of FDI related new jobs and projects within the UK. The determinants of distribution of FDI within a national economy provide some indication of the possible economic impact of such investment. The paper draws from national and regional UK experience of attracting multinational capital to focus on lessons for Eastern Europe in effectively positioning itself to attract the appropriate amount, and quality of FDI to the appropriate locations.

INTEGRATION ENDEAVOURS OF THE REPUBLIC OF LATVIA IN THE INTERNATIONAL MARKET

Erica Shumilo

*University of Latvia
Presently: Umea, Sweden*

The recognition of political and economic sovereignty of the Baltic countries causes the necessity for them to look for a new place in the world economy. The possibility of integration into the world economy and the strategy and tactics of entrepreneurship and management in the Baltic countries are determined by many specific qualitative and quantitative factors of their economic development. The international integration endeavours are to a large extent determined also by the present economic situation in the former Soviet Union. Now there exist several alternative models of the further economic development in the Republic of Latvia and each of them should differently impact the entrepreneurship and the management styles and practices in the international market. The conditions for international activities are closely connected with the relations between the state and private business, as well as the governmental foreign economic policy and legislation. The Soviet command economic system does not exist any more in the Baltic states, but the new market system has not been created yet, and therefore managers in these countries tend to approach international markets under conditions which are very complicated and not always understandable for Western managers.

FREE ECONOMIC ZONES: CHINESE MODE OF BREAKTHROUGH TO WORLD MARKET

Sergei Manezhev

*Institute of Far East Studies,
Moscow, Russia*

The aim of the paper is to analyse the Chinese experience of setting up FEZ Free Economic Zones and assess their efficiency in opening up national economy and its systemic market transformation through a sequence of steps. The set of topics due to discussion includes: initial conception of the open-type and regulation of business activity; relations with international and domestic markets; economic, technological and socially innovative efficiency; problems and obstacles to FEZ efficiency growth within transitional economic system. The basic assumption of the paper is that being a hardcore of international economic cooperation the need for effective utilization of foreign investment despite possible political fluctuations in the recipient country entails a number of far reaching consequences within the framework of transitional planned-market economic system. The growing economic openness of China and of other transitional economies should be properly supported by deep reforms and systemic changes including formation of mixed economy, broad development of market mechanisms and relations, rational regulation of social environment.

THE ROLE OF FOREIGN INVESTMENTS IN THE MARKET ECONOMY TRANSFORMATIONS: THE CASE STUDY OF RUSSIA'S EXPERIENCE

Natalya Gnatovskaya

*Russian Academy of Sciences,
Moscow, Russia*

One of the most important new developments during the past few years has been the emergence of Eastern Europe and the USSR as most important host areas for foreign direct investments. All countries of that area have now introduced or improved laws and regulations aimed at attracting foreign investments, typically in the form of joint ventures. In addition, free economic zones are establishing. The local partner takes care of the infrastructure, staff and dealings with official agencies, banks and suppliers. The foreign partner contributes know-how in technology, production, sales, marketing and management. Such joint ventures are becoming the growth centres for free market ideas and actions, they play an important role in restructuring Eastern European economies, and provide mechanisms for further integration into the international division of labour.

But, due to some economic problems and political instability, joint ventures in the USSR constitute a difficult form of international cooperation because of the differences in traditions, interests and the balance of power between the partners. The daily problems are: inadequacies of the price systems, lack of convertibility of the national currency, low flexibility of the local suppliers, and bureaucracy.

PRECONDITIONS FOR TRANSITION FROM STATE ECONOMY TO MARKET ECONOMY IN THE REPUBLIC OF LATVIA

Tatiana Muravskaya

*University of Umea,
Umea, Sweden*

A notion of the Soviet economy as state economy based on the command methods of management applicable to a characteristic of the economic system of the Baltic states.

Latvian economy represents inertial system. This can be explained by the domination of state enterprises in all areas of economic activity, discrepancy between the structure of national economy and the interests of the Latvian Republic and lack of market motivation among workers.

The basic legal regulation elements of market economy are forming in the Latvian Republic. Priority of private property has been declared but rates of privatization are not enough to provide irreversibility of the denationalization process. The spiral inflation is accompanied by decline in production rates. Under stagnation conditions large-scale private investments are limited and low-effective.

Absence of the dynamic and flexible market infrastructure is one of the major obstacles on the path of acceleration and deepening of the economic reforms. Therefore, investments in the information and commercial infrastructure which will be able to provide stable links with centres of world commodity and stock exchange markets will be of prime importance.

**THE ROLE OF FOREIGN ECONOMIC RELATIONS IN THE
TRANSITION TO ADVANCED MARKET ECONOMIES: CASE
STUDY OF ASIAN NC's**

V.D. Andrianov

VNIKI, Moscow, Russia

TO THE SYSTEM ANALYSIS OF THE DEVELOPING ECONOMY THE INTERNATIONAL TRADE AND EXCHANGE RATE MECHANISM MODELLING

G.B.Moldascheva

*Al-Farabi University,
Alma-Ata, Kazakhstan*

A new mathematical model is represented in this work the mechanism of international Trade and Exchange Rate of two trading partners countries their influence upon the character of economical development of partner-countries. The mechanisms studied are inherent in the market relations. The model clearly describes the interaction of the processes taking place in the economy of trading countries, payment means circulation in the internal markets of trading countries it possible to analyze of international markets and external markets the trade mechanism influence on the development of non productive process.

Cases of weakly connected economies, cases of specialising economies, a case of equal proportions of consumption of the home - used and import products both for intercomplementary and for interchangeable home-used and import products are given. In this model the characteristic regimes of the economical development of the trading partners - countries: a regime of cooperative balanced growth and a regime of cyclic the important macroeconomical factor 'terms of trade' characterising relation of quantities of the export and import were studied. Quality effects having been revealed during the model researches correspond to the real economy.

FOREIGN DIRECT INVESTMENT IN POLAND

Ewa Sadowska-Cieslak

*Foreign Trade Research Institute,
Warsaw, Poland*

The paper on foreign direct investment in Poland will present both, the legal regulations and the results of the activities of companies with foreign participation. The law sets out provisions for making foreign investments which may assume the form of portfolio investments or direct investments, regulates contributions to the equity, financial control, transfer of profits, guarantees for foreigners, possibilities of purchasing of land and real estates by foreigners. Polish law applies to employment, labour relations and work conditions in companies with foreign shareholders.

The inflow of foreign capitals to Poland, as well as to other countries, depends not only on attractive legislation and investment opportunities, but also on the legal infrastructure, which is one of the factors contributing to the so-called investment climate. Prevention and elimination of double taxation of the same taxpayer in two or more countries is one of crucial elements of this climate. The second one are the agreements on mutual promotion and protection of investments.

The last paragraph of my paper will describe the activities of companies with foreign participation in Poland in 1991.

INTERNATIONAL TRADE BETWEEN THE ADVANCED AND POST-COMMUNIST ECONOMIES: SOME SYSTEM DILEMMAS

Stanisław Piasecki and Andrzej Straszak

*Polish Academy of Sciences,
Warsaw, Poland*

The differences in the levels of economic development between the advanced and postcommunist economies are one of the most important factors for international trade but also potential sources for international tensions and even conflicts. The transition from command to advanced market economies is not possible without deep recession, international trade difficulties, and several other systems dilemmas which should be overcome. If not, international stability could be loosed. In the paper simple system model of cooperation of advanced market economy and postcommunist economy is considered and system dilemmas formulated.

IBS Konferenz
Wiasne

42078