# *HOLISTIC STUDY ON DYNAMICS OF FOREIGN INVESTMENT IN ROMANIA*

**Simona Moise, Assoc. Prof., PhD, ”Spiru Haret” University of Bucharest**

*Abstract: The global economy is oriented FDI in major proportion to developed countries , but interest in this type of investment is particularly the case in developing countries who need not only foreign capital inflows but also modern managerial experience of know-how and access to markets. On the other hand, between globalization and foreign direct investment occurs increasingly a two-way relationship , foreign direct investment as well as being one of the causes / factors that stimulate the deepening of globalization , and effect / manifestation in economic globalization . However , often foreign direct investment has played an important role in the transformation of developing countries to developed countries and thereby in shaping a new world economic order characterized by other relations of power and participation of old and new global economic actors .*

*Keywords: foreign investment, global economy, strategies, companies, markets, investors, investment flows .*

## 1. Foreign direct investment (FDI ) - dynamics and their distribution

Assuming that FDI is probably the most complex segment of international openness, which dominated and influenced the structure of the world economy lately, it is clear that the development of modern national economies can not take place outside the framework of international and only internal resources are insufficient to reach a level of development and prosperity that we now have modern countries[1].

Awareness of this fact was already widespread in recent decades : developing countries even the most reserved and skeptical politicians concluded that adverse economic isolation is reflected in the living conditions of people and opening their economies and attract foreign direct investment is accompanied increase the living standards of their peoples. The overall objective is obviously attracting a larger volume of investment.The biggest obstacle faced by foreign investments come from economic uncertainty (44 %), followed by political instability (27 %), and the sovereign debt crisis (21%).

Strategies pursued by companies will depend on the maturity of each market. Emerging markets, innovation of product is a development strategy with the highest potential. But more importantly, is always determined to what extent the key competencies of a company respond opportunity and if there is willingness to expect that investment to generate profit.

[1] Moise Simona,*Strategii holistice de atragere a investiţiilor străine în industria de automobile din Romania*, Editura Sitech, 2014, Craiova, ISBN 978-606-11-4169-2

Foreign direct investment (FDI ) in Romania at the end of July 2013 exceeded the threshold of 60 billion euros, the balance has nearly 24 years of transition to market economy. Statistical survey conducted by the central bank and INS recorded a balance of 59,126,000 euros at the end of 2012, an amount that added another 946 million euros in the first seven months of this year.

The analysis of the two institutions based on relevant final last year showed that about two-thirds of FDI recorded at December 31, 2012 were equity, including reinvested earnings, while the remaining third was composed of net credits received from foreign investors.

It should be noted that last year amid the diminishing trend of the amounts entered in the country , the flow of FDI has changed the structure appears opposite of hip . Almost two - thirds of the money were net credit received from foreign investors and only slightly more than one third were listed as equity.

Significance of these inversions in the structure caused by the more pronounced reduction in investment in new business and develop existing ones than the amounts that are in line financing activities already in progress are lower stability of involvement in the Romanian economy a reluctance on the prospects for economic and social development of the Romanian market.

**2. Distribution , quality and dynamics of foreign investment**

Foreign investments have been directed mainly towards industry ( 46,5 % ), in which the top stood the electricity, gas and water (9,7 % ), petrochemicals (6,7% ), mining and quarrying (5,5% ), transport (5,4 % ) and metallurgy (4,9 %). In the second set of financial intermediation - banks, insurance companies, investment funds etc. - (18,5 % ) and in third place the wholesale trade and retail trade ( 11,4% ) . Construction (9,2 % ) and information technology (4,8 % ) completes the top 5 foreign investment.

Alarm signal: industry back into negative territory in May 2014 , while exports remained unchanged from last May. Industrial production , one of the most important indicators of the economy to fall back on in May, and its performance reflected in exports , which have remained unchanged from May 2012, after a significant increase in April. Some analysts believe, however, that evolution was Opportunistic and expects a recovery in these indicators over the coming months. Industry, which represents about a third of Romania's GDP , is considered one of the main drivers of growth for the economy this year, while domestic demand shows no signs of recovery. Industrial production fell in May by 1.2 % compared to May 2012, while in April jumped 8,5 % in annual terms as series adjusted growth rate are no longer recorded in 2011.

