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Editorial

Foreign direct investment (FDI) plays an important role in transition economies (TEs) for several reasons. From the macroeconomic point of view, foreign companies bring additional investment capital, roughly USD 200 billion by the end of 2002, into the TEs, aiding these economies to grow faster, and thus, increasing the economic wellbeing of their citizens. From the microeconomic point of view, FDI offers a relatively fast route for technology transfer and a managerial catching up with advanced Western practices. From a political point of view, FDI is a more intensive form of co-operation than conventional trade, and hence, FDI brings the economic interests of home and host countries closer to each other, strengthening mutual political understanding and stability.

Earlier studies have almost solely focused on FDI flows from the West to the East, and neglected the other direction of FDI movement, i.e. the movement of investments from East to West (or sometimes from East to further East). This special issue has been dedicated to fill this gap.

This special issue answers the following five questions: (1) how extensive is the FDI outflow from the TEs and which TEs are the most active investors abroad; (2) where has the FDI originating from the TEs landed; (3) which companies are behind the major FDI outflows from the TEs; (4) what are the major obstacles to internationalisation from the East to the West; and (5) how should the governments in the TEs react to growing FDI outflows?

The FDI outflows from the TEs will grow along with the improvement of the financial position of Central and East European enterprises and the increase in their knowledge of global business. Even if the total outward FDI stock from all the TEs is currently only some USD 25 billion, less than 1% of the world total, it would not be a great surprise if the outward FDI stock would increase significantly within the next decade.

This special issue has been prepared for all those, who are interested in this new phenomenon and its economic consequences. This collection of articles aims at providing information for scholars who are interested in developing theories and models, which would take into account both directions of internationalisation, i.e. the inward and outward FDI. Furthermore, these articles aim at providing policy-makers with adequate knowledge concerning this novel but definitely expanding phenomenon. This special issue can be regarded as a road map for Eastern companies aiming to move into the European Single Market and beyond.

Kari Liuhto