

Foreign Direct Investment (FDI), Trade, Corporate Governance, Economic Growth in Albania and Some OECD Countries

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Abstract

Foreign Direct Investment statistics are compiled in compliance with the international standards, IMF and Eurostat requirements for the compilation of the Balance of Payments and International Investment Position. Foreign Direct statistics specify direct investment abroad by resident investors and investments in the domestic economy by non-residents. The balance of payments statistics present transactions related to direct investment for a certain period of time. Meanwhile, the International Investment Position shows the direct investment situation at the end of a reference period. Theoretical studies strongly support the positive effects of Foreign Direct Investment (FDI) in the Gross Domestic Product (GDP) of the host country through technology transfer, human capital formation, etc. Trade and Foreign Direct Investment has been treated as crucial factors underlying the relative growth rates experienced by the Albanian Economy, especially during the late years, thus, boosting economic growth in the country and improving the degree of integration of Albanian economy into the World markets. The paper outlines policy implications with respect to promoting relevant institutional policies for the enhancement of trade and FDI activities, which potentially could enhance economic growth. Corporate governance is the system of rules, practices, and processes by which a firm is directed and controlled. Corporate governance essentially involves balancing the interests of a company's many stakeholders, such as shareholders, senior management executives, customers, suppliers, financiers, the government, and the community.

Keywords: Albania, OECD countries, FDI, Trade, Growth, etc.

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1 Introduction

Balance of payments. The balance of payments is a statistical statement that summarizes transactions between residents and nonresidents during a period. It consists of the goods and services account, the primary income account, the secondary income account, the capital account, and the financial account. Under the double-entry accounting system that underlies the balance of payments, each transaction is recorded as consisting of two entries and the sum of the credit entries and the sum of the debit entries is the same.

The direct investment stock statistics provide information on the capital links arising from residents' participating interests in foreign enterprises on non-residents' participating interests in Albanian enterprises at a specific point in time. The economic transactions (which are harmonised with the stock at the end of the period) between residents and non-residents within a given period appear in the balance of payments statistics. The role of trade and foreign direct investment on economic growth in transition countries is considered a crucial ingredient of the globalization process, involving the principal channel through which the liberalization process can affect the output level and therefore the growth prospects of the economy. The empirical evidence, which examines a causal relationship between trade, FDI and economic growth are ambiguous, supporting positive and reverse association. Trade and FDI is simulative to growth, and on the other hand, there are cases where growth induces trade and FDI. However, causality analysis often imposes misrepresentations in the final inference process. Therefore, the paper, relying on a yearly time series data for a time span 1993-2023, in addition to examining the nature of causal relationship between trade, FDI and economic growth, employs suitable techniques regardless of the integration (co-integration) of the data in the multivariate model.

2 Literature Review

Trade for developing countries, such is the case of Albania as a small and open economy, may induce progression of skills through imports of advanced technology and expertise, through international markets, hence, reinforcing capital-intensive production facilities. Trade openness typically utilizes an encouraging economic growth due to the enhanced accumulation of physical capital, sustained technological transfer and improvement of the country's macroeconomic conditions, thus creating a suitable economic environment for boosting FDI performance.

3. Econometric Model

A study that tested the bilateral J-curve effects for three transitional central European countries, namely Czech

Republic, Hungary and Poland, and their bilateral trade with Germany was conducted by Hacker and Hatemi-J (2004), in their study. The trade balances are calculated as a ratio of exports to imports, and they are explained by bilateral real exchange rates and domestic and foreign income levels. Using a vector error correction model (VECM) and impulse response functions, the study finds that the J-curve effect is observed for each of the countries as the trade balances briefly deteriorate after a depreciation in the real exchange rate and then improve in the long run. (Hacker.R.S ; Hatemi-J.A).

