DYNAMIC TRENDS OF FOREIGN DIRECT INVESTEMENTS AND MACROECONOMIC CHANGES IN CENTRAL AND EASTERN COUNTRIES DURING 2000-2010

DENISIA VINTILA

PhD Candidate, The Academy of Economic Studies Bucharest, Romania
Email: denamv20@yahoo.com

Abstract.

For the transition economies, foreign direct investments (FDI) were considered the engine of their economic transformation. The purpose of this article is to highlight the evolution of FDI during 2000-2010 for 7 countries of Central and Eastern Europe, precisely: Poland, Hungary, Czech Republic, Slovakia, Slovenia, Romania and Bulgaria (CEE-7) and the changes in the patterns of the FDI received. There are large differences among these countries regarding the investments received and we tried to identity the determinants that contributed to this uneven distribution of FDI .We analyzed the boom of FDI registered by these countries during 2000-2008 and the structure and dynamics of FDI after the break out of the crisis in 2008. FDI in Central and Eastern Europe experienced a collapse in 2009, after 8 year of impressive increase, which followed a strong economic growth. Poland was the most attractive country of the region, even during the financial crisis. Romania and Bulgaria, which experienced an impressive increase of FDI during 2004-2008, were severely affected by the crisis. The collapse of FDI, which coincides with the economic recession, brought also some changes in the structure and form of the FDI received.

Key words: foreign direct investments, Central and Eastern Europe, transition economies, macroeconomic indicators

Jel classification: F21, F23

1.Introduction

The beginning of the transition process of the ex-communist countries offered to many multinationals access to new markets and cheap resources which could lead to productivity increase and cost reduction. FDI in the region, after a modest start, began to increase year by year, Central and Eastern Europe (CEE) being the only region that had an economic growth during the economic recession of 2001-2003.

The present research analyzes the evolution of foreign direct investment during 2000-2010 in CEE states that became member of European Union(EU) in the analyzed period: Hungary, Slovakia, Czech Republic, Poland, Slovenia, Romania and Bulgaria, countries which we will call CEE-7.

20 years after the transition process has started , the countries of Central and Eastern Europe found themselves in different moments of the development process, element that is revealed by the two different waves of accession to European Union. The four member states of the Visegrad group, along with Slovenia joined the European Union in 2004, while Romania and Bulgaria entered EU in the second wave in 2007. The rest of South-eastern Europe countries are still in the phase of negotiations for the EU accession. Differences in how and when the privatization process was done, along with the degree of openness to foreign investors led to different developments in attracting FDI(Gersl et al, 2007)

Our research aims to answer to two questions:
1. Which was the evolution of FDI in selected countries during 2000-2010?
2 Is there any correlation between FDI and the macroeconomic evolution of the host countries?

CEE-7 attracted more than 85% of FDI inflows to Central and Eastern Europe (without CIS), but this share reduced gradually, reaching about 70% in 2010. The reduction of the concentration shows a changing trend of FDI in all states of the region.

FDI affects the host countries on a variety of channels, the most common effects being the effects on gross fixed capital formation, on trade, on current balance, on the local labor force, all translating into an effect on the GDP.

In the transition countries of Central and Eastern Europe, the seven countries included in this research, had several features that distinguish them from the rest: the largest markets (Poland and Romania with 38 million and 22 million inhabitants), they were close to the EU and in the two waves of accession become EU members, had cheap labor force (especially in Poland, Romania and Bulgaria) and qualified. In 2000, wages in Central Europe were 5 times lower than EU 15 average, while productivity was only 3 times lower (UNCTAD, 2004)

FDI in Central and Eastern Europe were attracted most by the privatization process launched in these countries. In 2000, most of these countries, almost concluded the privatization process, while in Romania and Bulgaria it was underway. As FDI inflows to these countries had as primary motivation the privatization of profitable enterprises, the question that remains was whether there are other motivations that may attract investors once the privatization process will end.

The economic conditions existing in the host country are essential for attracting foreign direct investments. The CEE main advantages in attracting investors were cheap labor and privatization of state enterprises. With the rapid development of some countries and their classification among middle or high income countries, investment should be attracted by other features: investment environment, high profitability and various incentives offered to investors. The seven states are still competitive in terms of attracting foreign investors, having the same comparative advantages and in order to differentiate from their neighbors, they should create their own advantages to determine new investors to direct investment towards them. (Suder and Sohn, 2011).

