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# DIRECT FOREIGN INVESTMENT IN THE CENTRAL AND EASTERN EUROPEAN COUNTRIES IN THE PERIOD OF POLITICAL AND ECONOMICAL DESTABILIZATION

## Abstract

- *Goal* – the main research query of the article regards whether the tendencies and mobility in the sphere of the FDI inflow to the CCEEs changed, in the existing conditions of the political and economic instability. Therefore, the purpose of the article is to evaluate the changes in the FDI level, dynamics and structure in the CCEEs in the conditions of geopolitical uncertainty resulting from the outbreak of the war in Ukraine, in comparison with the tendencies in the previous years.
- *Research methodology* – the first part of the article contains the analysis of the overview of the literature on the FDI conditioning in the CCEEs (the Czech Republic, Estonia, Hungary, Lithuania, Latvia, Poland, Slovakia and Slovenia) and the evaluation of the investment attractiveness in the light of the selected factors. The next part contains the analyses concerning the capital inflow in the form of FDI to the CCEEs which included the data regarding the FDI resources, the FDI recourses per capita, FDI inflow, including the number and value of greenfield investments. The analysed period covers the years 2012–2022.
- *Score/results* – when analysing the basic macroeconomic indicators characterising the economic conditions of CCEEs, it may be stated that those countries follow an economic development path where FDI has an important role. The inflow of foreign

direct investment played a crucial role both in the transformation process of CCEEs' economies and also influences their modernisation and development now.

- *Originality/value* – considerations and analyses conducted in the article allow to claim that geopolitical destabilisation affected the economies of the CCEEs, including the inflow of capital in the form of FDI, in two ways. On the one hand, it may be observed that those countries, as well as other countries in Europe, experienced deterioration of the economic conditions. Lower dynamics of the GDP growth and high inflation are typical problems of the analysed economies. However, despite that, the investment attractiveness of those countries remains high. The analysed economies constitute attractive locations for foreign investment, which is confirmed by the growing FDI inflow, the growing value of FDI per capita, or the growing value of greenfield projects.

**Keywords:** investment attractiveness, war in Ukraine, greenfield investments, FDI, CCEEs, crisis.

## 1. Introduction

The condition of the contemporary economy depends, to a large extent, on the situation on the international arena. The analysis of the last few years illustrates how strong the relations and links between the economies are. Both the outbreak of the COVID-19 pandemic (2019) and the aggression of Russia against Ukraine (2022) resulted in the deepening of many imbalances and emphasized the strong links between economies.

Economic and political instability are important risk factors which investors need to accept. Do international corporations take into account geopolitical risk and uncertainty in their investment decisions, in response to the turbulence existing both in the economic and the political sphere? Or maybe those decisions reflect the general investment attractiveness of the country? The main research query of the article regards whether the tendencies and mobility in the sphere of the FDI inflow to the CCEEs changed, in the existing conditions of the political and economic instability. Therefore, the purpose of the article is to evaluate the changes in the FDI level, dynamics and structure in the CCEEs in the conditions of geopolitical uncertainty resulting from the outbreak of the war in Ukraine, in comparison with the tendencies in the previous years. The analyzed period covers the years 2012–2022.

The study involves 8 Central and Eastern European countries, which joined the European Union (the EU) in 2004 (CCEEs): the Czech Republic, Estonia, Hungary, Lithuania, Latvia, Poland, Slovakia and Slovenia. The structure of the article is subordinate to the approved aim of the paper. The next part contains the overview of the literature on the FDI conditioning with special reference to the research on the CCEEs; together with the conducted evaluation of the investment attractiveness of the analyzed countries, in the light of the selected factors. The next part contains the analyses concerning the capital inflow in the form of FDI to the CCEEs, which included the data concerning the FDI resources, the FDI recourses per capita, FDI inflow, including the number and value of greenfield investments. The last part of the article contains conclusions and the summary of the analyses' results as well as political recommendations and guidelines concerning future research.

The authors of the article used the following research methods and tools: the literature studies, descriptive analysis and comparative analysis. The statistical analysis used data obtained from the databases of the World Bank, UNCTAD and OECD.

## 2. Conditions of the direct foreign investment inflow

One of the forms of the international capital movement which results in companies creating or enlarging their branches in another country is the foreign direct investment (FDI) [Kosztowniak, 2018: 19]. The foreign direct investment is identified with the full or partial acquisition of the ownership of the existing economic entity abroad or with creating a new one in order to conduct the business operation [Rymarczyk, 2012: 150; Jaworska, 2018: 188]. According to the methodology approved by the OECD organization, the foreign direct investment takes place when the resident of one economy makes investment in order to achieve a long-term benefit on behalf of the resident of another capital economy, engaged in the enterprise. The qualifying condition of the direct investment enterprise is the possession of at least 10% of ordinary shares or the right to 10% of votes at the general meeting of shareholders by the direct investor. Similarly, the direct investor, who can be an individual, an enterprise, a government, a group of individuals or companies, should own at least 10% of ordinary shares or votes in the company [OECD, 2008: 48–49].

Foreign investment may have different forms [Kosztowniak, 2018: 25–26]:

- greenfield type investment, which involves creating a completely new economic entity in the host country, which in the case of host countries with high unemployment rate may become an opportunity to increase employment;

- joint venture, which involves merging resources of at least two companies from different countries, which together create a separate entity and, as a result, are its owners benefiting from the effects of its activity in the host country;
- acquisition, which involves the purchase of the foreign enterprise existing in the host country by a foreign investor through the acquisition of the controlling interest from the former owner.

