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   Abstract: The aim of this work was to present the similarities between the components of competitiveness and investment attractiveness as two complementary categories, and to show the role of new locational advantages in determining the level of investment attractiveness of a country. The other objective of this paper was to provide a comparative analysis of Central and Eastern European countries in terms of their investment attractiveness. Thus this paper was organized as follows: the first part of the paper focused on a country competitiveness and the traditional and new location advantages that determine its investment attractiveness in view of direct investment inflows in the light of M. Porter's model of a diamond, an eclectic paradigm of J. H. Dunning and new growth theories. The second part presented the results of investment attractiveness analysis including selected countries of CEE in the years 1995-2013. Comparing the investment attractiveness of Central and Eastern European countries shows that rather a narrow group of countries attract a greater amount of FDI and many more countries have experienced a decline in FDI. Therefore, the research results allow the conclusion that Central and Eastern Europe reduced its investment attractiveness over the past years. This means that the majority of Central and Eastern European countries are becoming less successful in attracting FDI, and therefore in shaping the environment in which foreign companies wish to conduct their business.

Introduction

   The aim of this work is to present the similarities between the components of competitiveness and investment attractiveness as two complementary categories, and to show the role of new locational advantages in determining the level of investment attractiveness of a

country. As it will be stressed during our consideration, competitiveness is frequently associated with productivity, where inputs are transformed into goods and services. Therefore it can be stated that the larger and faster of obtaining opportunities for productivity growth in a particular country or a group of countries, understood in this paper as the location of economic activity, the greater competitiveness of the area in attracting various types of investments. In the process of the upgrading of a country's competitiveness, and consequently its investment attractiveness, an increasing role is attributed to new locational advantages compared to traditional determinants of foreign investment inflow, the assets of which constitute intellectual capital.

The other objective of this paper is to provide a comparative analysis of Central and Eastern European countries in terms of their investment attractiveness. Thus this paper is organized as follows: the first part of the paper focuses on a country competitiveness and the traditional and new location advantages that determine its investment attractiveness in view of direct investment inflows in the light of M. Porter's model of a diamond, an eclectic paradigm of J. H. Dunning and new growth theories. The second part presents the results of investment attractiveness analysis including selected countries of Central and Eastern Europe (CEE) in the years 1995-2013. The source materials for analysis of investment attractiveness of CEE countries were data and indicators published by the United Nations Conference on Trade and Development (UNCTAD).

Competitiveness as a global category

Competitiveness is a complex and multidimensional concept that is applied widely to various social and economic circumstances. Consequently, there are many definitions of competitiveness used by different authors in various contexts and for varied research purposes. The concept of competitiveness, particularly in terms of its defining factors and measures, is not unambiguous[1]. There is no doubt however that this category is inextricably connected with performance of particular companies. When related to the enterprise, competitiveness means the capacity to compete in the global market. In this sense it is frequently understood as synonymous with the market share and gains of companies with significant shares in the product markets. Such a static approach to competitiveness can in no way be adopted as a yardstick for any analysis. A large market share is rather a result of a high competitive position of a company.

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[1] Different explanations for competitiveness have been reported by M. Porter, 1990, pp.3-6.

In relation to the entire economy, however, competitiveness can be defined as the capacity to produce and sell competitive products on the domestic and foreign markets, with the real income growing (Sachwald, 1994, p. 32). This condition is very important in the dynamic approach to competitiveness because economy must retain the capacity to grow and create possibilities for raising the society's standard of living. So, the productivity of employed resources, i.e. labor and capital, is more important both from the point of view of the companies and the economy as such. Productivity is the value of an output produced by a unit of labor or capital. Its level depends on the product quality and its characteristics as well as on the efficiency of production (see: Jantoń-Drozdowska, 1998, pp. pp. 231-232).

The World Economic Forum (WEF) defines competitiveness as a set of institutions, policies and factors that determine the level of a country's productivity. The level of productivity, in turn, sets the level of prosperity that can be reached by an economy (WEF, 2013, p. 4). The WEF measures competitiveness using a global competitiveness index according to which a weighted average is composed of many different components that are grouped into 12 pillars of competitiveness: institutions, infrastructure, macroeconomic environment, health and primary education, higher education and training, goods market efficiency, labor market efficiency, financial market development, technological readiness, market size, business sophistication, innovation (WEF, 2013, pp. 4-9).

Competitiveness is treated as a global category but its various types or levels should be distinguished. Authors dealing with this problem suggest different approaches (see: Porter, 1990, Jantoń-Drozdowska, 1998, Nezeys, 1993). For the purpose of this study it seems justifiable to point out to three types of competitiveness, which allow combining the analysis in the microeconomic (company) and macroeconomic (economy) scale. They are:
- cost-price competitiveness,
- technological competitiveness, prerequisite for differentiation,
- structural competitiveness.

Gaining the competitive advantage in at least one of the three above mentioned areas, and assuming a good position in the other two, constitutes a condition for a success in the global market.

An organization operating in the competitive environment can gain advantage if its production costs are lower than those of its direct competitors. It means that it is able to use the productive elements in the most efficient way. The relative lowering of production costs allows an enterprise to:
- increase its sales and market share,
- generate more cash flow than its competitors do,

- survive recession in the economy or sector.

