

ROMANIA AND BULGARIA ON THE WAY OF INTEGRATION – INVESTMENTS ASPECTS

VOICILAS, DAN MARIUS

Key words: FDI, GDP, transition countries, „Investment Matrix”.

CONCLUSIONS

The present study as well as the studies produced by UNCTAD, United Nations Economic Commission for Europe¹ and other institutions, reveal certain characteristics of the FDI flows in the transition countries from Central and South-Eastern Europe, applicable for Romania and Bulgaria, too:

- These flows grow faster than the world average.
- The FDI per capita is low compared to the values in Western Europe (2000-3000 USD) and USA (about 1800 USD).
- There is a linear correlation between GDP per capita in the transition countries and the FDI level.
- The main sectors initially targeted by foreign investors were the industrial sector (40-60%) and the trade sector (12-25%).
- About 25% of FDI in the transition countries come from Hungary, Poland, Czech Republic and Russia.

In addition to the above mentioned facts, the characteristics mentioned in the present study add to the picture we tried to present in Romania's and Bulgaria's case; these countries largely featured an identical evolution, no significant differences were found between them; these countries missed the start of economic transformations in early 1990s, but are trying to make up for the losses at the beginning of this new millennium, while also benefiting from a more favorable international conjuncture. The general framework for FDI attraction, of which the legal framework is a part, although now created by all CEECs, was either not completed or it was affected by instability and subordinated to political struggles, personal or group interests. Neither the institutional framework was mostly adequate and efficient in most CEECs, so that the foreign investment flows were mainly directed to three countries: Poland, Hungary, the Czech Republic. The foreign investors had a negative reaction to those countries in which political instability was manifested, which resulted in social and economic instability, often remembered in EU Country Reports. The drawbacks and frequent modification of legislation, corruption and bureaucracy have been the main disturbing factors. To sum up, it can be stated that the present development stage for most CEECs is far from the EU level in all the economic sectors. Only the five countries from CE (Poland, Hungary, Czech Republic, Slovakia, Slovenia) are closer to the EU parameters; the countries from SEE are far from com-

¹ Promoting Foreign Direct Investment in Central and Eastern Europe and the CIS, 2000, United Nations Economic Commission for Europe, Geneva, Switzerland

pleting the accession requirements. The large gaps already existing between the countries from CE and SEE would be bridged up only by an aggressive policy, of attracting foreign investors by the SEE countries with a faster rate than that in the CE, in those activity sectors that are interesting for investors; after that, by a „domino effect”, other sectors less attractive or with a higher risk level would be included in the international financial flows (e.g. agriculture). Romania and Bulgaria were generally avoided by the significant world investment flows. It is obvious that we are at fault. Only in recent years an acceleration of the investment attractiveness was experienced, with certain strategic privatizations, with largely yearly FDI inflows, with the elaboration of certain special laws for the important foreign investors; this is mostly beneficial and encouraging for the economy and it will be reflected in the future economic growth, while the economic revigoration will be possible. However, with all these positive signals and future hopes, a question still persists, namely: isn't this start too late, is there time for bridging up the gaps or will these countries continue to remain in the future, too „second hand countries among the second hand European countries”?

METHODOLOGY

The study uses data provided by the national institutions specialized in investments and foreign direct investment (FDI) monitoring in Romania and Bulgaria, as well as the data of certain international institutions (UNCTAD). For Romania, the data are provided by the National Office of The Trade Register (NOTR), National Institute for Statistics (NIS) and the National Bank of Romania (NBR). For Bulgaria, the data are provided by the Bulgarian Investment Agency (IBA), National Institute for Statistics (NIS) and the Bulgarian National Bank (BNB). It should be mentioned that the FDI calculation methodology used by the National Bank, for Romania and Bulgaria, is conform to the International Monetary Fond (IMF) manual of the balance of payments, fifth edition/1993 (also used by UNCTAD); however, the methodology of national institutions for FDI analysis and monitoring (NOTR and IBA) is different. According to NOTR definition, the foreign capital invested in Romania is equal to capital subscription to matriculations, plus subscriptions through capital increase mentions, minus

share capital transferred by non – resident shareholders/associations to resident shareholders/associations, minus share capital subscribed to firms erased from the trade register. As a result differentiations will appear in the presented data, that will not radically misrepresent the general characteristics and the final results obtained.

