

ANALYSIS OF FOREIGN DIRECT INVESTMENT IN THE CZECH REPUBLIC

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Introduction

Investment is in general economic theory allowed to be the economic activity, at which a subject gives up the current consumption forward-looking on increasing the product. Investment can be a positive factor stimulating higher growth especially for countries, where there has been higher demand for investment than savings are. Abreast international capital flows are distinguished partly credits and partly foreign investment, at which is assumed the assets takeover in other country (acquisition).

The attention is in this paper given to direct foreign investment, which in contradistinction to portfolio investment is not linked with the purchase of short-term bonds, but with long-term relation based on holding of shares. Foreign investors so acquire long-term control over their companies (branch stores, sister companies and affiliations) abroad. Often there are found subsidiaries in order to produce goods and services, which were imported to the mother country in the past.

Conclusion

The Czech Republic is an open economy and welcomes foreign direct investment in all sectors. It has been one of the region's most successful nations in attracting foreign direct investment with over USD 15 billion worth of foreign direct investment recorded since 1990 to 1997. Since 1997 the Czech Republic has sustained record flows of foreign investment of USD 6.2 billion each year. The trend for foreign direct investment in the Czech Republic suggests increasing foreign investor confidence in the stability of the Czech economy and in the possibility of long-term growth in Central and Eastern Europe as a whole. The better conditions for investors thanks to the system of incentives are having positive effects in the form of the development of green field projects.

Positive effects of entrance FDI to the region are indisputable. Foreign owned enterprises operating in the Czech Republic acquired much higher efficiency and return on equity than the enterprises in the hand of domestic owners. Negative mark can be reduction of staff in consequence of new technologies that usually decrease the consumption of live work and fact that investment enters less sophisticated branches, which usually create a low share of the value added.

Steadily strengthening position has got the Czech foreign investment in abroad. They are orientated not only on trade organizations but also on companies worked in manufacturing or energetic industry.

Key words: foreign direct investment, theoretical factors, data of disposition, inflows, outflows