
MODEL OF ANALYSIS OF THE DYNAMICS OF THE DFI (DFI) SOLD CORRELATED WITH THE EVOLUTION OF THE GDP AT EUROPEAN LEVEL

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Abstract

Foreign direct investment make an essential contribution to economic growth. They create jobs, optimizes resource allocation, allows the transfer of technology and stimulate trade. The business environment in Romania needs economic freedom and tax friendly to entrepreneurs, including foreign investors. We use the analysis of the direct foreign investments from our country will be further developed through a study on this subject from the point of view of the dynamics of the direct foreign investments sold, aiming to achieve a comparative analysis with the evolutions recorded in Europe. The direct foreign investments sold is given by adding too the initial stock of the year "x", the net flow recorded subsequently, taking into account the foreign exchange rate and assets re-evaluations, measuring thus the total level of the DFI at a given moment of time, usually by the end of the year or a quarter end.

Key words: *dynamic, analysis, DFI, evolution, GDP, balance, European level*

The analysis of the direct foreign investments from our country will be further developed through a study on this subject from the point of view of the dynamics of the direct foreign investments sold, aiming to achieve a comparative analysis with the evolutions recorded in Europe .

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Observing the dynamics of the sold of the direct foreign investments, in accordance with the data published by *EUROSTAT, for the period 2003 - 2012*, we perceive a volumetric diminishing of the investments at the level of the entire Europe, for the year 2008 comparatively with the up warding evolutions marked by the period 2003 - 2007, which is explained by the instability phenomenon generated by the economic and financial crisis.

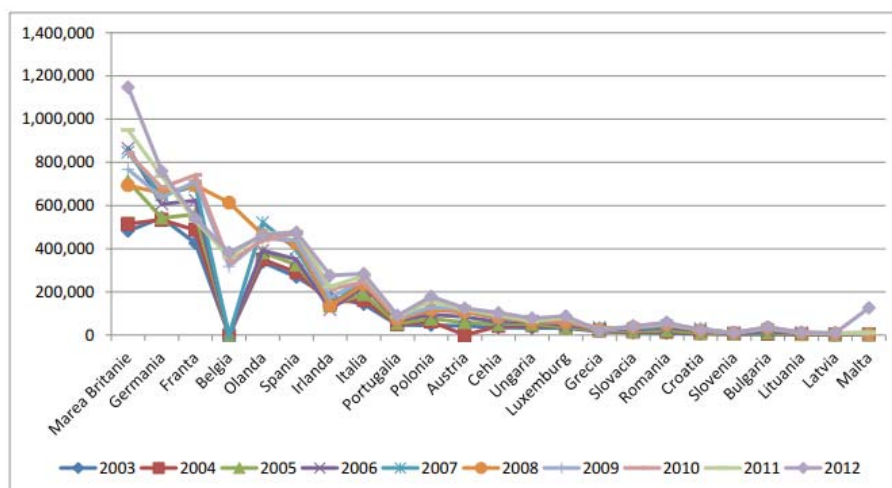
The developed countries, with solid economies, such as Great Britain, Germany, France, Spain etc., have been less afflicted or even took the advantage of a

favorable European context, allowing them to recover and reconsolidate the financial situation on a shorter time basis comparatively with the less developed countries of Europe, such as Romania, Croatia, Slovenia, Bulgaria, etc. Thus, excepting the level of DFI sold for the year 2008, marked by significant diminishing of the investments volume at European level, the interval 2009 – 2012 underlines a period of recovery and successive trials to stabilize the economy for the majority of the EU states.

In this context, at the level of Great Britain, we notice that after the diminishing of the DFI volume by approximately 22 %, at the level of the year 2008, as against the previous period, shown by the situation of the year 2007, there is a prediction of gradual increase to foresee, the year 2010 re-establishing the DFI volume as recorded back in 2007. The years 2011 and 2012, are marking successive increases of 12.57 %, respectively 36.12 %, in comparison with the level of the DFI stock achieved in 2010.

Further on, approaching the tendency of the evolution of the DFI volume in the developed countries we can notice that Germany also is following the same evolution as the one grasped for the Great Britain, the year 2010 marking superior performances as against the ones recorded for 2007, materialized in the increase by 5.57% of the DFI volume consisting of a stock of direct foreign investments of 682,893 million EUR. Similar to the British model, although illustrating relative values of a significant discrepancy, the years 2011 and 2012 are emphasizing the consolidation of the investing situation for the German economy, by volumetric percentage increases of the DFI level, by 7.75%, respectively 11.15% as against the stock of the year 2010.