Companies that want to gain a competitive advantage in costs and prices can do that in a number of ways, which may link into the effect of experience (Porter, 1980, pp. 11-13, Jantoń-Drozdowska, 1998, pp. 232-235). This category consists, first of all, of:

- economies of scale, which are related not only to the volume of production in the plant or company but also to other functional areas in the organization. Their realization optimizes all elements of the value chain. Economies of scale are essential to the competitor's differentiation not only at one time but also over the time: the value necessary to gain competitive advantage changes with the expansion of the market,
- permanent learning and job training of staff and management, which determines an increase in productivity and improvement of the system and operating concepts. Frequently, competitors are not able to lower the costs to the level of those of the leader by means of a simple increase in the productive capacity – this advantage is related to the time that they need to increase their professional knowledge,
- innovation, which is an essential element of the experience effect and the basis for differentiation. Innovation is usually understood as an improvement in technology and better methods of doing things. Innovation results in product and process changes, new approaches to marketing and new forms of distribution.

The cost of production and prices also depends on the environment in which an enterprise operates. It determines factors influencing the total unit cost which consists of labor cost, capital cost, tax charges and cost connected with the system of distribution. Moreover, the costs and product prices are affected by the foreign rate, the exchange rate policy and increasing risk.

Porter argues that technological competitiveness of a company and a country is determined by investment and innovation. At the end of rational investment outlays companies create modern and efficient facilities, equipped with the most resent technology, bringing economies of scale. Acquiring technology through licenses and joint ventures is an investment that also enables gaining a competitive advantage. Investment ventures carried out by companies and governments result in improved productive elements and changed structures, strategies and competition (Porter, 1990, p. 549). Consequently the domestic demand, which influences the sales of produced goods, increases. The role of the state in stimulating investment

should be underlined. Government's interventions in channeling capital towards particular industries may play an important role, promoting risk taking, providing temporary protection to encourage the entry of domestic rivals and the construction of efficient scale facilities, stimulating and influencing acquisition of foreign technology and encouraging exports (Porter, 1990, p. 551).

Investment is inextricably connected with innovation, which at the company level is essential for technology and product differentiation, and which in turn enables gaining segments of the global market under existing competitive conditions.

Next, at the industry level, factors determining the innovative activity are stimulated by the changes in demand and prices and the industry-specific technology. The latter is determined by the pressure of international competition and the rate of technological development. Technological advancement of suppliers and buyers is also of relevance.

At the country level, determinants of innovative activity can be presented in M. Porter's model of a diamond (Porter, 1990, p. 533, Jantoń-Drozdowska, 2009, pp. 68-71), which covers four components: factor conditions, demand conditions, related and supporting industries, and finally firm strategy, structure and rivalry. Porter stresses, that a firm, an industry or a country, which wishes to be competitive should be able to create specialized factors. The more sophisticated the consumer demand is because of rising personal incomes, the higher level of education, increasing the desire for convenience, while the more invigorating role of domestic rivalry, the more it stimulates innovative activity.

Finally, structural competitiveness is most often described as an indicator of general performance which summarizes the set of non-price determinants of competitiveness. In the notion of structural competitiveness the sources of competitive advantage are especially emphasized. It is not just a composition of trade which brings the competitive advantage, but the structure of economy. In this approach competitiveness is the result of multiple interactions within national economies, and is systemic in nature. Some nations are more competitive because of a higher efficiency of their entire production and distribution systems and their capacity to innovate. This approach again introduces firms as crucial actors. One of the main components of structural competitiveness is the set of relationships between firms and their national environments.

The interactions between firms' and nations' competitiveness has two aspects. On the one hand, firms that operate in an economy determine its competitiveness, and on the other hand, firms are largely dependent upon their environment for their development. At this point we return again to

the set of four factors (diamond) of M. Porter in which numerous interactions between firms' and nations' competitiveness are analyzed.

Traditional and new locational advantages determining investment attractiveness for FDI

Nowadays, with increasing the global competition, countries have become influential in international business operations. Differences in national values, culture, economic structures, institutions and histories contribute to competitive success. The national environment influences national competitiveness through the development of particular characteristics of resources and capabilities and through its impact on the conditions for innovation. The impact of country competitiveness on FDI and TNC can be characterized by four points – they also decide on the country attractiveness (see: Shenkar & Lou, 2004, pp. 127-128):

1. country competitiveness affects an TNC's selection of its global operations location (by e.g. cheap labor, abundant materials, large market demand);
2. country competitiveness affects an TNC's industry selection. For diversified corporations, it is important to choose a foreign industry which will fit with its global product portfolio and benefit from industry structure differences between home and host countries. A country's competitiveness is industry-specific, that means that no country can maintain high competitiveness in every industry. Thus, a more important question to solve by firms is which industry in the target country is superior in terms of environment and competitiveness;
3. country competitiveness affects an corporation's innovation and capability building. Trade and FDI pattern often reflect the sectors favored by a country's organizing and technological strength and these patterns promote further expansion and investment in these capabilities. The variations of country competitiveness relate to differences in organizational and institutional capabilities. So, investing and operating in a country with superior organizing and technological strengths companies can learn more from local partners and host country business;
4. country competitiveness affects an TNC's global strategy. As it was said above, a country's competitiveness is reflected in different elements, including among others rich resources,

strong and sophisticated market demand, efficient government administration and superior infrastructure for innovation. This diversity enables companies to globally differentiate their internationally split up functions and businesses so as to leverage the advantage of various countries' competitiveness.

Country competitiveness should be then analyzed not only by international institutions and countries but also by transnational corporations to make a good decision where – in the sense of country and industry – to invest. This explains also why investment attractiveness is considered in the relevant literature either as a component of country competitiveness or as a result of competitiveness development by different institutions established for this purpose.

