

Urban Challenges
and Sustainable Technological Revolution



Special Session Proposal

From Dependence to Embeddedness: FDI Driven Global Value Chains and Policy Alternatives to FDI-Based Regional Development in Central and Eastern Europe

The session will be hosted by Zoltán Gál, University of Pécs, Centre for Economic & Regional Studies, University of Pécs (galz@ktk.pte.hu) and Magdolna Sass, Centre for Economic & Regional Studies, (sass.magdolna@krtk.hu), Gábor Lux (lux.gabor@krtk.hu) Centre for Economic & Regional Studies.

Abstract

The special session seeks to explore FDI-driven transformation and regional development in Central and Eastern European (CEE) regions in the context of their integration into the Global Production Networks. The geographical focus of the analysis is limited to post-socialist states, while the scale of the analysis targets the metropolitan and regional level.

Foreign Direct Investment (FDI) has played a key role in the transformation of Central and Eastern European regions. Since the 1990s, CEE has successfully integrated into global value chains as one of the global 'hot spots' for FDI, and has become a manufacturing and assembly base first for the Western European, later Asian automotive and electronics industries. FDI has become not only a driver of market and GVC integration of the macroregion, but also, temporarily, of economic growth and productivity gains.

However, this positive integration process has also been interrupted recently by the numerous crises in the CEE region. The financial crisis of 2008, the Covid pandemic and the Ukrainian war, all of which set in motion a de-globalisation trends that affected the position of CEE countries and regions and their future outlook within global production networks.

The aim of the session is to examine the position of CEE within the GPN, the changing trends in FDI investments and the future position of the region in offshoring and backshoring processes and in the decoupling processes of global value chains, also driven by numerous geopolitical/geo-economic motivations. Furthermore, how the effects of this process will play

out in the 55 CEE regions? What is the role of emerging CEE multinationals and their outward FDI in this process? Are there evidences of CEE multinationals-led GPNs?

How the region is preparing for Industry 4.0 processes, how the CEE regions can cope with the challenges of labour shortages and digitalisation and remain economically resilient? What are the interdependencies between FDI-led development and regional innovation systems. From this perspective, the role of the domestic economy and related economic policies has been increasingly valorised over the last decade, aiming to reduce the region's external dependencies.

However, growing evidence suggests that the FDI-driven development model comes with persistent centre–periphery relationships, trade-offs, and limitations, ultimately jeopardising convergence goals, long-term resilience and resulting in persistent middle income (regional) trap in many CEE regions. The development contradictions of the FDI-driven model are therefore examined and a potential successor model is proposed to reduce the risks of FDI-dependent regional development and promote also alternative (also indigenous) sources of growth.

The special sessions seeks papers in the following topics, but also those that cut across suggested topics:

1. How has the position of CEE regions changed within GVCs and GPNs (particularly in automotive and electronics GVCs)? How can the position of CEE countries in GVCs be measured using network theory methods? How do current geopolitical changes and crises affect the position of the region within GPN? How have governments' investment promotion policies changed?
2. Emerging CEE based multinationals and their outward FDI abroad; Are there evidences of CEE multinationals-led GPNs?
3. Structural and sectoral issues of CEE economies: economic versus knowledge/technology complexities.
4. The role of FDI in economic growth and fixed capital investments in CEE and in particular in V4 countries at macro and regional levels.
5. Role of FDI in regional development, competitiveness and disparities.: Examination of the spatial dimension of FDI's productivity and labour market impacts,
6. The role of FDI in regional entrepreneurial activity; and how does the presence of FDI influence business dynamics in the CEE regions?
7. Interdependencies between FDI-led development and regional innovation systems.
8. Examining development policy alternatives to the FDI-driven dependent regional development, upgrading and embeddedness of FDI, economic nationalism and domestic industrial policies and investment promotion.
9. How is the CEE region preparing for Industry 4.0 processes, how can the region cope with the challenges of labour shortages and digitalisation and remain economically resilient?
10. Middle income trap and regional development trap in Central and Eastern Europe.