MOLDOVA'S INFLOW OF FOREIGN DIRECT INVESTMENTS AND ITS CONTRIBUTION TO THE EXPORT CREATION AND INCREASING COMPETITIVENESS

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Abstract: *Foreign trade and foreign direct investments are widely considered the two main engines that fuel economic growth and development of a country. Moldovan's situation is quiet a unique one, because even after almost 30 years of independence it still find itself in a transition type of state. The main goal of the article is to submit to the analysis the current state of the Moldovan's exports and foreign direct investments inflows. It examines the dynamic of the two during 2002-2018 period. The methods used in this paper are, on the one hand, the Content Analysis with a focus on qualitative observation and, on the other hand, a quantitative analysis, using the correlation between the volume of exports and foreign direct investments in order to identify the link between these indicators. As a result, we notice very little to know correlation between export and foreign direct investments in case of the Republic of Moldova, which leads us to the idea that further research is, required which would implicate other factors.*
Keywords: *economic growth, economic structure, export growth, foreign direct investment, foreign trade*

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INTRODUCTION AND GENERAL FRAMEWORK REVIEW

Following its independence in 1991, Moldova has lost a great deal of its productive capabilities, which lead to decreased agricultural and manufacturing activities. While other economies have fully recovered during the 90s, Moldova seems to struggle even in present times. That is why we find it important to see how the Moldovan economy could be revigorated using two of the most widely recognized engines of the economic development: foreign trade, specifically export and foreign direct investment.

The process of globalization has given rise to the development of international production chains, while, the global markets around the world have strengthen the importance of the foreign trade as an engine for economic development. Almost two decades into the third millennium and it is quite hard to imagine a country reaching great economic success without freely trading goods with the rest of the world.

It is widely considered that foreign direct investment can be instrumental in achieving the economic paradigm shift towards productive investments and, ultimately lead to an increased exporting potential (Samuelson, 1948; Helpman, 1981; Krugman, 1979). It can also boost competitiveness by developing skills and infrastructure, as well as opening new markets for a country's goods and services ((Borensztein et al., 1998; Romer, 1986). There is certainly a positive linkage between foreign direct investment and trade and both might prove to be crucial for economic growth even by boosting one another. However, due to inconsistencies in the development process and other determinants that might lead to an increase in importance of one or the other factor reaching a definitive conclusion on the matter might prove to be difficult (Aizenman & Noy, 2006).

This is why the present paper does not aim to find evidence for one model or the other, but rather identify if there is any correlation between the FDI and the amount of goods and the types of goods and services Moldova is selling on the external markets. This could give us a good idea about how effective the inflows of FDI are, Do FDI affect the Moldovan exports? What is the economic sector that could increase investment intake and does Moldovan economy have the potential to become more competitive by using foreign capital?

METHODOLOGY

The proposed theme is quite complex and thus involves the use of a variety of research methods. The research methodology will involve both qualitative data analysis and quantitative data analysis.

The statistical data comes from several sources, however, we mainly opted for online databases with specific economic and trade related information, in order to provide a complex and rigorous analysis. We have collected relevant data from the online databases such as World Investment Report, World Competitiveness Index, World Bank Group, World Economic Forum, UNCTAD, Trading Economics, World Bank due to the high credibility of data presented, but we also used data from national sources such as National Bureau of Statistics, Ministry of Economy and Infrastructure of the Republic of Moldova, and MIEPO - Moldovan Investment and Export Promotion Organization. In order to treat the subject of economic structure's diversity we used once again data provided by the National Bureau of Statistics and The World Bank. Based on available information, we chose for this paper the 2002-2017 timeframe in case of foreign direct investment, while data regarding trade covers the 2002-2018.

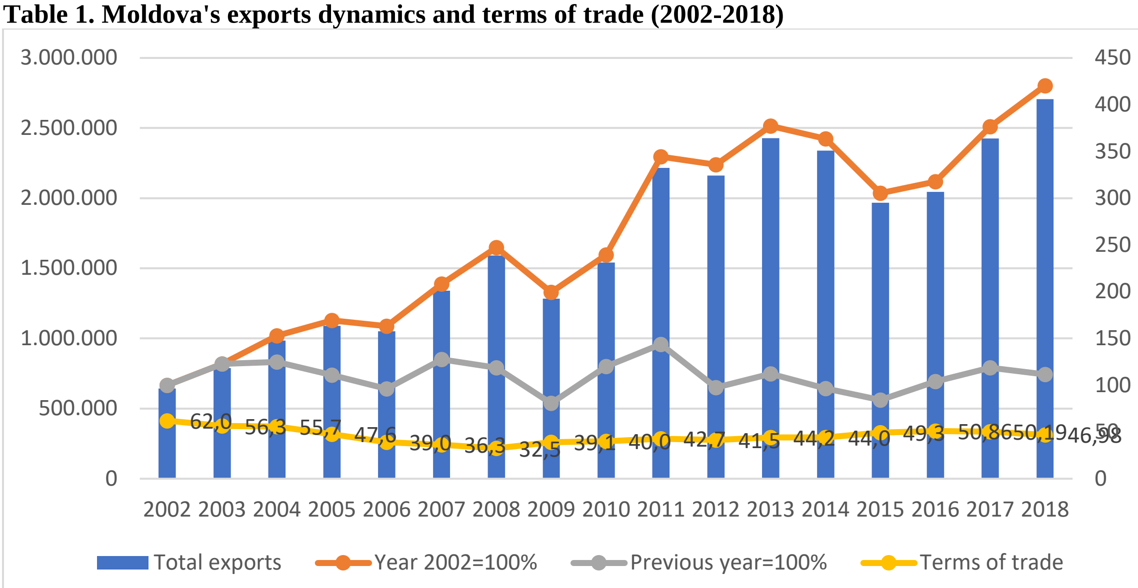
The methods used in the research correspond to the purpose and objectives set. These include the previously written works on the subject and statistical data analysis. We used methods of qualitative research and analysis of data, using Content Analysis with a focus on qualitative observation. To apply this method, we selected books, studies, and articles from the field of foreign direct investment and foreign trade and competitiveness.