Country competitiveness is often viewed as combining the competitive advantage of firms and the comparative advantage of a territory. These two collectively contribute to the increase in social income. Therefore, a country's competitiveness can be studied at both the firm and the regional, levels, in the latter case covering also investment attractiveness analysis. This is related to the fact that researches of regional competitiveness frequently refer to M. Porter's model of a diamond as well. A good example is the definition of the European Commission for which regional competitiveness means the ability to produce goods and services which meet the test of international markets, whilst at the same time maintaining high and sustainable levels of income, or more generally, the ability of (regions) to generate, while being exposed to external competition, relatively high incomes and employments levels. In other words, for a region to be competitive it is important to ensure both quality and quantity of jobs (Budd & Hirmis, 2004, pp.1015-1028, Dimian & Danciu, 2011, pp. 67-78, the European Commission, 1999, pp. 71-146).

Countries, as locations of economic activity, compete with each other for investment through the ability to attract different types of international capital flows which requires knowledge and innovation. The transfer of innovations by international capital flows like FDI can stimulate the emergence of new knowledge generation and spillover effects of knowledge dissemination to other firms in the recipient area. In this situation FDI as a channel of knowledge spillovers and a factor stimulating local firms to learn in order to cope with the pressure of international competition can support the modernization and growth of technological progress in the recipient country. FDI can also help improve productivity by transferring soft technology to host country operations. Therefore, according the specialists working for the UNCTAD, mobilizing investment and ensuring that it contributes to sustainable development is a priority for all countries (Budd & Hirmis, 2004, pp.1015-1028, Kitson et al., 2004, pp.

991-999, Majewska-Bator & Jantoń-Drozdowska, 2007, pp. 115-127, UNCTAD, 2008, pp.149-168, Ushakov, 2011, pp. 159-169, UNCTAD, 2012, pp. 97-160).

In the literature of the subject, investment attractiveness is usually defined as a set of advantages and shortcomings of an investment location. Therefore, investment attractiveness can be seen as the cumulative outcome of a number of factors which create an environment that influences the business activities of all enterprises located there. An assessment of investment attractiveness is the basis for selecting a particular location where foreign investments will be carried out. Foreign investors, choosing the future location of capital investment, first assess the attractiveness and risks associated with a given region, and then the attractiveness of a local market. The second component of the eclectic paradigm (OLI) is the locational attractions (L) of alternative areas, for undertaking the value adding activities of MNEs. The locational advantages of countries in the eclectic paradigm are a key determinant of the foreign production of MNEs. According to Dunning the more the immobile, natural and created endowments which firms need to use jointly with their own competitive advantages favor a presence in a foreign, rather than domestic, location, the more firms will choose to augment or exploit their ownership (O) specific advantages by engaging in FDI. J. H. Dunning argue that explanatory variables of investment attractiveness differ according to the motives for FDI, its sectoral composition, the home and host countries of the investing firms, and a variety of firm specific considerations. The dependence on the adopted business internalization strategy is also attributed to different meanings of individual factors that determine investment attractiveness (Dunning, 1998, pp. pp. 45-66, Dunning, 2002, pp. 83-99, Jantoń-Drozdowska & Majewska, 2002, pp. 231-251, Majewska, 2005, pp. 79-110, Dunning & Lundan, 2008, pp. 93-115, Pierścionek, 2011, pp. 115-119, Hildebrandt et al., 2013, pp.5-6).

Investment attractiveness can be measured by many factors that are very often called, following the eclectic paradigm of J. H. Dunning, locational attractions or specific advantages of different host countries. These factors create jointly an optimum portfolio of locational advantages of a given recipient territory. There are mainly economic, social and political features of the country in which firms are seeking to invest. Dunning, like other authors, emphasizes the emergence of new locational variables as a result of the knowledge based economy's development and the growing importance of various types of network relations within which a business can be more easily and effectively run on domestic and foreign markets. As Dunning described, this is connected with systematic structural changes in

the global economy – notably, the maturation of the knowledge based economy and the emergence of the Internet as a dominant technological force, as well as an increase in intellectual capital and other kinds of intangible assets. Dunning argues that these systematic changes and their geographical significance have fundamentally altered the parameters affecting the locational preferences of firm and the actions which have to be taken by national and sub-national governments. Therefore, Dunning stresses that governments need to give more attention to identifying and providing the locational bound resources and capabilities sought by foreign investors: asset of unique (and non-imitable) competitive advantages.

The increasing importance of new type of locational determinants has caused that in shaping a favorable environment for FDI should start to focus more on government policies aiming to develop endogenous comparative advantages in terms of a new growth theory. According to new growth theories the structural changes in a country speed up owing to the creation and implementation of innovations and by creating infrastructure allowing to facilitate the emergence of knowledge spillovers and their external effects. In this context, Dunning emphasizes the role of private and public created location bound assets like for example supportive educational and technological infrastructure, and the role of governments in encouraging entrepreneurship and the innovatory contributions of small and medium-sized enterprises. In other words, governments should provide the appropriate economic and social infrastructure that creates an environment useful for the development of distinctive and hard to copy locational bound created assets.

It should be noted here, that not all enterprises will be seeking a new type of assets in foreign markets because the FDI motives continue to be the more traditional locational advantages of host countries, such as variables of labor, materials and transports costs, or the size and prosperity of the local market. In this context, scholars have identified four main types of foreign-based MNE activity: market seeking or demand oriented FDI, resources seeking (e.g. minerals, unskilled labor) or supply oriented FDI, rationalized or efficiency seeking FDI, and strategic assets seeking FDI.

