

## Appendix

**Table 1: Descriptive statistics for foreign vs. domestic manufacturing firms in 1999**

	BG	CZ	EST*	HU	LT	LV	PL	RO	SK	SLO	Avg.
<b>No. of all firms</b>	1334	1168	373	360	171	194	1540	1711	151	1093	810
<b>No. of FIEs</b>	95	191	108	84	6	36	198	289	9	118	113
<b>% of FIEs in no. firms</b>	7.1	16.4	29.0	23.3	3.5	18.6	12.9	16.9	6.0	10.8	14.4
<b>% of FIEs in sales</b>	26.6	62.3	92.1	96.4	9.1	51.7	53.3	30.9	8.5	38.0	46.9
<b>% of FIEs in emp.</b>	15.2	30.0	56.0	48.9	3.4	31.6	18.8	19.4	6.2	17.3	24.7
<b>% of FIEs in R&amp;D</b>	33.7	34.8	90.1	36.9	18.0	19.0	56.5	32.1	32.7	14.5	36.8
<b>wage FIE / wage DE</b>	1.73	1.34	1.41	1.31	-	-	0.74	1.21	1.25	1.16	1.22

\* 1998 for Estonia

Notes: FIE – foreign investment enterprise; DE – domestic owned enterprise.

**Table 2: Heckman two-stage sample selection: Probability of foreign investment decisions in 1995  
(Results of probit model)**

	BG	CZ	EST#	HU	LT	LV	PL	RO	SK	SLO
<b>Size</b>	-1.8E-07	1.2E-06	-3.4E-05	8.7E-07	-7.0E-05	8.1E-06	-1.8E-10	8.3E-07	-2.3E-06	3.7E-0
<b>z-stat.</b>	(-0.080)	(1.255)	(-1.627)	(0.440)	(-0.460)	(0.350)	(0.000)	(0.490)	(-0.540)	(1.294)
<b>Capital intensity</b>	<b>*0.019</b>	<b>*0.003</b>	<b>***0.024</b>	<b>*-0.004</b>	0.018	<b>**0.072</b>	<b>***0.009</b>	<b>**0.008</b>	0.004	-0.00
<b>z-stat.</b>	(1.854)	(2.180)	(3.457)	(-1.856)	(0.509)	(2.503)	(5.201)	(2.231)	(0.222)	(-0.70)
<b>Skill intensity</b>	<b>**0.216</b>	-0.015	0.080	<b>*0.038</b>				-0.017	-0.056	<b>**0.02</b>
<b>z-stat.</b>	(2.252)	(-1.237)	(1.002)	(1.769)				(-0.457)	(-1.135)	(2.436)
<b>Labor productivity</b>	-0.001	-0.001	<b>***0.015</b>	0.001	-0.004	0.006	0.000	<b>*0.002</b>	-0.009	7.2E-0
<b>z-stat.</b>	(-0.218)	(-0.784)	(2.648)	(1.531)	(-0.079)	(0.759)	(-0.363)	(1.667)	(-0.253)	(0.154)
<b>Sector size</b>	<b>**0.036</b>	0.015	0.002	0.018	0.005	0.007	0.011	-0.004	<b>***0.037</b>	-0.00
<b>z-stat.</b>	(2.210)	(1.589)	(0.250)	(1.581)	(0.119)	(0.262)	(0.973)	(-0.206)	(4.447)	(-0.584)
<b>Foreign penetration</b>	<b>***0.024</b>	<b>***0.023</b>	<b>***0.012</b>	<b>***0.026</b>	<b>**0.050</b>	<b>***0.031</b>	<b>***0.021</b>	<b>***0.025</b>	<b>***-0.026</b>	<b>***0.02</b>
<b>z-stat.</b>	(10.835)	(13.518)	(3.347)	(8.538)	(2.539)	(5.783)	(11.736)	(13.521)	(-4.056)	(8.488)
<b>Number of obs.</b>	1334	1168	373	360	171	194	1540	1711	151	109
<b>Pseudo R2</b>	0.281	0.232	0.146	0.358	0.336	0.453	0.230	0.162	0.623	0.14

