

ANALYSIS OF FOREIGN INVESTMENTS IN ROMANIA AND THEIR ORIENTATION

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Abstract:

Foreign investments are considered modern main lever for stimulating economic growth, with direct and immediate effects on regional and social development, increasing opportunities for people to increase their consumption and to satisfy desires of increasingly high. In recent years analyzes show that major changes have occurred in the structure and volume of capital movements from one country to another. Foreign investments exceeded in scope and in importance any other sources of funding. At the level of Romania, in recent years we find that our country has been subject to challenges that impacted on the economy overall and regional level. State policy measures aimed at strengthening cohesion between Romania's regions and to meet opening that investors in Central and Western manifest, especially beginning in 2003. The Romanian economy changes take time to materialize and get to the desired effect. Since 2007 Romania is the European structure at regional level, which is to varying degrees of development, inequality GDP per capita, which expresses fact, living standards, vaziază regions varies just as European areas

Cuvinte cheie: foreign investment

Clasificare JEL: F21, E22

1. Introduction

Always bring with them foreign investments in addition to technology and different cultural elements, thus representing not only monetary capital inflow, but it involves people thinking, choices, all of which are reflected in the new business environment that takes birth.

The objectives of the research work are related to analysis of the evolution of foreign investments in Romania in terms of value and structure given that they have become the main way to reduce poverty, exceeding in scope and in importance any other sources of funding. To achieve the objectives paper contains an analysis of statistical series based on the evolution of foreign investments in Romania and their breakdown by main economy, given their impact on the development process.

Tatiana Moșteanu points out that foreign investments have immediate effect on the balance of payments by covering the current account deficit, leading to a stabilization of the precarious financial position of the State. The existence of foreign investors towards state authorities will determine which investments are directed to manage this situation, leading the shadow distribution of investments by areas of the country, supporting the growth of the entire country, not just in certain areas [4]. The state authorities will become experiments in selecting and applying incentives and targeting of investment capital, receiving more taxes instead, as budget receipts. The same author, in Politics and the technique is budgetary 'states that the proceeds from Buget state and local budgets grow, in turn, the power of authorities to make public spending public money, the goods and services for the population [6].

Registration in Romania has a high level of foreign investment have an immediate positive effect on the balance of payments by covering the current account deficit, leading to a stabilization of the precarious position of the state.

Economic growth is the most important factor which directly and rapidly reduce poverty, foreign direct investment generates economic growth [3].

Another specialist, Paul Bran, stresses in the paper entitled Economic Value major change that occurred at the legislative level, in that it created an important extension of property rights, was the approval of the new Constitution, which makes flexible placing certain areas property investors both Romanian and foreign by passing prior to the public domain in the category of the private domain of the state, and later legal nature of these fields to enable their transition to private investors [2]. Until 2003, however, investment in state public areas were done only through concession and after approval of the new Constitution, state public areas can be converted into private areas of the state and further alienated investors, all related property rights .

For example, an investor who has needs for its production of a water source and the plant is located somewhere in a mountain area, you can buy ownership rights over water unite segment, will use that source in production and in the the latter will release. The responsibility of the investor to protect the environment, in the example given, the source of water increases if the investor is himself the owner of the water segment, the situation in which he would concesiont right to use that source from Romanian Waters Authority. .

Romania aims in addition to legislative changes regarding ownership of land and changes in legislation regarding ownership of gas networks, sewage water to be used exclusively for production units, because now the permitting procedures are still cumbersome and very inflexible, not possible characteristics of an authorization change from one hour to another and even from one day to another. Unlike Romania, in Hungary, the law entitles investors to own stations consruiască power and water filtration, electrical energy conversion and relations between investors and public authorities are some of collaboration.

