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Regionalization in Central and Eastern Europe
The Impact of Investment Frameworks on Economic Integration and
Institutional Reform

Abstract

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Regionalization in CEE was heavily influenced by the neighboring EU. After failed domestic-oriented transformation attempts, economic policy focused on foreign investment promotion and the implementation of an EU-linked investment framework. The direct economic impact of FDI yielded strong growth in agglomeration centers but little general technology spillovers and employment growth. The main positive impact of FDI promotion and economic integration with the EU was an indirect effect on governance and institutional structures. By accepting and implementing the EU's Aquis as an investment framework, the countries did not only jump-start their economic transformation, they also provided to the development of the Aquis as an economic framework. The main message for possible East Asian approaches of private-led regionalism is that a policy-mix of competitive internationalization (FDI promotion) and cooperative governance and institutional reform (investment frameworks) seems to be the most successful.