

INTERCONEXIONS BETWEEN THE DEVELOPMENT LEVELS OF THE OFFICIATE COUNTRIES AND THE DIRECT FOREIGN INVESTMENTS IMPACT

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Abstract: From many points of view, the role of the trans-national corporation in world's contemporary economy is more important than ever. This great importance derives from its quantitative dimension and also qualitative of this evolution. On the quantitative level, it is sufficient to remember that nowadays fusing agent and stock agent of direct foreign investments have a more appreciable value in absolute measurement, as relatively to principal macro-economical indicators, like GDP, exports or internal accumulation of capital, comparatively to past, for the entire world economy and for majority of the states. At the same time, we take into consideration the fact that the sales of the trans-national corporation at the international level overtake the value of exports, as a supply modality and market situation. This quantitative aspect of the trans-national corporations' activity shows also the potential that they have as agents of shaping the global development, but it is also related with the qualitative part of trans-national corporations' expansion, which integrates the fundamental form of international economical activity: investments, trade, technological transfer and money transfer

Key words: investments, corporation, trade, development

1. INTRODUCTION

The importance of the presence of the international corporations for the host countries extends more the volume of the direct foreign investments realised by them and it takes into consideration diversity of direct and indirect modalities through which this companies are implied into international economy. For instance, international corporations can activate from a monopoly position in host countries and their productive technologies can also have a negative impact of the quality of the environment. But the importance of the international corporation in world's economy is not just a result of the recent evolution, meaning the result of the direct foreign investigation. As an add-on to this matter is the radical change that manifested in the attitude toward international corporations, specially in that countries that are developing the process of economical evolution, but in many developed countries – fact that drove to a more significant impact of these companies through the growth of economy..

If we take into consideration these evolutions, we can say that economical agents represented by international corporations are key-organisation of the economical activities and marketing and agents that create values also, which allocate at global scale a major

part from the resources needed to sustain the growth economical process, specially in cases that this process is developing in a international competitive background.

Based on this attitude changing, we assist to a mental mutation in the politics of the states in this domain, and so this countries encourage the direct foreign investments (including their implication in different sectors that were in the past closed to the external capital), in order to obtain benefits for host state and without any control of the activity enterprise by international companies.

2. INTERNATIONAL COMPANIES' IMPACT THROUGH THE GROWTH OF ECONOMY – AN INTEGRAL PERSPECTIVE

The modalities through which international companies influence the aim of the states comparatively to a national company can be detailed in six levels of analysis, as shown below:

- ✓ International corporations operate transfers of resources and capacities through countries for the host states, so that it is very important the type of these resources and the transferred capacities, their price, for instance the case of the technology capacities of the organisational competences capacities and of the optimisation of the human competences;

- ✓ International corporations control the using of these resources and the capacities, this use being, in many cases, from that of the local firms, in part because of their differences on the level of efficiency and in part because the differences between the products and the structure of the market where they activate;

- ✓ International corporations offer both capacities and markets, both for inputs and for outputs. In this domain appear many problems about the dimension and type of these markets, plus the way in which international corporation's dispute and divide these markets at the global level;

- ✓ International corporations stimulate competence creativity and business relationship. Although, in this domain are different enigmas, like if the international corporations encourages or reduces capacity of their concurrences and of their manufacturer to be competitive or how much from the organisational specific to international corporations can be transferred successfully in a foreign culture;

- ✓ International corporations distribute the benefits of their activities. This level of analysing rise price problems of the inputs used and outputs realised by the international corporations in the host countries, of their profit, of their commission obtained by these firms in host countries;

- ✓ International corporations are organisations that affect the international allocation of resources on short terms (for instance, through monetary fusing) and on long term through the influence of the production structure and of the trade conditions.

The impact that international corporations exercise upon the process of economical growth is structured on few domains and these domains are: (i) resources of the host country – through the influence of the dimension and the quality of capital shaping, of the technological transfer and the human resources development; (ii) effects upon the balance of external payments and, principally, upon the extension of the external trade opportunities; (iii) the competitiveness of the host country; (iv) the effects upon the environment ;(v) very important through the positive influence of the sustainability character of growth.

It is evident that these separate contributions stimulate the growth, while, the effect for the host country can be generally reduced, but it can be substantial in a few economical sectors of this country. For instance, in many host countries, the contribution of the

international corporations to sustain the capital is more active in the intensive manufacturing industry in technology. In all the cases, the condition specific to the host state – including the capacity of local firms to benefit by the presence of the international corporations – represent the determinant factors of the intensity of the activity impact in the economical growth process.