W.W. Jermakowicz and C.J. Bellas extracted factors determining the choice of the FDI form on the basis of the research on a group of Central and Eastern European countries [Jermakowicz, Bellas, 1993: 33–55]. Those factors were characterized in Table 1, taking into consideration their preferred FDI forms.

*Table 1.* Factors determining the choice of the FDI form

| Investment type | Characteristics |
|---|---|
| Greenfield | • production process is labour-intensive;<br>• investing company and its products are widely known on the host country market;<br>• restructuring costs of the acquired company might prove higher than those of setting up a new company or when unclear ownership might impede the acquisition of an existing company. |
| Joint venture | • greenfield investment is uneconomical or risky for the foreign investor;<br>• combining resources and abilities of partners leads to creating a competitive advantage. |
| Acquisition | • the acquired company is a part of an industry of a capital-intensive nature;<br>• the local manufacturer has a big share in the market, high product brand recognition and a well-developed supply and distribution network. |

Source: Jermakowicz, Bellas 1993: 33–55.

Taking into account the increasing importance of foreign direct investment in capital movement in the world economy, the determinants of the investment inflow into particular economies become a more frequent discussion issue.

Among the factors dependent on the foreign investor, the, so called, internal factors that are possible to indicate [Kosztowniak, 2018: 179]:

1. Resource and cost factors:
   - access to natural and property resources, as well as to a work factor,
   - geographical distance to the sources of supply, which determines the access to resources and e.g. transport costs,
   - the costs of capital acquisition,
   - production costs,
   - labour and trade costs,
   - the tax system, access to technological and research infrastructure,
2. Market factors:
   - market volume and absorbency: the country's population, GDP, GDP per capita,
   - the level and prospects of market development which influence the level and dynamics of interest rates,
   - binding trade barriers: tariff and non-tariff ones,
   - access to regional markets,
3. Efficiency factors:
   - combinations of resource, cost and market factors,
   - concentration of economic activity in a limited number of countries of a particular region,
   - opportunity to cooperate with local enterprises.
4. Factors of the search for strategic assets:
   - acquisition of knowledge, technology, know-how, information on local markets in order to improve the company's long-term competitiveness,
   - employment of qualified human resources.

Among the factors dependent on the host country, the, so called, external factors, it is possible to indicate:

1. Macroeconomic factors:
   - political and economic stability vs instability and the increase of risk,
   - socio-economic conditions: economic, political, social and cultural situation,
   - access to production factors and funding sources,
   - labour costs,
   - fiscal burden and tax optimization.
2. Institutions, legal regulations and the system of incentives and facilities for FDI:
   - activity and legal regulations of the state institutions on the government and local government level regarding FDI (institutional and legal regulations),

- agencies supporting investment,
- the public aid system for investors and activity of special economic spheres.

3. Technical and economic infrastructure.

The level of evaluation of the investment atmosphere: the EU integration groups, the CCEEs group and the national, regional and local level.

It is necessary to remember that apart from the factors resulting from the situation, potential and the investor's motivation, an important part is played by the host country factors which create the investment atmosphere. A. Kosztowniak rightly points out that "the changing motivation of foreign investors and the conditions of the investment atmosphere in the host countries also determine the changes in the 'combination' of factors influencing the size and structure of FDI inflow into a particular market. At the same time, the list of factors, their hierarchy and rank may change depending on the dynamic changes in the geopolitical situation" [Kosztowniak, 2018: 173].

Foreign direct investment is perceived as a catalyst of structural changes in the national economies of host countries. This is caused by affecting the level of domestic product of a given economy, its specialization, the intensity of competition, the demand on factors of production as well as the amount and structure of international trade [Cieślik, 2020: 128]. Those "expectations regarding FDI result in the fact that countries compete with each other in terms of creating favourable conditions for long-term investment – friendly investment atmosphere" [Grynia, 2017: 128]. At the same time it is necessary to remember that not all the determinants of FDI inflow are in the host countries' sphere of influence. Nevertheless, the highest level of investment attractiveness can be observed in the countries which have a stable economic and political situation.

## 3. Investment attractiveness of the Central and Eastern European countries in the years 2012–2022

Intensification of capital movements in the form of FDI is a chance to stimulate the development of economy. This is especially important in the case of those countries that show shortages of internal accumulation, as it is a chance to stimulate their development as it happened in the case of CCEEs. Foreign direct investment may provide an additional funding source, filling in the gap between the real need of the investment capital and the internal capability of a particular country [Kosztowniak, 2011: 272]. What is more, FDI does not involve the increase of foreign debt, contrary to other funding sources. At the same time, apart from the capital transfer, they "cause the movement of production factors, including managers, technologies, know-how, methods of organization managing and other intangible and legal values" [Rymarczyk, 2012: 150].

