

FOREIGN DIRECT INVESTMENTS IN WESTERN ROMANIA: ECONOMIC AND REGIONAL TRANSFORMATION IN TIMIȘ COUNTY

FEHER ANDREA*^{1,2}, TOADER COSMINA SIMONA¹, IOSIM IASMINA¹,
PASCALAU RAUL³, HUSSAINI AISHA SIMBIAT⁴, YAKUBU ADO⁴

¹*University of Life Sciences "King Mihai I" from Timisoara, Faculty of Management and Rural Tourism, Timisoara, Romania*

²*Romanian Academy-Timisoara Branch, Research Centre for Sustainable Rural Development of Romania, Timisoara, Romania*

³*University of Life Sciences "King Mihai I" from Timisoara, Faculty of Agriculture, Romania*

⁴*Ahamdu Bello University, Faculty of Agriculture, Department of Agricultural Economics, Zaria, Nigeria*

*Corresponding author's e-mail: andreafeher@usvt.ro

Abstract: *This paper explores the evolution and impact of foreign direct investments (FDIs) in Timiș County, a key component of the Western region of Romania. The objective of the study is to assess the contribution of FDIs to the sustainable economic development of the area. The research is grounded in the analysis of dynamic statistical indicators. Findings highlight a favourable investment climate in Timiș County, which ranks second nationally in terms of the number of foreign-capital companies (18,080) and third in total FDI inflows (5.2 billion euros) as of 2022. Timiș County represents an investment pole in the region, but also at the country level, having the largest influx of investments among the regional cities of the country, the highest entrepreneurial rate in the Western Region and a startup system in full development. The gross added value created at the county level shows a significantly higher growth rate compared to the aggregated levels of the region and country, of course, with the syncopes during the global economic crisis (2008-2010) and the COVID-19 crisis. Overall, the analysis confirms a direct and significant impact of foreign direct investments on the economic and social development of the county.*

Keywords: *capital inflows, Timiș county, economic development, regional growth, entrepreneurship*

INTRODUCTION

An important feature of the world economy in recent decades has been the growth of foreign direct investment (FDI). This means increased investment by transnational corporations or multinational enterprises in foreign countries by bringing a package of assets (including capital), technology, capabilities and managerial skills. Thus, FDI has become a tool through which national economies are integrated at the production level into the globalizing world economy [1,5,6,11].

Romania is actively seeking FDI. It has a market of approximately 19 million consumers with a relatively well-trained workforce at competitive wages, a strategic location and rich natural resources. In terms of facilitating the attraction of foreign funds/assets, Romania has made important strides. On February 23, 2023, the Romanian Agency for Investment and Foreign Trade (ARICE) was established as the new leading agency for the promotion and facilitation of foreign investments [15].

Although we are witnessing an upward trend of FDI in Romania, the investment climate is far from a stable one [2]. Romania's accession to the European Union (year 2007) contributed significantly to the consolidation of institutional reform, but there continue to be several factors that negatively affect the business environment, such as: lack of legislative predictability, country assessments and recommendations, low institutional capacity [15]. Several key evaluation and ranking indicators of Romania are presented below, with a direct effect on the investment climate in our country (Table 1).

Table 1.

Key Metrics and Rankings (2023)

Measure	Index/Rank	Website Address
Corruption Perceptions Index	63 of 180	https://www.transparency.org/en/cpi/2023 [14]
Global Innovation Index	47 of 132	https://www.wipo.int/global_innovation_index/en/2023/ [16]
Gross National Income (GNI) per capita	\$16,670	http://data.worldbank.org/indicator/NY.GNP.PCAP.CD [17]

Our research falls within the general national framework but focuses on the western part of the country, especially at the level of Timiș county. The aim is to analyze, using panel data, the socio-economic development of the county under the impact of foreign direct investments in the area.

MATERIALS AND METHODS

The research area is located at the level of Timiș county and the West development region, which includes the counties of Arad, Caraș-Severin, Hunedoara and Timiș.

Geographically, Timiș county is the westernmost county of the country and territorially the largest county of Romania, with 8,696.7 km² (3.65% of the entire country's surface). It is part of the "Danube-Criș-Mureș-Tisa" Euroregion (DKMT Euroregion), a cross-border region that covers 77,100 km² and includes a population of 6 million inhabitants.

