THE IMPLEMENTATION OF FOREIGN DIRECT INVESTMENTS IN ROMANIA IN THE CONTEXT OF GLOBALIZATION

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ABSTRACT
Today, the voices of those who criticize globalization are multiplying around the world. The European Union is equally attacked, as it pushes member countries to open up to international trade and to lead, rather than suffer, in itself. Despite these criticisms, we cannot forget the positive results that globalization has allowed us to achieve. The purpose of this paper is to demonstrate that the involvement of the European Union in the process of globalization is a necessary action for the path to develop of the Member States. The society needs better information and security in terms of the important policies that the European Union promotes. In European societies, there is clearly a desire for leadership and a way that can be put into simple words. However, ideas alone are not enough, they need to be strengthened by actions promised for the benefit of citizens.

KEYWORDS: *administration, capital, foreign investments, globalization*

1. INTRODUCTION

The emergence of international business is an essential component of economic activity worldwide, and from a historical point of view their emergence and evolution is placed in the sixteenth and eighteenth centuries (Bari, 2001).
Compared to previous periods, the contemporary stage of business globalization is much more intense and deeper due to the increase in international investment flows, the increase in the number of transnational corporations, the liberalization of markets and technological advancement (Postelnicu, 2000).
During the nineteenth century, international business experienced a much more sustained growth, generated by an unprecedented boom in international investment (Bodislav, 2020). We must specify that these investments were mostly portfolio investment, but the latest research indicates the possibility that foreign direct investment (FDI) had a significant proportion, which allowed the internationalization of production to be important in certain sectors (Bodislav et al., 2020). Thus, FDI focused on the primary sector, especially in the extractive and raw materials industries (Ioniţă et al., 2009). At the beginning of the 1850s, an important multinational banking activity was taking place, and some transnational processing companies started their activity abroad (Negescu, et al., 2020).
Towards the end of the 19th century, foreign investments in agriculture were noticed, especially in the development of farms and plantations (Bodislav et al., 2019). The essential feature of this period

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is that there were no international restrictions on the movement of capital and foreign direct investment was not regulated (Rădulescu et al., 2018).
Developments in communications and transportation in the late 19th century increased the ability of firms to control the international production process from their headquarters, allowing transnational corporations to play an important role in shaping global trade networks (Gilpin, 2004).

2. INTERNATIONAL CAPITAL FLOWS

Capital flows are today common presences both on international circuits and on national, intersectoral and intrasectoral routes (Bonciu, 2009). Not only the volume of capital flows and the speed of their movement are in a permanent ascent, but also the ease with which they metamorphose (direct investments, portfolio investments, bank and non-bank loans, securities), depending on the characteristics of environment (Angheluță et al., 2019).
If in the past capital movement was understood only as a form of financing the current account, today, the international distribution of capital increasingly determines the exchange rate and international interest rates which, in turn, influence the evolution and structure of international trade (Held and McGrew, 2004).
At the level of the European Union, there has been an increase in confidence in the liberalization of the movement of capital flows in relation to third countries (Bran et al., 2018). However, the European experience must be analyzed in the light of the exchanges taking place on the international financial scene (Negescu et al., 2020). Over the last twenty years, the circulation of capital flows has developed unprecedentedly, transaction costs have decreased, and the attraction of capital has become the subject of increasing international competition (Jianu et al., 2019). Thus, liberalization measures have become indispensable for attracting foreign capital, for ensuring integration into the international economy and for promoting the development of a competitive financial sector (Stancu, 2004).
The concept of investment development cycle was confirmed by the results of a study conducted by UNCTAD in 2006 on a number of 135 countries in various stages of economic development. The aim of this study was to highlight the relationship between the level of development measured by GDP / inhabitant and the investment position given the NOI / inhabitant indicator (net output per capita), calculated as the difference between the stock of foreign direct investment input reported to inhabitants.
At EU level, there are deep gaps between Member States' investment development stages. Most new EU member states are in stage II of the investment development cycle, with the exception of Estonia, the Czech Republic, Hungary and Slovenia which are in stage III. At the same time, it is noted that regardless of their status, Central and Eastern European countries are net recipients of foreign direct investment, which proves that local firms are not competitive enough to engage in significant investments to capitalize on resources. and / or assets outside national borders (Hanousek et al., 2011).
Most developed countries in the EU, in stages IV and V, generate net foreign direct investment, with the output stock being higher than the input stock, which shows that highly competitive local firms prefer to exploit the advantages they have through internationalization of production (Jianu et al., 2019).
Massive inflows of foreign capital have supported the restructuring of the economy and the development of states l Czech Republic, Hungary Estonia, among the investment locations and Slovenia. As they developed, the conditions offered to foreign investors with a positive impact on foreign capital inflows changed, which explains the positions held by these states as the main net recipients in Central and Eastern Europe (high negative values of the NOI / capita indicator). At the opposite pole are Romania and Bulgaria, which, due to the relatively low level of foreign direct investment received, have registered a significantly lower pace of development, so that their location advantages are specific to stage II of investment development (Costache et al., 2015).

