Trend Analysis of Worldwide FDI Flows in the Context of Promoting Sustainable Development and National Interest

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Abstract: About FDI there are numerous studies, some of them have mostly theoretical character and others mostly practical. This article aims at capturing and analyzing the most important trends in the short, medium and long term on FDI flows worldwide, thus this study has a rather practical approach. Also, the paper aims to discern how FDI flows may influence the sustainable development and the national interest. The analysis starts from studying the past in the most significant developments of the world economy in terms of inflows of investment attraction, drawing marginally some advantages or disadvantages of joining a political entity with regional vocation (e.g. European Union) or a currency area (e.g. E.M.U.). It should also be noted that, beyond the analysis of past trends, the direction towards which worldwide foreign direct investment (FDI) should be considered in relationship with the ability to infer certain areas which in future can attract FDI for a sustainable and balanced national economy development, serving to the national interest. Thus, the article aims, through a broad set of indicators, to seize these structural or cyclical advantages of world economies and, to the extent that can be applied to the Romanian economy, to contribute to the restructuring of objectives of macroeconomic policies in order to mobilize the country's potential to attract FDI.

Keywords: global investment tendencies; FDI indicators; economic development

JEL Classification: F21; F43; F63

1. Introduction

In the last decades, the foreign direct investments are seen as an important source of capital in developing and developed world. Linked to the globalization process, the policies regarding FDI are more and more open in almost all developing countries. This is no surprise especially because those who invest the most through FDI (e.g. United States, China, Switzerland, Germany and Japan), benefiting of the increasingly openness of the economies of the world, are also the ones who receive important inflows of FDI. Thus, according to THE fDi REPORT 2016 the: "Developed economies, and the US in particular, attracted most of the growth in FDI flows in 2015 largely due to inbound M&As (n. mergers and acquisitions).

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FDI flows to the US in 2015 reached $384bn – nearly three times more than FDI flows to China".

Although it is affirmed and promoted in various forms within nation states, the concept of national interest is not formalized to such an extent that it becomes well-established in all countries of the world. Furthermore, national interest is not necessarily the preserve of the state but mostly it is especially the attribute of the citizens, which by their social, economic, cultural and political conduct, can promote their values or even the national interests not only within their country but especially abroad. Thus, FDI can serve as an economic vector (and even beyond that!) in order to achieve the economic targets set by the national interest, but also to promote sustainable development values.

Therefore, analyzing global trends in FDI, undoubtedly it can provide valuable cues about how capital movements are working for global investment. This overall picture may be useful due to the fact that resources are limited and generally placing FDI in various parts of the world not only polarizes financial and technological resources, but also many other resources (including human and informational). Therefore, if in one part of the world is channeled the prosperity to another the massive welfare losses occur, which in part is due to the inability to attract and maintain foreign direct investment. Thus allocation of FDI occurs on a competitive basis (Mazilu, 2004), taking into account certain specific factors, it can be believed that a country attracts foreign direct investment over another, weakening or enhancing the degree of penetration and sedimentation national interest over borders. Early orientation through economic, political, cultural etc. towards the one or more of these "source" countries of equity, values, technology, human resources and knowledge can make the difference between countries with delays in development and developed ones. Therefore, it should not be excluded the idea of "twinning" between various companies from two or more countries or even at the state level through mutually beneficial international or regional agreements, in order to get a good place on the international map of prosperity . But this link must be established carefully – to be sufficiently close to produce the desired fruits, and free or flexible enough to not import altogether with FDI the economic, social and political less favorable conditions of the countries supplying FDI (as in the Greek crisis, Greece having an extended financial sector all over the (Eastern) Europe or euro zone crisis etc.).

Another argument for which the article examines the foreign direct investment inflows in a global framework is that the "moderating" aspect of the geographical directing of FDI and the volume and structure of FDI is often the international economic conjuncture (implicitly the status and the structure of the world financial and banking system). Thus, the economic conjuncture may act in various ways, extremely dynamic, sometimes (especially in the case of the global financial and economic crisis) creating stronger and more unwanted reactions than it would be

the case in relation to the realities of a region or country of the world. For this reason, studying the behavior of global FDI can make us understand why it is so important to analyze FDI inflows in a given country in relation to FDI inflows in the region of that country and even in relation to developments of world's FDI.

