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Developments in Foreign Direct Investment in the Context of Current Economic Crisis

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Abstract *In front of the work let's look at the concept of investments in connection with an activity which it is intended for use a sum of money in order to obtain future profits. In a broad sense, the investment represents a part of sacrifice present consumption for future consumption, as possible and uncertain. For years experts in economics and finance declare that world financial system is threatened by potentially catastrophic events. In an interview for the BBC in 2003, Warren Buffet, called synthetics as "financial weapons of mass destruction", while other specialists blame development "trade type-casino". As the current crisis has been going on, has become more and more clear that we are being afflicted with events will have a strong impact in the long term. At the same time, because of the interconnected nature of the world markets, the effects are felt by all over the world.*

Key words:
Foreign direct investment, financial system worldwide, global economic crisis, the risk to the country.

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F21, G01

1. Introduction

In the economy there are several types of investments. Some of these involve financial transactions between economic operators, others require involvement in transactions and to property such as buildings, industrial equipment, means of transport, etc. in the first case,

The investor in possession of specific active: shares, bonds, certificates of deposit or bouri treasury bills. In the second case, the assets results have very different kind: factories, transport company, hotels or shops.

In the first case it is about financial investments, and in the second case, actual investment. Most of the times it can be a precise delimitation because the two types coexist.

It's worth noted that, in most periods precapitaliste real investments did not involve any kind of financial transactions.

In modern society, almost any investment is true and an important financial side.

2. Outside Investment - Real Need and Objective for Economies in Transition

The need for capital and investment, which amounts to a level higher than current economic possibilities, requires as a condition objective calling up to foreign capital in the form of direct investment attraction of the capital, common feature of all the countries ex-communist.

In this respect, there is already an interest of both sides, both on the part of the captal stăin investors, as well as from domestic investors.

Imminent integration of the states in Eastern and Central Europe along with the West - Europe in the European Union requires both an extension of international cooperation with other states and especially with those developed, as well as an acceleration in the transition to a market economy,

To open real horizons international cooperation. In fact, immediately after fraying socialist system, the countries of Central and Eastern Europe have initiated various approaches for certain actions regional cooperation such as the one between Black Sea riparian countries,

Creation of cross-border economic zones, etc. also these have passed at the request of some agreements with the European Community, with whom they have signed later association agreements, and on the other hand, they have signed free trade agreements with EFTA States. (Dobrota, N. 1999, pp. 15)

Force required acceleration of the process of transition to the market economy and the accession to the European Union is available only in the capital.

Aware of these facts, the member west - European, concerned in the process of attracting the former Socialist states in the system of market economy, they started themselves a number of programs of Community support of the member economies in transition.

They have been concluded association agreements with the European Community by all eastern Europe and central - european. Provided that the primordial this association consists precisely in order to achieve a stable economic and political as a guarantee order and democracy,

As well as the economic system based on the market economy, which create the conditions for compatibility between national savings associated with those of EU.

To support this process, the member west - european and have declared its willingness to allow the member associated with a number of facilities in commercial relations and cooperation, as well as certain aids the company's share capital through common programs such as PHARE program, which provides for the grant of consulting and technology, the know-how necessary retehnologizării economies in transition.

The transition toward a market economy is characterised in all eastern Europe and Central European instability of national economies, economic decline, a real crisis of the capital and a dangerously low rate of investments, and in particular of the productive. All economies in transition are marked by profound imbalances. Gross capital formation rate has plummeted to levels of downright alarmed, due to both labour productivity and decrease of the time actually worked, and trade union pressure on wages and decrease managerial capacity of the new leadership team.

High rate of interest has been another cause of the fall in the accumulation rate, as well as the incline toward investment. In these conditions it is obvious inability each national economy ex-communist to cope single absolute need capital in order to ensure a minimum economic growth. (Jula, D. 2012: pp. 254-257)

The need of foreign capital reside, then, just because of their own national economy' inability to meet the need for capital for economic recovery and for relaunching investment, which, in the case of maintaining reculului years immediately after '90,

Is likely to blow up these savings in total reliance on developed world, with serious consequences in the medium and long term.