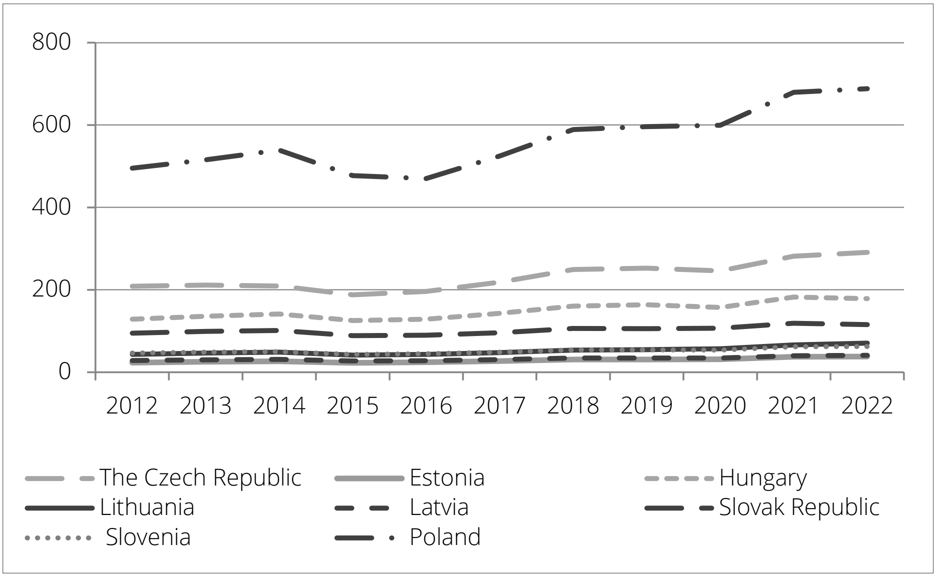
Benefits, which may be gained due to FDI, encourage countries to analyze the conditions that create favourable investment atmosphere. As A. Grynia rightly claims, the competition between countries in terms of locating the foreign investment within their borders is quite advanced. It is partly caused by the fact that investors tend to perceive Central and Eastern European countries as a homogenous geographical market. Therefore, it influences the importance of identifying factors which determine locating foreign direct investment within the borders of a particular country. The conducted research frequently focuses on explaining the differences in the economic conditions of particular countries [Gomółka et al., 2020: 20–21].

The analysis of the investment attractiveness of the examined countries was conducted taking into consideration the basic macroeconomic indicators: GDP, GDP per capita, inflation level, unemployment level. Consequently, it was assumed that beneficial macroeconomic conditions create a positive image of economy, as a place of conducting activity and locating investment.

GDP indicator is perceived as a measure of market potential in terms of foreign direct investment – "the bigger the market, the bigger the FDI inflow should be in the particular region" [Wawrzyniak, 2010: 92]. According to the World Bank data, in the years 2012–2022 the country with the highest GDP was Poland. Further positions were occupied by: the Czech Republic, Hungary, Slovakia, Lithuania, Slovenia, Estonia and Latvia (see: Chart 1).

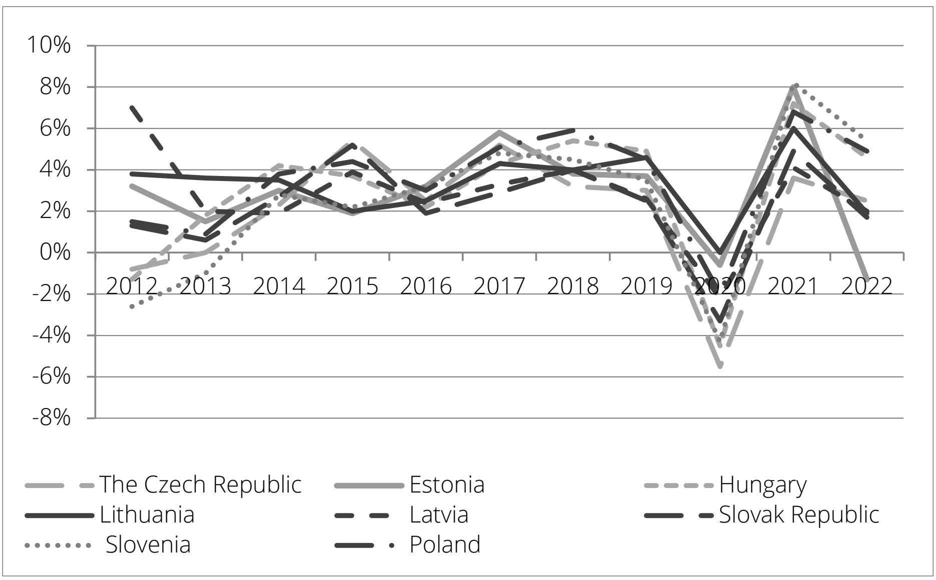
Foreign investors searching for locations for their activity take into account not only the market volume but also its potential increase. Its excellent measure may be the GDP increase rate (Chart 2). All Central and Eastern European countries noted a significant fall in GDP in 202, which was, among others, the result of the COVID-2019 pandemic, but in 2021 their GDP values were higher than in the years before the pandemic outburst. Nevertheless, in 2022 it was possible to notice deterioration in the situation of the studied economies, due to the political instability in the region – reflected most visibly in the situation of Estonia, where the GDP increase rate amounted to 1.3%. The existing geopolitical situation was best handled by Slovenia – its GDP in 2022 increased by 5.4%. Quite a considerable economic increase was also noted in Poland (4.9%) and Hungary (4.6%).

*Chart 1.* GDP (current USD billion) in the CCEEs from 2012 to 2022




Source: World Bank, 2023 (1).