Table no. 1

- Foreign direct investment in Romania in 2008-2013

Year	2009	2010	2011	2012	2013
The value of foreign investments (mil. EUR)	49.984	52585	55.139	59.126	59.958

Source: BNR reports

Looking strictly mathematically foreign investments in Romania have increased in absolute înregistrt of 9.974 mil. Euro, [7], which meant relative size increased by 19.95 percentage points. As individual analysis above table is only a starting point, because in fact foreign investment in Romania have at least three sides of expression and fail to surprise monetary sizes only one.

Show possibilities of foreign investments are foreign investment materialized in the way capital, direct investments in tangible and intangible investment. Variant palpable foreign investment is made by company capital firms, because data can easily find in the statistical reports made by the Trade Register. If we look from the point of view of investors, by way of capital investment is based on the special legislative restrictions in Romania. To this is added the tax legislation also puts their mark on the structure of investment.

Based on these data we can say that the coming years will be the years in which the optimal structure of equity capital borrowed versus private management will be central attention. For an activity of production, in particular, need external financial resources not only to credit institutions but also from group companies that have the financial and loan resources and tax optimization can be done by optimizing interest expenditure level (since 2005 in the category of those entering interest expense and interest on loans contracted by the companies in the group) that in terms of tax may be deducted in determining taxable base for profit, but the deduction of costs interest is subject to shareholders' equity amount borrowed.

Although direct investments in tangible fixed assets type are most common, though lately it takes shape, and because of lease purchases.

Although intangible assets investment category is important escape from the statistical analyzes of nemăsurabilitate reasons. Such a transfer of technology, innovative ideas, organization and management methods are not co-signs the document type commercial registration, but nevertheless can be a real engine of a business, can make an investment to create value, leading default to raising living standards in the area.

Graphical representation of the values of foreign investments in Romania over 2009-2013 timeframe is:

Millions Euro

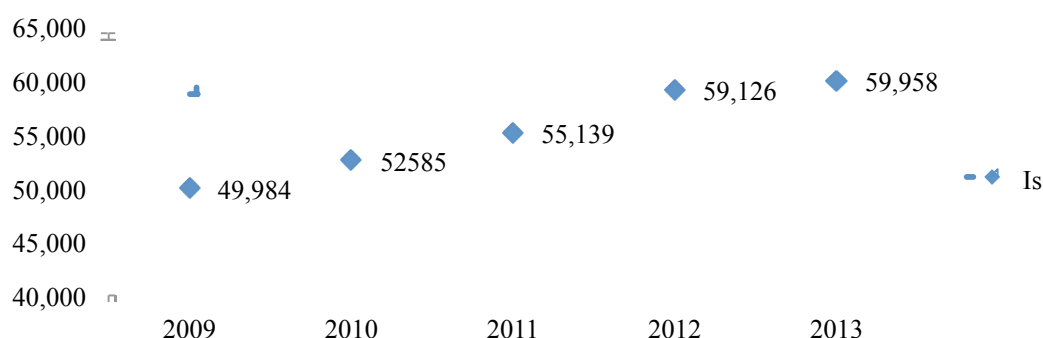


Chart. 1 Graphical representation of foreign investments in Romania the timeframe 2009-2013

The rise is statistically embossing of the situation at the country level, however, on further analysis we can see what happened at the regional, branch and investment.

2.Foreign investment in Romania according to the main activities

Foreign investments were directed different between branches Romanian economy. We find that foreign investment in industry and agriculture declined in real terms as a share of GDP, while the services sectors increased veriginos and represent the bulk of economic growth. Thus, we have a distribution of approximately 50% and 50% of foreign investors between industry and services

We see that concern for construction and real estate investors fell from 6.453 million euros in 2009 to 5,887,000 euros in 2013 [7].