A good example of foreign investors who sought traditional locational advantages was FDI in the period of political and economic transformation in Central and Eastern Europe countries. Then the integration with the global economy led to inflows of foreign investments mainly looking for markets and resources. Underfinanced, and infrastructure-delayed Central and Eastern Europe during the transition period was perceived as an attractive market for investment to many Western companies, primary in labor- and resources-intensive industries. Firms invested in this area through different types of economic links with local companies like joint

ventures and other strategic alliances. It was preceded by an analysis of investment risk and locational advantages of CEE countries depending on the strategic objectives of foreign investors (Porter, 1994, pp. 35-39, Dunning, 1995, pp. 461-491, Dunning, 1998, pp. 45-66, Dunning, 2002, pp. 2-29, 83-93, 121-134, Jantoń-Drozdowska & Majewska, 2002, pp. 231-251, Dunning & Lundan, 2008, pp. 63-78, 116-144, 383-399, Majewska-Bator, 2010, pp. 48-63, Dimian & Danciu, 2011, pp. 67-78).

For example, according to the endogenous growth theory, the key determinants of a country's competitiveness in terms of investment attractiveness are the following factors associated with strategic assets seeking FDI (Dunning, 2002, pp. 95-97, 121-128, 185-186, Majewska-Bator, 2010, pp. 141-203, Dimian & Danciu, 2011, pp. 67-78, Hildebrandt et al., 2013, pp. 15-40):

- quality of national and local infrastructure and institutional competence in the area of accumulation of knowledge, exchange of information, and improving learning experiences.

- different kinds of expenditures on information and communication technology (ICT).

- different kinds of expenditures on research and development and other instruments of economic policy conducive to the intensification of business R&D activities and knowledge accumulation, which is connected with spatially related innovations and local firm-specific knowledge-intensive assets useful in the wealth-creating process.

- investment in human capital, especially in the growth of technical knowledge resources, quality of state educational systems and education level of human capital, the effects of which are visible in the availability and price of skilled and professional labor.

- activities that foster entrepreneurship and collective learning connected with the availability of local partners to jointly promote knowledge.

- effective dissemination of knowledge and supporting this process through the creation of information and social collaborative networks.

- specialized areas like various type clusters and techno-parks and their spillover and synergies effects.

Whereas the traditional locational advantages include, among others, such factors as:

- the presence and cost of traditional factors endowments, e.g. availability, quality and price of natural resources and labor, exchange rate, transportation costs, comparative advantages of immobile assets like labor, land, and artificial barriers to trade.

- demand levels and patterns associated with current and future capacity of sales markets and the level of economic development.

- external economies of scale and scope, e.g. urbanization economies as the availability of transport and communications facilities and municipal services, the availability of a specialized business service not specific to a particular activity, a pool of qualified labor, supply related clusters and the availability and quality of adjacent markets, and the degree to which firms can exploit them in a given location.

- availability of financing, fiscal incentives, quality of administrative and legislative framework, opening and functioning of markets, legal regulations concerning operation of foreign business entities and special privileges for foreign investors.

- various types of hard and soft infrastructure like the physical facilities as transportation, electricity and telecommunications infrastructures, institutions and organizational structures and social infrastructure (e.g. health or labor market infrastructure).

- distance related transaction costs as inter-country cultural differences, e.g. the need for marketing research and negotiation costs.

- macroeconomic circumstances for maintaining sustainable development, such as political risk and rapid changes in exchange rates, the levels of inflation, interest rates, unemployment indicators, GDP and other variables influencing economic growth and development (Dunning, 1995, pp. 461-491, Dunning, 2002, pp. 95-96, Jantoń-Drozdowska et al., 2002, pp. 231-251, Jantoń-Drozdowska & Majewska, 2002, pp. 231-251, Budd & Hirmis, 2004, pp.1015-1028, UNCTAD, 2014, pp. 106-114).

Methodology of the research

Due to the availability of data in a comparative analysis of investment attractiveness of Central and Eastern European countries it have decided to include the following 17 economies: Albania, Belarus, Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Moldova, Poland, Romania, Russian Federation, Slovak Republic, Slovenia, Ukraine. Remaining the research period is the years 1995-2013 and surveyed materials cover the data of UNCTAD.

Firstly, the inward FDI attraction indexes of CEE countries have been calculated by the authors based on the methodology used by UNCTAD for the period 1995-2013. It was decided to own calculations, as UNCTAD published only these indicators for the years 2000-2011. The inward FDI attraction indexes proposed by UNCTAD's experts rank countries by the FDI they receive in absolute terms and relative to their economic size. It is the average of a country's rankings in FDI inflows and in FDI inflows as a share of GDP. This index according to the specialist working for UNCTAD is more relevant because FDI flows can fluctuate significantly year on year,

and direct investment decisions can span more than one year and imply long-term commitments (UNCTAD, 2012, p. 30).

Secondly, we assumed that a progress in the development of new locational determinants of FDI inflow by CEE countries can be observed in the changes of character of their comparative advantages for example thanks to the proxy of merchandise trade specialization index calculated by the UNCTAD secretariat. As it was described, new locational advantages are connected with acquiring knowledge and innovation activity and thus a segmentation criterion of trade structure was chosen the degree of technological sophistication. Using the UNCTAD data in the study taken into account the following groups of products:

1. Primary commodities, precious stones and non-monetary gold (PC).
2. Manufactured goods by degree of manufacturing:
– Labor-intensive and resource-intensive manufactures (LRM).
– Low-skill and technology-intensive manufactures (LSM).
– Medium-skill and technology-intensive manufactures (MSM).
– High-skill and technology-intensive manufactures (HSM).

Values of merchandise trade specialization index (TSI) are used to measure the degree of specialization in the production/consumption of goods through trade. It compares the net flow of goods (exports minus imports) to the total flow of goods (exports plus imports). This is also known as normalized trade balance by product. The formula of this index is as follows: $TSI_{ji} = X_{ij} - M_{ij} / X_{ij} + M_{ij}$, where i is product or product groups, j economy, X_{ij} economy's j exports of goods i, M_{ij} economy's j imports of goods i.