The effect of depreciation on the trade balance of eleven Central and Eastern European countries was investigated by Bahmani-Oskooee and Kutun (2006). The study implemented the cointegration approach and error-correction modeling using quarterly data from 1990 to 2005. The results showed the presence of J-curves in the cases of Russia, Croatia and Bulgaria. (Bahmani & Kutun, 2006). Salko and Osmani analyzed the time series of exports and imports only in relation to current and past exchange rate data. They find a potential impact of depreciation on exports but not on imports. (Salko & Osmani, 2002) (Sojlli & Shtylla, 2006) have concluded that the exchange rate is an important macroeconomic variable for the short-term performance of imports in Albania, but not exports, and that in the long run the exchange rate has a greater impact than GDP.

This research aims to determine the relationship that exists between the trade balance, the exchange rate, foreign direct investment, economic growth, and remittances. The choice of variables is based on the analysis of various kinds of literature that have studied the relationship that exists between the trade balance and macroeconomic factors. The regression model is built based on the described conceptual framework and is adapted only for Albania. $\text{Trade} = \beta_0 + \beta_{ER} + \beta_{FDI} + \beta_{GDP} + \beta_{REM} + \varepsilon$ Trade- represents trade as a percentage of GDP. It is an indicator of the relative importance of international trade in a country's economy. It is calculated by dividing the aggregate value of imports and exports over a period by gross domestic product for the same period. Although called a ratio, it is usually expressed as a percentage. It is used as a measure of a country's opening in international trade, and so it can be called the trade opening ratio. ER- represents the Euro / ALL exchange rate. The value of the ALL against foreign currencies is freely determined in the foreign exchange market. Exchange rate fluctuations reflect the free movement of goods and capital in Albania's trade and financial exchanges with its trading partners. FDI- Foreign direct investment as a percentage of GDP. Is a category of investment by resident enterprises (direct investor) in an economy, with long-term business interest in another economy from the country of origin of the direct investor, expressed as a percentage of GDP. GDP (Gross Domestic Product) - represents the total cash value of all goods and services produced during a specific period by resident production units. Economic growth occurs when the market value of products and services in one economy increases in one period compared to another.

(Cakrani, 2014) after studied the impact of the exchange rate on several macroeconomic variables in Albania (including exports and imports) concluded that the real exchange rate does not have a significant impact on the Albanian economy. Many studies have been done in Albania but also in different countries to discover the relationship between the exchange rate and the trade balance and in many cases they present different results. Based on the contradictory conclusions that exist regarding this issue, this paper aims to contribute to clarifying the position of the real exchange rate in the trade balance.

For more than half a century, the model known as the Gravity Model has been used to identify the effects of cross-border issues between partner countries, investments, foreign exchange, travel expenses, common language, free trade agreements, distance between sites and size of sites measured by impact of Gross Domestic Product (GDP). The Gravity Model illustrates the relationship between trade flow, economic size of both trading countries as measured by their GDP or Gross National Product (GNP) and the distance between them. Based on Newton's Law of Gravitation which measures attraction between two objects based on their weight and distance properties. Newton (1687) noted that this attraction is directly related to the product of their quantity and in contrast to the square of the distance between objects. The growth of exports plays an important role in the perspective and development of the trade balance to face the international competition. The growth rate of exports over the years is an important indicator, whose performance can judge the stability and sustainability of the economy in general, as well as its ability to compete in international markets, but that reflects more directly and closely the international conjuncture. Economic growth seen as GDP growth. This indicates an increase in the production of goods and services within the country. The value of the Gross Domestic Product is calculated according to the formula: $\text{GDP} = C + I + G + \text{NX}$ where: C = Consumption, I = Investment, G = Government Expenditure, NX = Net Exports (X - M), X = Exports, M = Imports. Net exports are one of the factors affecting GDP of a country.

From this analysis we will get information if GDP is affected by these factors and if so, to what extent. The basic equation we will rely on is: $Y(\text{GDP}) = \beta_0 + \beta_1 X_1(\text{EXP}) + \beta_2 X_2(\text{IMP}) + \beta_3 X_3(\text{FDI}) + \eta_t$. It is clear that the relationship between GDP, exports and foreign direct investment is a positive relationship, with increasing exports and foreign direct investment, GDP is bound to increase significantly. In the case of import they are considered independent mutations, although the relationship is not linear, it is negative. This shows that there will be an increase in imports and, on the other hand, a decrease in exports. So, from the analysis shown, we have a match of what we know in theory by comparing it with the empirical side of our study. The categories of export products are usually what are already called traditional sectors; among them, the textile and footwear sectors remain the

dominant force for increasing export capacity. Although the rates are increasing at not very high rates, they are still significant, especially in the production of products.

