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The Relationship Between Research and Development Expenditure and Foreign Direct Investment: A Case Study of Transition Countries

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ABSTRACT

The fact of economic development and growth is one of the popular subjects in research area of applied economics. Most of countries especially developing economies need external sources in order to catch takeoff in developing process. Accordingly, foreign direct investments (FDI) are keystone of sustainable growth rates and stable macroeconomic structure, in a broad sense of developed economy. FDI has effect on economic growth of host countries positively by increasing production capacity and export level. If FDI saves research and development investments in host countries, not only it will have positive externalities on local actors but also know-how and human capital will increase. Production capacities and long term economic growth rates can be increased by building a channel from FDI to research and development (R&D). In this study, the effects of FDI on R&D of Transition Countries were examined by panel data analysis. The data for the study was obtained from World Bank annually between 1993 and 2012 was used. First and second generation unit roots tests and panel co-integration tests were also run in order to show long term relationships between FDI and R&D. Considering to discuss the empirical findings.

KEYWORDS Research and Development; Foreign Direct Investment and Panel Data Analysis

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