

Summary

FOREIGN DIRECT INVESTMENT AND ITS IMPACT ON THE ECONOMY OF CZECH REPUBLIC

This work deals with foreign direct investments (FDI) and investment incentives in the Czech Republic.

Investment incentives are very often presented as instrument of economic policy for stimulation of investment activity as well as job creation. Almost every country in former socialistic block exploits it for attracting foreign direct investment. It evokes many disputes about their efficiency. Protagonists of these „classical investment incentives“ defend them as way for solving structural problems in affected regions. The others claim, that it is very often only waste of public expenditures.

The Czech Republic started to use them in 1998 to support an inflow of foreign direct investments. The Czech Republic expected from FDI restructuring of an industry, new technologies and know-how, higher productivity and economic growth. As started, investment incentives were accessible mainly to big foreign enterprises and therefore they disturb free market functioning, because they privilege reduced quantity of subjects against the rest, which contribute greatly to incentives through their taxes.

In the Czech Republic FDI offer higher level of wages and productivity of labour than the Czech firms. On the other hand FDI are directed mainly into the middle technological intensiveness, so technology transfer could not be so high. Furthermore FDI influence Balance of Payments by increasing profit repatriation.

Every country of Central European Region provides the investment incentives, so investment incentives lose their purpose as a comparative advantage. The solutions of this situation should be an international agreement, which would limit or even ban the investment incentives.

In the first chapter the term of the foreign direct investments and motives and criteria of foreign investors while choosing a host country are defined.

In the second chapter the development of the foreign direct investments in the Czech Republic in individual years is characterized.

In the third chapter investment incentives as a part of the economic policy of the government are analyzed and in the second part of this chapter present investment incentives described.

In the fourth chapter the influences of the foreign direct investments upon the economy of the Czech Republic are analyzed, that is to say both the positive ones and the negative ones.

In the fifth and the last chapter influence of investment incentives and FDI upon the unemployment are analyzed.

The goal of my work is to appraise the influences of the foreign direct investments in context with their development and the investment incentives and to judge whether it will pay to stimulate the foreign direct investments.