

FOREIGN DIRECT INVESTMENTS ANALYSIS BY COUNTRY OF ORIGIN, PERIOD 2011-2015

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Abstract: *The paper "Foreign Direct Investments analysis by country of origin, period 2011-2015" aims to study the distribution of foreign direct investments balance by country of origin. This will highlight an unequal distribution between countries and a concentration in several countries from the EU Space, root causes being linked to traditions, vicinity and economic complementarities.*

Key words: *foreign direct investment, benefitting FDI company, foreign investor.*

INTRODUCTION

In the contemporary economy, commerce and production spreaded without precedent at global level, thus foreign direct investments have been widespread within the funding and implementation of economic policies. We talk about granting by law the possibility of an individual to invest on other territory than his residency. Developed countries don't have a legislation related to foreign direct investments. In the EU case the possibility to do a foreign direct investment is included in the freedom of capital movement.

Through foreign direct investments is realized the economic policy of a state, which establishes at one point priorities by branches (in what domain will be realised the foreign investment), regions (where will be realised the investment), problems (what problems needs to resolve the foreign investment).

In the activity of attracting foreign direct investments are used different marketing strategies, on a bigger time period. Within the techniques of attracting foreign direct investments, an important place is held by incentives (financial, fiscal, non-fiscal, etc.), even if their offering to investors is highly debated and criticised.

Even so, the practise to accord incentives to foreign investors is growing at global level, and also at global level the number of countries offering those incentives and their forms have diversified.

The most common incentives are the fiscal one's, which are including rebates or taxes exemptions, reduced import/export taxes, etc. This type of incentives is preferred by the developing countries.

Financial incentives, offered especially in EU and United States of America, represent the amount offered for free for capital investments, personell instruction, site development, infrastructure development, etc.

A third incentive category, very hard to classify, are including a variety of shapes, from a building construction, creating access roads, personell training, even access to different local sport clubs granted to investors.

Even so, the best incentive for a foreign investor is given by the existence of a dynamic economy; any investor wishes to place their money in prosper regions, and in case of recession, he can invest only if the local entrepreneurs are in a good economical shape, as he can't survive alone on the market, being chanced by other's activities.

Inside EU the incentives are monitored by European Commission through stipulations on their level, ensuring proper conditions for competition, etc. Even with these stipulations, we can notice more and more form of incentives, that are not falling unde European Commission's radar.

We can talk about a set of advanatages that foreign direct investments can bring to the hosting countries, over which the most signifiant are: [1]

- Positive effect of foreign direct investments on economic growth, internal investment stimulation, commercial trade balance and bringing an increased income to country's budget;
- Financial resources of foreign direct investments that are becoming much more stable;
- Technical expertise improvement (know-how) and of managerial competences; even more, foreign direct invements may bring modern technologies that can contribute to efficiency increase for the existent one's and can generate financing actionf of research & development local capacities;
- Help given to host country by improving exports on the goods and services markets, ensuring a production transfer from internal to international.

MATERIALS AND METHODS

This paper has been developed on the basis of reports published by Romanian National Bank related to Foreign direct investments in Romania in the period 2011-2015.

In this paper we did an analysis of foreign direct investments balance repartition by country of origin in the period 2011-2015.

RESEARCH RESULTS

Foreign direct investment balance repartition by originating capital countries is represented in table 1. There are highlighted all the foreign direct investment origin countries of at least 100 million euros.

The repartition has been made based on the direct owner country of at least 10% of the social capital of the resident foreign direct investment company, according to the principle Immediate Country Basis. [6]

The foreign direct investment company is a resident company, with or without juridical personality, in which a non-resident investor owns at least 10% of votes or subscribed social capital, respectively from the starting/working capital in the case of companies without juridical personality (branches).

Owning at least 10% from votes or subscribed capital, as described above, is essential for establishing the foreign direct investment relation [2].

Table 1.

