The Evolution of Direct Foreign Investments in Romania, in the Context of Globalization

Zoica DINCĂ (NICOLA) Ph.D Student
“Artifex” University of Bucharest/
Academy of Economic Studies Bucharest

Andreea Gabriela BALTAC Ph.D Student
“Artifex” University of Bucharest/
Academy of Economic Studies Bucharest

Abstract

Foreign direct investment is an important factor for ensuring the sustainable economic development of any State... More so, during periods of economic-financial crisis, attracting foreign direct investment, constitutes a veritable engine aims to ensure national macroeconomic system balancing. Foreign direct investments and their influence on modernizing economies, continues to be part of the category key problems of economic theory.

Key words: foreign direct investment, globalization, evolution, growth.

Representing a reality that has become increasingly more present in our lives, economic globalization has appeared through the progressive transformation of national economies in a complex and contradictory process that continue to diminish the importance of borders for economic activities.

In this way they formed new markets in goods and capital, have developed means of communication, while it intensified the process of integration of Nations, being necessary to organize them through a global phenomenon.

Speeding up the processes of globalization and integration, as well as the management of uncertainty, mainly cause the external factor to constitute a paramount importance for the Romanian economy.¹

Foreign investment, by their essence, ensuring economic development and prosperity, the need to attract and use efficiency deriving

from the desire of integration of national economies into the world economy.

In the light of globalization, the issue of foreign direct investment (FDI), their influence on modernising economies, continues to be part of the category key problems of economic theory.

Foreign direct investments have become an essential factor for ensuring sustainable growth, in the context of globalization of markets. Economic crisis—the international financial capital, attract foreign constitutes a genuine engine for ensuring macroeconomic stability.

Financial globalization entail important flows of foreign direct investment (FDI) and vice versa, causing deepening of development investments of the financial system and the appeal to new financial products.

According to international regulations, FDI is an investment in cross-border transactions carried out by an entity resident in one State (direct investor) in an entity of another State (other than that of the investor) in order to get a long-term stake (direct investment). It is considered that the shareholding is long-lasting if the investor directly owns more than 10% in the capital of the company in which he invested or of the voting rights. The investor can be direct: a person or a group of such persons, a private or public company, or a group of such companies, etc.²

Foreign direct investment can have major positive effects on the economic climate of the host country through transfer of capital, technology and management resources to the country that otherwise would not have access.

The negative effects that concern most host country can be found at the level of the competition with local firms, negative effects on the balance of payments and the national sovereignty and autonomy. The concern is related to the fact that strategic decisions are made by the parent company, which does not have any liability whatsoever on the host country economy and over which the Government does not have any sort of control.

Annually, UNCTAD (United Nations Conference on Trade and Development, based in Geneva-Switzerland) Edit World Investment Report that analyzes trends in FDI and formulate recommendations that will lead to a more active role of FDI in economic development.

In 2000, international trade has grown twice as fast compared to the gross domestic product and foreign direct investment grew twice faster than international trade, statistics reflecting the role of multinational corporations

² www.imf.org
in the world economy. Export growth was soon overshadowed by the expansion of FDI. Between the years 2000-2007, FDI flows have increased by an average annual rate of 18.4%, compared with 11% that pertaining to world trade and GDP by 8.5%. According to the World Investment Report in 2012, investment inflows increased by 16% in 2011, and while economic uncertainty is being felt around the world.\(^3\)

The crisis has changed the landscape of FDI: investments in developing economies and economies in transition have progressed, increasing their share in FDI flows globally up to 43% in 2008. This is partially due to the concomitant decrease in FDI flows to developed countries.\(^4\)

Global investment report 2012 also noted that nearly half of global FDI (45%) in 2011 are still in developing economies while their FDI inflows surged to a new record, rising with 11% up to 684 billion US dollars. FDI inflows in the economies in transition accounted for 6%. They increased in the year 2011 with 25%.

Foreign direct investments made at world level, in 2013, increased by 11% from the previous year, the total volume of which is of 1,460 billion USD, is shown in the report for world investment conference presented by United Unitepentru Trade and Development (UNCTAD).

