



Special Session Proposal

Special Session Title

"Goeconomic challenges: the role of FDI revisited in the Central and Eastern European regions"

The session will be hosted by Zoltán Gál, Centre for Economic & Regional Studies, University of Pécs (galz@ktk.pte.hu) and Magdolna Sass, Centre for Economic & Regional Studies, (sass.magdolna@krtk.hu).

Abstract

The session seeks to explore FDI-driven transformation and development processes in Central and Eastern European (CEE) regions and cities in the post-transition period. The geographical focus of the analysis is limited to post-socialist states, while the scale of the analysis targets the metropolitan and regional level.

Foreign Direct Investment (FDI) is of outstanding importance for the Central and Eastern European (CEE) countries, and within Visegrad economies. FDI played an important role in the transition process of these countries (see among others Holland, Sass, Benacek and Gronicki, 2000; Meyer and Peng, 2005 or Kalotay, 2010).

The impact of FDI on the host economy is widely analyzed. In theory, companies with foreign participation may have a positive effect on the economic performance of the host country. (Blomström, Kokko, 1997). Their role is of special importance in the case of an economy in transition. According among others to Lankes, Venables (1996) FDI has often been viewed as a potential catalyst for the economic transition.

However, empirical evidence is inconclusive. Iwasaki and Tokunaga (2014) prepared a meta-analysis of studies examining the macroeconomic impacts of FDI in transition economies and found that the effect size and statistical significance of the estimates depend on study conditions (e.g. estimation period, data type, estimator, and type of FDI).

The territorial dimension of FDI became under-explored. Earlier studies (Buch et al., 2003) has shown that the driving factors of FDI do not consider the potential heterogeneity across countries and regions. Spatial aspects have recently been taken into consideration in studies on FDI (Basile et al., 2008; Jones- Wren 2012, Casi and Resmini, 2014; Crescenzi et al., 2014). However, generally much less was written about Central and East European countries despite they attract more FDI than Mediterranean countries of the EU.

According to our assumption, the positive effects of FDI are much less pronounced in the long run in transition economies, which relies heavily on FDI. The region's externally driven and financed global

economic integration was not the result of autonomous development, which led to the proliferation of literature challenging core ideas of mainstream theories or presenting their variable geo-economic framework conditions referred to as externally-driven (semi peripheral) capitalism or the dependent market economy model (Nölke and Vliegenthart, 2009). At the same time, the most important historical dependencies of the CEE region, such as financial, technological and market ones, have remained constant (Gál and Schmidt 2017). This not only further strengthens the external vulnerability of the region, but also makes re-interpretable the geopolitical and geoeconomic features of Central Europe as a 'buffer zone' situated between German and Russian spheres of interest. The internal geoeconomic restructuring created a new core-periphery relationships that primarily benefit the core, often at the expense of the peripheries. Eastward expansion of German FDI into CEE largely contributed to the global competitiveness of German economy and to the geoeconomic supremacy of Germany within the European Union (Phillips, 2000).

After years of crisis, a general disillusionment with foreign capital investment-based growth models overcame post-socialist countries in Central Europe (Sass, 2019). FDI has led to slower than expected catching-up and excessive exposure to foreign investors, which has led the governments of the Visegrad countries to pursue new economic policies in order to catch up, or at least to stabilize their political position despite the lower economic growth seen after the crisis. It is clear that the engines of past growth - local subsidiaries of foreign MNCs - are already playing a smaller role in these new policies. Investigating FDI-driven models in V4 countries, changing attitudes towards MNCs, and reviewing new policy alternatives is one of the key research tasks.

The special sessions seeks paper in the following topics:

1. **The role of FDI in economic growth and investments in Hungary and V4 countries at macro and regional levels; Research of spatial differentiation effect of FDI. with a special focus on GDP growth and investment (GFCF)**
2. **Examination of the spatial dimension of FDI's productivity and labour market impacts addressing the regional conditions that determine the FDI's (positive/neutral) productivity impacts at the regional level and their implications for long-run development**
3. **Examination of the role of FDI on the regional entrepreneurial activity and how the presence of FDI influences the business dynamics in the CEE regions.**
4. **Examining development alternatives to the FDI-driven mode in the context of geoeconomic challenges: economic policy implications concerning the potential development alternatives to the FDI-centric path, local pathways towards more strongly embedded FDI, as well as potential synergies between FDI-based and alternative (endogenous) development in the DNME model context.**
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The 60th [ERSA Congress, Territorial Futures - Visions and scenarios to cope with megatrends in a changing Europe](#), to be organized in Bolzano, 24-27 August, 2021, will host a special session: "**Geoeconomic challenges: role of FDI in revisited in Central and Eastern European regions**" challenging the traditional methods for FDI-driven transformation and development processes in Central and Eastern European (CEE) regions providing qualified support for new hypotheses about Micro, Macro-economic and Territorial Differentiating Effects of FDI. Additionally, it aims at the possible alternatives to FDI driven transformation models and to explore the possible synergies between the FDI-driven and alternative (endogenous) developments, and the relationships between FDI and domestic capital accumulation in order to ease the deepening the geoeconomic dependencies of the regions. For these reasons, theoretical presentations, as well as methodological ones are welcome.