FOREIGN DIRECT INVESTMENT (FDI) IN ROMANIA
- Definitions, theories, benefits.
Characteristics of econometric modeling

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Abstract

This paper analyzes some characteristics of economic and econometric literature in the field of FDI after 1990, in Romania, as well as some specific issues in the process of practical modelling. A more detailed presentation of John Harry Dunning's eclectic theory and a simple presentation of the theory of de-investment complete the general theoretical presentation of FDI. A first problem after the definition, life cycle, similarities and **differences between portfolio** and **direct** foreign investment, after the benefits of FDI, is given by the outstanding dynamics and structure of FDI. Some characteristic features of the value oscillation and structural dynamics of gross capital formation (GCF), gross capital fixed capital formation (GFCF) and gross domestic savings (GDS) in GDP are relevant for the specificity of the phenomenon of FDI in Romania after 1990.

Key words: foreign direct investments (FDI), econometric model, foreign portfolio investments (FPI), matrix of correlations.

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In the new century, which he have recently entered, the signification of FDI has grown steadily and rapidly as global importance (according to The Economist, 2001, "FDI is globalisation in its most potent form"), on a par with an increase in the value and weight of that phenomenon, which has come to represent currently over 20% of the world GDP.

An international investment implies the existence of at least two economic agents, an issuing agent and a receiving agent, located in different national economic spaces, as well as an investment flow from the issuer to the recipient. The investment flows can be directed towards a receiving economy, or destination (inflow), conceptually representing investments, or can be generated by an issuing economy or investment source (outflow), meaning the investment outflows. Closely related to the clinical flow investment issuer and the receiver can distinguish foreign portfolio investment (ISP) and foreign direct investment (FDI), first holding a high migration potential, completely unstable character,

recasting itself as the "hot money "while the second category involves a long term relationship and lasting interest implies a control performed by a resident entity in one economy in an enterprise resident in another economy.

Specificity of FDI, reflected in the diversity of its theories and models

The dictionary definitions are still torn between the micro- and the macro-economic significance.

FDI definitions with a micro-economic impact	FDI definitions with a macro-economic impact
FDI occurs when an individual or firm acquires contro-lling interest in productive assets of another country. The New Palgrave Dictionary of Economics	FDI stands for Foreign Direct Investment, a component of a country's national financial accounts. FDI is investment of foreign assets into domestic structures, equipment, and organizations. On–line dictionary *Economics About*
FDI means an investment abroad, usually where com-pany being invested in is controlled by the foreign cor-poration. Investopedia.	FDI is money from one country that is put into businesses in another country. Business English Dictionary

The major similarities are: a) FDI and FPI remain primarily determined by economic factors, b) FDI and FPI assume ownership of major financial resources; c) the direct investor (DI) and the portfolio investor (PI) assume particular risks; d) FDI and FPI have the same objective, that of achieving a profit; e) FDI and FPI generate flows of foreign investment.

The differences are numerous and substantial: a) DI buys control and exertion of management of the investment, and has managerial skills, while PI buys securities; b) DI targets a return on long-term, while PI aims at short-term profit, but at greater risks; c) the modal profile of DI is the company, while the PI's is the individual or institution; d) FPI are more volatile than FDI in times of recession; d) FDI involves outsourcing through investing in the same corporation, and includes corporal and intangible assets, while FPI implies purchase of titles on international markets, and does not include the transfer of assets. The Czech economists Josef Brada and Vladimir Tomsik proposed a model of financial life cycle of FDI, which represents a stylized relationship between profits, dividends and reinvested earnings, during a project on FDI; this lifecycle model contains three stages (phases):

Phase I - Appearance: describes the input stage of FDI, when a company (DI) makes an investment in the host country to establish a subsidiary, which initially will operate without profits, and even at a loss; when there is apurchase, this period may be shorter if the company purchased is profitable,

or can be quickly made so;

Phase II - Growth: it is the phase when the subsidiary begins to operate profitably, under the conditions in which it begins production, or the company is restructured; however, to get a better market position, it needs, and will still need, further investment for the working capital and developing capacities (nearly all profits will be probably reinvested, and with its growth, the parent company may request remission of part of the branch profits as dividends, although the value of reinvested profits will continue to grow).

