Polish National Bank

"The Evolving Role of Central Europe in the European Economy",

7th Annual NBP Conference, Warsaw, 20 October, 2017

Sources of Growth in CEE: Daring Leap

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My argument:

- Create asymmetric capabilities for a

Daring Leap Forward

Dealing with CEE market imperfections: FDI

- In the 1990s and 2000s, foreign MNEs with FDI, were a response to the market imperfections in Central and Eastern Europe (CEE).

- They were seen as reducing the cost of international activities, increasing the efficiency of resource allocation and co-ordination, a key player in CEE market development, a major source of job provision and possible knowledge transfer.

- Foreign MNCs are still seen as a source of growth in CEE, but…. they should go beyond CSR to creating Innovation Foundations

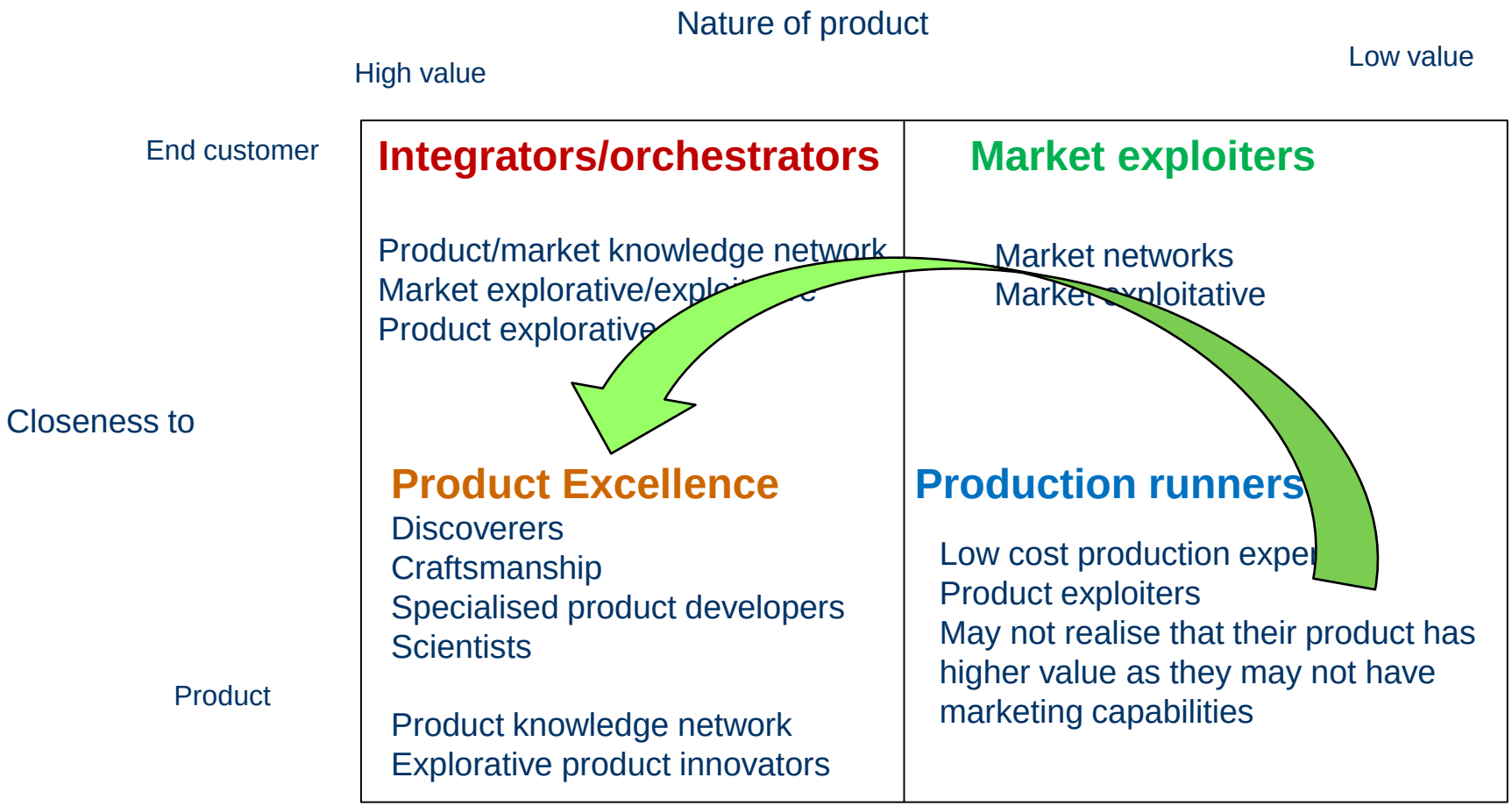
Local firms have had limited assets that are difficult to transact

		Knowledge assets held by the MNE	
		Column 1: Easy to transact	Column 2: Difficult to transact
Complementary assets held by local owners	Row 1: Easy to transact	1. Indeterminate	3. MNE is sole residual claimant = wholly-owned affiliate of the MNE
	Row 2: Difficult to transact	2. Local firm is sole residual claimant = wholly-owned operations of local firm	4. Joint venture between MNE and local firm

Disparities

Based on : Hennart, J.-F. (2009).

