THE CONTEXT AND NEW TRENDS OF FOREIGN DIRECT INVESTMENT FLOWS

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Abstract:
In recent years, the world economy has undergone complex development. Economic imbalances in various countries, recession and the performance evolution of multinational companies have lead to important changes in the development investment flows. Decision makers of these companies must find solutions to challenges due to the rise of new countries and regions as tempting destinations for foreign direct investment. The emerging challenges that occur continuously in the world stimulate the international business companies to strengthen their positions, to engage in new business or to expand their existing business into new regions. This study, by recognizing the importance and regularity of relations and determinations between economic variables highlighted by the theory, aim to examine new tendencies in the world. Based on data from UNCTAD, IMF and World Bank, the actual research intends to identify evolutions and circumstances that derived from new stage of the world economy.

Key words: world economy context, foreign direct investment, new tendencies, international chalenges

JEL classification: F20, F21

INTRODUCTION

In the new conditions of world economy, the foreign investors are seeking international opportunities to achieve the goals of international business companies. The decision makers are constantly subjected to new challenges and new situations. The traditional business and markets are offering to the policy makers the stability and safety, while the information and organizational part is well founded. At the country issuing the foreign direct investment flows, the international business development conditions record, in a large extent, a homogeneous and inertial tendency. However, changes that are recorded in the evolution of economy, the development of alliances or economic unions, signing of bilateral or multilateral agreements on trade or business, between countries, restrictions on the use of resources or those related to the natural environment and such like were important stimulus to reconsider the directions of realization of business and various factors that have influences based on the characteristics of each country.

The ancient east european comunist economies were now opened, becoming markets with huge potential for Western businesses. Depending on the approaches and policies implemented to achieve democratic and "market values" were created conditions to enhance the international business. In these countries were registered, in particular, inflows of investment, economically developed countries taking advantage of their features and benefits to enter on new markets and to delineate the areas of influence, lost by the former international agreements between countries of Central and East Europe with the former Soviet Union.

Environmental conditions, materialized specialy in problems of energy resource depletion, particularly the oil, caused primarily a strategic approach on investment of economically developed countries. These changes have led to at least two fundamental changes in international business picture: on the one hand we talk about the inclusion into the sphere of interest of those countries and areas with sufficient long-term resource capacity to ensure the development and use of low-cost perspective energy resources; on the other part is waived intensive or generating investment activities with high consumption of energy and resources to emerging new "green" industries with low impact on the environment and natural resources.

The evolutions of some Asian countries' economies have passed, like China and India, have led to a reconsideration of traditional regions of destination for foreign direct investment and were important challenges among multinational companies on entry and activation of new markets. Cheap labor, free zones, big market, developments and non-traditional issues such as culture and policies of encourage and stimulate these countries were important temptations for business makers of multinational companies and so far, many of branches that initially were in European areas or North American continent have migrated or expanded in the regions of East and South East Asia where the economic and strategic, the big international business would have to be present.

From the begening of this paper we approach the determinants of investment, as they are demonstrated in the specific economic theory of foreign direct investment. This approach will be complemented with the findings of empirical analyses that capture the specific situation of foreign direct investments in different countries or different periods. These studies, sometimes criticized because of easy customizations related to the subject of research in terms of number of countries or the conditions of analysis, have the worth to highlight the situations that are features of investment behaviour.

Further, by analyzing the business environment in different countries and investment flows, we will highlight the relationship between macroeconomic variables and specific aspects of the country and region on the stock and investment flows. Following the developments of various investment flows while their determinants record certain acts, we will analyze situations that generate waivers of inertial and the predictable behaviour in favour of one innovative, risky and "maverick" in terms of foreign direct investments in regions in which, seemingly, general and special conditions would not suggest this type of action.

To analyze the issue of location and development of foreign direct investment there are used statistics and analysis made by United Nations Conference for Trade and Development (1991-2011 years' Reports on International Investment), International Monetary Fund, World Bank and Ernst & Young. The data on investment flows, their regional distribution and their determinants are from the 1985-2010 period.