Phase III - Repatriation of profits: coincides with the growing-up or maturation of the branch, when its market share and profit margins have stabilized, and the parent company decides to return much of the profits as dividends; these funds are used to finance investment opportunities offering dynamic growth in other markets or in other economies.

The main aspects of the economic benefits offered by FDI to the host country were synthesized by the following significant points:

Main aspects of the economic benefits of FDI

- FDI produce effects of growth, development and chain-optimization: supporting economic growth, stimulating domestic investment, generating positive effects on the trade balance, and supporting the increase of incomes to the state budget; - FDI bring financial resources, which are more stable, and which can be more easily used by the investor, as compared to commercial debt or portfolio investment; - FDI can attract and support the transfer of managerial skills and improve technical expertise (know-how); - FDI introduce improvements in the host economy, and provide greater versatility, as well as new techniques of organization and management practices; - FDI bring in modern technology, which can contribute to more efficient use of the existing one, and can generate financing for local research and development capacity; - FDI, by the transnational activities generated, can provide better approaches to exports on markets for goods and services, and can assist the host country to ensure a transfer of production from an exclusively domestic market to the international market (export growth provides many advantages in relation to information technology, economy of scale, competitive motivation, and market incentives); - Foreign companies investing in host countries are usually leaders in developing new technologies, no less than in the external effects of those technologies; they have the necessary experience and managerial skills, and can enhance, in local companies, their skills for environmental management in industries where FDI are present.

The typology of FDI brings together different classes of investments by contribution to economic development and renewal of assets in the host country (Vitalis, 2002): a) greenfield investment, a type of investment that started from "scrap", also known as empty space investment; b) brownfield investment, which are defined as purchase, or lease by a company of existing production facilities to launch a new activity, more than 50% of tangible and intangible is made after the takeover; c) acquisition of assets in another country; d) total or partial takeovers of firms; e) merging with a company in another country; f) equity participation in the establishment of a joint venture investments.

The main theories that addressed the internationalization of business marked the development and maturation of economics as a science. In general, these theories can be classified into three classes: a) theories on trade: the comparative absolute advantage theory (Adam Smith, 1776); the theory of relative comparative advantage (David Ricardo, 1817); the theory of comparative advantage in the generalized scheme (Mihail Manoilescu, 1929), the theoretical model of commercial gravitation (Walter Isard, 1954), the Heckscher-Ohlin theoretical model (Eli Heckscher, 1919, Bertil Ohlin, 1933), Leontief's paradox (Wassily Leontief, 1954), the theory based on the Linder hypothesis (Staffan Burenstam Linder, 1961), the theory of location, the theory of market imperfections (Stephen Hymer, 1976, Charles P. Kindleberger, 1969, Richard E. Caves, 1971), the theory of the factors specific to the H-O model, etc.. b) theories based on the traditional approaches: the theory of FDI, the monopolistic advantage theory (Stephen Hymer), the theory of tackling by non-availability (Irving B. Kravis, 1956), the technological gap theory (Posner), the Uppsala theoretical model, Porter's diamond theory (Michael Porter), the theory of dissemination of information (Rogers, 1962) the eclectic theory or paradigm (John H. Dunning), etc.; c) theories focusing on the diversity factor: the behavioral theory of the firm (Richard M. Cyert & James G. March, 1963, Yair Aharoni, 1966), the contingency theory, the contract theory, the theory of scale, the internalization theory (Peter J. Buckley & Mark Casson, 1976, Rugman, 1981), the product life cycle theory (Raymond Vernon, 1966), the theory of firm growth (Edith Penrose, 1959), the transaction cost theory, etc. Analogously, the classes of models have diversified profoundly.There is also a specific modelling of investment phenomena, defined as a complex process aiming at forecasting, and the retrospective analysis of the econometric models of FDI identifies a very varied typology: a) *the classical statistical models, centring on the correlation between FDI and economic growth*, (Keynes model, Clarke's theoretical model, Harrod-Domar model, Solow model etc); b) *the theoretical models derived from the economic conceptualization of FDI*, (Aliber model, Kindleberger model, Calvet model, Kojiama model, as