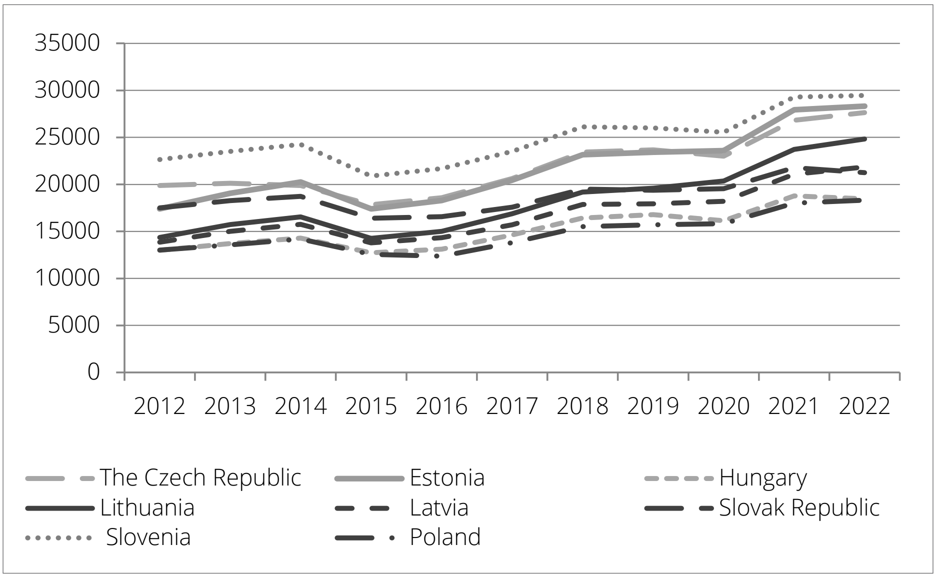
*Chart 2.* GDP growth (annual%) in the CCEEs from 2012 to 2022




Source: World Bank, 2023 (2).

In terms of FDI attractiveness, an important factor is GDP per capita. This indicator is used to define the level of prosperity of a given society in a given country “the higher GDP per capita, the higher the national demand for more advanced good and higher quality should be” [Johnson, 2006: 17]. The value of the GDP per capita indicator in the CCEEs in the years 2012–2022 was shown in Chart 3. In this case, the highest values in 2022 were noted by Slovenia, then Estonia, the Czech Republic, Lithuania, Latvia, Hungary, Slovakia and Poland. At the same time it is necessary to remember that the determinants of the GDP per capita value include the level of economic production, the investment level, human capital, efficiency of institutions, international trade and natural resources [*Wzrost PKB…*], so the characteristics which are valued by the investors engaging in foreign direct investment.

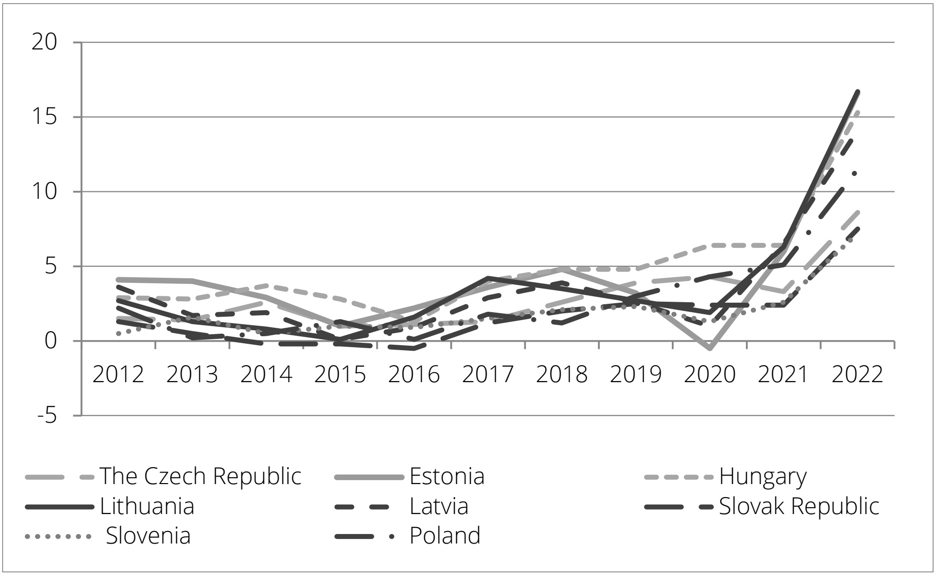
*Chart 3.* GDP per capita (current USD) in the CCEEs from 2012 to 2022




Source: World Bank, 2023 (3).

Low inflation and responsible monetary and fiscal policies are valued by investors, while unpredictable and lax monetary and fiscal policies increase risk [Pawlas, 2018: 96]. Low inflation rate provides investors with higher security and motivates them to greater investment in a stable macroeconomic environment [Kurtović et al.: 1098]. The analysis of the data shown in Chart 4 confirms the tendency to increase the inflation rate since 2021 in all the CCEEs. In 2022 the highest level was noted in Lithuania – 16.7%, Estonia – 16.6%, Hungary – 15.3%, Latvia – 14.1%, Poland – 11.5%, the Czech Republic – 8,6%, Slovakia – 7,5%, Slovenia – 7,2%.

