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Cyber Security And Fdi

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Abstract

Multi-national Corporations (MNC) are being playing a major role on research and development, not only through activities in their home country but also in host countries through investments. The globalization of R&D is not a new phenomena, the novel element lays in the accelerated steps these last year. However the geographic disperse of R&D, realized through their branches, is not homogenous and only a few economic communities have taken the major part. It is obvious that the abilities host economies posses to attract FDI's are subject to political, economical legal national culture and off course to physical and human infrastructure in line with economical objectives and economic national economies. An ever growing number of countries have developed a positive stance toward FDI's that bears R&D, considering this a way to scale up their competitiveness. The total flux of FDI in Albania is significantly risen, from 258 mil $ in 2006 in 705 mil$ in 2009 në 1.190 bill. $ in 2011. The foreign direct investments have been in positive trends despite the global and regional financial and economical crisis, evidently reflecting a continui ng rise through 2012. (Report
of Foreign Investments 2014). However, the Republic of Albania scores in the 25th position, this number can be advance to 20.This article aims at establishing a framework for the exploration of the obstacles to attract R&D relating FDI's and present the reasons for this moderate success on behalf of Albania. First off, the factors that impacts globalization are presented, followed by major reasons why a certain country has been chosen. The main obstacles on attracting these investment are been analyzed. Finally the findings are presented.

***Keywords**: Foreing Direct Investments, research and development, transition economies*

1. Introduction

Foreign Direct Investment is an integral part of an open economical system and a major catalisator of economic development. However, the benefits of FDI do not happen automatically and not disperse evenly among communities. National politics and the international structure of investment do matter for the attraction of FDI's into an ever growing number of developing countries and for a better absorption of the positive potential of those investments into sustainable growth. Challenges mainl~~y are on the side of host count~~ries, which have to create an open, transparent environment, that is clear and effective politics for the attraction of such investments and to build human and instructional infrastructure for the proper implementation of such politics. The role FDI's plays for guiding economic development and economic growth has ever been a contested one. Since the beginning there have been viewpoints in favor and against FDI. Some authors, argues that FDI led to economic growth and increase of productivity and hence to economic development, but others note the risk of FDI in destroying local capacities or over-exploiting the natural resources. There has been an increase of FDI into developing countries noted recently, although concentrated in certain countries, reflecting economic wealth and barriers to trade. However, the decision making factors of FDI and as a consequence also the perspective of development dictated by FDI have changed over the time.

2. Analysis

Foreing Direct Investments are an integral part of an open economic system and a major katalyzator for development. However, the possitve potencial of FDI does not happen automatically and evenlly dispersed across the local communities. National politics and global architecture of investments does matter for FDI attraction in an ever growing number of developing countries and for the obsolete absorption of the possitive potencial of such investments in sustainable development. Challenges are mainly on developing countries behalf, wich must establishes an transparent eviroment, that is clear and effective politics for FDI attraction and to build human and institucional capacities for implementing such politics. The role of investments, maily of foreing direct investments (FDI), in economic development and economic growth has been contested ever since. There have been always opinios in favor and against the FDI. Some argues that FDI lead to economic growth and raise of productivity as a whole and hence to ecconomic growth and sustainable development, but others note the risk of destroying local capacities or over-exploitment of natural resouces without adequate compesation for poor countries (Amartya Sen, 2009).

