

University of Tartu
School of Economics and Business Administration

FOREIGN DIRECT INVESTMENTS IN THE ESTONIAN ECONOMY

Urmas Varblane (ed.)

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PREFACE

Foreign direct investments are a relatively new phenomenon for Estonia because during the nearly five decades as part of the Soviet economic system, our economy received virtually none. Such economic isolation from the West lasted until the early 1990s. In consequence of the mid-1990s' radical macroeconomic reforms, foreign direct investments started to play a significant role in the Estonian economy. Currently Estonia ranks third after Hungary and the Czech Republic by per capita indicators of the inflow of foreign direct investments. Presumably, the experience of our recent past provides sufficient data to analyze how foreign direct investments impact on different aspects of the economic restructuring process in Estonia.

This book is based on the work of a group of researchers in the Faculty of Economics and Business Administration, University of Tartu. It comprises six chapters, providing detailed analyses of foreign investors' performance in Estonia during the economic transformation period.

The opening chapter deals with the macroeconomic role of foreign direct investments in the Estonian economy. Estonia is compared with other transition economies by means of different indicators measuring the inflow of foreign direct investments. The second chapter discloses the motives of investors entering Estonia, while the focus of the third chapter is on the role of foreign direct investments in promoting restructuring of the Estonian manufacturing industry. Special attention is paid to comparing the dynamics of the economic performance of

domestic and foreign-owned firms. The next part deals with issues of technology transfer from foreign-owned firms to domestic ones. This is a genuinely complicated field of research, which is, however, gaining popularity among researchers. The fifth chapter examines the impact of foreign direct investments on the export propensity of Estonian firms. In case of Estonia, which is a small and very open economy, this role of foreign investments is especially remarkable. The closing chapter tries to open links between the inflow of foreign direct investments and the growing globalization and regional integration characteristic of the world economy.

The preparation of the book was a joint effort of many people. The authors are very grateful to the language editor, Eda Tammele, and the technical assistants, Merike Kaseorg and Juta Freiberg, for their outstanding work. We would appreciate comments and suggestions from our readers, which could be taken into consideration in our future work.

Urmas Varblane

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