For the practical part of the paper we used methods of quantitative research and analysis of the data. To analyze the dynamics and evolution of foreign direct investment flows and the geographical distribution of FDI we applied the method of univariate statistical analysis, using analysis of the main components (frequency analysis, box-plot and so on). To analyze the correlation between foreign direct investment flows and export volumes we used descriptive analysis methods, using the correlation method and regression method. In order to achieve our goals and purpose, we used the SPSS statistical program, which helped us to analyze the collected data. The results obtained are presented in the form of tables, graphs, figures, etc.

MOLDOVA'S EXPORTS DYNAMICS AND DIVERSITY

Moldova in the last decade or two has definitely followed the global trends when it comes to trading goods and services abroad. The financial crisis of 2008-2009 seems to have impacted the country's trading capabilities, both exports and imports plummeting as a result. Although, the trade increased again starting 2010, the one huge issue, the Moldovan economy always had was the trade deficit. Even if this is a normal occurrence for a developing economy, the concerns are still there if the tendencies remain the same for a very long period. It is of course desirable to export more than import, but it is also important what is being imported and exported. The spillover effects, as mentioned earlier, might prove very helpful for an economic growth.

Table 1. Moldova's exports dynamics and terms of trade (2002-2018)



Source: Authors' own computations, based on data from the National Bureau of Statistics, Moldova

As seen in Table 1, Moldovan exports seem to have grown almost every year, with some periods of stagnation in 2009, 2014 and 2015. One of the main reasons for that is the set of problems Moldova had to face on the financial front. The 2009 recession has definitely affected the entire global economy, while the 2014-2015 timeframe was defined by a huge banking crisis, when a billion euros had been fraudulently lost as a result of the mismanagement conducted by three commercial banks and the National Bank of Moldova. The exports seem to have doubled in value during the 2002 – 2009 period and from 2010 to 2018. And yet, the imports have grown significantly as well, as the exports to imports ratio has rarely gone above 50%. At the same time, it is safe to say that the trade has generally increase greatly since Moldova has signed a number of agreements with the EU, the most known being the Deep and Comprehensive Free Trade Area Agreement, which has eased the access to the Western markets for the Moldovan products. It is worth mentioning that this has counter-balanced the embargos imposed by the Kremlin in the same period of time on a series of Moldovan good, such as fruits, wine and meat.

Table 2. Exports by chapters according to SITC Revision 4 (2009 -2018)

	2009	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
Food and live animals	290123	341231	385285	375669	471313	562849	420796	474193	585383	578872
Beverages and tobacco	172939	204155	208111	246602	252990	186172	148134	147983	169162	182384
Crude materials, inedible, except fuel	85831	127899	263060	154628	242370	200210	211403	229227	273947	274179
Mineral fuels, lubricants and related materials	2760	3140	8324	4311	3128	3883	1728	795	967	876
Animal and vegetable oils, fats and waxes	50451	47316	77368	89386	43542	78310	71512	53375	52401	66111
Chemicals and related products, n.e.s.	17423	20778	20452	19739	25785	28876	33861	40178	52190	55467
Manufactured goods classified chiefly by material	47712	59580	70546	63082	112329	112980	83890	82669	89002	110986
Machinery and transport equipment	37778	45206	57135	218631	217476	200493	195110	164672	228592	355181
Miscellaneous manufactured articles	74708	85830	119813	215465	250317	154929	137047	157322	188027	227248
Commodities and transactions not classified elsewhere in the SITC	281	253	5097	2047	581	930	514	-	1085	1081