Model, found that most countries trade under their own jurisdiction. The main variables are logarithmized in order to obtain a more elastic coefficient, while the other variables are left linear. And the formula would take the form: $L_Exsport_{jt} = b_0 + b_1 L_GDP_PART_{jt} + b_2 L_GDP_SQ_{jt} + b_3 L_DIST_{jt} + b_4 REER_{jt} + b_5 Coom_bord_{jt} + b_6 Cruise_{jt} + b_7 Tr_Barr_{jt} + b_8 Gov_Eff_{jt} + b_9 IND_L_BUS_{jt} + b_{10} IND_L_MARK_{jt} + b_{11} IND_L_FISK_{jt} + b_{12} IND_L_INVEST_{jt} + b_{13} IND_L_FINANC_{jt} + b_{14} IND_INFORMAL_{jt}$
 $j =$ the countries under study
 $t =$ studied period

3.1 Why Is This Trending Time Series Stationary?

Stationarity is one of the most fundamental concepts for time series analysis. Generally, stationarity will provide excellent properties for modelling the time series with various statistical methods. **Augmented Dickey-Fuller (ADF)** test is probably the most widely used approach for checking stationarity. There are tons of articles online on this topic. I won't waste your time on the basic intro, such as the definition of stationarity, how to do ADF tests, etc. In this post, I will share my journey of exploring the ADF test after encountering a strange case in an application. The learning path I will show is typical for learning data science. First, we think we understand a tool or a concept, but we just acknowledge and remember the term. When we apply it to actual data, we may find unexpected, challenging problems which push us to investigate more and understand further.

Version 1: Test for a unit root: $\Delta y_i = \delta y_{i-1} + u_i$

Version 2: Test for a unit root with constant: $\Delta y_i = a_0 + \delta y_{i-1} + u_i$

Version 3. Test for a unit root with constant and deterministic trend: $\Delta y_i = a_0 + a_1 * t + \delta y_{i-1} + u_i$

In each version, **the null hypothesis is that there is a unit root, $\delta=0$.**

The Statsmodels package supports all three versions with the parameter “**regression**”.

3.2 The math behind the DF test

We must go down deep to see what precisely the ADF test is doing. It turns out its math background is not complicated. First, the ADF test is just an advanced version of the **Dickey-Fuller test**. There are **three main versions of the DF test** (from Wikipedia):

Theoretical studies strongly support the positive effects of Foreign Direct Investment (FDI) in the Gross Domestic Product (GDP) of the host country through technology transfer, human capital formation, etc. As expected, the empirical findings of this study reveal the existence of a long run relationship of GDP growth and FDI to GDP ratio. Being strongly correlated to each other, FDI to GDP ratio shows its significant contribution to Albanian economic growth. This study tests the relationship between Trade, FDI and GDP in Albania. The used methodology in this paper is based on the Vector Error Correction Model (VECM) analysis and Granger Causality analysis. The so-called “co-integration analysis”, which has provided further support for the vector error correction model (VECM thereafter), and has greatly enhanced the approach to non-stationary time series is employed additionally to capture the long run relationship between variables. The Granger Causality analysis is applied to the study to capture the nature of causal relationship between the variables. The potential causality patterns can be represented by bi-variate VARs for Albania as follows:

$$\ln TR_{jt} = \ln GDP_{jt} + \ln FDI_{jt} + u_t \quad (1)$$

If the residuals of the OLS regression will be stationary, the co-integrating regression is considered as a long-run relationship and we proceed to the second step, where an Error Correction Model (ECM), including those lagged residuals as an error-correction term are postulated in order to consider the long-run dynamics. The starting point in unit root test is:

$$Y_{jt} = aY_{jt-1} + \varepsilon_t; -1 \leq a \leq 1 \quad (2)$$

Subtracting Y_{jt-1} from both sides in equation (2), we get equation (3), which is estimated by the Dickey – Fuller and Augmented Dickey – Fuller test.

