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Empirical Paper

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Determinants of foreign direct investment outflow from India to Poland

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Abstract: This article concerns the determinants of foreign direct investment (FDI) outflow from India to Poland with some insights to other European countries. This topic strongly relates to globalization of foreign trade and especially new economic initiatives between European Union (EU) and India, which was one of the first countries to develop trade relations with EU. According to CEIC data – Financial Data and Economic Indicators, India's FDI outflow increased slightly to 1.4 billion USD in September 2019 in comparison with 996.5 million USD in September 2018, but it is still below the average of 1.8 billion USD for a period of 2007–2019.[1] Very limited number of the scientific research can be found in European literature about India's FDI outflow to EU countries in period of 2004–2019. Indian economists made some research on that topic. Professor J. Ramachandran (listed among the Best Management Thinkers for the year 2015, the first Bain Fellow in India) from Indian Institute of Management Bangalore in 2004 and Professor Jaya Prakesh Pradhan from Central University of Gujarat in 2008 explored the evolution in Indian outward FDI, referring to a shift in the pattern of overseas expansion and basis of competitiveness of Indian companies. The main goal of this article is to explain what really triggers Indian investors to go to Poland and what kind of businesses they form. Some examples of the Indian-based companies are mentioned to support the analysis. The author of this article also researched on different governmental bilateral trade agreements and initiatives, trying to find any direct impacts of that on the India FDI outflow to Poland and other EU countries. He used empirical method of the analysis based on accessible data for period 2004–2019 and literature in that topic and also direct interviews with private Indian investors who made decision to start and run their business in Poland or other EU countries. The main conclusion is that Poland the leader of Visegrad Group is an interesting investment for India and India can be for Poland a counterpart investment partner to China.

Keywords: FDI, vertical FDI, horizontal FDI, India–EU strategic partnership, BTIA, multinational companies, determinants, technology spillovers, FDI Confidence Index
JEL Classification: F21

1 Introduction

The economic relation of India with European Union (EU) was established in 2004 as the Strategic Partnership. As a result of economic cooperation, India and EU entered the different phases of negotiations of the Broad-Based Trade and Investment Agreement (BTIA) during EU summits in 2009–2012. India and EU expressed the willingness to conclude and sign the agreement. According to Asian Development Bank, India signed 13 out of 29 different trade agreements in June 2018 but mainly within Asia.[2] The Free Trade

1 Available at: https://www.ceicdata.com/en/india/foreign-direct-investment-outflow/foreign-direct-investment-outflow (accessed October 19, 2019).
2 Asian Development Bank (n.d.) Asia Regional Integration Center, Free Trade Agreements, India. Available at: https://aric.adb.org/fta-country.

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Agreement (FTA) between India and EU requires time for both partners to better understand the concerns from each side and try to find a consensus to reach FTA. India wants more flexible approach in terms of movement of professionals and market access for agricultural products, pharmaceuticals, and textiles while EU forces more protective approach by introducing a safeguard clause, which will take effect whenever a 20% sector limit is reached. It concerns, of course, IT sector as well which is very important for India from the perspective of free movement of IT specialists within EU countries (visa regime). The 2018 EU Strategy on India represents a significant change in the Union's perception of India in that it recognizes that a strong partnership with India is "key for a balanced EU policy towards Asia as a whole" [European Commission, 2018]. On the contrary, India prefers to have trade talks with EU member state countries instead of whole EU as a bureaucratic organization. Also taking into consideration a current situation in world trade market in which China becomes more assertive with US trade policy and unclear economic consequences of Brexit, India gains more attention of EU regarding trade cooperation and FTA. This situation on macroeconomy level and bilateral trade agreements influences foreign direct investment (FDI) outflow of India to Poland and other EU countries. Indian–Polish trade relations are developing since 1951.[3] According to the recent statement of the Minister of External Affairs of the Republic of India Dr. Jaishankar Subrahmanyam during the official visit to Poland in August 28–29, 2019, India's desire is to engage with Poland in the Visegrad (V4) format.[4]

Before further analysis is conducted regarding India FDI outflow to EU countries, an academic perspective needs to be done on earlier literature in this topic. At the end of this article, the point of views of Indian investors on investing in EU countries are presented.