Source: Authors' own computations, based on data from the World Bank

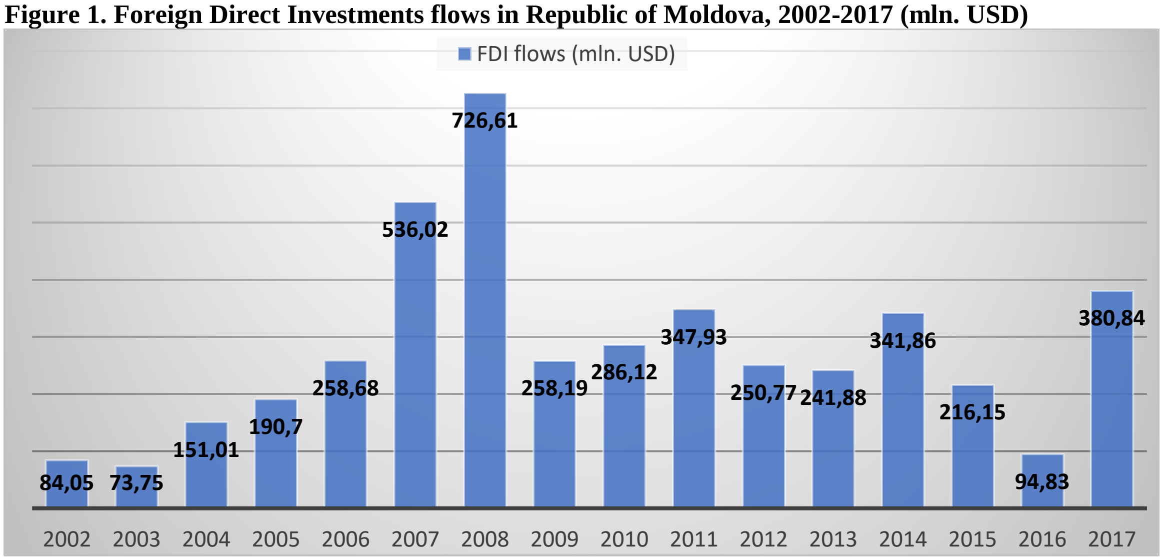
When it comes to Moldova's trade structure, we can definitely see some lack of diversity. Moldovan exports mainly consist of agricultural production, which represent around a third of the country's exports (Table 2). In itself this is not a motive to be concerned, at least not in the short-term. The Republic of Moldova is still very much an economy that is still developing and the soviet past has probably slowed down the economic development it could have reached. The products that the Moldovan producers usually export are low on the production chain, which means that the financial gains from exports are lower. At the same time, the agri-food products are also exposed to varied risk factors, such as climate and other hazards. The changes in the last decade might seem insignificant at first sight, but might also be seen as a positive, since things are not staying the same and new opportunities are created.

What we are more interested in is if the financial stability and development could be an answer in the case of Moldova? Could the value of the exports increase or decrease because of more foreign capital being pumped into the Moldovan economy? The economic structure of the country could very much imply already that the Republic of Moldova is under-developed in terms of access to funds. The foreign investors could prove to be crucial for Moldova, in order to reduce its dependence on the primary sector and develop goods higher on the production chain or at least increase the exports' value.

FLOW OF FOREIGN DIRECT INVESTMENTS TO MOLDOVAN'S ECONOMY

According to *Moldova's Investment and Export Promotion Organization (MIEPO)* annual report and *The World Bank* annual report presented in **Graphic 1**, the dynamics of the foreign direct investment flows over the past 15 years has been rather uneven.

Figure 1. Foreign Direct Investments flows in Republic of Moldova, 2002-2017 (mln. USD)



Source: Authors' own computations based on data from The World Bank, Foreign Direct Investments, and Moldova, available at: https://data.worldbank.org/indicator/BX.KLT.DINV.CD.WD?locations=MD

During the period 2002-2008 as you can observe in **Graphic 1,** there is a uniform increase of FDI inflows into the Moldovan's economy due to macroeconomic stability and maintaining relations with the same foreign investors. Due to the global economic crisis and the political crisis in Republic of Moldova in 2009, many foreign investors have left the country and FDI inflows have fallen threefold. In the coming years after the global economic crisis and political crisis, FDI flows to the Moldovan's economy had raised up due to the economic stabilization and the signing of the association agreement with the European Union. Thus, from 2009 until present, in the Moldovan's economy, most of the foreign direct investments were from the European Union countries, the USA, Switzerland and Turkey.

