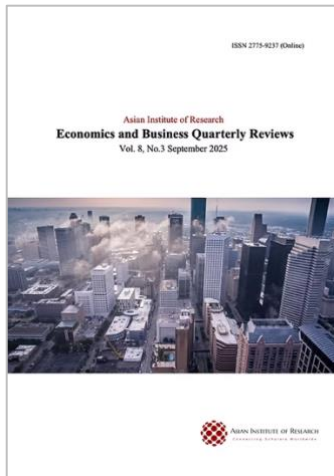




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The Context and Landscape of Foreign Direct Investment (FDI) in 2025

Héctor R. Lozada¹ Richard J. Hunter, Jr.²

¹ Associate Professor of Marketing, Seton Hall University

² Professor of Legal Studies, Seton Hall University (Retired); Adjunct Professor of Business Law, University of Tulsa

Abstract

This article examines the evolving global landscape of Foreign Direct Investment (FDI) in 2025, highlighting the profound impact of intensifying geopolitical tensions, rapid technological advancements, and shifting regulatory environments. Drawing on recent statistical trends and expert analyses, the study presents a complex picture of international investment flows. While headline figures indicate nominal growth, a substantive decline emerges when excluding conduit economies, accompanied by notable regional disparities. Europe, for instance, has experienced sharp reductions in FDI, whereas the United States has demonstrated remarkable resilience, attracting over 2,100 new greenfield projects in the year to November 2024. The article examines the key determinants shaping contemporary Foreign Direct Investment (FDI), including geopolitical realignment, macroeconomic conditions, technological advancements, regulatory frameworks, trade policies, and governance factors, with a particular focus on the emerging trend of investment “reconfiguring toward geopolitically closer partners.” This comprehensive assessment provides valuable insights for policymakers navigating the tension between attracting beneficial foreign capital and safeguarding national interests, while also offering a theoretical framework for understanding the paradox faced by developing economies seeking to “create capitalism where there is neither capitalism nor capital.” Ultimately, this analysis advances both scholarly understanding and practical policy formulation in an increasingly complex global investment environment.

Keywords: Foreign Direct Investment (FDI), Geopolitical Tensions, Geopolitical Realignment, Economic Transformation

1. Introduction

It can be said that creating capitalism is challenging when there is neither capitalism nor capital, highlighting the difficulties in establishing a capitalist economy in a society that lacks both the necessary capital (wealth and resources) and capitalists (individuals who own and control the means of production). While this concept has been loosely attributed to Karl Marx in his critique of capitalism, it is equally applicable to the dilemmas faced by transition and developing countries in their pursuit of wealth and economic development. As a result, many nations turned to attracting *foreign capital* and *foreign expertise* into their countries as a solution to this dilemma.

Foreign Direct Investment (FDI) represents a critical driver of global economic development, facilitating capital flows, technology transfer, and economic integration across national boundaries. This article examines decisions and patterns, analyzes key determinants that influence investment decisions, and explores the implications for both developed and developing economies within an increasingly complex geopolitical landscape.

2. Part I: The Context and Landscape of FDI

The evolving landscape of Foreign Direct Investment (FDI) in 2025 is characterized by rapid changes driven by geopolitical realignment, technological innovation, and shifting regulatory priorities, according to Hogan Lovells (2025). As businesses navigate this environment, they must contend with an increasingly complex framework of national security reviews and compliance requirements.

Foreign Direct Investment is defined by Akhtar and Cimino-Isaacs (2025) as a cross-border investment where a resident of one country acquires a lasting interest, typically 10% or more of voting securities or an equivalent stake, and a degree of influence over the management of a business in another country. This can take several forms, including the establishment of new operations (greenfield investments), the acquisition of existing businesses through mergers and acquisitions (M&A), or the expansion of current operations (brownfield investments). Rossi (2024) emphasizes that FDI represents a long-term commitment that has a significant impact on infrastructure, employment, and overall economic development in host countries. It is important to distinguish FDI from portfolio investment, which involves the purchase of stocks, bonds, or other financial assets without gaining management control or a significant influence over business operations (Slack, 2024; Chen, 2024b).

2.1. FDI Statistics

UNCTAD (2025) reports that global foreign direct investment rose 11% to \$1.4 trillion in 2024; however, when excluding flows through European conduit economies, which often serve as transfer points before investment flows reach their final destination, FDI fell by 8%. FDI to developing countries declined by 2%. Greenfield projects declined by 8% in number and 7% in value, although investments in semiconductors and AI maintained values near the 2023 record. International project finance, concentrated in infrastructure, continued to fall sharply. Deals dropped 26% in number, with values down nearly a third. Cross-border merger and acquisition activities (M&A deals) decreased by 13%, but total values increased by 2%, signaling a recovery from a two-year downward trend.

2.2. FDI in Developed Economies

FDI in Europe declined by 45%, excluding conduit economies. In the EU, 18 of 27 member States saw declines, including Germany (-60%), Italy (-35%), Spain (-13%), and France (-6%). North America saw a 13% rise in FDI, driven by a 10% increase in the United States, primarily due to higher M&A values (80% increase). The overall value of greenfield projects increased by 15%, driven by megaprojects in the semiconductor sector. The United States recorded a 93% increase, reaching \$266 billion, while the United Kingdom saw a 32% rise to \$85 billion and Italy a 71% jump to \$43 billion. International project finance deals dropped 29%, continuing the downward trend from 2023.

