GLOBAL ASPECTS OF FOREIGN INVESTMENTS FLOW

Review article

DOI: 10.7251/DEFENG1841003K	COBISS.RS-ID 7751192	UDK 338.124.4:341.232.1

Ognjen Erić, PhD[1]
Krajinapetrol a.d. Banja Luka

Abstract:

Foreign investment fund in the world has multiplied several times in the last two decades. However, growing trend of foreign investments flow has been broken by the recent financial crisis in the world. Lower inflow of foreign investments into the developing countries has made the funding of their current accounts difficult, because it became more difficult for them to get loans in the international capital market. Most net importers of capital are net debtors in the international capital market, which made them increase investment attractiveness for international investors. Thus they tried to decrease their exposure to the loan market. Although foreign investments are desirable source of funding the current account deficit, net inflow of these funds generates negative balance in the income account and puts pressure on the balance of payments of the country. World investment flows have returned to the upward trend in 2013.

This paper analyses foreign investments flow in the world, by groups of countries. The groups of countries, the subject analysis of this paper, are: Asia, Latin America, Africa, countries in transition and developed countries. The most significant countries that are net exporters of capital in the world are the European Union and USA, while the biggest importers are the growing Asian countries. Starting period for this analysis is 1990, and ending period is 2013. Therefore, time series of the analysis covers economic cycles, i.e. rise from the nineties of the last century, then the period of global financial and economical crisis that lasted all the ay until the end of 2012.

Key words: *FDI, developed countries, developing countries, countries in transition, economic crisis*

[1] Korespodentni autor: Ognjen Eric, PhD; E-mail: ericognjen@yahoo.com

INTRODUCTORY CONSIDERATIONS: FOREIGN INVESTMENTS THEORY AND PRACTICE

Foreign direct investments are a global, current but also a controversial economic topic. In literature there prevails the view that foreign direct investments (FDI) stimulate economic growth, but opposing opinions can be ever more often read. Scientifically relevant researches in this field are used for new scientific knowledge and development of national economic policies. Favourable trends of FDI flows and stocks effect positive relation towards global mobility of investments. Although many factors affect them, certain authors relate the trends to developed markets of goods and capital, production method and technologies, liberal economic policies, as well as other factors: workforce, cultural and historical moments, etc. (Sethi, Guisinger, Phelan, & Berg, 2003). Accordingly, FDI are unavoidable development resource of all, and in particular, of countries in transition. Lipsi (2001) applied indicators of size and growth of a market to explain the inflow, outflow, net flows and balance of FDI. He used the following variables: nominal GDP and gross fixed investments. He concluded that the balance of incoming and outgoing FDI and their flows had a similar trend over time. If markets differ by size, trends of FDI flows differ as well. Attractiveness of a certain country for FDI investments depends on numerous conditions and factors.

Dunning (1993) considers attraction factors to be specific advantages in natural resources, technologies, available capital and workforce. Dunning has emphasised the importance of competitiveness. He believes that the appeal of a country in attracting foreign direct investments depends on competitiveness, macroeconomic climate and macroeconomic stability. The role of analysis of the competitiveness is very important in that context. Along with Dunning theory of development and investments, other investigations of stimulating dynamic development, FDI flows and the impact of a government on the increase in the overall competitiveness stand out (Buckley, & Castro, 1998). Dunning (2004) presented three prevailing determinants of the location of recipient country: the state policies of attracting foreign investments, economic determinants and incentives for development of businesses. Economic environment refers to resources and capacities of a country, while state policies, strategic objectives, macroeconomic and microeconomic determinants are the governmental measures.

When it comes to papers taking FDI as a factor of growth acceleration, competitiveness and investment into development, as well as better economic and production performances on microeconomic and macroeconomic level, the following studies stand out: Wie and Lui (2006) and Buckley, Clegg and Weng (2005). Campos and Kinoshita (2008) indicate that neither the market size, nor the low labour costs are significant determinants of FDI, compared to the quality of institutions.