2. A synthesis of the FDI inflows and economic situation in CEE-7 during 2000- 2010

Like the rest of the countries in transition to market economy, also the FDI flows to CEE countries were considered an important factor in reaching their primary objectives, namely economic growth, reducing the gap with Western states and achieving the status of functional market economy.

GDP is the indicator showing a nation's economic condition. The period 2000-2010 resulted in positive economic developments in the seven states, average per capita growth rate (about 4-5%) far exceeds the EU-15 average (1.5%) and Romania, Slovakia and Bulgaria are the performers of this region (table 1). In absolute size, because the economies have different sizes it should be used for comparison the GDP per capita indicator. Viewed from the perspective of this indicator, the highest level of GDP per capita is held by Slovenia, followed by Czech Republic and Hungary, while Poland, Romania and Bulgaria have the lowest values.

Table no. 1: Real GDP growth rate(%)

geo\time	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2000-2010
EU (15 countries)	3.9	2.1	1.2	1.2	2.4	1.8	3.1	3	0	-4.3	1.9	1.5
Bulgaria	5.7	4.2	4.7	5.5	6.7	6.4	6.5	6.4	6.2	-5.5	0.2	4.3
Czech Republic	4.2	3.1	2.1	3.8	4.7	6.8	7	5.7	3.1	-4.7	2.7	3.5
Hungary	4.2	3.7	4.5	3.9	4.8	4	3.9	0.1	0.9	-6.8	1.3	2.2
Poland	4.3	1.2	1.4	3.9	5.3	3.6	6.2	6.8	5.1	1.6	3.9	3.9
Romania	2.4	5.7	5.1	5.2	8.5	4.2	7.9	6.3	7.3	-6.6	-1.9	4.0
Slovenia	4.3	2.9	3.8	2.9	4.4	4	5.8	6.9	3.6	-8	1.4	2.9
Slovakia	1.4	3.5	4.6	4.8	5.1	6.7	8.3	10.5	5.9	-4.9	4.2	4.6
CEE-7	3.8	3.5	3.7	4.3	5.6	5.1	6.5	6.1	4.6	-5.0	1.7	3.6

Source : Eurostat and author's calculation

Positive growth rates, financial stability, low inflation, stable investment environment influence the confidence of the investors and create opportunities to attract investments. If positive GDP growth rates may not automatically lead to attracting more FDI, is more likely that a country that has macroeconomic problems to be associated with a higher risk and therefore, investors can turn to other countries more stable, and the FDI received to be lower. (Hunya,2011).

The economies in transition opened their economies after the fall of communism, and the technological gap to the West was already very high. Besides the lack of capital to carry out restructuring and de-monopolization of the state sector, FDI offered the elements needed to create competitive products for the foreign market and also led to an improvement in balance of payments and current account deficit. In order for the host countries to benefit from these effects, is also important the entry form, along with the mode of entry on the market.

In the first 10 years of transition, most of the FDI has been achieved by privatization, which means buying foreign assets belonging to the state, as the private sector was practically non-existent during communism. 10 years after the fall of communism, for the majority of Central European states, the privatization process is almost completed, and the question that arises is whether these countries will be able to attract new greenfield investments. If for the greenfield FDI the clearest motivation for the investment is cheap labor (in the case of CEE and highly qualified), for privatization - FDI we have two motivations: resource - seeking and asset seeking FDI (Szany, 2001).

Although they are considered the most stable forms of long-term capital, the situation can be changed by modifying the composition of FDI. During crisis, unfavorable economic situations in the host country or in the parent company, may lead to the return of the credits given to subsidiaries or totally repatriation of profits. Obviously, the composition of FDI is determined by many factors mainly related to the host country, but also the parent company's strategy: local taxes, taxes on repatriation of profits, the legislation on investment. (World Bank, 2004)

The evolution of FDI in the period 2000-2010, can be divided into three major periods:
a) The period 2000-2003, that shows an oscillatory evolution of FDI, but with values higher than those recorded in the first 10 years of transition
b) The period 2004-2008, which corresponds to the boom of FDI in CEE-7, following the global trend
c) The period 2009-2010, which includes the financial crisis when FDI recorded a collapse

2.1 The period 2000-2003

CEE-7 recorded higher average economic growth respecting to EU (15), only the growth rate registered by Poland was more modest (1.4%). Main source of GDP growth was in the period 2000-2003 domestic demand, as net export had a negative impact. Only Poland recorded a steady reduction of the trade balance, but it seems that didn't really help the growth of GDP, in contrast in the other states the trade balance fluctuated. (NRB, 2003). In all 7 states the disinflation continued, but Romania was the only state for which inflation is still double-digit, being far behind the rest of the states at this indicator.