At the global level, however it should be mentioned that decreasing commodity prices, more watchful rationalization of public expenditure, decreasing energy costs and maintaining interest rates at low levels can trigger a sustainable increase in GDP growth and an unblock of FDI world movements. This could positively or negatively influence the evolution of FDI inflows and outflows from a developing country.

Some countries, especially the least economically developed manifest after a certain time, the behavior of the region or a wider regional area, sometimes contrary, the local specifics is a determinant in shaping FDI inflows in a country. A country aware of its resources and its economic potential should, at least theoretically, to be extremely less influenced by developments in local, regional or global area, operating not only towards increasing the economic attractiveness for capturing FDI, but also acting in direction of domestic investment potential capitalization and "pushing" its investments abroad, promoting the national interest. Therefore, the article examines at the level of some world countries the development of a few of indicators possible relevant to FDI trends.

2. Literature Overview

Often, foreign direct investments are examined in report to the growth (Findlay, 1978; Blomstrom, Lipsey & Zejan, 1994; De Mello, 1999; Borensztein, De Gregorio & Lee, 1998; Ahn & Hemmings, 2000; Li & Liu, 2005, etc.) or the way in which it can sustain the balance of payment or trade (Bajo-Rubio & Montero-Muñoz, 2001; Shan, 2002; Dritsaki, Dritsaki & Adamopoulos, 2004 etc.). Foreign direct investments are mainly classified into horizontal investments or market seeking (Maskus, 2002, etc.) and vertical investments or efficiency seeking (Braconier & al., 2005 etc.), but the boundary between them is not always very clear. In general, numerous studies attest that FDI are sensitive, in a positive sense, to the issues such as the political stability, the low degree of corruption, the guarantee of property rights, the supporting of the tertiary sector, the high levels of investment in education, research and development (especially to support the „high tech" industry), especially taking into account the level and quality of human capital (Noorbakhsh, Paloni & Youssef, 2001). Some of these aspects are being also tackled by the sustainable development policies.

In connection with social dimension of sustainable development, according to OECD (1999) FDI can, though in small part, stimulate employment (e.g. for the

more educated people or from urban regions), revive or replace the declining market and even grow wages, but also can maintain or grow wage differentials between employee. Regarding the environmental dimension, according to the OECD (2007, pp. 17), there are tendencies in some countries of relaxing environmental standards in order to attract certain types of FDI or to support distinct trade policy objectives. The countries which are undercapitalized and fast-growing are more likely to act in this manner. However, FDI can make possible some investments in the improvement of environmental protection, including through the raising of the standards of environmental regulation (Furtado & al., 2000).

Regarding the national interest, in the study of Bath (2012) it is pointed out that foreign direct investment support national economies but are subject either to an analysis and assessment, case by case, but in a transparent manner and subjected to public debate (e.g. in Australia) or are sifted through a set of regulations which set out detailed criteria for what type of investment should be permitted, encouraged, prohibited or restricted, making the call to the legislation to provisions related to (economic) national security, public interest or national interest (e.g. in China). Finally, the author states that „In both cases, however, the concept of the national interest or national security, national economic security and so on, is essentially undefined and allows the decision-maker considerable discretion to determine whether a transaction may be contrary to the national interest or have an impact on national security."

Other studies analyzed explicitly or implicitly, or punctual, on a specific case of some countries (for U.S., Jackson, 2013, for India, Athreye & Kapur, 1999, etc.) or general (Milea & Ailincă, 2015) the implications, the advantages and disadvantages brought by the FDI on the national security and national interest, and vice-versa.

3. Positive and Negative Developments Worldwide

Globally, if we consider the share of net inflow of foreign direct investment (FDI) in GDP (see figure 1), we can note that while in 2007, all major countries of the world have registered increases compared to previous years, only two countries exceeded the record levels: Hong Kong and Singapore.

In 2013, almost all powerful economies of the world have achieved significant reductions in FDI inflows (being well below 5% of GDP), only Hong Kong and Singapore continued to exceed 20% of GDP, thus it can be noticed the lack of a worldwide uniform distribution of FDI inflows.