# 1994 for Estonia and Slovenia

**Table 3: Impact of FDI: Direct effects and spillovers (Test 1)**  
**(Sample of domestic and foreign owned firms)**

Test1	BG	CZ	EST	HU	LT	LV	PL	RO	SK	SLO
<b>FDI dummy</b>	-0.027 (-0.99)	***-0.126 (-3.82)	**0.162 (2.50)	*0.070 (1.73)	***-0.544 (-2.69)	-0.001 (-0.01)	***-0.091 (-2.92)	*-0.050 (-1.70)	0.047 (0.81)	**0.052 (2.12)
<b>Majority FDI</b>	0.013 (1.07)	0.002 (0.20)	**0.041 (2.16)	0.002 (0.14)	***0.492 (4.82)	0.015 (0.76)	-0.001 (-0.25)	**0.015 (2.48)	0.004 (0.26)	-0.002 (-0.37)
<b>Hor_Spill</b>	0.0001 (0.69)	***0.0003 (2.67)	-0.0004 (-1.35)	0.0002 (1.60)	-0.0010 (-1.24)	-0.0001 (-0.41)	**0.0002 (2.09)	***0.0003 (3.02)	*0.0006 (1.87)	0.00004 (0.98)
<b>Hor_Spill_FDI</b>	*0.0007 (1.79)	0.0002 (1.40)	0.0001 (0.25)	0.0003 (0.89)	-0.0076 (-0.86)	0.0002 (0.37)	0.000002 (0.02)	0.0002 (1.55)	0.0003 (0.63)	-0.00001 (-0.08)
<b>Backward_Spill</b>	-0.001 (-0.94)	***0.003 (2.65)	-0.001 (-0.59)	-0.003 (-1.31)	0.032 (1.40)	0.002 (1.25)	**0.002 (2.29)	0.001 (0.83)	0.010 (0.29)	**0.001 (2.21)
<b>Backward_Spill_FDI</b>	***0.009 (2.59)	0.002 (0.60)	0.002 (0.90)	0.000 (0.01)	*-0.984 (-1.83)	***-0.013 (-2.74)	0.002 (0.63)	0.000 (0.11)	-0.053 (-1.28)	-0.002 (-0.94)
<b>Forward_Spill</b>	-0.001 (-1.59)	***-0.005 (-3.64)	0.001 (0.30)	0.004 (1.17)	-0.006 (-0.25)	-0.004 (-1.50)	***-0.005 (-3.85)	0.000 (0.36)	-0.008 (-0.26)	*-0.001 (-1.71)
<b>Forward_Spill_FDI</b>	**0.009 (-2.45)	0.000 (-0.07)	-0.001 (-0.46)	0.001 (0.18)	*0.970 (1.68)	**0.013 (2.33)	0.001 (0.26)	0.001 (0.32)	0.032 (0.77)	0.001 (0.55)
<b>Sector size</b>	0.0003 (0.81)	0.0001 (0.19)	-0.0008 (-0.77)	-0.0015 (-1.52)	-0.0019 (-1.40)	-0.0014 (-1.58)	-0.0002 (-0.73)	0.0002 (0.58)	***-0.002 (-3.21)	0.00001 (0.20)
<b>Sector size_FDI</b>	**0.0041 (-2.10)	*-0.0014 (-1.67)	0.0009 (0.66)	**0.0035 (-2.25)	*0.0320 (1.70)	-0.0004 (-0.20)	-0.0010 (-1.29)	-0.0001 (-0.09)	0.0004 (0.14)	0.00003 (0.28)
<b>No. of obs.</b>	4123	3985	1047	760	422	555	4271	6018	426	5170
<b>AR(1)</b>	-10.62	-5.68	-6.28	-2.31	-2.71	-2.63	-7.37	-10.82	-2.05	-10.20
<b>AR(2)</b>	0.08	-0.40	-	-	1.30	0.17	0.26	-1.68	-0.80	0.55