Compared to April, the drop in industrial production in May was 10,7%, the adjusted series, all components with a negative contribution. High growth of industrial production in April was a special case since usually industrial production fell in April , as indicated by the unadjusted data , which has happened over the last nine years.

| **Branch** | **The amount invested (EUR million)** | **% of total FDI** |
|---|---|---|
| 1. Industry | 27.455 | 46,5 |

| | | |
|---|---|---|
| - Ind. mining | 3.225 | 5,5 |
| - Ind. manufacturing ( of which ) | 18.509 | 31,3 |
| - Food , beverages and tobacco | 2.160 | 3,7 |
| - Cement, glass , ceramics | 1.684 | 2,8 |
| - Manufacture of wood products , including furniture | 1.090 | 1,8 |
| - Computers , prod.electronice electric | 1.051 | 1,8 |
| -machinery, equipment | 1.114 | 1,9 |
| -metallurgy, | 2.899 | 4,9 |
| -transportation, | 3.173 | 5,4 |
| -processing crude oil, chemicals, rubber and plastic | 3.962 | 6,7 |
| - textiles, clothing, leather | 834 | 1,4 |
| - other manufacturing industries | 542 | 0,9 |
| electricity, gas, water | 5.721 | 9,7 |
| Activities professional, scientific, technical and support | 2.843 | 4,7 |
| | | |
| Agriculture, forestry and fishing | 1.402 | 2,4 |
| Commerce | 6.714 | 11,4 |
| Construction and real estate | 5.466 | 9,2 |
| Hotels and restaurants | 348 | 0,6 |
| Financial | 10.914 | 18,5 |
| Information and Communication Technology | 2.854 | 4,8 |
| Transport | 876 | 1,5 |
| Other | 254 | 0,4 |

**Table no.1**. *Distribution and dynamics of foreign investments*
(Source : Www.cursdeguvernare.ro )

Note the importance of FDI to integrate all circuitry stronger global economy and the development of foreign trade . Thus, firms that worked with ISD gave 70,3 % of exports, underlining that 60,6 % returned to the industry (58,1 % manufacturing, reflecting improving the structure of value added exports segment medium and large).

Regarding imports financed by foreign investment companies totaled 62,6 % of the total, of which only 43 % in the industry. Contrary to appearances, the commercial sector accounted for only 17,7 % of the total Romanian imports . Negative difference between this weight and the 8,1% recorded in the export trade was covered by the positive spread on the industry. If national foreign investment had a positive influence on volume and structure of the national economy, the profile they have had the effect of widening the disparities between the regions.

Over 60% of FDI was made in the Bucharest- Ilfov, between 7% - 8% were placed the Central, West and South - Muntenia and about five percent appear South-East and North-West .

The poorest regions of Romania are the ones that have benefited the least attracted funds from abroad , namely South West (3,5% ) and North East ( 3% of total FDI) . Of course , one could argue that statistics was made after the headquarters of businesses that do not correspond exactly to the place of economic activity, but gaps remain suggestive .

However, the same remark may be made in respect of the countries of origin of FDI. The first two are the Netherlands (22,4 % of total FDI) and Austria (18.5 % ), which are in the transit countries for capital originated elsewhere, in addition to certain of their equity interests in Romania . Then appear in the top FDI major European economies Germany (11%), France (8,9 %) and Italy (5%).

**FDI by country of origin**

| **Country** | **Amount invested** | **% of total FDI** |
|---|---|---|
| Netherlands | 13.229 | 22,4 |
| Austria | 10.290 | 18,5 |
| Germany | 6.499 | 11,0 |
| France | 5.272 | 8,9 |
| Italy | 2.930 | 5,0 |
| Cyprus | 2.687 | 4,5 |
| Greece | 2.529 | 4,3 |
| Switzerland, | 2.194 | 3,7 |
| USA | 1.809 | 3,1 |
| Luxembourg | 1.368 | 2,3 |
| Spain | 1.091 | 1,8 |
| Belgium | 1.069 | 1,8 |
| Czech Republic | 1.025 | 1,7 |

| | | |
|---|---|---|
| Great Britain | 976 | 1,7 |
| Hungary | 963 | 1,6 |

**Table no.2** *Distribution and dynamics of foreign investment*
(Source . Www.cursdeguvernare.ro )

The largest economy in the world , USA, appears hardly new place with little more than three percent of the total, and the United Kingdom appear just 14th place , surrounded by our former colleague the Eastern bloc, the Czech Republic ( heavily involved in energy ) and Hungary (with investments located in Transylvania). Cyprus and Luxembourg are rather places to locate the headquarters of firms in search of more favorable tax conditions[2].

