FDI and trade as pivotal elements for catching up and competitiveness

(summary)

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FDI and trade as pivotal elements for catching up and competitiveness

Summary

1. Especially for small and medium countries export-led growth is the most promising strategy for sustainable economic development. In the context of such a strategy FDI plays an important role in terms of know-how transfer and access to foreign markets. Under long-term perspectives however a national/regional nucleus for R+D development and some autonomy for strategic decision making may be of importance.

2. Up to now SEE-countries show an unsatisfactory performance both with regard to foreign trade and FDI. Especially in some Western Balkans countries high trade deficits point to the problems of persisting „aid depenency“.

3. Relationships with EU are essential both with regard to trade-flows and FDI. In the past new EU members have often enjoyed above-average FDI inflows after entry.

4. Chances and challenges differ substantially among the SEE-region. A major chance is the perspective of participating in the car bonanza of Central and Eastern Europe. The major challenge is to establish the legal and infrastructure environment necessary for a strategy of export-led growth.