Rossi (2024) highlights several principal actors shaping the landscape of foreign direct investment:

- **Multinational Corporations (MNCs):** MNCs are central to FDI activity, operating across borders and exerting considerable influence on global trade dynamics. Their international expansion is motivated by the pursuit of new markets, cost efficiencies, and competitive advantages. The substantial resources of MNCs enable them to make significant investments in host countries, generating employment and stimulating local economic growth. However, their dominant market presence can also create imbalances, potentially overshadowing domestic firms and swaying local policy decisions in their favor.

- **Public Sector Investments:** Governments play a proactive role by funding initiatives designed to attract foreign investment, often targeting infrastructure development and essential services that establish a favorable environment for private sector activity. Through incentives such as tax benefits and subsidies, public sector efforts aim to boost FDI inflows and foster regional economic development. While these strategies can be highly effective, overreliance on foreign capital may leave local economies susceptible to global market volatility.
- **Private Equity Firms:** Private equity firms are pivotal in FDI by providing capital to businesses, frequently through mergers and acquisitions. These firms target companies with strong growth prospects, seeking attractive returns on their investments. In addition to financial support, private equity investors often drive management and operational improvements within their portfolio companies. Nevertheless, their focus on short-term profitability can sometimes result in aggressive strategies that risk the long-term stability of the businesses they invest in

Romei and Fleming (2025) assert that the United States attracted more than 2,100 new FDI greenfield projects in the 12 months to November 2024. In contrast, China secured just under 400 projects, which accounted for a fraction of the 1,000-plus investments received each year in the decade leading up to the mid-2010s. The number of overseas projects from the US shrank to 2,600 in the 12 months to November 2024.

According to the *World Investment Report 2024* (UNCTAD 2024), global FDI had fallen by 2% to \$1.3 trillion in 2023. This decline can be attributed to a slowing global economy, geopolitical tensions, and international trade, as well as tighter financing conditions for international projects in specific sectors, such as energy and infrastructure. Zhan (2024) notes that while there are several meaningful reasons to be cautiously optimistic about the prospects of foreign investment in 2025, the global FDI recovery in 2025 is likely to be modest and structure-driven rather than expansion-driven overall.

Several factors are contributing to this downturn, including an economic slowdown and rising geopolitical tensions. FDI flows to developing countries dropped by 7% to \$867 billion, and there was a significant 26% fall in international project finance deals, which are crucial for infrastructure investment.

By contrast, an analysis of U.S. FDI indicates a strong contra-indication. Romei and Fleming (2025) report that the proportion of new FDI projects announced in the U.S. increased from 11.6% in 2023 to 14.3% in the 12 months to November 2024. The increase has been driven by buoyant consumer demand and government incentives in the world's largest economy (Romei and Fleming, 2025).

Foreign direct investment has been a key component of the U.S. investment strategy. Between 2005 and 2023, U.S. direct investment abroad (outward Foreign Direct Investment) nearly tripled to \$10.6 trillion, while FDI in the United States (inward FDI) more than quadrupled to \$14.8 trillion. In 2023, on a historical-cost basis, most U.S. direct investment abroad was in high-income countries. Europe remained the top U.S. FDI partner, with \$3.950 in inward FDI and \$3.463 in outward FDI. Viewed by economic sector, the United States invested mainly in nonbank holding companies, i.e., a bank holding company that owns nonbank subsidiaries providing nonbank products and services (Chen, 2024a); manufacturing operations related to chemicals, computers, and electronics; and finance and insurance. The largest share of FDI in the United States was in the manufacturing sector, primarily in chemicals.

2.3. Factors Influencing Global FDI Flows

Zhan (2024) has identified several factors that influence global FDI flows. These include:

- **Geopolitical Tensions:** Ongoing geopolitical conflicts and tensions, such as the US-China rivalry, are significantly impacting FDI flows. Countries are becoming more cautious about investments from

certain regions due to national security concerns. Gurav (2025) examines the relationship between Foreign Direct Investment (FDI) and international trade, highlighting that geopolitical events have significantly reshaped the landscape of international trade. Factors such as US-China trade tensions, the Russia-Ukraine conflict, and post-Brexit regulatory shifts have underscored vulnerabilities in global supply chains. Seong et al. (2025) note that these factors have led to evidence of trade reconfiguring toward partners that are geopolitically closer. Gopinath (2024) states that after years of shocks, including the COVID-19 pandemic and Russia's invasion of Ukraine, countries are reevaluating their trading partners based on economic and national security concerns. Foreign direct investment flows are also being redirected along geopolitical lines. Some countries are reevaluating their heavy reliance on the dollar in their international transactions and reserve holdings (Gopinath, 2024).