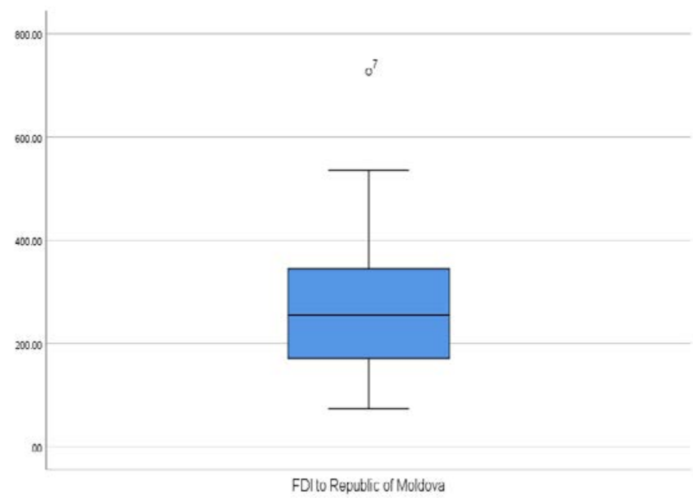
In 2015 and 2016, FDI inflows have fallen sharply due to the bill of the National Bank of the Republic of Moldova and the aggravation of the political situation in the country, which makes the country no longer attractive to foreign investors. However, as you can be seen in **Figure 1**, FDI inflows increased significantly in 2017 comparing with 2015 and 2016, which means that Moldova has gone in 2016 through a process of economic and political recovery.

Table 3. Foreign Direct Investments to Republic of Moldova (2002-2017)

N	Valid	16
	Missing	0
Mean		277.4619
Median		254.4800
Mode		73.75[a]
Std. Deviation		169.45045
Skewness		1.329
Std. Error of Skewness		.564
Kurtosis		2.320
Std. Error of Kurtosis		1.091
Range		652.86
Minimum		73.75
Maximum		726.61

Source: Authors' own computations based on data from The World Bank, Foreign Direct Investments, Moldova

Figure 2. Box Plot representation of Foreign Direct Investment in Republic of Moldova (2002-2017)

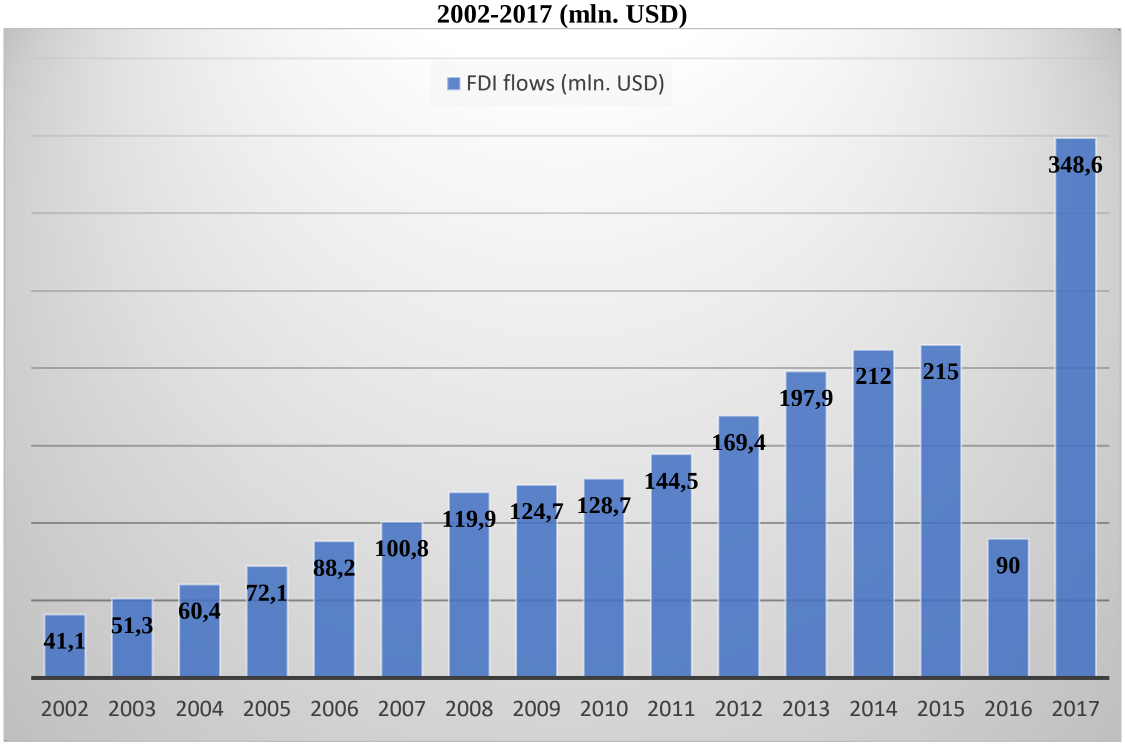


Source: Authors' own computations based on data from The World Bank, Foreign Direct Investments, Moldova

According to the data presented in **Table 3**, with the help of the SPSS statistical program, during the period 2002-2017, the average value of the foreign direct investments flows in the economy of the Republic of Moldova was 277 million USD. The flows of foreign direct investment into the economy of the Republic of Moldova range from a minimum of 73.5 million USD, registered in 2003 and a maximum of 726.61 million USD, recorded in 2008, with a standard deviation of 169.45 million USD. Also, from **Table 3** you can observe the positive value of the **Skewness coefficient** (1.329), which means that there is a moderate asymmetric distribution to the right of FDI flows to the Moldovan's economy, and the coefficient Kurtosis has a positive value, 2.32 > 0, which means the leptokurtic distribution.