The range of values is between -1 and 1, the positive value indicates that an economy has net exports (hence it specializes on the production of that specific product) and negative values means that an economy imports more than it exports (net consumption). This index removes bias of high exports values due to significant re-exports activities, thus it is more suitable to identify real producers than traders (UNCTADstat: http://unctadstat.unctad.org/TableViewer/summary.aspx., access data: 10.12.2014).

The values of merchandise trade specialization indexes of CEE countries are presented together with the volumes of inward FDI stocks and inflows expressed in USD at current prices and current exchange rates per capita in 1995-2013. A comparison of variations in the volumes of FDI stocks and inflows per capita shows again, like in the case of inward FDI attraction indexes, the changes in investment attractiveness of CEE countries. In measuring success in attracting FDI by countries using stocks

shows long-term commitments of foreign investors, and if policy initiatives to improve FDI attraction have an effect.

Then, it was decided to perform the linear correlation method to verify which export groups in terms of technological sophistication probably stimulated the most FDI inflows to the observed countries of CEE in three periods 1995-2013, 1995-2004 and 2005-2013. As it was above stressed this kind of export structure according to the level of technological sophistication reflects comparative advantages of countries and can stimulate FDI inflows of a specific profile, e.g. strategic assets-seeking FDI or resource-seeking FDI. The observed variables, i.e. the variation in the size of exports groups and FDI inflows, were expressed in USD at current prices and current exchange rates. All included in correlation analysis variables were transformed into natural logarithms. The Pearson's correlation analysis also was accounted for the time delays in which the independent variable being a given export group in year t_0, is the cause of the emergence of the phenomenon being explained, i.e. it refers to a change of the size of inflow of FDI in year t_{+1}.

Research results of Central and Eastern European countries investment attractiveness

In table 1 are presented the positions of researched countries according to calculated inward FDI attraction indexes obtained first in a group of 17 CEE economies and second in a ranking of 195 countries included in the study. Were also calculated the changes in ranks of surveyed countries for for the whole analyzed period.

In 2013 the first four places in the ranking of CEE countries according to the values of inward FDI attraction indexes occupied the Russian Federation, the Czech Republic, Albania and Belarus. The last positions took Poland, Slovenia, Slovakia and Lithuania. In 1995 first four positions gained Hungary, Slovakia, the Czech Republic and Poland, and the last four Bosnia and Herzegovina, Belarus, Croatia and Bulgaria. Therefore, in the years 1995-2013 Belarus recorded the highest rise in the ranking by 12 positions, and Poland and Slovakia, the biggest drop of 13 places.

In the years 1995-2013 the largest increases in the ranks of CEE countries according to the inward FDI attraction indexes among of all 195 economies experienced Belarus, Bosnia and Herzegovina, and the Russian Federation. In the whole analyzed period the greatest decline recorded Poland, Slovakia and Slovenia. In the first 10 years of the research period, that is 1995-2004, Bosnia and Herzegovina (up 107 ranks), Bulgaria (up 83 ranks) and Romania (up 51 ranks) stimulated the most FDI inflows relative

to their economic size. In 1995-2004 the drop in FDI inflows occurred only in the case of Hungary (down 39 ranks), the Czech Republic (down 17 ranks), Slovakia (down 14 ranks), Moldavia (down 13 ranks) and Latvia (down 11 ranks). In the next 9 years, that means 2005-2013, their positions in this respect increased only three countries: Belarus (up 51 ranks), Albania (up 47 ranks) and the Russian Federation (28 ranks). In turn in this period, the greatest decreases of investment attractiveness characterized Poland (down 135 ranks), Slovakia (down 95 ranks), Slovenia (down 80 ranks) and Croatia (down 66 ranks). Moreover, among the 14 CEE countries that have worsened their ranks in the volume of FDI inflows relative to their economic size, the smallest decline in this category has reached Latvia, and it was up to 20 places.

Table 1. The ranking of CEE countries according to inward FDI attraction index, 1995-2013

| Country | a. Position of country in the group of 195 economies b. Position of country in the group of 17 CEE economies | | | | | | | | | | A change of position | |
| | 1995 | | 2000 | | 2005 | | 2010 | | 2013 | | 1995-2013 | |
	a.	b.	a.	b.	a.	b.	a.	b.	a.	b.	a.	b.
Albania	79	9	90	12	104	15	61	5	57	2	22	7
Belarus	146	16	127	16	129	17	94	9	78	4	68	12
Bosnia and Herzegovina	179	17	105	15	99	14	112	14	129	12	51	5
Bulgaria	105	14	41	4	30	4	81	7	90	9	15	5
Croatia	112	15	57	6	69	10	135	16	135	13	-23	2
Czech Republic	32	3	29	2	24	1	66	6	72	3	-40	0
Estonia	53	5	57	7	28	2	56	3	86	7	-33	-2
Hungary	13	1	43	5	35	5	99	11	80	5	-67	-4
Latvia	61	6	64	8	77	11	128	15	102	10	-41	-4
Lithuania	99	13	82	11	77	12	108	12	135	14	-36	-1
Moldova	76	7	64	9	84	13	109	13	113	11	-37	-4
Poland	42	4	39	3	59	8	60	4	194	17	-152	-13
Romania	77	8	74	10	39	6	91	8	86	8	-9	0
Russian Federation	81	10	93	13	68	9	55	2	40	1	41	9
Slovakia	15	2	26	1	45	7	97	10	140	15	-125	-13
Slovenia	93	11	130	17	111	16	141	17	191	16	-98	-5
Ukraine	98	12	94	14	28	3	51	1	82	6	16	6

Source: own calculations, based on: http://unctadstat.unctad.org/ReportFolders/report Folders.aspx. (10.12.2014).