Although, the analysis of the international corporations contribution upon the growth individual factors, we must say that the most of the determinants are inter-correlative. These interdependences appear as being very strong between the forming of the capital, technology and commerce. The relation between these elements of growth is typically an interactive one, which means that the benefits obtained at one level can stimulate the others and, in this way, the stimulation of growth is potentially sustained. Thus, the shaping of the capital consists in the goods that incorporate frequently new technology. Indeed, one of the direct influences of the international corporations is the level of technology disposed which can stimulate, at his turn, production incomes which permit to firms of the host country to actualise the technological capacities and, this way, to rise the volume and the quality of the fabricated and exported products.

Exportations have associate positive effects of teaching which can be transferred in innovations of product and processes. The trade himself encourages the obtaining of economies at scale and specialisations, upgrades the efficiency and free resources which can be transformed in new productive uses, stimulating this way the shaping of capital at the level of the local firms and at the level of international corporation branches. This process is encouraged also by the fact that internationals usually bring with them developed productivity methods by them abroad, which represent, in much industries, sources of competitive advantages. Indeed, as soon as the creation of technologies becomes a process more and more internal in the international corporations and the networks they form, obtaining their wishes to access the technology and economic growth by the developing countries by other modalities excluding the association with international organisation is influenced in a negative way. More over, the great complexity of the inter-correlations from different activities realised by international corporations, as by the intangibility of the nature of some of them (for instance, the organisational methods of the managerial knowledge), suggests that the possibility to clarify the contribution elements of the internationals for every determinant of the growth in part becomes more and more limited.

In these circumstances, a perspective on the general contribution of the international corporations about the economic growth process requires not only to take into consideration the direct impact of the international corporations about every growth channel, but the existence of international corporations between these channels also. In other words, the upgrading of the performance level of more growth determinants – investments, technology, commerce and human resources – can take place simultaneous. These international corporations suggest that some aspects of the international corporation activities help one another, strengthening the general contribution of these firms at the economic growth of the countries in development, in a way that can't be direct distinguished only by the international corporations' contribution evaluation about the individual determinants of this growth. In this way, the international corporations deliver to a host economy a pack of actives, and some tangible (like new investments), and others intangible (like the upgrading of organisational applications), and these actives interact ones with others in numerous modalities. By correcting al the elements that determinate the economic growth, the international corporations can contribute to generating a

“virtuous cycle” of investments, technological progress, human resources development and trade that, together, stimulate the economic growth. This way, the global impact of international corporations on the determinant factors of the growth can be bigger than the individual effects sum, being characterized as synergic.

Except the direct impact of international corporations on the growth by the international corporations reminded before, the interaction between international corporations and host economies can increase the economic growth in an indirect way too. For example, a large part of technology is transferred as a component part of the investment pack. The benefits of this type of transfer are not necessary limited to international corporations branches from the host countries, but can be emissive in the local economy by the connections between the firms (for example, by subcontract and local licence), by the development process of human resources or by the demonstration effects. Indeed, the positive impact of international corporations on growth by technology transfer or the forming of capital will become more pronounced as the international corporations between the growth channels are more emphasised. More to that, the presence of international corporations in the host countries also have an interactive effect on the local firms not connected in a direct way to the activity of their branches. For instance, the branches of international corporations can determine the local firms (including those associated to them by contractual arrangements) to compete in local markets and in international one too, so that it will be encouraged innovations realised by them on the products level and there will be new investments and new workers. More over, there is the possibility of transmitting by the international corporation of some external benefits to host economies, which are not showed directly by any growth determinant. These externals include, for instance, the teaching by observing (the demonstration effect), by the local firms unlinked to the international corporation, diversified marketing procedures and promotions.

It is obvious that as the quantity measures of external investments direct realized by the international corporations in host countries – in fact, only one of the pack components of actives brought by the international corporations in these countries – represents a very incomplete indicator of the impact layer on which these firms can have upon the growth, by the direct contributions they bring on the level on individual determinants of the growth, through international corporations between these individual contributions and by the connections developed between the international corporations branches and local firms. Actually, the role of the international corporations in the economical growth process must be appreciated in a way larger context of integrity of these entities of productive structures in local economy, but also among these and the rest of world economies. International corporations mobilize goods and services produced in the host country and transform them into goods destined for local market of international consuming. Within this process, they utilize often inputs attainable of intangibility of outer providence. Thus, international corporations are different from the local firms because they benefit of a larger possibility of choice, in productive locations, as input sources and destination markets of realized outputs. And so, the role of international corporations in the economic growth process from host countries is one of integrity, organization and coordination of diverse productive activities. Above all, this integrative capacity, organizational and managerial of the international corporations confers the posture of motors of the economic growth, in the conditions of a politic economical background and some structural conditions advantaging the host economy.

