**IMPACTs OF FOREIGN INVESTMENT ON ECONOMIC GROWTH IN TRANSITION COUNTRIES**

Siniša Bosanac

Frankopanska ulica 61

34000 Požega, Croatia

sinisa.boss@gmail.com

Phone: +385989001140

Željko Požega

Josip Juraj Strossmayer University of Osijek

Faculty of Economics in Osijek

Trg Ljudevita Gaja 7,

31000 Osijek, Croatia

zpozega@efos.hr

Phone: +38531224454

**Abstract**

 The current global economic crisis raises many questions and the most important imperative is to find solutions and recover the world economy. Neoliberalism as a cause of the crisis has shown fundamental shortcomings and proved that the market is imperfect self-regulating system. At the present time in the media, politicians and some economists mention foreign direct investment (FDI) as a life-saving solution of economic problems and econimic growth. The analysis of the economic indicators proved that FDI can't be, to the necessary extent, generator of economic growth and that development of each country should be based on endogenous components. The development of critical thinking and questioning of neoliberal concept, especially with today's time distance through comparisons of indicators such as economic growth, absence of inflation, employment and export-import ratio, revealed major systemic defects of the market fundamentalistic policies. A strong indicator and argument to this thesis is particularly evident in the industrial production indexes, in the number of industrial workers and in the share of industry in GDP of transition countries.

**Key words:** Foreign direct investment, FDI, economic growth, transition countries

**Željko Požega** works as a professor at the Faculty of Economics in Osijek (Croatia), where he teaches in the field of Human Resources management. He has published 72 scientific papers and has participated in 48 scientific conferences with exhibited works. He has published a university handbook entitled "Human Resources Management - managing people and knowledge in enterprise''.

**Siniša Bosanac** was born on 04/17/1986 in Požega. He studied graduate studies at the Faculty of Economics in Osijek (Financial Management). He also finished post-graduate specialistic study Finance and Banking. He is a member of the Croatian Association of Economists and Alumni EFOS. His area of interest are macroeconomics and economic analysis.