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Analysis of the evolution of foreign direct investment in the European Union, amid the global economic crisis

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Abstract. *A particularly important role in global economic growth is played by foreign direct investment. The host country receiving the investment attracts new, updated technologies, efficient management and as such can provide a strong impetus for economic growth.*
This paper presents the analysis of FDI flow and stock from EU member countries in the period 2000-2013, by groups of countries, sectors and branches of the economy, as well as an international comparative analysis of trends in foreign direct investment in Romania and other countries performed in order to identify similarities and disparities.

Keywords: foreign direct investment, investment flow, investment stock, international financial and economic crisis.

JEL Classification: F21, F43, O160.

Introduction

Investment is the engine of economic development of a country, through its contribution to economic growth through positive effects on the balance of payments, creating new jobs, increasing national budget revenues, through providing access to modern technologies, etc. At its turn, FDI can generate positive effects on the economy, involving upstream and downstream industries, creating jobs, through the effect on budget deficits and thus accelerating economic growth, becoming a requirement for governments.

The impact of FDI on economic growth has been a research topic for many authors. Most of them found a positive impact of FDI on economic growth in developed and developing countries. While FDI inflows in economic sectors have different effects on economic growth, there is a lack of literature on the analysis of the impact of FDI on economic growth by sector. There is a major current concern of specialists from the European Union and beyond, in developed countries and even more in least developed countries for FDI issues and their effects on sustainable development of different national economies, whereas, under current conditions, FDI is an important source of funding, creating jobs, raising the level of technology used, etc.

The issue of foreign direct investment constantly offers new challenges for scientific research, being a dynamic field, with new aspects that require proper adjustment of the methods of investigation and analysis. The vast literature on FDI is a strong argument in this respect. Except for the years of crisis, FDI showed an upward dynamic, reorientation and restructuring by countries, sectors and industries.

1. Analysis of the FDI flow and stock in the European Union

For the proposed analysis, we are going to analyze the latest international statistical information available. Thus, in international statistics (UNCTAD), foreign direct investment are measured by two important variables: FDI flow and FDI stock. Both FDI flows and stocks concern FDI inflows and outflows to or from a country or region. FDI flow measures the amount of FDI entering a country during a period of one year, while the stock of FDI is the total production capacity owned by foreigners in the host country.

Addressing FDI as a flow and stock indicator, worldwide, by countries of origin and destination, offers the possibility to determine which countries are more concerned about exporting and respectively importing FDI, which highlights their ability to achieve profits on both the account of outflows and inflows of foreign capital as well as on the account of simultaneous inputs and outputs of foreign capital. Thus, countries may be divided into net FDI-exporting countries and net FDI-importing countries, both as a size of flow and stock.

The statistics are less relevant in the case of FDI stock measures due to registration difficulties arising from: frequently changing size of the share of foreign capital in total capital of a company; the impact of mergers and acquisitions, bankruptcies and outputs.

The literature considers that countries that have an annual export volume of FDI (output of the national economy) less than 1 billion USD are countries with modest capital export potential. Romania, which during the crisis had no more than 274 million USD of FDI outflows in 2008, belongs to this category.