Bevan and Estrin (2004) investigated determinants of direct foreign investments into the European transition economy by means of panel analysis of bilateral FDI flows between Western European and transition countries. They found that GDP of investing countries and capital recipient have positive effect on direct investment flows, as well as the accession procedure and integration into the European Union. Labour costs in host country, as well as the distance between the two countries, had negative effect, which is explained by the fact that enterprises decide for investments at locations where labour costs are lower and markets closer. Nakov (2004), applying panel method, analyses the impact of FDI on GDP in some twenty countries in transition, including the impact of FDI on GDP in Hungary, using the co-integration analysis. Panel analysis indicates negative impact of FDI on GDP in transition economies. Co-integration analysis in the case of Hungary indicates the co-integration relation between foreign capital and industrial production. In this analysis, the elasticity of GDP to FDI change amounts to about 0,5. Granger test shows relevance of FDI in explaining the economic growth so it is concluded that FDI causes growth in terms of Granger, while growth does not cause FDI in terms of Granger.

Al-Iriani and Al-Shamsi (2007) use Pedroni co-integration analysis to test the relationship between FDI and economic growth in six countries of the Gulf for the period from 1970 to 2004. In the research, the obtained results indicate two-way causality between FDI and GDP in the Gulf countries.

Hisarciklilar, Kayam, Kayalica, and Ozkale (2006) investigate the relationship of the economic growth, FDI and international trade for selected Mediterranean countries for the period from 1970 to 2003. The relationship between the stated variables is tested by two-dimensioned co-integration analysis and by means of double Granger causality test. Insignificant relations were found for most of these countries.

Bogdan (2009) analyses the impact of FDI on the economic growth in European transition countries in the period 1990-2005. Panel analysis tests the hypothesis that the higher inflow of FDI stimulates economic growth in transition countries. The results have not justified the hypothesis because the impact of FDI on the growth proved to be negative, but not statistical significant, while macroeconomic stability and openness of economy have statistically significant role when it comes to growth. He also confirmed that FDI inflow stimulates macroeconomic stability and market size.

Analysing the situation in BiH, Domazet (2016) believes that FDI have contributed to restructuring of some public companies, improvement of investment climate and partly to the growth of employment. However, it is his opinion that these indicators are below FDI possibilities and potential. Overview of investigations indicate various investigations on the impact of FDI, effects of their growth and the role of foreign investments in accelerating positive economic development, first of all GDP growth. Having in mind ever higher significance in professional but also in the academic circle, global world flow of foreign investments shall be analysed, with the focus on the pre-crisis period and the period of crisis, with the aim of extrapolating their flows in the future.

CURRENT GLOBAL AND GEOPOLITICAL ASPECTS OF FOREIGN INVESTMENT FLOW

Current foreign investments flows are characterised by investment into transnational companies from developed countries to developing countries and countries in transition. Foreign investment growing trend was broken by emergence of the recent financial crisis in the world. Lower inflow of foreign investments into the developing countries has made the funding of their current accounts difficult, because it became more difficult for them to get loans in the international capital market. Most net importers of capital are net debtors in the international capital market, which made them increase investment attractiveness for international investors. Thus they tried to decrease their exposure to the loan market. Although foreign investments are desirable source of funding the current account deficit, net inflow of these funds generates negative balance in the income account and puts pressure on the balance of payments of the country.

World investment flows have returned to the upward trend in 2013. Foreign investments inflow increased by 9% to the amount of 1,45 billion dollars in 2013. Foreign investments inflow has increased in all major economic groups (in developed, developing and transition countries). Foreign investments stock increased by 9%, or 25.5 billion dollars. Foreign investments reached the amount of 1,6 billion dollars in 2014, 1,75 billion dollars in 2015, and 1,85 billion dollars in 2016. The growth has mainly been stimulated by investments in developed economies, as a result of the initiated recovery. The sensitivity of certain emerging markets, political risks as well as regional conflicts might threaten the expected growth of foreign investments flows. As a result of the expected growth of foreign investments in developed countries, regional distribution of investments could be formed according to the "traditional model" of greater participation of developed countries in the global inflow. However, investments flows in developing countries shall remain at a high level in the coming years too (UNCTAD, 2015).

Foreign investments inflow trends in developing countries amount to 778 billion dollars, which makes 54% of the global inflow. The inflow growth rate in this region has been slowed down to 7%, compared to the average growth rate of 17% in previous ten years. Asia continues to be the region with the highest investment inflow, significantly above Europe. Foreign investment inflow has been growing in other developing regions too, Africa (4%), Latin America and Caribbean (6%), excluding financial offshore centres). Foreign investments in developing economies have recorded recovery after a sharp fall occurred in 2012. However, they are still at historically low participation in the total global flows (39%) and 57% below the peak from 2007.

