



Technology transfer and spillovers from FDI in transition economies: A meta-analysis[☆]



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ABSTRACT

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In this paper, we conduct a meta-analysis of the literature that empirically examines the microeconomic impacts of foreign direct investment (FDI) in Central and Eastern Europe and the former Soviet Union. The meta-synthesis of estimates collected from relevant studies shows that both the effect size and the statistical significance of the indirect effect of FDI, namely the productivity spillover effect, are obviously lower than those of the direct effect caused by foreign participation in company management through ownership. Moreover, the meta-regression analysis reveals that, probably due to the presence of publication selection bias, previous studies have not yet provided empirical evidence of a non-zero productivity spillover effect in the region. Further research efforts are required to capture the true effect. *Journal of Comparative Economics* 44(4) (2016) 1086–1114. Institute of Economic Research, Hitotsubashi University, Tokyo, Japan; Faculty of Business and Commerce, Kansai University, Osaka, Japan.

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1. Introduction

The impact of foreign direct investment (FDI) on the transformation process toward a market economy in the post-communist states is regarded as one of the hot empirical issues in the field of “transition economics” (Turley and Luke, 2010; Myant and Drahokoupil, 2011; Roland, 2012). As suggested in Fig. 1, it is very likely that a close relationship will emerge between the scale of FDI inflow and the progress in corporate governance reform and enterprise restructuring in Central and Eastern Europe (CEE) as well as in the former Soviet Union (FSU). Thus, economists have been and are still now paying careful attention to the impact of FDI on firm behavior and performance in these countries.

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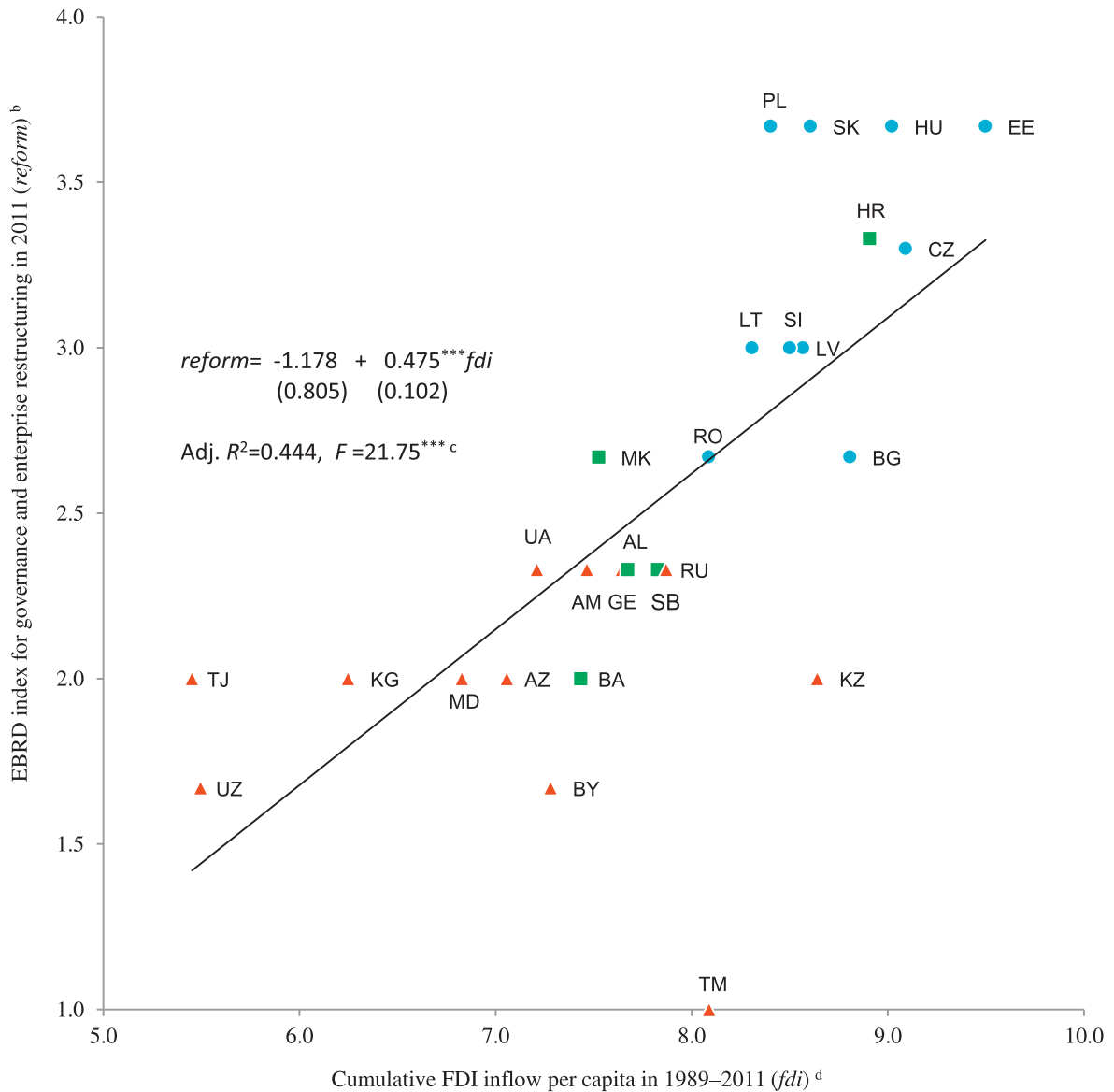


Fig. 1. Relationship between the scale of FDI inflow and enterprise reform in the CEE and FSU countries^a.

Notes: ^a Country abbreviations: AL – Albania; AM – Armenia; AZ – Azerbaijan; BA – Bosnia and Herzegovina; BG – Bulgaria; BY – Belarus; CZ – Czech Republic; EE – Estonia; GE – Georgia; HR – Croatia; HU – Hungary; KG – Kyrgyzstan; KZ – Kazakhstan; LT – Lithuania; LV – Latvia; MD – Moldova; MK – FYR Macedonia; PL – Poland; RO – Romania; RU – Russia; SB – Serbia and Montenegro; SI – Slovenia; SK – Slovakia; TJ – Tajikistan; TM – Turkmenistan; UA – Ukraine; UZ – Uzbekistan. ^b The index takes the range between 1.00 (representing little or no change from a rigid centrally planned economy) and 4.33 (representing the standards of an industrialized market economy). The figure for the Czech republic is in 2007. The figure for Serbia and Montenegro takes the average of two countries. ^c Figures in parentheses beneath the regression coefficients of the approximate straight line are standard errors. *** denotes statistical significance at the 1% level. ^d In natural logarithm.

A key research area attracting interest among researchers of transition economies from this viewpoint is the “foreign ownership effect,” which questions how foreign participation in company management through ownership influences production efficiency and financial performance in the relevant company. Another key area is the “productivity spillover effect,” which explores how the new entry and subsequent business expansion by multinational enterprises with excellent management know-how and production technology externally affect domestic firms in the host country. Reflecting the substantial difference between the two in their respective routes to the manifestation of the FDI effects, the former is also called the “direct effect,” while the latter is called the “indirect effect” (Hanousek et al., 2011).

A large number of empirical studies have repeatedly verified a positive correlation between foreign ownership and the ex-post performance of the firm across different countries and periods. As Brown et al. (2006) and many other studies have demonstrated, this positive correlation is also true in studies of transition economies. In fact, previous systematic reviews

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