Table 2 presents the sizes of inward FDI stocks and inflows per capita and the values of merchandise trade specialization index for CEE countries

in 1995-2013. The biggest success in attracting FDI at a longer time frame in absolute terms gained Estonia, the Czech Republic, Hungary and Slovakia – all these countries obtained FDI stocks per capita higher than 10000 USD in 2013. The smallest long-term commitments of foreign investors occurred in the case of Moldova, Ukraine, Belarus and Albania - all these countries obtained FDI stocks per capita lower than 2000 USD in 2013. The largest increases of FDI stocks per capita in the absolute terms in the researched period recorded again Estonia (16 493 USD), the Czech Republic (12 374 USD), Slovakia (10 674) and Hungary (10 614 USD), and the lowest increases Moldova (1048 USD), Ukraine (1686 USD), Belarus (1785 USD) and Albania (1898 USD).

In the researched period the average FDI inflows to the observed CEE countries were the largest sizes in 2005-2008 – precisely in 2005 446 USD, in 2006 518 USD, in 2007 713 USD, in 2008 652 USD. In 2013 the average FDI inflow per capita to the observed seventeen CEE countries was only 213 USD. In 2013 to the top 5 CEE countries in the size of FDI inflow per capita belonged Estonia, the Russian Federation, the Czech Republic, Latvia and Albania, and among the five countries classified at the lowest positions were Slovenia, Poland, Moldova, Ukraine and Bosnia and Herzegovina. Moreover, in the case of Slovenia and Poland the FDI inflows per capita attained a minus value. In the last five considered years 2009-2013 the largest average FDI inflows per capita occurred in Estonia (964 USD), Hungary (552 USD), the Czech Republic (459 USD), Latvia (373 USD) and the Russian Federation (369 USD), and the smallest in Slovenia (-4 USD), Moldova (63 USD), Bosnia and Herzegovina (96 USD), Ukraine 132 USD) and Romania (153 USD). Thus these sizes of average FDI inflows can indicate which countries' policy initiatives had lately the biggest effect in attracting inward FDI.

Table 2. Inward FDI stock and flows in USD at current prices and current exchange rates per capita and merchandise trade specialization indexes for CEE countries, 1995-2013

Year	FDI pc		PP	LRM	LSM	MSM	HSM
	stock	inflow					
	Albania						
1995	63	21	-0.705	-0.519	-0.603	-0.938	-0.881
2000	75	44	-0.763	-0.263	-0.530	-0.896	-0.912
2005	319	83	-0.646	-0.255	-0.646	-0.881	-0.916
2010	1033	334	-0.457	-0.181	-0.460	-0.837	-0.876
2012	1462	271	-0.357	-0.113	-0.383	-0.828	-0.869
2013	1923	386	-	-	-	-	-

	Belarus						
1995	5	1	-0.051	0.156	-0.308	-0.234	0.055
2000	131	12	-0.288	0.282	-0.142	0.154	-0.085
2005	247	32	-0.035	0.268	-0.137	0.061	-0.035
2010	1044	147	-0.205	0.054	-0.265	-0.109	-0.089
2012	1551	156	-0.040	0.074	-0.273	-0.026	0.188
2013	1788	239	-	-	-	-	-
	Bosnia and Herzegovina						
1995	0	0	-0.766	-0.626	-0.667	-0.736	-0.910
2000	282	38	-0.257	-0.356	-0.570	-0.792	-0.798
2005	593	91	-0.372	-0.398	-0.380	-0.587	-0.837
2010	1729	106	-0.283	-0.106	-0.165	-0.376	-0.709
2012	1929	96	-0.369	-0.063	-0.067	-0.336	-0.669
2013	2107	87	-	-	-	-	-
	Bulgaria						
1995	53	11	-0.157	0.110	0.419	-0.136	0.079
2000	338	127	-0.163	0.063	0.155	-0.463	-0.301
2005	1803	510	0.142	0.051	-0.078	-0.516	-0.436
2010	6392	206	-0.038	0.058	-0.174	-0.175	-0.306
2012	6766	189	-0.037	0.092	-0.192	-0.137	-0.337
2013	7285	201	-	-	-	-	-
	Croatia						
1995	106	22	-0.264	0.101	-0.156	-0.525	-0.214
2000	625	235	-0.268	-0.047	0.021	-0.585	-0.408
2005	3315	416	-0.290	-0.172	-0.264	-0.529	-0.463
2010	8083	113	-0.270	-0.161	-0.014	-0.320	-0.406
2012	7372	315	-0.268	-0.132	-0.150	-0.248	-0.387
2013	7572	135	-	-	-	-	-
	Czech Republic						
1995	711	248	-0.185	0.174	0.181	-0.114	-0.304
2000	2111	486	-0.284	0.123	0.081	0.089	-0.310
2005	5929	1139	-0.221	0.079	0.059	0.173	-0.116
2010	12176	582	-0.202	0.030	0.009	0.217	-0.087
2012	12799	749	-0.203	0.047	0.050	0.234	-0.032
2013	12705	466	-	-	-	-	-
	Estonia						
1995	470	141	-0.032	0.020	-0.264	-0.389	-0.306
2000	1936	286	-0.044	0.093	-0.480	-0.492	-0.033
2005	8511	2165	-0.068	0.100	-0.294	-0.316	-0.122
2010	12858	1231	-0.007	0.121	-0.092	-0.014	-0.082
2012	14992	1175	-0.131	0.106	-0.229	-0.117	-0.065
2013	16664	738	-	-	-	-	-
	Hungary						
1995	1092	493	-0.010	-0.065	-0.174	-0.068	-0.257
2000	2237	270	-0.039	-0.036	-0.237	-0.061	-0.019
2005	6053	764	-0.206	-0.053	-0.190	-0.007	0.097
2010	9064	220	-0.159	0.044	-0.110	0.145	0.118
2012	10373	1402	-0.109	0.086	-0.103	0.194	0.083