Value chain position

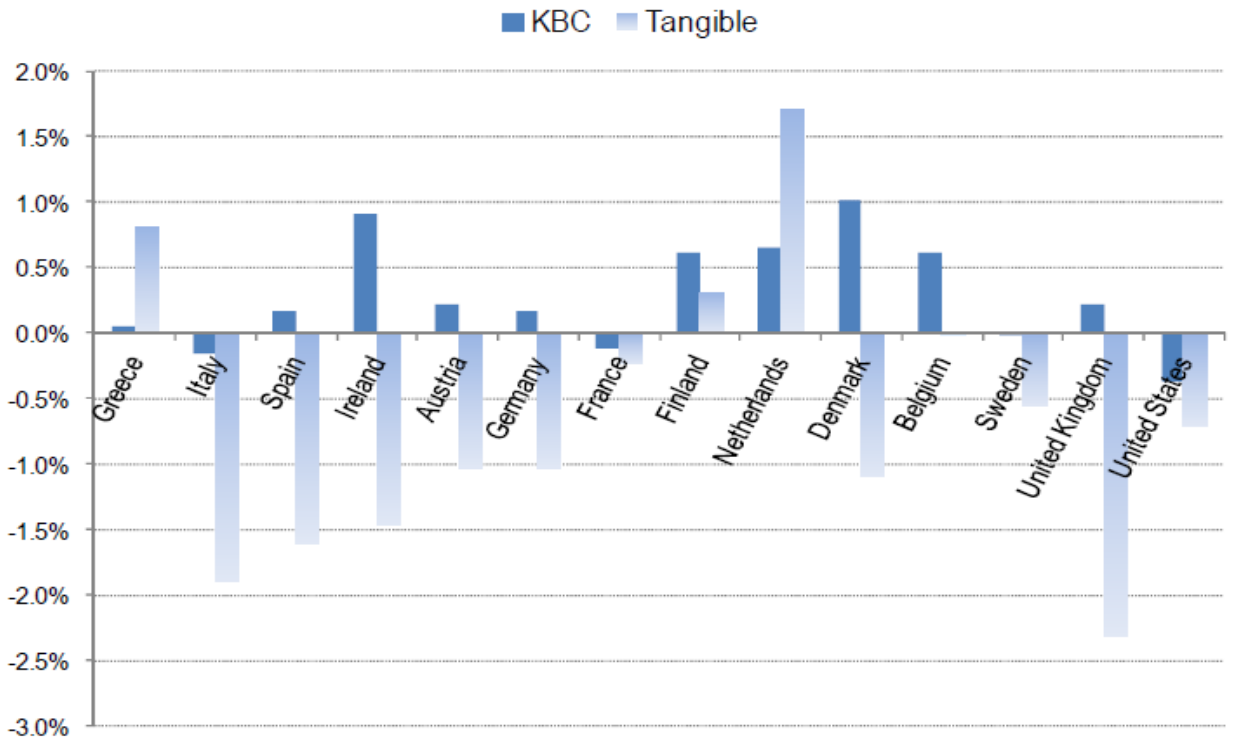


Some success stories in CEE

- Solaris
- Irena Eris
- Mlekovita
- Pesa
- Wallmania
- CCC
- Cersanit
- Maspex
- Podravka
- Mercator
- Agrofert