As in the first 10 years of transition, these countries have relied on privatization for attracting FDI, the second decade is a challenge for them, as they had to attract FDI through other elements.

Even though the world was in recession, the CEE economies seemed not to be impacted and their evolution was on a upward slope, features that determined investors to move their capital to these countries. FDI flows had a sinusoidal trend, increasing or decreasing from state to state or from one year to another. Unlike the five countries of Central Europe that since the '90s had been receiving significant amounts of FDI, Romania and Bulgaria attracted modest levels until the early 2000s. In the CEE-7, Romania attracted in 2000 about 5% of total FDI, while as level of FDI per capita it was on the last place. In the CEE, stock and FDI inflows were concentrated in the five countries that joined the EU in 2004, followed by the second wave states: Romania and Bulgaria. (Piccioto, 2003)

Following the global trend, the Central and Eastern Europe received a new record of FDI flows in 2000, but these flows headed especially in two countries: Poland and the Czech Republic, which attracted over 67% of FDI directed to CEE-7 (table 1). The strongest increase is recorded by Slovakia which received about 6 times more FDI than the previous year, reflecting the numerous cross-border mergers and acquisitions made in this country. (UNCTAD,2001).

FDI to this region are still attracted by the privatization process which in this period is very advanced, with the exception of Hungary, where it ended and the evolution of foreign direct investment is driven by greenfield investments or private mergers and acquisitions (UNCTAD, 2001)

Slovenia was the most developed state of the CEE at the beginning of the transition process The reduced share of FDI in GDP(0,69% in 2000) is due to the measures taken by the government which did not allow foreign investors buying strategic assets of the country, the need for capital being much lower than the rest of the countries, which led the low level of FDI received in the first 10 years. In 2000 the Slovenian government changes its position and allows a program of four years to reduce restrictions on foreign investors, who led to the increase of FDI between 2001-2003. (Piccioto,2003). The difference between Slovenia and other states regarding foreign capital can be seen by the percentage of FDI in gross fixed capital formation, which for this country is generally below 10% (except in 2002 when it reached 30%), compared to 20-30% as the rest of the countries have, or even 50% for Bulgaria.

Year 2001 marked the beginning of the global FDI downturn, but not for Central and Eastern Europe which recorded an opposite trend , still having an increase compared to 2000. FDI continues to be concentrated in 4 of the 7 countries: Poland, Czech Republic, Hungary and Slovakia which attract over 85% of FDI directed to the region. Poland, which has held the leading position since 1996 recorded a decline in 2001, probably due to privatization which is coming to an end and the fact that the previous year had a mega privatization(Telekomunikacja Polska SA (TPSA) was sold to France Telecom) that increased a lot the values of the investments that year (NBP, 2003). The government in order to attract new foreign investors released a new package, similar to the ones launched by Hungary and Czech Republic in the previous years. Instead, Hungary recorded an increase of 40%, the first time after completing the privatization process in 1998. After a peak in 2000, FDI in Slovakia recorded a decline, even if the value of FDI is the second level ever received by this country. (UNCTAD, 2002)

Table no. 2- Foreign direct investments inflows(mil $)

Country/year	2002	2003	2004	2005	2006	2007	2008	2009	2010
Bulgaria	923	2,089	3,397	3,920	7,805	12,389	9,855	3,351	2,170
Czech Republic	8,482	2,103	4,974	11,653	5,463	10,444	6,451	2,927	6,781
Hungary	2,994	2,137	4,266	7,709	6,818	3,951	7,384	2,045	2,377
Poland	4,123	4,588	12,874	10,293	19,603	23,561	14,839	13,698	9,681
Romania	1,141	2,196	6,436	6,483	11,367	9,921	13,910	4,847	3,573
Slovakia	4,142	2,160	3,030	2,429	4,693	3,581	4,687	-50	526
Slovenia	1,621	305	826	588	644	1,514	1,947	-582	834
CEE -7	23,425	15,578	35,804	43,075	56,392	65,361	59,073	26,237	25,943