The western location of the county, a medium to high qualification level of the labor force as well as the entrepreneurial tradition, make Timiș county attractive for investors. Timiș County is currently one of the most developed counties in the country where the standard of living is higher than the national average. The latest statistical data (year 2021) place Timiș County in the third position at national level (after Bucharest and Cluj) in terms of Gross Domestic Product, registering a GDP value of 54.680 million lei (approximately 11 million euros), representing 50.87% of the regional Gross Domestic Product and 4.61% of the country's GDP [8]. The county has one of the lowest unemployment rates, at 0.8% in 2022 [9]. Timișoara has the second highest average net salary in Romania, reaching 5,989 lei (around 1,200 Euro) in April 2024, surpassed only by the capital Bucharest (6,713 lei, around 1,350 Euro) and close to Cluj (5,946 lei net per month, around 1,190 euro), increasing by 16.1 % compared to 2023 [19]. The county has the highest economic growth in Romania between 2014 and 2024, with GDP per capita increasing by 217%. Under these conditions, we analyze in the following the investment climate and the impact of FDI on the development of Timiș County.

RESEARCH RESULTS

The business environment is the main component that defines entrepreneurial behavior [12]. The development of the business environment is strictly related to the socio-economic development of the area/region [18].

The evolution of the GDP for the period 2000-2022 shows us an increase of 791.04% in Timiș, 578.85% in the West Region and 600.02% at the national level. We can observe a significantly higher growth rate at the county level, compared to the aggregated levels of the region and country, of course, with the syncope during the world economic crisis (2008-2010) and the COVID-19 crisis (Table 2).

Table 2.

Evolution of the Gross Domestic Product (Euro millions)

	2000	2002	2004	2006	2008	2010	2012
Timis	1,485	1,866	2,416	4,261	6,909	6,397	6,362
West Region	3,807	4,686	5,983	9,799	14,510	13,048	13,765
Romania	40,595	48,696	60,402	97,216	146,591	128,279	139,320
% TM from the West	39.00	39.83	40.38	43.48	47.61	49.03	46.21
% TM from RO	3.66	3.83	4.00	4.38	4.71	4.99	4.57

	2014	2016	2018	2019	2020	2021	Growth rate (%)
Timis	6,765	8,009	9,478	10,426	10,091	11,147	791.04
West Region	13,969	16,229	19,338	21,097	20,305	21,914	578.85
Romania	150,522	167,494	206,072	224,179	220,487	241,611	600.02
% TM from the West	48.43	49.35	49.01	49.42	49.70	50.87	-
% TM from RO	4.49	4.78	4.60	4.65	4.58	4.61	-

Source: [3]

The latest statistical data place Timiș County in the third position at national level in terms of gross domestic product value after the capital, with a share of 4.61% in Romania's gross domestic product and 50.87% in the regional gross domestic product. The distribution of the regional gross product highlights the leading position of the county, compared to the other counties in the West Region, its share in the total regional GDP representing half of its value. The same favorable situation of the county economy in a supraterritorial context is underlined by the value of the gross domestic product per inhabitant, which exceeds, as can be seen in Table 3, the value of the regional level by 28.12%, and by 30.15% the value of GDP per inhabitant at the national level.

Table 3.

Evolution of the Gross Domestic Product per capita (Euro/capita)

	2000	2002	2004	2006	2008	2010	2012
Timis	2,200	2,800	3,700	6,400	10,200	9,400	9,200
West Region	1,900	2,400	3,100	5,100	7,500	6,800	7,500
Romania	1,800	2,200	2,800	4,600	7,100	6,300	6,900
% TM from the West	39.00	39.83	40.38	43.48	47.61	49.03	46.21
% TM from RO	122.22	127.27	132.14	139.13	143.66	149.21	133.33

	2014	2016	2018	2019	2020	2021	Growth rate (%)
Timis	9,700	11,500	13,500	14,800	14,300	16,400	654.54
West Region	7,700	9,000	10,900	11,900	11,500	12,800	573.68
Romania	7,600	8,500	10,600	11,600	11,400	12,600	600.00
% TM from the West	48.43	49.35	49.01	49.42	49.70	50.87	-
% TM from RO	127.63	135.29	127.36	127.59	125.44	130.16	-

Source: [4]

After 1990, the establishment of a large number of commercial companies with private capital and the reorganization of enterprises into commercial companies with state capital were the main directions of the transition from a command economy to a competitive market economy. Foreign capital is beginning to penetrate, both at the national level and at the level of Timiș County.

In the national ranking, Timiș county occupies a more favorable position, compared to other counties, in terms of foreign capital invested. From the point of view of the

number of companies with foreign participation in the capital, Timiș county ranks 2nd in the country, and from the point of view of the value of the foreign capital subscribed by them, it ranks 3rd.