well as other classical models of FDI influenced by the differences in capital formation rate (interest difference); c) *the classical theoretical structural models of FD* (Leontief's static and dynamic model, Lange's dynamic model, etc); d) *the modern eclectic and restructured models (after R squared) of FDI*, which identifies four distinct categories: focusing on indicators selected as value determination, centering on statistical ranked rates, based on selected structural indicators (shares of GDP, and other structural indicators), and especially eclectic models (diversified in the spirit of the Stopford & Strange models, 1991; Porter, 1992, Dunning, 1993). The last class holds the largest share of the number of models, built after identifying a key factor, initially generating single-factor models, later extended in works that focus on a fundamental correlation between FDI and corruption (Habib & Zurawicki, 2002), FDI and public institutions (Ali, Fiess and MacDonald, 2010), FDI and economic development (Ali, 2005), FDI and public investment (Masliy and Pytel, 2008), FDI and infrastructure (Jakl et al., 2011), FDI and transport (Khadaroo and Seetanah, 2010), FDI and industry (Alfaro & Charlton, 2009), FDI and inter-regional agreements (Davis, 2011), FDI and exports (Ekholm, Forslid and Markusen, 2007), FDI and the risk for the country of destination to belong to a mostly underdeveloped continent (Njawaya et al., 2011), FDI and inflation (Sayek, 2009), FDI and resources (Kretzschmar, Kirchner & Sharifzyanova, 2010), FDI and trade costs (Francis, Zheng and Mukherji, 2009), FDI and environmental taxes (De Santis and Stähler, 2009), FDI and regional military conflicts (Quan Li, 2008), FDI and industrial performance (Bitzer and Görg, 2009), FDI and international trade together with regional security (Dixit, 2011), FDI and multinational corporations (Görg and Jabbour, 2009), FDI and the soundness of the banking system (Ushijima, 2008), FDI and economic growth encouraged by law or legal regulations (Busse and Groizard, 2008), and, last but not least, FDI and various risk categories aggregated in country risk.

Landmarks in time of the significant books produced by the pioneers of FDI theories

John Harry Dunning (1927 –2009)	Stephen Herbert Hymer (1934 –1974)
1958 - *American investment in British manu-facturing industry*. London: Ruskin.	1960 -*The International Operations of National Firms: A Study of Direct Foreign Investment* constituie PHD thesis of Hymer, S.H., published in 1976
1977 - *Trade, location of economic activity and the multinational enterprise: A search for an eclectic approach,* in B. Ohlin, P. O. Hesselborn & P. M. Nijkman (Eds), The international allocation of economic activity, London: Macmillan.	1968-*The large multinational „corporation"* published in *Multinational corporations* Ed. M. Casson, London: Edward Elgar.
1980 - *Towards an eclectic theory of international production: Some empirical tests*. Journal of International Business Studies, vol 11 (1).	1969 - *A model of an agrarian economy with non agri-cultural activities*. The American Economic Review, vol. 59 (4), pp. 493-506 (the paper's coauthor is Resnick, S.)
1995 - *Reappraising the eclectic paradigm in the age of alliance capitalism*. Journal of International Business Studies, vol. 26 (3).	
1998 - *Location and the multinational enterprise: A neglected factor?* Journal of International Business Studies, 29 (1).	1970 - *The efficiency (contradictions) of multi-national corporations*. The American Economic Review: Papers & Proceedings, 60(2)
2000-2004 - *The eclectic paradigm as an envelope for economic and business theories of MNE activity.*	
2008-*Institutions and the OLI paradigm of multinati-nal enterprise*. Asia Pacific Management Journal.	1970 - *The multinational corporation and the law of uneven development,* în Bhagwati J.N.(Ed.) Economics and world order. London: Macmillan

The FDI national literature, base upon the country risk concept pursues the the micro-, and macro-economical significations, but either the rankings are exclusively qualitative, or they are kept confidential, methodologically.

The eclectic or OLI model theory is the most extensive approach to FDI, especially of the internalisation theory, achieved and improved gradually over 50 years of studies and works by John H. Dunning. The theory focuses on the paradigm of eclecticism, a new concept, which is a mixture of previous concepts, a non-unitary system of thought lacking original ideas, which takes only the significant ideas from various theories or approaches, synthesising them. The theory combines both the microeconomic part of the theory of foreign direct investment, and the macroeconomic side; it also combines the theory of international trade and the theory of investment localisation, and the advantage of monopoly and internalisation theory, becoming an optimal