Table no. 2

Economic activity	2009	2010	2011	2012	2013
Industry	20.680	23.093	24.487	27.455	28.810
Electricity, gas and water	2.904	3.865	4.362	5.721	6.643
Professional, scientific, technical, and administrative and support services	2.299	2.560	2.679	2.843	3.034
Agriculture, forestry and fishing	552	1.068	1.316	1.402	1.278
Trading	6.164	6.519	6.282	6.714	6.723
Construction and real estate	6.453	4.746	5.897	5.466	5.887
Hotels and restaurants	213	417	431	348	370
Financial and insurance intermediation	3.235	10.055	10.026	10.914	8.496
Information and communication technology	9.510	3.081	2.967	2.854	4.129
Transport	684	788	787	876	944
Other activities	194	258	267	254	287
Total	49.984	52.585	55.139	59.126	59.958

Source: BNR reports

The largest growth was registered in foreign investment in agriculture. In agriculture it can be observed (table no. 2) that the value almost doubled, from 552 mil. Euros in 2009-1278 mil. Euro in 2013 [7], which means an increase relative size by 1%.

Table no. 3
%

Economic activity	2009	2010	2011	2012	2013
Industry	41,4	43,9	44,4	46,5	48,1
Electricity, gas and water	5,8	7,4	7,9	9,7	11,1
Professional, scientific, technical, and administrative and support services	4,6	4,9	4,8	4,7	5,0
Agriculture, forestry and fishing	1,1	2	2,4	2,4	2,1
Trading	12,3	12,4	11,4	11,4	11,2
Construction and real estate	12,9	9	10,7	9,2	9,8
Hotels and restaurants	0,4	0,8	0,8	0,6	0,6
Financial and insurance intermediation	6,5	19,1	18,2	18,5	14,2
Information and communication technology	19	5,9	5,4	4,8	6,9
Transport	1,4	1,5	1,4	1,5	1,6
Other activities	0,4	0,5	0,5	0,4	0,5
Total	100	100	100	100	100

Source: BNR reports

Direct investments made in Romania which are directly dependent on the financial resources available. Although statistically the investment, regardless of the industry achieved an increase from one year to another, there is still the perception that they have been stagnant overall.

Investments in public utilities, like water, sewerage system of production and distribution of thermal and electrical energy are on the rise. This evolution is mainly due to the intervention of international financial institutions which implement financial plans in Romania.

In the graphs no. 2-3 observe the structure of foreign investments in Romania on major activities in years 2009 and 2013.