INTRODUCTION

At the international level, the foreign direct investment (FDI) flows suffered important changes in the last 15 years. Thus, from our point of view, there are two important moments, which have influenced the international FDI flows (we take into consideration the influences on European market). One of them is the appearance of a new market on the international map, in Central and Eastern Europe (CEE) and the second is the event that took place in USA, in September 2001. Generally speaking, the studies show us that, at the end of 2001 the FDI distribution flows in the world was not very different from the '80s, but the level of the investment volume is different (it increased). Before 2001, the

additional financial resources of the investors (they appeared because of the economic boom, globalization and new favorable conditions on the international market) were used on the international markets. Since 2001, the world investment activity began to decrease and the investors kept „previously conquered market” in their portfolio at a low level. Thus, about 50% from FDI were in EU, 20% in USA, 15% in Asian Countries, 10% in Latin America and only 2.5% in the transition countries from CEE, as an average in the last years. Among the latter Poland, the Czech Republic and Hungary attracted 50% of total investments in this region, at the end of 2003. At Europe’s level, the two distinct entities (European Union – EU, Central and Eastern European Countries – CEECs) have parallel developed, from different positions. EU was an important investment source for CEECs, their volume grew gradually and had as preferred destinations only some countries from CEE, but at the same time, it was always an investment destination preferred by the investors from all over the world. Also, the CEECs tried to intensify their foreign investments abroad, but from another scale, not having such a big share on European market (except the Russian companies). In this period, their main concern was the attraction of more foreign investors, from this point of view existing a very strong competition.

CHARACTERISTICS REGARDING THE ATTRACTIVENESS, ENCOUR- AGEMENT AND IMPLEMENTATION OF THE FOREIGN DIRECT INVEST- MENTS

In the 1990s, as the CEECs opened their economy to the world economy, this gave a new dimension to foreign direct investments in Europe. The question was whether this openness had negative

effects upon other zones or continents, but a study produced by the World Bank indicated that the international investment flows were not deviated. „The invitation” of economic reforms, of restructuring and privatization of state enterprises, the switchover from command to market economy has produced important changes both in the legal structure of economic operators and in capital structure. Regardless the form of FDI, as privatization receipts, contribution to nominal capital at the establishment of commercial companies, in cash or in kind equivalent, Romania and Bulgaria are placed after Poland, Hungary and Czech Republic on the list of former socialist countries as regards the attracted foreign capital. Throughout the transition years, the foreign direct investments in the CEECs followed distinct trajectories as a result of the particularities of each country, of its openness level, of its understanding and anticipation of investment phenomena, of the political will and absorption capacity. The differences that has been created between Romania and Bulgaria, on one hand, and the other transition countries, on the other hand (for our analysis the differentiation, from the Central European countries are relevant) created a handicap, that can hardly be surmounted and a less favorable image that will have a great impact in the future decisions of the foreign investors. These differences consisting of the total invested volume, yearly investment rate, investments per capita or other indicators, can be explained by several causes that in fact characterize the position that a certain country has in the international financial circuit. The last years were characterized by the liberalization trend generalization as regards the national regulations on the foreign investments and foreign investors; even the international organizations recommended sev-

eral guidelines that should be followed by the receiver/host countries in their attempt to attract the foreign capital. In Romania and Bulgaria, the policy makers' position as regards foreign direct investment was different compared to the neighbor countries, both in its contents and in consistency. Thus, a very good example in the case of Hungary, where the main conclusion on which the society and the political class from Hungary reached a consensus in early 90s was the following: in order to have a successful reform, foreign direct investments should be encouraged, mainly those investments made by transnational corporations (TNC). A practical consequence was that TNC privatization resulted in a fast increase of exports that subsequently led to economy stabilization and further attraction green-field investments. In certain Hungarian specialists' opinion, such as Prof. *Peter Mihalyi*², the above-mentioned approach (first privatization, then green-field investments) was essential for a successful transition in Hungary. At the same time, it is worth mentioning that the great foreign capital inflows in certain neighbor countries were mainly determined by the partial privatization of certain public utilities (telecommunication, electric power supply networks), of certain airlines or state banks. From this point of view, Romania's as well as Bulgaria's position, was totally different.