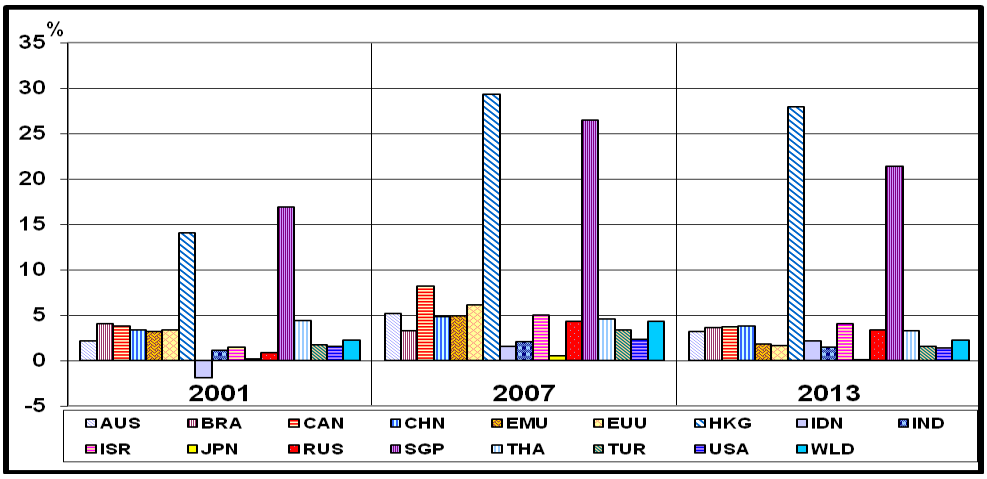

Figure 1. FDI, percentage of GDP at the global level in the years 2001, 2007, 2013 (%)

Source: World Bank database, data expressed in US dollars, author's processing. Remarks: AUS - Australia, BRA - Brazil, CAN - Canada, CHN - China, EMU - Euro zone, EUU - European Union, HKG - Hong Kong SAR, China, IDN - Indonesia, IND - India, ISR - Israel, JPN – Japan, RUS- Russian Federation, SGP - Singapore, THA - Thailand, TUR - Turkey, US - United States, WLD - World.

Changes in FDI relative to GDP does not seem particularly surprising considering that, according to UNCTAD (2015), on the background of the policy uncertainty for investors, of the global economy fragility and increased geopolitical risks: "Global foreign direct investment (FDI) inflows fell by 16 per cent to $1.23 trillion in 2014" but "Developing economies thus extended their lead in global inflows".

Considering that the evolution of gross domestic product can be an attractor or guarantor element of inward FDI, then the analysis of the elasticity of foreign direct investment relative to GDP should confirm or refute this hypothesis. Looking at the data in Table 1 we can say that, globally, the evolution of the indicator is oscillating without a constant direct or reverse link.

Table 2. FDI elasticity relative to GDP regarding a series of world economies during 2001 – 2013

FDI elasticity relative to GDP	2001	2003	2005	2007	2009	2011	2013
AUS	4.5	-2.9	-12.8	3.2	3.0	3.8	-6.1
BRA	2.2	-4.1	-0.5	5.1	18.8	2.2	-45.0
CAN	63.8	-3.8	-251.1	8.8	5.5	4.0	194.5
CHN	1.4	0.0	4.7	0.9	-1.0	0.9	1.4
EMU	-35.7	-0.6	61.6	3.6	2.8	5.1	10.3

EUU	-44.3	-0.7	53.3	3.1	5.4	5.3	1.5
HKG	46.7	-13.6	2.8	4.1	8.0	1.9	0.5
IDN	12.5	-25.6	30.1	2.2	-8.3	2.1	6.3
IND	14.5	-1.3	1.7	0.9	-1.6	3.3	17.8
ISR	49.8	21.8	10.9	-2.7	17.2	5.7	3.6
JPN	2.1	-3.9	24.7	64379.9	-12.3	-12.4	-2.7
RUS	0.1	5.3	0.0	1.6	1.9	1.1	10.1
SGP	1.2	15.7	-1.2	1.3	1044.8	-0.5	1.1
THA	-8.6	4.6	4.0	1.0	13.3	-6.9	3.2
TUR	-9.1	1.9	11.2	0.4	3.6	13.2	-0.7
USA	-14.7	-5.0	-0.8	3.5	26.2	-0.7	4.6
WLD	73.9	-0.8	10.6	3.2	7.9	2.0	2.7

Source: World Bank database, author's calculations. Remarks: AUS - Australia, BRA - Brazil, CAN - Canada, CHN - China, EMU - Euro zone, EUU - European Union, HKG - Hong Kong SAR, China, IDN - Indonesia, IND - India, ISR - Israel, JPN – Japan, RUS- Russian Federation, SGP - Singapore, THA - Thailand, TUR - Turkey, US - United States, WLD - World.