Table 1. *Inflows and outflows of foreign investments in the world, 1990-2013 (billion dollars)*

Foreign investment inflows									
Region/country	1990	2000	2007	2008	2009	2010	2011	2012	2013
Developed countries	173	1142	1323	1032	619	703	880	517	566
European Union	97	703	864	551	363	384	490	216	246
USA	48	314	216	306	144	198	224	161	188
Japan	2	8	23	24	12	-1	-2	2	2
Developing countries	35	267	591	669	533	648	725	729	778
China	3	41	84	108	95	115	124	121	124
Hong Kong, China	3	71	62	67	54	83	96	75	77
World	208	1415	2002	1819	1222	1422	1700	1330	1452
Foreign investment outflows									
Region/country	1990	2000	2007	2008	2009	2010	2011	2012	2013
Developed countries	230	1091	1889	1599	846	989	1216	853	857
European Union	131	809	1258	984	384	483	585	238	250
USA	31	143	394	308	288	278	387	367	338
Japan	51	32	74	128	75	56	108	123	136
Developing countries	11	147	327	338	277	421	423	440	454
China	1	1	27	56	57	69	75	88	101
Hong Kong, China	2	70	68	57	58	98	96	88	92
World	241	1241	2267	1999	1171	1468	1712	1347	1411

Source: UNCTAD (2015), [www.unctad.org/FDIstatistics; retrieved on: 9 March 2018]

Developing and transition countries make one half among the 20 first-ranked countries by foreign investments inflow. Mexico takes the tenth position. China has recorded the highest inflow ever, and remained the second largest recipient of investments in the world. Foreign investments referring to transnational corporations from developing countries amount to 454 billion dollars. Together with transition economies, they make 39% of the global investment outflow. This data was only 12% at the beginning of 2000s.

REGIONAL TRENDS OF FOREIGN INVESTMENTS IN THE WORLD

Asia. Total foreign investments inflow into Asia was 426 billion dollars in 2013, which makes almost 30% of global inflow of investments. Foreign investments inflow into East Asia increased by 2%, to the amount of 221 billion dollars. Stable performances of the sub-region stimulate foreign investments inflow into China, South Korea and Taiwan. Having the inflow of 124 billion dollars in 2013, China takes the second place in the world. In the meantime, investment outflow from China increased by 15%, to the amount of 101 billion dollars, stimulated by projects in developed countries. By the continuation of this trend, it is expected that capital outflow from the country will exceed the inflows within the period of 2 to 3 years. The increase of investment inflow to 77 billion dollars has been observed in Hong Kong. The inflow into Southeast Asia has increased by 7% and amounts to 125 billion dollars. Out of that, 50% goes to Singapore. Proactive efforts of the regional investment cooperation in the East and Southeast Asia, lasting for 15 years, have contributed to the growth of the total foreign investments, as well as to intraregional investments. Intraregional investments into infrastructure and production bring development opportunities for low-income countries of this sub-region, such as Laos and Myanmar. Investments inflow in the South Asia increased by 10% to the amount of 36 billion dollars in 2013. The biggest recipient of foreign investments in the sub-region is India, with the increase of 17%, i.e. 28 billion dollars. Economic corridors have been established to connect the South, East and Southeast Asia (Bangladesh-China-India-Myanmar, as well as the Economic corridor China-Pakistan). This will improve the connection between the Asian sub-regions and ensure the possibility for regional economic cooperation. Foreign investment flows in the Western Asia decreased by 9% in 2013, to the amount of 44 billion dollars. Constant regional tensions and political uncertainty discourage investors' from investing, even though there are differences among the countries.

Latin America. Foreign investments in Latin America and Caribbean reached the amount of 292 billion dollars in 2013. However, the largest recipient of investments, Brazil, experienced slight fall by 2%, despite the increase of flows in primary sector. Foreign investments in Chile and Argentina have fallen by 29% and 25% respectively, i.e. to 20 billion dollars and 9 billion dollars. Foreign investments flows in Peru have decreased by 17%, to the amount of 10 billion dollars. On the other hand, investments inflow into Columbia has increased by 8%, to the amount of 17 billion dollars, mainly as a result of cross-border mergers and acquisitions in energy industry and banking. Inflows into Central America and Caribbean (excluding offshore financial centres) have increased by 64%, to the amount of 49 billion dollars, out of which the inflow into Mexico is 38 billion dollars. Inflows were also registered in Panama (61%), Costa Rica (14%), Guatemala and Nicaragua (5%). Outflow of investments from Latin America and Caribbean (excluding offshore financial centres) has fallen by 31%, and is 33 billion dollars, as a result of stagnancy of acquisitions abroad, as well as payment of loans to parent Brazilian and Chilean companies made by branch offices abroad. New possibilities for future foreign investments are being open in this region, particularly in the shale oil industry in Argentina. Also, sector reforms in Mexico might be a positive signal for significant foreign investments.