2 Review of the literature regarding the topic

In general, the theory of FDI answers the question as to why a firm would want to produce in a foreign location instead of entering other alternatives such as exporting their products or having the license agreement with a host market company. FDI concept is well known and developed in International Economics by authors such as M.E. Porter with his competitive advantage concept [Porter, 2011], J. Dunning, S. Hymer, J.F. Hennart, R. with his theory of multinational firm [Hennart, 1982] Vernon, or D. Cushman pointing out real exchange risk in FDI [Cushman,1985], A. Kokko who examined the relation between observed technology spillovers from FDI and proxies for the complexity of MNC technology [Kokko, 1994] At present, a real challenge for the contemporary economists is to create an unified theory that explains a complexity of FDI impacts and its determinants in the world economy. The nature of FDI makes it a multidimensional subject within the sphere of economics and an interdisciplinary one which is a real cumbersome task for economists. The existing FDI theories can be grouped into traditional ones that are based on neoclassical economic theory and explain FDI defining the advantages of international production known as OLI Paradigm [Dunning, 1979], radical ones as a criticism of multinational companies (MNCs), and modern ones that are trying to elaborate the most unified FDI theory. For the purpose of this article, modern theories are mainly in focus, due to the fact that such theories are closer to the real world economy activities. Till the first decades of twentieth century, FDI mainly concerned the exploitation of oil and natural resources with a shift to manufacturing and services in late 1990s when a phenomenon of transnational companies started to have more attention of the economists. The reviews of the FDI theories done by many authors confirmed the importance of FDI in economic development in each country [Denisia, 2010]. The FDI theories explain the reason why FDI occurs and the determinants of FDI. Interesting study was done also by S. Morris and P. Jain in 2016 regarding relationship between outward foreign direct investment (OFDI) stocks pertaining to

3 More historical facts can be found in Weresa (1990) and Baker D.C, Diggs H.T., (1956), A monthly inventory of information from U.S. Government Foreign Service Offices and other sources that may not otherwise be made available promptly, United States, US Department of Interior, Bureau of Mines, Division of Minerals, Trade Mineral Notes, III. Miscellaneous Information. India- Poland (Trade and Technical Assistance Agreement), Vol. 43, No 1, page 40.

4 Joint Statement of the Ministers of Foreign Affairs of Poland and India, Warsaw August 29, 2019. Available at: https://www.gov.pl/attachment/6a5a06c8-7cd7-4694-8ab7-5406839fb56a (accessed October 28, 2019).

34 OECD source and 160 destination countries. They proved using the gravity model that variables explain nearly 50 per cent of the variation in the OFDI stock [Morris, Palakh, 2016].