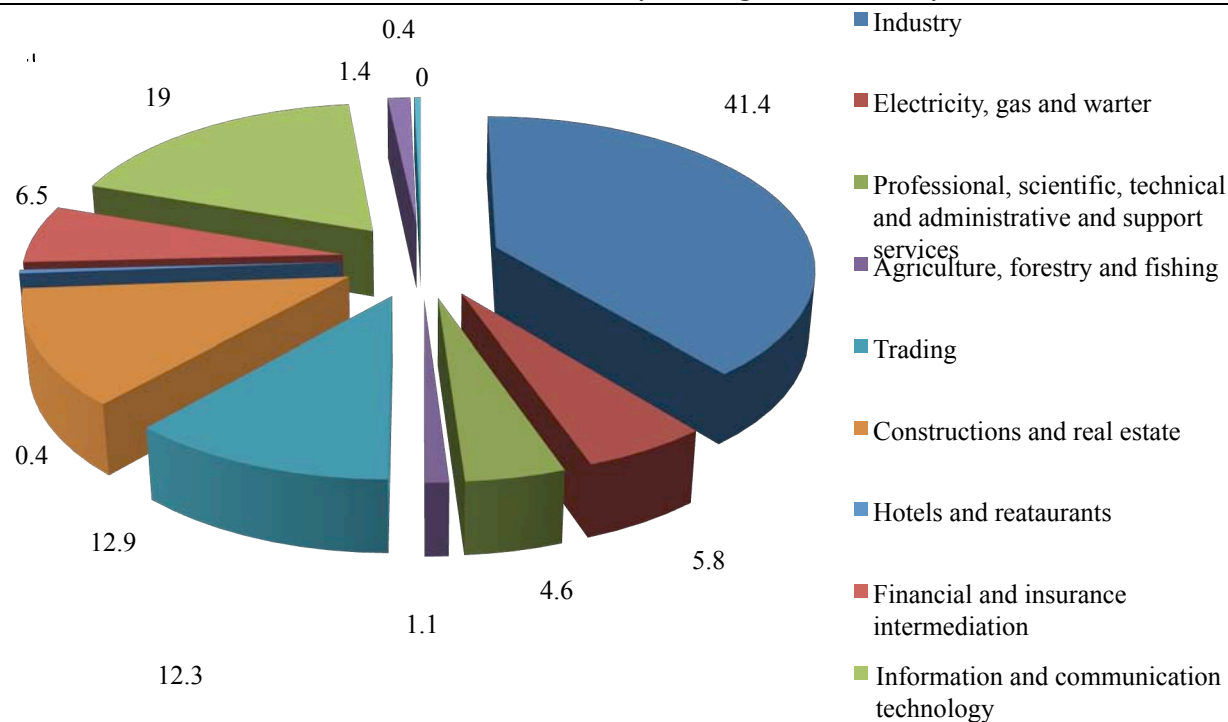


Chart. 2 Structure of foreign investments in Romania the main activities in 2009 (percent of total foreign investment value)

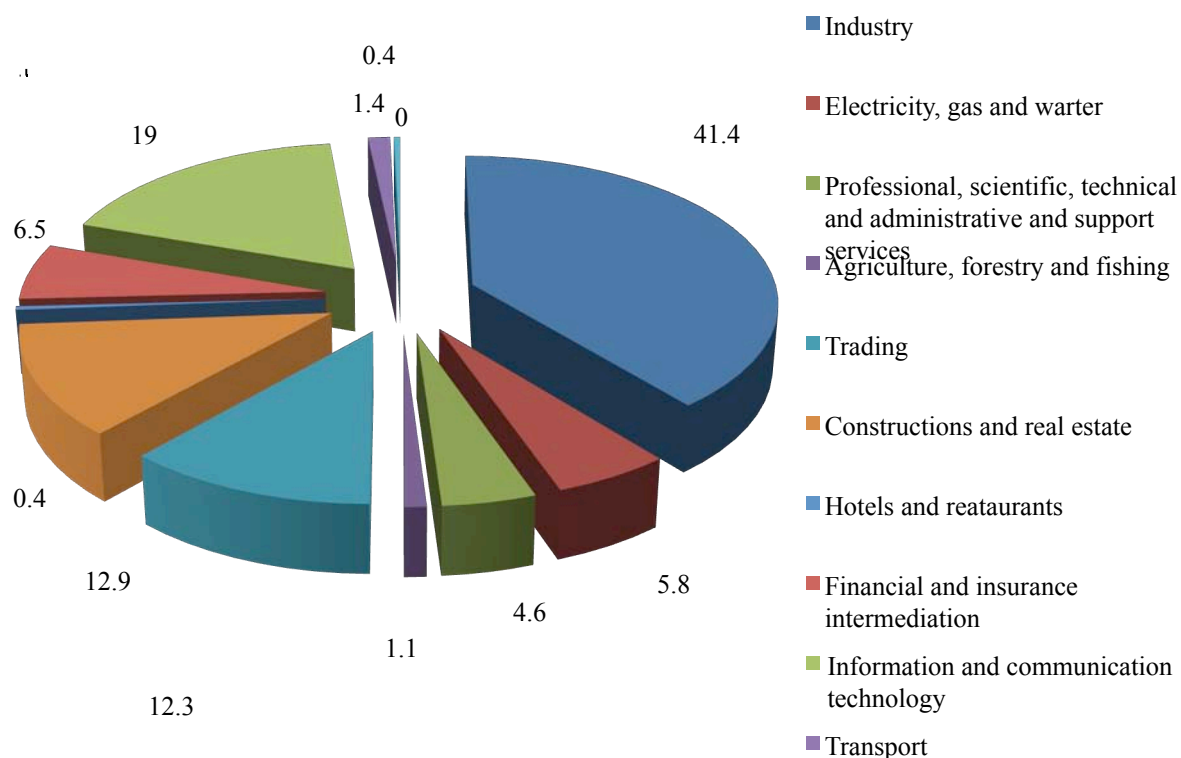


Chart. 3 Structure of foreign investments in Romania on core activities in 2013 (percent of total foreign investment value)