Information and data from Ernst & Young are the related studies and investigations in 2010 and 2011 among the 814, respectively 812 managers of multinational companies in terms of attractiveness perception of them related the main countries and regions. There are also taken into account the views of respondents on conditions and determining attractiveness of foreign direct investments. Statistics from UNCTAD, World Bank and International Monetary Fund have been synthesized and interpreted to identify the main tendencies of foreign direct investments flows.

Starting from a theoretical problem of locating the FDI, this paper aimed to analyze the significance of qualitative descriptive data, conjuncture, policies and observed tendencies. The comparative evaluation of situations observed for different groups of countries or regions led to the delimitation of conclusions concerning the new centres of attraction of foreign direct investment and new growth poles in the world economy.

REVIEW OF THE LITERATURE

The world tends to a new economic relocation and foreign direct investment plays an important role in this process. In 2010, Ernst & Young issued a report of World Economic Forum in Davos that was entitled "Winning the polycentric World". This report shows that globalization of the 60 largest world economies will produce profound changes in international economic relations, leading to more economic power centres with divergent spheres of influence.

In this context, new economies like China, India and Brazil will have increasingly an important word to say in the relocation of global economic flow. In terms of FDI, the flows have already a clear trend of reorientation and stabilization to new areas. Such a situation occurs for the coexistence for the old poles of economic power (the United States, France, Germany, United Kingdom and Japan) with the new emerging areas with high growth prospects from Asia and Latin America. Multinational companies, in a strategic approach, in their analysis includes new factors of influence, which, by their impact on long-term gain increased importance weight in their decisions regarding of placement of branches and to develop new projects regions of interest.

One of the first decisions that companies take in the internationalization process relates to the choice between pursuing their own activities abroad through FDI and entry into international markets through international trade by importing raw materials and capital goods and export their outputs. In fact, the companies having a number of intangible assets will try to exploit the advantages of application on innovative technologies, effective management of activities, but also by the company's reputation or its trademarks to get on other markets than national.

In addition, companies will choose that way of entering these markets that will get the best results in reducing the risks related to the developmental requirements of international affairs. Thus, the vertical integration of foreign subsidiaries is the method by which multinational companies will take full responsibility for work abroad.

The first approaches of business location were considered the theory of international business (Dunning, 1993) or the new theory of international trade (Krugman, 1985). Enhancing the international business and foreign direct investment flows multiplication revealed that these approaches were not sufficient to explain the decisions on foreign direct investment projects in certain countries.

Some approaches after 1990 (Krugman, 1991 and Fujita et al.1999) that fall within the sphere of New Economic Geography have attempted to explain the activity tendencies of international companies through the combined influence of transaction costs and scale economies. It is considered that the extension of activity have the opportunity to create cost advantages in terms of certain transaction costs lead to satisfactory results in terms of explaining international business location.

Some subsequent studies (Markusen 2002, Navaretti Barba and Venables, 2004, Helpman 2006), referring to strong investment growth in 2000-2006, indicate causes and implications of these developments. It was noted however that, based on bilateral analyses between countries, the results were not sufficient to explain the location of investments (for example if EU countries, Neary, 2008).

To address this inconvenience, Ekholm et al. (2007) took into account the potential effects of a "third country", while the analysis was related to foreign direct investment made in a specific country and, as reality shows, many times it contributes to cover the needs of the markets near that country.

To contribute to the theory of spatial distribution of international affairs, Fujita (1999) believes that other companies generate an impact on investment in the sector so that they should be considered into a potential analysis of FDI. This new requirement was introduced in the analysis by some economists after 2000 (Brakman et al., 2009, Hoffman and Markusen, 2008).

On the other hand, some new studies (Procher, 2011) appreciate that the behaviour of investors influences the others: „…the results show that investors are indeed attracted to locations with a large agglomeration of firms. Contrary to the current literature, however, the actual nationality of firms within a given cluster is not found to play a major role for the location choice."

The analysis of recent developments in foreign direct investment flows and new tendencies such as guidance to countries in East Asia and South-East or Africa, it concludes that the theory should be reconsider the importance of the conditions and prospects of development of several regions. The identification of potential influence in determining the orientation of FDI in the complex and volatile current situation is believed an important step in understanding the new tendencies in world economy development centres and foreign direct investment.