**3. Foreign investments and their impact on key macroeconomic indicators**

Indicators of the real economy and the financial economy witnessed mixed developments in the world , an expression of the fact that the adjustment of the global economy after the Great Depression waves is far from over. Basically, the first half of the current global economy continues to evolve at a pace below potential , unprecedented monetary expansionism failed to pass in the real economy .

Also, persistent economic divergence between the major economic blocs in the world , but also within them . Last but not least , remain a number of risk factors (for both sides of the economy), and the perception of these uncertainties shows high volatility, which is confirmed by the evolution of the commodity during the month of April.

In the sphere of the real economy we have seen a deterioration in the environment in the first quarter, driven mainly by the slowdown of the American economy (the first economy in the world, accounting for over 20 % of global GDP ).

Baltic Dry Indicator (barometer of international trade flows ) shrank by 5% in April , 863 p ., remaining near historic lows.

This trend expresses the fact that we have not seen yet on a sustainable recovery in the real economy investment flows worldwide. Basically, private companies Aman investment recovery amid high perceptions on maintaining macro - financial risks (including on the economic potential).

[2] Moise Simona**,** *Studiu integrativ privind investițiile străine în industria de automobile din România*, Editura Sitech, 2014, Craiova, ISBN 978-606-11-4170-8


**Graph No. 1** *Global macroeconomic analysis*
(Source "Short macroeconomic analysis at mondial- April 2013 " )

Wors- ening attention from the real economy indicators in the United States and China (the two biggest economies in the world in size). Both advanced indicators and assumptions express the deceleration coincidence of these economies in the second quarter of 2013. For example, in the United States both manufacturing and service sector continued to decelerate in April, according to the indicators reported by the Institute for Supply Management. Also advanced economic indicators were contracted in March , and the real estate market we saw new signs of moderation in the process of recovery. In China most macroeconomic indicators recorded in April communicate unfavorable developments ( in deceleration), invalidating scenario of the economy turning.

However, euro area macroeconomic indicators persistent economic contraction in the first quarter and the probability (up ) on its extension in the second quarter. Internally we witnessed mixed developments of macroeconomic indicators , pointing out , the exporter with immediate positive implications for the industry. On the other hand, domestic demand remains a difficult environment, expression of the continuing process of adjustment (both private and public) .

In the coming months the global economy continues to evolve at a pace below potential , increasing the likelihood of a soft patch in the second quarter. Moreover , until we witness the sustainable recovery of the investment in the real economy in the world, we can not consider the convergence rate of evolution of the economy to its potential level. Conversely, delaying investment flows causes a deterioration of the economic potential in the world, more pronounced within developed economies.

Recent developments in key macroeconomic indicators continue to express preconditions global benign/negative for equity markets in the short term perspective, especially given the recent incorporation of expansionary monetary measures ( changing tone FED monetary policy meeting, reducing the benchmark interest Eurozone and non - standard monetary measures in Japan), and the closeness of the final season on the first quarter financial reports also draw attention to the fact that developments in the property market in recent years could be amplifying signals on volatility capital markets in the coming quarters.

During the last years, Romania has undergone a comprehensive process of macroeconomic adjustment (both private sector and public sector), the Great Depression Following the incident wave. In terms of aggregate demand variable investments were most affected by this process : the share of gross fixed capital formation in GDP has declined from 33 % in 2007 ( record ) at only 26 % (in 2009 and 2010 ) , stagnating at 28 % in 2011 and 2012.