Figure 1 shows an extreme point in the distribution of foreign direct investment flows to the Moldovan's economy. The extreme point is associated with 2008, which means that in this year the volume of foreign direct investment, which entered the Moldovan's economy, was much higher than in the other years.

Figure 3. Foreign Direct Investments flows to Free Economic Zones of the Republic of Moldova, 2002-2017 (mln. USD)



Source: Authors' own computations based on data from the Ministry of Economy and Infrastructure of the Republic of Moldova, available at: https://mei.gov.md/ro/content/zonele-economice-libere

Republic of Moldova is one of the last countries in Europe that already has Free Economic Zones. Free Economic Zones or Free Entrepreneurship Areas (ZEL), according to the Law no. 440 of July 27, 2001, regarding the free economic zones, are parts of the customs territory of the Republic of Moldova, economically separated, strictly delimited throughout their perimeter. According to the national development strategy, Free Economic Zones were created to speed up the social-economic development of certain territories and the country as a whole by:

- attracting domestic and foreign investments;
- attracting modern technologies;
- promoting export;
- attracting foreign experience in production and management;
- creating jobs.

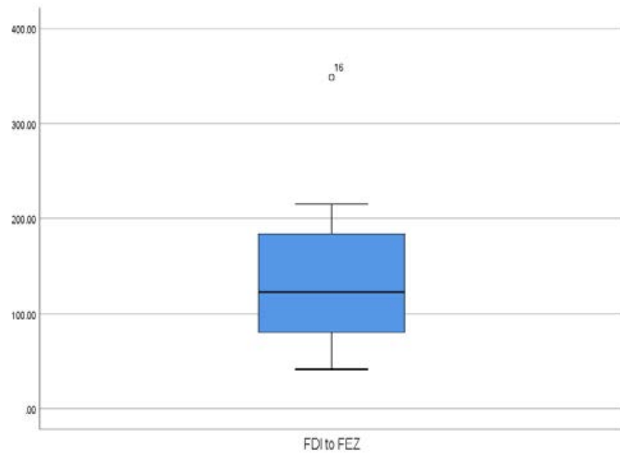
As we can observe in **Figure 2**, the dynamics of the foreign direct investment flows over the past 15 years has been rather stable and uniform. The constant increase of the foreign direct investment flows in Free Economic Zones is also due to the constant creation of new Free Economic Zones. For example, in 2009, Balti Free Economic Zone was created, which attracted the most part of the foreign direct investments during the period 2009-2017, thus maintaining an upward slope of the foreign direct investment inflows into the Moldovan's economy.

Table 4. Foreign Direct Investments flows to Free Economic Zones from the Republic of Moldova (2002-2017)

N	Valid	16
	Missing	0
Mean		135.2875
Median		122.3000
Mode		41.10[a]
Std. Deviation		79.28253
Skewness		1.316
Std. Error of Skewness		.564
Kurtosis		2.214
Std. Error of Kurtosis		1.091
Range		307.50
Minimum		41.10
Maximum		348.60

Source: Authors' own computations based on data from Ministry of Economy and Infrastructure of the Republic of Moldova

Figure 4. Box Plot representation of Foreign Direct Investment flows to Free Economic Zones from the Republic of Moldova (2002-2017)



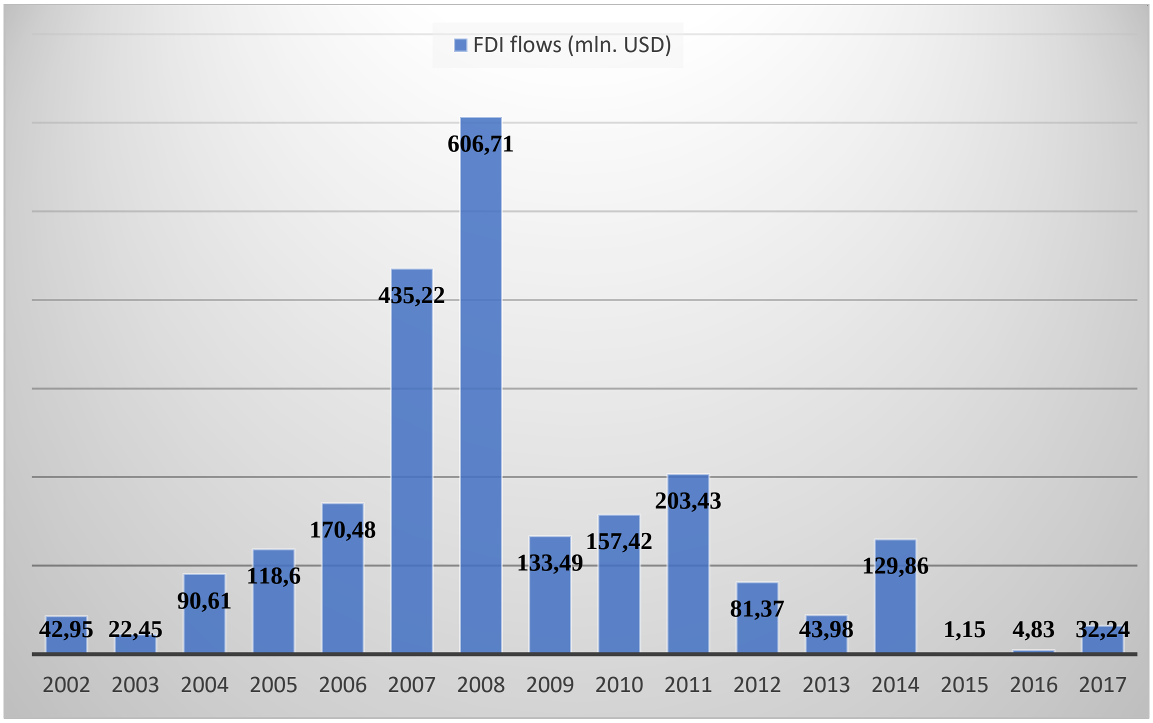
Source: Authors' own computations based on data from Ministry of Economy and Infrastructure of the Republic of Moldova