Though, when it takes to global impact of the international corporations evaluation for the economic growth from host countries must be taken with clarity in mind some fundamental aspects.

First, a series of circumstances in which the activity of international corporations can not bring its contribution to the economic growth for a long term, although it is possible for the national income to rise for a short time. International corporations are in an extensive way implicated in activities that have an adverse impact upon the environment, although the available data show that they are not integrally delocalized to the countries in development. It is not less true, though, that, in how much the international corporations are involved in exploiting natural resources and in industries that cause intensive pollution (for instance, the chemical industry), by a direct way, or by diverse contractual arrangements with the local firms, their activities have negative implications for the economic growth for long term. Further more, direct outer investments which remain concentrated to enclave which develops small connections with the rest of the host economy can take to the forming of dual economic structures in the same host country, this representing a situation which affects the sustainability of long term economic growth. More to that, the mechanism of price for transfer can influence in a negative way the host economy, reducing the growth potential represented by the international corporations through commerce.

In a similar manner, in case international corporations empathize on the concurrence by an abuse of power in the market, the perspectives of a long term economic growth can be affected by strangling the activities of local firms. In this case, it is important to have in view both the quality, and the rhythm of economic growth, and the question if the possibility to obtain economic growth by direct outer investments is sustainable for a long time should be permanently put, and, in the same time, more benefit than other ways of growth form a socio-economic perspective.

Secondly, the contribution of international corporations to this process tends to vary by the development level in the host country. In a special way, the impact will be bigger in the host countries with a medium or high level of national income, than the host countries with a reduced national income, in the prime steps of development. This situation is not only the effect of the relatively low attention that countries with a reduced national income receive from the international corporations, but this is also a result of the fact that, in these countries, economic growth may depend on the processes that tend to become marginal for the activities of international corporations, like the growth of the agriculture sector, improving the base infrastructure and improving educational and nutritional standards for the population. Those domains in which the contribution of international corporations can and is significant, like the introducing of new technology and productive methods, export growing and goods manufactured and improving the performances the tertiary sector, have more importance in the countries that have already touched a more advanced development level. Not surprising is that, in this context, the fact that, in the beginning stages of development, the countries are based more on financing the development by calling the international organisms specialized in this domain, and less the direct outer investments. Such a tendency can be identified in the growth of importance of the direct outer investments in the economical growth process as PIB rises.

In these conditions, although, international corporations can bring their contribution to the increase of economic performance in the countries with a low level income, it is easily appreciated that the most high impact registered in the countries that can absorb most efficient the investments, technology, preparing the work force and the

commercial opportunities that international corporations offer. It is, in conclusion, necessary the existence of a certain level of local economic development for the host country to benefit in a high grade of potential for a economic growth created by international corporations.

3. THE RELATIONSHIP BETWEEN THE LEVEL OF DEVELOPMENT OF THE HOST COUNTRY AND THE DIRECT OUTER INVESTMENTS

The inclination of a firm to invest in a certain country is often strongly influenced by the aptitude of productive factors, of the capacities and of the available markets existent, compared to other countries, like the mode that the respective firm receives the possibility offered the economic system and the country policies in the view of exploitation in a profitable way of the advantages it disposes of.

In a similar way, the consequences of the presence of a international corporation upon the economic welfare of a certain country will be different still by these elements. For instance, an investment realized by a firm in the electronic business in a country in development which disposes of reduced technologic capacities will have another impact upon the same investment performed in Germany or the United States. The producing and the distributing of some goods for large consume will have different consequences in normal countries with this products between the countries in which they are fabricated for the first time. The cultural factors specific to any country can explain why an investment realized by the American international corporation or French in the touristy which will have a different impact in Fiji, Nigeria and Japan in front of Canada or Spain. The investments in the prime sector will certainly other consequences in a country it depends on this for its economic prosperity more than in the countries in which the economic structure is more diversified.