On the other hand, this need is further enhanced by foreign capital and the technology than is lagging behind the plant and industrial production in the countries in transition.

Upgrading enterprises in these countries is shifted into the whirlwind development strategies in the short term by all eastern Europe and central - European, upgrading without which products competitiveness of the savings becomes extremely weak.

3. Strategies to Attract Foreign Investment

Internationalization and globalisation economic problems of industrial production of miscării financial capital, investment business to become one of global nature, with implications for all national economies and on the whole world economy.

Interest of foreign investors is based, in the main, on the desire to penetrate the markets of these countries, to extend the market segments and the feasibility of obtaining cheaper products because of low labor costs.

Several studies carried out among Western European investors have reached the conclusions particularly close on these reasons for investors to invest in the countries was communist.

Access to the market is essential for foreign investors, even for those strategic which affects long-term objectives of expanding the markets products and services provided by it. They will follow construction of distribution networks with clear synergistic effects.

Of course that the benefits reduced costs in the area of the recipient States foreign investment are not omitted. Even a series of investors I see in this area of interest a component esențiala on their own strategies. Low cost of the workforce, as well as the level of material resources, it is particularly attractive.

Should not be overlooked that many foreign firms are investing export-oriented and only to a limited extent upon satisfaction of internal market of the recipient States, having no prospect of considerable increase in the domestic demand for goods and services. (Smarzynska B. , Wei S-J. , 2001: pp 34-36)

Under the conditions lack of domestic capital, correlated with the existence of considerable availability of capital in developing countries, foreign investment solution in countries ex-communist becomes not only necessary, but even absolutely essential to national economies.

Having regard to the principle of a market economy, the application of such investment is very high and the quote well controlled, the price foreign investment can only be bigger and hard to bear.

Success in the national interests of the member in transition depends largely on the strategic orientation of these factors in correlation and compatibility with domestic factors and with the capacity to build up the internal domestic capital.

Strategies for the transition becomes a component essential just attract and the proper orientation of the new private investment toward major goals: re-launching economic, the creation of a market economy and ensure the proper functionality of the country,

Creating real excitement of foreign investment on the path build-up of domestic capital, driving process for the creation of new private enterprises, especially in the production of goods for market already outlined, External and internal as well as maintain whole checking on the development of medium-term and long-term national economy, in order to ensure economic independence and political elements that will constitute a long time co-ordinates of the existence of essential socio-economic of the world.

4. Advantages and Disadvantages of Direct Foreign Investments

In the tide of globalization of national economies, foreign direct investment critics argue that the investments are a form of neocolonialism which preserve dependency status of the countries which are not part of the club developed country.

Another argument is that foreign direct investment is focused on economic sectors which are intensive in labor force and not on those who are advanced technology and that, on the contrary, they shall be undermined by advanced sectors at the local level.

On the other hand, foreign firms what actions in a weak institutional environment used on a large scale business practices restrictive, in view of the prevention of entry new firms in a given sector. They include acquisition potential competitors, dumped prices,

Restrictive contracts with the suppliers and dealers to store products which are competitive, takes know-how through patent pending and acquisition of rights of licenses which are not then used, lobby for increased and lobby for high costs in a given sector.

Another argument is that unemployment instead to drop, in the long term is on the rise. Also, multinational companies are accused that exclude nationals of the host country managerial positions and that make unjust profits using technical transfer prices.

The last time there was still a fear: multinational companies are transforming host countries in "oases of pollution of the environment", investing in particular in those industries in the countries of origin have a negative environmental impact. (Jula D. 2012, pp. 290-300)

The most pronounced effect in the competition on investment flows is freezing environmental rules to a lower level of protection.

Countries are afraid that by taking a unilateral decision regarding the increased environmental standards will risk loosing a competitive advantage in favor of countries with rules having standards lower. In other words, environmental commitments shall lose their value for reasons that are related to attracting investment.

Economic globalization has extended very much capital opportunities to externalized costs imposed by restrictions relating to the protection of the environment on poor countries, through export of waste and pollutants.

Even tax benefits expected by host country are often successfully avoided investing companies. In many cases, multinational companies shall not be subject to taxation their actual because of the ability to exploit the transfer prices and other methods with a view to mineralization of their debts.