- **Economic Conditions:** Zhan (2024) notes that the global economic outlook plays a crucial role. Economic slowdowns, inflation rates, and changes in monetary policies affect investor confidence and the availability of capital for investments. Ernst & Young (2025) report that real GDP in advanced economies was projected to grow 1.8% in 2025, up from 1.7% in 2024. Global inflation is expected to decline steadily, easing from 4.5% in 2024 to 3.5% in 2025. Real GDP growth in the euro area is projected to rise to 1.3%, surpassing 1% for the first time in three years. Emerging markets are expected to grow at 4.1% in 2025, in line with the growth rate in 2024. Daco and Rozkrut (2025) project that growth in mainland China will slow to 4.5% in 2025 due to challenges to the property sector and demographic challenges. Global Treasurer (2024) reports that China's real estate sector, once a pillar of economic stability and growth, is now facing a crisis of unprecedented scale. The industry, which contributes nearly a third of the nation's GDP, is witnessing the collapse of its leading giants, Evergrande and Country Garden, amid a broader market downturn. This crisis not only threatens domestic economic stability but also poses significant risks to global markets. Ernst & Young (2025) note that India's real GDP growth is expected to be 6.4%, driven by public investment and strong domestic demand. Daco and Rozkrut (2025) predict that Latin America is expected to see a mildly stronger expansion, despite a notable slowdown in growth in Brazil. They add that in 2025, fiscal policy will be shaped by the challenges of managing elevated public debt and high interest rates amid competing economic and political demands (Daco & Rozkrut, 2025). Growing populist calls for increased social spending, tax cuts and subsidies, alongside long-term needs related to energy transition, military spending and aging demographics, further strain fiscal management, especially in politically unstable regions where immediate concessions often overshadow long-term reforms.“
- **Technological Advancements:** Rapid advancements and changes in technology have ushered in an era of innovation that has particularly impacted investments in economic sectors such as semiconductors, renewable energy, and telecommunications. Khadar (2023) writes that technology has redefined economic landscapes, creating new industries, disrupting traditional markets, and transforming the nature of work. The rise of automation, robotics, and artificial intelligence has significant implications for job markets and income distribution (Khadar, 2023).
- **Regulatory Changes:** National security reviews and changes in FDI policies are becoming more stringent. Many countries are introducing new measures to screen and restrict investments in sensitive sectors” (Zhan, 2024). An editorial in *World Jurisprudence* (2024) states:

Investment restrictions and regulations refer to the legal frameworks and rules established by governments to control foreign and domestic investments. These regulations aim to protect national interests, promote economic stability, and ensure compliance with social, environmental, and security standards. Investment restrictions can vary significantly across jurisdictions. They might include limitations on ownership in specific sectors, mandatory local partnerships, or compliance with environmental regulations. Different countries enforce these rules to balance foreign investment benefits against potential national security risks and economic implications.

Investment restrictions can be classified into several broad categories. *National security restrictions* aim to limit foreign investments in sectors deemed critical to a country's national security, including defense, energy, and technology. *Economic sector limitations* seek to restrict investments based on industry classification in sectors such as healthcare and transportation. *Environmental regulations* aim to mitigate ecological damage and promote sustainable practices, thereby aligning investment with national and global environmental goals.

Understanding the legal framework governing investment restrictions found in individual nations require a study of domestic regulations, international treaties, and multilateral agreements that shape the investment landscape, including national laws that outline specific investment restrictions within a country; bilateral investment treaties (BITs) that provide protections and guidelines for foreign investors; and regulations from international organizations, such as the Organization for Economic Cooperation and Development (OECD), that influence member countries' investment policies.

- **Trade Policies:** Trade agreements and tariffs can either facilitate or hinder FDI flows (Deloitte Insights, 2024). The relationship between trade and FDI is symbiotic. Countries with favorable trade policies tend to attract more foreign investments. Whiteaker (2020) noted that many studies have demonstrated the complementary nature of FDI and trade, and it is widely accepted that inward FDI has a net positive impact on a country's exports. This is due to the transfer of technology and the introduction of new products for export, which facilitates access to international markets, increases domestic capital, and provides training to the local workforce. FDI can facilitate the transfer of intangible assets, such as skills and technological knowledge, that trade cannot.

In a study by Albahouth and Tahir (2024) on ASEAN economies, the authors found that trade openness has a significant impact on attracting FDI inflows. This means that the liberalized policies of ASEAN have not only helped them achieve higher growth rates but have also facilitated higher FDI inflows.

- **Political Stability:** The political landscape and institutional practices are significant factors affecting FDI. Albahouth and Tahir (2024) note that the rule of law, regulatory quality, control of corruption, political stability, and absence of violence and voice and accountability also positively and significantly impacted FDI inflows. Kim (2024) notes that the results of their study are consistent with the argument that political factors play a significant role in explaining FDI flows. Kim also found that FDI inward performance has consistently positive relationships with the level of corruption in government. Interestingly, Okara (2023) notes that FDI fosters socio-political stability. Accounting for political repression, the results also highlight that FDI-induced stability is compatible with governmental respect for human rights, thus preserving individual well-being.

2.4. Future Trends

According to Zhan (2024), future trends for global foreign direct investment flows are cautiously optimistic. Here are some key projections:

- World trade in goods and services is projected to grow by 3.4% in 2025, which will positively impact FDI flows. WTO economists now estimate that the volume of world merchandise trade increased by 2.7% in 2024. The WTO expects a slightly lower increase of 3.0% in 2025. The *Global Trade Outlook and Statistics* (WTO, 2024) notes that declining inflationary pressure has allowed central banks in advanced economies to begin cutting interest rates, which should stimulate consumption, boost investment, and support a gradual recovery of global trade. This report also indicates that significant downside risks remain, including regional conflicts, geopolitical tensions, and policy uncertainty. Hutagalung (2025) notes that the intensifying trade dispute between the United States and China in

2025 represents a far more significant bilateral and economic confrontation, marking a pivotal moment in shaping the global power balance and redefining economic systems.