ACTUAL TENDENCIES OF FOREIGN DIRECT INVESTMENT

Until 2000, the foreign direct investment received a favourable climate both in the developed and developing countries (Table 1). Governments have developed stimulating legislation for multinational companies' projects, so that their overall value in 2000 reached 1.4919 trillion U.S. dollars, world-wide. The number of regulations having restrictive value on the FDI is much lower than the regulatory incentives, such as: a better promotion, a general and sectoral stimulating of investment (approximately 20% of the Regulations), the liberalization of sectoral restrictions for foreign companies (20%), the liberalization of commercial relations and improvement of operational conditions (43%).

Table 1. National regulatory systems on foreign direct investment during 1991-1999

Regulatory sysem	1991	1992	1993	1994	1995	1996	1997	1998	1999
Number of countries that introduced changes in their investment regimes	35	43	57	49	64	65	76	60	63
Number of regulatory changes	82	79	102	110	112	114	151	145	140
of which:									
- More favourable to FDI	80	79	101	108	106	98	135	136	131
- Less favourable to FDI	2	-	1	2	6	16	16	9	9

Source: UNCTAD, World Investment Report 2000, Cross-Border Mergers and Aquisitions and Development, p. 34

To encourage the investments, in 1999, a number of 96 countries have signed 130 bilateral agreements regarding the investments and 86 countries adopted a number of 109 regulatory (avoidance) treaties of double assessment (Table 2).

Table 2. Agreements on investment at global level, in 1999

Agreement\`s type / Countries category	Bilateral agreements regarding the investments	Agreements regarding the double assessment
Developed countries	18	25
Developing countries from Asia	30	28
Countries form Central and Eastern Europe	11	12
Countries from Africa	13	11
Countries from Latin America and Caribbean	20	6
Developing countries from Europe	4	4
Total	**96**	**88**

Source: UNCTAD, World Investment Report 2000, Cross-Border Mergers and Aquisitions and Development, p. 36-37

Since 2001, amid the international political and economical changes caused by the attacks of September 11, 2011, the foreign direct investment showed a sharp decrease, reaching the level of the 1998\`s. The main causes leading to a such situation were: economical growth\`s slowdown, falling stock market valuation, lower corporate profitability, a slowdown in the peace of corporate restructuring in some industries and the winding down of privatization in some countries. (UNCTAD 2003, p.13).

The FDI after 2003, registered a increase until 2007, when their level exceeded that of 2000\`s. Amid the development of international economic relations, the countries with developed economies, along with countries as China and India, have become new successful destinations for multinational companies.

The current situation of main flows of FDI distribution (by region) is highlighted in Table 3. In this table, by using Input - Output type of methodology, it can be seen, in terms of value, the origin and destination of FDI flows world-wide.

Following the economic crisis in 2009, foreign direct investment made in Europe has declined by 36%. This was due to the uncertainty felt by investors for insecurity about the evolution of the European economy. Recording, therefore, a reduction of projects developed in Europe by 11% and a decrease in employment by 16%.

For Central and Eastern European countries in terms of spreading negative effects regarding crisis and austerity policies have reduced foreign direct investment flows and, consequently, a reduction in the number of jobs by 14%.

Table 3. Main flows of Foregn Direct Investment by Regiona(2009)

(Bilions of US Dolars)

Investment in:	Investment from:				
	European Union	**Other European Countries**	**North America**	**East Asia**	**Oceania and Polar Region**
European Union	7,675.9	586.3	1,879.3	194.0	72.6
Other European Countries	839.4	40.8	238.7	5.8	0.0
North America	1,843.0	203.4	650.7	272.2	92.2
North Atlantic and Caribbean	368.5	53.0	530.8	432.9	1.4
South America	305.3	18.0	176.4	24.2	0.0
Central and South Asia	261.9	27.4	160.6	125.5	12.7
East Asia	345.4	25.0	265.6	430.3	13.4

Source: International Monetary Found Statistics, 2010

It also recorded a migration of foreign investors to other global regions such as the East Asia to China and India. Especially in services and industry, foreign investors have obviously migrated to these economies. For China, economic stability, advanced infrastructure and large domestic market led to bring forward by one percentage point, in terms of investment attractiveness, the Western Europe. In China and India there are expectations to register growth rates of GDP by 10% and 8%, compared with the rate hoped for in Europe, which is only 1%.