Africa. Foreign investments inflow into Africa increased by 4%, to the amount of 57 billion dollars in 2014. They refer to international market-seeking and infrastructure investments. Further growth is expected, and namely in attracting investments into consumer-oriented industries, including food, tourism, finances and retail sale. Total increase was led by the growth of investments in the Eastern and Southern African sub-region, while in other parts the fall of investments has been recorded. Flows have been almost doubled in South Africa, to the amount of 13 billion dollars, mainly due to the flows in South African Republic and Mozambique. In both of these countries, investments in the infrastructure prevail, but also into the gas sector. In the east of Africa, foreign investments inflow increased by 15%, or, 6,2 billion dollars. They refer to the increase of flows in Ethiopia and Kenya. Kenya has become an attractive business centre, not only for oil and gas research, but also for production and trade. Industrial strategy of Ethiopia provides potential to attract Asian capital, so that it can develop its production base in that way. Foreign investments flows in the sub-region of the North Africa have decreased by 7%, to the amount of 15 billion dollars. The fall of investments inflow has been recorded in Central and Western Africa by 8 and 14 billion dollars, respectively, mainly owing to political and safety risks. Intra-African investments are growing, and the leading countries of intra-African investments origin are South African Republic, Kenya and Nigeria. In the period between 2009 and 2013, the share of cross-border Greenfield investments, originating from Africa, has increased to 18%. Intra-African projects are concentrated around production and services. Only 3% of the value comes from intra-regional Greenfield projects, compared to 24% of extra-regional Greenfield projects (over the period 2009-2013).

Countries in transition. Foreign investments inflow into transition economies increased by 28%, and reached the amount of 108 billion dollars in 2013. In Southeast Europe, the inflows have increased from 2,6 billion dollars in 2012 to 3,7 billion dollars in 2013. The investments were stimulated by the process of privatisation of the remaining companies in the state ownership. When the Commonwealth of Independent States (CIS) is observed, 28% more investments inflow occurred in 2013, due to the inflow into the Russian Federation. The prospects for future investment inflows into countries in transition are uncertain, due to regional security and political instability in the relationships between Russia and the Countries of the North-Atlantic Alliance.

In the year 2013, investments from the region have increased by 84%, or 99 billion dollars. As happened in the previous years, Russian companies were investors in most of those investments. The value of cross-border mergers and acquisitions from the region increased by more than 6 times, while Greenfield investments increased by 87%, to the amount of 19 billion dollars. In the course of the past decade, transition countries have been the fastest growing region of inflow and outflow investments. The most important partners, both as investors and recipients, were EU countries. The Union has the biggest share in the foreign investment fund in the region, with the share higher than two thirds of the total fund. In the former Soviet Union countries, most investments went to resource-oriented, consumer sectors. In the Southeast Europe, EU investments have been stimulated by privatisation, but also by low-cost production, and the possibility of EU membership. Outflow investments from transition economies into the EU countries mostly come from the Russian Federation. Investors invest into strategic equity on the European Union market, including downstream activities in energy industry, as well as higher-level processing production activities.

Developed countries. After a sharp fall in 2012, investments inflow in developed economies of the world recovered in 2013, to amount 566 billion dollars, which is an increase of 9%. Inflow into the European Union is 246 billion dollars (increase of 14%), which is less than 30% of the peak from 2007. Capital inflows into the North America were 250 billion dollars, whereas the United States of America has experienced an increase in the inflow by 17%, to the amount of 188 billion dollars, which makes the States the biggest recipient of investments. Outflow investments from developed countries amount to 857 billion dollars in 2013, almost unchanged in comparison to the previous year. The economic recovery in Europe in 2013 and continued spread of investments from Japan, resulted in reduced capital outflow from the North America. Outflow investments from Europe have increased by 10%, to the amount of 329 billion dollars. Switzerland has become the biggest European investor. Contrary to this trend, the fall of outflow investments has been recorded in France, Germany and Great Britain.