The impact of FDI on country economy is complex and it depends on which area of impact is explored as suggested by the author. Some authors showed that FDI helps to promote a competitiveness of local firms [Blomstrom et al., 1994; Caves, 1996; Smarzyńska, 2002; Kowalewski and Weresa, 2008] and can have technology spillover effects in local markets [Findlay, 1978; Borensztein et al., 1998]. Other authors either saw negative effects of FDI on local markets or did not see the link between FDI stock and economic development of the country [Hanson, 2001; Gorg and Greenaway, 2002; Lipsey, 2002]. FDI can also have a different impact depending on the economy sector such as manufacturing, service, textile, agriculture, mining, fossil [Hirschman, 1958; Alfaro, 2003].[5] To be efficient, FDI requires from company in home country to have some advantages and the host market should be imperfect in the sense of required products or services [Kindleberger, 1996]. Interesting part of some recent studies of FDI is its determinants and its influence on economic growth. In general, there is a consensus in modern theories that FDI influence on economic growth is rather positive than negative in developing countries[6] (magnitude of that influence can be arguable) and that FDI has a very close connections with MNC activities especially in areas of technology transfer and knowledge diffusion referred as externalities or efficiency spillovers [Ewe-Ghee, 2001]. This observation was confirmed by R. Findlay in 1978 and developed further in 1980 by S. Lall in his empirical study which stated that MNC–supplier interactions helped to increase the efficiency and productivity of local companies [Lall, 1980]. The magnitude of these spillovers depends on the technology gap between host and home countries [Kokko et al., 1996] and also on the liberalization level of the host country for the export-oriented operations of MNCs and investments which allow to cluster foreign investors and competitors in the host market [Moran, 1998].[7] If the liberalization level is low (restrictive), then FDI is focused on production for the host market as restrictive investment policy of the host country will not allow for MNC's business integration which as a result will lead FDI to some inefficiency and even negative impact [Mansfield and Romero, 1980; Shapiro, 1993; Klein, 1995; Rodrik, 1999]. Besides technology gap and liberalization level, human capital is also an important factor for FDI success in the economic growth of the host country [Borensztein et al., 1998]. Then FDI can lead to increase in growth by being more productive than domestic investment as MNCs prefer to locate in fast-growing and profitable economies. Important aspects of FDI theory are determinants of FDI. According to J.H. Dunning, the company should have the profits from the ownership advantages of its brand name firm-specific assets over the competitors to locate its business or production in the host country [Dunning, 1977, 1988]. In the literature, determinants called "vertical FDI" (VFDI), production cost minimizing or raw material seeking, relate to cost reduction of the whole production chain, and the other determinants named "horizontal or market seeking FDI (HFDI)" are to serve the host market in a more efficient way. VFDI is usually export-oriented and are not much affected by the market size of the host economy and they are used when there are differences in international input prices and raw materials in the different parts of the production process and technology. HFDI are export replacing due to the establishing production plants by MNCs in the host market also to reduce the supply cost. The bigger host market size (lower production unit cost) and more expensive export (tariffs and transport) are commonly used HFDI. Both types of FDI are not mutually exclusive and can cluster in the host market as the regional service of the group suppliers [Shatz and Venables, 2000]. The impact of FDI determinants is presented in Table 1. In some cases of the determinants namely transport cost (TC) and trade barriers (TB), the net impact on FDI is ambiguous. This effect can be explained by the nature of VFDI which is export-oriented particularly to the multinationals' home markets, thus it may be negatively impacted by high TC because of vast amount of imports and exports of components and final goods shipment need, while

5 More information regarding empirical model of FDI impact on the manufacturing and services sector was obtained from the article by Alfaro (2003).

6 Although some econometric evidences of FDI positive spillovers for developing countries such as Mexico, Indonesia, and Uruguay were done, there are few dedicated research for India FDI outflow to OECD countries for period 2004–2019 which can be founded in the literature.

7 A strong spillover example: when General Motors used plants in Mexico to produce its engine cars, other competitors followed in 1990s and a similar case was with General Electric in Asia in 1968.

Table 1. Impact of the foreign direct investment (FDI) determinants

FDI determinant	Vertical FDI	Horizontal FDI	Overall FDI impact
Transport cost (TC)	Negative if TC is high	Positive if TC is high	Ambiguous
Size of the host market (SoM)	Positive if SoM is large	No impact	Positive
Cluster (C)	Positive if C is attractive	Positive if C is attractive	Positive
Taxes in the host country (TX)	Positive if TX is low	Positive if TX is low	Positive
Raw material cost (RC)	Positive if RC is low	Positive if RC is low	Positive
Investment climate (IC)	Positive if IC is more friendly	Positive if IC is more friendly	Positive
Trade barriers (TB)	Positive if TB are low	Negative if TB are low	Ambiguous
Abilities to repatriate profits (AP)	No impact	Positive if AP are high	Positive