3. FOREIGN DIRECT INVESTMENTS IN ROMANIA IN THE CONTEXT OF GLOBALIZATION

Foreign direct investment is, without a doubt, a factor of economic growth (Voinea L., 2007). They have an important contribution to the realization of reforms in the economy, to the construction and consolidation of the market economy system, to the achievement of a free market and an internal environment favorable to economic development. Not the main resource of development, which is based primarily on domestic effort, they have a multiplier effect, their impact spreading to the economy and society (Anghel, 2002).

The economic opening of the states of Central and Eastern Europe since the beginning of the ninth decade has included them, as a strong potential market, between the investment locations noted by the international business community, by the transnational corporations (Popovici, 2013). The interest of these countries for foreign investors was related to masses of consumers they could address, but also to the low costs of some factors of production, especially labor, which could ensure competitiveness through price of products and services (Orzan, 2020). At the base of the investors' decision to orient towards this area of the globe was series of economic motivations, the most significant being: access to the market, to resources and expansionist strategies pursued by various companies (Donciu, 2013).

Romania's potential, for the period 2001-2005, to attract foreign investors, was not high, the results in terms of foreign direct investment being lower compared to neighboring states, and the applied policies were not able to encourage companies to invest in Our country. Moreover, country risk, assessed by international rating agencies, has been a major obstacle to long-term foreign investment from the outset (Maziliu, 2005).

Table 1. Comparative analysis of the stock of foreign direct investment for the period 2001-2018

Country	2001-2005 Absolute value (mil.USD)	2006-2010 Absolute value (mil.USD)	2018 Total stock (mil.USD)
Hungary	30.527	43.261	61.788
Romania	7.558	11.688	19.246
Poland	44.670	26.127	67.798
Czech Republic	24.834	23.701	45.535

Source: UNCTAD – World Investments Report 2018, FDI in brief: Romania

Insufficient domestic capacity, as well as economic globalization have made foreign direct investment the most accessible and suitable source of financing, accelerating the privatization process and a means of supporting economic growth (Angheluta, 2019).

Evaluations made by foreigners and Romanians specialized institutions estimated that the minimum volume of foreign direct investments necessary to ensure fluency in the reform process in Romania had to be, during the last decade, on average at 1.6-1.8 million $ / year.