Outgoing investments from the North America have decreased by 10%, to the amount of 381 billion dollars, partly because the United States has withdrawn resources from their funds in Europe, to the local securities market. Capital outflow from Japan has been growing for the third year in a row, and amounts to 136 billion dollars in 2013.

Inflows and outflows of investments in developed countries are at the level of 45% from 2007. In terms of global share, the developed countries participate with 39% of the total inflow and 61% of the total outflow, which is historically low level. Although the share of transatlantic flow of investment decreased in the last several years, EU and the United States are important investment partners - more than is implied by the size of their economies or the scope of bilateral trade flows. Out of total foreign investment received in the United States, 62% comes from the European Union countries, while 50% of outflow investments from the United States are found in the EU. Seen from the angle of the European Union, one third of foreign investment flows are investments from the United States.

Table 2. *Inflow and outflow of foreign investment funds, by region/country, 1990-2013 (billion dollars)*

Inflow fund									
Region/Country	1990	2000	2007	2008	2009	2010	2011	2012	2013
Developed countries	1.564	5.682	12.842	10.857	12.470	13.041	13.426	14.536	16.053
European Union	762	2.353	7.589	6.702	7.471	7.314	7.482	8.020	8.583
USA	540	2.783	3.551	2.486	2.995	3.422	3.510	3.924	4.935
Japan	10	50	133	203	200	215	226	205	171
Developing countries	514	1.771	4.660	4.424	5.364	6.597	6.943	7.945	8.483
China	21	193	327	378	473	588	712	833	957
Hong Kong, China	202	492	1.227	873	994	1.163	1.185	1.356	1.444
World	2.078	7.511	18.136	15.680	18.428	20.371	21.117	23.304	25.464

Outflow fund									
Region/country	1990	2000	2007	2008	2009	2010	2011	2012	2013
Developed countries	1.947	7.100	16.350	13.709	16.298	17.400	17.521	18.859	20.765
European Union	809	3.509	8.742	8.188	9.118	9.315	9.518	9.830	10.617
USA	732	2.694	5.275	3.102	4.322	4.810	4.514	5.250	6.350
Japan	201	278	543	680	741	831	963	1.055	993
Developing countries	141	888	2.604	2.579	2.958	3.486	3.983	4.601	4.993
China	4	28	118	184	246	317	425	513	614
Hong Kong, China	12	436	1.108	858	929	1.039	1.129	1.274	1.352
World	2.088	8.008	19.343	16.519	19.589	21.289	21.913	23.916	26.313

Source: UNCTAD (2015) [www.unctad.org/FDIstatistics ; retrieved on: 9 March 2018]

Incoming foreign investments balance in EU in 2013 increased by 11,26 times compared to the year 1990, in the USA by 9,14 times, Japan 17,1 times, developing countries 16,5 times, China 45 times, Hong Kong 7,14 times, and in the world 12,25 times. The average annual growth rate of inflow foreign investment fund in EU in the period of 1990 - 2013 amounted to 11,1% and was slightly lower than the average growth rate of the outflow investments fund of 11,84%. Financial crisis caused fall in the balance of the inflow foreign investments in EU in 2008 by 11,7% compared to the year 2007. Already in the following year, the balance increased by 11,47% to experience the fall by 2,1% again in the year 2010, so that the balance in the year 2010 was 3,6% lower than the peak in 2007. The European Union was responsible for 42,7% of the world inflow investments in the year 2008, which decreased to 40,54% in the year 2009, and to 35,9% in the year 2010, 35,4% in 2011, 34,4% in 2012 and finally to 33,7% of the total inflow investments. A similar trend is observed when it comes to outflow investments in EU.

The USA is the second largest exporter of foreign investments, where the outflow investments balance in the year 2013 was higher than the outflow investments for 1.450 billion dollars. Share of the USA in the world inflow investments in 2013 was 19,38% and in the outflow it was 24,13%.

When the balance of the foreign investments is observed in developing countries, it can be noticed that the fund of the inflow investments was growing at the average annual rate of 12,96% over the period 1990 - 2013, while the outflow investments fund was growing at the rate of 15,1%. Although the dynamic of the outflow investments growth was stronger than the dynamic of the inflow investments, developing countries are still net capital importers (inflow investments balance in 2013 was higher than outflow investments for 3.490 billion dollars, and it made 33,1% of the inflow foreign investments balance in the world).