Variables "nontraditional" relatively recent reviewed by the empirical studies, such as distance, type of economy or traditional relations become obsolete, new economic conditions are leading to reorganization of the structure of foreign direct investment worldwide. “Geography becomes a relative concept and old illusions about East and West have crumbled. Sophisticated economic centers, stability and attractive markets are found worldwide, by global corporations originating in both mature economies and fast-growth markets.” (Ernst&Young’s, 2010). In China and India are expected to register growth rates of GDP by 10% and 8% compared with that hoped in Europe, of only 1%.

In a study of Ernst & Young in 2010, it was noted that managers of multinational considers that to catch up to the emerging countries it should be promoted at European level, the policy on removing barriers for businesses and encouraging the innovation through series of measures such as:

- support for small and medium enterprises (29% of respondents' opinions);
- support innovation and high technology industries (27% of responses);
- tax reduction (22% of respondents).

Referring to future growth prospects for FDI, it is considered that they are competing to shift to different destinations worldwide. Studies have shown that investors seek not only shield-term profitability of investments. They are also interested in identifying some areas and countries with valuable human capital, trained and talented, which, by those qualities, is able to propose and implement appropriate solutions to reality, innovative solutions.

Tendencies are relevant to new developments and decisions of investors in the global economy they have the following meanings likely:

1. For North America (U.S. and Canada) and Western Europe is decreasing evolution. In 2009 to 2006, considering the impact of global economic crisis, the big Western economies have developed strong regression in the favourable conditions for foreign direct investment flows. The decrease is dramatic for both regions, the 2009 level was approximately half that of 2006. With analysis of available data from 2010 shows a trend of stabilization potential.

2. After a promising growth prospects for FDI in the 2006 - 2007 years, Central and Eastern Europe in 2009 and 2010 experienced a sharp drop, investors restricting their activity (for example Ford in Romania, who reconsidered its initial production programs at the risk of violating the provisions of the privatization contract and the risk to be penalized) being willing to give up even new production structures and relocate them in areas of Asia, which are more attractive (the company's industrial structure Nokia at Jucu or, more recently, the decision to make Renault Dacia Duster production for the UK in India).
3. For all the BRIC group (Brazil, Russian Federation, India and China), tendencies have been to massive growth, these countries largely reflecting a response to the challenges and prospects for investors in emerging economies.
4. Chinese economy is strengthening its position in the current appeal, maintaining the international investors' preferences. Thus, after increasing the attractiveness of 41% in 2006 to 47% in 2009, China recorded a stable level of 39-40% in 2010.
5. India also offers important business perspective, the attractiveness of the area increased from 18% in 2006 to 30% in 2009. For 2010, the level is 22% but current prospects and intentions of investors "promise" a return to this country.
6. Economy and society of Russia and Brazil expressed the most recent guidelines of foreign direct investment. The evolution of these economies is characterized by low levels of attractiveness of the global economic crisis, only 5% in 2006 and impressive progress in 2009, the doubling of Brazil or quadruplicate of these values in the Russian Federation. In addition, Brazil's economy maintains its upward trend even in the extended crisis in 2010.

Choices of destination and response manifestation to attractiveness of different countries, the multinational companies appreciate the different factors that can influence their decisions. Investments in new distribution centers situation worldwide is a perception largely influenced by factors such as transport and logistics infrastructure, telecommunications infrastructure, stability and transparent of political, legal and regulatory environment, potential productivity for their company, stability of social climate, local labor and skill level, labor cost, the country or region's domestic market, corporate taxation, flexibility of labor legislation, and such like.