According to the data presented in **Table 4**, with the help of the SPSS statistical program, during the period 2002-2017, the average value of the foreign direct investments flows in Free Economic Zones was 135 million USD. The flows of foreign direct investment into the Free Economic Zones range from a minimum of 41.10 million USD, registered in 2002 and a maximum of 348.60 million USD, recorded in 2017, with a standard deviation of 79.28 million USD.

Also, from data presented in **Table 4**, you can observe the positive value of the **Skewness coefficient** (1.316), which means that there is a moderate asymmetric distribution to the right of FDI flows into the Free Economic Zones, and the coefficient Kurtosis has a positive value, 2.214 > 0, which means the leptokurtic distribution.

Figure 2 shows an extreme point in the distribution of foreign direct investment flows to the Free Economic Zones. The extreme point is associated with 2017, which means that in this year the volume of foreign direct investment which entered the Free Economic Zones was much higher than in the other years.

Figure 5. Foreign Direct Investments flows to Other Zones of the Republic of Moldova, 2002-2017 (mln. USD)



Source: Authors' own computations based on data from the Ministry of Economy and Infrastructure of the Republic of Moldova, available at: https://mei.gov.md/ro/content/zonele-economice-libere

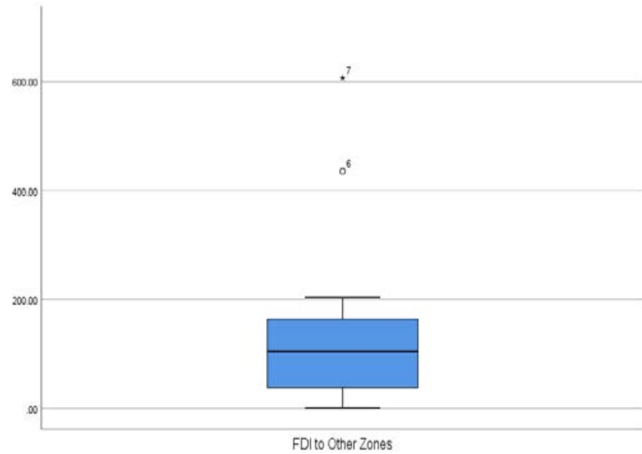
As we can observe in **Figure 5**, the dynamics of the foreign direct investment flows over the past 15 years has been rather uneven in the other zones of the Republic of Moldova than Free Economic Zones. The differences between Other Zones from the Republic of Moldova and Free Economic Zones is that foreign investors have a lot of fiscal facilities in different situations: tax reduction, exemption from excise duty, exemption from VAT and so on.

Table 5. Foreign Direct Investments flows to Other Zones from the Republic of Moldova (2002-2017)

N	Valid	16
	Missing	0
Mean		142.1744
Median		104.6050
Mode		1.15[a]
Std. Deviation		162.94218
Skewness		2.024
Std. Error of Skewness		.564
Kurtosis		4.103
Std. Error of Kurtosis		1.091
Range		605.56
Minimum		1.15
Maximum		606.71

Source: Authors' own computations based on data from Ministry of Economy and Infrastructure of the Republic of Moldova

Figure 6. Box Plot representation of Foreign Direct Investment flows to Other Zones from the Republic of Moldova (2002-2017)



Source: Authors' own computations based on data from Ministry of Economy and Infrastructure of the Republic of Moldova

According to the data presented in **Table 5**, with the help of the SPSS statistical program, during the period 2002-2017, the average value of the foreign direct investments flows in the Other Zones from the Republic of Moldova was 142 million USD, almost the same as in the Free Economic Zones. The flows of foreign direct investment into the Other Zones from the Republic of Moldova range from a minimum of 1.15 million USD, registered in 2015 and a maximum of 606.71 million USD, recorded in 2008, with a standard deviation of 162.94 million USD.