Another interesting indicator could be the territorial density of foreign direct investment (FDI/km^2), more exactly the concentration of investments in a territory. The territory of a country expresses the possibility and potentiality of territorial development for the investors. A country oversized, extended over an area of continental proportions means more resources, more leeway in terms of investment development potential, the same law, the same social, cultural and political conduct, that same internal environment and thus fewer costs of adaptation in the case of moving along this large territory.

Thus, if we look to the map of the density of FDI worldwide in 2001, 2007 and 2013 (see table 2) we see over time an increase in the concentration of investments in the territory, only Canada, Euro zone, European Union, Japan, Turkey and United States have achieved significant reductions in FDI density in 2013 compared to 2007. Worldwide, territorial density of FDI had also suffered strong decrease in FDI from 18.71 in 2007 to 12.82 thousands \$/km^2 in 2013, fact which may lead to serious concerns about the recovery of investment capacity of the world to the pre-crisis levels.

Table 2. Territorial density of FDI regarding a series of world economies in 2001, 2007, 2013

Territorial FDI density (thousand $ / km^2)	2001	2007	2013
Australia	1.08	5.78	6.43
Brazil	2.69	5.30	9.67
Canada	3.05	13.19	7.43
China	4.71	18.16	37.05
Euro zone	76.83	234.79	87.09
European Union	69.45	247.52	65.81
Hong Kong, China	22644.01	59617.09	72989.22
Indonesia	-1.64	3.82	10.18
India	1.84	8.49	9.47
Israel	81.85	406.57	545.48
Japan	16.98	62.86	10.19
Russian Federation	0.17	3.41	4.31
Singapore	22517.48	68680.88	91103.31
Thailand	9.92	22.17	24.76
Turkey	4.35	28.65	16.72
United States	18.23	37.12	25.78
World	5.6	18.71	12.82

Source: World Bank database, author's conception and calculations

Looking at the ratio of foreign direct investment and population or the inflow of FDI per capita (FDI in thousand $ on number of inhabitants), we see that as this ratio increase, the extent of attracting investment is higher. This indicator along with the GDP per capita could mean the level of development of a country or a region of the world. However, the results should be interpreted with caution in the sense that the population growth (either due to increasing birth rate and frequently due to immigration) does not implies a dramatic and disturbing change in developments of FDI. In general, a larger population means a wider sale market, more human resources and a lot of information, several entities of production, distribution and sale that can be opened throughout the country, so a greater real and potential market.

Worldwide, analyzing this indicator we can see that: in 2013, although in many areas of the world FDI inflows per capita has increased compared to 2007 levels in the euro area fell nearly 3 times, in the EU almost 4 times, in Japan nearly 3 times, in the US close to 1.5 times and almost 2 times in Turkey (see table 3). Considering that the population change is not an important determiner, we can conclude that the divestiture is a reality that affects many economies of the world and in its face, the

national, regional and global authorities must take concrete steps in order to recovery.

Table 3. FDI per capita regarding a series of world economies in 2001, 2007, 2013

FDI/per capita (thousand $/ population	2001	2007	2013
Australia	0.43	2.13	2.14
Brazil	0.13	0.24	0.4
Canada	0.89	3.65	1.92
China	0.04	0.13	0.26
Euro zone	0.63	1.86	0.68
European Union	0.6	2.1	0.55
Hong Kong, China	3.54	8.98	10.66
Indonesia	-0.014	0.03	0.08
India	0.05	0.02	0.02
Israel	0.28	1.23	14.65
Japan	0.49	0.18	0.03
Russian Federation	0.02	0.39	0.49
Singapore	3.65	10.4	11.81
Thailand	0.08	0.17	0.19
Turkey	0.05	0.32	0.17
United State	0.59	1.13	0.75
World	0.12	0.37	0.23

Source: World Bank database, author's conception and calculations.

