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FOREIGN DIRECT INVESTMENT AS A FACTOR OF ECONOMIC GROWTH IN THE CENTRAL AND EASTERN EUROPEAN COUNTRIES

F'I plays a more significant role in gross fixed capital formation in transition economies than in developed and developing countries since it makes up for lack of domestic savings and envisages establishment of many start-ups and effective restructuring of already existing companies which, in turn, con- tributes to economic growth.

In recent decades, F'I in CEECs has been characterized by high growth dynamics and therefore has played an increasingly important role in the economy of the region. The ratio of accumulated foreign direct investment to G'P, which is used to assess the impact of F'I on the economy, exceeds 50 % in half of the CEECs. In this connection, a quantitative analysis of the impact of foreign capital on economic development of the CEEC has been carried out.

The analysis revealed weak correlations between economic growth and F'I in most countries. The only exceptions are Russia and Ukraine, where the correlation coefficients are significant in almost all cases. In Poland and Bulgaria a statistically significant positive correlation was revelled between G'P growth rate and F'I growth rate, in Latvia – between G'P growth rate and F'I inward stock.

A possible explanation for insignificant role of F'I in economic growth across the region, despite its significant contribution to G'P, may lie in a low Tuality of foreign investment.

The analysis showed that the mechanisms for attracting foreign capital to the CEECs are lost their effectiveness and require revision. Governments of the countries should reflect not only on the revision of approaches to improving investment climate, but also on the establishment of reinvestment mechanisms.