- Sovereign wealth funds (SWFs) (a state-owned [investment fund](#) that invests in real and financial assets such as [stocks](#), [bonds](#), real estate, [precious metals](#), or in alternative investments such as [private equity funds](#) or [hedge funds](#)) are expected to play a significant role, with projected investments reaching **\$34 trillion**. The largest SWFs by assets as of January 2025 included:
 - Norway Government Pension Fund Global: Over \$1.7 trillion
 - China Investment Corporation: Over \$1.3 trillion
 - SAFE Investment Company: Over \$1 trillion
 - Abu Dhabi Investment Authority: Over \$1 trillion
 - Kuwait Investment Authority: Over \$1 trillion
 - Public Investment Fund of Saudi Arabia: \$925 billion
 - GIC Private Limited: Over \$800 billion
 - Badan Pengelola Investasi Daya Anagata Nusantara: \$600 billion
 - Qatar Investment Authority: Over \$525 billion
 - Hong Kong Monetary Authority Investment Portfolio: Over \$510 billion (Investopedia, 2025; Sovereign Wealth Fund Institute, 2025).

On February 4, 2025, President [Donald Trump](#) signed an executive order ordering the U.S. Treasury and Commerce Departments to create a [sovereign wealth fund](#) for the United States (French, 2025; Lane, 2025).

- The services sector is anticipated to account for 72% of global FDI flows in 2025, reflecting the ongoing shift towards a more service-oriented global economy. In contrast to the industrial/manufacturing era, the service economy is characterized by sectors such as finance, healthcare, education, tourism, and information technology, emphasizing the delivery of value through “knowledge, skills, and tailored experiences rather than through tangible goods (Zhan, 2025).

Waseem (2024) claims that in recent decades, the global economy has undergone a substantial metamorphosis as it transitions from manufacturing-centric frameworks to service-oriented paradigms. This development, known as the rise of the service economy, marks a fundamental shift in economic progress, as a growing majority of economic activity now revolves around delivering intangible goods, such as services, experiences, and specialized expertise, rather than producing physical products. The service economy is characterized by sectors such as finance, healthcare, education, tourism, and information technology. These sectors emphasize the delivery of value through knowledge, skills, and tailored experiences rather than through tangible goods.”

(Waseem, 2024)

- Investments related to the Sustainable Development Goals (SDGs) in renewable energy and health are expected to grow, although challenges remain in sectors such as infrastructure and agrifood systems (see Eisenmenger et al., 2020; Food and Agriculture Organization of the United Nations, 2025; Van Nieuwkoop, 2024).

In addition, projected future trends for global FDI flows show significant regional differences:

- **Developing Asia** is expected to see a moderate increase in FDI flows, driven by strong economic growth and investment in infrastructure and technology. Countries such as India and Vietnam are likely to attract substantial investments. Vietnam’s GDP is expected to grow by 7.5-8% (Van Luc, 2025). In the first six months of 2024, FDI inflows into Vietnam reached \$15.2 billion, with significant investments from Singapore, Japan, Hong Kong, the Republic of Korea, and China (Vietnam Net, 2024). The Ministry of Planning and Investment reported that in 2024, the total new and additional investments, capital contributions, and share purchases by foreign investors reached \$38.23 billion—a 3% year-on-year increase.

Joshi (2025) states that due to persistent challenges, India's GDP growth for FY2025 is projected to remain between 5.5% and 6.5%, with risks tilted toward the downside. The Indian government will have to tackle these structural challenges as the year progresses if it is to foster a more resilient and sustainable economic recovery going forward. RSM India (2025) reports that FDI recorded a revival in fiscal year 2024-25, with gross FDI inflows increasing from US\$ 47 billion in the first 8 months of fiscal year 2023-24 to US\$ 55 billion in the same period of fiscal year 2024-25, evidencing a year-on-year growth of 17.9%.

- **Africa:** FDI flows to Africa are projected to grow significantly, particularly in sectors like renewable energy, telecommunications, and manufacturing. Countries such as Nigeria and South Africa are expected to be key recipients of FDI. Trends Research & Advisory (2024) notes that in addition to natural resources, Africa's rapidly growing population and expanding consumption have also made the continent an attractive market for foreign investors. With a population exceeding 1.2 billion and rapidly expanding consumer demand, Africa is increasingly recognized by multinational companies as a market brimming with untapped potential. This outlook has spurred heightened investment across key sectors—including retail, telecommunications, banking, and manufacturing—as firms aim to tap into the continent's burgeoning consumer base (Africa-HR.com, 2025). At the same time, African governments have undertaken substantial reforms to enhance the business climate for foreign investors. These efforts include streamlining regulatory processes, rolling out pro-business policies, and lowering barriers to entry, all of which are designed to attract greater foreign direct investment and foster sustainable economic growth (Center for Africa's Development and Investment (CADI), 2025)
- **Latin America:** The region is expected to experience steady growth in FDI, with investments primarily focusing on natural resources, agriculture, and infrastructure. Brazil and Mexico are likely to attract substantial foreign investments. LATAM FDI (2024) notes that in 2024, Brazil reaffirmed its position as the leading destination for foreign direct investment (FDI) in Latin America, surpassing Mexico. During the first half of the year, Brazil attracted \$32.3 billion in FDI, outpacing Mexico, which received \$31.1 billion in the same period. The close competition between these two regional powerhouses highlights the growing significance of Latin America as a strategic hub for global investment.
- **Middle East and North Africa (MENA):** FDI flows to this region are expected to remain unstable, greatly influenced by geopolitical tensions. However, countries like the UAE and Saudi Arabia are making efforts to diversify their economies and attract more investments. Puri-Mirza (2024) has noted that while oil production and [high inflation rates](#) both influence the 2024 economic outlook for the Middle East and North African region, the ongoing conflict in Gaza has had an immediate impact on the current situation. Due to safety and security concerns arising from the conflict, tourism activities are declining, and trade routes through the Red Sea are being rerouted. Furthermore, business corporations associated with the conflict are experiencing widespread boycotts, with shifts in consumer behavior emerging. The current situation impacts the region's political risk assessment, which in turn influences foreign trade and investment.
- **Europe:** FDI flows to Europe are projected to recover modestly, with a focus on green technologies, digital infrastructure, and healthcare. Espinosa (2024) noted that the value of the stock of foreign direct investment in the European Union in 2023 was \$13 trillion—a substantial increase compared to the total in 2021, which was \$12.4 trillion. The increase in FDI in 2023 was closely related to Europe's economic recovery following the decline caused by Russia's invasion of Ukraine in February 2022, as many European countries experienced stagnant growth or a recession during the year. In 2025, growth within the European Union is expected to be a modest 0.9%. Research FDI (2025) states that investing in Europe presents both significant challenges and promising opportunities. While the economic outlook remains tempered by slower growth and geopolitical uncertainties, specific sectors are still poised for growth, particularly in technology, green energy, and healthcare. Europe's shift toward