multitheoretical explanatory mixture, not devoid of practical orientation and a higher degree of objectivity in relation to all the thories included in its own eclecticism (it identifies and explains the level and structure of the actual / real international production activities, and not those which should be, according to most theories, describing rather a reality changed according to their own abstractions). John H. Dunning contributes three additional factors to the internalisation theory (which was based solely on transaction costs): a) benefits of ownership (brand, production technology, entrepreneurial skills and economic scale, and implicitly some specific ownership advantages that refer to the competitive advantages of enterprises wishing to engage in foreign direct investment); b) advantages having to do with location (availability of raw materials, low wages, fees or special charges) in keeping with alternatives that vary in different countries, regions, economies, etc.; c) advantages related to internalizing (with emphasis on the advantages connected with own production rather production by means of partnership agreements such as licensing or joint formation of a company).

Comparative advantages of the main forms of entry in a capital economy,
in keeping with the eclectic theory

		Categories of advantages		
		Advantages connected with ownership	Advantages connected with location	Advantages connected with internalization
Forms of entry in the economy	Exports	YES	NO	NO
	Licences	YES	YES	NO
	FDI	YES	YES	YES

According to the eclectic theory of John H. Dunning, two different types of FDI can be distinguished:

a) investments in resources to effectively benefit from those resources (in order to get access to basic materials such as raw materials or other inputs);

b) market investments, to enter an existing market, or create a new market.

The eclectic theory qualitatively distinguishes between strong and weak in terms of efficiency of investment sought by investment, redefining different investment categories, from the strategic ones, seeking support, to short-term portfolio investment. Analogously, it draws a distinctionbetween export and FDI, based on the typology of specific advantages:

**Models of trade and foreign direct investment for industries and
countries, and specific advantages of exports and FDI,
in the eclectic theory**

Models of trade and direct foreign investment for industries and nations		Advantages connected with location	
		Strong	Weak
Advantages connected with ownership	Strong	Exports	FDI outputs
	Weak	FDI entries	Imports

If there are internalization advantages, the trans- and multinational company can invest more capital abroad, through export in the concrete form of a subsidiary of export, and FDI is the most intensive capitalization that a company may choose; yet, a trans- or multinational company should seek especially the advantage of location, through firms that can be purchased or built entirely abroad. FDI is also the most capital intensive in the same trans- and / or multinational companies In terms of internalizing activities. The major merit of this theory is that it provides a general framework for determining the size, direction and international distribution of FDI (the theory considers both directions of investment).

The eclectic theory is also called the OLI paradigm, and it brings together, in the abbreviated form, all the stimulating factors of direct foreign investments: ownership advantages (O - ownership) and other intangible assets (product or technology licenses, patents, know-how, management expertise, superior organizational culture, different from the others, human capital, experts that others do not have, marketing techniques, trademarks); location advantages (L - location), due to geographical dispersion (risk diversification, firm size, economies of scale, product range, differential access to resources, bargaining power, experience, arbitrage opportunities related to differences in prices, exchange rate, interest rate, international flexibility and supply), and also the actual location (factor endowment, resources, manpower, cost factors, productivity factors, cost of energy and communications, infrastructure, facilities or barriers included in a certain political, social, administrative menu, cultural differences or similarities, etc.); advantages related to internalizing (I-internalization), ranging from avoiding the costs of negotiation, avoiding costs of looking for suitable partners, avoiding losses due to inefficient partners and loss of reputation, protecting own reputation, avoiding court costs and commercial litigation, avoiding or exploiting government intervention by tariff and non-tariff barriers, protecting patents and information, reducing uncertainty with suppliers and buyers, distribution units control, controlling

the terms of sale, up to the possibilities of using transfer pricing and domestic subsidies, etc.)