Table 3. *Net international mergers and acquisitions, 1990-2013 (billion dollars)*

Net purchase - region/ country	1990	2000	2007	2008	2009	2010	2011	2012	2013
Developed countries	85	895	870	486	192	226	430	184	152
European Union	53	659	538	322	121	23	141	19	- 1
USA	12	111	184	- 26	24	86	137	72	59

Japan	13	3	30	50	17	31	62	38	55
Developing countries	9	60	146	116	78	102	105	128	129
China	1	- 0	2	36	23	31	37	38	50
Hong Kong, China	1	40	- 9	1	6	13	10	16	17
World	98	959	1 045	626	285	349	556	332	349
Net sale - region/ country	1990	2000	2007	2008	2009	2010	2011	2012	2013
Developed countries	89	869	916	480	237	260	439	269	240
European Union	39	491	533	261	119	118	185	129	121
USA	36	252	181	222	66	84	147	66	60
Japan	0	12	19	10	- 6	7	5	2	4
Developing countries	10	89	97	121	42	85	85	56	113
China	-	38	8	18	11	7	12	10	27
Hong Kong, China	0	2	8	9	3	13	2	3	0
World	98	959	1 045	626	285	349	556	332	349

Source: UNCTAD (2015), [www.unctad.org/FDIstatistics; retrieved on 10 March 2018]

Unlike the nineties of the last century, when mergers and acquisitions represented a dominant aspect of foreign investments inflow, after the year 2005 the situation changed in favour of Greenfield investments. This aspect of investing made about 24% of the total inflow of investments in the world in the year 2013. In developing countries, this type of investment made about 17%, in EU about 49%, and in the USA about 31,9% of the total investments. The trend of the Greenfield investments growth particularly stands out in emerging markets. Countries from this group make efforts to stimulate a higher inflow of these investments by economic policy measures, because they count on the overflow of technology into their country, and do not take loans on the capital market. The main sources of Greenfield investments in the year 2013, according to value, are the European Union, the Developing countries and the USA, while as the main destination there appear Developing countries, followed by EU and the USA.

CONCLUSION

In global economy, FDI represent the most important form of international business activities. They do not presume only the cross-border capital flow, but also the transfer of technology and knowledge, hence it is considered that they contribute to the increase in the overall production, competitiveness growth, employment and international trade.

Developing and transition countries make one half among the 20 first countries ranked according to foreign investments inflow. China has recorded the highest inflow ever, and remained the second largest recipient of investments in the world. In terms of global share, the developed countries participated with two-fifths of the total inflow and above a half of the total world outflow in the year 2012. Although the share of transatlantic investment flows decreased in the last several years, EU and the United States are important investment partners - more than is implied by the size of their economies, or the scope of bilateral trade flows. Out of totally received foreign investments in the United States, the European Union countries participate with 62%, and 50% of the outflow investments from the United States in found in EU. Seen from the European Union angle, one third of the foreign investment flows are investments of the United States. The balance of inflow foreign investments in EU increased by 11,26 times in the year 2013, compared to the year 1990, in the USA by 9,14 times, Japan 17,1 times, China 45 times, and in the world 12,25 times. The average annual rate of growth of the inflow foreign investment fund in EU amounted to 11,1% in the period 1990 - 2013, and it was slightly lower than the average rate of growth of the outflow investments fund of 11,84%.

The growing trend of foreign investments was broken by the emergence of the recent financial crisis in the world. The decreased inflow of investments from abroad made the funding of current accounts of economies depending on the imported capital difficult, because at the same time they found it harder to get loans on the international capital market. Financial crisis caused the fall in the balance of inflow foreign investments by 11,7% in EU in 2008, compared to the year 2007. In the year 2008, the European Union was responsible for 42,7% of the world inflow investments, which decreased to 40,54% in the year 2009. This trend was continued in the following years, so that in the year 2013 the participation of the EU in the total world investments was at the level of 33,7% of the total world inflow investments. A similar trend is recorded when it comes to the EU outflow investments. The USA is the second largest world exporter of foreign investments, where the balance of the outflow investments in 2013 was higher than the inflow investments for 1.450 billion dollars. Share of the USA in the world inflow investments in 2013 was 19,38%, and in the outflow investments it was 24,13%.