digital transformation and sustainability will create dynamic investment opportunities for those who take a long-term, strategic view.

Lewis (2025) states that in terms of sources of investment, intra-European FDI accounted for about half of the total FDI on the continent in 2024. Outside the region, US companies have typically been the most prominent investors in the Old Continent. In 2024, they accounted for almost a third of the total investment in the region, with tech companies leading the way. However, 2024 also saw substantial Chinese investment. Although the EU has been attempting to increase scrutiny of Chinese investment, several member countries, including Spain and Germany, as well as other major European economies such as the UK, have sent high-level representatives from their governments and business communities to China to strengthen ties with Beijing. Chinese companies announced major European projects across cleantech, automotive, and energy in 2024.

- **North America:** The United States and Canada are likely to experience stable foreign direct investment (FDI) flows driven by investments in technology, renewable energy, and healthcare. In 2024, North America experienced a 13% rise in FDI, driven by an 80% increase in merger and acquisition activities (Business World, 2025). US-China trade tensions may lead to some reconfiguration of supply chains, with investments possibly shifting to other regions (Beauchamp, 2025).

Having examined the broad contours of FDI in 2025, it is instructive to focus on a specific national context to illustrate how these global dynamics play out in practice. Poland, as a leading destination for foreign direct investment (FDI) in Central and Eastern Europe, presents a compelling case study of how policy, market structure, and external pressures influence investment outcomes. The following section examines Poland's experience with FDI, highlighting its historical evolution, current trends, and future challenges.

3. Part II: Poland and FDI

Gorynia, Nowak, and Wolniak (2007) noted that foreign direct investment (FDI) has played a pivotal role in transforming post-communist economies in Central and Eastern Europe (CEE) for over a decade. This is especially true for Poland, which experienced a phenomenal growth of inward FDI (Hunter & Ryan, 2001). Hunter and Ryan (2013a) noted that, from the outset of Poland's economic transformation process in the fall of 1989, attracting Foreign Direct Investment (FDI) has been considered a primary policy objective by nearly all political parties and parliamentary configurations that have governed Poland. It has also been the primary objective of all the individuals who have held the critical position of Minister of Finance in the Polish government (Hunter and Ryan, 2013a).

3.1. *Solidarity and the Foundations of Poland's Market Transition: Balancing FDI with Social Priorities*

Solidarity, the Polish trade union and social movement that came to power in 1989 (Hunter & Ryan, 1998), maintained a nuanced perspective on foreign direct investment. The movement played a pivotal role in Poland's sensitive transition from a centrally planned economy to a market economy (Hunter, Shapiro, & Ryan, 2003). In 1989, under the leadership of Deputy Prime Minister and Minister of Finance Leszek Balcerowicz—and with the guidance of renowned economists Jeffrey Sachs and David Lipton (Sachs, 1990; Wellisz, 1995)—Poland launched an ambitious program of radical economic reform known as “Shock Therapy” (Visvizi & Zukrowska, 2020). This strategy was designed to rapidly transition Poland from a centrally planned to a market-based economy (Lipton & Sachs, 1990), aiming to address the systemic shortcomings—termed the “Four Grand Failures”—of the state planning system implemented after World War II:

- Failure of the system to create economic value.
- Failure of the system to provide adequate organizational and individual incentives.
- Failure of the system to “measure up” to comparative economies, not only in the West but also in several Eastern European countries.
- Failure of the system to satisfy basic consumption needs (creating the “dollarization” of the economy through the existence of large semi-official “black markets”).

The program adopted in Poland was based on five philosophical *pillars of economic transformation*:

- *Rapid transformation* of the monocentric system of state central planning into a private functioning market economy.
- *Liberalization* of economic functions, particularly in foreign trade and direct investment.
- *Privatization* of state-owned enterprises (SOEs) (Hunter, Nowak, & Ryan, 1995; Hunter & Ryan, 2004), which would be crucial in attracting FDI and modernizing the Polish economy.
- Construction of an effective *social safety net* (Barr, 1992; World Bank Group, 2025).
- *Mobilization of international financial assistance* to support the process (Hunter & Ryan, 2009a; 2009b; Fafara & Kleczkowska, 2015).

This context provided the philosophical basis for actively seeking foreign direct investment into the Polish economy—essentially providing an answer to the question of how to provide both capital and capitalists into the Polish economy. Overall, Solidarity's view of FDI was "supportive but cautious," emphasizing the need to balance economic growth with social and national interests.