*Chart 4.* Inflation in the CCEEs from 2012 to 2022, GDP deflator (annual %)

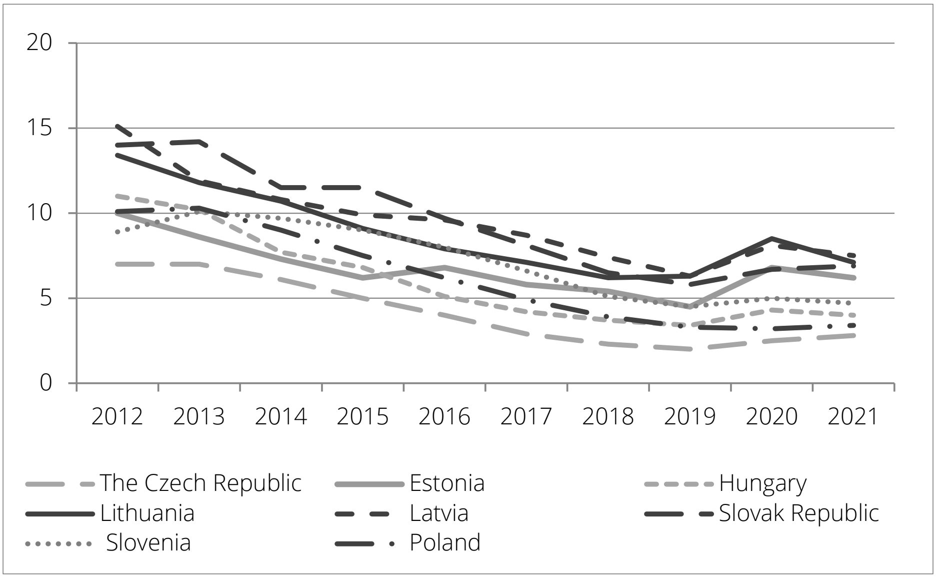



Source: World Bank, 2023 (4).

An important aspect of foreign direct investment inflow is the availability of the workforce. At the same time FDI is treated as a form of supporting employment in the case of new enterprises and a form of rationalization of employment structure and work efficiency in the case of brownfield investment. Nevertheless, from the investor's point of view, there are two most important aspects of this situation: access to workforce resources and labour costs, which determine the efficiency of the investment. The unemployment level in particular CCEEs was shown in Chart 5.

The aforementioned analysis allows to claim that the disturbances observed in the recent years in the economic and political sphere were reflected in the macroeconomic indicators of the CCEEs economies. Generally, it can be observed that the tendencies regarding the formation of macroeconomic indicators in the economies of the region are very similar. However, the obtained results allow to approximately evaluate the attractiveness of the selected CCEEs. It seems that the Czech Republic shows very high investment attractiveness. Despite the low number of inhabitants, in 2022 the country reached high levels of GDP, GDP per capita, a low inflation level and – as it turned out – the lowest unemployment rate in the CCEEs region. Poland, as a country with over 38 million inhabitants, has reached the highest GDP level among the CCEEs for years. Also in 2022, contrary to expectations, it has reached a high growth rate, a medium inflation level and one of the lowest unemployment rates. Among the analyzed economies, it is also necessary to draw attention to Slovenia, as it is the country that handled inflation best in 2022. In 2022 Slovenia achieved the highest level of GDP *per capita* and the highest growth rate of GDP. It is also characterized by a low level of unemployment.

*Chart 5.* Unemployment rate in the CCEEs from 2012–2022 (% of total labour force)

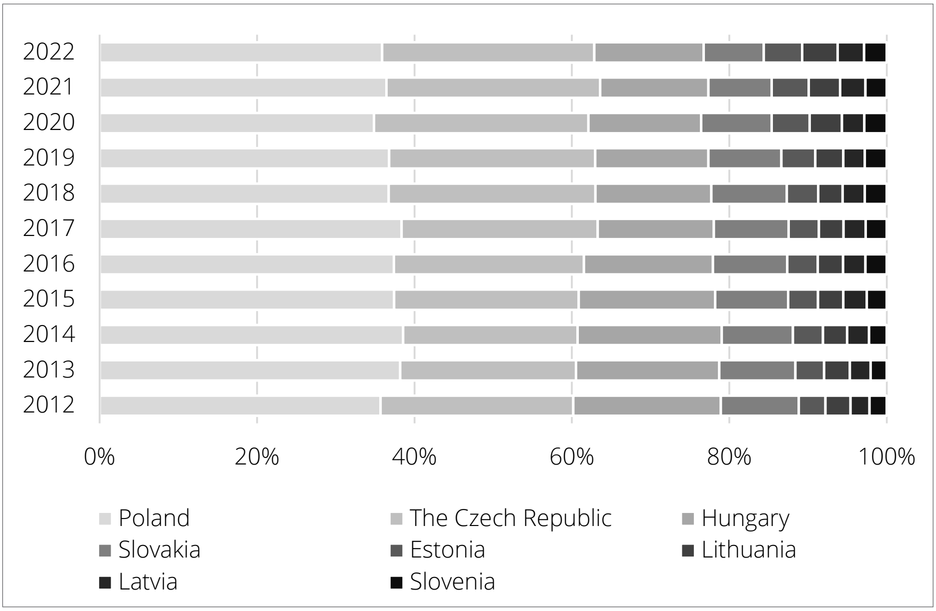



Source: World Bank, 2023 (5).

## 4. The dynamics and structure of FDI in the CCEEs in the years 2012–2023

The value of FDI inflow is a tangible measure of investment attractiveness. It is worth mentioning that in 2022 the value of inflow capital in the form of FDI to the CCEEs economies constituted only 6.3% of the FDI inflow in the EU countries in general. Therefore, it turns out that, despite the high declared investment attractiveness, this region attracts only a small part of investment located in the EU countries. Compared to other CCEEs, Poland proves to be a definite leader when it comes to the value of the acquired FDI (co called inflow stock) – see Chart 6. By the end of 2022, Poland acquired capital of a total value of USD 270 bn, which amounted to 35.8% of FDI resources of all the analyzed CCEEs. Further positions were occupied by: the Czech Republic (USD 202.6 bn), Hungary (USD 104.6 bn) and Slovakia (USD 57.3 bn).

