

## **Abstract**

This thesis investigates the impact of the European Union's (EU) eastern enlargement on foreign direct investment (FDI) in Central and Eastern European (CEE) new member states using the Synthetic Counterfactuals Method. By constructing a synthetic control group, the study estimates what FDI levels would have been without EU membership. Findings reveal that EU membership significantly boosts FDI inflows into CEE countries, with a notable and sustained increase post-accession. The enhancement is attributed to improved stability, regulatory alignment, market access, and reduced investment risk due to EU integration. Additionally, the impact of EU membership on FDI shows heterogeneity across different CEE countries, with those having stronger institutional frameworks experiencing higher FDI growth, highlighting the importance of domestic reforms. The study underscores the significance of EU membership in attracting FDI and fostering economic growth. For policymakers, it suggests that continued integration and alignment with EU standards, along with strengthening institutional quality, upgrading industry and enhancing corporate governance, can further enhance FDI inflows and economic development in CEE countries.

**Keywords: FDI, EU Eastern Enlargement, CEE countries, SCM**