DIRECT INVESTMENT ON REGIONAL MARKETS

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Abstract
Foreign direct investment are that category of investments that allow participation in leadership and effective control of the companies in which it invests. It's so new firms, as well as the establishment of international operations of the company through expansion of existing operations. Typically, the company incurred in a market that is confined to a distinct geographical area, but the limits of market changes. The change can be the result of higher management decisions on market opening and development of a new technology or product. Markets with a lower level of development are likely to attract a higher level of direct investments than those in more developed countries. The specific reasons behind the decision of a company to invest abroad are operating efficiency, reduce risk, market development and Government policy in the host country. Transnational corporations are large conglomerates which consists of the parent company and its subsidiaries/branches, both in the country of residence and abroad. Transnational corporations affect strongly both the production and the world of international economic relations. This influence is determined by the motivations of expansion that they promote. The expansion of transnational corporations has as satisfying "ambitions" of global expansion, and impulsionate getting supraprofiturilor. The strength of these structures is based on maximizing profits.

Key words: *Direct investment, regional market, development, government, leadership,*

JEL classification: *D40, D41, D78*

1. Introduction

Foreign direct investment are defined by the International Monetary Fund as "investment for the creation or development of a permanent involvement in an enterprise and which some control over its management." Internationally, this purpose is achieved when the percentage participation in the foreign-owned capital exceeds 20%. To operate successfully on a new market, the firm must have advantages compared to local companies who know closely the business and not face the risks of the operation. In these circumstances it is preverabilă on the activity of a country through direct ownership over the means of production [1]. A foreign company can buy all rights to a local organization or can build their own capacities "empty seat". Through this strategic move company might get cost savings resulting in labor or raw materials cheaper, incentives granted by the Government for foreign investment, savings [2]. At the same time, the company has a much stronger in the new country and strong relationship with the Government, c1ienţii, suppliers and products through local distributors made with local ingredients. In comparison with the export, the associated operating or local alliances, firms that invest directly could exert total control over investment, perfecting his-and thus the politics of production and marketing.

2. Operative units

Operative units, resulting in direct investments in a market, there may be in two legal forms:

- Business unit without legal personality. This may be subject to local tax laws, which involves big problems for the parent company to integrate its own accounting and accounting to support the big problems.
- The branch associated with its own legal personality. The branch has operational advantages and exchange rate higher than the branch and allows the parent to keep profits abroad in currencies stronger than the national currency. For these reasons, the branch is the most used on foreign markets.

Mentioning the evolution of methods of formation and management of investment resources, we need to highlight the development phases of corporations, in terms of the number of shareholders and/or volume of capital, proposed [3]:

- In the first phase are companies in which capital holders have a real power and total and can control the actions of the Corporation. The number of shareholders-owners is small, some of the shareholders in the Corporation. So they are interested in not only the proportion of the dividends that are appropriate, but also the process of corporate efficiency, development and growth.
- Phase two refers to corporations with so-called control package, i.e. a certain number of owners-shareholders who, with the help of a number of actions carried out to control the Corporation. Only this "team" of shareholders is able to implement the decisions and strategies within the Corporation. The majority of the shareholders of this company are scattered: the shares too low or is at a distance too large and not too much interested in the activities of the Corporation. Even if every shareholder shall have the right to vote because of a lack of Organization necessary for the Union and setting priorities in the process of voting, due to the lack of "program", often not package is 50 1%, but is only 20%, 15%, sometimes reaching even 1-5% of statutory capital. In some countries (France, Russia, Romania, etc.) enables "Associations of minority shareholders".
- The third phase covers large corporations, due to the large dispersion of shares in the hands of a large number of shareholders (tens, hundreds of thousands, even millions), control of the company is taken over by the administration of the Corporation. Holders of securities – shares, shareholders are only formal and basically does not participate in decision making. At this stage of development are the transmission of the right to vote by proxy by representatives. The owners are influenced by the size of the dividends, while the actual activity of the company is not in the interests of the owners.
- The fourth phase of development takes shape the process by the meeting of the small shareholders of the insurance companies, pension funds, investment funds. Because of this (process) such types of unions are able to control the actions of the Corporation. At the same time and the Corporation in connection with the issue and eliminate accounted for increases in staff, necessary for the maintenance of relationships with shareholders.

3. **Reasons of foreign direct investment**

There are four grounds for foreign direct investment:

- **Looking for resources:** upgrading the quality of resources and the existence of local partners willing to promote shared use of knowledge and resources with capital intensive;
- **Looking for a market:** the need for more to be closer to users in sectors with knowledge-intensive and the growing importance of promotional activities carried out by the regional development agencies and local;
- **Looking for efficiency:** increased role of Governments in removing obstacles that stand in the way of a restructuring of economic activity and facilitate the modernisation of human resources; the existence of specialized industrial concentration (industrial parks); an environment conducive to private initiative and enhanced competitiveness and cooperation between firms;
- **Looking for some favorable strategic** assets in exchange for tacit knowledge based, and interactive learning ideas; access to the cultures, different systems and institutions, as well as the requests and preferences of consumers.