Source: UNCTADstat

FDI in CEE-7 continue its upward trend in 2002. The stability of FDI during the recession of 2001-2003 can be explained by the positive impact that EU membership could have both for the countries that joined in 2004, and for those who are not candidates in the first wave. FDI growth was achieved mainly in countries that have recorded a peak of privatization, namely the Czech Republic, Slovakia and Slovenia, while FDI in Hungary and Poland continues its decline. (UNCTAD, 2003). Czech Republic takes over in 2002 the region's leading position as a result of many privatizations (such as Transgaz) , while Poland is on 3, probably due the the end of the privatization process (in 2003 it recorded only a mega deal, the privatization of the electric company Stoen) and unfavorable global conditions affecting the capacity of investors to finance new investments în certain sectors. (NBP, 2003)

In 2003 there is a noticeable drop in FDI among CEE-7 by 33%, but this decline is due to the ending of the privatization in Czech Republic and Slovakia, privatization that led to the achievement of high values in the previous year. Per ensemble, FDI grew in three countries (Romania, Bulgaria and Poland) and decreased in the remaining 4, Poland taking over leadership of FDI inflows(UNCTAD 2004).

Most of FDI are made through equity investment, while reinvested profits and loans still have low values (about 1% each). Between 2001-2003, FDI received by Poland in the form of intra-company loans are up from 25% to 30%, loans that in the future will cause a negative effect on balance of payments by credit repayment. Over 30% of FDI received by Romania were in the form of loans, which in the future, like Poland, may adversely affect the balance of payments, due to repatriation loans. (RNB, 2003)

2.2 FDI during 2004-2008

Between 2004-2008 the values of macroeconomic indicators are positive, up year by year, and at the same time, the value of FDI received are spectacular. CEE-7 manage to maintain impressive growth rates during the period 2004-2008, but with uneven evolution from state to state. All states except Hungary, saw increases by 6% as average, while for the latter the growth was modest, with values of only 0.5% between 2007-2008 (table 1). Strong economic growth in this period is generally supported by domestic demand growth and the reduction of unemployment.

In 2008 the world economy begins to slow, which is reflected also in the CEE-7 indicators. Of the seven states, only Romania and Hungary recorded a higher growth in 2008, while the rest of the countries registered a slowdown. Even so, the GDP growth rates are well above the EU (15) performance. The economic slowdown was mainly due to the decrease of domestic demand and the deterioration of the external situation, elements that have eroded investor and consumer's confidence. (RNB, 2009 a)

The commercial balance continues to be negative, but the deficit is decreasing in certain states, while in others (Romania and Bulgaria) it worsens. The exception is Hungary, which balance becomes even positive. The reduction of the commercial deficits would be associated with high FDI as foreign subsidiaries are major exporters in the region. For Czech, foreign subsidiaries made higher exports imports (CNB, 2007), and for Romania , they made more than 73% of total exports and about 60% of total imports (RNB, 2009 b)

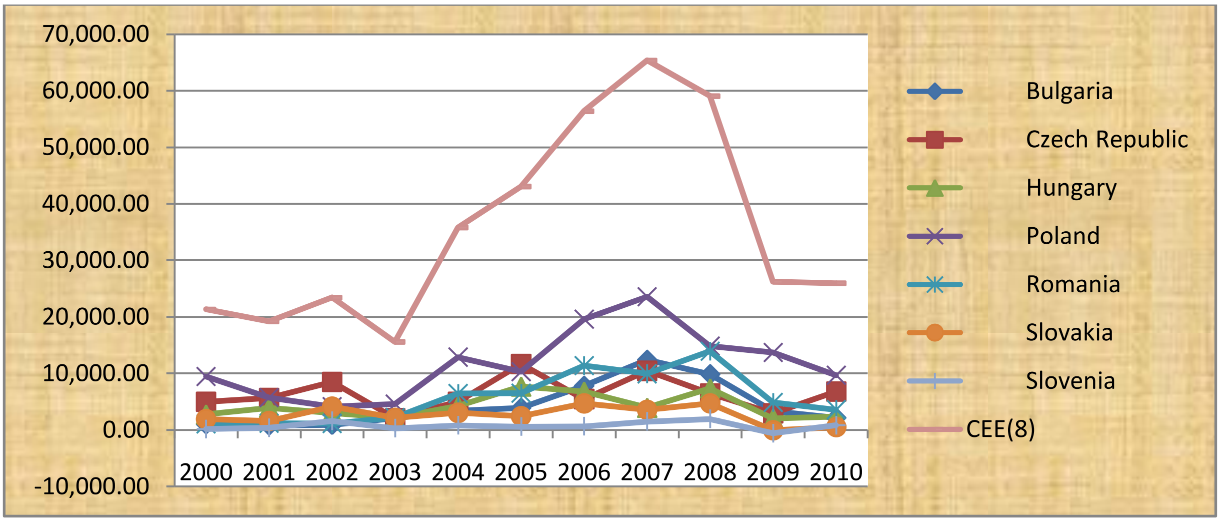
Since 2005, the inflation rate in Romania is below 10%, but continues to be far superior to the rest of the states, and along with Bulgaria are the countries with the highest inflation rate, while the most constant evolution is found in Poland and Czech Republic . Labor market appears to improve per ensemble: Bulgaria, Czech Republic, Slovakia, Poland and Slovenia recorded a decrease in the unemployment rate, this indicator for Hungary is increasing, and Romania has an oscillatory evolution.