INVESTMENT ABSORPTION CAPACITY IN ROMANIA AND BULGARIA

In order to analyze the FDI evolution in the CEECs (CEE), it should be mentioned that, due to the different evolu-

tions of these countries in time as well as to the common characteristics in certain aspects, the classification into the following groups is necessary: Central European countries (CE – Czech Republic, Hungary, Poland, Slovakia, Slovenia), the South – East European countries (SEE – Albania, Bosnia Herzegovina, Croatia, Serbia and Montenegro/Yugoslavia, Macedonia, Bulgaria, Romania), the Baltic countries (BE – Estonia, Latvia, Lithuania), the East – European countries from the former Soviet Union (EE – Belarus, Moldova, Ukraine) and Russia. For the purpose of our analysis, we intend to establish the position of the Romania and Bulgaria among the CEECs from the FDI flows standpoint. We do not intend to produce an exhaustive presentation of FDI evolution and of their impact upon the receive countries; we rather intend a general presentation, at the level of tendencies and try to capture those aspects that seemed to us most interesting from the point of view of our study theme. The FDI inflows in the transition economies impacted the economic growth and the trade relations that were established on their basis. Of course the evolution was different by countries and by time period. In Romania and Bulgaria this evolution was characterized by low infusions mainly in '90s, a low access of foreign investors on the market, low participation to the privatization process that created a large gap between the two countries and the CE countries. As it is noticed from table 1, the FDI absorption capacity was low; if we compare to the CE countries, we notice that in certain countries from this region there were years when the FDI inflows were even larger than the total accumulations from Romania/Bulgaria throughout the investigated period (e.g. the Czech Republic or Poland).

² Mihalyi, P., 2001, Privatization policies to attract FDI – lessons from the experiences of Hungary, Central European University, Budapest, Hungary

Table 1

Foreign direct investment inflows, 1991-2004

Year	Romania				Bulgaria			
	NOTR*		UNCTAD**		IBA***		UNCTAD**	
	Mil. USD	% in total	Mil. USD	% in total	Mil. USD	% in total	Mil.USD	% in total
1991	1,058.4	7.8	40.0	0.4	n.d.	n.d.	55.9	0.9
1992	573.3	4.2	77.0	0.7	34.4	0.3	41.5	0.7
1993	417.8	3.1	94.0	0.9	102.4	1.0	40.0	0.6
1994	881.6	6.5	341.0	3.3	210.9	2.1	105.4	1.6
1995	237.7	1.8	419.0	4.0	162.6	1.6	90.4	1.4
1996	573.6	4.2	263.0	2.5	256.4	2.5	109.0	1.7
1997	309.9	2.3	1,215.0	11.7	636.2	6.3	504.8	7.8
1998	755.5	5.6	2,031.0	19.5	620.0	6.1	537.3	8.3
1999	946.1	7.0	1,041.0	10.0	818.8	8.1	818.8	12.7
2000	840.0	6.2	1,037.0	9.9	1,001.5	9.9	1,001.5	15.6
2001	1,540.7	11.3	1,157.0	11.1	812.9	8.0	812.9	12.6
2002	1,078.5	7.9	1,144.0	11.0	904.7	8.9	904.7	14.1
2003	1,288.6	9.5	1,566.0	15.0	2,096.9	20.7	1,419.4	22.0
2004	3,071.6	22.6	n.d.	n.d.	2,487.5	24.5	n.d.	n.d.
Total	13,573.4	100.0	10,425.0	100.0	10,145.2	100.0	6,441.6	100.0
Average	969.5	-	801.9	-	780.4	-	495.5	-