Investment in Knowledge-Based Capital

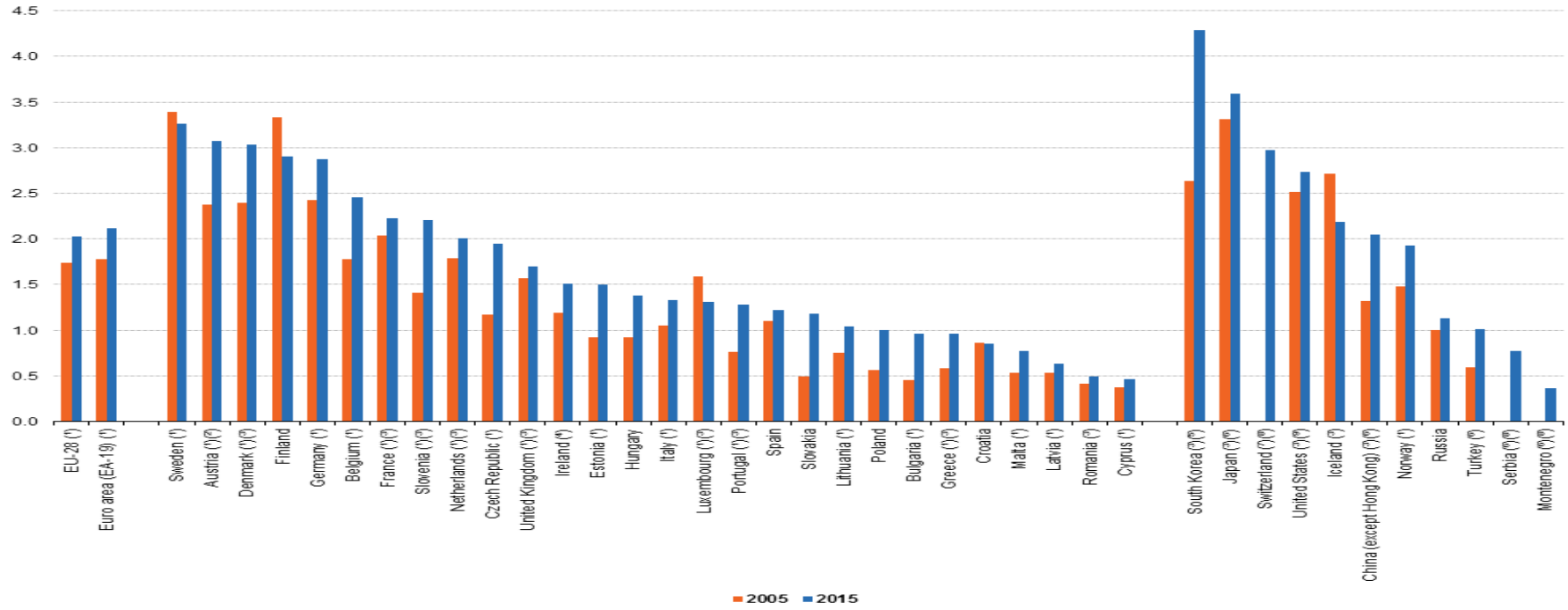
Spending on knowledge-based capital as INVESTMENT



Note: between 2006 and 2009, in most of the countries shown in Figure 2, business investment in KBC rose further as a share of GDP, or declined less, than investment in physical capital. For instance, in Denmark, investment in KBC rose from 7.3% of GDP to 8.3%, an increase of 1 percentage point. Investment in tangible capital in Denmark fell from 11.4 % to 10.3% of GDP over the same period.

Source: C. Corrado, J. Haskel, C. Jona-Lasinio and M. Iommi (2012, forthcoming), Joint database on intangibles for European policymaking – data from INNODRIVE, COINVEST and the Conference Board.

R&D as % of GDP



Note. When definitions differ, see http://ec.europa.eu/eurostat/cache/metadata/en/rd_esms.htm.
(1) 2015: estimate or provisional.
(2) 2005: estimate.
(3) Break in series.
(4) 2014 instead of 2015. 2014: estimate.
(5) 2005: definition differs. 2014 instead of 2015.
(6) 2014 instead of 2015.
(7) 2012 instead of 2015.
(8) 2005: not available.
(9) Definition differs. 2013 instead of 2015. 2013: estimate.
Source: Eurostat (online data code: rd_e_gerdtot)

Previously under-appreciated sources of growth

- Sectors with incremental R&D and traditional design with new business models
  - some mature industries facing low-wage competition in sectors like garment, toy-making or footwear to re-invent themselves and maintain jobs through the exploitation of clever branding, software-enabled features and new business models.

Extensions of already existing sources

- Extending export to emerging markets with high growth potential
- Create knowledge-based platforms internationally
  - Emerging economies as a “second home market” through targeted platforms for FDI and export by using both institutional and firm-level resource capital
    - The Danish water platform in Singapore

Innovative solutions

- Developing innovative solution based on service-dominant logic
  - Solutions combining products, modularization and service provision to meet demand of numerous dispersed smaller clients
  - Collaborative business models

Innovation centres overseas

- Growing innovation in overseas knowledge hubs
  - Joint research and business development platforms in
    - the Silicon Valley
    - China
    - Brazil
    - India
    - Israel
    - South Korea

Creativity

- Fostering creative platforms
- Vertically embedded in the educational system
- Emphasising original thinking
- PBL

People

- From individual stars to collaborative teams
- Identity
- Strengthened self-esteem