$$\Delta Y_{jt} = \beta Y_{jt-1} + \varepsilon_t; \quad (3)$$

The Augmented DF Test is performed on each variable separately, on the following regression.

$$\Delta X_{jt} = \delta_0 + \delta_1 + \delta_3 X_{t-1} + \sum_{i=1}^k a_i \Delta X_{jt-1} + u_t \quad (4)$$

The stationary test suggests that the regression model should be estimated in different terms for one time lag (Equation:5). Hence, here we can only look at a short run relationship among these variables, [5]. The final short run models estimated have the following form:

$$\Delta_1 \ln TR_{jt} = a_0 + \Delta_1 \ln GDP_{jt} + \Delta_1 \ln FDI_{jt} + u_t \quad (5)$$

The final ECM model, capturing the long run relationship among variables, has the following form.

$$\ln TR_{jt} = a_0 + \Delta_1 \ln GDP_{jt} + \Delta_1 \ln FDI_{jt} + u_{t-1} \quad (6)$$

4. Types of Foreign Direct Investment

Foreign direct investments are commonly categorized as horizontal, vertical, or conglomerate.

- With a horizontal FDI, a company establishes the same type of business operation in a foreign country as it operates in its home country. A U.S.-based cellphone provider buying a chain of phone stores in China is an example.
- In a vertical FDI, a business acquires a complementary business in another country. For example, a U.S. manufacturer might acquire an interest in a foreign company that supplies it with the raw materials it needs.
- In a conglomerate FDI, a company invests in a foreign business that is unrelated to its core business. Because the investing company has no prior experience in the foreign company's area of expertise, this often takes the form of a joint venture.

4.1 Macroeconomic Factors in Albania

- As it is known, since the beginning of the transition, Albania has adopted a flexible exchange rate regime. This means that the price of foreign currencies, even the euro against the Albanian lek is determined by the conditions of the foreign exchange market. Exchange rate fluctuations reflect the free movement of goods and monetary capital in Albania's trade and financial exchanges with its trading partners.

5. Supervision mission and policy

In the capacity of the supervisory authority for banks and other institutions licensed by it, the Bank of Albania:

- Ensures that the following are upheld: financial soundness of licenced institutions, overall financial stability, prevention of crises and depositor protection;
- Monitors market developments and recommends relevant measures;
- Fosters market discipline, by requiring enhanced transparency for banking and financial products and services;
- Promotes fair competition and equal treatment.

In order to achieve these objectives, the Bank of Albania uses two main instruments: Regulation and Supervision. The regulation sets standards and policies for the functioning of the institutions. Supervision, on the other hand, assesses whether the institutions have complied with the standards and policies set by the Bank of Albania.

5.1 What is trade and Foreign Direct Investment (FDI)?

5.1.1 Trade

The ratio of trade to GDP is an indicator of the relative importance of international trade in a country's economy. In Albania, trade has always occupied a significant part of GDP.

5.1.2 Foreign Direct Investment

Foreign direct investment (FDI) is an ownership stake in a foreign company or project made by an investor, company, or government from another country. Generally, the term is used to describe a business decision to acquire a substantial stake in a foreign business or to buy it outright to expand operations to a new region. The term is usually not used to describe a stock investment in a foreign company alone. FDI is a key element in international economic integration because it creates stable and long-lasting links between economies.

Foreign Direct Investment (FDI) is a very important source of capital financing in small economies, such as Albania. In Albania, FDI appeared after the 1990s with the change of the political system and their level was low. But after the 2000s their volume began to increase significantly as the country offered great opportunities for foreign investors, not only for the many untapped resources in almost every economic sector but also because the implemented political system followed the path of privatizations in the sectors of energy, telecommunications, services, infrastructure and especially airlines, etc. The main investors in Albania are the countries of the European Union.