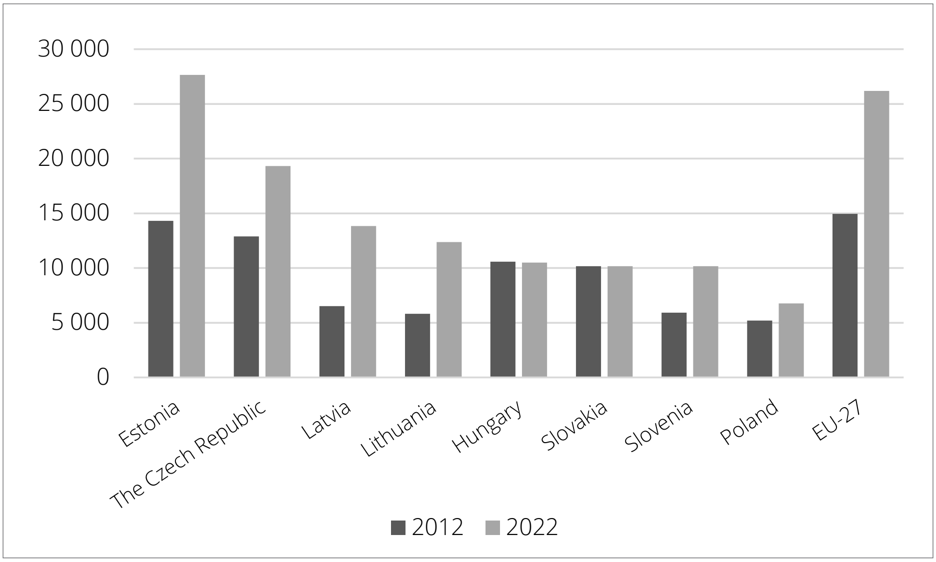
*Chart 6.* Inward FDI stock in the CCEEs from 2012 to 2022 (billion USD)




Source: the author's own work or: UNCTAD 2023; OECD 2023.

However, while Poland attracted the highest value of foreign capital among all the analyzed countries, Estonia is the leader in relation to the number of inhabitants or GDP (Chart 7). In 2022 the value of FDI in relation to one inhabitant in this country was higher than the EU average and amounted to USD 27 thousand. The high position of Estonia should not come as a surprise. It is a small country with a low number of inhabitants, but, at the same time, it is characterized by a large range of economic freedom, international openness and a high level of technological development, which encourages investors. In this case, even one larger investment may seriously increase the general volume of investment per capita. It is also worth mentioning that foreign investment constitutes an important part of the country's economy. In 2022 FDI share in GDP amounted to 96%, while the EU average amounted to 71%, and in the analyzed CCEEs to 57% of GDP.

*Chart 7.* Inward FDI stock in the CCEEs from 2012 to 2022 (billion USD)

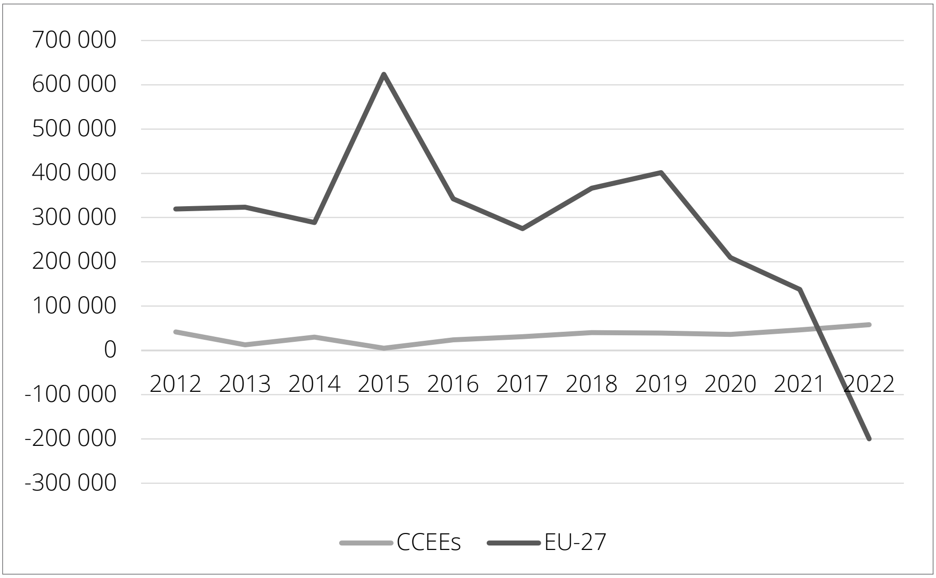



Source: the author’s own work or: UNCTAD 2023; OECD 2023

When analyzing data concerning FDI per capita it can be observed that most economies in the CCEEs region noted an increase of this value. Only Hungary and Slovakia noticed a slightly lower value of the FDI per capita volume in 2022 than in 2012. The highest dynamics of the increase of the FDI per one person in the years 2012–2022 was observed in Latvia, Lithuania and Estonia, where this value nearly doubled. Since the accession to the EU, the foreign capital inflow to the CCEEs region has been characterized by high and varied dynamics. Also in the last ten years, it has been possible to notice the varied dynamics of the FDI inflow to the researched CCEEs economies. However, the data presented in the Chart 8 indicate that since 2016 the CCEEs have seen a positive balance of capital inflow. It can also be observed that, except for 2020, the value of the FDI inflow to that group of countries has been increasing. In fact, this trend is quite different to the one observed in the EU countries where the variability of the FDI inflow has been quite significant.