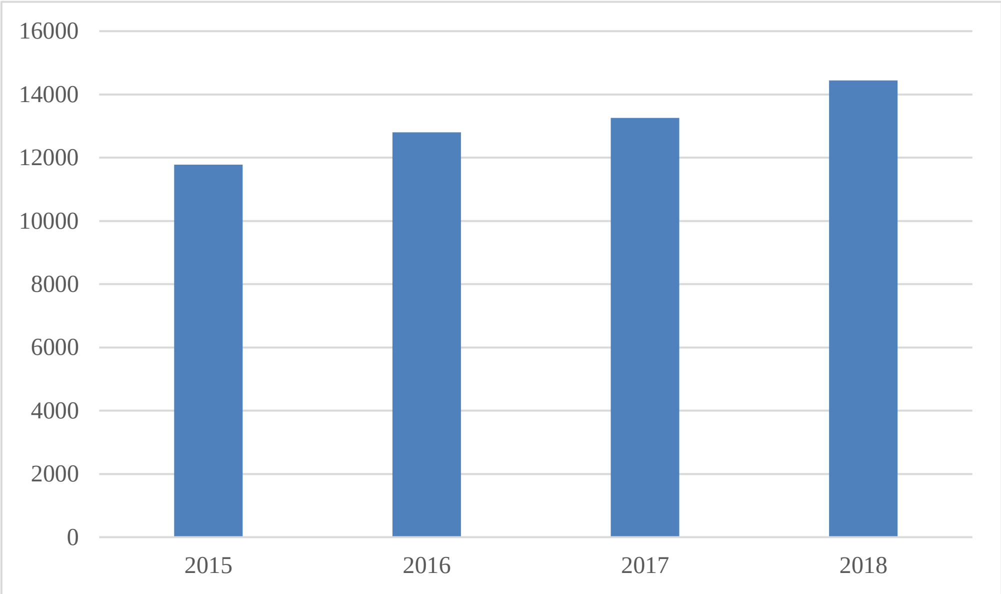

Figure 1. Dynamics of foreign direct investment inflows 2015-2018 (milion euros)
Source: BNR, 2018

In 2014, Romania attracted a number of 184 foreign direct investments of the greenfield type, of which 25 projects were either in the implementation phase or in operation, with a total value of 989.96 million euros. The most important areas that attracted these investments were: the automotive components industry, trade and the electronics industry.

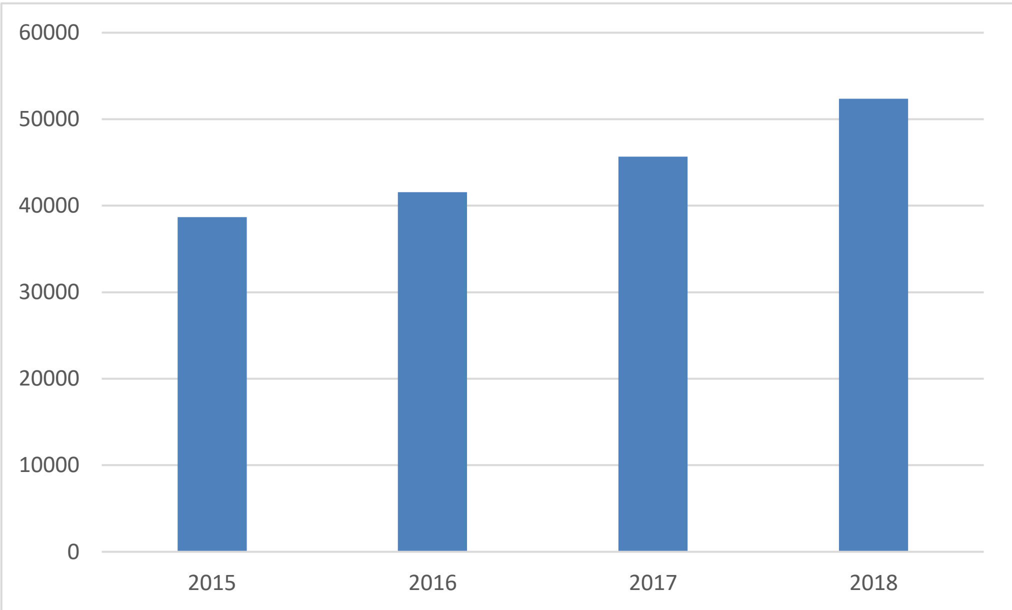

Figure 2. Dynamics of foreign direct investment stock 2015-2018 (milions euros)
Source: BNR, 2018

In 2017, Romania was the regional leader in attracting foreign direct investments of the greenfield type, surpassing the Czech Republic, Poland, Hungary and Bulgaria. The number of projects attracted was 255, 38% higher than in 2014, and due to these results has risen to the top of the world with the highest performance in attracting foreign direct investment.

It can be concluded that Romania has considerably increased its capacity to attract foreign investment, given the fact that, in the previous period, it had a performance index in attracting foreign direct investment of 1.5, which means that it received the volume of foreign investment. investments he needed (Alpopi et al., 2018).
Net income from foreign direct investment recorded a significant increase, the most important part of which being income from equity investments, structured in reinvested profits and distributed dividends (Burlacu et al., 2019). Net interest income received by foreign investors on loans to Romanian enterprises remains small, in the range of 2-5% of total net income.