In the period 1991-2022, 18,080 companies with foreign capital participation were established in Timiș county, representing 60% of the regional value and 7.4% of the total number of companies per country. The foreign capital invested in the county, by participating in the capital of the companies established until 2022 (Table 4), amounts to the value of 2021 million euros, Timiș county thus contributing almost 70% to the regional foreign capital and almost 4% to the value per country.

Table 4.

Companies with foreign participation in the capital and the value of the subscribed capital (Euro millions), in the period 1991–2022, existing balance on Dec. 31, 2022

	No. companies with foreign capital participation	Foreign subscribed capital Euro millions
Timis	18,080	2,021
West Region	30,473	2,941
Romania	244,215	52,316
% TM from the West	59.33	68.72
% TM from RO	7.40	3.86

Source: [10]

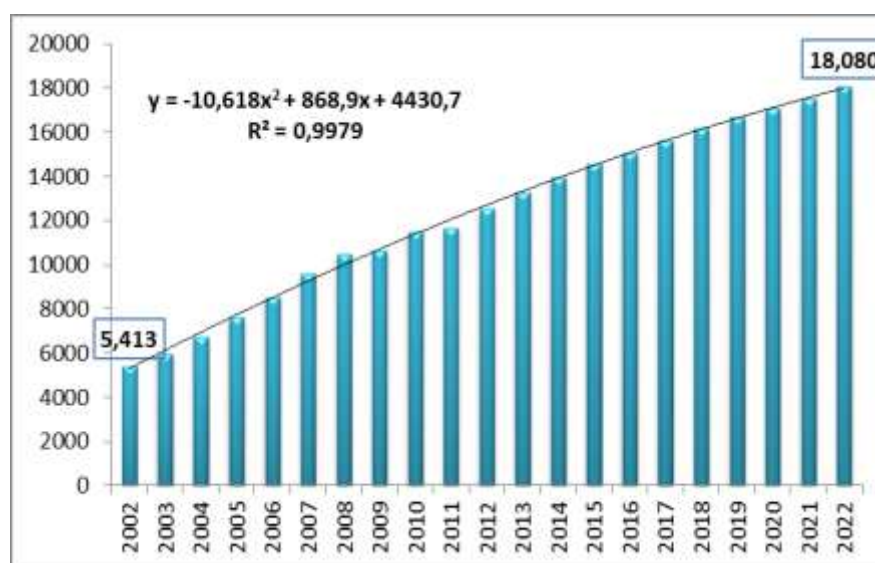


Figure 1. The situation of the number of companies with foreign capital in Timiș county, 2002-2022, balance on December 31

Source: Developed based on [10]

In 2022, there were 18,080 commercial companies with foreign capital participation in Timiș County (Figure 1), with a value of foreign invested capital of 2 billion euros (Figure 2).

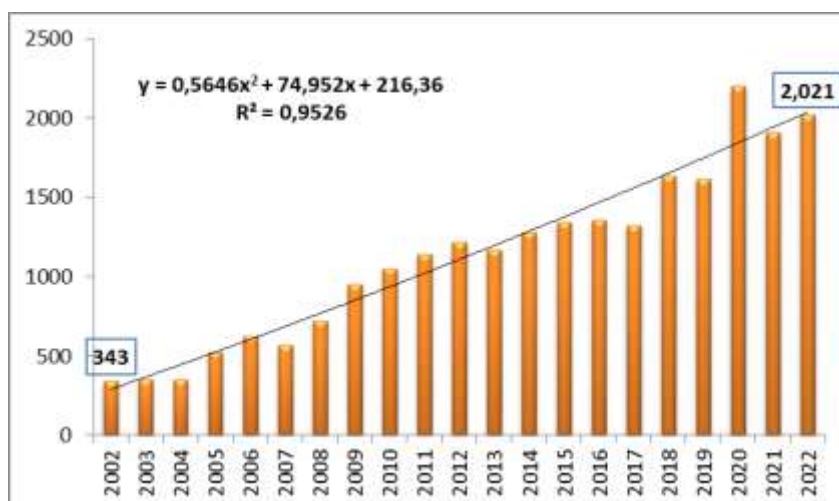


Figure 2. The volume of foreign capital subscribed in Timiș county in the period 2002-2022, balance on December 31 (Euro millions)

Source: Developed based on [10]

The annual evolution of foreign capital invested in Timiș County (Figure 3) shows that 2007 was characterized by a significant withdrawal of capital from the local market, followed by important investments (consolidating existing companies on the market) in 2008 and 2009 (when the number of newly established companies starts to decrease). After 2009, the annual foreign capital invested in the county starts to decrease, reaching in 2013 a minimum comparable to that of 2007, which indicates the exit from the local market of some companies with large capital (for example Baumax). The COVID-19 pandemic has significantly affected the county's business environment, leading to massive capital withdrawals. From 2022 the situation starts to improve, witnessing a greater appetite of foreigners to invest in the county.