**Foreign direct investment balance repartition by country of origin
in the period 2011-2015**

Million Euro

No.		2011	2012	2013	2014	2015
	Total, over which:	55139	59126	59958	60198	64433
1.	Holland	11982	13229	14624	14224	16100
2.	Austria	9667	10920	11438	9694	9131
3.	Germany	6272	6499	6744	7482	7991
4.	France	5042	5272	4568	4119	4308
5.	Italy	3341	2930	2816	2776	3349
6.	Greece	2934	2529	1935	1644	1747
7.	Cyprus	2536	2687	2677	4274	4421
8.	Switzerland	1839	2194	1942	2151	2231
9.	USA	1420	1809	1086	1080	1627
10.	Luxembourg	1274	1368	1694	2150	2700
11.	Belgium	1116	1069	1493	1281	1444
12.	Spain	958	1091	1110	1471	1423
13.	Czech Rep.	816	1025	1082	838	652
14.	Great Britain	719	976	1475	1509	1346
15.	Turkey	622	371	350	508	323
16.	Hungary	611	963	747	838	938
17.	Sweden	402	450	458	576	374
18.	Liban	330	335	177	161	150
19.	Canada	256	371	166	108	-
20.	Denmark	241	262	304	474	440
21.	Norway	209	251	239	255	202
22.	Poland	198	242	224	281	446
23.	Portugal	194	195	245	158	260
24.	Ireland	193	408	323	344	448
25.	Gibraltar	193	249	-	-	258
26.	The British Virgin Islands	190	229	155	-	139
27.	Japan	183	177	208	235	247
28.	Finland	170	116	-	-	-
29.	Israel	166	123	160	-	-
30.	BERD	162	165	200	162	186
31.	China	-	-	114	-	209
32.	Finland	-	-	113	-	103
33.	Bulgaria	-	-	-	124	-
34.	Malta	-	-	-	-	111
35.	Other countries*	903	992	1091	1281	1129

*country of origin of investments with aggregated balance < 100 Million Euros.

BERD (European Bank for Reconstruction and Development)

Source: Own manipulation from data reflected in the Foreign Direct Investment in Romania reports, year 2011, 2012, 2013, 2014, 2015, p. 11-12, available at <http://www.bnr.ro/PublicationDocuments.aspx?icid=9403>, [accessed on 9.03. 2017].

The first 4 ranked countries based on their share in total foreign direct investment balance at 31st of December 2011 were: Holland with 21.7%, Austria with 17.5%, Germany with 11.4% and France with 9.1%. [6]

In 2012 the same hierarchy has been maintained as in the previous year: Holland with 22.4%, Austria with 18.5%, Germany with 11% and France with 8.9%. We can notice a slight increase in both foreign direct investment balance, from 55139 to 59126 Million Euros, and the shares related to the first to ranked countries (Table1, Figure 1).

Also at the end of 2013 the first 4 ranked countries based on their share in total foreign direct investment balance, were: Holland (24.4%), Austria (19.9%), Germany (11.2%) and France (7.6%), hierarchy that did not changed since 2009. [4]

The situation is changing at the end of 2014, where the ranking for the first 4 countries, based on their share in total foreign direct investment balance, a new country arises.

We talk about Cyprus, which held 7th place in 2011, 6th place in 2012 and 2013, and is going up to 4th place in 2014 with a share of 7.1%, outrunning France (6.8% share). The first 3 countries were: Holland (25.6%), Austria (16.1%) and Germany (12.4%).

The ranking of the five countries with the biggest direct investments din not changed versus the previous one: Holland (25%), Austria (14.2%), Germany (12.4%), Cyprus (6.9%) and France (6.7 %).

Netherlands, Austria and Germany have been maintained over the last six years on the podium among the top countries that have the largest foreign direct investment in Romania, with a combined share of more than 50% of the total. France, which it was from 2009 to 2013 fourth after the percentage of foreign investment held in the balance, slipped a position, succumbing to place Cyprus.

Foreign direct investments have come in 2013 to 2.7 billion euros, surpassing by almost 27% the level from 2012 and 2014 has brought foreign investments of 2.8 billion, of which EUR 2.4 billion contribution from equity and 425 million euros net credit from foreign investors.

The only new presence in the top 10 is the United Kingdom, occupying 10th place last year, while Hungary emerged from this ranking. In 2014, Germany and France are on the podium and in the top of the main partner countries for export of Romania. [8]