Table 1. *FDI flows in the E.U. in the period 2008-2013*

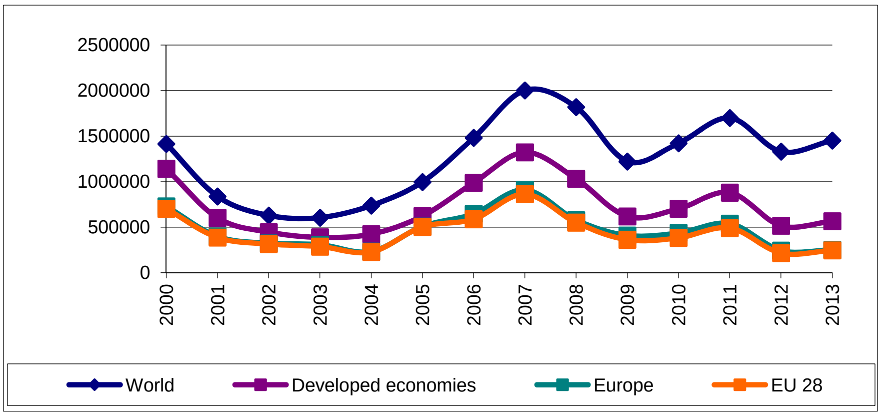
-million dollar-

Region/	FDI inflows						FDI outflows				
economy	2008	2009	2010	2011	2012	2013	2008	2009	2010	2011	2012
World	1818834	1221840	1422255	1700082	1330273	1451965	1999326	1171240	1467580	1711652	1346671
Developed economies	1032385	618596	703474	880406	516664	565626	1599317	846305	988769	1215690	852708
Europe	577952	408924	436303	538877	244090	250799	1045129	431433	591326	653000	299478
EU28	551413	363133	383703	490427	216012	246207	983601	383598	483002	585275	237865
Austria	6858	9303	840	10618	3939	11083	29452	10006	9994	21878	17059
Belgium	193950	60963	77014	119022	-30261	-2406	221023	7525	24535	96785	-17443
Bulgaria	9855	3385	1525	1849	1375	1450	765	-95	230	163	345
Czech Republic	6451	2927	6141	2318	7984	4990	4323	949	1167	-327	1790
Cyprus	1414	3472	766	2384	1257	533	2717	383	679	2201	-281
Croatia	5938	3346	490	1517	1356	580	1405	1273	-152	53	-36
Denmark	1824	3917	-11522	13094	2831	2083	13240	6305	-124	12610	7976
Estonia	1731	1840	1598	340	1517	950	1114	1547	142	-1452	952
Finland	-1144	718	7359	2550	4153	-1065	9297	5681	10167	5011	7543
France	64184	24215	33628	38547	25086	4875	155047	107136	64575	59552	37195
Germany	8109	23789	65620	59317	13203	26721	72758	69639	126310	80971	79607
Greece	4499	2436	330	1143	1740	2567	2418	2055	1558	1772	677
Irland	-16453	25715	42804	23545	38315	35520	18949	26616	22348	-1165	18519
Italy	-10835	20077	9178	34324	93	16508	67000	21275	32655	53629	7980
Latvia	1261	94	380	1466	1109	808	243	-62	19	62	192
Lithuania	1965	-14	800	1448	700	531	336	198	-6	55	392
Luxembourg	16853	19314	39731	18116	9527	30075	14809	1522	21226	7750	3063
Malta	943	412	924	276	4	-2100	457	136	130	4	-42
Netherlands	4549	38610	-7324	21047	9706	24389	68334	34471	68341	39502	267
Poland	14839	12932	13876	20616	6059	-6038	4414	4699	7226	8155	727
Portugal	4665	2706	2646	11150	8995	3114	2741	816	-7493	14905	579
United Kingdom	89026	76301	49617	51137	45796	37101	183153	39287	39416	106673	34955
Romania	**13909**	**4844**	**2940**	**2522**	**2748**	**3617**	**274**	**-88**	**-21**	**-33**	**-112**
Slovakia	4868	-6	1770	3491	2826	591	550	904	946	713	-73
Slovenia	1947	-659	360	998	-59	-679	1468	262	-207	118	-272
Spain	76993	10407	39873	28379	25696	39167	74717	13070	37844	41164	-3982
Sweeden	36888	10093	140	12924	16334	8150	30363	26202	20349	29861	28951
Hungary	6325	1995	2202	6290	13983	3091	2234	1883	1148	4663	11337

Source: UNCTAD, WIR 2014.

The countries with the highest volume of FDI inflows, in 2013, were Spain (39,167 million USD), United Kingdom (37,101 million USD), Ireland (35,520 million USD) and Luxembourg (30,075 million USD). Competitiveness can be achieved both through FDI inflows and FDI outflows.