Note: * = The National Office of The Trade Register; ** = United Nations Conference for Trade and Development; *** = Invest Bulgaria Agency; n.d. = no data

Source: calculations based on NOTR Database; UNCTAD Database; IBA Database

According to the data provided by the specialized national institutions, most foreign investments were made after 2001, i.e. more than 51% from the total investigated period in Romania and more than 62% of the total in Bulgaria (according to UNCTAD estimates about 65% in Romania and 70% in Bulgaria, with an estimated peak in the year 2004 – 4 billion USD in Romania and 2.5 billion USD in Bulgaria). This reveals the new tendency on the CEECs market, i.e. investors' reorientation towards SEE countries after the CE countries accession to EU on May 1, 2004. The data provided by UNCTAD best present the economic and investment policy changes in the two countries. The reform and the privatization had a decisive role in the foreigners' decision to invest (in Romania since 1997, in Bulgaria since 1999). The average investments in the investigated period reveal that Romania had an

advantage, regardless the data source used. At the same time, the data presented reveal a slight advantage that Romania had as regards the invested amount, as a result of the lack of so many macroeconomic difficulties, compared to Bulgaria in '90s (Table 2).

In Romania, it is estimated that 15 billion USD threshold was exceeded in 2005 (regardless of the data source used), while in Bulgaria 10 billion USD threshold. If we analyze the invested volume and the market size and relate the investments made in both countries to the number of inhabitants, we notice that Bulgaria has a much better position than Romania (Table 3). Both in FDI stock/capita and in the yearly FDI inflows/capita Bulgaria has double values compared to Romania, with Romania's population being almost three times as high. However, the values in the two countries are much lower than in the CE

countries and even lower than in Croatia, which is the national leader in SEE. In relation to Croatia, it should be mentioned that in the last years this country succeeded in fast bridging the gaps that existed at a certain moment as a result of

the war in Balkans and of the political instability. At present, Croatia is placed next to Romania and before Bulgaria in the FDI stock, has large yearly inflows and it is estimated to become the regional leader.

Table 2

Foreign direct investment stocks, 1991-2004 (mil. USD)

Year	Romania		Bulgaria	
	NOTR*	UNCTAD**	IBA***	UNCTAD**
1991	1,058.4	44.0	n.d.	168.2
1992	1,631.7	121.0	34.4	209.7
1993	2,049.6	215.0	136.8	249.7
1994	2,931.2	556.0	347.7	355.1
1995	3,168.9	975.0	510.3	445.5
1996	3,742.5	1,238.0	766.7	554.5
1997	4,052.4	2,453.0	1,402.9	1,059.3
1998	4,807.9	4,484.0	2,022.9	1,596.6
1999	5,754.0	5,525.0	2,841.7	2,415.4
2000	6,594.0	6,562.0	3,843.2	3,416.9
2001	8,134.7	7,719.0	4,656.1	4,229.8
2002	9,213.2	8,863.0	5,560.8	5,134.5
2003	10,501.8	10,429.0	7,657.7	6,553.9
2004	13,573.4	n.d.	10,145.2	n.d.

Note: * = The National Office of The Trade Register; ** = United Nations Conference for Trade and Development; *** = Invest Bulgaria Agency; n.d. = no data

Source: calculations based on NOTR Database; UNCTAD Database; IBA Database

Table 3

Foreign direct investment per capita, 1991-2004 (USD)