FDI inflows in 2004 recorded strong growth, increasing by 1.3 times compared to 2003, mainly due to the tripling values attracted by Romania and Poland. The high value received by Romania is mainly due to privatization of Petrom oil company, which was acquired the Austrian group OMV.

In 2005, FDI continues upward trend due to increasing amounts received by the Czech Republic and Hungary, values that placed the two countries in 2005, as FDI stock on 2nd and 3rd place, behind Poland. The values received by these two countries were achieved by increasing FDI in services (transport, telecommunications and real estate). FDI in services, started in the late 1990s, and accelerated in the 2000s, leading to values over 50% of the tertiary sector in FDI attracted by 3 countries: Poland, Czech Republic and Hungary(Fifeková and Hardy, 2010). Increasing value of FDI in Czech Republic is due to two mega privatizations : Èeský Telecom and Unipetrol, and of the expansion of the investments already made (CNB, 2007), while Hungary attracts more investments through the privatization of Antenna Hungaria and Budapest Airport (MNZ, 2007).

In 2007, FDI in the 7 countries reached the highest value, up to 15% over 2006. They increased in 4 of the 7 countries and they decreased in the rest of the countries(figure 1). The largest value is attracted by Poland, while the Czech Republic recorded the most significant increase with over 90% respecting to 2006(being the only state in CEE that made a mega investment: purchase of Prvni Privatizacni Fund by Italy's AS Assicurazioni Generali SpA). Increasing FDI in the Czech Republic is done through an increase in reinvested profits, which represented about 35% of total investments received. Not only reinvested earnings increased in Czech Republic, but also dividends paid to investors, reflecting the Czech investments' profitability (CNB, 2007). For Romania, 2007 represents the first decline in FDI since 2003.

FDI inflows trend 2000-2010



Source : created by author based on table 1 figures

Figure no 1

Since 2004, between 30% and 50% of the FDI received by Poland are being reinvested profits, which proves the profitability of the multinational companies presented in Poland and their confidence in the potential of the Polish economy, yet this is a development of the investments and projects already completed or started. Unlike Poland, FDI attracted by Romania in 2007 come to be made at a rate of about 50% as intra-company loans, whose repercussions on the balance of payments will be visible in the future.

In 2008, the year of the outbreak of global crisis, FDI recorded a decrease in the CEE-7 by 9%, largely due to the reduction by over 35% of FDI attracted by Poland and the Czech Republic, a decrease too strong to be covered by the increases recorded by Romania, Slovakia and Hungary.

3. The period 2009-2010. The crisis and the evolution of FDI

In 2009, CEE-7, after a period of macroeconomic stability, recorded a strong economic decline, with the except of Poland, the only state that while experiencing an economic slowdown, keeps positive values of growth rate. For Poland the main factor that kept the growth rate to be positive was external demand, exports exceeding imports, a factor supported also by the strong banking system. (NBS, 2009; RNB 2009). A positive commercial balance was determined also by the exchange rate depreciation against the euro, which made imports more expensive and exports cheaper. (NBS,2009)
The remaining states recorded a severe contraction due to sudden drop in external demand and worsening financing conditions (RNB 2009 a), and the most affected countries are Romania, Slovenia and Hungary. Due to lower domestic demand, inflation decreases in EU Member States which are not part of Monetary Union reaching 2.7%, the strongest decline was registered by the Czech Republic. The highest inflation rates are found in Romania, Hungary and Poland.