Basically, Romania has faced since the second half of 2008 with an unfavorable investment climate , led to the phenomenon of " sudden -stop" external financing (which triggered deleveraging), and the drought of capital (foreign investment flows decline reduced rate of absorption of European funds, low domestic capital).

However, recent developments in the macroeconomic and financial indicators expressing the fact that 2013 was a year seems to be turning for the investment climate in Romania . I mean that from 2013 Romania began to reap the benefits of macroeconomic adjustment efforts in previous years , in a context characterized by increasing international financial macro- environment ( prerequisites for accelerating real economy in the world in 2014 and 2015).

Basically, in 2013 the Romanian economy has achieved an important gain macro - financial stability , a trend driven by both external factors ( inflection Eurozone positive climate in international financial markets ) and internal ( low political risk, further reforms agreed with financial institutions international agricultural production record, the impact on inflation).

The current account deficit recorded the lowest in the history of post -revolutionary (about 1% of GDP to 11 months ), evolving mainly determined by the balance of trade in goods and services. Exports registered a record level in 2013, a trend supported by the inflection of the Eurozone (the main economic partner ), and the reorientation of companies to markets outside the European Union. On the other hand, imports difficult climate experienced in the field of domestic demand. The record level of Romanian exports premise expresses better future investment plans of companies with exposure to foreign markets , especially in the context of signals of economic recovery in the Eurozone ( the region's GDP will increase in 2014, after two years of decline).

Also, there was a favorable trend in foreign direct investment in Romania in the second half of 2013.

For example , in November FDI stood at EUR 572 million, the best monthly trend in recent years. At 11 months FDI rose by over 20 % year / year to about 2.4 billion. These developments expressed a high probability in the gross fixed capital formation increase in the coming quarters .

However, in 2013 Romania out of the excessive deficit procedure , and public finances have continued to adjust ( the budget deficit was around 2.5 % of GDP last year , the minimum of the last seven years) . Including Romanian government securities in the indices JPMorgan , combined with a favorable feeling in financial markets has contributed to substantial capital inflows in the bond market , as reflected by the decline in the funding of the state (currently at historic lows) a barometer for cost private sector funding .

This was determined by the monetary policy decisions of the National Bank of Romania. NBR has initiated a new cycle of monetary policy normalization (reducing benchmark interest since July 2013, a gradual lowering of reserve requirements as of January 2014) attenuation due to pressure on financial stability and inflationary pressures (in currently, inflation is at historic lows amid record agricultural harvest in 2013).

Foreign investment fell by 40 % over the same period last year and the account balance of payments remains plus . This year Romania returned the current account surplus for the first time since 1990 return to current account surplus was characterized by analysts as " a pleasant surprise " , "good news " in the context in which Romania has registered last three years, on average, a current account deficit of 4.2 % of GDP.

For the full year 2013, analysts adjusted their forecasts for the current account deficit of 4% of GDP to 3% of GDP. Romania remains the country from Central and Eastern Europe with the highest dependence on portfolio investment to finance the current account deficit. And foreign direct investment are in free fall, while the absorption of European funds is not very encouraging. In the first five months of 2013, foreign direct investments in Romania amounted to only 414 million. Euros, 37% below the same period last year.

Romania recorded the highest inflation rate in the 27 EU Member States in June, 4,5%, while the inflation rate rose to 1,6% in the euro area and from 1,7% the European Union, according to revised estimates released Tuesday by the European Statistical Office (Eurostat).

Inflation in the euro area is below the target envisaged by the European Central Bank (ECB), which wants to keep price increases below, but close to, two percent. The lowest annual inflation rates were registered last month in Greece (0,3%), Latvia and Poland (both 0,2%) and the highest was in Romania (4,5%), Estonia (4,1%) and the Netherlands (3,2%). In June, compared with the previous month, the annual inflation rate rose in 18 EU Member States fell in six countries and remained stable in two. Despite the vast majority of price stability, Romania is the middle of 2013 in the top European countries where annual inflation 4,5%.

More than 2% theoretical desideratum, which falls two thirds of the EU and European environments far away from the reference (1,7% in EU, 1,6% in the Eurozone and 1,5% required for compliance with Maastricht criteria).

