

# ICE

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## FOREIGN DIRECT INVESTMENT IN AN ENLARGED EUROPE

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ÁLVAREZ GONZÁLEZ, Isabel and MOLERO ZAYAS, José

**Multinational companies and technological innovation: international dynamics and the Spanish perspective**

**Abstract:** The growing internationalization of economic and technological activity makes the study of the role played by multinational companies in the process a particularly interesting exercise, in which the specific characteristics of technological innovation in such organizations can also be highlighted. The analysis of international trends provided focuses on the Spanish economy, as an intermediate country in terms of technological internationalization.

**Key words:** economy internationalization, multinational companies, technological innovation, Spain.

**JEL Classification:** F23, O32.

ANDREFF, Madeleine and ANDREFF, Wladimir

**Competition for foreign direct investment in the enlarged European Union**

**Abstract:** The competitive pressure exerted by the central and eastern European countries (CEECs) on the former fifteen European Union members (EU-15) in terms of attracting foreign direct investment (FDI) grew between 1992 and 2002, by any unit of measure. The CEECs have trebled their share of inward FDI in Europe, thereby reducing the market share held by older EU members. An indication of the intensity of intra-European investments is that the origin of over 80 per cent of the FDI in the CEECs is the enlarged EU (EU-15 + CEECs). Outward FDI is still an incipient phenomenon in the CEECs, however, and poses no competition to EU companies investing abroad. The first cross-investments (inflows and outflows) have, however, begun to appear among the CEECs and even between certain CEECs and other EU countries. In short, contrary to the major EU countries, the CEECs are net FDI recipients and the ratio of their inward-outward stock of FDI is weak.

**Key words:** foreign investments, direct investments, transition economies, multinational companies, European Union enlargement, EU.

**JEL Classification:** F15, F21, F23, P31, P52.

**FLORES SÁNCHEZ, Gabriel and LUENGO ESCALONILLA, Fernando**

**Productive internationalization and labour markets in the enlargement countries**

**Abstract:** The article analyzes the effect of foreign direct investment on the labour market based on trends observed in three variables: employment, salaries and labour productivity. The first of the two parts into which the paper is divided describes general trends in these variables in the economy as a whole. The second is devoted to the specific configuration of the labour market in manufacturing industries, distinguishing between companies with foreign capital and domestic firms. The authors attempt to reply to two essential questions: are the labour markets in the open sector of the economy subject to specific risks? And do these features define a labour environment and dynamics compatible with social and productive progress?

**Key words:** economy internationalization, foreign investments, direct investments, employment, wages, productivity, Eastern and Central Europe, EU.

**JEL Classification:** F23, J24, J31.

**HENRIOT, Alain**

**Foreign direct investment in the enlarged European Union**

**Abstract:** Since the early nineteen nineties the CEECs have acquired far from negligible importance in FDI flows in Europe. Nonetheless, the increase in their economic weight has not translated into their replacing the EU-15 as FDI host countries. The prospects for FDI in Europe indicate that the CEECs will continue to receive large FDI inflows. Multinational firms may, moreover, favour FDI greenfields investment from now on, account taken of the advanced state of privatization processes in many countries. This should not, however, mean mass relocation of economic activities, in particular industrial activities, from western to eastern Europe, firstly because the FDI rate is already quite high in certain CEECs and secondly because the EU-15 continue to hold appeal for international investors for a number of reasons (size of markets, skilled labour, and so on). The prospects for FDI in the CEECs should, then, depend more on their own economic development than on new investment opportunities. Nonetheless, the enlargement of the Union has generated a new European geography in which the centre of gravity has shifted. This will indisputably have an impact on where businesses locate.

**Key words:** foreign investments, direct investments, multinational companies, industrial location, Europe, EU.

**JEL Classification:** F15, F21, P31.

**JUNQUERA CIMADEVILLA, Beatriz**

**Are companies owned by women less successful? A review of the literature**

**Abstract:** This paper aims to develop an explanatory model for the factors that determine the success and failure of companies owned by women through an extensive review of the literature. The starting point is the two prevailing explanations - gender effect and feminine profile. The contextual factors of the business, entrepreneurial factors and the environment in which businesswomen work are analyzed in each case. The items addressed under the first group include the degree of masculinization of the business culture in which the businesswoman is immersed and the industry in which she operates. The entrepreneurial factors address company size, the woman's age and her access to financing. Finally, the environmental factors considered are personality traits, family ties, social-demographic factors and entrepreneurial skills.

**Key words:** new companies, businessmen, enterprise financing, management culture, bibliographical review.

**JEL Classification:** D23, J16.

**MYRO SÁNCHEZ, Rafael and FERNÁNDEZ-OTHEO, Carlos Manuel**

**Business delocation in Spain. The appeal of Central and Eastern Europe**

**Abstract:** This paper provides evidence of the business delocation process presently underway in Spain, from the perspective of the process that took place in the early nineteen nineties and against the backdrop of any international experience available, although the latter is still scantily documented. The lead players are companies whose capital is wholly foreign, in a process seconded by divestment in companies in which ownership is only partially domestic. The appeal of the central and eastern European countries in their new stage of development, as EU members, is irrefutable. Nonetheless, the economic impact of these two processes, delocation and divestment, appears not to be very large at this time, and largely restricted to specific high technology industries such as office machinery and computers, electronics and precision instruments, as well as other more traditional industries, such as foodstuffs. The adverse effects on these industries may, however, acquire some significance. Even so, there is no clear indication that this phenomenon will continue to grow in the years to come.