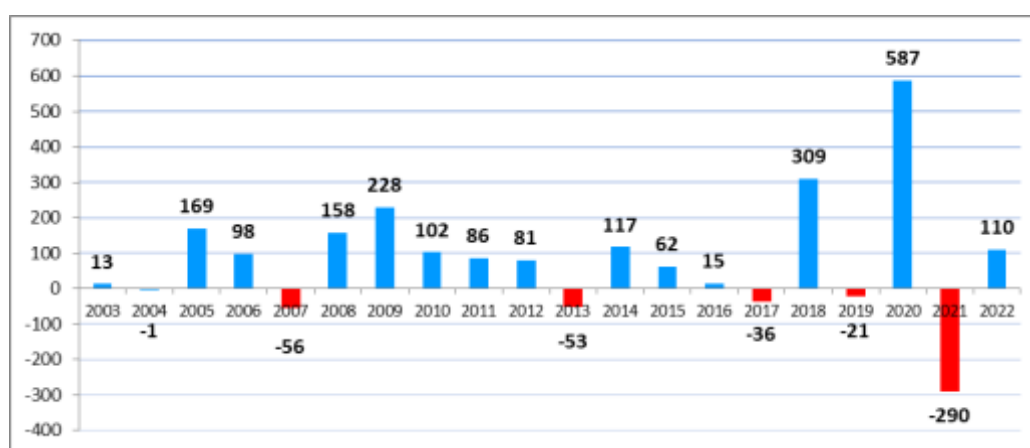


Figure 3. The annual evolution of foreign capital invested in Timiș County (Euro millions)

Source: Developed based on [10]

Timiș county has the advantage of its geographical position, being located on the border with Serbia and Hungary, in the west of Romania, but it also benefits from relatively well-trained staff that can be employed. The county is the main destination for the opening of new production units with foreign capital. If initially the textile and leather sector developed, the last years brought the manufacturers of parts from the automotive field, Timiș county being the champion from this point of view. Being research-oriented,

the county has managed to attract companies that have developed research and innovation capacity in the field of advanced technologies, such as artificial intelligence, robotics and telecommunications.

In addition to the subscribed share capital, foreign investments include capital increases, respectively the share capital transferred by resident associates/shareholders. The FDI calculation formula is [10]:

$$FDI = F + I \pm S - R \quad (1)$$

where: FDI – foreign direct investment;

F - the value of the foreign capital subscribed upon registration;

I - increase of foreign capital;

S - the social capital assigned by/to resident associates/shareholders;

R - the share of capital subscribed to the companies removed from the trade register.

Taking these aspects into account, the balance of foreign direct investments in Timiș county, on December 31, 2022, was 5.2 billion euros, representing 68.55% of the regional level and 48.54% of the country level (Table 5).

Table 5.
The value of foreign direct investments, balance as of December 31, 2022

	Timiș	West	Romania	% TM from the West	% TM from RO
FDI (million €)	5,240	7,643	107,944	68.55	48.54

Source: [7]

The total balance of foreign direct investments in Timiș county, in the amount of 5.2 billion euros, ranks Timiș county 3rd in the country, after Bucharest and Ilfov. Timiș county has the highest investment inflow among the country's regional cities, having the highest entrepreneurship rate in the Western Region and a thriving startup system. The largest companies with foreign capital in Timiș county are presented in Table 6.

Table 6.
The largest companies with foreign capital in Timiș County

Company	Object of activity	Turnover, thousands of lei	No. employee
Profi Rom Food SRL	retail	12,925,985	9,944
Continental Automotive Products SRL	tire manufacturer	4,604,885	2,593
Hella Romania SRL	manufacturer of lighting and electronic components and systems for the automotive industry	4,077,617	5,035
Smithfield Romania SRL	meat processor	1,401,021	2,434
Company	Object of activity	Turnover, thousands of lei	No. employee
Linde Gaz România SRL	manufacture of gases and gas mixtures for industrial, medical and food applications.	1,087,212	348
Contitech Romania SRL	manufacture of parts and accessories for motor vehicles and motor vehicles	860,429	1,484

Source: Developed based on [13]

The gross added value (GVA) created at the level of Timiș county is reproduced using the 2nd degree polynomial function and is presented in figure 4, in dynamics, over a period of 22 years.

