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Outward FDI Policies in Visegrad countries Country report – Slovakia

Slovakia is the third most open economy in the European Union, and the most open among the V4 countries (the Czech Republic, Hungary, Poland and Slovakia). Foreign trade represented 189% of GDP in 2013, with 98% export share and 91% import share in GDP.

Slovakia is highly dependent on its export, and the export is highly dependent on foreign direct investment (FDI) as all of the ten largest Slovak exporters are foreign-invested. Slovak export success is based mainly on large companies, in the automotive and consumer electronics sectors.

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Author:
Sonia Ferencikova
Tatiana Hluskova

Editorial Board:
Marta Götz
Radosław Grodzki
Krzysztof Malinowski

SME (small and medium sized enterprises) are lagging behind the large companies in terms of export performance. In 2012, the number of exporting SME reached 27,474 which accounts for 97,1% of all Slovak exporters. Nevertheless, the value of SME export was only 17,486 bln EUR which represents 27,8% of the overall value of Slovak export. However, when speaking of internationalisation, Slovak state institutions seem to give priority to export support and only little attention is paid to outward foreign direct investment (OFDI).

The following table shows the basic FDI indicators for Slovakia and V4 group as a whole. Slovak economy shows a great disproportion between inward and outward FDI stock as a share of GDP.

Table 1. FDI Indicators for Slovak Republic

Indicator as a percentage of GDP	2000 - 2003		2004 – 2007		2008 - 2012	
	V4	SR	V4	SR	V4	SR
FDI inward stock	36,03	31,08	50,00	52,38	56,00	57,23
FDI outward stock	1,71	2,08	4,28	1,93	8,40	3,85
FDI inflow	6,06	9,67	5,56	6,38	3,15	2,46
FDI outflow	0,43	0,33	1,21	0,18	1,39	0,62

Source: Burda, Š. (2013). Významné aspekty v medzinárodnom podnikaní Slovenska

Whereas Slovak FDI inward stock is only slightly higher than the FDI inward stock of the V4 group as measured to GDP, the difference in FDI outward stock in relation to GDP is considerably bigger: the FDI outward stock share in GDP is more than two times smaller in the case of Slovakia, compared to the V4 group. Share of FDI outflow in GDP is also significantly lower in Slovakia than in the whole V4 group, even though it has a rising tendency.

While FDI inflows to Slovakia experienced rapid decline in the wake of the Great Recession in 2009, and similarly fast recovery (from almost no FDI inflow in 2009 to 2,199 bln EUR in 2012), FDI outflows showed an opposite development: the maximum value was reached in 2009 (651 mln EUR) and 2010 (714 mln EUR) followed by the steep decline to almost no FDI outflow in 2012. In the period of 2008 – 2012, the FDI outflow of Slovak companies amounted to 2,020 bln EUR. The FDI outward stock totalled 3,253 bln EUR in 2011.

Table 2. Outward Foreign Direct Investment from Slovakia, 2004-2013 (mln EUR)

	2004	2005	2006	2007	2008
Outward FDI	-17	120	408	438	362
	2009	2010	2011	2012*	2013*
Outward FDI	651,031	714, 367	513,043	-16,424	47,969

* preliminary data, Source: data from National Bank of Slovakia, 2010; 2013a; 2013b; 2014



Significant increase in OFDI can be seen after Slovak accession to the EU on May 1, 2004. OFDI temporarily decreased in 2008, but surged in the crisis years of 2009-2011. Very steep decline occurred in 2012, with only a mild recovery taking place in 2013.

The newest data published on OFDI stock is from 2012 (preliminary data). The overall stock of Slovak OFDI was 3,344 bln EUR. The countries with the highest level of Slovak OFDI are the Czech Republic (1,841 bln EUR), Cyprus (0,354 bln EUR), Luxembourg (0,254 bln EUR), Austria (0,204 bln EUR) and Turkey (0,126 bln EUR). It can be assumed that the high OFDI stock in Cyprus and Luxembourg might be caused by their favourable investment (namely tax) conditions.

PROVIDERS OF ASSISTANCE

Slovakia lacks a unified framework of FDI outflow support. There is virtually no institution or policy aimed exclusively or predominantly at OFDI. OFDI support is usually indirect (in the case of internationalisation support) or it is only a side effect of certain activities (support of start-ups).

SLOVAK INVESTMENT AND TRADE DEVELOPMENT AGENCY (SARIO)

SARIO is an institution which provides support for foreign companies willing to invest in Slovakia, but also for Slovak enterprises which aim to expand abroad. SARIO facilitates this cooperation by several means:

- The Slovak Sourcing and Cooperation Portal, matchmaking portal aimed to coordinate foreign demands with production possibilities of Slovak companies; however, there are only 63 firms registered at the Portal as of March 25, 2015,
- organisation of business journeys, fairs and matchmaking events to provide the companies with the possibility of negotiations with prospective partners,
- direct searching and screening of prospective partners abroad.