Source: Author's own study based on Ewe-Ghee L. (2001), pp. 13–14.

low TB smooth the final goods shipment process VFDI is positively impacted. The size of the host market (SoM) has no significant impact on VFDI as the export-oriented type FDI. In case of abilities of mother company to repatriate profits (AP) VFDI as focuses on export the impact is not relevant as the main profit is done in home country. This simplicity of impact reasoning of the FDI determinants helps to distinguish a difference between these two types of FDI. Another important aspect is the direction flow of FDI (inflow or outflow) from the perspective of the home country. For the purpose of this article, India FDI outflow is in focus, which means that interest of the author was to examine FDIs made by India in Poland and other EU countries even though the home country of the author is Poland. In the research literature, the topic related to India FDI outflow determinants to Poland and other EU countries in 2004–2019 is quite limited. The reason is that India has rather host economy and majority of the India outflow FDI are in Asian countries. It means also that it can be further explored. In general, there are strong commercial links between EU and India as presented in the introduction of this article. Historical economy links between India and UK may impact India FDI outflow in UK and make UK as the main FDI country for India. It is a just statement that needs scientific evidences but it can be used as the starting point. Time-series data, vector autoregressive (VAR) model, and Granger causes used by some researchers regarding FDI outflow determinants of India show the link with national technological capability of India and level of FDI outflow impacts a national interest rate. Besides, the national macroeconomic characteristics of the home country including income per capita, openness of the economy to international trade, interest rate, human capital, technological capability, exchange rate, and exchange rate volatility are strongly considered while analyzing the impact on FDI outflow [Tolentino, 2008]. Also interesting study that analyzes the relationship between outward FDI (OFDI) stocks pertaining to 34 OECD source and 160 destination countries was presented by Professor S. Morris and Dr. J. Palakh from Indian Institute of Management. They did an overview of the previous studies in that specific topic done in 2003–2011 which confirms a statement of author of this article that number of the researches regarding India outflow FDI from one country into various countries is very limited. By review of these previous studies, some of the FDI outflow determinants were identified, namely the size and geographical distance between the countries, market potential of neighboring countries, FTAs in place between the home and host country, home GDP growth, and political stability. FDI outflow is also impacted by capital market imperfections [Aliber, 1970], motives of natural resource seeking, and other factors such as colonial linkage (e.g., UK and India colonial linkages). These conditions of the FDI determinants are more explored in the following sections.

3 India's FDI outflow to Poland and other EU countries in period 2004–2019: Empirical analysis of the main determinants

There are several India FDI outflow determinants that need to be considered, namely national income per capita, openness of the economy to international trade, interest rate, human capital, national technological capability, exchange rate, and its volatility. The 8-equation unrestricted VAR model presented by

Table 2. India FDI outflow to Poland in period 2009–2019

Company	Sector	Investment (million EUR)	Jobs created	Year
Intelenet Global Services	BSS-BPO	3.0	300	2009
Uflex	packaging	65.0	130	2011
Wipro	BSS-BPO	2.0	200	2011
Mphasis	BSS-IT	1.0	80	2012
Qburst	BSS-B&R	0.3	35	2012
Infosys	BSS-BPO	1.5	300	2013
WNS Global Services	BSS-BPO	2.5	500	2013
HCL Poland Sp. z o.o.	BSS-IT	1.00	250	2017
Varroc Lighting Systems Sp. z o. o.	Automotive	42	400	2018
Varroc Lighting Systems Sp. z o.o.	BSS-B&R	1.5	150	2019
ALLIANCE RENTALS Sp. z o.o.	Tourism	5	10	2019
Total		**124.8**	**2,355**	

Source: PAIH, 2019.

