



CZECH ECONOMIC SOCIETY
branch České Budějovice



**Ekonomická
fakulta
Faculty
of Economics**

in cooperation with

FACULTY OF ECONOMICS, UNIVERSITY OF SOUTH BOHEMIA
in České Budějovice

invite you to the seminar

**FDI DEPENDENT DEVELOPMENT
IN CENTRAL & EASTERN EUROPE:
Financial dependencies, catching up and
policy alternatives.**

Research on the topic will be presented by

Zoltán Gál

**full professor in Finance at the University of Pécs, Hungary and
senior researcher at the Centre for Economic and Regional
Research**

**The seminar will be held on Tuesday, 15th May 2023
from 1.15 PM, room no. 307,
Faculty of Economics, University of South Bohemia,
Studentská 13, České Budějovice**

The seminar is open to the public.

Contact person: Milan Jilek, Department of Accounting and Finance, jilek@jcu.cz

FDI DEPENDENT DEVELOPMENT IN CENTRAL & EASTERN EUROPE: Financial dependencies, catching up and policy alternatives

Zoltán Gál

Foreign Direct Investment (FDI) has played a key role in the transformation of Central and Eastern European regions. However, growing evidence suggests that the FDI-driven development model comes with exhaustion, persistent centre–periphery relationships, trade-offs, and limitations, ultimately jeopardising convergence goals and long-term resilience.

After a brief presentation of convergence indicators and a Dependent Market Economy model, which demonstrates the region's dependence on external financing, the lecture empirically examines the relationship between FDI, GDP growth, productivity and investment in 60 regions of the V4 and Eastern Europe, including the Czech Republic, Hungary, Slovakia, Austria, Romania and Poland. Empirical results suggest that development impact of FDI is often short-term and geographically limited and negatively significant in certain regions. I argue that in the absence of endogenous growth factors in the FDI-dependent market economies of CEE FDI alone is not sufficient to ensure the long-term development of the regions. This reinforces the negative perception of economic transition and strengthens anti-EU populist parties and governments' search for economic policy alternatives.

The development contradictions of the FDI-driven model are therefore examined, introducing the concept of economic (financial) nationalism as an emerging, alternate political economy framework in some countries, extending to its implications within three policy alternatives. A potential successor model is then proposed to reduce the risks of FDI-dependent development and promote alternative sources of growth. Implications for policy makers suggest that FDI cannot be a single powerful tool for promoting economic growth and improving living standards.

BIO: **Zoltan Gal** is a full professor in Finance at the University of Pécs, Hungary and a senior researcher at the Centre for Economic and Regional Research. He is the president of the Hungarian Regional Science Association, member of the European Regional Science Association Council (ERSAC) and regional ambassador of the Global Network on Financial Geography to Eastern Europe. He has been a visiting scholar at a number of prestigious universities including the University of Oxford, UK and Trinity College Dublin, Ireland. He holds a double MA degree from the Central European University, Budapest, Hungary, and New York State University, Albany, USA, and a PhD in Financial Geography. His research fields include regional finance, international finance, international economics, regional economics, financial & economic geography, and regional innovation.