To put in evidence this different impact of direct outer investments directed toward the host countries by their level of development, there can be used Stages of Growth Paradigm. According to these, the countries of the world can be classified by the characteristics configuration of them on ESP. The countries are different from one another in what concerns their developing level and the potential to attract direct outer investments by their economic environment (E), the economic systems (S) and the governmental politics (P). In this context, the economic medium refers to resources and capacities, including a large scale of intangible actions, like the capacity of firms of the respective country to utilize these actions to enter and maintain on the internal or external markets. The economic system represents the macro-organisational mechanism by which the allocation of resources and capacities is allocated, and the politics mention about the strategic objectives of governments and at the measurements of level macro and micro taken by these, as like the institutions responsible for the reaching of those objectives. In an evident way, the three elements of the paradigm are inter-correlated, anyone of them influencing the other two and being, at his time, influenced by them. This way, a change in political government can affect dramatically the economic system, just how it shows in the relatively recent events in East Europe. Also, on a long term, the active implication of the state in the stages of growth paradigm is shown by the conditions a country may accomplish:

- an effective economic system;
- internal call for expansion;
- the demand for technological capacities and organisational or the existence of free access between them;

- the growth of savings and the internal capital;
- local enterprisers and a work force culture that can favour the creative valuable activities;
- the access to foreign countries inputs and to external markets of unbinding outputs.

The mode in which a country meets these conditions depends on the objectives and the politics applied, the internal resources and its internal capacities, its international corporation structures, its attitude for the business environment and the role of the state in economy, as also the size and the nature of the external resources it needs.

The approach of the growth stages permits concentrating the activities of international corporations with the degree of development of the host economy, achieving to surpass the typology of direct outer investments in accordance with the stage of development of the host country. In this context, there can be identified four stages of growth corresponding to an economy and, according to it, four large types of direct outer investments.

First stage - in this phase of development, the main advantage of a host country consists in its natural resources, and if the outer investments find attractive this country, they will head preponderant to the primary sector and for the industrial sectors that intensively use workforce that realizes goods for relatively simple consume, that may be for the local markets, or for the export markets.

Second stage of development is marked by the increasing importance of the investing capital in the creative activity of added value and, in some cases, by the dimension and quality of the internal market. In these countries the gravity of internal brute investments in PIB can increase from 5-8% to 15-20% and, in the same time, according to the capacity to accumulate and to distribute actions, the respective countries can develop "branches" of economic activity. Also, this phase is characterized by an increased rise of spending for secondary education, for public utilities, transport and communications. By potentating the capacities and productivity of local resources and by stimulating concurrence, the investments can play a significant role in the economy of a country that is in this step of development, specially because if it is applied a strategy of growth based on 11 exports. On the other hand, a country may prefer to keep alone its capacities and, as a result, limit the size of direct outer investments, just like it was the strategy case to development from the 50's applied in Japan and South Korea. On this stage's way, the configuration of the comparative advantages of a country modify, oriented on sectors that are intensive in capital (base chemical industry, metallurgy, ferrous metallurgy, ship building), onto engineering activities mechanized and onto goods productivity for intensive consuming in workforce, but also moderate intensive in knowledge (electric produces, confection, leather goods, alimentary industry).

The potential of the direct outer investments to generate "vicious" circles, or "virtuous" of the accumulating of actions is strict dependent of the mode the governments from these countries are able to use the infrastructure and the productive internal capacities, to elaborate and apply suitable macroeconomic and macro-organisational politics and to offer stimulants necessary for the native firms to bring quality of products realised by them at international standards.

Stage 3.- this stage of development has at base touching the economic maturity by the respective country, the income level and the industrial structure is beginning to look alike with those of a developed country. By the measure and the structure of the resources and capacities of which the country disposes of it will aim to a pure industrial economy or

mixed. Anyway, this stadium is marked by a mutation leading to the accentuation of the role of innovation as a growth motor, role demonstrated by the fast growth of urbanizing grade and the effectuated costs for developing innovative activities.

Once with the life standard improvement, the consumers begin different products and of high quality, while the goods intensive in resources loose their competitive potential on the international market. Also, this phase registers a sensitive rise on the governmental costs for the superior education and communicational facilities. In the same time, the competitiveness of the firms from those countries begins to have its base more on managerial competences and organisational and less on the natural resources richness.

The role of direct outer investments continues to be in the centre of the supplying of some active specific O in which the country has a comparative disadvantage, as like the assistance accorded to the host country in the point of restructuring the activities onto the intensive sectors in innovation or goods productive differenced by a radical quality. As a negative result for these investments is that they tend to be seen more reticently when they eliminate local rivals and promote in a vicious circle of dissipating actions, with an exception when this phenomenon is produced in sectors in which the country loses its comparative dynamic advantage.

On the other hand, stage 3 of development marks the beginning of a rational activity and strategic for accumulating actions by the international corporations with the headquarters in the respective country, which is destined to obtaining the earnings from the advantage configuration compared to foreign countries.