P.E. Tolentino showed the relations between India FDI outflow and these determinants mentioned earlier. The most impact on India FDI outflow are caused by income per capita, national technological capability, and Indian economy openness to international trade. FDI outflow affects national interest rate (Tolentino, 2008). India is a rather FDI inflow than FDI outflow oriented country and has a rather stable FDI intensity ratio as a percentage of GDP which is 1.5% in the period 2017–2018.[8] Data for FDI in 2017 presented by Statista showed that India FDI inflow was almost 40 billion USD while FDI outflow value was 11.3 billion USD.[9] India FDI outflow by country shows asymmetry comparing EU countries and other parts of the world. Top India FDI destination countries are USA, UAE, Australia, Singapore, Bangladesh, Egypt, China, and Russia. In Europe, the most chosen countries are Germany, France, the Netherlands, UK, Switzerland, Cyprus, Belgium, Poland, Czech Republic, and Romania. Poland is becoming a more attractive country for Indian companies to invest in Central and Eastern European (CEE) region. The Indian companies active in Poland include those of the IT and BPO, such as GE Money, Genpact, Infosys, KPIT-Infosystems, HCL, Tata Consultancy Services, Wipro, and Zensar Technologies. UFLEX has started a plastic wrap factory in Września in 2012 and proceeded to open a second manufacturing unit in the same town in 2018. The two Indian companies that are running their factories in the town of Kostrzyń are Essel Propack (where it produces laminated tubes) and Novo Tech (a manufacturer or polymer products), while VVF is managing a soap factory in Racibórz. Some of the companies that have entered the Polish market in previous years through acquisitions include Berger Paints India, Escorts, Glenmark Pharmaceuticals, Indorama, Lambda Therapeutics Research, and Tata Global Beverages. According to recent investment project data of Polish Investment & Trade Agency (PAIH) regarding FDI in Poland by 11 Indian companies, the total amount of the investment for period 2009–2019 was 125 million EUR and 2,335 jobs were created across Poland mainly in BSS-BPO sector. The data are presented in Table 2. This is just a part of overall India FDI in Poland which is valued at 3 billion USD in total in 2016.[10]

According to CEIC report, the India FDI outflow to Poland in September 2018 was reported 0.252 million USD only and it has an upward tendency.[11] There was a big difference in the investment in May 2009 (over 27 million USD) where one of the explanations is the investment of Uflex in packaging factory in Września. Although some economists do not see an obvious and direct relation between FDI and GDP growth (it was

8 Passport Statistic Data (accessed November 15, 2019).

9 India Statista Country Report, April 2019, p. 40. Available at: www.statista.com.

10 *Poland's Promise for Investors from India* by Agata Dyndo head of Mumbai-based trade office of the Polish Investment and Trade Agency. Available at: https://indiaincgroup.com/polands-promise-for-investors-from-india-india-global-business/ (accessed November 15, 2019).

11 Available at: https://www.ceicdata.com/en/india/foreign-direct-investment-outflow-by-country?page=5 (accessed November 15, 2019).