External debt decreases slightly, foreign investment decreased by 40% and the balance of payments account remains plus. The current account of the balance of payments has managed to remain in the first five months of surplus, while foreign investment plummeted by almost 40% over the same period last year, while external debt fell slightly below the 100 billion. euros. The current account of the balance of payments recorded during January to May 2014 a surplus of 314 million euros. Contrasted with 2,3 billion deficit. Euros in the same period in 2012.

Development was influenced by reduced trade deficit and revenue, and the surplus of the services balance.In this year Romania returned to current account surplus for the first time since 1990 return to current account surplus was characterized analysts as "a pleasant surprise", "good news" in the context in which Romania has registered in the last three years, on average, a current account deficit of 4.2% of GDP. For the full year 2013, analysts adjusted their forecasts for the current account deficit of 4% of GDP to 3% of GDP. Romania remains the country from Central and Eastern Europe with the highest dependence on portfolio investment to finance the current account deficit. And foreign direct investment are in free fall, while the absorption of European funds is not very encouraging. In the first five months of this year, foreign direct investments in Romania amounted to only 414 million. Euros, 37% below the same period last year[3].

**4. The implications of foreign investment in the domestic market**

Economic effects on foreign direct investment have had in the economies in transition ′90 can be traced macro and micro. Transition economies needed a greater investment than savings strengthened. This is explained by the fact that transition economies have been facing since 1990 with a structural crisis that necessitated the creation of new production capacity or upgrade existing ones.

In this context, foreign direct investment would have positive implications at the macroeconomic level by stimulating domestic investment activity and improving the quality of investment. FDI had in countries that have achieved significant levels and effects on macroeconomic balances[4].

Reducing domestic investment financed by the state, and the takeover by foreign investors of part of these investments contributed to a better situation of the balance of payments by reducing the amount of imported capital goods. However, a large volume of foreign direct investment led sector and changes to the structure and to improve the technical level.

Another positive implication of FDI on transition economies is determined by their contribution to economic growth. This occurs in different ways, as foreign investment in the form of new investments (greenfield) or a foreign investor participation in privatization, where new investment contribution to growth is evident, in that it creates a new production capacity of new jobs, a new consumer and taxpayer in the economy.

If participation in privatization, the positive effect on economic growth remain, even though most of the time, taking a foreign investor enterprises has meant fewer jobs. The reason is that the foreign investor, even restricting activity has maintained an economic viable that otherwise probably would not have survived long in the new competitive economic climate.

For transition economies FDI has a direct impact on the process of privatization. Given the large amount of capital involved in the privatization process in each country, it is obvious that in the absence of foreign investors can not actually speak of a widespread privatization. This is particularly evident in the case of privatization of public utilities (telecommunications, energy, water, mail, etc.) or large firms, the multibillion dollar values virtually eliminates the possibility of participation of local investors.

The immediate effect of foreign investment in privatization is complex and dual. Thus, beyond the collection of large amounts of the State, less pleasant effects occur and drastically

[3] http://www.zf.ro/opinii/cum-comenteaza-daniel-daianu-recesiunea-tehnica-a-economiei-romanesti-si-care-sunt-implicatiile-13096615

[4] http://www.zf.ro/opinii/cum-comenteaza-daniel-daianu-recesiunea-tehnica-a-economiei-romanesti-si-care-sunt-implicatiile-13096615

reduced staff and reduced production capacity. Looking at things from a historical perspective, the effect of foreign investment in privatization is clearly positive because, on the one hand, there is an increase in productivity and quality in privatized companies and on the other hand, there is a real alternative to keeping businesses and staff as inherited from the central planning system.

FDI direct effects on the trade balance. The practical realization of investments determined at baseline, import of machinery and equipment, financed by foreign investors in this kind of resolve deadlock caused on the one hand the lack of currency in the state or the local entrepreneurs to achieve those imports and on the other hand, the lack of domestic produc If the foreign investor produces primarily for export, then, depending on the destination of the proceeds, there is a potential positive effect on the trade balance. All positive effect can be achieved and the production for the domestic market if this type of import substitution is made. FDI caused by participation in the privatization process may have favorable effects on the balance of payments, providing significant amounts of capital in critical periods. FDI impact on revenues.

