

## Chapter 40

# On Some Aspects of State–Owned Enterprises’ Foreign Direct Investments (SOEs’ FDI): The Case of Polish SOEs’ FDI

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### **ABSTRACT**

*This chapter seeks to enrich the existing literature by discussing the broader context of international engagement of state-owned enterprises (SOEs). It discusses the rationale for examining foreign direct investment (FDI) done by SOEs and outlines the challenges which need to be addressed in this respect. It provides a brief overview of FDI carried by Polish SOEs. The authors applied the qualitative methodology of critical literature review and descriptive analysis of internationalization of Polish state-controlled firms. This chapter can contribute to the current studies devoted mainly to Chinese or other Asian emerging state-controlled multinationals by adding the Central and Eastern European (CEE), in particular the Polish, perspective. It concludes that given the well-recognised peculiarities of such entities adequate framework needs to be adopted to explore their foreign activities. The Polish multi-case study encompassing nine entities demonstrates that the group can be pretty heterogeneous and indeed can combine the specificity of multinational enterprises (MNEs) and SOEs.*

### **INTRODUCTION**

The reasons for state ownership fluctuate over time, but state-controlled firms appear to be a constant feature of the economic landscape (PWC, 2015). SOEs are often granted privileges that are not available to competitors, which gives them the undue advantage over their rivals. There is a clear need to

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understand the behaviour and practices of SOEs in global context, beyond the borders, to identify the key concerns and to develop the rules safeguarding fair conditions for public and private market participants (Cuervo-Cazurra et al., 2014). The topic is even more relevant taking into account the last global economic crisis 2008+. The crisis period was related to the growing importance of SOEs and according to some researchers their importance will grow in the next years (Flores-Macias & Musacchio, 2009; Bremmer, 2010; Augustynowicz & Kwiatkowski, 2013).

This chapter discusses the rationale for exploring SOEs' foreign activities in the current world setting. The authors deliberately skip the review of the extremely broad literature devoted to emerging markets and mainly Chinese SOEs as these cases seem to differ substantially from European firms, at least due to the peculiarities of varieties of capitalism models adopted (Nölke & Vliegenthart, 2009). The authors instead focus on the perspective of global coordination. They review the studies and international reports which identify the evolving international role of SOEs. They also outline the main features of internationalisation process of Polish SOEs in the most advanced form of foreign direct investment (FDI). Such entities are featuring high on the agenda of currently negotiated agreements such as Transatlantic Trade and Investment Partnership (TTIP), or classic bilateral investment treaties (BITs). Their activities, in particular foreign operations, are in the spotlight of many international institutions which recognise the growing need of monitoring of SOEs' development.

This chapter is structured as follows. First, the authors present the background briefly introducing the distinct traits of state-owned enterprises. Next, they move towards the main issues of this chapter and outline the basic facts about the international engagement of SOEs as retrieved from databases. Special attention is being paid to Polish SOEs and their FDI against SOE from other CEE countries. Challenges stemming from growing foreign presence of many previously domestic oriented SOEs are discussed in the next section. Then, before formulation of conclusion the authors highlight some recommendations and future research directions. Last but not least, the chapter provides some concluding remarks, summing up in a way the conducted study.

## **BACKGROUND: IDIOSYNCRASIES OF STATE-OWNED ENTERPRISES**

The real-life phenomenon which are SOEs and their internationalization efforts call for the alteration within the varieties of capitalism. Some experts underline that e.g. the typology distinguishing between the liberal market economy (LME), capital market economy (CME), dependant market economy (DME) should be enriched with the fourth model of SME – the State-Permeated Capitalism (Nölke, 2015). This new version complements existing ones by accentuating the state influence on the economy also via nurturing domestic champions and their outward FDI. Though, even in Europe the traditional varieties of capitalism have been undergoing profound changes in the result of 2008 global financial crisis (Schweiger, 2014). Today's approach seems to evolve towards more nuanced perception of state-owned or controlled companies away from simple dichotomy state or private which views SOEs as hybrid organizations, in which the levels of ownership and control by the state can vary significantly (Bruton et al., 2015). Modern state capitalism accommodating four new varieties - wholly owned state-owned enterprises, the state as a majority investor, the state as a minority investor, and the state as a strategic supporter of specific sectors - hence, challenges the conventional, very polarized view of state versus private ownership (Musacchio et al., 2015).

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