Also, from data presented in **Table 5**, you can observe the positive value of the **Skewness coefficient** (2.024), which means that there is a moderate asymmetric distribution to the right of FDI flows into the Other Zones from the Republic of Moldova, and the coefficient Kurtosis has a positive value, 4.103 > 0, which means the leptokurtic distribution.

Figure 3 shows two extreme points in the distribution of foreign direct investment flows to the Other Zones from the Republic of Moldova. The extreme points are associated with 2007 and 2008, which means that in these years the volume of foreign direct investment, which entered the Other Zones from the Republic of Moldova, was much higher than in the other years.

IMPORTANCE OF FOREIGN DIRECT INVESTMENTS IN INCREASING COMPETITIVENESS AND FOREIGN TRADE

Foreign direct investments have a major role in expanding the country's production capacities and export offer. According to data provided by the Moldovan government, in the 2001-2014 period, every US dollar invested annually in the productive capital of the exporting economic activities generated an average of $0.49 in exports in the following year. In particular, $1 invested annually in agriculture is associated with an annual increase in export revenue of about $0.57, and in the food and beverage industry - about $0.19. Statistical data does not provide a sufficient level of detail, but even the available ones make it possible to identify sectors where investment generates new export capacities much faster. Thus, in stark contrast to agriculture and the food industry, $1 invested in the production of precision and optical medical instruments and instruments brought about $14.5 in exports, but in this industry, the small comparative effect is disproportionately high. In the case of electrical machinery and equipment (especially basic electrical wiring and circuits), the corresponding indicator is about $5.1, $3.53 in the chemical industry (but the share of re-exports is particularly high) clothing manufacturing - about US $ 3,7 in footwear production - about $1 and 80 cents. Virtually all sectors that have accelerated exports have grown in recent years due to foreign investment, whether or not accompanied by (or, in the case of light industry), effective capital investment by foreign investors. The fact that some of these sectors did not exist previously (such as automotive cable production) or were in deplorable condition (the precision instrument industry) suggests that foreign investment also plays a key role in increasing sophistication of Moldovan exports as a whole, and that efforts to attract foreign investments in the Republic of Moldova should be stepped up (The national strategy for attracting investment and promoting exports of Moldova for 2016-2020).

Foreign direct investments have contributed to the emergence of a new sector in the Republic of Moldova - the automotive industry. The automotive industry (parts, equipment, machinery and aggregates of the automotive industry) is among the top in Europe in terms of the number of new FDI projects. Projects based on FDI in this sector generate the most jobs in Europe. The Republic of Moldova managed to attract a number of foreign direct investment projects from large companies in the automotive industry, including Draexlmaier (Germany), Lear Corporation (USA), Gebauer & Griller (Austria), Confezioni Andrea Covercar (Italy), as well as non-equity investments, carried out by Leoni Company (Germany).

Foreign direct investment is an important tool that links the national economy to the global economy, giving local companies opportunities to integrate into value chains in the global framework. Now, goods and services are supplied to consumers worldwide via foreign subsidiaries rather than international commercial transactions made directly by parent companies. Foreign direct investment and trade are interconnected across cross-border value chains through international production networks. This phenomenon offers new opportunities for all countries, including the Republic of Moldova. These opportunities and benefits, however, are not achieved automatically and are not guaranteed. First, intensifying competition to attract foreign direct investment is an objective factor that requires those countries that intend to host a larger volume of investment to implement the most effective strategies to attract and maintain foreign direct investment to ensure that they contribute to the national development goals and to maximize the contribution. Secondly, different types of foreign direct investment have unique characteristics and their economic, social and environmental impacts vary from one type to another. Thus, countries engage in a competition to attract certain types of foreign direct investment and not foreign direct investment in general.

Correlation Analisys

Because of the theoretical aspects presented above about the importance of attracting FDI for the development of exports, we proposed the analysis of the correlation between the foreign direct investments attracted by the Republic of Moldova and the total volume of exports carried out between 2002 and 2017.

Table 6. Correlations Analisys

		FDI to Republic of Moldova	Total Exports
FDI to Republic of Moldova	Pearson Correlation	1	.288
	Sig. (2-tailed)		.280
	N	16	16
Total Exports	Pearson Correlation	.288	1
	Sig. (2-tailed)	.280	
	N	16	16

Source: Authors' own computations based on data from The World Bank and NSB of Republic of Moldova

From **Table 6 Correlation Analysis**, we can identify if there are correlations between the indicators proposed for analysis. Respectively, **Table 6** shows that there are no correlations between the foreign direct investments attracted by the Moldovan economy and the total exports, because the value of sig is: sig> 0.05, respectively 0.28. Thus, the correlation is insignificant and there is no positive correlation. The explanation is very simple. As can be seen in the previous chapter, in **Graphic 1**, the evolution of foreign direct investments in the Republic of Moldova was quite unstable. Even though the stock of foreign direct investment has increased greatly from 2002 to 2017, foreign direct investment flows have been extremely volatile. The current level of their flows has not yet returned to the level 2007-2008, when foreign direct investment flows were triple than at present.

