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Tiivistelmä-Referat-Abstract <p>Central and East European countries have faced a difficult process of transition since the dissolution of the Soviet bloc. Ten transition countries (Hungary, Poland, the Czech Republic, Slovakia, Slovenia, Lithuania, Latvia, Estonia, Bulgaria and Romania) have chosen to join the EU and have moulded their transition reforms to ensure the compliance of their legal and institutional framework with EU requirements. The high levels of FDI attracted by the candidate countries for EU membership had been attributed to rapid transition of the countries aiming to join the European Union and the fact that favourable evaluations by EU authorities of the progress made by the candidates had a large impact on improving investor confidence. The aim of this paper is to investigate the reform strategies of the Czech Republic and Slovakia undertaken when the countries were preparing for EU membership and the dynamics of FDI inflows into these economies. Subsequently a comparative analysis of FDI stocks in these countries is conducted. We find that both countries faced similar economic challenges in implementing structural and institutional reforms. In accordance with EU requirements the Czech Republic and Slovakia have perfected their legal and institutional framework, increased the authority of regulatory and supervisory bodies and focused on implementation of new or amended legislation. During the period of the analysis (1998 – 2007) the Czech Republic and Slovakia have attracted increasing amounts of FDI. Comparative analysis in terms of important determinants of FDI reveals further similar features: macroeconomic stability; an open and liberalised market; low labour costs compared to EU-15 and a similar breakdown of FDI inflows by investor country. Consequently, the fact that the Czech Republic received much larger volumes of net FDI inflows could be attributed to the difference in market size between the two states. This conclusion is consistent with previous empirical studies that list market size among the main determinants of FDI. However, when we look at FDI as a percentage of GDP the evidence is more mixed. In 2004 – 2007, Slovakia has surpassed the Czech Republic twice. Whether this tendency will persist remains to be seen. The analysis in this paper based on empirical data. However, the choice of the method, namely case studies and comparative analysis, means that the conclusions of this study are theoretical and remain to be further tested in quantitative models.</p>			
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