presented in the part of this article regarding theories and review of the literature), there is an interesting observation regarding GDP growth of Poland and increasing value of India FDI outflow in recent years. Poland attracts Indian investors with its stability in the region and investment atmosphere with accessible well-educated human capital. Poland is still economical than other Western EU countries in the context of workforce and it has strategic location between Russia and EU. According to a study by the Europe India Chamber of Commerce (EICC), Indian companies have invested more than 50 billion EUR in Europe since 2003. Out of this, 16 billion EUR was invested on greenfield projects and the rest was spent on mergers and acquisitions [Charlie, 2012]. As a matter of fact, India is a more FDI inflow than outflow oriented country and there are no specific instances of the Government which influence the investment decisions of Indian companies in Europe. The raise of EU market protectionism related to recession in Germany and other EU countries diminishes the chances for high volume of the investment in Europe from Indian companies even though that sectoral mix in Europe is in-line with investment strategy of the Indian companies. It does not only refer to MNCs but also the smaller ones that plan to start their business in Poland and other EU countries. After introducing Foreign Exchange Management Act in 2000 by Government of India, there was an increase in OFDI made by the Indian companies. In 2003, the Indian companies were allowed to invest 100% of their capital in overseas business including EU. It allows Indian MNCs to invest 116 billion USD[12] between 2003 and 2012. Concerning Europe, the most desired destination for Indian investments during 2008–2012 were three countries, namely the Netherlands (6.54 billion USD), UK (1.53 billion USD), and Switzerland (0.41 billion USD). In global terms, tariff tensions, US trade policy, China's shrinking outflow FDI, upcoming Brexit make FDI change to drop its value over the last 3 years by 13% every year. FDI into Europe fell down by 55% while Developing Asia had a FDI growth by 3.9%.[13] Looking on the ranking of *Global Finance*—FDI Superstars 2019, Spain got the fourth place which was mostly driven by M&A sales that UNCTAD estimates at 44 billion USD in 2018.[14] The acquisition of Spanish highway operator Abertis by Italian Atlantia, Spanish ACS, and German Hochtief alone drew in some 19 billion USD. The growth of Spain also spurred real estate deals: Blackstone acquired some assets of the old Banco Popular Español for 6 billion USD, and Cerberus signed a similar deal with BBVA for 4.7 billion USD. Another country in ranking was Czech Republic which got the fifth position, where FDI inflow recovered from 2016 was mainly due to the fact that almost one-third of all the jobs in Czech Republic were created by MNCs particularly in automotive and metallurgy sectors. FDI/GDP ratio of 600% from 1993 is an outstanding result in whole CEE region. The biggest M&A deals in 2019 were in pharma and telecom, with the acquisition of generics producer Zentiva by private-equity firm Advent International from Sanofi for 1.9 billion EUR,[15] and Vodafone's acquisition of Liberty Global systems for 19 billion EUR (also including Hungary, Romania, and Germany).[16] Czech Republic offers a stable environment, a skilled and relatively inexpensive workforce, good quality of life, and a favorable location at the heart of Central Europe. The Czech Government has strived to offer tax incentives and subsidies, especially in the manufacturing and technology sectors. In 2018, a new visa program was set up to award residency to non-EU citizens who invest a minimum of 1.9 billion EUR (2.1 billion USD). Another country that was highly ranked number 7 by *Global Finance* was Hungary. Hungary introduced new investment procedures that limit a corporate tax burden. According to The Hungarian Investment Promotion Agency (HIPA), 98 projects came to Hungary in 2018, backed with capital of more than 4.3 billion EUR (4.7 billion USD), and created up to 17,000 jobs.[17] Major investments of new operators and existing companies were mainly in the automotive industry, the electronic sector, and the tertiary sectors. Surprisingly, Poland was not in the ranking list of *Global Finance*—FDI Superstars 2019. According to the recent presentation of PAIH that was performed during the seminar at SGH Warsaw School of Economics for Indian companies investing in Poland, FDI inflow to Poland was 2.3 billion EUR in 2018.

12 Estimation made by EICC, 2012.
13 Available at: https://www.gfmag.com/magazine/october-2019/fdi-superstars-2019? (accessed December 9, 2019).
14 Available at: https://unctad.org/en/PublicationsLibrary/wir2019_overview_en.pdf, p. 20 (accessed December 9, 2019).
15 Available at: https://www.adventinternational.com/advent-international-completed-acquisition-of-zentiva-from-sanofi/ (accessed December 9, 2019).
16 Available at: https://www.ibc.org/manage/eu-approves-liberty-global-19bn-sale-to-vodafone/4149.article.
17 Available at: https://hipa.hu/investors-keep-trusting-in-hungary-a-record-number-of-investment-projects-and-volume-in-2018.

Opinions and main determinants regarding FDI investments in Poland from the perspective of the Indian companies are presented further in this article.