Increasing the number of foreign banks in transition countries led to the development of the banking sector in these countries, but at the same time and to its domination by foreign banks. Banks found in these countries favorable conditions for developing fruitful activities. How the financial crisis affected also the real economy, having a negative impact on global production, international trade and FDI have been directly affected by the lack of access to financing and increased cost of credit that led to the repatriation of profits to parent companies, along with divestiture activities and relocation of production to cheaper areas.

FDI registered a decline of 37% worldwide in 2009 compared to 2008 , following a sharp decline in mergers and acquisitions, while equity investments had a decline of 65% (UNCTAD, 2010). In this framework, also the foreign investors' confidence in CEE-7 is eroding, and follows the global FDI, accounting for a decline of 55% in 2009(figure 1). For Slovenia and Slovakia the values are even negative(Table 2). While Romania, Bulgaria or Hungary accounts for a sharp decrease of 65%, only the decline of Poland is modest by 7%.

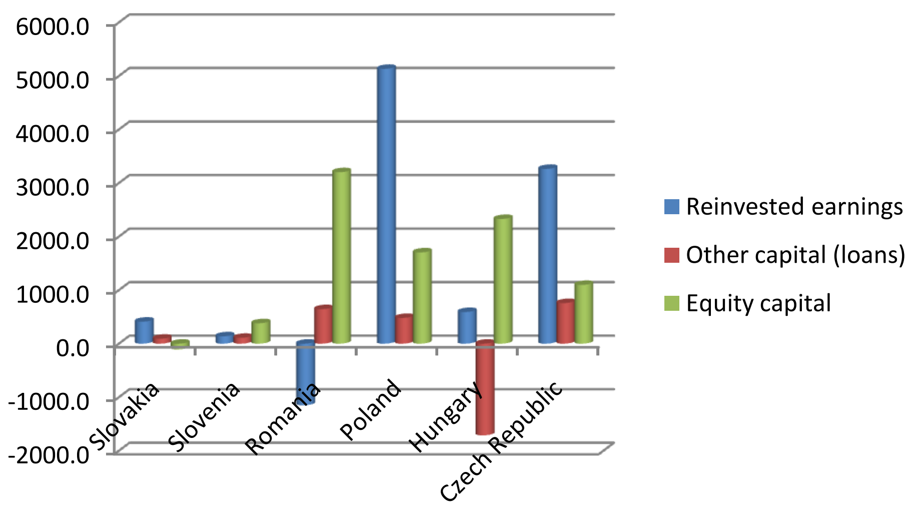
Despite decreases in FDI, Poland, Hungary and Romania are in the top 10 in Europe as number of jobs created through FDI in 2009, even if this number is down from 2008. (E & Y, 2010)

In 2010, FDI stagnation in the world is divided different by regions: Latin America grows, the EU member states record a sharp decline, and the CEE (including Russia) records a modest increase of 9% (Hunya, 2011). Nevertheless, the FDI in CEE-7 remains constant at the same level like in 2009, which suggests that the increase recorded by the whole CEE region is due to Russia. In 2010, Romania, Bulgaria and Poland continue the decline started in 2009 with about 30 %, while the Czech Republic attracted 3 times more FDI than in 2009, due to the increase of reinvested profits and stabilization of intra-company loans. Hungary, Slovakia and Slovenia recorded modest increases. The values recorded by the Czech Republic shows that for investors, Czech it is not a risky country and the macroeconomic stability confirm these assumptions (Hunya, 2011)

The strongest growth rate in 2010 is registered by Poland, but this does not stimulate FDI, which decrease by 29% . Following negative flows recorded in 2009, Slovakia increased slightly in 2010, but received values that are well below the 2008 level.

The form in which FDI is made during the crisis presents major differences from state to state. Romania is the only state for which, since 2008, reinvested earnings have had a negative contribution to the total flow of FDI received, contrary to the evolution that Czech Republic and Hungary recorded (Figure 2). Also, Romania seems to be the state where intra-company loans are very important, funding in 2009, over 50% of total investments, while in 2010 their share reduced. Hungary is the country that attracts most FDI through equity-capital, which shows a long term confidence of the investors.