A significant indicator- eventhough not complete- for economic growth from FDI, is the level of FDI. Doubtless, 1) FDI level and 2) relative importance of FDI in national economies have changed over the years and acros the markets. Both these indicators were high in the first part of the century, slowback in middle and again high in our days. A major chage during these three last decades is the fact that gragually governments have become more friendly vis a vis FDI, nonetheless in different times and depths. During these last 15 years, countries consider FDI as a contributing factor to their development strategies or their financial and technological capital. Governments even compete in a FDI regatta. Investments policies have become more liberal in national and regional level; however there is no regulative framework for multilateral level. Indipendently, while countries have become to understand the possitive efect of FDI, a different perception regarding FDI and sustainable economic development is emerging in the research community, seeing the FDI impact in economic growth not only as possite or negative (the FDI quantity is not enough for growth projections), but effect depends on FDI tipology, firm carachteristics, economics conditions and host country politics. For example, tipology and motive of FDI has proven to be instrumental for tarnsforming the productive market structure in East Azia countries, while the same does not stand for natyral resouces FDI in poorly governed but rich in oil countries (i.e Nigeria in '70-'90). Tipology and sequence of general and specific policies in sectors that covers invesment, trade, innovation and human resources are considered fondamental in linking FDI and development. While FDI usually are superior in terma of capital and technology, the spil over effect in local economy development is not automatic. Suitable politics for benefitting from FDI includes: a) building human resouces, b) building technological/infrastructural capacities, c) maintainig a high absorbing capacity to seize the spill over effect. Countries have used general policies (improvement of an favorable climete toward invesments) and specific policies (partnership progranmes, tailor made development of human capital) to reach that point were FDI works for development. This doctoral research starts from Lee Chen dhe Ahn, 2001 thesis, theory which argues empirically the role that governmental policies play, thus the result of structural reforms in maximising the benefits from FDI. Indicators lies from institutional quality, burocratic efficency to corruptive practises. In any test of this econometric model, the role of good governance is evident and measurable. Our countrys case- wich is the focus of this research- does fit well with this theory, hence give us the chance to present political recomandations. We note the fact that the structural reforms initiated from government is of major importance, say i.e for the **know how** transfer and such thing can be proved by Lee Chen dhe Ahn 2001 model. Foreing Direct Investments are an important part of global capital flow. Even thought the major part of literature in not consensual regarding financial globalization, FDI are believed to be a major channel through which the global finance helps local economy (Prasad at al, 2003). Different studies finds evidence that support the argument in favor of the positive impacts of the spill over effect. FDI are also the most stable form of capital flow, making the country less dependable on the sudden slow-back of tradicional capital flow (Kose at al, 2006). In this function, we create a unique data pannel from '90 to 2012. The Eastern Europe region underwent massive structural reforms starting from '90. Our countrys financial markets, trade barriers were liberalized and state companies were privatized massively. It is common belief that sucsessfull implementation of structural reforms are a posssitive signal for foreing investors because it implies lower investment risk. Thus the progress of structural reforms can be an impetus for FDI. In addition they suggest that structural reforms are more than just a signal. They generates realbenefits for foreing investors, thus having an impact on the decision to invest in a certain country. Allthough the relevance, quite a few empirical research egzsist on the matter, which is the ratio between FDI and structural reforms. A reason for that is the difficulty in messuaring ―institucional clarity‖. Another reason is the mis conseption that the ration FDI- structural reforms is axiomatic. In other words usually is accepted that FDI are reforms: i.e less barrier to foreing capital means more FDI and more privatizations translates to more investors interested to enter in market through purchase. This argument is somehow problematic once we figure that structural reforms cames in different forms and ways. This means that a certain reform in different countries has different results mainly couse of differencies in the institutional component. In data construction, we try to isolate engagement for reform from result of reform. Regarding financial liberalization we differentiate in measuring indicators of financial development (result) and governmental policies (effort) in this context. Using these data, the main finding from the regresion analisis is that: there egsists a strong relation between FDI and structural reform. Among the structural reforms considered in this study, robust effect that impacts FDI can be traced from financial sector than from privatisation or trade liberalisation, thus suggesting that for foreing investors the financial system is most important, system wich is able to alocate capital in effective manner. It must be stressed out that the findings of this research on the relative importance of structural reforms on FDI find support on the egsisting literature. For example, Alfaro at al (2004) analises the links between FDI, financial development and economic growth and finds that well developed financial market are capable to expoit FDI more effectively. Similarlly Prasad at al (2007) argues that absorbin capacity of an country meassured with financial development is pre-condition to benefiting from FDI. Our result goes beyond that, suggesting that financial reform are more important than financial development itself also that financial reforms are more important than other structural reforms. Beyond financial reforms and privatization, foreing investors are drawn to those countries which have macroeconomic stability, higher levels of economic development..

3. Conclusions

The main conclusion that cames out of this paper is that economics benefits of FDI are real but does not happen automatically. To maximize the benefits from the foreing corporative presence a healthy business environment is needed, which encourages the domestic investments as well as foreing, promotes the innovation, improuves the abilities and contribute for a corporate competitive climate. FDI benefits does not happen automatically and their magnitude chandes due to the country politics and contxt. The factors the block the full FDI effects includes among others education technological level, openes to trade, low competition, and weak regulatory framework. But even in the case when the host country does not have the proper economic development to benefit from the positive attributes of FDI, may benefit from FDI which have an limited acces tointernational finance. Eventual economic fect of FDI in an conomy with few financial rescouces varies mainly from developing politics that country authorities pursue, the sctorial content of the economy may help. While the service sector in many developing countries is under-developed and as such not able to attract FDI, the extraction industries may developed with FDI help.

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