A variety of factors can make foreign direct investments to have a negative impact on host country. Impact foreign investment depends on the sector in which investments are carried out, as well as the regulatory environment, social and economic investments in which they occur.

Disadvantages to attract foreign investment in the case of a weak institutional environment and inefficient are:

– wine companies attracted to invest in a desire to obtain additional income from the creation monopoly structures and are attracted exactly the weak institutional environment and are dependant on;

– these investments have rather a negative effect on that undertaking in terms of social development;

– multinational companies which purchaser in a medium intuitional weak are dangerous even for competitive local firms relatively large because of the strength they have.

From the point of view host country cannot be listed potential following benefits basic:

– foreign direct investment promote economic growth and increased productivity;

– foreign direct investments are a source of hard currency for the developing countries (they may be different forms of financial arrangements, which may be contributions in money, materials or property),

– the greatest benefit is that external debt of the country does not increase by this type of contributions;

– foreign direct investment contributes to transfer of new technologies, know-how, skills managerial skills, together with the marketing of foreign investor;

– foreign direct investment international trade through one-size-fits-all horizontal links with parent companies branches, which is resulting in increasing competition on the market of the country host, causing also a potential with a view to the establishment of relations in the field research and developments with local universities and research centers;

– capital, in the form of foreign direct investment, is the form the most beneficial for the economy receiving country, due to long-lasting positive effects on the economy (not are volatile as other forms of capital);

– job creation and good infusions that the increase in demand groups only;

– creating competition for local companies and forces them to be restructured, to become competitive or disappear; train state income;

– benefits resulting from increased productivity for local consumers in the form at the lowest prices and high quality of products and services.

5. Economic Situation and Global Financial Crisis

South European economies, like many other new savings and transition, are isolated partly because of lack of development of their financial markets. Ironically, their markets less sophisticated protect them by this collapse in the markets most advanced.

However, these savings may not get rid of the effects aggravate global economy, increasing the price of credit and the decrease in willingness to assume the risks.

The size of global financial crisis is probably the most obvious feature of it. In the past, such crises tended to be located and were so much easier.

This time difference is the fast transmission of financial innovations intense - especially in modes of originating and the timing has been designed by leading banks. In this manner has expanded risk of release on a large scale, at the expense of transparency.

As a result, banking system development hidden, powerful Non-regulated and which lacks proper supervision of attracted much opacity on the financial markets and increased systemic risk. Confidence in the power of "self-adjusting" of the markets did not bring expected results.

Secure mortgages spread financial risk in the economy in a manner in which the exposure banks to adverse loans has become nominal, minimum. However, restoration bonds mortgages through complex with loan collateralized have experienced difficulties identifying who and what has to offer.

Ironically, financial innovations designed to reduce risk at the individual level or employers' associations consider came to rise at the macro level, thus increasing systemic risk. Furthermore, these innovations have favored trade volatility.

Two of the most important challenges today are related to the transparency and liquidity. There is also a pressure to impose an accounting system more efficient. By the way things are today, central banks and IMF-s tend to provide procedures for withdrawal without any fee.

Financial institutions may be inclined to discipline behavior if it would be the subject of pecuniary penalties. For example, it may require a few measures for the removal of speculation. From many points of view, conventional methods for the assessment of risks have become obsolete. Today, the complexity instrumentation available in the financial market shows that these methods are devoid of confidence.

Quantitative methods, used often in decision-making of investments and the assessment of the risks in the financial markets have inherently a conceptual error fail-safe. The work of the agencies evaluation will also be analyzed. Conflicts of interests, exaggerated confidence in quantitative models and insufficient attention to award of systemic risk items are to be checked.

6. Conclusions

Having regard to those analyzed, we think that that should be increased coordination between national monitoring and the entities of the settlement. However, the problems cannot be resolved only at the national level; financial markets reclaimed world a global approach.

There is a need for a transnational cooperation to be able to limit the potential devastating effects on global financial system and savings real.

Finally, the agony of the moment highlights the hazards that can produce them association decided in drawing up various policies and the need for a pragmatism increased, especially in the areas where we are talking about people's lives.

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