

LITERATURE

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Robert Musil: Foreign Direct Investment from Vienna in Central and Southeast Europe. Atlas of Eastern and Southeastern Europe. Institute for Urban and Regional Research of the Austrian Academy of Sciences, Vienna, 2011. 60 p.

Globalization has displayed acceleration since the 1980s. Foreign investments have played a giant role in that process. During the last decades, not only the amount of invested capital has increased, but also the destinations of investments have changed a lot. It can be seen particularly, after 1989 when the former European socialist countries successfully put themselves “on the map of investors”. (After World War II this part of Europe received only a small share of the foreign investments.) Since then, the amount of the capital invested in Central and Southeastern Europe has continuously increased and in 2012 the rate of the global investments has reached 11%.

Studying of the origin of the invested capital in a given region can also be important. That is why this publication is interesting. It was submitted by Robert MUSIL and published by

the Institute for Urban and Regional Research of the Austrian Academy of Sciences in 2011. In the literature publications like the “Atlas of Eastern and Southeastern Europe” demonstrating the foreign investment coming from a capital city in details are rare. In fact, the publication itself is a text accompanying the maps and its title is “Foreign direct investment from Vienna in Central and Southeastern Europe.”

The Atlas consists of four colourful maps, the titles of which are the followings:

- Map 1: Active FDI stock 1993–2005, gross regional product 2005.
- Map 2: Employees in branches of Viennese headquarters 2005, share of the tertiary sector in the total of employees.
- Map 3: Development of passive FDI stock 1993–2005, infant mortality 2005.
- Map 4: Origin of active direct investments 2005, population density 2005.



Each map demonstrates the foreign direct investments in Central and Southeastern Europe in an interesting and special approach. In addition, the explanation of the maps provides a theoretical and methodological background.

The text has six major parts and nine chapters. Taken as a whole, it is a short publication with 30 pages, but as it is bilingual, its total length is 60 pages. The first half of the text is in German and the second half is in English. It would have been useful and advantageous to have the English version checked by a native speaker. The great advantage of the bilingual version is that much more people can read and use it.

The *first part*, the "Introduction" has got an interesting subtitle: "Foreign direct investment (FDI) from Vienna, the Wild East and selling of the family silver..." However, the term "Wild East" is not defined exactly. Instead, we get information on the reason for publishing of the atlas. Several reasons were mentioned, but the most important one was the "delayed internationalization of the Austrian economy". The phrase "selling off the family silver" was used by the Austrian media when the acquisition of e.g. Bank of Austria took place, although the author remarked that "very little understanding is expressed when the situation is reversed". For example, when OMV intended to acquire the Hungarian Mineral Oil Corporation (MOL).

The *second part* (Foreign direct investment: definition, data and methodology) focuses on the definition of the concept of FDI; the data and methods. Foreign direct investment is one of the main forms of the international investments. It is generally a long term investment in contrast to portfolio investments. Its purpose is not only an investment in another country, but also the control of business activities of a given company. As a consequence, the concept for FDI given by the Austrian National Bank and adjusted to the guidelines of the OECD can be entirely accepted. According to it, "foreign direct investments can be considered as capital investments which are made by investors with the intention of establishing and maintaining a permanent economic relationship with business in another country. Simultaneously, they intend to exert their influence upon the management of the company in question".

There are four types of FDI (the establishment of new companies, mergers, acquisitions, profit reinvestments). Lately, a shift has taken place in favour of mergers and acquisitions. They account for about 80% of all new investments. Indeed, FDIs can be considered as the "vehicle of the globalization", because transnational companies (TNCs) use them to expand the global network of their locations and to create global chains.

FDIs can also be classified by the direction of investment and it can be active or passive. "Active investments emanate from a domestic business and are destined for a foreign country, while passive investments flow in the opposite direction, arriving inland from abroad." The author also emphasized that the indication of direction must always be considered as relative, "from the perspective of the observer".

According to MUSIL, studying FDIs is a fascinating subject for geographical researchers because they can be spatially determined. In other words, FDIs can be studied well in space from a geographical viewpoint.

Foreign direct investments are usually motivated by different reasons, the most important ones are the followings:

- market or sales orientation,
- cost orientation,
- supply security,
- acquisition of technical knowledge.