Chart 1. *Evolution of FDI inflows in the period 2000-2013 in world, developed countries, Europe and the EU 28 countries*



Source: own calculations based on UNCTAD, WIR 2014 data.

From Chart 1, we can see that in the EU countries, in the period 2000-2013, the highest value of FDI inflows was recorded in 2007 (2,001,987 million USD). In the developed countries in the period 2000-2013, the highest value of FDI inflows was recorded in 2007 (1,322,795 million USD).

Table 2. *Average growth/decline in FDI inflows to EU countries, in the period 2000-2013*

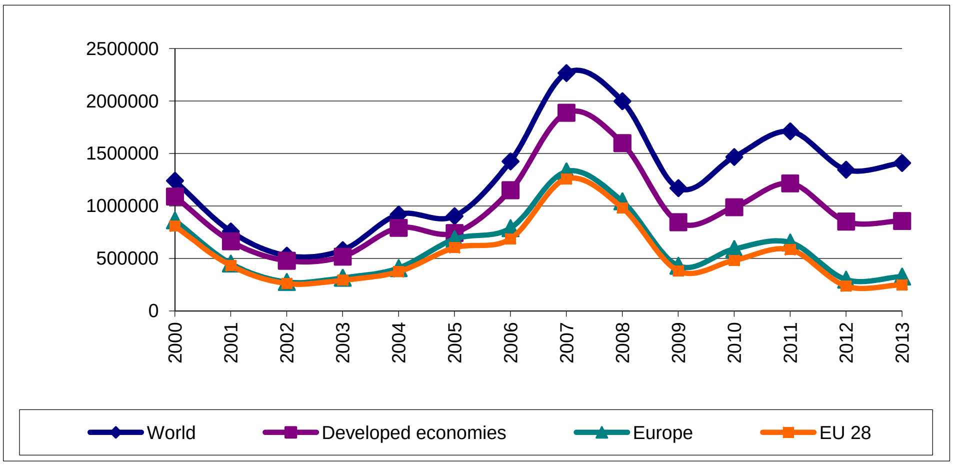
Region/economy	Average/decline growth
Austria	198.59
Belgium	-185.07
Bulgaria	33.38
Czech Republic	-36.21
Cyprus	-24.74
Croatia	0.40
Denmark	-2,441.56
Estonia	42.94
Finland	-761.45
France	-2,951.92
Germany	-13,196.59
Greece	112.18
Ireland	749.25
Italy	241.00
Latvia	30.41
Lithuania	11.71
Luxembourg	2,313.49
Malta	-206.26
Netherlands	-3,035.85
Poland	-1,191.00
Portugal	-270.87
United Kingdom	-6,522.83
Romania	196.92
Slovakia	-163.80
Slovenia	-62.45
Spain	-31.42
Sweden	-1,175.64
Hungary	25.15

Source: own calculations based on UNCTAD, WIR 2014 data.

In the period 2000-2013, FDI inflows increased by an average of 25.15 million USD to Hungary, to Romania with 196.92 million USD, 198.59 million USD to Austria and to Bulgaria with 33.38 million USD. The greatest average decrease in the period 2000-2013 was recorded in Germany (down 13,196.59 million USD), while in the United Kingdom, FDI inflows fell by an average of 6,523 million USD and in Sweden FDI inflows decreased by 1,176 million USD.

From Chart 2, we see that among the EU countries in the period 2000-2013, the highest value of FDI outflows (1,258,246 million USD) was recorded in 2007. In the developed countries in the period 2000-2013, the highest value of FDI outflows was also recorded in 2007 (1,889,274 million USD).

Chart 2. *Evolution of FDI outflows in the period 2000-2013 in world, developed countries, Europe and the EU 28 countries*



Source: own calculations based on UNCTAD, WIR 2014 data.