**The evolution of the DFI sold at European level
for the period 2003 - 2012**



Self-representation based on processed data published by EUROSTAT

Nor the investing model implemented by the Polishes was less efficient. Thus, the investing strategies implemented by Poland resulted in very good economic outcomes on short term, emphasized by percentage increases of about 12 %, respectively 3.56 %, in 2011 and 2012, at the level of DFI stock. Hence, from a DFI stock amounting 120,726 million EUR, recorded in 2007, Poland is reaching a new maximum point in 2012, through a percentage of 48.16 %, as against the situation recorded at the level of 2007, respectively 14.88 %, if comparing it with the situation grasped at the level of the year 2011, materialized in value terms by a DFI stock amounting 178,878 million EUR.

The situation grasped in France as regards the evolution of the DFI stock differs a little bit from that of Germany or Great Britain. Although over the period 2008 - 2010 France was not affected by the impact of the economic-financial instabilities confronting Europe, as from it was however significantly affected in the context of a massive diminishing of the DFI sold, by 28.5%, as against the situation recorded in. This phenomenon can be explained also by the re-orientation of the investors from the French market to other zones which became more stabilized from economic point of view, providing thus favorable conditions for getting better yields for investments, due to lower costs of development.

From the point of view of the dynamics of the DFI sold, at the level of the developing countries slender volumetric variations have been recorded, value-wise, comparatively with those faced if considering the previously mentioned developed countries, but however significant both for the development level of these countries and the evolutions from these countries during the post-crisis (Anghelache, coord. 2013).

Under the circumstances, considering the trend of the DFI stock for the period 2003 -2012 at the level of Romania (Anghelache 2014, Mitruț et. al. 2013), the implementation of an investing strategy of slow but sustainable increase, with favorable outcomes on long term basis. Meanwhile, this situation is emphasizing also the appeal of the Romanian business climate, as an overall basis, for the foreign investors who chose to run their activity on the territory of our country.

After the period of economic boom, marked by the year 2007, when our country recorded a maximum level from the point of view of the DFI volume, amounting 42,799 million EUR, successive increases as against the previous period have been recorded, counting for about 13 % at the level of the year 2008, 3.2 % in 2009, 6 % in 2010, 4.2 % in 2011, up to the year 2012 when a new maximum point of the DFI stock has been reached, amounting 58,915 million EUR, representing an absolute increase of approximately 7 %, comparatively with 2011.

As previously recalled, the investing strategy promoted by Romania, although requires improvements from the point of view of the legislative, fiscal etc., frame, managed to get better results than other states holding a business environment better consolidated even since the economic post-boom period recorded at the level of our country (Dobrescu 2013).

Among the countries recording favorable evolutions of the DFI volume, there is Greece which, even since 2003 recorded a stock of direct foreign investments by 84% higher than the one published by *EUROSTAT for the situation of* Romania.

Starting with the year 2006, the investing gap between Greece and Romania reversed, our country exceeding by 15% the volume recorded by the Hellenistic state. The discrepancies between the two states have significantly grown up mainly during the period after the economic-financial crisis at European level launched, which actually has been doubled by the liquidities crisis of Greece, a phenomenon generated by the acceptance of an indebted plan completely non-sustainable by the Hellenistic state already affected by the existing economic instability.

Out of the above mentioned aspects we can conclude that Romania made considerable efforts to maintain the economic stability and, implicitly, the confidence of the foreign investors in the economic situation of our country, aiming meantime to reduce the economic and social disparities as against the EU member state.

If considering the situation of the neighboring country, Bulgaria, we notice that our country is recording much better performances from the point of view of the evolution of the direct foreign investments stock as well, the evidence in this respect being provided by the data published by *EUROSTAT*, which show a volume of DFI by 57 % higher for the year 2012, at the level of Romania even though Bulgaria as well promoted a policy meant to increase the investments on a long term basis, but the fact that the Romanian space provides a more balanced business environment, labor force better qualified persuaded the foreign investors to direct their businesses towards it.

Romania must continue the process of consolidation of the economic situation by enforcing investing strategies meant to provide confidence in the Romanian business environment and the development plan implemented at national level. In this respect, the government must militate in favor of the improvement of the legislative and fiscal framework, presently in force in our country.