**Key words:** economy internationalisation, industrial location, foreign investment, CEECs, EU, Spain.

**JEL Classification:** F02, F23.

**ORDÓÑEZ DE PABLOS, Patricia**

**The importance of *guanxi*, *renqing* and *xinyong* in business relationships in China: implications for Spanish companies**

**Abstract:** The People's Republic of China (PRC) has become one of the world's major economic powers, with a population accounting for one fifth of all the world's consumers. Few papers in the literature, however, broach the study of business behaviour on the Chinese market and the idiosyncrasy of business relationships in this context. Beginning with the economic recession in Europe in the early nineteen nineties, business people began to train their sights on China, in light of the immensity of its market and growth potential. Nonetheless, foreign companies find penetrating the Chinese market complex—and often frustrating—due largely to their lack of understanding of the concept of *guanxi* and its important implications for business. For this reason, the importance of *guanxi* or social connections must be understood in depth, along with the notions of *renqing* or reciprocity and *xinyong* or trust when doing business in China.

**Key words:** business administration, competitiveness, management culture, China.

**JEL Classification:** M19, Z13.

**PITA CASTELO, José**

**The importance of change and bank clientele change behaviour: an empirical analysis**

**Abstract:** The present paper identifies four general dimensions of customer satisfaction, expressed in terms of staff, financial, environment-related and convenience-related variables, and introduces ideas on change behaviour in connection with bank services. Assumptions are formulated and contrasted on the relationship between consumer satisfaction and change behaviour taking account of the importance of each specific banking service for a given customer and the competitive offering available in other institutions. Finally, theoretical and management implications are deduced on the basis of the empirical results.

**Key words:** banking and finance, marketing, customer satisfaction.

**JEL Classification:** M31.

**RADOSEVIC, Slavo**

**The electronics industry in Central and Eastern European countries: a new location for global production**

**Abstract:** The central and eastern European countries (CEECs) are fast becoming as a new location for the global electronics industry. The present paper analyzes 1) the

factors that explain the rise of the CEECs as a location for global electronics production and 2) what can be learnt from the CEECs' success in terms of electronics industry policy and management. The introduction of this industry in the region has been driven by foreign direct investment and global production networks. Hungary is the country that has gone the farthest in this regard, positioning itself as the largest low-cost supply platform in the area. Together with the Czech Republic and Poland, it heads the CEEC electronics industry, outdistancing all its other neighbouring countries. Central Europe's considerable success is still based on rather frail foundations, however, since future growth is not foreseeable due to the weakness of domestic innovation. Consequently, a specific innovation policy for the industry will be needed, the elements of which are discussed in the paper.

**Key words:** electronic industry, industrial location, foreign investments, Central and Eastern Europe.

**JEL Classification:** F21, L63.

**RAMOS GOROSTIZA, José Luis**

**The needs issue in economic thought**

**Abstract:** Modern economics is concerned less with needs than with the subjective preferences of a rational consumer. Nonetheless, the needs issue is neither new in economics, nor is it wholly absent from the agendas of the economists working today in the fields of economic development, the welfare economy and the environment. While historically speaking the defence of needs analysis has been associated with a critique of standard economics, today the discussion around the needs issue has acquired relevance of its own in connection with questions such as human development and environmental sustainability.

**Key words:** welfare, social needs, preference function, consumption, economic and social development.

**JEL Classification:** B00, I31, R01.

**RICHET, Xavier**

**International production networks and new market economies: automobile manufacturer strategies in the CEECs**

**Abstract:** The present article analyzes the strategy implemented by international automobile industry majors in the central and eastern European countries that have just

joined the European Union. It studies companies' reasons for investing in the area as part of their plans for internationalizing their production, as well as the consequences for the business fabric in each of the counties involved. Foremost among these are a series of technological and organizational innovations that have given rise to a new industrial scenario and a new division of labour between —old— and —new— Europe.

**Key words:** foreign investments, car industry, industrial location, Central and Eastern European Countries.

**JEL Classification:** F21, L62.

**ROJEC, Matija**

### **Balance of privatisation policies related to foreign direct investment in the transition countries of Central and Eastern Europe**

**Abstract:** Foreign privatization is a special form of acquisition in which strategic investors assume control of part or all of the equity of a State-owned company in the host country. As a result of the mass privatization taking place in the central and eastern European countries (CEECs), foreign privatization accounted for a substantial share of the foreign direct investment (FDI) flowing into these countries. As a general rule, early privatization policies favoured domestic investors, but as the attainment of the most profitable sales price and the implementation of business restructuring gradually took over as the chief goals of privatization, foreign investors were allowed to compete on equal terms. The privatization experience in the CEECs provides evidence of the beneficial role played by eastern country firms in post-privatization restructuring and in their own self-promotion.

**Key words:** foreign direct investment, privatisations, economic transition, Central and Eastern European Countries.

**JEL Classification:** F15, F21.

**TURRIÓN SÁNCHEZ, Jaime and VÁZQUEZ ANGONA, Francisco J.**

### **Spanish business presence in the enlargement countries: an opportunity lost?**

**Abstract:** The present article analyzes the reasons for the scant presence of Spanish firms in the new EU Member States with a view to designing suitable policies to amend this mistaken tack. After a brief review of the geographic and industrial pattern of Spanish investment in central and eastern Europe, the discussion focuses on the chief characteristics that make these countries appealing investment targets. The conclusion drawn from that analysis is that our companies are late-comers to the privatization process and are burdened by the well-known shortcomings that affect the Spanish economy in



general: lack of training for the open economy, including a lack of knowledge of foreign languages, technological insufficiencies, and so on. Even so, none of these circumstances is insurmountable if suitable mechanisms and policies are implemented.

**Key words:** investments abroad, multinational companies, CEECs, EU, Spain.

**JEL Classification:** F02, F23.