Data concerning FDI inflow (Chart 8) clearly indicate that both the COVID-19 pandemic as well as the war in Ukraine resulted in a dramatic fall in the number of foreign investment in the EU countries. Despite some signs that FDI in Europe should increase in 2021 after the Covid-19 pandemic, the aftershocks related to the war in Ukraine, the low economic growth, disruption of delivery chains, growing inflation and drastically growing energy costs resulted in impeding investment in Europe. After a dramatic fall in 2020 and a relatively stable situation in 2021, the EU-27 countries noted disinvestment of nearly USD 200 bn in 2022. Moreover, it is worth noticing that international project funding and transnational mergers and acquisitions (M&A) were seriously affected by the restricted funding conditions, growing interest rates and uncertainty on capital markets [WIR, 2023 (1): 11].

*Chart 8.* FDI inflows in EU-27 and CCEEs region from 2012 to 2022 (mln USD)




Source: the author's own work or UNCTAD 2023, OECD 2023.

In the meantime, both in 2021 and 2022, the CCEEs noted positive annual FDI inflows (Table 2). Comparing results of particular countries, it is easy to observe quite a significant variability of FDI dynamics in the CCEEs. After the boom in the 1st quarter of 2022, when the FDI inflow increased by 38% year to year, in the 2nd quarter of 2022 the researched countries noted an annual decrease in the FDI inflow of 17%, while Estonia and Latvia faced disinvestment, reflecting the decrease in reinvested profits and global changes within groups. In this period, only Hungary, Poland and Slovakia observed a positive FDI inflow year to year. One of the contributing factors might have been the relocations of companies from Russia and Ukraine to safer EU locations. By the end of August 2022, FDI markets noted 57 investment projects powered by the relocation of companies due to the war, most of them concerning the IT sector [Pindyuk]. The next two quarters of

2022 were characterized by the positive values of the FDI inflow, however, in the last quarter the decrease in the dynamics of the FDI inflow was observed. Four countries from the region (Hungary, Latvia, Lithuania and Poland) noted the decrease in the dynamics of the FDI inflow in comparison to the last quarter of 2021.

*Table 2.* FDI inflows in the CCEEs from 2021 to 2023 (USD, million)

| Country | 2021 | | | | 2022 | | | | 2023p |
|---|---|---|---|---|---|---|---|---|---|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 |
| The Czech Republic | -19.60 | 4 014.12 | 2 101.08 | 2 953.34 | 618.36 | 1 971.30 | 3 138.55 | 4 127.60 | 2 131.22 |
| Estonia | 1 732.23 | 532.58 | 288.11 | -2 364.95 | 2 023.25 | -2 327.75 | 413.69 | 712.53 | 952.35 |
| Hungary | 620.64 | 269.26 | 3 238.15 | 3 430.35 | 468.45 | 2 188.75 | 4 303.06 | 1 997.21 | -860.29 |
| Latvia | 566.46 | 562.91 | 557.00 | 1 635.53 | 335.47 | 331.27 | 649.91 | 187.19 | 200.62 |
| Lithuania | 788.02 | 555.97 | 317.67 | 1 136.61 | 1 472.53 | -449.86 | 607.45 | 472.90 | 624.95 |
| Poland | 9 901.94 | 3 769.38 | 10 092.75 | 5 698.36 | 12 122.53 | 6 181.04 | 7 662.39 | 3 621.52 | 9 100.88 |
| Slovakia | -733.86 | 307.26 | 431.96 | 53.34 | 586.91 | 637.48 | 952.89 | 724.25 | -1 079.43 |
| Slovenia | 217.03 | 1 306.67 | 486.46 | -164.53 | 497.73 | 823.31 | 365.60 | 350.10 | 606.78 |
| CCEEs | 13 072.87 | 11 318.15 | 17 513.18 | 12 378.05 | 18 125.23 | 9 355.55 | 18 093.53 | 12 193.30 | 11 677.08 |

Source: OECD 2023.

Despite the existing political conflict in Ukraine, the attractiveness of the CCEEs regarding potential greenfield investment remains high. In spite of the fact that the number of new greenfield projects in the CCEEs decreased by 5% in comparison to 2021, they are most capital intensive as their value increased by 125%. The highest increase of the value of greenfield investment in 2022 was noted in the Czech Republic, then Latvia, Slovenia, Slovakia and Estonia (Table 3). In 2022 the value of the greenfield investment located in the Czech Republic amounted to USD 11 868 bn, which accounted for over 68% of all greenfield investments in the CCEEs. On the other hand, Poland is a definite leader in the CCEEs group in terms of the number of implemented greenfield projects. 509 greenfield type projects were implemented in 2022, while a year before their number amounted to 519. Consequently, the country ranked in the high 4th position among the EU countries in terms of implemented greenfield projects. It can be also noted that until 2022 Poland had an important share in the value of attracted greenfield investment, e.g. in 2014 it amounted to 53%, in 2021 – to 43%.

