

FOREIGN DIRECT INVESTMENTS AND INTERNATIONAL TRADE IN SERVICES IN POLAND, CZECH REPUBLIC AND HUNGARY

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DOI: <https://doi.org/10.31410/EMAN.2018.933>

Abstract :

Purpose: Services sector is the main area of foreign direct investment (FDI) inflows both worldwide and with regards to specific countries. The dominance of this sector in the structure of FDI flows brings about a question concerning the effect of these investments on the international trade in services of the host countries. This paper is an attempt to find an answer to the above question illustrated with the example of Poland, Czech Republic and Hungary - the countries, which are the main recipients of FDI in Central Europe.

The majority of research concerning international trade in services of Poland, Czech Republic and Hungary is based on the statistics of the balance of payments – on the data presented in the current account as Services. This means that most of the analyses omit completely the trade volume provided in a form of commercial presence (GATS-3), connected with the flows of FDI located in service branches. The article is an attempt to evaluate all the main modes of service supply as listed by GATS, trying to present the comprehensive picture of services exchange of the studied counties.

Design/methodology/approach: In the research the analytical-descriptive method was employed. The paper has been divided into two parts: theoretical and empirical one. In the first of them, the overview of the main problems undertaken in the literature concerning the effect of FDI on the international trade in services was made. The empirical part focusses on the analysis of the statistical data illustrating the volume of trade in services of the studied countries executed as the commercial presence on foreign markets and as cross-border supplies.

Findings: Providing services with commercial presence (GATS-3 mode), which is a consequence of the flow of FDI, so far has played a marginal role in the exports of Polish, Czech and Hungarian enterprises. At the same time, this type of services has been dominating as a form of trade expansion of the service enterprises in the markets of the studied countries. After the inclusion of the GATS-3 mode in the study, it turns out that all the studied countries are characterised with a deficit of the service exchange which contradicts the conclusions

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concerning their trade balances based on the analysis of the statistics of the balance of payments.

Research/practical implications: *The different types of internationalization strategies used by service enterprises from Poland, Czech Republic and Hungary, as opposed to the service enterprises of the highly developed countries, indicates that the governments of the studied countries should prioritise cross-border supplies in shaping their trade agreements and supporting the export of the homegrown service enterprises. In the further studies the analysis of the branch structure of the services trade of the studied countries with special consideration of specific GATS modes should be carried out.*

Key words: *foreign direct investments, international trade, services, Poland, Czech Republic, Hungary*