The world investments flows have resumed the growing trend in 2013. The growth was mainly stimulated by investments into developed economies, as a result of the resumed recovery. Sensibility of certain emerging markets, political risks as well as regional conflicts, present a threat for future flows of foreign investments. As a result of the expected growth of foreign investments in developed countries, regional distribution of investments could be formed according to the pattern of higher participation of the developed countries in the global inflow. However, flows of investments in developing countries tend to remain at a high level in the following years as well.

REFERENCES

- Al-Iriani, M., & Al-Shamsi, F. (2007). Foreign Direct Investment and Economic Growth in the GCC Counties: A Causality Investigation Using Heterogeneous Panel Analysis'. *MEEA Annual Meeting*. January 4-7. Loyola University. Chicago. Retrieved from: http://www.luc.edu
- Bevan, A., & Estrin, S. (2004). The determinants of foreign direct investment into European transition economies, Journal of Comparative Economics, Vol. 32, pp. 775.-787. Retrieved from:
- http://emit-project.net/wp-content/uploads/2012/11/sug33.pdf
- Bogdan, Ž. (2009). Utjecaj FDI-ja na gospodarski rast europskih tranzicijskih zemalja, *Serija članaka u nastajanju, Ekonomski fakultet Zagreb, 06.* (*Impact of FDI on the*

economic growth in the European transition countries, Series of emerging articles, Faculty of Economics, Zagreb, 06) Retrieved from:

- http://web.efzg.hr/repec/pdf/Clanak%2009-06.pdf
- Buckley, P.J., Clegg J., & Weng C.(2005). The impact of inward FDI on the performance of Chinese Manufacturing. Journal of International Business Studies 33 (3): 637-655. DOI: 10.1057/palgrave.jibs.8491037
- Buckley, P. J., & Castro, F.B., (1998). The investment development path: The case of Portugal. Transnational Corporations, vol. 7, no.1: pp 1-15. Retrieved from: https://www.fep.up.pt/docentes/pcosme/Artigos/13-TC.pdf
- Domazet, A. (2016). Foreign direct investment in Bosnia and Herzegovina: From The Delusions of Neoliberalism to drivers of Economic Growth. *Academy of Sciences and Arts of Bosnia and Herzegovina. Conference proceedings: The Dayton Peace Agreement and the future of Bosnia and Herzegovina, Vol. 7, pp.126-145.* Retrieved from:
- http://www.anubih.ba/images/publikacije/posebna_izdanja/ODN/07_posebna_izdanja_CLXVI%20_7/07_posebna_izdanja_CLXVI%20_7.pdf
- Dunning, J.H. (2004). Institutional Reform, FDI and European Transition Economies. *Henley Business School, University of Reading, Whiteknights Reading.* http://www.henley.ac.uk/web/FILES/management/014.pdf
- Dunning, J. H. (1993). Multinational enterprises and the global economy. Wokingham: Addison Wesley.
- Campos, N. F., & Kinoshita, Y. (2008). Foreign Direct Investment and Structural Reforms: Panel Evidence from Eastern Europe and Latin America. IMF Working Papers, WP/07/190. Preuzeto sa: https://www.imf.org/external/np/seminars/eng/2008/strureform/pdf/foreign.pdf
- Lipsey, R. E. (2001). Foreign Direct Investors in Three Financial Crises, NBER Working Paper Series, No. 8084. Retreived from: http://www.nber.org/papers/w8084.pdf
- Nakov, A., (2004). Foreign Direct Investment and Growth in Transition: Panel Data and Time Series Evidence, 1991-2001, Croatian International Relations Review, (10), 34-35:7-16. Preuzeto sa: http://hrcak.srce.hr/6674
- Hisarciklilar, M., Kayam, S.S., Kayalica, M.O., & Ozkale, N.L. (2006). Foreign Direct Investmnet and Growth in Mediterranean Coutries, Euro-Mediterranean observatory, http://emo.pspa.uoa.gr/data/papers/2-papers.pdf
- Sethi, D., Guisinger S. E., Phelan, S. E., & Berg, D. M., (2003). Trends in foreign direct investment flows: A theoretical and empirical analyses. Journal of International Business Studies 34 (4): 315–326. DOI: 10.2307/3557177
- Wie Y., & Lui, X. (2006). Productivity spillovers from R&D, exports and FDI in China's manufacturing sector. Journal of International Business Studies 37 (7): 554-577. DOI: 10.1057/palgrave.jibs.8400209
- UNCTAD (2015). World Investment Prospects Survey 2010-2015. New York and Geneva: United Nations Conference on Trade and Development. Retrieved from: http://www.unctad.org