From the point of view of the evolution of the economic growth at European level, we notice a dynamics similar to the one underlined by the stock of direct foreign investments over the analyzed period, respectively 2003 - 2012. In this respect, out of the submitted graphical representations, we notice that significant volumes of DFI are correlated with similar increases of the gross domestic product, on the ground of a prosperous business environment generated by the massive absorption of capitals invested on these markets (ex: Great Britain, Germany, Spain, Italy). The correlation of the DFI stock with the evolution of the gross domestic product is obvious not only in the case of the developed countries, with solid economies, but also in the situation of the developing countries, among which Romania as well.

The GDP dynamics at European level, allows us to identify the major gaps existing between the EU member countries, from the point of view of the economic situation (Anghelache, Anghel 2015). Meantime, we can deduce also the fact that a stable economic situation, generating economic growth, is generating meantime both the drawing of foreign investors and the accelerated development of the business environment in the hosting countries.

Approaching the economic situation, described by the GDP dynamics at European level, from the point of view of the inter-regional gaps we notice that the Germany GDP is 20 times higher than the one published by *EUROSTAT* for

the situation of Romania, at the level of the year 2012. Hence, when referring to the situation from Germany we can allege that the increase of the DFI volumes by 7.75%, respectively 11.15%, in 2011 and 2012 is correlated with an economic growth of 4.76%, respectively 6.74%, as against the situation of 2010.

The same correlation of the dynamics of the DFI sold with the evolution of the gross domestic product is identified at the level of Romania as well but for volumes significantly smaller. In this respect, we notice the correlation of the increase of the DFI stock from 2008, counting for 12.95%, with the economic growth of 13.55%, of the same year. At national level also, the evolution of the GDP from 2010 and 2011 is marking successive increases of 5.26 %, respectively 5.17 %, as against the previous period, being correlated with the dynamics of the direct foreign investments volume which increases from one period to another by 5.96 %, in 2010, respectively by 4.21 %, in 2011. At the level of Romania we identify a strong correlation between the sold of direct foreign investments and the recorded economic growth.

Similar to the evolution tendency of the GDP of Bulgaria, the trend of the investments sold was prefigured, which is pointed out by an economic growth of 14% at the level of the year 2008, generated by the increase of approximately 23% of the DFI volume. The same tendency of the gross domestic product increase has been evidenced for the years 2010, 2011 and 2012, but a more reduced volumetric scale, the percentage of the economic growth counting for 2 %, 1 %, respectively 2 %. Correlated, for the years 2010, 2011 and 2012, the sold of the direct foreign investments increased by 3.45 %, 3.60%, respectively 2.25%, as against the previous period.

In Greece, the economic destabilization reflected by the diminishing of the direct foreign investments volumes begun to be perceived at the level of the year 2011 only and more underlined in 2012 and 2013, when the GDP diminished considerably. The GDP level before the year 2011 did not reflect the real situation of the Greek economy due the infusions of funds out of the credits taken over from the World Bank and the International Monetary Fund, which have been used for expenses, in general terms, not for investments.

In antithesis with the Greek model, the model of Poland promoted the economic growth on a short term basis, supported by an always higher absorption of the invested capitals, reflected by an increasing DFI sold from one period to another. In this respect, we notice a sinuous evolution for both the level of DFI stock and the level of the GDP, the situation getting stabilized at the level of the year 2012 only.

Following to the dynamic analysis of the comparative evolution of the gross domestic product and the sold of the direct foreign investments at European level, we noticed that for most of the countries the evolution of the economic growth was similar to the trend given by the sold of the direct foreign investments at global level, identifying thus a significant interdependence between the DFI sold and GDP.

Conclusions

Approaching the tendency of the evolution of the DFI volume in the developed countries we can notice that Germany also is following the same evolution as the one grasped for the Great Britain, the year 2010 marking superior performances as against

the ones recorded for 2007, materialized in the increase by 5.57% of the DFI volume consisting of a stock of direct foreign investments of 682,893 million EUR. Similar to the British model, although illustrating relative values of a significant discrepancy, the years 2011 and 2012 are emphasizing the consolidation of the investing situation for the German economy, by volumetric percentage increases of the DFI level, by 7.75%, respectively 11.15% as against the stock of the year 2010.

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