On the way to this stage, the key attributes of the ESP paradigm in determination of competitiveness tend to move from the E and S to S and P, this way an important stimulant of competitiveness becomes now the optimal economic system and politics suitable to sustaining and modifying the system. Although all these variables are strongly influenced by governments, the role of the state as a catalyst of efficient allocating of resources tends to become less and less significant.

Stage 4, also named as the stage of processing the information, (or the post-industrial stage, the stage of service development) is last and the most advanced stage of all economic development, being touched in the present by a reduced number of industrialized countries. Although, a careful examination of some economies like the United State's, Japan, Norwegian and German, which form this group, relieves the fact that they remain leaders in the costs domain with the research-development which, in a larger part, goes to the discovery of new products and production methods. In these countries, a big part of the final products consists in services, or goods with a raised content of services. The role of the government continues to be significant, but that is more oriented to assisting the firms in exploitation of deficiencies of the markets and less for the minimizing the distortions that appear because of the growing technological complex of goods and commercialized services and market's independence.

In this stage the inter- and intra-firm connections multiply beyond the national frontier, and the countries success on accumulating actions depends on the own firms capacity to coordinate the resources and it's capacities on a regional and global level. At a similar structure of natural resources richness, the advantage compared with the countries in this stadium of developing it is based more on the system efficiency for micro-economy and macro-organisational.

In these conditions, the value of the activities of international corporations is appreciated not by the supply prism by them of some resources and outer capacities, but by the point of view in the mode that resources and capacities are organised and in which the

entrapment effects generated influence the efficiency and competence of the candidates, suppliers and clients. Because the organisation itself is an active, strongly influenced by the culture of a country, the activity of the international corporations, even with the intercultural promoted connections, it can influence, positive or negative, the capacity of economies situated in the 4 stage to keep up their positions on global concurrence or to retreat from these positions.

The approach of the influence of the activities of the international corporations to the evolution of economical level of the host country needs some information. Firstly, not all the states that will follow these stages of economical evolution and even this thing happen, we suppose that the evolutionary pattern can be not the same for all countries.

More over, a country can cover more stages at the same time. On the other hand, the attitude to the role of direct foreign investments as an engine of development differs not just from country to country, but also in the same state, in different periods of time and in many territories, because in different territories can be in different stages of development.

In a developed world does not exist a direct correlation between the percent of foreign investments and economical development, but this fact does not mean that the international corporations' activity does not have any effect on the economical growth, so that the reason of this activity, as the conditions that allow its realization, are very important in order to determinate its consequences upon the host country's economy.

At the same time, net investment position of a state will be different because of its relative economical prosperity. Thus, as a country is more developed from the economical point of view, the foreign direct investments will grow too and the external investment can, in this way, be more numerous than the internal investments. After years of fluctuations, the final phase is attaining, and then the external and internal investments are relatively equilibrated, although the position of this state as issuer or receptor of foreign investments will depend on the configuration of its competitive advantages against the other competitors on the international markets of investment. It can not be said also if all the countries will follow the same stages that are necessary to prepare in order to obtain foreign investments. Their trajectory will depend on their dimension, their structure and their governmental politics. On the other hand, the availability and the capacity of a country in order to identify and promote competitive advantages and to use effectively both external foreign investments and internal investments, depending on their national characteristics and they are linked with the macro-managerial system that rules in that period of time.

The international corporation impact must be predicted through their contributions to the velocity and direction of the evolution process associated with different economical politics and attitudes toward the direct foreign investments. So, the govern of the countries that follow the way of industrialization based on exports tend to enforce relative a few restriction to foreign investments and the protection of the import is very reduced or non-existent. On the contrary, authorities that apply the strategy of substitute the imports as a pattern of development tend to emit moderate restrictions or very severe on imported products in order to maintain am supra-evaluated change, practicing a rigorous control of prices and maintaining a attentive supervising through all kind of foreign investments and the behavior of international corporations. The states that follow the first way discussed below will try to participate to the world division of work just to grow stronger the competitive advantages in those sectors where they need to enforce it. The others states follow a way through which they try to configure their own economical destiny and to

keep their cultural values as being more important than the efficient allocation of the resources and the earnings obtained from international specialization

In these conditions, the international corporations' impact through economies that follow or followed substitution politics of imports orientated to home economy or quasi-socialist politics will be very different than those countries that follow a strategy that include external economy and the free trade of markets. Another element that will influence the foreign investments' impact is the attitude of the government of the host countries.

Generally, these are the most important aspects about the impact of international corporations' activity through the economy of host states. Our intention wasn't to make an exhaustive research but we try to offer a general perspective about the key-information that integrate the connection between direct foreign investment's impact and the level of development corresponding to the host country

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