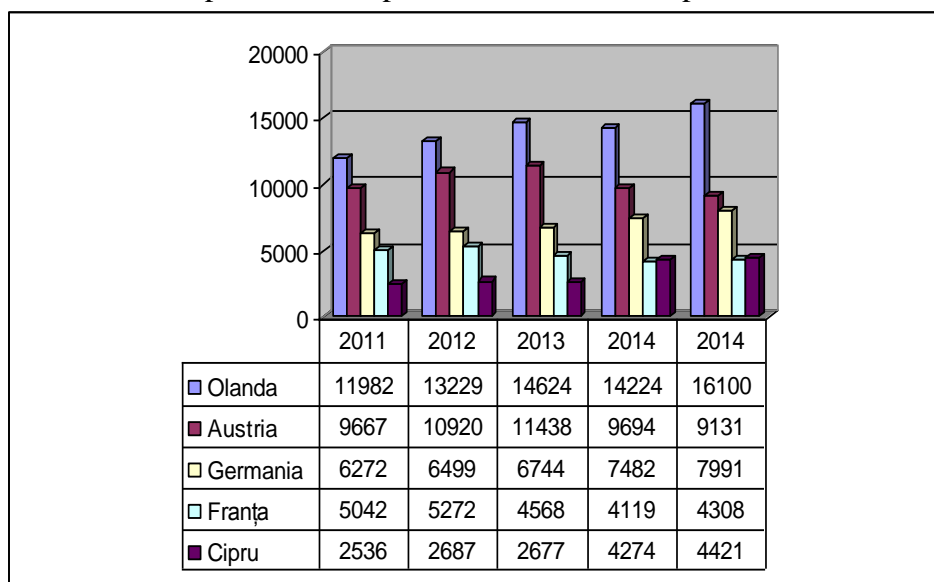


Figure 1. Top 4 countries based on the share of foreign direct investment balance, period 2011-2015

Source: Figure based on Table 1

By the end of 2014, the balance of foreign direct investments reached 60.2 billion euros (around 10 billion euros over 2008), over which 43.2 billion euros (72%) were holdings in equity, including reinvested profit and 16.9 billion was net credit received from foreign investors.

The industry was the champion in attracting foreign investments, from the standpoint of economic sectors, with nearly 50% of total foreign direct investment.

Investments were up by the end of 2014 mainly in manufacturing. In addition to industry, the activities that attracted major foreign investments were financial and insurance brokerage (13% of total), trade (11.7 percent), construction and real estate transactions (9.8%), information technology and communications (6%).

CONCLUSION

Foreign investments are a barometer of the attractiveness of the local business environment and reflect the perception of foreigners. Are correlated with the progress of the economy and can in turn stimulate the GDP. Direct foreign investments in Romania have fluctuated along the time, following most of the time the trend of the economy. [8]

The volume of foreign direct investment has grown in leaps and bounds ahead of the financial crisis, the most consistent flows being recorded in the period 2004-2008, when the economy was in strong ascent. 10 billion euros were landing in Romania over the past six years, the balance of the amounts brought by foreign investors in Romania managing to pass in 2014 the threshold of 60 billion euros.

In 2014 we noticed an increase of 6.3 Billion Euros in the balance of investments coming from Holland, Austria and Germany, compared with 2008.

Cumulated, the countries from top 10 had in the period 2008-2014 a share of >80% in the total balance of foreign investments. The increase of investment balance from the top 10 countries in the years 2008-2014 was 7.7 Billion Euros.

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Foreign direct investment climbed spectacularly up to a peak of 9.5 billion euro in the year of grace 2008, when the economy grew 7.3 percent. Just as spectacular, have collapsed in the crisis. In 2009-2010, while the economy is in recession, dip followed falls of foreign direct investment, the level of swinging around 2 billion euros, close to the value of 1998.

The economy returned to growth in 2011, but investors have not rushed to return to Romania. 2012 was the year when net foreign direct investments have returned to growth, climbing up, surprisingly, for the first time since the onset of the crisis. The jump was 18.7%, to EUR 2.14 billion. In 2013 and in 2014 foreign investments remained at a modest level, below 3 billion euros. [8]

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Structurally, during the crisis we noticed a move of foreign investments in areas such as construction and real estate transactions in the industrial sector and the energy. Depending on the location of the registered office of enterprises which have received foreign direct investment, investment orientation was mainly directed to Bucharest-Ilfov region (with about 60% of the total balance), the value of FDI sites reaching here 35.6 billion euros. Second place was occupied by the country's central zone, with 9.7% of total foreign direct investment, followed closely by the West region with 7.7%.

In the year 2014, greenfield investments and mergers and acquisitions had a very low level, for 77 million euros, 196 million euros respectively. The predominant share in the flow of capital participation in 2014 is represented by company restructuring with a value of 2.4 Billion Euros, respectively 58% from participations and by company development with 1.5 Billion Euros, representing 36% of participations. [8]

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