SWOT ANALISYS ABOUT ISD IN ROMANIA

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In the present evolution phase of the human society, the investments play an important role in the socio - economical development. Now, when the globalization is more and more wide, the ISD is present in almost all the economies. ISD incorporates an element of externality (the foreign currency, the place where the sold goods can be found, etc) and are a modern instrument for stimulating the economical growth, with direct and indirect effects on the economical and social development. Even if they are wanted by all the countries, they are symmetrically and equally distributed. The interest of the investors to invest in a region or other is influenced by a multitude of factors. The analysis is realized on the four components – strength, weaknesses, opportunities and risks – trying to take into consideration all the problems and advantages related to the business environment and the investment climate from Romania and the aspects related to the strategy to attract the foreign investments.
Keywords: investments, foreign, technology

Any foreign investment implies the existence of at least two economical agents – the issuing economical agent and the receiving economical agent, placed in different national areas.
We can talk about foreign investments in the following cases:
- when buying shares and bonds on a foreign market or issued by a company in another country;
- when establishing a new company or opening a new branch in another country;
- when participating with capital to the creation of a mix company;
- when overtaking a foreign company;
- when merging two companies located in two countries.

The foreign investments can be: direct or for portfolio.
The direct investments imply a long term engagement which involves influences on the resident company management by transferring a "pack" to the resident company (capital, technology, organization, marketing knowledge, etc).
The second category implies the intention of the investor to protect its capital by increasing it through the realized incomes after the investment.
The direct foreign investments (ISD) represent the "total financial, material, technological and managerial flows which are deployed by a physical or juridical person in an economy, other then the residence one, in order to realize a long term productive activity, by having the control of the activity".
BNR defines the direct foreign investment as a long term investment relationship between a resident entity and a non-resident entity which, usually, implies a significant managerial influence exercised by the investor in the company he/she invested in. In Romania, direct foreign investments are: "the involved social capital and the reserves paid back to a non-resident investor which owns at least 10% of the subscribed capital of a resident company, the credits between this investor and the company he/she invested in and the re-invested profit".

Table 1. The characteristics of the direct foreign investments

Nature of transaction	Financial, technological, material and knowledge flows; internalized investment flow
The duration of the interest	Long term
The relations between the issuing and the receiver of the investment	The control of the direct investor of the assets invested in; the direct and significant participation of the investor in the company management.
The main involved economical agents	The trans – national companies (ST); collective investment funds *
The monitored objectives	-the access to the market (the establishment of a strong position on the national market or the gain of the access to a new regional market); -the access to the production factors with low real cost (cost competitiveness); - the access to natural and human resources – access to the scientific knowledge and local research and development capabilities

* according to the UNCTAD acceptance the collective investment funds include also private equity firms and different other financial investment (mutual funds and risk funds).

Source: *UNCTAD, World Investment Reports 2006,* page 16

The reasons which determine the trans- national companies to make decisions to invest in a foreign country are based on a combination of motivations. Usually, these are grouped as follows:

- ISD looking for low cost resources (natural, qualified human resources, technological resources);
- ISD looking for markets – usually these markets where they exported products, so the investors know very well the characteristics of the market;
- ISD- looking for low production and transactional costs.

So, a series of other complementary local advantages are taken into consideration when taking the decision to invest in a certain country, for example: the economical and political stability (insure the security of profits); the quality of institutions (administrative efficiency, lack of corruption); a developed and modern physical infrastructure; the degree of economical agglomeration.

Table.2. The typology of the direct foreign investments according to the motivation of the foreign investors

Types of ISD	Primary motivations	Important attributes of the host country
ISD for market valuation	- establishment of a strong position on the national market – access on a new regional market	- the national markets potential (size and evolution) – the regional economical integration (the internationalization)
ISD for resources valuation	- the access to natural resources – access to human resources.	- the existence of natural resources – the high level of training/ the qualification of the human resources
ISD for valuation of the strategic assets	- the access to the local scientific knowledge – the access to the research and development capacities	- the availability of the scientific knowledge – the high level of research and innovation activities development
ISD for efficiency	- the access to the production factors with a low real cost (cost competitiveness)	- the availability of production factors (raw materials, human resources, transportation, communication, etc) at low cost

Source: C. Munteanu, A. Horobet. ***Finante*** *transnafionale*. Ed. ALL Beck, 2005

Romania conducted a series of improvement of investment environment based on which were recorded remarkable developments of the flow of direct foreign investments in the years 2006 and 2007 which allows the configuration of a further positive evolutions.

These represent the strength of the SWOT analysis

- Recognition by the European Union of functional market economy status, which confirm the efficiency of the liberalization and macroeconomic stability in our country, a process started in 1990.
- A strong upward dynamics of economic growth, about 4-5% per year since 2000, according to the conditions where the private sector has become predominant in all economic sectors. These achievements provide a significant improvement in the rating of the country and the Romanian economic environment attractiveness for foreign investors.
- Creating a relatively stable, long-term European type, legal framework to promote foreign investments, inside which there are clear, concise legislative formulations, favorable for the promotion of the investments and competition environment, as efficient instruments for resources allocation. This framework is contained in the Emergency Ordinance no. 92/1997 on the stimulation of direct investment, the Government Ordinance no. 66/1997 regarding the foreign investments in Romania, achieved through the purchase of government securities, modified and supplemented by Government Ordinance no. 131/1998 and Law no. 332/2001 on promoting direct investment with significant impact in attracting investment to the national economy, and subsequently by the new draft law on investments which is still in debate.
- The existence of a modern institutional framework for promoting foreign investment through the creation of Romanian Agency for Foreign Investments, which provided a strong

upward dynamic of the foreign investments especially in manufacturing, compared to the rest of the economy.