3.2. The Balcerowicz Plan: Shaping Poland's Market Economy and Foreign Investment Landscape

Leszek Balcerowicz played a pivotal role in shaping Poland's economic landscape and attracting Foreign Direct Investment (FDI). As the Deputy Prime Minister and Minister of Finance in the 1980s and early 1990s, he was the architect of the "Balcerowicz Plan," a series of radical economic reforms aimed at transitioning Poland from a centrally planned economy to a market economy. The Balcerowicz Plan centered on three cornerstone policy objectives:

- *Liberalization*: The Balcerowicz Plan included measures to liberalize the economy, including deregulation, privatization, and opening up to foreign investment.
- *Privatization*: Balcerowicz spearheaded the privatization of state-owned enterprises (Sowada, 1995; Kozłowski, 2019), allowing foreign investors to acquire a stake in a privatized Polish company.
- *Stabilization*: The plan also focused on stabilizing the economy by controlling inflation and reducing budget deficits. A stable macroeconomic environment was essential for building investor confidence and attracting FDI.

Some of the primary targets of FDI have been individual properties or entire industries that were the subject of Poland's privatization program. The process of "mass privatization" undertaken by the Polish government provided numerous opportunities for the introduction of foreign capital into the Polish economy (Hunter & Ryan, 2004; Hunter & Ryan, 2007; Hunter & Ryan, 2008; Hunter & Ryan, 2013a; 2013b) by achieving widely understood management effectiveness (Lis, Mazurkiewicz, & Zwierzchlewski, 2013). The Polish government actively encouraged foreign investors to take part in its major privatization initiatives. According to Lis, Mazurkiewicz, and Zwierzchlewski (2013), privatization—alongside liberalization and stabilization—remained a central component of economic transformation in Central and Eastern European countries.

According to the UNCTAD's *World Investment Report* (2024), FDI inflows to Poland reached USD 28.6 billion in 2023, which is lower than the USD 31.4 billion recorded the previous year, making the country the 14th-largest recipient worldwide. According to the latest figures from the OECD, in the first half of 2024, FDI inflows to Poland totaled USD 7.6 billion, down by more than half compared to the same period in 2023 (when FDI inflows stood at USD 18.1 billion).

The total inward stock of foreign investments stood at \$335.5 billion at the end of 2023. In 2023, Poland attracted 229 foreign direct investments. The largest investors in Poland are the Netherlands (18.8%), Germany (16.6%), Luxembourg (12.7%), France (7.2%), and Spain (5.4%), due to high reinvested profits and equity transactions. The most significant capital outflows were directed to Italy and China, driven by debt repayments rather than outward FDI activities (Gorynia, Nowak, Trapeczynski, & Wolniak, 2015). Foreign Direct Investment (FDI) has been directed mainly towards manufacturing (29.3%), wholesale and retail (13.9%), financial and insurance activities (13.2%), professional, scientific, and technical services (10.4%), and the real estate sector

(9.1%). Poland is one of the leading destinations for FDI in Central Europe. In 2023, Poland attracted USD 28.6 billion in FDI inflows, which is slightly lower than its ranking, placing Poland ahead of many of its Central European neighbors in terms of attracting FDI.

By way of comparison, the Czech Republic attracted FDI, with inflows of around \$15.2 billion in 2023; Hungary received approximately \$10.8 billion in FDI inflows in 2023; and Slovakia's FDI inflows were around \$6.5 billion in 2023.

3.3. Poland as a Magnet for FDI: Strengths, Policies, and Incentives

Poland's strong performance in attracting Foreign Direct Investment (FDI) can be attributed to its large domestic market (Poland is the sixth-largest economy in the European Union), strategic location at the “heart of Europe,” skilled workforce, and favorable investment climate. In 1992, the Polish Agency for Foreign Investment (PAIZ) was established, which was merged in 2003 with the Polish Information Agency (PAI) to form the current Polish Information and Foreign Investment Agency (PAIiIZ). This agency coordinates the promotion of Poland as an attractive destination for foreign investment. Poland's *Plan for Responsible Development* (Oleksiuk, 2017; Ministry of Economic Development, 2020), adopted in 2017, prioritized investment in eight industries: aviation, defense, automotive parts, shipbuilding, IT, chemicals, furniture, and food processing. However, Polish law at that time limited foreign ownership of companies in selected strategic sectors and restricted the acquisition of real estate, primarily agricultural and forest land (see Reyman & Maier, 2023).

More recently, citizens of the European Union (EU), European Economic Area (EEA), and Switzerland can purchase property in Poland without needing special permits. Generally, non-EU/EEA citizens require a permit from the Ministry of Internal Affairs to acquire certain types of properties, such as land plots, agricultural areas, or properties in strategic locations. The permit process involves submitting various documents and meeting specific criteria (Generis Global, 2024; Polish Descent, 2024).

Additionally, Poland has established 14 Special Economic Zones (SEZs) (Cieslik, 2025). Established in 1995, Special Economic Zones (SEZ) were created to attract investors to the areas that suffered losses after the transformation of the political system in 1989 through incentives in the form of exemption from corporate income tax (CIT) and value added taxes (Invest in Poland, 2025; see also Bridge West, 2025). Generis Global (2024) notes that:

Firms that engage in production activities within the SEZs may enjoy a CIT exemption ranging from 50% to 100%, depending on the investment size and the location of the project. This exemption is particularly beneficial for startups and small businesses, allowing them to redirect savings into further development. Another notable incentive provided by Polish SEZs is property tax relief. Businesses operating within these zones are often eligible for significant exemptions regarding real estate taxes, reducing the overall operational costs.