2013	11152	311	-	-	-	-	-
Latvia							
1995	247	72	-0.088	0.115	-0.073	-0.420	-0.496
2000	879	174	-0.049	0.060	-0.224	-0.712	-0.611
2005	2213	317	-0.097	0.038	-0.162	-0.568	-0.517
2010	5143	182	-0.035	0.083	0.001	-0.200	-0.271
2012	6589	538	-0.062	0.085	0.024	-0.288	-0.204
2013	7635	394	-	-	-	-	-
Lithuania							
1995	97	20	-0.126	0.126	-0.299	-0.389	-0.142
2000	667	108	-0.138	0.157	-0.351	-0.436	-0.259
2005	2498	313	-0.033	0.117	-0.256	-0.328	-0.237
2010	4325	261	-0.094	0.192	-0.076	-0.064	-0.091
2012	5295	231	-0.081	0.229	-0.137	-0.033	-0.046
2013	5651	176	-	-	-	-	-
Moldova							
1995	22	15	0.050	-0.161	-0.252	-0.307	-0.307
2000	109	31	-0.138	-0.077	-0.139	-0.178	-0.145
2005	271	51	0.278	0.375	0.053	-0.408	-0.349
2010	830	58	-0.338	-0,.446	-0.739	-0.656	-0.519
2012	981	50	-0.608	-0.781	-0.855	-0.809	-0.766
2013	1052	66	-	-	-	-	-
Poland							
1995	204	95	-0.054	0.148	0.264	-0.331	-0.479
2000	892	246	-0.264	0.093	0.035	-0.212	-0.545
2005	2379	269	-0.123	0.174	0.001	0.039	-0.380
2010	5645	363	-0.114	0.139	-0.055	0.081	-0.205
2012	6153	159	-0.108	0.184	0.003	0.106	-0.189
2013	6595	-158	-	-	-	-	-
Romania							
1995	36	18	-0.371	0.240	0.399	-0.394	-0.337
2000	311	47	-0.150	0.140	0.154	-0.366	-0.426
2005	1167	293	-0.262	0.105	0.035	-0.295	-0.520
2010	3214	134	-0.168	0.043	-0.054	-0.016	-0.325
2012	3586	126	-0.196	0.073	-0.059	0.025	-0.351
2013	3899	167	-	-	-	-	-
Russian Federation							
1995	38	14	0.485	-0.475	0.338	-0.461	-0.728
2000	219	18	0.629	-0.518	0.454	-0.426	-0.884
2005	1252	108	0.746	-0.644	0.305	-0.661	-0.911
2010	3416	301	0.739	-0.758	0.052	-0.791	-0.867
2012	3467	353	0.763	-0.716	0.022	-0.816	-0.805
2013	4030	555	-	-	-	-	-
Slovakia							
1995	242	482	-0.253	0.379	0.434	-0.092	-0.176
2000	1294	505	-0.321	0.185	0.267	0.054	-0.236
2005	5489	577	-0.268	0.119	0.166	0.043	-0.191
2010	9263	326	-0.286	0.064	0.132	0.122	-0.039

2012	10249	519	-0.207	0.043	0.103	0.168	-0.053
2013	10794	108	-	-	-	-	-
	Slovenia						
1995	908	77	-0.443	0.315	-0.031	-0.021	-0.186
2000	1454	67	-0.469	0.190	-0.082	0.045	-0.196
2005	3617	294	-0.436	0.128	-0.058	0.113	-0.118
2010	7106	175	-0.380	0.040	-0.018	0.152	-0.040
2012	7481	-29	-0.358	0.063	0.031	0.171	0.012
2013	7353	-328	-	-	-	-	-
	Ukraine						
1995	18	5	-0.388	-0.163	0.720	-0.212	0.084
2000	79	12	-0.276	-0.012	0.809	-0.163	-0.050
2005	365	166	-0.184	-0.224	0.720	-0.439	-0.273
2010	1259	141	-0.212	-0.322	0.654	-0.288	-0.436
2012	1617	172	-0.146	-0.331	0.535	-0.416	-0.368
2013	1696	83	-	-	-	-	-

Source: http://unctadstat.unctad.org/ReportFolders/reportFolders.aspx. (10.12.2014).

Among the observed CEE countries in the case of Albania, Bosnia and Herzegovina, Croatia and Moldova there are no positive values of merchandise trade specialization indexes for all considered groups of products. In the case of Hungary the comparative advantages are just beginning to emerge. Only the Russian Federation among the observed CEE countries specializes in primary commodities, precious stones and non-monetary gold. For this country the positive value of TSI also occurs for low-skill and technology-intensive manufactures. Ukraine specializes only in low-skill and technology-intensive manufactures. Belarus, Bulgaria, Estonia, Latvia, Lithuania and Romania have in fact their comparative advantages only in labor-intensive and resource-intensive manufactures. Among all researched CCE countries the highest degree of specialization in labor-intensive and resource-intensive manufactures occurs in Lithuania. Moreover, only in the case of Lithuania and Poland a comparative advantage in labor-intensive goods has deepened in recent years.