6. OECD states, FDI and GDP.

According to the OECD (<https://www.oecd.org>)

FDI in April 2023

- Global FDI flows dropped by 24% in 2022, to USD 1 286 billion, after large withdrawals of capital by a telecommunication MNE operating in Luxembourg. Excluding Luxembourg, global FDI flows declined by 5% in 2022 compared to the previous year.
- Major FDI recipients recorded lower FDI flows in 2022, particularly China and the United States partly as a result of reduced new investment activity.
- Nevertheless, the United States and China were the top two FDI destinations worldwide in 2022,

followed by Brazil, receiving peak level of inflows partly due to increased reinvestment of earnings.

- FDI inflows in OECD economies fell by 26% due to disinvestments from Luxembourg, which were in part offset by large increases in Switzerland and the United Kingdom. FDI inflows in non-OECD G20 economies dropped by 38%, mainly reflecting decreases in China.
- FDI outflows from OECD and non-OECD G20 countries plunged by 14% and 28%, respectively.
- Cross-border M&A activity slowed down with fewer deals being concluded in 2022, possibly in response to a tighter financial environment, continued geopolitical challenges and concerns about a looming recession.
- However, the outlook for greenfield investment activity remained positive in 2022. While announced capital expenditure grew in advanced and emerging and developing economies, the number of projects still remained below pre-pandemic levels.

If you look carefully at the countries that are part of the OECD, you can see that the trend of FDI inward positions (%GDP) has been increasing from 2013 to 2020. In 2020, it reached its highest value, reaching 57%. While during the year 2021 this indicator was at the limits of 56%, while for the year 2022 it is at the limit of 51%, so we have a decrease of 5%. In the state of Italy, it is observed that FDI inward positions (%GDP) during the period from 2013 to 2022 has moved within the limits from the lowest value of 16% that was in 2013 to the limit of 26% that belongs to the year 2020. During 2021, the trend of this indicator has been declining for the State of Italy, while during 2022 this indicator increased by one percentage point compared to the previous year. In the United States of America, the indicator of FDI inward positions (%GDP) during 2013 was at the value of 29 percentage points, which corresponds to the lowest value obtained in this ten-year time range. The indicator FDI inward positions (%GDP) during 2021 reached the highest value, capturing the figure of 58 percentage points. In the United Kingdom, the indicator of FDI inward positions (%GDP) during 2013 was at the level of 54 percentage points, while during 2020 this indicator reached the highest value recorded for this decade, specifically the value of 98 percentage points. In the state of Turkey, the indicator of FDI inward positions (%GDP) during 2013 was at the value of 16%. This indicator has reached the highest value for 2020, capturing the value of 32%. In the Spanish state, the indicator of FDI inward positions (%GDP) during this decade has moved from the lowest value of 43% in 2014 to the value of 63% in 2020. Global FDI flows dropped by 24% in 2022, to USD 1 286 billion, after large withdrawals of capital by a telecommunication MNE operating in Luxembourg. Excluding Luxembourg, global FDI flows declined by 5% in 2022 compared to the previous year. Major FDI recipients recorded lower FDI flows in 2022, particularly China and the United States partly as a result of reduced new investment activity. Nevertheless, the United States and China were the top two FDI destinations worldwide in 2022, followed by Brazil, receiving peak level of inflows partly due to increased reinvestment of earnings. FDI inflows in OECD economies fell by 26% due to disinvestments from Luxembourg, which were in part offset by large increases in Switzerland and the United Kingdom. FDI inflows in non-OECD G20 economies dropped by 38%, mainly reflecting decreases in China. FDI outflows from OECD and non-OECD G20 countries plunged by 14% and 28%, respectively. Cross-border M&A activity slowed down with fewer deals being concluded in 2022, possibly in response to a tighter financial environment, continued geopolitical challenges and concerns about a looming recession. However, the outlook for greenfield investment activity remained positive in 2022. While announced capital expenditure grew in advanced and emerging and developing economies, the number of projects still remained below pre-pandemic levels.

