

THE INFLUENCE OF THE SIZE OF THE ECONOMY AND EUROPEAN INTEGRATION ON FOREIGN DIRECT INVESTMENTS IN THE CENTRAL, SOUTHEASTERN AND EASTERN EUROPEAN STATES 1994-2013

Petar Kurecic, University North, Koprivnica, Trg Zarka Dolinara 1, Croatia, petar.kurecic@unin.hr

Goran Luburic, Zagreb School of Business, Zagreb, Ulica Grada Vukovara 68, Croatia,
goran.luburic@vpsz.hr

Goran Kozina, University North, Varazdin, Ulica 104. brigade 3, Croatia, goran.kozina@unin.hr

ABSTRACT

The paper studies the interdependence of the economy size and foreign direct investments (FDI) in the transitional economies of Central, Southeastern and Eastern Europe. In the global capitalist economy, foreign direct investments (FDI) represent one of the key determinants of economic growth. Among some transitional economies, in the last 20 years, FDI represented one of factors that increased the economic growth, and in other transitional economies, the influence of FDI was minor or even negligible. In the literature devoted to the influence of FDI on economies, the research about the determinants of geographical pattern of FDI distribution usually focuses on the factors that determine why some states manage to draw FDI in higher levels than some other states. Our research focused on the transitional economies of Central, Southeastern and Eastern Europe, which were for the most part of the last 20 years net receivers of the FDI. Only a couple of these countries in the years of the current economic crisis have experienced FDI net outflow. Among the states studied, we have equally studied the EU members, as well as the non-EU members. We have tried to find similarities and differences between these two groups of states in order to determine the influence of EU membership on FDI per capita and how it correlates with the size of the state's economy. We have also tried to answer the question of how much the GDP growth rate correlates to the FDI net inflow share in GDP for EU and non-EU members. The methodology is based on the statistical correlation between FDI in current US dollars and GDP per capita in current US dollars (World Bank data) for each represented state, through the surveyed period from 1994 until 2013. The statistical correlation matrix (Pearson method) determined whether any correlation between the average GDP growth rate (chain index) and the average share of FDI in GDP per each state exists for each state surveyed.

Keywords: foreign direct investment (FDI), gross-domestic product (GDP), the European Union, transitional economies, Central, Southeastern and Eastern Europe.