However, promotion of OFDI is not a task of SARIO: the Agency is focused only on inward FDI to Slovakia or export of Slovak companies. As for the joint ventures, SARIO support their creation in Slovakia, with the participation of Slovak entities.

ENTERPRISE EUROPE NETWORK (EEN)

EEN connects business-supporting organisations from more than 50 countries. In Slovakia, EEN is represented by the BISS Slovakia (Business and Innovation Support Services in



Slovakia) project, coordinated by Business and Innovation Centre (BIC) Bratislava. 50 organisations participate on EEN services in Slovakia. In order to seek business and technological partners, the companies can make use of two databases: Partnering Opportunities Database and The Projects & Results Service. Partnering Opportunities Database allows companies to register their offers or request to find potential business partners. However, the number of Slovak companies seeking foreign partners is relatively low: only 180. The Projects & Results Service provide information on EU-funded research projects and their results, with the goal to facilitate the exploitation of the research results in practice. There are 109 projects in which Slovak entities act as coordinators and 1 247 in which Slovak entities participate. According to recent information from BIC, there is no systematic evidence of partnerships whose establishment was based on EEN services, and no evidence of Slovak-foreign joint ventures abroad at all.

EXIMBANKA SR

EXIMBANKA SR (Export-Import Bank of the Slovak Republic) offers products aimed at facilitating of the companies' foreign expansion. However, majority of the products is focused on export facilitation, only direct loans to finance an investment abroad might be considered as OFDI-centered support. Slovak companies can also make use of the export credit insurance products in order to insure the risk of failure to repay the credit related to their own investment abroad.

PODNIKATEĽSKÉ CENTRUM (BUSINESS CENTER)

Business Centre is within the competence of Ministry of Foreign and European Affairs of the Slovak Republic. Its task is to provide all the information needed for the export of goods, services or capital, creation of cooperative ties or establishment of joint ventures abroad. The aim of the Center is to provide contacts and to monitor business and investment opportunities suitable for Slovak companies. It also issues the Weekly News Bulletin which contains not only news, but also information on business and investment opportunities, international tenders, business fairs and other events. The Ministry is also active in the Official Development Aid Programme (Slovak Aid), focused on participation of Slovak entrepreneurs in projects aimed at sustainable development of the target countries. One of the sub-programmes is Business Partnerships Programme: Slovak entrepreneurs are able to be given a grant to cooperate with company in the developing country.

NÁRODNÉ PODNIKATEĽSKÉ CENTRUM (NATIONAL BUSINESS CENTER)

The aim of the National Business Centre (under construction) will be to ensure complex support of SME, including the systemic support of R&D transfer to the businesses. The



Centre should act as a one-stop-shop and offer support for new companies, including start-ups and spin-offs.

SLOVAK BUSINESS AGENCY (SBA)

SBA is an institution focused on SME support, founded in 1993. The partners of SBA include SARIO and Young Entrepreneurs Association of Slovakia. Its organisations include EEN and the Platform of Entrepreneurs for the Foreign Development Cooperation. SBA is also involved in the National Business Centre project. The role of SBA in potential OFDI support is therefore tied to other institutions and projects in which it is involved.

CONCLUSION

Based on the interviews with several providers of internationalisation assistance, managers of the internationalized companies and publicly available information, we can conclude, that:

- only 8 companies out of 60 interviewed (13%) mentioned that they had used direct financial credit links or indirect support from the state agencies while internationalising;
- major institutions with OFDI-focused services in Slovakia are: EXIMBANKA (loans, insurance of investment) and Ministry of Foreign and European Affairs of the Slovak Republic (Slovak Aid – grants for start-ups). Only 5 companies in our sample used Eximbanka services, no one mentioned start-up support;
- other institutions offer services which could potentially help OFDI, but it is not their primary intention. Only 2 companies in our sample mentioned assistance from SARIO – Slovak Investment Agency;
- official support is focused not only on EU countries, but there are also other groups of priority countries, most notably non-EU European countries and Asian countries;
- we have not recorded any significant changes in the OFDI support in the aftermath of the Great Recession;
- there is no special focus on SMEs, except SBA, which is itself focused on SME support in general;
- as for recipient feedback, we have not found any specific information, but some of the state institutions involved are assessing their clients' satisfaction (survey, interview, repeated interest in services);



- there is an initiative to assist the internationalization of the Slovak companies – a specialised webpage <http://export.slovensko.sk/>, with the aim to provide all the information for the potential exporters in one place; however nothing even remotely similar exists for OFDI;
- therefore we can conclude that in Slovakia state policy is predominantly focused on inward FDI and export. OFDI exclusively is not mentioned in any policy or strategy, and it is basically neglected in the official economic strategy of the Slovak Republic.

The statements expressed in this text exclusively reflect the views of its author.

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Sonia Ferencikova - Vysoká škola manažmentu Trenčín/Bratislava, School of Management
Trencin/Bratislava

Tatiana Hluskova – independent analyst