The net effect is difficult, if not impossible, to quantify, however we will mention some of the possible effects. Providing tax incentives have an immediate effect of reducing revenues. This effect should not be calculated mechanically, because it is not clear how many companies (and thus how taxpayers) would have occurred in the absence of facilities.

On the other hand, business development driven by providing incentives or a low tax makes the number of enterprises and their business volume increase, which means more revenue to the budget.

Provide financial incentives (cover part of the investment) is certainly a way out of the budget, as rising unemployment due to privatization (including foreign investors) means extra costs to the budget. But making viable businesses as a result of privatization, the establishment of foreign-owned companies competitive qualifying facilities but may involve horizontal industry companies increases revenue means budget. Microeconomic effects of FDI are more concrete and visible, especially in economies in transition. Access to modern technology and management know-how, the markets were strongly felt old and outdated companies in transition economies, in addition, modernization of enterprises with foreign capital usually has a driving effect among domestic enterprises.

For the case of foreign investment in productive enterprise modernization effect is transmitted to subcontractors at local distribution network, marketing techniques. Analysis of the transition economies has shown that restructuring and modernization were more intense in companies with foreign capital. Also, virtually all cases, capital investments were accompanied by modernizing management, manufacturing nomenclature change and staff training.

Another specific feature of enterprises with foreign capital is that, in their case, restructuring and reorganization have been decided and the more quickly even if they were social costs involved. The explanation can be found in both market experience greater foreign investor and the fact that it operates in terms of financial and time constraints clear, unlike governments that are more susceptible to social pressures and the implications of effector thereof.

Foreign direct investment can generate a variety of positive effects, but the specific conditions of transition economies are not excluded and some negative effects. These negative effects can be even more significant as the receiving countries do not have well-structured economic policies and sectoral options farms.

To understand the relationship between the existence of economic policies and the impact of foreign investors take the hypothetical case of an economy in which investments were made a number of traditional societies. Each of these companies has complex programming models for planning and optimizing profit to the entire society. Under these conditions, each of transnational corporations investing will determine a local optimum market, optimal set not by state interests, especially as result of these decisions taken by different companies in various fields to match the overall optimum the economy. This should not be understood as a possible antagonism investor - the receiving country, but the situation must be understood in the context of the negotiation classic seller - buyer each pursues its own interests to go out a balance.

The conclusion is that, in the absence of clear economic policy, the receiving country may face economic distortions as net investments in the national economy declined in 2013 and 2014, the most pronounced trend was recorded in the segment of equipment (including vehicles) .

Thus, if the overall decrease was about 10% both last year and the first quarter of this year, the equipment she approached 14% in 2013 and 11% in the first quarter of 2014. However, regardless of the percentage progress overall share of industry remained quite high (you can only see a reduction of about one percent from 2011 to 2013), with a local maximum in the first quarter 2014. There is continued growth of interest in agriculture sector with high potential to increase labor productivity. Investments in construction are those that have been hit hard in 2013 and has not returned any in the first part of 2014, after the 2012 comeback attempt anticipated resumption of trade and consumption remains an attractive area for capital investment, but keep weight close to one third of last year after deposit[5].

Obligations to international institutions gradually reducing the budget deficit and the continuation of a mix of left and right side indexing social policies, combined with the reduction in the tax business for decreasing public investment.

It became a pressure valve in the budget resolution, while the receipts have not kept pace with economic growth. The steepest decline was recorded on the expenditure reimbursable financing programs. This not only significantly decreased, but the decrease rate itself has increased from 2011 onwards. No national grant programs have continued growth, but this positive outlook. It was reduced in 2013 to enter into negative territory in the first half of this year due to the action of foreign investors (with the competitive technical parameters).

## 5.Conclusions

XXI century has been characterized by a deepening economic globalization process accelerated, global flows of foreign direct investment is one of the main manifestations of this process. Between 1987 - 1997 global FDI flows have seen a doubling every five years.