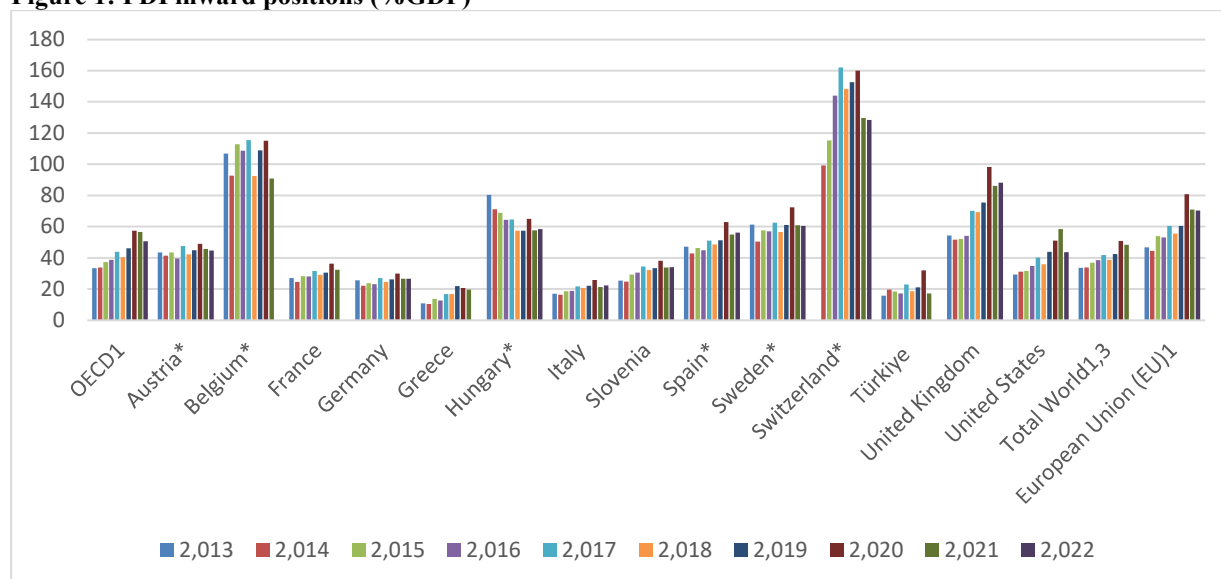
Table 2 : FDI inward positions (%GDP)

As a share of GDP (%)	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
OECD1	33	34	37	39	44	40	46	57	56	51
Austria*	43	41	43	40	48	42	45	49	46	45
Belgium*	107	93	113	109	115	92	109	115	91	0
France	27	25	28	28	32	29	30	36	32	0
Germany	26	22	24	23	27	24	26	30	27	27
Greece	11	10	14	13	17	17	22	21	20	0
Hungary*	80	71	69	64	65	57	57	65	58	59
Italy	17	16	19	19	22	21	22	26	21	22
Slovenia	25	25	29	31	34	32	33	38	34	34
Spain*	47	43	46	45	51	49	51	63	55	56
Sweden*	61	50	58	57	62	57	61	72	61	60
Switzerland*	0	99	115	144	162	148	153	160	130	128
Türkiye	16	20	18	17	23	19	21	32	17	0
United Kingdom	54	52	52	54	70	69	75	98	86	88
United States	29	31	31	35	40	36	44	51	58	44
Total World1,3	34	34	37	39	42	39	42	51	48	0
European Union (EU)1	47	44	54	53	61	55	60	81	71	70

Source: OECD (2023)

In the German State, the indicator of FDI inward positions (%GDP) during this decade has moved between 22% and 30%. Switzerland is one of the countries whose indicator of FDI inward positions (%GDP) from 2014 to 2021 was all over 100%. During 2017, this indicator was at the level of 162%. At the global level, the indicator of FDI inward positions (%GDP) during this decade has reached the limits of 34%, which is the lowest level at the level of 51% that belongs to the year 2020. FDI inward positions (%GDP).