Table 3. *Average growth/decline in FDI outflows from EU countries, in the period 2000-2013*

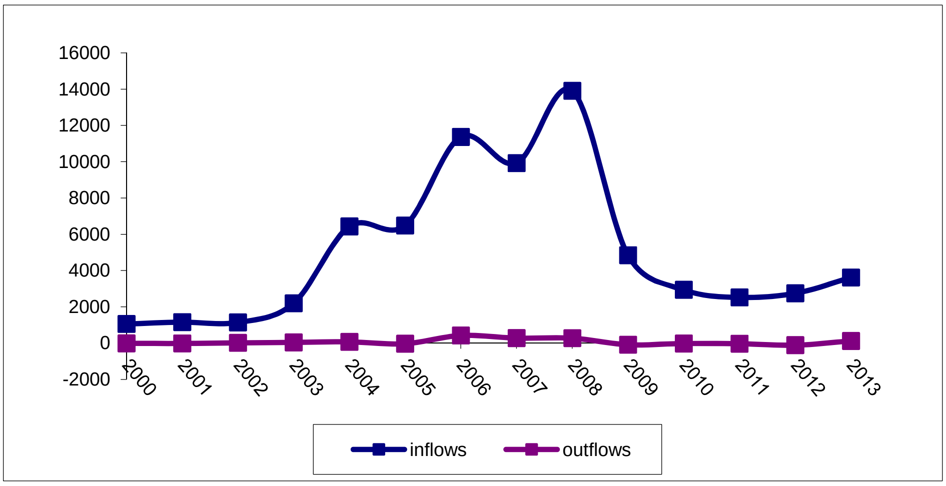
Region/economy	Average/decline growth
Austria	648.5
Belgium	-20,285.6
Bulgaria	13.6
Czech Republic	-14.8
Cyprus	10.5
Croatia	250.1
Denmark	-1,336.9
Estonia	22.7
Finland	-1,538.1
France	-13,846.4
Germany	76.3
Greece	-212.6
Inland	1,401.7
Italy	1,921.3
Latvia	25.6
Lithuania	7.5
Luxembourg	1,663.5
Malta	-2.1

Region/economy	Average/decline growth
Netherlands	-2,938.7
Poland	-3,74.6
Portugal	-515.8
United Kingdom	-16,612.2
Romania	**10.2**
Slovakia	-35.6
Slovenia	-0.5
Spain	-2,475.3
Sweden	-586.6
Hungary	126.8

Source: own calculations based on UNCTAD, WIR 2014 data.

In the period 2000-2013, FDI outflows increased by an average of 126.83 million USD for Hungary, by 1,663.5 million USD for Luxembourg, Austria by 648.5 million USD and for Bulgaria by 13.56 million USD The greater average decrease in the period 2000-2013 was recorded in Spain (2,475.3 million USD). In the United Kingdom FDI outflows fell by an average of 16,612.2 million USD and in Sweden FDI outflows fell by 586.6 million USD.

Chart 3. *Evolution of FDI inflows and outflows in Romania, in the period 2000-2013*



Source: own calculations based on UNCTAD, WIR 2014 data.

For Romania, the higher FDI inflows was recorded in 2008 (13,909 million USD), and the highest value of FDI outflows was recorded in 2006 (423 million USD). The lowest value of FDI inflows was recorded in 2000 (1,057 million USD).

The international economic and financial crisis triggered in 2008 in Romania has had an impact on both FDI inflows and outflows. Compared to 2008, in 2009 inflows have decreased by 9,065 million USD and have fallen further, so that their volume in 2013 reached 3,617 million USD.