The explanation is that in 2007-2008 foreign direct investment was driven mainly by market-oriented foreign direct investment targeting service sectors such as retail and financial markets as well as a revaluation accounting of assets in the energy sector.

On the other hand, the total volume of exports has seen an upward trend since 2002, which explains that the total volume of exports is not entirely dependent on the attracted FDI, but there are other factors that influence them as well we will identify them in the future paper.

Priority sectors for FDI (The national strategy for attracting investment and promoting exports of Moldova for 2016-2020 2016)**:**

ITC - the Republic of Moldova has the comparative advantages of the skilled labor force (both in the field of information and communication technology and foreign languages) and the labor force price. Another major advantage of the sector is that its results can be exported online, thereby reducing the major obstacles for Moldovan exports: distance from key markets;

Auto and auto parts production - the likelihood of attracting car production projects is low, but the attraction of automotive production projects for export to automotive manufacturing or assembly plants in Central and Eastern Europe is high. On the basis of an already existing market and labor price competitiveness in the Republic of Moldova, projects involving intensive use of labor such as the production of car textiles or cable assemblies may be expected to increase and also could create a large number of jobs, as it had happened in other Central and Eastern European countries over the last 20 years.

Administrative services and support service activities - this sector, which includes all call centers and other business process outsourcing activities, has the potential to play a role similar to that of the ITC sector. Moldova has the comparative advantage of the young and skilled workforce, knowledge of foreign languages and reasonable labor costs. As with information, communications technology, software, the services can be delivered to customers through the information and communications technology networks, avoiding long and costly transportation to customers.

Textiles, clothing and footwear - this sector is not one of the top sectors in Europe when it comes to foreign investment and job creation but it is a traditional sector in the Republic of Moldova and it has the comparative advantages of qualified labor force and labor cost. Price competitiveness is likely to decline in the long run, but in the short term and most likely in the medium term it continues to be a sector that can create a large number of new jobs in the Republic of Moldova.

Electric devices – similar to the sector above, this sector is naturally does not attract a lot of investment in Europe, but there are a large number of electronics production and assembly plants in Central and Eastern Europe that are potential buyers for companies producing electronic parts or electrical equipment. The proximity of the Republic of Moldova to these potential buyers and the price competitiveness could counterbalance the competitiveness of the Asian competition price. Also, as labor costs in Central and Eastern Europe continue to grow, manufacturers in this region can expect to consider shifting their locations to lower-cost manufacturing countries such as the Republic Moldova.

Agri-food industry - although it is one of the first Moldovan sectors when it comes to exporting and the country has attracted investments in this sector, the performance of foreign direct investment and job creation in Europe is not impressive at all, and the volume of exported goods and the share of the sector in Moldovan exports have been decreasing. At the same time, there are significant non-tariff barriers, which could represent a significant obstacle to Moldova's food exports. There are previous investments in this sector in the Republic of Moldova, but these occurred in the privatization era. Estimates show that most foreign investment in this sector is in the form of privatization of state-owned enterprises or mergers and acquisitions of private assets. The reduced domestic market and the fragmentation of domestic supply may prove to be discouraging to potential foreign investors from investing in the Republic of Moldova. However, due to the importance of agriculture and food processing in the Moldovan economy, this sector should be included in the list of priority sectors, especially when it comes to exporting Moldovan goods.

CONCLUSIONS

It is safe to say that Moldova has become an important actor when it comes to trading regionally. A better economic integration in the new global production chains, lead to an increased trade, especially with the regional partners. Being a developing country, it is generally attractive for the potential investors as well, because of the cheap factors of production. Meanwhile, when it comes to economic complexity and export diversification, Moldova's economic structure still looks weak and mostly uncompetitive, with no high benefit products, and a high dependency on agricultural goods. This is risky for any economy, because of the external factor that can easily affect the potential production levels.

Because of the analysis of foreign direct investment, we have noticed that their entrants were quite volatile and did not have a uniform distribution throughout the country. Most foreign direct investments have entered the Free Economic Zones, especially after the global economic crisis. However, it is interesting to analyze the influence of FDI on the volume of exports and if, with the increase in FDI, exports also grow. Following the practical analysis, namely the correlation made with the SPSS program, we realized that not only foreign direct investment affects the volume of exports but there are some other factors. FDI inflows have insignificant influence on the Moldova's exports, but probably, by aggregating other factors, the influence could be significant, what we are going to find in the following analyzes.

On the other hand, the textiles, the ICT, the automotive and the electronics sectors show great potential for an eventual inflow of foreign investment. It is also important to understand that foreign direct investment is never the solely solution of any economic issue. Neither the exports, nor the competitiveness of Moldova's economy will improve as long as other great problems will persist, such as corruption or bad governance.

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