Table 2. Net income from foreign direct investment (million euros)

	2015	**2016**	**2017**	**2018**
Total, of which:	3560	4330	5110	6250
Income from equity investments, of which:	1960	2390	2465	3357
Reinvested profit	880	1352	1364	2073
Distributed dividends	653	538	1191	784
Interest received	67	50	90	97

Source: BNR, 2018

The evolution of foreign direct investment flows in 2017 and 2018 was influenced by the events that took place politically and economically, domestically and internationally and by the faith of foreign partners in Romania's development strategy. Improving the business environment, the effects of introducing the single tax rate, have contributed to attracting a large volume of foreign investment.
From the perspective of orientation of foreign investments towards the branches of the economy, they were located mainly in the manufacturing industry. This branch was followed by trade, financial and insurance intermediation, post and telecommunications. The branches: textile, leather and leather industry, hotels and restaurants, transport have a low share of potential .
The upward trend manifested by foreign direct investment and companies with foreign participation in the share capital is also confirmed by the evolution of direct investment with significant impact on the economy. From the analysis of the structure of foreign investments with significant impact on the economy, by fields of activity, it is noted that in areas with high added value predominate telecommunications, services, energy industry, car industry, electronics and electrical engineering.
The main business partners come from European countries, given that 84% of the value of the subscribed capital, from the stock accumulated in the period 2001-2018, comes from these countries, and the percentage of capital from EU countries is 65%.
The most important foreign investors come from the Netherlands, Austria, Greece, Italy, Germany, France, countries whose presence is a tradition in the field of business development.

Table 3. Distribution of the balance of foreign direct investment by countries of origin of foreign investors (%)

Country	**2015**	**2016**	**2017 (%)**	**2018 (%)**

	(%)	(%)	Total	of which greenfield	Total	of which greenfield
Balance, of which:	100	100	100	46,2	100	49,5
Holland	25,3	25,1	19,5	13,4	17,1	12,1
Greece	11,1	8,3	8,5	1,9	7,8	2,8
France	10,2	10,3	8,3	1,8	8,0	2,6
Italy	8,3	4,7	6,9	3,0	6,7	4,2
Germany	7,2	8,6	10,7	6,4	10,1	7,2
Austria	6,3	15,7	15,3	5,9	23,0	5,9
Cyprus	4,1	4,2	3,7	1,9	4,8	3,2
USA	3,4	4,3	2,7	1,8	1,8	1,3
Switzerland	3,3	3,0	7,2	1,6	6,9	0,8
Sweden	1,3	1,6	1,3	2,2	1,0	0,9
Belgium	1,2	1,4	1,3	1,5	0,9	0,8
Hungary	1,5	1,8	1,9	0,9	1,9	1,2
Others countries	16,8	9,5	12,7	3,9	9,00	5,3

Source: BNR, 2018

Regarding the distribution on development regions of foreign direct investments, there is an orientation mainly towards the Bucharest - Ilfov region, other regions benefiting from foreign capital flows being the South-East, Center, South-West region. The North-East region registers a low value of foreign investments, being unattractive from an investment point of view. Most of the capital contributions were also directed to the Bucharest-Ilfov region, but there were other areas that attracted substantial investments.

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4. CONCLUSIONS

In this world in the process of globalization, the demand for investment depends only on the existing investment potential and companies looking for opportunities. Modern economies under the pressure of market globalization have brought, for market players, the possibility of establishing portfolios of financial assets (shares, bonds, treasury bills, derivatives, other securities) diversified both structurally, sectorally, of the size and size of the companies where the investments were made, as well as from a geographical point of view.

This diversification was supported by a considerable development of the technical instrumentation of transactions and information technology, in full convergence with the development of the money markets of the countries included in the portfolio.

In the conditions of internationalization of business and bank loans, banks, viewed from a business perspective, are subject to increased international risks, and when involved in procurement and mergers with other entities, economic risk tend to stick together

Under the impact of political, economic and social processes it consumes large scale, the issue of credit risk is marked by new trends.

The triumph of capitalism is more visible in the increase in the number and size of companies traded on international exchanges, managers being concerned both with the market on which the shares of their companies are listed and with the markets on which the products of these companies are traded. The signals coming from the financial markets are considered more important than the following the product markets, the managers being ready to give up certain sectors or to sell the whole company if this will increase the value held by the shareholders. They will act in the direction of maximizing profits, rather than in the development of the market segment. Under these conditions, the dominance of financial capital in relation to the actual production of goods and services appears.

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