The Czech Republic and Slovakia have their comparative advantages in three product groups, with the highest specialization in medium-skill and technology-intensive manufactures, and significantly improving the situation in high-skill and technology-intensive manufactures. Poland has also a comparative advantage in three product groups, but the highest degree of specialization occurs in labor-intensive and resource-intensive manufactures. Slovenia explicitly loses its advantage in labor-intensive and resource-intensive manufactures, and strengthens its specialization in medium-skill and technology-intensive manufactures. Additionally, in the

case of Slovenia are starting to emerge the comparative advantages in low-skill and high skill manufactures.

As to Poland, it should be noted that in 2013 compared to previous years there was a large decrease in FDI inflow measured the inward FDI attraction index, because in 2012 Poland occupied 98, and in 2011 54 place, in this category, among 195 economies in question. However, does not change the fact that there is currently a deterioration of perceived Poland's investment attractiveness. Unfortunately, the interest in investing in Poland as a TNCs' top prospective host economy, declared by the respondents participating in the research conducted by UNCTAD in the group of 164 companies, is not yet reflected in the volume of FDI inflows (UNCTAD, 2014, p. 28). It can be connected with the negative values of Poland's trade specialization indexes for high-skill and technology-intensive manufactures (see table 2). At the same time, the highest degree of specialization remains in labor-intensive and resource-intensive manufactures. However, this situation does not imply that in comparison to other economies with more resources of cheap labor and less developed, Poland is still competitive in this regard. Therefore, UNCTAD experts emphasize that Poland adopted the "Program to support investments of high importance to the Polish economy for 2011–2020", with the aim of increasing innovation and the competitiveness of the economy by promoting FDI in high-tech sectors. In other words, Poland needs to invest in the development of new locational advantages to increase the inflow of FDI (OECD, 2014, p. 55-64, UNCTAD, 2014, p.113).

Table 3 presents the results of the research obtained from estimating Pearson's linear correlation between considered in this analysis export groups in terms of technological sophistication and FDI inflows to the observed seventeen CEE countries in the years 1995-2013. All correlation coefficients are positive and statistically significant on the level 0.05. The scale of FDI inflows is the strongest positively correlated with an increase in labor-intensive and resource-intensive exports in the whole researched period and in the years 1995-2004. In the period 2004-2014 the correlation relationship was weaker, and the highest value of correlation coefficient occurred for low-skill and technology-intensive manufactures exports. The values of correlation coefficients also indicate that the relationship between FDI inflows and medium-skill and high skills technology-intensive exports has become weaker over time. This may be due to the fact that foreign investors rather are looking for strategic assets in other areas of the world, and the advantage in the labor-intensive industries are currently not as competitive, as compared to the rest of the world, which was described above on the example of Poland.

Table 3. Correlation coefficients for relationship between foreign direct investment inflows (FDI) and export groups of CEE countries in USD and current prices, 1995-2013

1995-2013	$EXPP_{t0}$	$EXPLRM_{t0}$	$EXPLSM_{t0}$	$EXPMSM_{t0}$	$EXPHSM_{t0}$
$FDI_{pc\,t0}$ (n=314)	0.797*	0.792*	0.816*	0.747*	0.752*
$FDI_{pc\,t+1}$(n=298)	0.795*	0.787*	0.811*	0.741*	0.751*
1995-2004	$EXPP_{t0}$	$EXPLRM_{t0}$	$EXPLSM_{t0}$	$EXPMSM_{t0}$	$EXPHSM_{t0}$
$FDI_{pc\,t0}$ (n=167)	0.725*	0.806*	0.775*	0.761*	0.747*
$FDI_{pc\,t+1}$(n=168)	0.747*	0.819*	0.791*	0.772*	0.770*
2005-2013	$EXPP_{t0}$	$EXPLRM_{t0}$	$EXPLSM_{t0}$	$EXPMSM_{t0}$	$EXPHSM_{t0}$
$FDI_{pc\,t0}$ (n=147)	0.791*	0.697*	0.806*	0.640*	0.687*
$FDI_{pc\,t+1}$(n=130)	0.778*	0.666*	0.776*	0.610*	0.657*

Note: n – number of observations, *statistically significant coefficient on the level 0.05.

Source: own calculations, based on:
http://unctadstat.unctad.org/ReportFolders/reportFolders.aspx. (10.12.2014).

Research results indicate, therefore, that the investment attractiveness of CEE countries was higher and more stable in the period 1995-2004 than in the years 2005-2013, when took place an explicit decrease in interest of investors in this region of the world. Analysis of changes in the nature of comparative advantages of the concerned CEE countries shows that the reason may be that these countries either do not have a comparative advantage, or lose their comparative advantages in less technologically advanced product groups, not attaining a sufficient degree of specialization in more technologically advanced goods.

Conclusions

Comparing the investment attractiveness of Central and Eastern European countries shows that rather a narrow group of countries attract a greater amount of FDI and many more countries have experienced a decline in FDI. Therefore, the research results allow the conclusion that Central and Eastern Europe reduced its investment attractiveness over the past years, measured both by the inward FDI attraction indexes and the FDI inflows per capita. This means that the majority of Central and Eastern European countries are becoming less successful in attracting FDI, and therefore in shaping the environment in which foreign companies wish to conduct their business.

The reasons can be many and varied depending on the country. First, the strengthening of competition for FDI from Asian countries, especially the

Asian Tigers, as the international statistics show. Secondly, the loss by a large part of Central and Eastern European countries of their relative cost advantages towards the rest of the world, without, for example, offering in exchange, locational attractions, are emphasized in this work. These, so called new locational advantages, attracting mainly foreign investment seeking strategic assets that allow achieving higher added value of business activities not only by foreign firms. These new locational advantages also provide a country an opportunity of increasing productivity based on different forms of knowledge development and sharing, as a result of creating infrastructure to facilitate the emergence of knowledge spillovers and their external effects.

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