In general, it can be seen worldwide, but also at the regional level, that countries that receive large volumes of FDI are the most significant FDI exporters. This is, partly, due to the issues that matter fundamental for attracting, but also for the distribution of FDI: – the generous outlet – the regulations and general legislation stable and favorable for the investments – the academic field focused on the issues of research, development and innovation – the well developed territorial infrastructure, and – the satisfactory trade and economic opening. The same elements that are supposed to contribute greatly to attracting FDI are the results of investments in many cases. Basically investment circuit can be a "vicious circle" or conversely a "virtuous" circle in report of the behavior of the FDI receptor, but also of investing companies. We can say that the influx of foreign direct investment can develop a country or region of the world, and to the extent that there is "satiety" of FDI absorption, FDI surplus is directed to other geographic areas of the world.

Thus, when analyzing the influence of exports on global FDI in 2013 (see table 4), we find the following: countries like Australia, Canada, Indonesia, India, Turkey maintains a direct link between FDI and exports; on the other hand, Brazil, China, Euro zone, European Union, Hong Kong, Russia, Singapore, Thailand correlates the flow of foreign direct investment in reverse in report to exports. At the global level the connection between investments and exports is strong and direct, signaling that maintenance of good commercial relations, and particularly exports, is leading to the maintenance of certain attractiveness for FDI.

Table 4. FDI elasticity in report to exports regarding a series of world economies in 2001, 2007, 2013

FDI elasticity in report to exports	2001	2007	2013
Australia	-2.4	18.6	1.95
Brazil	-0.92	-11.92	-23.99
Canada	11.86	-24.63	353.27
China	-1.36	0.71	-1.42
Euro zone	-251.67	13.41	-14.46
European Union	-3623.56	24.8	-0.93
Hong Kong SAR. China	18.65	27.88	-1.07
Indonesia	6.89	-3.67	2.24
India	-14.01	1.15	4.75
Israel	6.59	98.69	N.A.
Japan	3.66	-61.15	N.A.
Russian Federation	0.87	-1.25	-8.29
Singapore	0.71	-0.92	-0.18
Thailand	-43.43	-1.49	-6.27
Turkey	9.97	6.8	2.87
United State	5.54	1.35	N.A.
World	18.76	17.29	N.A.

Source: World Bank database, author's calculation and processing. Note: both foreign direct investment and exports are expressed as a percentage of GDP, N.A. - Data unavailable.

The level of development of an economy can be shown by the evolution of FDI. For example, an economy less restructured brings a low FDI influx, being prevalent the existence and establishment of joint enterprises (external-internal) or acquisitions of companies, particularly as a result of the privatization, Greenfield investment being extremely few. This is due mostly to the problems of corruption, to the importance of local relations, to the trafficking of influence but also to the fluctuating and unstable legal and institutional environment with frequent and

unpredictable changes. As investor confidence increases amid an improved economic structure, the typology of FDI changes in the sense that are more beneficial to host countries, moving from investment in companies with mixed capital to acquisitions and takeovers of companies and finally to Greenfield investments (Meyer, 1996). It is known that FDI can contribute to the economic growth by introducing new techniques and technologies, innovative capital goods, improved managerial skills, new ideas and can increase the capital formation of the recipient economy. In this context, if we want to see the contribution of foreign capital to the investment effort in a country we can analyze the ratio of foreign direct investment (as % of GDP) and gross fixed capital formation (GFCF) (as% of GDP) worldwide (see table 5).

Table 5. The share of FDI in gross fixed capital formation regarding a series of world economies in 2000 – 2013 period

FDI (% of GDP) /GFCF(% of GDP)	2000	2002	2004	2006	2008	2010	2012	2013
AUS	0.12	0.18	0.22	0.15	0.15	0.11	0.13	0.11
BRA	0.28	0.20	0.16	0.11	0.15	0.12	0.19	0.20
CAN	0.43	0.15	0.00	0.19	0.17	0.08	0.10	0.15
CHN	0.09	0.09	0.07	0.11	0.09	0.10	0.07	0.08
EMU	0.30	0.18	0.06	0.17	0.14	0.11	0.07	0.10
EUU	0.34	0.17	0.08	0.23	0.22	0.11	0.09	0.09
HKG	1.31	0.25	0.90	1.04	1.45	1.51	1.13	1.18
IDN	-0.12	0.00	0.03	0.05	0.07	0.06	0.06	0.06
IND	0.03	0.04	0.02	0.06	0.10	0.04	0.04	0.05
ISR	0.31	0.08	0.13	0.51	0.25	0.13	0.15	N.A.
JPN	0.01	0.01	0.01	0.00	0.03	0.00	0.00	N.A.
RUS	0.06	0.05	0.13	0.18	0.18	0.13	0.10	0.15
SGP	0.49	0.27	0.80	1.12	0.21	0.84	0.70	0.74
THA	0.12	0.11	0.14	0.16	0.11	0.11	0.10	0.11
TUR	0.02	0.03	0.04	0.17	0.12	0.06	0.08	0.08
USA	0.13	0.04	0.05	0.09	0.11	0.09	0.07	N.A.
WLD	0.17	0.08	0.07	0.14	0.15	0.11	0.10	N.A.