The concrete model of international production is dependent on the configuration of the benefits (O) of a company, the configuration (L) of regions or countries benefits, as well as the perception of how far companies have advantages and benefits necessary for organizing O and L. A corporation becomes a means by which resources unrelated to a specific location (technology, capital, management) are transferred to regions with location-specific complementary resources (raw materials, labour), and the inclination of such corporations to engage in FDI varies according to the characteristic features of the economy, country or region where they propose to invest, the range or type of products they produce, and their own management system and organizational strategies. In conditions of recession, another theory becomes of growing interest, i.e. the theory of disinvestment. The theory of disinvestment resulted, as a theory, from the reversal of the line of argumenting of the eclectic theory, describing the main conditions when disinvestment occurs: a) the foreign company loses its competitive advantages they have compared with firms of other nationalities; b) even if there are such advantages (of the O type), the company no longer considers it appropriate to use them within its own structure by internalization, and outsources them (it no longer has advantages of type L; many companies want to focus on their core business); c) even if it still has benefits of the O and I type, a company no longer consider it appropriate to be present in a foreign market, and makes use of exportation, so there are no lobger advantages of type L, as well as the empirical reasons of disinvestment, i.e. changes in the external business environment and the decline in demand for the company's products, increased energy costs, changes in the operation of the company and poor management, poor product quality, poor economic performance of the branch (in the 70s or 80s), strategic decisions concerning restructuring to concentrate resources. Disinvestment is seen as a failure by managers, but is a cyclic solution in FDI.

The specificity of the FDI phenomenon in Romania, after 1990

In the last two decades, Romania has constantly evolved towards an investment-based economy (with inherent ascending oscillations in periods of economic boom, and descending, in times of crisis or recession), analyzing in parallel the shares of GDP represented by gross capital formation (GCF), gross fixed capital formation (GFCF), and gross domestic savings (GDS).
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Annual evolution of GDP shares of gross capital formation (GCF), gross capital fixed capital formation (GFCF), and gross domestic savings (GDS), in Romania

	Gross Capital Formation (GCF, in % of GDP)	Gross Fixed Capital Formation (GFCF, in % of GDP)	Gross Domestic Savings (GDS, in % of GDP)
1990	30,2	19,8	20,8
1991	28,0	14,4	24,1
1992	31,4	19,2	23,0
1993	28,9	17,9	24,0
1994	24,8	20,3	22,7
1995	24,3	21,4	18,7
1996	25,9	23,0	17,4
1997	20,6	21,2	13,6
1998	17,7	18,2	9,7
1999	16,1	17,7	11,2
2000	19,5	18,9	14,3
2001	22,6	20,7	14,9
2002	21,7	21,3	16,0
2003	21,8	21,4	14,3
2004	22,3	21,6	13,2
2005	22,6	23,0	12,3
2006	23,7	23,5	14,7
2007	29,0	28,8	16,9
2008	31,4	31,1	18,6
2009	30,5	30,3	23,6
2010	31,4	31,1	25,1

Sursa: http://data.worldbank.org/data-catalog#Tables

Analyzed in parallel, the level of the same indicators in Europe and worldwide is much less volatile and more consistent or homogeneous, located, as any other average value within an internal area of extreme particular (maximum and minimum) values, but within a much narrower variation interval.

Annual evolution of GDP shares of gross capital formation (GCF), gross capital fixed capital formation (GFCF), and gross domestic savings (GDS), in the EU and worldwide

	Europeean Union			World economy		
	Gross Capital Formation (GCF in % of GDP)	Gross Fixed Capital Forma-ion (GFCF, in % of GDP)	Gross Domestic Savings (GDS, in % of GDP)	Gross Capital Formation (GCF in % of GDP)	Gross Fixed Capital Forma-ion (GFCF, in % of GDP)	Gross Domestic Savings (GDS, in % of GDP)
1990	22.8	22.1	20.9	23.4	22.5	22.1
1991	21.7	21.4	19.9	22.6	21.9	21.3
1992	20.7	20.6	19.0	22.1	21.5	20.9
1993	19.1	19.3	18.6	21.8	21.3	20.7
1994	19.5	19.3	19.2	22.1	21.4	21.4
1995	20.0	19.4	20.1	22.3	21.4	21.7
1996	19.6	19.4	20.0	22.2	21.5	21.9
1997	19.8	19.4	20.6	22.5	21.6	22.6
1998	20.7	20.0	20.9	22.2	21.6	22.3
1999	20.9	20.3	20.5	22.0	21.5	21.8
2000	21.4	20.6	20.3	22.3	21.6	22.1
2001	20.6	20.1	20.2	21.4	21.1	21.1
2002	19.6	19.5	20.1	20.6	20.4	20.4
2003	19.5	19.2	19.8	20.8	20.3	20.5
2004	19.8	19.3	20.6	21.6	20.8	21.5
2005	19.9	19.6	20.3	21.9	21.3	21.9
2006	20.8	20.2	21.2	22.5	21.7	22.9
2007	21.6	20.7	22.0	22.5	21.7	22.6
2008	21.0	20.5	20.8	22.0	21.4	21.4
2009	17.9	18.5	18.0	19.0	19.6	18.5
2010	18.5	18.2	18.4	19.8	19.3	19.3

Sursa: http://data.worldbank.org/data-catalog#Tables

If all these correlated investment indicators are confronted, it can be found that in terms of descriptive statistics, the differences between the global, European and national dynamics are rather great, Romania with a more heterogeneous evolution caused by the transition to a market economy (under the impact of downward of saving and investing specific to the restructuring and privatization in the first decade, and rising in the pre-accession, and immediately after EU accession).