Elements observed between these factors were included in theoretical models of investment, such as local market size, labor costs, and corporate tax. In addition, non-traditional elements appear, related to infrastructure and the overall economic and social climate in different countries: transport and logistics infrastructure, telecommunications infrastructure, stability and transparent of political, legal and regulatory environment, stability of social climate, flexibility of labor legislation.

Besides these factors, decision makers of multinational companies consider the increasing of productivity potential of their company, as a factor that has multiple meanings and is in turn determined by quantitative and qualitative variables. Among the features of this factor we find the issues in the tangible and intangible assets owned by companies but also aspects of a strategic approach into new areas with development potential.

New centres of concentration of FDI, such as East Asia and South-East or Latin America, bringing together many of the factors mentioned in contrast to countries such as those developed or developing countries in Africa, South Asia, West Asia recorded significant decreases. However, among the regions recorded increases in FDI, in 2010 (UNCTAD: 2011) are recorded different tendencies, namely:
- Intraregional flows of foreign direct investment in Africa that have been growing but is well below the potential of the area;
- New and different models of economies development of East Asia and Southeast led to a significant investment in the region.
- Investments in Latin America (Brazil) and the Caribbean demonstrate companies interest for resources and advantages derived from their possession.
- Restructuring the banking sector in developed countries led to a diversification of foreign assets and the emergence of a new generation of foreign direct investment;

- Many state-owned companies have been withdrawn from the East Asian markets in order to improve the competitiveness of national economies.
- It was developed a cyclical connection of economies in transition and developing countries, a situation facilitated by increasing of goods consumption and support government investment in both countries.
- It is proposed an integrated plan to support investment, growth and development of technical capacity in the least developed countries.
- Multinational companies are involved to some extent to the infrastructure of the least developed countries.

From these records reflected by international statistics, we can deduce that the policy of states, intrinsic characteristics of the economies and strategy of multinational companies 'models' current investment flows. Developed countries, although they still the main recipient of FDI, especially from the countries of the Triad's even during the economic crisis are seriously threatened by new emerging countries such as the BRIC`s ones, that, valuing each differently benefits, working conditions and their infrastructure is manifested increasingly more like attract poles of FDI.

CONCLUSIONS

Given the constant changes in the global economy, international investors are found recorded continuously to identify new profitable business opportunities. Traditional destinations (North Amercia, Western Europe and East Asia) of international capital are abandoned in favor of countries and regions that offer important perspectives of business development.

Increased mobility of capital, changes in business strategy, dynamics and structure of employment and population, environmental restrictions are some of the reasons why foreign investors have different behaviors from those experienced before.

In addition, national and international conjunctures and growth prospects of the global economy, lead to a reconsideration of business location, being determinants of foreign direct investment.

Given that the main world-wide investors have remained the major developed countries of North America, European Union and, at least until 2011, Japan, however, the recipient areas of these investments are different. Regions that ten years ago were uninteresting for the foreign investors, gradually earn significant places in the ranking of investment receiving countries. The main elements of the attractiveness of these countries are: infrastructure, strong internal market, proximity to resources, tax law, regulations related to the state and protection of environment, labor qualification, logistics and communications infrastructure. However, the tendency to reorient the investment to certain countries is not equally influenced by these factors.

As it is noted also in theoretical approach of the field, placing some investments in a particular region or country may be the answer of an opportunity or need associated with the economical conditions of that country, but it may be also the result of a strategic approach to reach a third country or market. This logic can explain the movement of foreign direct investment flows to countries in East Asia.

However, only the size of markets does not represent the only motivation for these evolutions. The new centers receiving the investments world-wide have also other "benefits" that determinate an increased attractiveness and a better investing climate.

The historical contexts of political and economical changes in the transition economies or developing economies determine the need of different approaches for these countries. The influence of specific conditions - economical and political stability, the external debt service, the interventionist or austerity policies imposed to various countries or regions, the factors such as labor, the infrastructure, the market or material resources - the determinants has new and different shares in the analytical approaches in the area of foreign direct investments.

Through the complex nature of the investment process, dynamic of international business development and decision makers expectations of multinational companies, the foreign direct investment record new trend to be subject to continuous evaluation and analysis

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