Source: World Bank database, author's calculations. Remarks: AUS - Australia, BRA - Brazil, CAN - Canada, CHN - China, EMU - Euro zone, EUU - European Union, HKG - Hong Kong SAR, China, IDN - Indonesia, IND - India, ISR - Israel, JPN – Japan, RUS- Russian Federation, SGP - Singapore, THA - Thailand, TUR - Turkey, US - United States, WLD - World. N.A. - Data unavailable.

Thus, according to the table 5, at the global level it can be see that although by 2007 the share of FDI in gross fixed capital formation increased, after this year it occurred a gradual decline. If countries like Australia, China, India and Turkey were registered in 2013 decreases in this indicator compared to the previous year, countries such as Brazil, Canada, Euro zone, European Union, Hong Kong, India, Russia, Singapore and Thailand recorded increases in the contribution of FDI to GFCF.

4. Conclusion

FDI can be an important promoter for both the national interest and especially for the implementation of ideas, technologies and management in accordance with sustainable development principles. Therefore, the trends on global FDI flows can provide important guidelines for the reorientation of public or private policies, towards coupling capital attracted through FDI to the national interests in the short, medium and long term (exploiting theoretical and practical openings of sustainable development).

Referring to the share of net inflow of foreign direct investment in GDP, although the in the period of global economic and financial pre-crisis all major countries of the world showed growth, during the manifestation of the crisis and even in post-crisis period, almost all powerful economies of the world registered and continues to experience significant reductions in FDI inflows express as percentage of GDP, according to World Bank data.

Theoretically, gross domestic product developments can be an element attractor or guarantor of inflows, but elasticity analysis of foreign direct investment relative to GDP regarding a series of world economies in the 2001-2013 periods, shows fluctuations without a clear direct or reverse link. This fact might surprise some positive aspects such as the fact that FDI inflows in any country of the world take into account many other issues beyond the evolution of GDP and a negative trend in GDP possibly circumstantial, is not necessarily an impediment to FDI inflows.

When referring to territorial density of foreign direct investment (FDI/km^2), or the concentration of investments in a territory, we see that during the analyzed period (2001-2013) the global FDI territorial density decreased significantly, which can lead us to worry about the recovery of the investment capacity of the world to the levels before the crisis. A low territorial concentration in a region can mean, on the one hand, a real opportunity to attract FDI in the region, so an important growth potential and, on the other hand, can shape the very inability to attract FDI in the region by many economic, political, social and cultural causes.

Regarding the ratio of foreign direct investment and population (FDI inflow on number of inhabitants), which may indicate the development level of a country or

region of the world, we find that: according to the World Bank in 2013 compared to 2007 in the euro area FDI entries on number of inhabitants fell nearly 3 times, in the EU almost 4 times, in Japan almost 3 times, 1.5 times in the United States. This leads us to the conclusion that the divestiture affects many world economies and before which the national, but also regional and world authorities must take concrete steps to protect the interests of national, regional or world (economic) interests.

In connection with the influence of exports on FDI in the world we can see that: in 2013, countries such as Australia, Canada, Indonesia, India, Turkey maintains a direct link between foreign direct investment and exports, while countries such as Brazil, China, Euro zone, European Union, Hong Kong, Russia, Singapore, Thailand highlights a reverse link between FDI and exports. However, at the world level the connection between investments and exports is strong and direct, signaling that maintenance of good relations, and particularly exports, is leading to maintaining the attractiveness for FDI.

Regarding the relationship between FDI and gross fixed capital formation (GFCF) it can be seen at the global level that after 2007 occurred a gradual reduction in the share of FDI in gross fixed capital formation. However, in 2013 compared with the previous year, countries such as Brazil, Canada, Euro zone, European Union, Hong Kong, India, Russia, Singapore and Thailand have registered increases in the contribution of FDI to GFCF.

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