Coefficient of homogenity, skewness and kurtosis of data series of GDP shares of gross capital formation (GCF), gross capital fixed capital formation (GFCF), and gross domestic savings (GDS), in Romania, the EU and worldwide

	România			European Union			World economy		
	GCF (% of GDP)	GFCF (% of GDP)	GDS (% of GDP)	GCF (% of GDP)	GFCF (% of GDP)	GDS (% of GDP)	GCF (% of GDP)	GFCF (% of GDP)	GDS (% of GDP)
Mean	24.97143	22.13333	17.57619	20.25714	19.88571	20.06667	21.79048	21.20952	21.37619
Median	24.30000	21.30000	16.90000	20.00000	19.60000	20.20000	22.10000	21.40000	21.50000
Maximum	31.40000	31.10000	25.10000	22.80000	22.10000	22.00000	23.40000	22.50000	22.90000
Minimum	16.10000	14.40000	9.700000	17.90000	18.20000	18.00000	19.00000	19.30000	18.50000
Std. Dev.	4.719337	4.588064	4.745830	1.140864	0.916125	0.975363	1.005935	0.753595	1.075595
Skewness	-0.088463	0.804834	0.171788	0.091419	0.475934	-0.433643	-1.313082	-1.136885	-1.055442
Kurtosis	1.902456	2.856592	1.754208	2.946850	3.202936	2.873065	4.483261	3.965385	3.927526
Coefficient of homogenity (%)	18,9	20,7	27,0	5,6	4,6	4,9	4,6	3,6	5,0

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Change in stocks and inventories, which is in fact the difference between the quotas of GDP, the GCF and GFCF, has a great influence in Romania, distorting especially the intensity of the correlation between GFCF and GDS, according to the confrontation of their correlograms, constructed from data specific to Romania between 1990 and 2010.

Correlograms between FBC and GDS, and GDS and GFCF, respectively, with graphically outlined regression
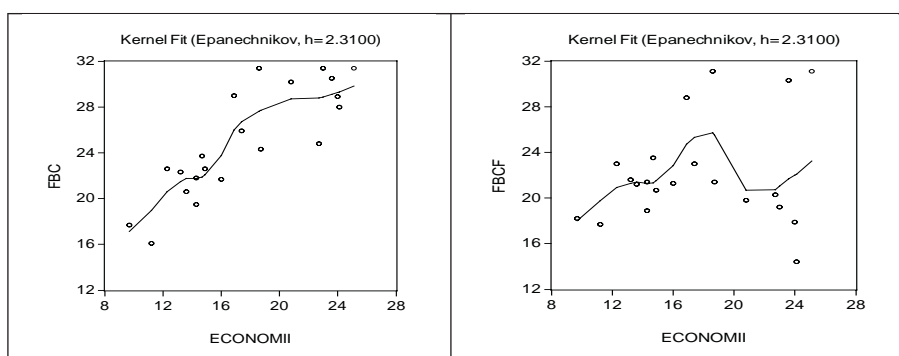
Sursa: http://data.worldbank.org/data-catalog#Tables.   Soft utilizat: EViews

The correlation between the savings and the formation of gross fixed capital in Romania is much more distorted than the in the world, and even compared to the EU (the extended transition periods and the more profound impact of recession are probably the main causes of this phenomenon), as can be seen from the correlation matrix of the variables defined by the GDP shares of GCF, GFCF and GDS.