According to the data obtained from PAIH and Indian Embassy in Warsaw, there are 15 different Indian companies that invested in Poland in period 2009–2019. Most of them are operating in BPO/BSS sector but there are still quite a few in the industry such as Lumel SA and Escort Farmtruck. The biggest world steel producer ArcerolMittal, which is registered in Luxemburg and invested directly in Poland, is not treated as the Indian company even though it is present in Poland for many years. On November 28, 2019, SGH Warsaw School of Economic, World Economy Research Institute in cooperation with PAIH organized closed seminar for Indian companies operating in Poland.[18] What is an especially noteworthy take away is that from October 2019, there are new criteria in force for the government cash grants for new investments, allowing investors to cover up to 15% of eligible investment costs. A very interesting presentation was done by CEO of Lumel SA, Mr. Dinesh Musalekar, who shared his experiences related to investing in Poland. One of the key problems he described was the regulatory issues related to the liquidity of fixed assets (e.g., land) which impede the company's reinvestment plans. Another important aspects raised up by the Indian companies are the steep increase of wages which forces the companies to automate their operations and the lengthy bureaucratic process necessary to obtain foreign workforce from India (taking close to a year). According to Polish Government data statistics, there were 10,181 visa applications in period of January–November 2019 by Indian citizens to Poland mainly as temporary residence permit (increased by 22% compared with 2018).[19] What mainly impacted the choice of Poland as the target country for FDI were its steady GDP growth and the stability as part of the EU. Indian companies impact local human capital development by technical knowledge transfer, investing in their own engineering class in cooperation with various universities (Lumel SA). It is the real example that confirms the fact that FDI inflow to Poland helps to develop the economy although there is no consensus among the economists regarding a direct impact of FDI on the GDP growth. Another important aspect is the policy of EU host country to receive workforce from Asia. This requires further studies that can be the topic for another article.

4 Summary

The significance of Indian FDI outflow to Poland in period of 2004–2019 proved that Poland needs Indian investments to grow although there is no consensus among economists that FDI directly impacts GDP growth of the country receiving investment. According to PIAH's data in Poland, Indian FDI with value of 128.4 million EUR created 2,355 jobs in period of 2009–2019. It is not impressive comparing the results with other countries in EU. Surprisingly, Poland was not even included in the ranking of *Global Finance*—FDI Superstars 2019. This is the real signal that Poland may face a challenge in competing for Asian FDIs. It is also a chance for Polish economy to review its strengths and opportunities for trade cooperation with India. Due to long-time cooperation between India and Poland which was started in 1951 and bilateral Trade Agreement with EU, there are interesting perspectives for the future. Some concerns still exist regarding the stability of GDP growth in Poland and government's policy employment of Indian workforce in Poland. It has a link with current situation of US–Chinese trade war which impacts the whole economy slowdown. When the country faces such conditions, it is common that the government has started using protective mechanisms. As a result, the previously mentioned FDI outflow from India to Poland has a decreasing trend taking into consideration the period of 2004–2019. The main determinants of FDI outflow from India to Poland are Polish economy stability growth, size of the market, cost of the skilled workforce, and the fact that Poland is in EU, which allow Indian companies to expand to neighbor countries such as Germany, Czech Republic, and Slovakia. These determinants should be developed by Polish Government FDI incentives instruments such as *Grant Cash* introduced in October 1, 2019 which can cover up to 15% of the

18 Available at: https://gazeta.sgh.waw.pl/?q=konferencje-debaty-spotkania/seminarium-dla-indyjskich-firm-dzialajacych-w-polsce (accessed December 7, 2019).

19 Available at: www.migracje.gov.pl.

eligible investment costs. Some of the minimum level of the foreign investment should also be reconsidered as investment of 100 million PLN can be too heavy for medium-sized Indian companies. Poland is still an interesting option for Indian companies to invest but the question is how long it will sustain taking into consideration that other European countries compete for Asian companies to establish their business in these countries. To have much better perspective and comparison of the Poland's position regarding not only Indian but also Asian FDI outflow to EU nations, another research needs to be done.

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