Table 4. *Balance of inflows and outflows of FDI in the EU, in the period 2008-2013*

-million dollar-

Region/economy	Total FDI inflows	Total FDI outflows	FDI balance
0	**1**	**2**	**3=1-2**
World	8945250	9107165	-161915
Developed economies	4317151	6360243	-2043092
Europe	2456945	3349094	-892150
EU28	2250895	2923800	-672905
Austria	42641	102329	-59688
Belgium	418282	306054	112229
Bulgaria	19440	1588	17852
Czech Republic	30811	11196	19614
Cyprus	9826	6007	3819
Croatia	13227	2356	10870
Denmark	12228	49176	-36948
Estonia	7977	2659	5318
Finland	12570	41734	-29164
France	190536	420951	-230415
Germany	196758	486835	-290077
Greece	12715	7853	4861
Ireland	149445	108118	41327
Italy	69344	214202	-144858
Latvia	5118	799	4319
Lithuania	5430	678	4751
Luxembourg	133616	69996	63620
Malta	460	678	-219
Netherlands	90976	248347	-157371
Poland	62283	20370	41913
Portugal	33276	12976	20300
United Kingdom	348978	422923	-73945
Romania	**30580**	**140**	**30440**
Slovakia	13540	2618	10922
Slovenia	1909	1427	482
Spain	220514	188849	31665
Sweden	84529	169007	-84477
Hungary	33886	23534	10353

Source: own calculations based on UNCTAD, WIR 2014 data.

By analyzing the statistics presented above, it is clear that developed countries are net exporters of FDI. The EU-28 is net exporter of FDI, with 672 billion USD. Romania is by distance the largest net importer of FDI (30,440 billion USD). Capital exporting EU-28 countries, which are also independent of FDI are Germany, France, Netherlands, Italy, Sweden, United Kingdom, Denmark, Finland and Malta. The remaining EU member states are importing foreign capital, are dependent of foreign direct investment and vulnerable to crisis. In the analyzed period there are no countries with a balanced volume of FDI.

The analysis carried out shows that Romania has many inputs and fewer outputs of FDI, which shows that it lacks the capacity to export capital.

Table 5. *Balance of stock of FDI inflows and outflows in the EU, in 2000 and 2013*

-million dollar-

region/ economy	FDI inward stock		FDI outward stock		Input-output balance stocks	
	2000	2013	2000	2013	2000	2013
World	7511300	25464173	8008434	26312635	-497134	-848462
Developed economies	5681797	16053149	7100064	20764527	-1418267	-4711379
Europe	2471019	9535639	3776300	12119889	-1305281	-2584250
EU 28	2352810	8582673	3509450	10616765	-1156640	-2034092
Austria	31165	183558	24821	238033	6344	-54474
Belgium	0	924020	0	1009000	0	-84980
Bulgaria	2704	52623	67	2280	2637	50343
Czech Republic	21644	135976	824	4361	20819	131615
Cyprus	2846	21182	557	8300	2289	12881
Croatia	2796	32484	738	21384	2059	11100
Denmark	73574	158996	73100	256120	474	-97123
Estonia	2645	21451	259	6650	2386	14801
Finland	24273	101307	52109	162360	-27837	-61053
France	390953	1081497	925925	1637143	-534972	-555647
Germany	271613	851512	541866	1710298	-270253	-858786
Greece	14113	27741	6094	46352	8019	-18611
Ireland	127089	377696	27925	502880	99163	-125184
Italy	122533	403747	169957	598357	-47424	-194610
Latvia	2084	15654	23	1466	2061	14188
Lithuania	2334	17049	29	2852	2305	14198
Luxembourg	0	141381	0	181607	0	-40226
Malta	2263	14859	193	1521	2071	13338
Netherlands	243733	670115	305461	1071819	-61728	-401704
Poland	34227	252037	1018	54974	33209	197063
Portugal	32043	128488	19794	81889	12250	46599
United Kingdom	463134	1605522	923367	1884819	-460232	-279297
Romania	**6953**	**84596**	**136**	**1465**	**6817**	**83131**
Slovakia	6970	58832	555	4292	6415	54540
Slovenia	2893	15235	768	7739	2125	7496
Spain	156348	715994	129194	643226	27155	72768
Sweden	93791	378107	123618	435964	-29827	-57857
Hungary	22870	111015	1280	39613	21590	71402