**Table 4: Impact of R&D: Importance of innovative and absorptive capacity (Test 2)  
(Sample of domestic firms only)**

	Test2	BG	CZ	EST	HU	LT	LV	PL	RO	SK	SLO
<b>R&amp;D</b>		0.021 (0.98)	0.001 (1.60)	-0.006 (-0.40)	-0.005 (-1.48)	<b>*0.115</b> (1.88)	<b>***0.015</b> (2.98)	0.000 (0.21)	<b>*0.009</b> (1.70)	<b>**0.011</b> (-2.09)	-0.002 (-0.92)
<b>R&amp;D(-1)</b>		-0.024 (-1.05)	-0.001 (-1.60)	0.017 (0.67)	<b>*0.016</b> (1.68)	-0.069 (-0.82)	<b>*-0.011</b> (-1.82)	0.000 (-0.10)	-0.009 (-1.57)	0.009 (1.49)	0.005 (1.46)
<b>Hor_Spill</b>		-0.0001 (-0.79)	-0.0001 (-0.81)	0.0001 (0.21)	0.0001 (0.32)	-0.0011 (-1.45)	-0.00004 (-0.21)	0.0001 (1.57)	<b>**0.0001</b> (2.45)	-0.0004 (-1.05)	0.0001 (1.41)
<b>Hor_Spill_R&amp;D</b>		4.6E-05 (1.24)	-2.8E-07 (-0.55)	<b>**0.0001</b> (-2.24)	<b>**5.4E-05</b> (2.18)	3.3E-04 (0.75)	<b>*-5E-06</b> (-1.80)	4.9E-06 (0.59)	4.3E-07 (0.56)	<b>**0.0004</b> (2.31)	-3.8E-06 (-0.51)
<b>Backward_Spill</b>		-0.001 (-1.18)	<b>***0.004</b> (2.74)	-0.001 (-0.58)	-0.0002 (-0.06)	0.014 (0.54)	0.002 (0.84)	<b>**0.002</b> (2.28)	0.0004 (0.59)	-0.009 (-0.34)	<b>***0.002</b> (2.95)
<b>Backward_Spill_R&amp;D</b>		-0.0004 (-0.86)	0.00001 (0.50)	0.0002 (0.46)	-0.0004 (-0.76)	0.010 (0.47)	0.0001 (0.71)	0.00002 (0.16)	<b>*-0.0001</b> (-1.83)	-0.002 (-0.86)	<b>**0.0002</b> (-2.06)
<b>Forward_Spill</b>		-0.001 (-1.22)	<b>***-0.005</b> (-3.40)	0.002 (0.98)	0.003 (0.76)	0.012 (0.52)	-0.002 (-0.67)	<b>***-0.005</b> (-4.02)	0.001 (1.01)	0.006 (0.24)	<b>*-0.001</b> (-1.89)
<b>Forward_Spill_R&amp;D</b>		0.0003 (1.02)	-0.00001 (-0.49)	0.00003 (0.09)	-0.00002 (-0.06)	-0.014 (-0.64)	<b>*-0.0002</b> (-1.69)	-0.0001 (-0.61)	<b>*0.0001</b> (1.71)	0.005 (1.31)	0.0001 (1.28)
<b>Sector size</b>		0.0001 (0.18)	-0.0004 (-1.44)	-0.001 (-0.82)	<b>***-0.002</b> (-2.62)	<b>**0.002</b> (-2.11)	-0.001 (-1.23)	-0.001 (-1.62)	0.0001 (0.34)	<b>***-0.003</b> (-4.45)	-0.00001 (-0.40)
<b>Sector size_R&amp;D</b>		0.0001 (0.46)	2.5E-08 (0.61)	-0.0005 (-0.85)	-3.2E-05 (-0.31)	-0.0006 (-1.63)	<b>*-0.0001</b> (-1.77)	<b>**0.0001</b> (2.28)	3.3E-05 (0.98)	-2.8E-05 (-0.94)	9.8E-07 (0.33)
<b>No. of obs.</b>		3820	3308	759	583	411	438	3712	5075	398	4633
<b>AR(1)</b>		-9.99	-4.49	-4.91	-2.72	-2.73	-3.36	-7.71	-8.94	-1.79	-9.69
<b>AR(2)</b>		0.44	-0.17	-	-	1.30	0.61	-1.00	-1.82	-1.27	0.54