

Foreign Investment Enterprises (FIEs) by Boris Majcen (Institute for Economic Research) and Matija Rojec	Slovenian Economic Mirror	IMAD
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Structure of sales and supplies of sample FIEs in Slovenian manufacturing; %				
SALES TO	Foreign parent company	Other foreign buyers	Other domestic subsidiaries of foreign parent	Other domestic buyers
Total	37.1	35.8	0.5	28.1
High technology industries	41.5	47.3	0.0	11.2
Medium-high technology industries	36.1	31.6	0.9	31.4
Medium-low technology industries	39.4	38.4	0.4	28.9
Low technology industries	31.5	33.0	0.0	27.3
SUPPLIES FROM	Foreign parent company	Other foreign suppliers	Other domestic subsidiaries of foreign parent	Other domestic suppliers
Total	23.5	34.6	0.5	41.3
High technology industries	33.8	32.2	0.0	34.0
Medium-high technology industries	23.0	38.4	1.3	37.3
Medium-low technology industries	23.5	29.2	0.0	46.9
Low technology industries	18.8	40.2	0.0	41.0

Source: Analysis prepared by Boris Majcen and Matija Rojec in the framework of the Fifth Framework Programme Project: »EU Integration and the Prospects for Catch-Up Development in CEECs: The Determinants of the Productivity Gap«.

Notes: Data are based on the sample of 72 FIEs surveyed in 2002. The surveyed FIEs represent 53.6% of fixed assets, 50.8% of all employees, 62.1% of all sales and 64.2% of all exports of FIEs in the Slovenian manufacturing sector.

The structure of sales and supplies of FIEs is one of the main indicators of the relationships of FIEs with their foreign parent companies, as well as with the host countries. Most, i.e. 72.9% of the sales of the sample FIEs in Slovenian manufacturing go to exports. The most important buyer of FIEs are their foreign owners, which on average buy 37.1% of FIEs overall sales.

The highest **export propensity** as well as the highest **share of sales going to foreign owners** is in high technology industries (88.8% exports to sales ratio and 41.5% of sales going to foreign owners), followed by medium-low technology industries (77.8% and 39.4% respectively), medium-high technology industries (67.7% and 36.1% respectively) and low technology industries (64.5% and 31.5% respectively). All these confirm that the predominant motivation of foreign investors to invest in the Slovenian manufacturing sector is factor cost advantages and not local market. Almost non-existent sales to other domestic subsidiaries of foreign owners indicates that foreign investors in Slovenia, as a rule, do not have more than one subsidiary. Only other Slovenian companies are relevant as buyers.

In terms of **company size** (measured by the number of employees), larger FIEs (with more than 200 employees) are by far the most export oriented (80.5% exports to sales ratio). They also have the highest share of sales going to foreign owners (45.4%). The size of a company seems to be related to the share of sales going directly to foreign owners, i.e. for the integration of a FIE in the integrated international production of a parent MNE.

The structure of supplies of FIEs is to a certain extent a mirror image of the sales structure. Most supplies come from abroad, however, the major foreign supplier are not foreign owners (23.5% on average) but other foreign suppliers (34.6%). Also, other Slovenian companies have a much more important role as suppliers than as buyers; with an average of 41.3% of supplies coming from other domestic suppliers, they are the major supplier category of FIEs.

There are considerable differences in the **supplies' pattern of FIEs in terms of the technology intensity of industries** in which they are engaged. High technology FIEs get much more supplies from their foreign owners (33.8), the opposite situation being in low technology FIEs. On the other hand, medium-low technology FIEs get much more of their supplies from other domestic suppliers (46.9%). High technology FIEs are definitely the most integrated into their parent companies' network, on the sales as well as on the supplies side.

All in all it seems that FIEs are more integrated into foreign parent company's network via sales than via supplies, while, on the other hand, they are more integrated into the Slovenian economy via supplies than via sales. The latter situation definitely seems more favourable from the host country development point of view. High technology FIEs are definitely the most integrated into their parent companies' network, on the sales as well as on the supplies side.

Sales structure of FIEs by company size (in terms of the number of employees); %				
No. Employees	Foreign owner	Other foreign buyers	Other domestic subsidiaries of foreign owner	Other domestic buyers
6-50	38.86	28.25	0.89	39.07
51-200	27.48	45.50	0.43	26.59
201-	45.42	35.12	0.02	15.15
Source and notes: see table above.				