The operation time for Polish SEZs has been extended to December 31, 2026. [See Appendix I for a listing of Polish SEZs.]

Poland has been successful in creating new jobs through the infusion of FDI, ranking fourth in Europe with 22,400 new jobs created in 2023. By way of comparison, the number of new jobs created in Europe due to FDI decreased by 7% compared to 2022.

According to the EY *European Attractiveness Survey* (Trade.gov.pl, 2025), which analyzed investments in 44 European countries, Poland's attractiveness has increased significantly, moving up as many as 10 positions – from 16th to 6th place.

Poland is one of the primary beneficiaries of the trend of *reorganizing supply chains and nearshoring*. Nearshoring is a form of outsourcing that involves relocating the production of goods closer to the sales market, thereby reducing supply chain length and lowering transportation costs. Additionally, it allows greater control

over the production process, if only because the companies are in the same time zone” (Northgate Logistics, 2025). This trend is particularly evident in investments in manufacturing, which increased by 17 percent year-over-year.

In comparison, in Europe, the number of new jobs created attributable to investments decreased by 7% compared to 2022. According to the website, Trade.gov.pl (2025), these investments demonstrate the growing confidence of international investors in the Polish market. Additionally, these projects often introduce innovative solutions and technologies, further strengthening Poland’s position as an attractive investment center in Europe. Iloie (2015) asserts that because Poland has shown substantial improvement from the early period of transition, it now ranks 53rd among the 180 economies on the [2024 Corruption Perception Index](#) and 42nd out of 184 countries on the latest [Index of Economic Freedom](#).

3.4. Challenges and Constraints

It is important to acknowledge that several factors in the Polish market hinder the attraction of foreign direct investment (FDI). These include a rigid labor market, slow administrative processes—Poland ranks 120th in the world for the speed of starting a business, according to the World Bank (2025)—a current account deficit, the continued use of the zloty instead of the euro (despite initial plans to adopt the euro by 2012), and the ongoing influence of state-owned enterprises (SOEs) (Faster Capital, 2024). Until recently, political instability also discouraged many investors by delaying essential reforms (Scislowska & Gera, 2023; Cienski, 2023).

Although unemployment remains low, labor shortages persist as a significant challenge (Ujazdowski, 2024). In just one month, November, employers notified labor offices of over 60,000 available jobs. These vacancies are spread across a wide range of fields, including production, sales, warehousing, construction, and professional roles. Data from Poland’s National Bank (NBP) indicate that 66.8% of large firms, 46.8% of medium-sized companies, and 26.7% of small and micro businesses are struggling to fill open positions. Citing Wojciech Ratajczyk, Vice President of the Polish HR Forum and CEO of the employment agency Trenkwalder, Ujazdowski (2024) states that in 2024, workforce challenges intensified further and that key issues include regional mismatches between labor supply and demand, skill gaps, and a lack of a long-term strategy for employing foreign workers. These challenges are expected to grow even more acute in 2025.

The labor market in 2024 was influenced in part by an economic downturn in Germany, one of Poland’s key trading partners, the lingering effects of the COVID-19 crisis, and an acute housing shortage. In addition, according to Poland Insight (2024), the most prominent skill gaps were in advanced IT fields, such as data analysis, AI system management, and cybersecurity. Additionally, there is a growing need for soft skills, such as communication, teamwork, and creativity, as well as better alignment between educational curricula and the rapidly changing demands of the labor market. Future targets for possible FDI include:

- Technology and IT
- Renewable Energy
- Manufacturing and Industry, especially in automotive, electronics, and machinery
- Healthcare and Pharmaceuticals
- Logistics and Transportation (infrastructure, including roads, railways, and ports)
- Real Estate and Construction

3.5. What Might the Future Hold?

According to the December 2024 OECD forecast, Poland’s economy is expected to grow by 2.8% in 2025, supported by an increase in real wages and fiscal policy measures. According to Poland Insight (2024), “Poland’s economy is set for a strong recovery in 2025, with GDP growth projected to surpass 4%, driven by accelerated individual consumption and investment. Inflation is expected to decline to approximately 4%, while unemployment rates will remain low”—around 5.5%.

3.6. *The Runoff Election of 2025: Observations*

Despite a robust GDP growth forecast for 2025, expected to reach around 3.3%, several significant uncertainties remain that could challenge Poland's economic trajectory (European Commission, 2025; EBRD, 2025; Antoniak, 2025). The ongoing conflict in Ukraine and evolving U.S. policy toward Poland introduce external risks (Dzhelik, 2024). Domestically, Poland's commitment to defense remains strong: since March 2022, legislation has required defense spending to reach at least 3% of GDP, and the government has proposed doubling the size of the armed forces by 2030. Current defense spending exceeds 4% of GDP, well above the NATO target (AP News, 2024).

Because President Andrzej Duda was term-limited, a shift in political leadership toward the Civic Coalition (Rafał Trzaskowski, current Mayor of Warsaw), or Szymon Holownia, representing Poland 2025 (current Speaker of the Sejm, Poland's lower house of Poland) or the continuance of many of President Duda's policies (Karol Nawrocki, Law and Justice or Sławomir Mentzen, Konfederacja) (Ciobanu, 2025) could have resulted in legislative and political stagnation, continued conflicts with the judiciary (Macy & Duncan, 2020/2021; Schmitz, 2024), and potentially even early elections to the Sejm (Polish Press Agency, 2024), all of which could have affected Poland's success in its "March to the Market," shaking off the decidedly negative of its central planning past.