Year	Romania*		Bulgaria**	
	Stock/capita	Inflows/capita	Stock/capita	Inflows/capita
1991	48.817	48.817	n.d.	n.d.
1992	75.262	26.445	4.384	4.384
1993	94.534	19.273	17.436	13.051
1994	135.196	40.662	44.316	26.880
1995	146.160	10.964	65.041	20.724
1996	172.616	26.456	97.721	32.680
1997	186.911	14.294	178.808	81.088
1998	221.755	34.844	257.831	79.023
1999	265.393	43.639	362.192	104.361
2000	304.138	38.744	489.839	127.647
2001	375.199	71.061	593.448	103.609
2002	424.945	49.746	708.758	115.309
2003	484.377	59.432	976.020	267.263
2004	626.049	141.671	1293.067	317.047

Note: we considered the population constant at the level of the year 2002; * = 21,680,974 inhabitants; ** = 7,845,841 inhabitants; n.d. = no data

Source: calculations based on NOTR Database; IBA Database

If the FDI inflows on the CEE markets are quite at an encouraging level, not the same can be said about the investments made by these countries on the foreign markets. Romania and Bulgaria do not have the financial capacity necessary for important foreign investments; their role on the CEE markets is modest, almost similarly to foreign investment absorption. As regards FDI outflows from Romania (Table 4), the market share was generally less than 1%, with small exceptions at the beginning of the investigated period, i.e. 1991-1993 (Bulgaria had a market share less than 1% throughout the investigated period). As regards FDI inflows and the market share of these countries on the CEE market, Romania exceeded 5% only in four years (1994, 1997, 1998, 2003 – with a peak of over 8% in 1998), while

Bulgaria only in 2003 (2004 was not considered in our analysis, as we do not have comparable definitive data for this year). The role played by the two countries in the SEE region is much more important and as a result the market share are greater. For the investment outflows from Romania, UNCTAD statistics indicate 20%, even 38% in 2003 and 100% in 1991. From this point of view, Bulgaria's market share was larger than 20% only in the year 2000. The FDI inflows place Romania on a privileged position; there are years when it was the favorite destination of investors among the countries in the region (more than 50% in 1995 and 1998). Bulgaria's market share was about 20%. Croatia is the only country in SEE that can be a serious competitor for Romania and Bulgaria on medium and short term.

Table 4

Romanian/Bulgarian FDI's place in Central and Eastern Europe

Index	Country	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
FDI Inflows														
% in CEE	Romania	1.517	1.640	1.324	5.394	2.729	1.793	5.770	8.356	3.926	3.770	4.387	3.663	7.468
	Bulgaria	2.120	0.884	0.563	1.667	0.589	0.743	2.397	2.211	3.088	3.641	3.083	2.897	6.769
% in SEE	Romania	18.612	27.779	23.016	48.507	56.008	26.779	39.560	52.860	28.389	28.671	25.854	27.727	23.324
	Bulgaria	26.011	14.972	9.794	14.993	12.084	11.099	16.436	13.984	22.329	27.689	18.165	21.927	21.140
FDI Outflows														
% in CEE	Romania	8.039	5.894	2.261	0.002	0.270	0.001	-	-	0.650	-	-	0.328	0.796
	Bulgaria	n.d.	0.737	n.d.	n.d.	-	-	-	0.004	0.695	0.082	0.274	0.580	0.310
% in SEE	Romania	100.00	17.778	20.877	0.050	10.309	0.029	-	-	18.265	-	-	2.727	38.897
	Bulgaria	n.d.	2.222	n.d.	n.d.	-	-	-	0.112	19.521	20.625	6.546	4.824	15.142

Note: n.d. = no data; - = negative value; CEE = Central and East European Countries; SEE = South East European Countries

Source: calculations based on UNCTAD Database

The most important investors come from EU countries (Table 5) both for Romania and for Bulgaria. These are generally the same, only their position on the list of invested amount change. Netherlands, Austria, Germany, are the

most important investment sources in both countries, with a share of almost 36% in Romania and 35% in Bulgaria. Among the first ten investors on the list, USA appears as a non-European investors. In both countries there are five main

investors that together sum up more than 50% of total investments in economy. It is worth mentioning that Turkey also appears on the list (10th position, for Romania), while for Bulgaria two CEECs, i.e. Hungary and Czech Republic.