FDI inflows by form, 2010, EUR mln



Source: WIIW database

Figure no 2

In 2009, the highest stock it is still hold by Poland (30% of CEE-7), followed by Czech Republic and Hungary, the three having together 68% of total FDI stock. Basically, the Polish FDI stock is equal to the sum of the stocks of Romania, Bulgaria, Slovenia and Slovakia.

Economic contraction appeared with the outbreak of the crisis (Romania and Bulgaria are dealing with negative growth rates) suggests that growth rates realized until that moment were not sustainable. This results can be seen also from the analysis of other macroeconomic indicators such as unemployment and current account deficit, both indicators that were in contrast to GDP growth.

In early 2000s, CEE-7 commercial deficit was higher to the current account deficit and it was largely covered through FDI . Over time and especially with the outbreak of the crisis, the effects of FDI on the balance of payments have changed, FDI managed to cover a small part of the current account deficit. However, for Romania, Bulgaria, Czech Republic and Slovakia they covered more than half (Table 3) (Hunya, 2011)

Tabel no 3 – FDI, external trade and current account (% of GDP)

% GDP	2008			2009			2010		
Countries	FDI	Trade balance	current account	FDI	Trade balance	current account	FDI	Trade balance	current account
Bulgaria	19.02	-21	-23.1	6.88	-8.83	-8.9	4.53	-1.90	-1.3
Czech Republic	2.99	5	-2.1	1.54	5.56	-2.4	3.53	4.77	-3.1
Hungary	4.75	0	-7.3	1.59	4.86	-0.2	1.84	6.50	1.1
Poland	2.80	-4	-6.6	3.18	0.08	-3.9	2.07	-1.21	-4.6
Romania	6.81	-13	-11.5	3.01	-6.92	-4.2	2.24	-6.27	-4.0
Slovakia	4.96	-2	-6.9	-0.06	-0.83	-1.3	0.60	-1.30	-0.8
Slovenia	3.56	-3	-6.2	-1.18	1.44	-2.6	1.75	0.56	-3.5

Source : World bank, UNCTADstat and Eurostat

The different evolutions of CEE-7 during the crisis may be explained by the different forecast of long-term economic evolution of these states, along with the global financial stability.

Following the global trend, FDI in CEE-7 recorded a shift from manufacturing to the tertiary sector. Begun in the late '90s, this change accelerates in '20s, when FDI in the tertiary sector became predominant. In Poland, the Czech Republic and Slovakia, the services represents as average over 60% of the total FDI received (Fifekova and Hardy, 2010).

Greenfield FDI fell with the outbreak of the crisis, but in 2010 it seems to revive. Although the number of new projects announced are higher respecting to 2009, however, their values are below the level of the previuos year. Most new projects were directed to Poland and Romania, but the recorded values are in decline compared to 2009. Only the Czech Republic is growing both in number of projects and their value. The decline in value of new projects can be explained by a general tendency to be directed in services, instead of the of the productive sector. (E & Y, 2010)

The survey conducted in 2010 by Ernst & Young placed CEE on the 3rd place among the most attractive locations, behind China and Western Europe, the outlook for the future being optimistic. The fact that CEE is found in the top 3 gives shows that the macroeconomic problems the region is facing are considered by investors temporary.

3. Conclusions

FDI in CEE-7 have increased sharply in the period 2000-2008 by almost five times, from a stock of 96,000 million dollars in 2000 to 540,000 million dollars in 2008. Poland, the Czech Republic and Hungary were the main recipients of FDI among the former communist countries since the early '90s. Romania, Bulgaria and Slovenia have started to become attractive after 2003. The period between 2004-2008 has represented a real boom of foreign direct investments for the 7 states, being sustained by high economic growth rates and a macroeconomic stability. Between 2009-2010, FDI recorded a collapse, not only at global level but also for CEE-7, for which the decline was over 50% respecting to 2008. The decline coincides with the onset of the global finacial crisis and the contraction of the world economy. Investor's uncertainty, increasing risks and the lack of financing sources led to a decrease of FDI, that affected all countries, although the decline was uneven.

Future projections regarding FDI are positive, both globally and especially for Central and Eastern Europe, but at the individual level, the revival of FDI flows will occur at different times.

4. Acknowledgments

The current paper is realized in the doctoral program entitled "PhD in economics at the standards of European knowledge- DoEsEc", POSDRU/88/1.5/S/55287, conducted by the Academy of Economic Studies Bucharest and University of West Timisoara.

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