- Establish partnerships with foreign investors will allow their access to a range of facilities offered by the Romanian company: land of the property, the utilities in the area, to the experience to gain a higher position in the domestic market, a well trained professional execution staff.

Despite the sustained efforts to improve investment environment, Romania has still to correct many deficiencies included in the category of weaknesses such as:

- The existence of a business environment not sufficiently developed.
- An orientation of the direct foreign investments to industries that provide a low degree of processing and low added value contained in the gross domestic product.
- The low attraction of foreign investments compared with dynamics of the investments realized in the neighboring countries (Bulgaria, Macedonia, Serbia and Slovenia).
- An uneven distribution of the foreign investments made in the past 18 years, between the eight economic development regions, the share of foreign capital invested varies between the two limits of 1.2% in the North-east and 64.3% in Bucharest area - Ilfov.

The direct foreign investments in the Romanian economy generate a series of effects which derive primarily from the significant contribution of multinational enterprises existing in our country:

- The process of privatization, multinational companies participating directly with substantial capital to acquire some important assets from the former state enterprises, has influenced the process of reducing the gap between savings and investment rate.

- Improvement and modernization of technology - through the promotion of modern technologies and managerial expertise, dependencies on the local technological capacity, on the facilities structure and the institutional arrangements, contribute to:

- the growth of productivity factors, changing the quality of products for both domestic market and export, the introduction of performance management practices, improving the skill levels of the local staff

Improving international commercial relations, contributing to our country in the European and global practices:

- *Improvement of professional skills in the production process, and also in separated various forms, organized by multinational firms.*
- *The creation of a European type legal framework in order to attract foreign investments in the interest areas like labor legislation, bankruptcy law, the law for profit tax, accountancy law, etc.*

Once with the recognition of the functional market economy status and than with the joining of the EU, the opportunities related to the promotion of the foreign investments in Romania increased because of:

- The continuous increase of the Romanian economy performance.
- The realization of important road transportation passages (passages 4.7 and 9) from Central and Western Europe to Russia, Greece and Turkey.

In the process of promoting foreign investments in the Romanian economy may appear a number of threats (risks), already manifested in some European countries that joined the EU, leading to:

- Destruction of local competition, canceling the ambitions of small companies to develop business at local level.
- a weak collaboration between sectors that contribute directly to a foreign investment of several tens of millions of dollars.
- the possibility to impose monopoly prices, especially for products and areas in which the application of the competition law is tolerant and permissive.

- failure by foreign investors on the application of the terms related to the conditions of work improvement, which would be a prerequisite to increasing labor productivity, with effects and consequences reflected in the size of direct cost of production.

Creating the Romanian Agency for Foreign Investments - ARIS is a prime element of the Romanian strategy to improve the country's image in the eyes of the foreign investors and of the foreign investors in the eyes of the population.

Romania by ARIS must count the opportunities for the most tempting foreign investments for developed countries and the investment climate of each county and region (Development region and macro-region), make them popular by penetrating communication means (Internet, brochures, organization of symposia, international fairs, roundtables, etc.).

The Romanian Agency for Foreign Investments estimated that Romania has genuine advantages for attracting foreign investments, consisting in:

Market advantages and geographic position advantages

- one of the biggest markets from the Eastern and Central Europe (over 21 million inhabitants);
- attractive location – is situated at the intersection of three international transportation routes – the 4, 7 and 9 passages;

Resource advantages

- qualified human resources with solid knowledge in technology, IT and engineering;
- rich natural resources, including fertile agricultural fields, oil and natural gas;

Political advantages

- stability factor in the area – NATO member ;
- EU member since January 2007;

International relationship advantages

- Bilateral agreements concluded by Romania with other states on the promotion and mutual protection of investments.
- Bilateral diplomatic relations with 177 states of the 191 UN Member States.

Economical advantages

- Decrease of inflation.
- Permanent financial assistance granted for the development of SMEs.
- Increasing of the foreign investors interest .

Improvement of the infrastructure advantages

- GSM mobile phone network well developed.
- The presence of branches and representatives of important international banks.
- Well developed infrastructure of the railway transportation.
- The engagement to develop a highway network at European standards.
- Sea and river shipping facilities.

Social advantages

- Agreements between government and unions representatives.
- The lack of major union movements.
- The continuous dialog between the executive power and the union associations.
- The labor market and the labor relations enacted by the Code of Labor.

Legal advantages

- EU similar legal provisions.
- The fiscal policy enacted by the Fiscal Code.
- The unique tax of 16%.

Conclusion

Major, strategic investments in the important sectors of the national economy can be successfully realized only by a special monitoring procedure and with the participation, in all the phases of the project, both of the multinational companies and of the national promotion institutions.

The establishment of strategies to attract the foreign investments is based on the following groups of influence factors:
-. fiscal facilities;
-. business environment development to an international and European level;
-. stimulants which were efficient in attracting the foreign investments.

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