The results of the May 2025 presidential election could have notable implications for economic and political stability. Key election issues included Poland's relationship with the European Union, judicial and constitutional reforms, migration, and national security. The outcome—a narrow victory for Karol Nawrocki of the Law and Justice (PiS) party over Rafał Trzaskowski of the Civic Platform (PO)—marks a shift toward more conservative, traditional values and away from the more EU-friendly stance represented by Trzaskowski (Mezha.net, 2025). Nawrocki's election is expected to heighten tensions with Prime Minister Donald Tusk's centrist coalition, likely resulting in legislative gridlock and potentially triggering early parliamentary elections (Blackburn, 2025; Higgins, 2025).

Since 1995, Poland's per capita income has more than tripled, and the country has maintained steady growth—currently around 4%—with only a brief recession during the COVID-19 pandemic (European Commission, 2025; Antoniak, 2025). Poland's economic resilience and commitment to defense have positioned it as a key player in the region, including strong support for Ukraine.

However, the new political landscape—featuring a conservative president and a centrist prime minister—promises a period of institutional conflict, particularly over EU integration, judicial independence, and social policy. This "tug of war" between left and right could slow reforms and reduce Poland's influence within Europe, as noted by recent analyses warning of a potential loss of dynamism and a diminished role at the heart of the continent (Blackburn, 2025).

In the runoff election, the victory of Karol Nawrocki, representing the PiS, over Rafał Trzaskowski, the mayor of Warsaw and a representative of Civic Platform (PO), who was seen as more favorable to further EU cooperation and a return to the "rule of law" in restoring media rights and ensuring judicial independence, is significant. The election of Nawrocki, who represents "traditional Polish values," means he now holds veto power over more progressive legislation favoring further EU integration and liberalized abortion rights, and almost certainly assures future conflict with Prime Minister Donald Tusk, who leads the PO in the Parliament. This duality will undoubtedly result in a period of "tug of war" between the left and right, leading to future Parliamentary elections. The Economist (2025) speculated that in the case of Nawrocki's election, both Poland and Europe would lose a source of dynamism, and Poland would risk losing its place at the heart of Europe it has worked so hard to claim.

4. Conclusion

The analysis of foreign direct investment in 2025 reveals a complex and evolving landscape, marked by both opportunities and challenges. Geopolitical realignment, technological innovation, and regulatory scrutiny are reshaping investment flows, with notable regional disparities and sectoral shifts. While some economies—particularly the United States—have attracted significant new investment, others, such as those in Europe, face headwinds from economic slowdowns and heightened security concerns.

Poland's experience underscores the critical role of proactive policy, market liberalization, and strategic incentives in attracting FDI. Despite labor market challenges and political uncertainties, Poland remains a regional leader in investment attractiveness, thanks to its skilled workforce, large domestic market, and favorable business environment. The ongoing reconfiguration of global supply chains and the rise of nearshoring further enhance its appeal to foreign investors.

Looking ahead, the interplay between geopolitical tensions, economic resilience, and regulatory frameworks will continue to shape FDI trends. Policymakers must strike a balance between the imperative of attracting beneficial foreign capital and the need to safeguard national interests. For emerging and transition economies, the challenge remains how to foster capitalism and growth in environments where both capital and capitalists are scarce, a dilemma that underscores the enduring relevance of FDI as a catalyst for development and transformation.

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APPENDIX I: SPECIAL ECONOMIC ZONES IN POLAND

1. Special Economic Zone Kamienna Góra: Dolnośląskie, Wielkopolskie, area – 373.83 hectares (ha)*;
2. Special Economic Zone Katowice; śląskie, małopolskie, opolskie, area – 2749.35 ha;
3. Special Economic Zone Kostrzyn-Słubice; lubuskie, zachodniopomorskie, wielkopolskie, area – 1868.05 ha;
4. Special Economic Zone Kraków; małopolskie, podkarpackie, area – 707.78 ha;
5. Special Economic Zone Legnica, Dolnośląskie: Powierzchnia, area – 1763.77 hectares (ha)*;
6. Special Economic Zone Łódź' Łódzkie, Wielkopolskie, Mazowieckie, area – 1339.17 ha;
7. Special Economic Zone Mielec; Podkarpackie, Małopolskie, Lubelskie, Zachodniopomorskie, area – 1495.65 ha;
8. Pomeranian Special Economic Zone, Pomorskie: kujawsko-pomorskie, zachodniopomorskie, wielkopolskie, area – 2039.99 ha;
9. Special Economic Zone Słupsk: pomorskie, zachodniopomorskie, wielkopolskie, area – 899.37 ha;
10. Special Economic Zone Starachowice: świętokrzyskie, mazowieckie, opolskie, łódzkie, lubelskie, area – 644.46 ha;
11. Special Economic Zone Suwałki: podlaskie, warmińsko-mazurskie, mazowieckie, area – 635.07 ha;
12. Special Economic Zone Tarnobrzeg: podkarpackie, mazowieckie, świętokrzyskie, lubelskie, dolnośląskie, area – 1743.30 ha;
13. Special Economic Zone Wałbrzych: dolnośląskie, opolskie, wielkopolskie, lubuskie, area – 2921.70 ha;
14. Warmia-Mazury Special Economic Zone: warmińsko-mazurskie, mazowieckie, area – 1057.38 ha (Getsix, 2025)

*Note: One hectare is approximately 2.47 acres