3. Direct investment in Romania - breakdown by main development region

If we analyze the orientation of investors observe that it is clear to the Bucharest. The share of small relative to attract foreign investors and other areas of Romania may be justified by reduced relative involvement of local authorities.

Table no. 4
Direct investment in Romania - breakdown by main development region

Millions Euro

Economic activity	2009	2010	2011	2012	2013
Bucharest-Ilfov	31.699	31.720	34.021	35.859	36.808
Center	3.703	3.909	4.215	4.265	5.179
South-Muntenia	3.576	3.816	4.059	4.510	4.599
West	3.095	3.446	3.987	4.230	4.581
North -West	2.938	3.290	2.970	3.253	2.665
South- East	2.058	2.232	2.454	2.814	2.529
South-West Oltenia	1.940	1.928	1.806	2.068	1.912
North - East	975	1.244	1.627	1.767	1.685

Source: BNR reports

Although after our geographical confusion would tend to think that the next area after Bucharest with foreign investments as the Southeast region due to the port area of the Black Sea, however, note that (table. no. 4) Area ranks second center .

The chart above highlights the growing interest of labor to move towards Bucharest, here realizing the vast majority of foreign investment.

Table no. 5
Direct investment in Romania - breakdown by main development region

%

Economic activity	2009	2010	2011	2012	2013
Bucharest-Ilfov	63,4	62,2	61,7	60,6	61,4
Center	7,4	7,4	7,6	7,8	8,6
South-Muntenia	7,2	7,3	7,4	7,6	7,7
West	6,2	6,5	7,2	7,2	7,6
North -West	5,9	6,3	5,4	5,5	4,5
South- East	4,1	4,2	4,5	4,8	4,2
South-West Oltenia	3,9	3,7	3,3	3,5	3,2
North - East	1,9	2,4	2,9	3,0	2,8

Source: BNR reports

North- West Area in the 2009-2013 timeframe declined by 1.4 percentage points. This development comes as a result of the proximity to the western border of Romania no longer a decisive criterion for investors.

In the graphs no. 4-5 observe the structure of foreign investments in Romania on major activities in the years 2009 and 2013.

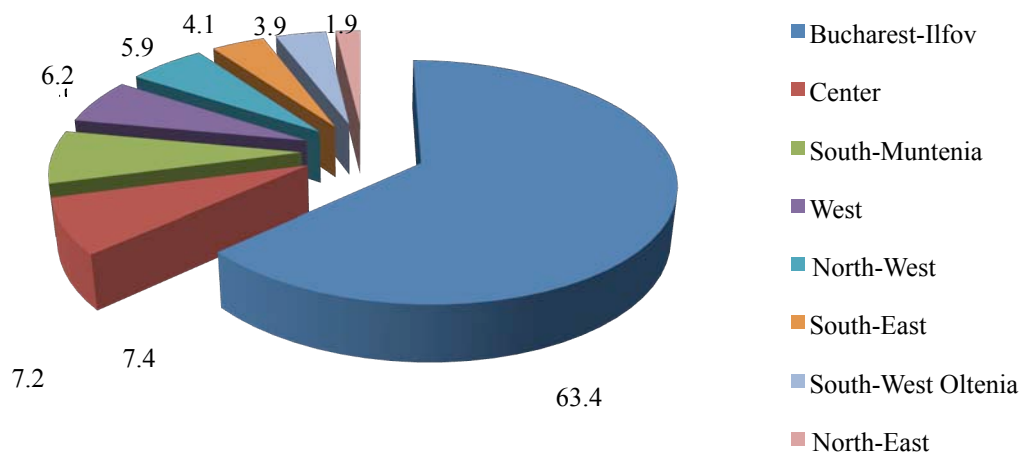


Chart. 4 Foreign Investment in Romania - breakdown by major developing regions in 2009 (percent of total foreign investment value)