Foreign direct investments have had the largest growth pace into the world economy over the last 20 years; average annual rate of growth exceeding that of exports and that of global production.

In Romania, foreign direct investment (FDI), monetary flows that would otherwise have been able to stimulate economic growth, have had a dynamic "disappointing", these records fall from the end of 2008.

In the year 2008 has been recorded the highest value of ISD, 9,496 billion euros. Between the years 2003 and 2006 Romania has recorded each year increases in foreign investment, to 5,183 billion euros in 2004, 5 billion euros in 2005 and 9,056 billion euros in 2006 from which a large amount of originating in BCR privatisation.\(^5\)

In 2007 there has been a decline in the foreign capital invested in Romania, to 7.25 billion euros, followed by an increase in the record in 2008.

---

\(^3\) UNCTAD/PRESS/PR/2012/16*

\(^4\) http://www.powerfulwords.co.uk/sample-assignments/economics/aspecte-teoretice-privind-investitiile-straine-directe.php#ixzz2TCEen3zC

\(^5\) http://www.9am.ro/stiri-revista-presei
Starting the following year, indicator value has deteriorated, investments by subtracting steep up to 3.48 billion euros in 2009 and to 2.2 billion euros in 2010.

In the year 2010, 1 million euros from foreign direct investments have been located in the "participating interests in the capital", and 396 million euros have been intragrup credits. Also, at the end of the year 2010, direct investment by residents Romanians abroad was 1,675 million euros, which is a contribution which could not be measured by the documentation system existing in the country.⁶

In 2012, foreign direct investment net went up for the first time since crisis, the advance being of 18.7%, to 2,138 billion euros, according to the data published by the central bank (BNR) definitive and INS, under the circumstances in which initial estimates showed a drop of 11 as compared to 2011.

Last year (2013), foreign direct investments have increased by 26.8% as compared to the previous year to 2.71 billion euros, by touching the top four years, after which in 2012 it is noted preliminary assessment at the beginning of the crisis.

---

Data published by the Office for statistics (Eurostat) shows that Romania had the highest economic growth (3.5%) in the European Union in 2013, by placing our country in the European Union top advances GDP.

In the first semester of the year 2013, foreign direct investments have been a decrease in the first six months of 2012. But, in November 2013, Romania has attracted the highest level of investment by the year 2002, and 578 million euros, with May 85% more than in the previous month, basic hosted in March (48 million euros) and may (92 million euros).

In the first two months of this year (2014), foreign direct investment has increased by 35.6 percent in 2013. However, according to data provided by the central bank, in February 2014, Romania has managed to attract only 36 million euros. For the representatives of the business environment, but also for the biggest foreign investors, direct foreign investments are a fundamental indicator in assessing attractiveness of national economy.

Failure to attract more foreign investors, in the last few years, it may be due to crisis in Europe, but also the internal political tensions and the way in which the company was/is dealt with this crisis by rulers.

Investments have been neglected in particular in infrastructure, this aspect affected directly in the capacity of the recovery of the Romanian economy, and investors looking good infrastructure, qualified personnel and quality of capital.

Romania is located in an area with many strong economies, so it is well positioned to be able to monitor effectively direct foreign investments.

European Union is a great opportunity for our country, because it has resources, but, at the same time represents a challenge, because in the European Union there are an innovative economy.

Romania is still a point of attraction for investors who are looking for cheap labor, but in order to cope with a competing at international level should be given to increasing the competitiveness of products and services.

Identify benefits and investment opportunities, their recovery will give real chances for the restoration of the business of investment. Statistics, that scientific discipline, comes with the instruments and method in order to address this phenomenon predicted, using specific techniques of observation, processing and statistical analysis.
References
Anghelache, C (coordonator) și alții (2012) – „Statistical-econometric models of economic analysis-the use of models in the study of Romanian economy”, Romanian Statistical Review (Supplement);
www.unctad.com
www.imf.org
www.bnr.ro
http://www.9am.ro/stiri-revista-presei
http://www.powerfulwords.co.uk/sample-assignments/economics/aspecte-teoretice-privind-investitiile-straine-directe.php#ixzz2TCEEn3zC
http://www.financiarul.ro