

SLOVAKIA: SUCCEEDING WITH FDI

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ABSTRACT

This paper will focus on the methods and successes that Slovakia, a small nation controlled by communism from 1948 to 1989 and now one of the newest members of the European Union, has used to attract a significant number of high-profile international firms to set up production facilities in the country. It will also illustrate how Slovakia, as a nation seeking foreign direct investment (FDI), has employed the theories (perhaps unwittingly) and practice of national competitiveness as described in Michael E. Porter's "Competitive Advantage of Nations" (1990 and 1998) to increase productivity.

BACKGROUND

Slovakia has been successful in attracting several international firms to invest in the country. This has taken the form of green-field or brown-field investments or joint ventures with an existing Slovak company.

Porter offers four distinct stages of progress of a country's national competitive development: factor-, investment-, innovation- and wealth-driven. Slovakia is fully entrenched in the "factor-driven" stage. It is at this point in the development of a country's competitiveness scale that full advantage is taken of factors of production, in this case a motivated, educated, amenable to change and available, labor force.

It is clear that the country has utilized their basic factors of production to attract international firms. What is not clear is how Slovakia will progress to the next stage of Porter's model of competitiveness – the investment-driven stage to sustain and expand productivity.