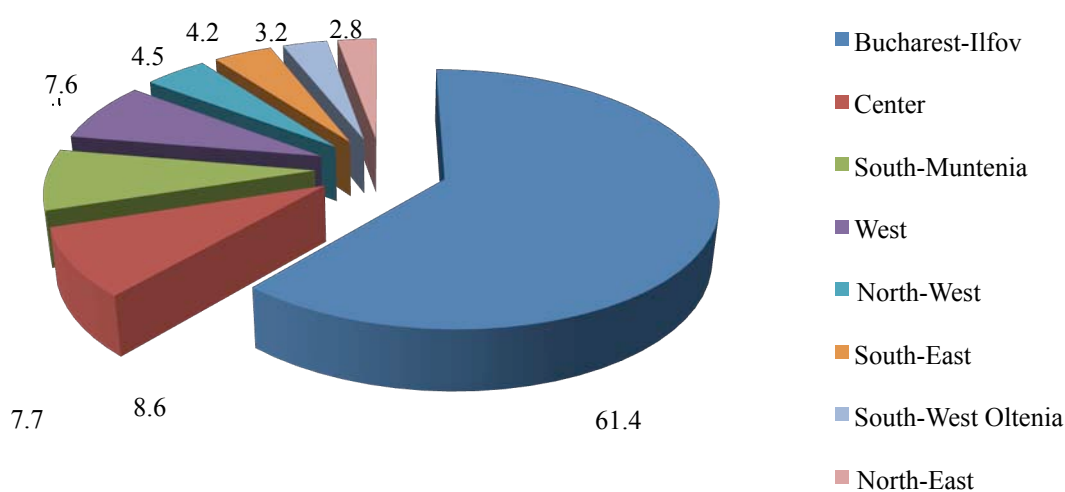


Chart. 5 Foreign investment in Romania - breakdown by major developing regions in 2009 (percent of total foreign investment value)

4. Conclusions

In Romania, foreign investors are struggling with administrative barriers, the lack of communication from any authorities, although it put a complete transparency, however, in practice remain secluded in at least some rigid dogma behavior. As stated Paul Bran in his new investment in Romania it should be regarded as a positive and encouraged in practice [2].

Financial Practice shows that investors consider themselves go where it is most profitable, not where they are called, because now we can not say that in the regions of Romania are implementing policies designed to attract foreign investors

When analyzing foreign investment in Romania with the number of existing companies has increased continuously, the reality is that it is largely unreal, because it represents the effects of fiscal reasons.

Foreign investors who want to invest in Romania want to have access to a large package of financial and statistical data concerning not only taxes but also the entire economic system. Transparency authorities must be manifested not only by making public the entire package of legislative measures that competent bodies analyze them and by creating a permanent and effective communication between all subsystems Romanian economy.

The financing of the Romanian economic benefits through significant structural and operational programs represents an important force for development investment. But as shown at the moment is necear to pay particular attention to public-private partnerships, since most of the EU funds granted under operational programs for structural public legal persons. That means that companies benefiting from EU funds of this kind if partnered with state or local authorities as appropriate.

The emphasis today Romania puts macroeconomic indicators is not accidental, since they mirror reflects how investments have failed to trigger economic growth system.

Foreign direct investment is one of the main levers that the Romanian state has at its disposal to stimulate the development of regional and national economy as a whole. GDP growth, the overall standard of living depends directly stimulate foreign investment flows to Romania.

5. References

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