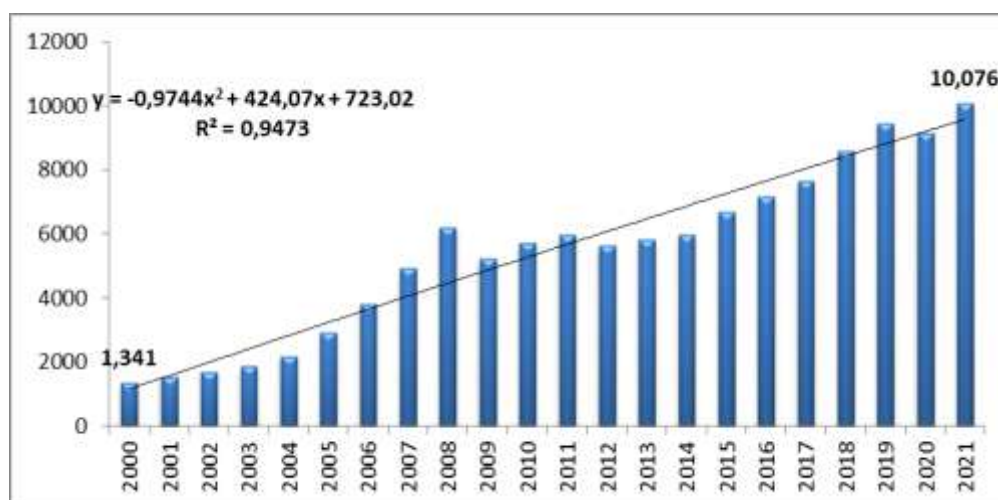


Figure 4. GVA evolution in Timiș county, basic prices, Euro millions, 2000-2021

Source: Developed based on [4]

Over a fairly large time horizon, more than 2 decades, the trend of economic growth at the county level can be observed, growth interrupted by the economic crisis of 2009 and the return of the county economy starting in 2010 but with a lower growth rate than in the previous period and with small syncopes from one year to another. In 2015, the gross added value at the level of Timiș county almost reached the level of the peak year 2008, amounting to 6,679 million Euros. The subsequent growth trend has been hampered by the negative economic effects of the pandemic, effects that have been felt by all economies. A large part of this added value comes from foreign companies that operate in the territory of the county and whose evolution the authors presented above.

CONCLUSIONS

There can be no development if there is no capital. One cannot talk about capital and foreign investors if there are no premises for local development and a favorable entrepreneurial climate. So, these aspects are interrelated and intertwined. Fortunately, Timiș County enjoys a strategic, western geographical location, a medium to high qualification level of the labor force, fertile lands, as well as an obvious entrepreneurial tradition. These aspects have favored the attraction of foreign capital, Timiș county being on the 2nd place in the country in terms of the number of companies with foreign capital and on the 3rd place in the country according to the value of the social capital subscribed by them.

The development of a favorable entrepreneurial climate, both for Romanian companies and for foreign direct investments, has determined a high degree of employment, the unemployment rate being below 1% in Timiș county. Also, the county has the second highest average net salary in Romania, surpassed only by the capital Bucharest.

The largest companies with foreign capital currently operating in Timiș county are: Profi Rom Food SRL, Continental Automotive Products SRL, Hella Romania SRL, Smithfield Romania SRL, Linde Gaz Romania SRL, Contitech Romania SRL, etc. In the beginning, FDI targeted the textile and leather sector, but in recent years, the

manufacturers of parts from the automotive sector have penetrated, Timiș county being the champion from this point of view. The county has also managed to attract companies that have developed research and innovation capacity in the field of advanced technologies, such as artificial intelligence, robotics and telecommunications. The agricultural and food sector is also well represented by foreign investors.

As a level of aggregate economic development, the latest statistical data place Timiș county in the third position at national level in terms of gross domestic product, with a share of 4.61% in Romania's gross domestic product and 50.87% in the domestic product regional gross.