Source: own calculations based on UNCTAD, WIR 2014 data

From Table 5, we can notice the following:

- in developed countries a negative balance of the stock of input-output was recorded, totaling 4,711 billion USD, which reveals that the largest amount of FDI stock is made between developed countries;
- in 2013, countries with net outflows of FDI stock are: Germany, France, Netherlands, United Kingdom, Italy, Ireland, Denmark, Belgium, Finland, Sweden, Austria, Luxembourg and Greece. Compared with 2000, excluding the United Kingdom, all the States have increased FDI exported to other countries economy;
- in some developed countries in 2013 compared to 2000, the volume of FDI outflows is greater than the volume of inflows, which shows the increased ability of these countries to export capital (Austria, Belgium, Denmark, Greece and Luxembourg);
- the largest share in total world inflows and outflows is held by developed countries, as follows: 75.6% of inflows in 2000 and 63% of inflows in 2013, respectively 88.7%

and 79% of outflows. Although declining, these percentages are very high, foreign direct investment being concentrated in the top manufacturing sectors;

- weighting the EU-28 countries in 2000, inflows counted for 31.3% in 2000 and 33.7% in 2013, while the share of outflows was 43.8% and 40.3% respectively, which shows a slight increase in inputs and a slight decrease in FDI outflows;
- with regard to Romania, we find a big discrepancy between the very high inputs and the outputs, from 6,817 million USD in 2000 to 83,131 million USD in 2013.

Analysis of global trends in FDI flows can also be performed in terms of the ratio of the two main forms, namely international mergers and acquisitions and new investment (greenfield).

Presently, a growing number of countries entered the competition to attract foreign investment flows. To create a favorable investment climate, they conducted a series of reforms aimed at abolishing administrative, regulatory and institutional barriers which limits investment inflows. The flow of foreign direct investment is constantly growing worldwide.

2. Evolution of FDI by group of countries and economic activities

One area of research aims to know the country of origin of FDI, whose goal is the structural issues related to the level of development of their home countries of FDI in Romania. Particular attention will be paid to EU countries with which our country has had and still has economic relations in accordance with legal-institutional and functional regulations of the Community acquis.

Table 6. *Evolution of FDI annual inflows, by groups of countries, in the period 2000-2013*

-million dollar-

region/ economy	Years							
	2000	**2005**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**
World	1415017	996714	1818834	1221840	1422255	1700082	1330273	1451965
EU	702875	503509	551413	363133	383703	490427	216012	246207
Developed economies								
Austria	8501	10784	6858	9303	840	10618	3939	11083
France	43250	84949	64184	24215	33628	38547	25086	4875
Germany	198277	47439	8109	23789	65620	59317	13203	26721
Italy	13375	23291	-10835	20077	9178	34324	93	16508
Netherlands	63855	39047	4549	38610	-7324	21047	9706	24389
Spain	39575	25020	76993	10407	39873	28379	25696	39167
Developing economies								
Bulgaria	1016	3920	9855	3385	1525	1849	1375	1450
Czech Republic	4985	11653	6451	2927	6141	2318	7984	4990
Poland	9445	10293	14839	12932	13876	20616	6059	-6038
Romania	**1057**	**6483**	**13909**	**4844**	**2940**	**2522**	**2748**	**3617**
Hungary	2764	7709	6325	1995	2202	6290	13983	3091

Source: UNCTAD, WIR 2014.

The data presented in Table 6 shows the following most significant trends regarding developments in terms of annual FDI inflows in the period 2000-2013:

- the most dynamic period of annual inflows, both global and EU was recorded in 2000-2008, when maximum levels of the volume of FDI are achieved, at both global and EU levels, as well as in countries with developing economies and developed economies;
- it should be noted the volatile nature of FDI in almost all countries and groups of countries, showing sensitive variations from one year to another, the largest variations recorded especially in countries with relatively lower level of development;
- countries that have recorded less sensitive negative effects due to external economic crisis also proved greater withstanding in terms of the degree of volatility of FDI;
- countries with developing economies recorded high dynamics of FDI; it is the case in Romania, which in 2000 had an annual inflow of 1,057 million USD and in the year when international economic and financial crisis broke they recorded their peak of 13,909 million USD, and in 2013 they have reached the 3,617 million USD threshold.