*Table 3.* Greenfield FDI projects in the CCEEs from 2012 to 2022, number and values

| Economy/ Region | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Value of announced greenfield FDI projects, by destination 2012–2022 (millions of dollars) | | | | | | | | | | | |
| The Czech Republic | 3 128 | 1 814 | 506 | 1 104 | 1 896 | 1 721 | 4 353 | 3 260 | 2 246 | 2 519 | 11 868 |
| Estonia | 140 | 1 196 | 188 | 274 | 56 | 306 | 1 206 | 351 | 934 | 588 | 1 542 |
| Hungary | 840 | 420 | 521 | 261 | 96 | 232 | 326 | 1 427 | 2 495 | 484 | 423 |
| Latvia | 75 | 100 | 75 | 305 | 185 | 125 | 493 | 124 | 44 | 56 | 266 |
| Lithuania | 589 | 323 | 159 | 644 | 185 | 182 | 707 | 888 | 861 | 564 | 340 |
| Poland | 1 297 | 1 289 | 1 711 | 2 086 | 545 | 1 260 | 4 030 | 1 806 | 1 427 | 3 290 | 2 371 |
| Slovakia | 262 | 279 | 12 | 27 | 110 | 183 | 193 | 208 | 370 | 197 | 515 |
| Slovenia | 333 | 152 | 42 | 220 | 62 | 269 | 1 033 | 280 | 73 | 28 | 85 |
| CCEEs | 6 665 | 5 573 | 3 215 | 4 921 | 3 137 | 4 279 | 12 341 | 8 343 | 8 451 | 7 724 | 17 410 |
| Number of announced greenfield FDI projects, by destination, 2012–2022 (number of deals) | | | | | | | | | | | |
| The Czech Republic | 129 | 152 | 95 | 113 | 98 | 113 | 148 | 92 | 57 | 113 | 90 |
| Estonia | 32 | 20 | 32 | 11 | 19 | 13 | 27 | 30 | 30 | 22 | 20 |
| Hungary | 99 | 88 | 93 | 104 | 111 | 84 | 121 | 121 | 100 | 121 | 96 |
| Latvia | 15 | 21 | 21 | 10 | 13 | 24 | 43 | 38 | 30 | 18 | 20 |
| Lithuania | 45 | 48 | 46 | 51 | 53 | 69 | 94 | 71 | 66 | 58 | 69 |
| Poland | 325 | 269 | 255 | 250 | 318 | 433 | 480 | 463 | 472 | 513 | 509 |
| Slovakia | 67 | 80 | 44 | 38 | 53 | 50 | 49 | 44 | 27 | 46 | 47 |
| Slovenia | 17 | 10 | 14 | 19 | 19 | 19 | 29 | 24 | 12 | 11 | 12 |
| CCEEs | 729 | 688 | 600 | 596 | 684 | 805 | 991 | 883 | 794 | 902 | 863 |

Source: WIR 2023 (2).

The analysis of these data proves that companies' investment is more and more often motivated by the proximity of outlets and clients, it is also connected to "the changes in the supply chains". The increase of the geopolitical risk leads to a higher required disbursement in order to make the investment profitable. It means that when the geopolitical risk is rising, MNCs do not restrict FDI, if the profit is high enough [Bussy, Zheng, 2023: 2]. The presented data seem to confirm that the existing geopolitical risk did not stop investors locating greenfield projects within the borders of the CCEEs in 2022.

However, it is worth noticing that the initial data for the 1st quarter of 2023 estimated by OECD indicate the significant slowdown in the sphere of FDI inflow into the CCEEs region. The value of foreign investment in the 1st quarter of 2023 is lower by over 35% in comparison to the same period in 2022 and by over 10% in comparison to 2021. Only two countries: the Czech Republic and Slovenia saw an increase in FDI in comparison to the same period in the previous year, whereas Slovakia and Hungary noted disinvestment.

Therefore, the global environment for the international business and transnational investment remains a challenge in 2023. Economic impediments shaping investment trends in 2022 were slightly reduced, but did not disappear altogether. Geopolitical tensions are still running high. Recent turbulences in the financial sector increased investors' uncertainty.

## 5. Conclusions

When analyzing the basic macroeconomic indicators characterizing the economic conditions of CCEEs, it may be stated that those countries follow an economic development path where FDI has an important role. The inflow of the foreign direct investment played a crucial role both in the transformation process of CCEEs' economies and also influences their modernization and development now. Therefore, the aim of the paper was to evaluate the changes of the level, dynamics and structure of FDI in CCEEs in the present conditions of political and economic uncertainty resulting from the outbreak of the war in Ukraine.

Considerations and analyses conducted in the article allow to claim that geopolitical destabilization affected the economies of the CCEEs, including the inflow of capital in the form of FDI, in two ways. On the one hand, it may be observed that those countries, as well as other countries in Europe, experienced deterioration of the economic conditions. Lower dynamics of the GDP growth and high inflation are typical problems of the analyzed economies. However, despite that, the investment attractiveness of those countries remains high. The analyzed economies constitute attractive locations for foreign investment, which is confirmed by the growing FDI inflow, the growing value of FDI *per capita*, or the growing value of greenfield projects. Therefore, it may be stated that CCEEs benefit from the present destabilization. Those countries, after experiences regarding the pandemic crisis and disruptions in the supply chains, become locations of investment reshoring and nearshoring. Moreover, turbulences connected with the outbreak of the war in Ukraine result in the fact that investors relocate investment from the countries directly engaged in the conflict to countries in the near geographical location. Therefore, it turns out that in the times of political destabilization, investment location is determined by different factors than the macroeconomic condition of the economy.

It is worth mentioning that the above considerations constitute only the initial analyses. In view of the restricted access to data and the short available period of analysis, in the future it would be worth conducting in-depth, long-term analyses, including the analyses regarding the evaluation of the influence of the present geopolitical situation on the production structure or the FDI geographic structure in the CCEEs.

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