REFERENCES

- [1]. **CHEN L., GUO F., HUANG L.**, 2023, Impact of Foreign Direct Investment on Green Innovation: Evidence from China's Provincial Panel Data, *Sustainability*, 15(4), 3318, <https://doi.org/10.3390/su15043318>
- [2]. **COSTAICHE G.M., NICULAE I.**, 2016, The evolution and impact of foreign direct investments in Romania, *Scientific Papers-Series Management Economic Engineering in Agriculture and Rural Development*, 16(2), 111-116
- [3]. **EUROSTAT**, 2024a, Gross domestic product (GDP) at current market prices by NUTS 3 region, Online data code: nama_10r_3gdp
- [4]. **EUROSTAT**, 2024b, Gross value added at basic prices by NUTS 3 region, Online data code: nama_10r_3gva
- [5]. **Lall S., Narula R.**, 2004, FDI and its role in economic development: Do we need a new agenda?, *MERIT*, Maastricht Economic Research Institute on Innovation and Technology. MERIT-Infonomics Research Memorandum Series No. 019, <https://doi.org/10.26481/umamer.2004019>
- [6]. **LI B., SHI Z.H., GUO W.**, 2024, The global foreign direct investment network: evolution and influencing factors, *Kybernetes*, 53(3), 841-861, <https://doi.org/10.1108/K-05-2022-0774>
- [7]. **NATIONAL BANK OF ROMANIA**, 2023, Foreign direct investments in 2022, <https://bnr.ro/Publicatii-periodice-204.aspx>
- [8]. **NATIONAL INSTITUTE OF STATISTICS**, 2024a, CON103I - GDP by macro-regions, development regions and counties - calculated according to CAEN Rev.2 - SEC 2010, <http://statistici.insse.ro:8077/tempo-online/#/pages/tables/insse-table>
- [9]. **NATIONAL INSTITUTE OF STATISTICS**, 2024b, SOM103A - Unemployment rate by gender, macroregions, development regions and counties. <http://statistici.insse.ro:8077/tempo-online/#/pages/tables/insse-table>
- [10]. **NATIONAL OFFICE OF THE TRADE REGISTER**, 2023, Companies with foreign capital participation. Statistical summary as of December 31, 2023 (Societăți cu participare străină la capital. Sintează statistică la 31 Decembrie 2023), in Romanian, No. 306, <https://www.onrc.ro/index.php/ro/statistici>
- [11]. **NYIWUL L., KOIRALA N.P.**, 2022, Role of foreign direct investments in agriculture, forestry and fishing in developing countries, *Futur. Bus. J.*, 8, 50. <https://doi.org/10.1186/s43093-022-00164-2>

- [12]. **PÎRVU R., ALARAJI F.A.A.S., GRUESCU R.M.**, 2021, General Assessments Regarding the Evolution of Foreign Direct Investments in Romania, *Journal of Applied Economic Sciences*, Vol. XVI, 4(74), 447-459, [https://doi.org/10.57017/jaes.v16.4\(74\).07](https://doi.org/10.57017/jaes.v16.4(74).07)
- [13]. **TRANSILVANIA BUSINESS**, 29.02.2022, Top 20 companies with foreign capital from Timiș County (ELITE ÎN BUSINESS). Top 20 de companii cu capital străin din județul Timiș), in Romanian, author Robert Bloancă. <https://www.transilvaniabusiness.ro/2022/01/29/elite-in-business-top-20-de-companii-cu-capital-strain-din-judetul-timis/>
- [14]. **TRANSPARENCY INTERNATIONAL**, 2023, Corruption perceptions index 2023, <https://www.transparency.org/en/cpi/2023>
- [15]. **U.S. EMBASSY IN ROMANIA**, 2024, Investment Climate Statement: Romania, <https://ro.usembassy.gov/2024-investment-climate-statement-romania/>
- [16]. **WIPO**, 2023, Global Innovation Index 2023, https://www.wipo.int/global_innovation_index/en/2023/
- [17]. **WORLD BANK GROUP**, GNI per capita, Atlas method (current USD), <https://data.worldbank.org/indicator/NY.GNP.PCAP.CD>
- [18]. **YUE W.**, 2022, Foreign direct investment and the innovation performance of local enterprises, *Humanit Soc Sci Commun*, 9, 252, <https://doi.org/10.1057/s41599-022-01274-6>
- [19]. **ZIARUL FINANCIAR**, 04.08.2024, Map of the counties with the highest salary increases (Harta județelor cu cele mai mari creșteri salariale), in Romanian, author Ramona Cornea, <https://www.zf.ro/eveniment/harta-judetelor-cele-mari-cresteri-salariale-salariile-mari-raman-22443873>