Figure 1: FDI inward positions (%GDP)



Source: OECD (2023)

7. Theoretical frameworks of corporate governance and OECD principles.

Corporate governance involves a set of relationships between a company's management, its board, its shareholders and other stakeholders. Corporate governance also provides the structure through which the objectives of the company are set, and the means of attaining those objectives and monitoring performance are determined. Corporate governance is the organizational arrangement by which a company represents and serves of its investors. It can encompass anything from company boards to executive compensation schemes to bankruptcy laws. The need for such arrangements arises from the structure of companies in market economies. It is conventional to discuss this need as arising from the separation of ownership and control characteristic of modern publicly held corporation in market economies. Corporate form of business is a relatively recent phenomenon, which has emerged and evolved in response to particular business needs. Four characteristics of the corporate form are

particularly attractive for investors : separate legal personality, limited liability of individual investors, transferability of investor shares, and centralized management¹

A number of different theoretical frameworks have evolved to explain and analyse corporate governance. Each of these frameworks approaches in a slightly different way, using different terminology, and views corporate governance from a different perspective, arising from a different discipline (e.g., Agency theory paradigm arises from the fields of finance and economics, whereas transaction cost theory arise from the economics and organizational theory). Stakeholder theory has developed gradually since 1970s. Stakeholder theory may be viewed as a conceptual cocktail concocted from a variety of disciplines and producing a blend of appealing sociological and organizational flavours. The purpose of corporate governance is to help build an environment of trust, transparency and accountability necessary for fostering long-term investment, financial stability and business integrity, thereby supporting stronger growth and more inclusive societies. The G20/OECD Principles of Corporate Governance provide this benchmark. They clearly identify the key building blocks for a sound corporate governance framework and offer practical guidance for implementation at a national level.

The Principles focus on publicly traded companies, both financial and non-financial. To the extent they are deemed applicable, they might also be a useful tool to improve corporate governance in companies whose shares are not publicly traded. While some of the Principles may be more appropriate for larger than for smaller companies, policymakers may wish to raise awareness of good corporate governance for all companies, including smaller and unlisted companies.

8. Conclusions and recommendations

The trade balance in Albania has been very limited, but it should not be forgotten that the same trend is the same as the last one, a sharp decrease in trade barriers, which contribute to the growth of their investments. In this paper, we have estimated the short run and long run relationship between macroeconomic variables of Trade, Gross Domestic Product and FDI, using yearly data for the period 1993-2023, as well as causality analysis between the three macroeconomic indicators. i.e.; whether the changes of trade performance are caused from the other macroeconomic factors associated to FDI and GDP, and vice versa, considering a bivariate analysis, whether the changes on GDP and FDI are caused by the changes on the right-hand side factors in the second and third equation, respectively. The results of this paper suggest that Albania's GDP level is largely dependent upon trade potentials and agglomeration factors. Since FDI and trade are verified as important catalysts for Albania's economic growth, especially in the long run, it is almost of utmost need for the country to build relevant policy frameworks that will promote economic growth, which will mainly be FDI led growth policies. Another institutionally related factor that could lead to growth prospects for Albania, is political stability, generally promoted through good governance policies, for instance improvements in the rule of law and government effectiveness, which is encouraged through positive developments in terms of civil, criminal and informal justice and private sector developments, respectively. The institutional related factors are of crucial importance for Albania's EU approximation path, which on the other hand are referring to the limitations of this study.

Outward Foreign Direct Investment (FDI) flows by partner country record the value of cross-border direct investment transactions from the reporting economy during a year, by destination country or region. Outward flows by partner country represent transactions that increase the investment that investors in the reporting economy have in enterprises in the destination country less any transactions that decrease the investment that investors in the reporting economy have in enterprises in the destination country. As with domestic investment, flows of foreign direct investment (FDI) can exhibit a very high degree of volatility from one year to the next. These changes may be linked to global economic events, sector-specific developments, or the individual situations of enterprises considering foreign investments. The information presented in this article examines flows of FDI between the EU and non-member countries.

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