

FDI in Albania: Rule of Law as a social Requisite for the development of a fair and not predatory market economy

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Abstract

Foreign Direct Investment (FDI) plays an important and growing role in global business. For the host country, it can provide a source of new technologies, capital, processes, products, and management skills, thus providing it with a strong impetus for economic development. In its classical definition, Foreign Direct Investment is defined as a company from one country making a physical investment into building a factory in another country. The direct investment in buildings, machinery and equipment is in contrast with making a portfolio investment, which is considered an indirect investment.

Proponents of foreign investment point out that the exchange of investment flows benefits both the home country and the host country. Opponents of foreign direct investments stress that multinational conglomerates are able to wield great power over smaller and weaker economies and can drive out much of local competition.

Of extreme importance in deciding to invest in a foreign country, is the 'new market access. Any decision in investing is thus a combination of a number of key factors, including:

- Assessment of internal resources;
- Competitiveness;
- Market analysis;
- Market expectations

Two categories addressed by World Bank's 'Doing Business' in ranking economies on ease of doing business are 'protecting investors' and 'contract enforcement'. The concept of Rule of Law and its presence in a business culture impacts both of these topics.

The basic premise of the Rule of Law is that no one is above the law. This applies to government as well as the common people, and it is contrary to authoritarian governments and arbitrary rules of processes of law. In order for businesses to succeed, Rule of Law is vital. It requires the equitable application and enforcement of legislation, and safeguards of the rights of individuals. It is also a concept that is not strongly embedded in the business culture of developing countries.

Keywords: FDI, Albania, Rule of Law, social Requisite, market economy.

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