[5] http://www.zf.ro/opinii/cum-comenteaza-daniel-daianu-recesiunea-tehnica-a-economiei-romanesti-si-care-sunt-implicatiile-13096615

Meanwhile, since 1999, global sales of subsidiaries of transnational corporations have always been more than two times higher than world exports, making FDI is more important than trade in terms of providing goods and services to foreign markets. The first decade of the new century has been characterized by tortuous developments of global FDI flows.

From a peak in 2000, was passed during 2001-2004 to reductions in volume of global foreign direct investment flows, and in 2007 to exceed the 2000 global economic crisis manifested in 2008 and 2009 temporarily halted this trend, but in the medium term it will certainly be resumed. Overcoming the crisis will bring about a change in the world economic order, but this will not only positively influence the role of foreign direct investment in the global economic cycle. The importance and effects of FDI attracted, rightly, attention all states and resulted in a fierce competition to attract mobile capital. An economic stakes so high it could not be left solely to market forces or the level of microeconomic decision specific to each investor.

Currently, foreign investors assess the investment climate in a country, not only through foreign investment policies, but also in terms of organizational macroeconomic policies. Among the policy measures that may have a direct effect on foreign investors include membership in regional integration organizations, since this has an effect on a key economic factor or market size and its growth prospects. In fact, these factors belonging to such an organization could be considered as an economically determining itself. Regional integration organizations can cover a wide range of integration measures, which include the reduction of duties among the members, to harmonize policies in various fields.

In fact, what are the criteria on which stops a foreign investor for its decision making? Since growth can be achieved only through profitable operations market is influenced by factors that are dependent on the investor, or are beyond his control, investors seek to reduce any element of uncertainty and always seek information and documents necessary predictability in decision making.

They also appreciate the existence of a healthy economic environment, welcoming. It is also important to investors the government's attitude (courtesy, reserve, indifference) and his commitment to support, to some extent almost but not necessarily the reality of the "perception" that attitude matters and central concern of observations is usually "political stability". It extends to the macroeconomic and regulatory environment in the country.

At the macroeconomic level, the foreign investor seeks free trade and economic environment, low domestic inflation (or control), free foreign exchange market and the possibility of transferring profits outside freedom to trade, freedom to invest abroad and freedom to repatriate capital.

At the microeconomic level, is concerned more skilled labor availability, cost and labor productivity, attitude of trade unions, the cost of rent, energy and transport, disposal of materials and costs, transport infrastructure, costs, telecommunications and relative independence from the bureaucracy.

Decision of transnational corporations, the banks, private individuals to invest in Romania, keep their strategy on medium and long terme is based primarily economic considerations but also political and even military.

Actual location country investment occurs to the specific country or another, the extent to which factors present in the country are in line with investors' interests and availability. Romania has outstanding location advantages to attract foreign investors, including:

- Domestic appreciable size (more than 22 million consumers);
- Higher labor abundance enhanced by a high degree of preparation and low cost than the European average;
- Has the widest range of raw materials and natural resources in the area and maybe even in Europe; it has oil, natural gas, coal, ores diverse, iron, copper, lead, gold, salt etc .; even if some of these resources are in insufficient quantities (the necessary imports), their great diversity to maintaining the active state of production and in terms of a likely collapse in international relations as happened during the two world wars:
- Fertile soil for agriculture, large wooded areas, hidrodensă network and considerable tourism potential and diversified (mountains, seaside sanatorium) are attractive sources for foreign investors;
- Dense network of inland transport and communication and its connection to the European system, the proximity of new transport routes and bus waterway that links the Black Sea and the North Sea and crosses eight European countries, the ports (port of Constanta - the first largest between the Black Sea ports);
- Geo-economic location very favorable at the intersection of international roads, Romania being like a net cast into the center of economic circles, the first access to a market of 200 million consumers, the latter reaching China relations are consistent with and systematic;
- Favorable institutional framework is complemented by other economic factors although not have a stimulatory action: political stability and uniformity of the state, which excludes the risk of territorial disintegration of the kind that occurred in Yugoslavia, Czechoslovakia and the USSR in particular ;
- Romanian culture and civilization modeled after Western and Latin origin the same as France, Italy, Spain, Portugal founding members of the European Union is a not insignificant advantage.

Besides the above is given by law a number of facilities that can have a positive influence in their decision to invest[6].

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