Correlation matrix of variables defined by the the GDP shares of FBC, GFCF and GDS in Romania (RO), the European Union (EU), and the world economy (W)

	RO FBC	RO FBCF	RO EIB	UE FBC	UE FBCF	UE EIB	W FBC	W FBCF	W EIB
RO FBC	**1.000000**	**0.493197**	**0.846861**	-0.060787	0.065241	-0.378552	-0.153304	-0.140790	-0.420937
RO FBCF	0.493197	1.000000	0.194764	-0.367285	-0.405758	-0.080186	-0.508996	-0.536460	-0.355360
RO EIB	0.846861	0.194764	1.000000	-0.218230	-0.066553	-0.670965	-0.234864	-0.217329	-0.570094
UE FBC	-0.060787	-0.367285	-0.218230	**1.000000**	**0.967166**	**0.715340**	0.799097	0.819924	0.679996
UE FBCF	0.065241	-0.405758	-0.066553	0.967166	1.000000	0.574671	0.749659	0.812070	0.557798
UE EIB	-0.378552	-0.080186	-0.670965	0.715340	0.574671	1.000000	0.663676	0.629001	0.844219
W FBC	-0.153304	-0.508996	-0.234864	0.799097	0.749659	0.663676	**1.000000**	**0.971016**	**0.893051**
W FBCF	-0.140790	-0.536460	-0.217329	0.819924	0.812070	0.629001	0.971016	1.000000	0.845386
W EIB	-0.420937	-0.355360	-0.570094	0.679996	0.557798	0.844219	0.893051	0.845386	1.000000

Sursa: http://data.worldbank.org/data-catalog#Tables. Soft utilizat: EViews

The boom in investment, especially in foreign investment, on the eve of EU accession and immediately afterwards, is another phenomenon specific to both Romania and other countries in Central and Eastern Europe, those nations that are basically in the same situation as Romania after 1989. Viewed within the context of the cybernetic system of real national economy, many investments in Romania belong to the real estate domain, to retail and automobile production (considered as assets), and this has had many negative practical implications, leaving many unresolved issues relating to gaps in the development of a number of production factors, especially in infrastructure and human resource education. There is a natural limit of investment growth in the absence of a developed infrastructure, and, subsequently, a natural limit to the value added investments in the absence of proper education of the human factor. Economic cyclical evolution reduces, in times of in recession, the volume of investment and raises again the acute problem of the efficiency of all production factors, detailing the impact on infrastructure, and education. The dynamics of FDI in Romania over the last two decades shows fluctuations that are hard to imagine, with a multiplication of the total volume of FDI over two hundred times, much higher than the average European or global evolution,

if we analyze it as a share of gross fixed capital formation in Romania, Europe and the world economy, in terms of the value in U.S. dollars, and comparable prices of 2000 (Graph 3):

Graphical oscillations of percentage share of FDI in formation of gross fixed capital, in Romania, in Europe Union, and in the World Economy, between 1991 and 2010

Source: http://www.unctad.org/fdistatistics.
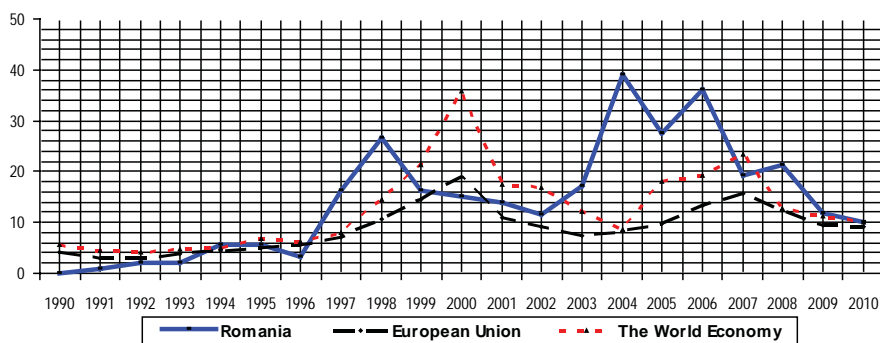
Conclusions

The conclusion points out that economic theories, whatever they may be, either new or older, indicate that the localisation key factors in determining FDI are those regarding the host country, the market size, the production costs, and especially the natural resources and labour, as well as the investment risk, both in economic, and political environment terms. Yet, whatever may be said in the theoretical plane, the fundamental question will remain that regarding the global competitiveness index of countries, economies, regions, namely their ability to realistically reflect the interest in FDI, and, if this is not so, to practically identify who are the main factors that can contribute to the location (place) of a greater inflow of FDI, which has to quickly find solutions.

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