Those factors can be combined to a different degree. At the beginning, mostly the first two reasons were important in FDIs, but nowadays the acquisition of technical knowledge is getting more and more important for the companies located in Central and Southeastern

Europe in order to get technological knowledge from the East European and North American corporations. Viennese investments into the countries of Central and Southeastern Europe have two main reasons: market orientation and cost orientation.

The data of maps refer to the years 1989–2005. That period reflects the internationalization of the Austrian economy. It is a pity that data after 2008 are not available, because the impacts of the economic crisis which broke out in 2008 particularly affected the Viennese investors and thus Central and Southeastern Europe. The researched area which is presented on the maps has 137 regions at NUTS-2 and NUTS-3 level.

The *third part* (“The internationalization of Vienna through foreign direct investment – the initial geopolitical and macroeconomic situation”) which have five chapters, draws a historical overview about the eventful relationship between Vienna and Central and Southeastern Europe and about the role played by Vienna in the development of the region during the different historical periods.

Getting acquainted with the past is extremely important to be able to interpret the current processes “described on the maps” as the historical past considerably affects them. The author also pays a special attention to the development and structure of FDI from Vienna after 1989, because that year was a relevant turning point for the Austrian capital city. Since then, the role of the city in foreign capital investments and employment has become even more important. This part of the text also gives a response to the question whether Vienna is a bridgehead between West and East. The geographical location of the capital city, its geopolitical situation, historical connections and cultural factors “also prompt the investors from Vienna to focus on the regions formed part of the Danube”.

The central role of Vienna is well-reflected – among the others – by the direct flights from Vienna to the Eastern parts of Europe. It is demonstrated in Figure 4 in, while Figure 7 illustrates “the most important locations according to the balance of profits, weighted by the volume of active and passive FDIs”. On the map, it can be clearly seen that the regions situated east from Vienna receive more investments from the city than others.

In the *fourth part* (titled “Spatial patterns of foreign direct investment from Vienna in Central and Southeast Europe”) the spatial distribution of FDIs (coming from) from Vienna in Central and Southeast Europe is analysed by three different factors (distance, agglomeration, the level of development). In fact, it looks for the explanation of three key questions:

- How do the FDIs (coming from) from Vienna are distributed in space, namely, in Central and Southeastern Europe?
- What are the reasons for that?
- What kind of structural differences exist between those locations?

In the first three chapters the author examines the regional distribution of active direct investments with regard to their correlation with the three factors mentioned before, then he provides information on the sectoral structure and the origin of active direct investments in 2005. The fourth chapter puts the emphasis on the analysis of the origin of passive FDIs invested in 1993–2005 from different aspects.

In 1990s Budapest was the number one destination of the ten most important investment locations among cities of Central and Southeastern Europe, but after the turn of millennium, Prague took over its place. Foreign direct investments from Vienna are characterized by a considerable spatial concentration. In the 1990s approximately two thirds of the investments were concentrated within 250 km of Vienna. Between 2003 and 2005 the investments in location more than 500 km from Vienna increased and they accounted for 34% of the whole investments. The main reason for that shift is the increasing importance of those distant markets. According to the sectoral structure, the locations were classified into four main groups with about 206 thousand employees:

- industrial locations: where 75% or more of employees work in the industry
- consumer-oriented service locations: where 75% or more of employees work in the service industry, mainly for commerce.
- producer-oriented service locations: where 75% or more of employees work in services, mainly for financial sectors, telecommunications.
- mixed locations: neither industry nor service dominant.

The first group is the largest one, because 36 of 86 investment locations were industrial locations. Almost 64% of the investments flowed from Vienna in Central and Southeast European countries come from its urban fringe. Only a few locations which are usually peripheral regions (like Somogy County in Hungary) have exclusive investments originating from the urban fringe of Vienna.

The last part of the text contains the sources and the literature. They give an opportunity for the readers to deepen their knowledge in this special field.

In the text, there are 16 tables and 13 black and white figures providing important information and completing the text on the FDI's from Vienna in Central and Southeast Europe. They also promote the better understanding of the flow and nature of FDI's.

Taken as a whole, this publication can be very useful for people interested in the fate of Central and Southeastern Europe and in their economic processes, particularly in the spatial characteristics of FDI's.

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