FDI distribution by activity sectors (Table 6) reveals the preference for in-

dustry, which is larger in the case of Romania (56.4% compared to 38.8% in Bulgaria). Other attractive sectors for foreign investors are services and trade, both in Romania and Bulgaria. There is no interest to invest in agriculture.

Table 5

Foreign direct investment sources – the first 10 countries (end of 2004)

Romania				Bulgaria			
No.	Country	FDI's value	% in total FDI	No.	Country	FDI's value	% in total FDI
1.	Netherlands	2,102.1	15.5	1.	Austria	1,666.4	16.4
2.	Austria	1,663.2	12.3	2.	Greece	1,034.5	10.2
3.	France	1,511.1	11.1	3.	Netherlands	927.8	9.1
4.	Germany	1,090.5	8.0	4.	Germany	916.4	9.0
5.	USA	888.4	6.5	5.	Italy	715.9	7.1
6.	Italy	711.0	5.2	6.	Cyprus	545.9	5.4
7.	Holland Antilles	649.8	4.8	7.	USA	531.9	5.2
8.	Cyprus	590.6	4.4	8.	Belgium & Lux.	498.7	4.9
9.	Great Britain	565.5	4.2	9.	Hungary	466.4	4.6
10.	Turkey	455.3	3.4	10.	Czech Rep.	444.6	4.4
Total	-	13,573.4	100.0	Total	-	10,145.2	100.0

Source: NOTR Database; IBA Database

Table 6

Foreign direct investment by sectors

Sector	Romania*		Bulgaria**	
	FDI value (mil. USD)	%	FDI value (mil. USD)	%
Agriculture, forestry and fishing	122.2	0.9	18.3	0.2
Industry***	7,655.4	56.4	3,297.4	38.8
Constructions	244.3	1.8	180.6	2.1
Trade	2,076.7	15.3	1,563.6	18.4
Transports and telecommunications	963.7	7.1	1,115.8	13.1
Services	2,483.9	18.3	2,313.2	27.2
Total	13,573.4	100.0	8,488.9	100.0

Note: * = period 1991-2004; ** = period 1998-2004; *** = including electrical energy

Source: calculations based on NOTR Database; IBA Database

The positive influences of FDI upon the economy and their importance for economic growth are revealed by the evolution of economic indicators. Among these, an important indicator is GDP; in order to exemplify this, we drew up Table 7. The

share of FDI stock in GDP gradually increased and exceeded 20% in Romania and 40% in Bulgaria (the world average is 30-40%). Specialists consider that these influences are decisive in the economy evolution and have an impact upon economic

growth for a 40-60%, which reveals that Romania is not yet directly influenced by FDI level. For comparison, we can give Hungary as an example, whose share was over 30% even since 1995. Bulgaria is also more performant as regards the share of annual FDI inflows in GDP with values that exceeded 10% (for comparison, Romania has not reached 5% yet).

The performance of the countries as regards foreign direct investments in the

world are measured by the international organizations by different indicators, out of which: FDI inward performance index, FDI outward performance index, FDI inward potential index (UNCTAD indicators). Table 8 presents Romania's and Bulgaria's position among the countries in the world from the point of view of the indicators that are used in the calculation of „Investment Matrix”.

Table 7

Foreign direct investments and gross domestic product, 1994-2004

Year	Romania		Bulgaria	
	% stock in GDP	% inflows in GDP	% stock in GDP	% inflows in GDP
1994	9.7	2.9	3.7	2.2
1995	8.9	0.7	3.9	1.2
1996	10.6	1.6	7.4	2.5
1997	11.5	0.9	13.8	6.2
1998	11.4	1.8	15.9	4.9
1999	16.2	2.7	21.9	6.3
2000	17.8	2.3	30.5	7.9
2001	20.2	3.8	33.6	6.0
2002	20.1	2.4	35.5	5.8
2003	18.4	2.3	38.6	10.6
2004*	21.6	4.9	42.0	10.3