To link FDI as flow size and FDI as stock size, knowing that investment inflows are affected by the outflows of a country, but also by the types of FDI (greenfield, mergers and acquisitions and development) as well as a whole series of bankruptcies of foreign-owned companies, we consider it necessary to analyze the value volume of the stock of FDI in Romania and in other countries in the same period as well.

Table 7. *Evolution of FDI stock, by groups of countries, in the period 2000-2013*

- million dollar -

Region/ Economy	Years							
	2000	**2005**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**
World	7511300	11739048	15679509	18427630	20370690	21117234	23304429	25464173
EU	2352810	4778719	6702000	7470577	7313818	7481550	8019942	8582673
Developed economies								
Austria	31165	82551	148131	172636	161168	153096	162946	183558
France	390953	888935	904660	1038905	990418	973069	1029834	1081497
Germany	271613	476011	667748	701186	716704	737076	788098	851512
Italy	122533	237474	327911	364427	328058	355126	363624	403747
Netherlands	243733	479420	645601	644253	586076	608264	624380	670115
Spain	156348	384538	588901	632246	628341	628950	644677	715994
Developing economies								
Bulgaria	2704	13851	44059	49225	47231	47381	49240	52623
Czech Republic	21644	60662	113174	125827	128504	120569	136442	135976
Poland	34227	90877	164307	185202	215639	203111	235113	252037
Romania	**6953**	**25816**	**67910**	**72008**	**70264**	**71344**	**78010**	**84596**
Hungary	22870	61110	88003	98803	90775	85431	103484	111015

Source: UNCTAD, WIR 2014.

Table 7 highlights the large volume of stocks in EU countries. Thus, in 2013, France recorded 1,081 billion USD, 851 billion USD in Germany, 715 billion USD in Spain, while the 84.6 billion USD recorded by Romania only helped at ranking the last but one, just ahead of Bulgaria in terms of volume of FDI stock.

We can see that the volume of FDI stock in Romania was about 3 times lower than in Poland, 1.6 times than in the Czech Republic, 1.31 times than in Hungary and 12 times than in France. These differences between Romania and the above mentioned countries, to which we should also add developed EU countries such as Germany, Spain, the Netherlands, are determined by specific conditions of the difficult transition in Romania, marked by a series of negative aspects of the institutional legislation framework, which suffered of instability, unpredictibility and poor transparency.

Table 8. *Average annual share of the groups of countries in total FDI, by economic activity, in periods 1990-1992 and 2010-2012*

-%-

Sector/Industry	1990-1992				2010-2012			
	World	Developed countries	Developing economies	Transition economies	World	Developed countries	Developing economies	Transition economies
Total	100	74.8	24.4	0.8	100	57.7	37.3	5.0
- **Primary**	100	62.2	31.4	6.3	100	44.7	47.1	8.3
Agriculture	100	2.0	98.0	0.0	100	9.2	84.5	6.3
Mining, quarrying and petroleum	100	65.3	28.1	6.7	100	46.2	45.5	8.4
- **Manufacturing**	100	70.0	29.6	0.4	100	47.0	49.1	3.9
Food, beverages and tobacco	100	75.1	24.3	0.6	100	61.2	34.3	4.5
Textiles	100	75.6	24.4	0.0	100	27.5	67.2	5.3
Wood and wood products	100	82.5	17.4	0.1	100	5.2	61.2	33.6
Chemicals and chemical products	100	77.0	22.9	0.1	100	76.7	21.2	2.0
Metal and metal products	100	81.1	17.1	1.8	100	7.2	58.4	34.4
Machinery and equipment	100	89.3	10.7	0.0	100	71.7	24.3	4.0
Electrical and electronic equipment	100	65.4	34.3	0.4	100	73.0	24.4	2.6
Motor vehicles and other transport equipment	100	79.3	20.7	1.8	100	58.1	35.0	6.9
- **Services**	100	79.7	20.1	0.2	100	61.7	33.3	5.0
Trade	100	86.9	13.0	0.1	100	48.5	40.9	10.6
Finance	100	89.3	10.7	0.0	100	83.2	14.2	2.5