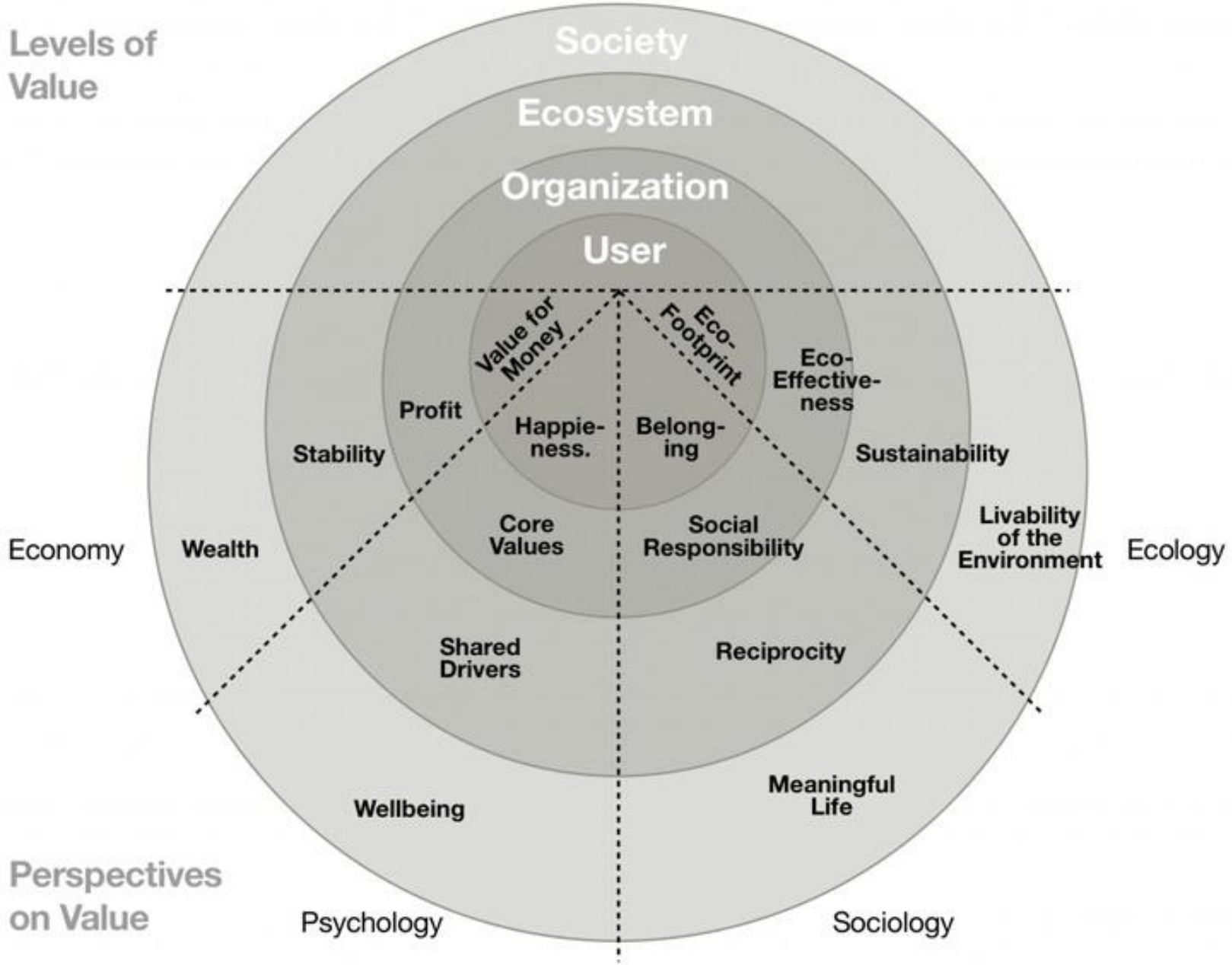
Summing up: The pillars of the CEE economies

- Currently:
  - Internal demand
  - EU funds
  - Export
  - FDI inflow
  - Productivity improvements
- Future:
  - Regional and foreign demand
  - Knowledge-based capital
    - For bundles supporting niche differentiation
    - Reconfigured traditional and implementing new business models
    - Explorative innovation
  - Outward FDI
  - Increased organisational efficiency

Dziękuję bardzo za zaproszenie!

Благодаря!

Thank you!


Levels of Value
Society
Ecosystem
Organization
User
Value for Money
Eco-Footprint
Eco-Effective-ness
Profit
Happie-ness.
Belong-ing
Stability
Sustainability
Core Values
Social Responsibility
Livability of the Environment
Economy
Wealth
Ecology
Shared Drivers
Reciprocity
Meaningful Life
Wellbeing
Perspectives on Value
Psychology
Sociology