Note: * = preliminary data for Romania; GDP at current prices

Source: calculations based on NOTR Database; IBA Database; National Bank of Romania Database; Bulgarian National Bank Database

Table 8

Romanian/Bulgarian place in Investment Matrix, 2000-2002 and 2001-2003

Index	Maximum score		Romanian score		Bulgarian score		Minimum score	
	2000-2002	2001-2003	2000-2002	2001-2003	2000-2002	2001-2003	2000-2002	2001-2003
Outward FDI performance (128 countries)	16.160 Belgium/ Lux. (place 1)	22.741 Belgium/ Lux. (place 1)	-0.004 (place 119)	0.020 (place 89)	0.037 (place 77)	0.065 (place 74)	-0.359 South Af- rica (place 128)	-2.177 Kuwait (place 128)
Inward FDI performance (140 countries)	13.531 Belgium/ Lux. (place 1)	19.807 Belgium/ Lux. (place 1)	0.907 (place 73)	1.367 (place 62)	2.145 (place 25)	3.291 (place 21)	-2.533 Suriname (place 140)	-3.362 Suriname (place 140)
Inward FDI potential (140 countries)	0.659 USA (place 1)	n.d.	0.163 (place 83)	n.d.	0.195 (place 64)	n.d.	0.042 Congo Dem.Rep. (place 140)	n.d.

Note: n.d. = no data

Source: UNCTAD Database

According to these criteria, Bulgaria is on a more advanced position than Romania in the both investigated periods, but still at a great distance from the first positions. The statistical data from previous periods reveal the same charac-

teristics as in the last years. According to these indicators, the countries can be classified within the „Investment Matrix” by distinct categories that define the investment profile characteristic for each of them (Table 9).

Table 9

Matrix of inward FDI – performance and potential, 2000-2002

Index	High FDI performance	Low FDI performance
High FDI potential	Front-runners <i>Bulgaria, Croatia, Cyprus, Czech, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia, Slovenia.</i>	Below-potential Belarus, Russia.
	Above-potential Albania, Moldova, TFYR Macedonia.	Under-performers Romania, Turkey, Ukraine.

Source: UNCTAD Database

A series of conclusions can be drawn from this short presentation, with implications upon the policies that can be formulated and summed up in the following way: for the front runners, who wish to remain important FDI receivers, the problem is to maintain the competitiveness margin in terms of attracting FDI; the under performers will have to improve different aspects of the investment environment in order to improve their position in the Potential Index; the countries oscillating between sub-performance and above average economies should try and build up a competitive potential as soon as possible, that should attract the investors;

similarly, for the countries having a high potential without having performances in FDI attraction, the investors' perception might be approached and greater efforts needed for the best use of advantages existing at the local level. Thus, Bulgaria is a „front runner” and Romania a „sub-performer”, being placed together with other developing or less developed countries. The matrix reveals a sad picture from Romania's point of view, as as the country is placed together with countries coming most from Africa, but also from South-America or South-Asia. In Europe, only two countries belong to this category, i.e. Ukraine and Turkey.

REFERENCES

- (1) Mihalyi, P., 2001, Privatization policies to attract FDI – lessons from the experiences of Hungary, Central European University, Budapest, Hungary; – (2) NOTR Database; UNCTAD Database; IBA Database; WB Database; – (3) Promoting Foreign Direct Investment in Central and Eastern Europe and the CIS, 2000, United Nations Economic Commission for Europe, Geneva, Switzerland; – (4) UNCTAD/WID studies, 2004, Country profile: Romania, Bulgaria; – (5) Voicilas, D.M., 2005, Foreign direct investments in South Eastern Europe - overview on Romania and Bulgaria, in Vol. „Inwestycje Zagraniczne w Polsce – Raport Roczny”, IKC, ISSN 1231-1103, Warszawa, Poland; – (6) World Investment Directory, 2003, Vol. VIII, Central and Eastern Europe; – (7) World Investment Report, 2002, Transnational corporations and export competitiveness – overview, UNCTAD, UN, Bucuresti, Romania.