For most of the service industries is essential to put in the market [4]. Prices remain the main competitive advantage of these companies abroad. A company shall increase the efficiency of the production process if it is placed where the inputs are cheaper. For example, since the early 1980s, a number of German clothing manufacturers have opened production capacity in the far East because the workforce is relatively expensive in Germany [5]. In the late 1990s, began to appear and other variants of location, especially in Eastern Europe. Increase efficiency can be obtained and whether operating units is closer to the source of raw materials such as oil, minerals and wood. You can also get bonuses and efficiency when the company produces close to the market. This explains the location of many companies in the United States in Europe, and Japanese companies in Europe and the United States. German automobile manufacturers are located in the United States and China both for reasons of cost, and for reasons related to the market.

There are companies, especially in the field of services, which is internaţionalizează by purchasing other companies, in particular, to protect the internal market and to keep customers from there. Advertising agencies often follow their customers abroad to protect their operations in the country of origin.

A situation of shortage or restricting the currency market may encourage a firm to locate abroad to protect their profits and sales [6]. Event of changes in foreign exchange rates is a motivator for making or increasing foreign investment. The location of production in several areas, the currency may permute production operations between locations in order to avoid such possible losses from foreign exchange rates. At the same time, a firm that invests in a foreign country is interested in to repatriate profits, and that is why she seeks countries whose political climate allows this. It happens often that Governments provide attractive packages of incentives to foreign firms which take into account foreign direct investment as a way of entry in international markets.There is a sum of the determinants for a favourable investment climate in the country (table no.1):

Table no.1 **Determinants of favorable investment climate**

The Factors	The description of factors
1. Objective factors	
1.1. Natural Conditions	• Rich natural resources.
1.2. Geographical location.	• Local market potential the possibility of access to third markets, with potentially major assimilation or accepted; • The presence of the infrastructure that will allow the transportation of large obstacles and without high cost such as the level of development of roads, railways, airports, shipping, etc.
1.3. State of the environment.	• The low level of pollution of the environment and the requirements of environmental protection.
2. Subjective factors	
2.1 scientific potential.	• The existence of a scientific potential that would allow large emplementarea of cost-free techniques and advanced technologies; • A large number of scientific works and inventions developed; • The level of training of the workforce.
2.2 The economic situation.	• The high level of development of market relations; the country's economic diversification, the presence and functioning of financial markets and market investment services; • Customs duties for export and import; • Attractive policy in the field of exchange rate; • Stimulating investment policy for foreign investors and domestic
2.3. The legislative and normative basis.	• Stable and transparent legal system; • Rigid regulation of the property; • Tax breaks and stable and lasting budget granted to investors, particularly those strategic; • The presence of an efficient mechanism for the promotion and support of investors.
2.4 The basis of construction and Assembly	• The presence of free economic markets, products, and services in the field of construction and installation of engineering services, etc.
2.5 Risk factors.	• The State guarantees the protection of domestic and foreign investors against non-commercial risks; • Moderate risk of investment activity.
2.6 Job resources	• Low share of retired age population; • Potentially qualified workforce.
2.7 Social infrastructure	• Institutions, companies, local and foreign consulting and auditing; • Institutional investors, the existence of iniormaţii centers on the potential investment projects; • The level of development of information technology (telecommunications, internet, etc).

Another motivating aspect is related to the appearance of reducing costs through economies of scale. Economies of scale occur in several areas of activity of the company, most often associated with the production, as happens in the automotive industry in Europe, where the various components are manufactured in different countries [7]. European and even global networks of production have an efficiency of greater than that provided by concentrating production in one place economies of scale can be obtained and in financing and marketing operations. Financial economies of scale can be obtained by a company that conducts international operations when it acquires more access to capital markets.

Governments require more custom duties and import quotas, which requires companies to put behind the barrier. In such a situation, foreign direct investment can become the only way to access the market [8]. Japanese automobile manufacturers have been set in Europe and the United States to avoid restrictions in the form of import quotas on these markets.

4. Conclusions

Direct foreign investment is a strategic alternative taken when firms have gained the knowledge and experience of the market through previous forms of participation.

Foreign direct investment refers to the participation in the management and effective control of the company. At the same time, implies the creation of a company of a structure of international operations or the expansion of existing operations [9]. Usually, it requires a massive employment of financial means. More important than that is the transfer of technology, management skills, production processes, manufacturing and marketing resources, and other resources.

Foreign direct investment occur when the level of estimated net present value is positive and greater than the values of the other variants of input and output on the market. Investing in foreign markets could improve the firm's ability to serve the market and nearby markets [10]. By designing products according to local conditions, provide a better service to distributors and customers. Also, could the company be required to lay on a local market to protect competitors. Production at the local level may reduce the final cost of the product, through lower costs of production and distribution. Thirdly, the production at the local level can become an unavoidable solution, where government policies and customs barriers make an unappealing export.

Direct foreign investment takes place and where the competitive alliances are difficult and make it impossible to achieve certain goals. Sometimes, companies do not have the ability to control the use and exploitation of their technology through licensing or joint venture companies [11]. A foreign company can sometimes acquire a significant share in a local market, when you can have local production allows them to compete aggressively.

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