

THE FOREIGN INVESTMENTS IN THE ECONOMIES AFFECTED BY THE WORLDWIDE FINANCIAL CRISIS

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Content

The modern economies, in the context of the worldwide financial crisis are more and more related of the international financial cash-flows which, in the context of global and economical integration actions, play at the same time the role of cause and of effect into these financial cash-flows.

In this situation, the foreign investments represent for suppliers and for paymasters, during this crisis period, an investment on long term oversea, and for users, these investments can be materialized in two ways: direct investments and/or portfolio investments.

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The foreign direct investments are considered a real industrially package, which contains: capital, technology, organization methods, managerially experience, marketing methods, modern financial instruments, etc, which allow to the paymaster to have the control over the funds users but, at the same time, creates premises for a sustained development, on performing coordinates for the direct investments users, even during this profound financial crisis.

The portfolio investments are related to the financial investments and represent found investments oversea, in securities (value papers, patent acts, programs, etc.)

They generally mean buying shares and bonds which are published by the public authorities (countries, local authorities), by economical agents with national or private capital.

In present, the financial market uses a lot of financial instruments related to the monetary market, but also to the capital market.

These foreign portfolio investments don't give to the funds suppliers the right to manage the activity of the value paper issuers, but they offer to the investors important incomes and/or financial wins specifically to the financial market.

Regarding the financing procedures, as forms of the most representative practices of international economical cooperation, the two big classes of foreign investments can be characterize:

- The direct investments, which can be realized by different ways:

co-production, under-production, mixed production or marketing capital companies, tripartite international cooperation, production on order, production licenses cession, common programs

and instruments of research, special technical assistance, international marketing specialization, common goods offer, mixed banks, international banking consortium, etc.

- The portfolio investments, financing by the capital quotation or extra-quotation market, futures contracts, options, international factoring (the financial technique), etc.

Despite the global present crisis, foreign investments can happen in all the economical domains: industry, exploration and natural resources exploration, infrastructure and telecommunications, civil, industrial and military building, scientific research and technological development, marketing, transport, tourism and banking and assurance services, as in many other activities.

But, in some domains are necessary prior advices (for example, for the foreign investments in telecommunications, is necessary the advice of the minister. For the military investments, is necessary the advice of the Defense Minister, etc), but there are also domains where is interdicted the creation of enterprises or companies with foreign or mixed capital, as for example the activities which represents country monopoly or in domains interdicted by the law, as the production and commercialization of drugs, occult activities etc.

By the aspect of the nature of resources in the external finance, there are the following classes of foreign investments:

- investments financed by the own available resources, mobilized by the foreign paymasters, which can be: big foreign economical agents, natural persons, entities or collectivities, foreign state;

- investments financed by the own available resources, mobilized by the foreign paymasters, which can be: big foreign companies, natural persons, entities or collectivities, foreign state;

- investments financed by the foreign banking and financial system from different countries, system which goes over an internationalization action;

- investments financed by financial international organisms;

Basically, the foreign investments are related to the capital offer and demand from the international financial market and it's possible to appreciate that, into the present international financial crisis, for any financial market it's impossible to ignore the international market, as well as, thanks to the present expansion of the financial transactions, a part of the financial assets available in a country are invested in an another country, and a lot of the funds needs of the economical agents of a country are covered by external resources.

The external capital offer is related to the strategy and to the international development strategy, to the external due problem, and, finally, to the global economical atmosphere. Hereby, the international development strategy from the 6-th development decade of the United States, which regarded the period 2000-2010, has established an economical growth with 7% on year, able to assure the employment, with acceptable salaries, at the same time with the creation of the necessary resources for the social protection and for the environmental protection. Particularly, the alimentary protection should have an annually growing rate of 4%, near the resolution of the demographical and environmental problems. In reality, these provisions could not have been accomplished in many countries because the external capital offer did not evolve to sustain the development, according to the ONU predictions. There is, in fact, a real vicious circle, because the under-developed countries need resources, but, because they are under-developed, they are avoided by the foreign capital.

Regarding the foreign capital demand, there are more ways to attract the capitals from the international market:

- the financing of direct investments;

- the contraction of external credits;

- financial assistance for development;

- investments of securities, offered by the economical agencies from a country, on the capital market of an another country, or on more markets;

- joining on other countries bourse with financial investments;

It's very important also the inverse economical action, the cash outflow, named "the running" of the financial funds from the countries considered politically and economically unstable, over international capital markets, so that sometimes, paradoxical, the "poor countries" offer more funds to the "rich countries".

In these economical-financial process are concerned at the same time the authorities of the poor countries, that don't assure the development of their own economies or can not control the illegal cash-outflows, and the rich countries which allow "the money wash" or accept illegal speculative operations.

The international cash-flows of the last years can be characterize by a lot of important divisions, regarding the geographical orientation, their volume and their destination in the developed economies, comparative with the under-developed economies or the economies which are in transition, namely:

- a) first, these cash-flows have place, usually, between the economical developed countries, resulting a marginalization of the countries or zones less developed;
- b) second, the volume of foreign investments had a permanent tendency to grow for the economies of developed countries, but a tendency to go down for the under-developed or transition countries;
- c) on the impact of the spectacular grow of the international financial markets, the destination of the international financial funds modified as rapport between the direct and the portfolio investments; hereby, in the developed economies occur every day huge capital transfers on the share markets and extra-share markets. On the other side, for the under-developed economies, the portfolio investments are insignificant. For example, Romania has a very small daily transaction volume.

Conclusions

The conclusions that result from these aspects show that:

- the international cash-flows and the creation of extern investments are an aspect of the modern economies which are open, dynamic and with a high organization and stability level;
- the growth of the international financial markets role in this period of serious economical crisis created an orientation overt portfolio investments, so that the financial market has a big influence over the amelioration of the economical activity in general, and also over the necessity of an investment activity specially on micro and macro economical level for the countries where this type of investment was made;
- the creation of economical marginalization for some countries, related to a specially orientation on the international flows, bring to the growth of the economical global differences and of the economical crisis of these countries;

The possibilities to stimulate a development of the foreign investments depend of international political factors, but also of the specific factors of every country, especially in the less developed countries.

The big transformations and political openings after 1989 confirmed the fact that the east-European countries have a lot of natural resources, a cheap and high qualified labor, enough elements to attract foreign paymasters.

But the reality shows that in the modern economies exists other condition to locate the available resources for investments.

The foreign paymasters run first over the strictly economical interests, so they prefer the economies which are already based on economical principles and are politically stable, proved by the level of efficiency of the investments.

Other said, the foreign paymasters don't agree the economies from countries with problems of political instability, because the solution of the intern problems of a country costs and has too big risks.

So, a country can not attire an investment as long as that country don't have political stability, an economy that can be modernized, which can assure important economical effects, and the efficiency of the investments can allow the recovery of the amounts allocated in a short time.

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