Source: own calculations based on UNCTAD, WIR 2014 data.

From Table 8, the following relevant aspects can be noticed:

- developed countries hold the largest share of total foreign direct investment, in both the period 1990-1992 and in 2010-2012 (74.8% and 57.7% respectively);
- developing countries have recorded an increase in the share of total FDI volume from 24.4% in the first period, to 37.3% in the second;
- countries with economies in transition have increased the share from 0.8% to 5.0% respectively;
- in *manufacturing*, there is a reduction of the share in total FDI in developed countries from 70.0% to 47.0% and a growth in developing countries from 29.6% to 49.1%,

which shows a more dynamic orientation of FDI to this group of countries as a result of their attractiveness in terms of the existence of cheap and skilled labor force, of attractive raw material resources and the process of relocation of industries from developed countries to developing countries;

- Services accounted for the largest share in total FDI in the period 1990-1992 in developed countries (79.7%) and in 2010-2013 it fell to 61.7%. An increasing trend of the services also had developing countries, from 20.1% to 33.3%, and transition economies (0.2% and 5.0%, respectively).
- Countries with economies in transition have relatively modest share of foreign direct investment in all sectors, but the trend is growing.

In the current economic climate, in which world economies are facing budget deficits that have reached historic levels (cases of Portugal, Italy, Greece, Spain are most relevant), the austerity measures imposed by governments produce deep social effects, the need to attract investment becomes urgent. The world economy is going through a difficult time and it is far from surpassing the point of economic crisis. Governments in the euro area affected by economic instability and rising budget deficits, lack the fiscal and monetary levers to attract new, internal funds, being obliged to resort to external borrowing and the level of external debt is continuously growing.

Conclusions

Through analysis of FDI flows over the last decade it may be noted that during the crisis FDI tend to refocus from developed countries (as countries of origin) to the developing states. Targeting FDI to developing countries during the crisis is determined by the higher growth rates in these regions, the dynamic reforming framework in improving business environment to attract a larger volume of FDI in the economy. In 2007 the highest value of inflows and outflows of foreign direct investment was recorded, following that from 2008 it would see a decrease. Even if developing countries and those with economies in transition have recorded particularly high dynamics during 1990-2012, the highest share in total FDI currently is held by the group of developed countries.

In the long term, there has been a refocus of FDI to the group of developing countries to an extent greater than that of countries with economies in transition. In countries with economies in transition, the main source of growth dynamics in the secondary sector was the privatization of public sector assets, and the high shares of services are due to poor development of the sector and its attractiveness for foreign capital profitability.

Regarding the evolution of FDI by sector, we see that developed countries have the largest share of total FDI. There is a stronger orientation of FDI to developing countries, due to their attractiveness in terms of the existence of cheap and skilled labor force, of attractive raw material resources and the process of relocation of industries from developed countries to developing countries.

The effects of the recent crisis have affected the development of primary, secondary and tertiary sectors by reducing the flow of FDI directed to them.

A trend outlined in the last decade, and which during the recent crisis became even more pronounced, is the gradually moving global of FDI flows to services, especially in recent years in the primary sector.

In our opinion, both macroeconomic and punctual approaches of FDI on national economies should be based on the principle of economic efficiency in the broadest sense of it, which requires in addition to effects and financial costs of the parties (stakeholders) to also include externalities, both positive and negative which FDI generates on short, medium and long term.

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