

THE FOREIGN DIRECT INVESTMENTS ON THE RURAL AREAS

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The statistical data show that the agricultural and rural areas are less attractive for the foreign investors, even in the developed economies. The dilemma is that the national and international strategies for rural development should include actions in order to respect the foreign investors and transnational corporations' decisions, but in the same time they should solve the rural development social problems. The national and international policy with full regard for the right of each country to determine its own national policies and priorities is required to maximize the contribution of foreign investments to the goals of rural development and to ensure that the activities of foreign investors developing countries, in particular, by transnational agro-industry corporations, are not inconsistent with and do not impede the accomplishment of overall economic and social development objectives. This paper presents three priorities. First of all, it should be accelerated the development of national expertise in order to evaluate proposals for foreign investment in agriculture and other activities affecting rural development and work jointly with potential investors in formulating investment programs and projects that are compatible with national needs, priorities and objectives. Second, it should be oriented the current United Nations efforts related to transnational corporations toward the formulation of a set of criteria, adjusted where necessary for the special circumstances of each country. Third, Romania should eliminate the major obstacles, as regards land tenure and policy. The aim consists on assessing the operations of foreign investors with a view to increase their favorable impact on rural development

Key words: foreign direct investments, rural development, priorities

The statistical data show that the agricultural and rural areas are less attractive for the foreign investors, even in the developed economies.

During the past time, the foreign investments in agriculture and rural development have been still limited, not equal to the potentials as well as the advantages of this important sector. But, in 2003-2005 period, an important increase of the Foreign Direct Investments - FDI - was in the agricultural sector of the developed countries (18.8%), compared to 1989-1991 period [4].

The dilemma is that the national and international strategies for rural development should include actions to respect the foreign investors and transnational corporations' decisions, but in the same time they should solve the huge rural development social, ecological, cultural problems.

MATERIAL AND METHOD

This paper considers that the foreign direct investments are very important on the every modern economy and it investigates the evolution of these investments on the agricultural and rural development.

This research is based on the idea that the national and international policy with full regard for the right of each country to determine its own national policies and priorities is required in order to maximize the contribution of foreign investments to the goals of rural development. Also, they should ensure that the activities of foreign investors into developing countries (in particular, by transnational agro-industry corporations) are not inconsistent with and do not impede the accomplishment of overall economic and social development objectives.

The most important data and comments about FDI evolution come from Romanian Agency for Foreign Investment (ARIS), Foreign Investors Council (FIC), National Bank of Romania (BNR), European Commission (EC), World Investment Report - United Nations Conference on Trade and Development (UNCTAD).

RESULTS AND DISCUSSIONS

Global FDI inflows increased in 2006 to \$1 306 billion – an expansion of 38% compared to 2005. FDI inflows into South-East Europe and the CIS grew by 68%, to \$69 billion – a significant leap from the inflows of the two previous years [9].

Estimated world inward Foreign Direct Investments (FDI) flows, by sector and industry, 1989-1991 and 2003-2005 emphasize the FDI trends toward services and manufacturing sectors as total value, compared to primary sector. Definitely, the per cent level of the FDI is 2-4 times bigger than the per cent on primary. Primary sector percentage for the FDI flows grew for 4.6 times, and in manufacturing sector grew 2.7 times.

FDI on primary sector grew persistently seven times, but this increase reports to the mining, quarrying and petroleum industry, meanwhile the agricultural FDI grew only 400% and the value level were 36 times less than mining, quarrying and petroleum industry. The entire primary sector was reduced from 4.6% in the period 1989-1991 to 2.7% in the period 2003-2005 [2].

From data analysis of two countries categories– developed and developing, results the tendency of the most important FDI flows towards the primary of the developed economies. FDI grew from 70.1% to 76% (Table 1).

Also, in the period 2003-2005 an important increase of the FDI was in the agricultural sector of the developed countries (18.8%), compared to 1989-1991 period, when it was noticed decrease of the FDI with 5 million dollars [2].

Table 1

Estimated world inward FDI flows, by total world, primary sector and agricultural, hunting, forestry and fishing industry, 1989-1991 and 2003-2005 (%)

Sector/ industry	1989-1991			2003-2005			
	World	Developed countries	Developing countries	World	Developed countries	Developing countries	S-E Europe and CIS
Total	100	80.4	19.6	100	67.9	28.3	3.8
Primary in total	7.2	70.1	29.9	9.7	76.	18.5	5.5
-agricultural, hunting, forestry and fishing in total primary	4.6	-	100	2.7	18.8	76.1	5.1

Source: UNCTAD, *World Investment Report, 2007, Transnational Corporations, Extractive Industries and Development*, New York and Geneva, 2007, p.227,
http://www.unctad.org/en/docs/wir2007_en.pdf.

This paper considers that three priorities are very important in these circumstances.

First of all, it should be accelerated the development of national expertise in order to evaluate proposals for foreign investment in agriculture and other activities affecting rural development and work jointly with potential investors in formulating investment programs and projects that are compatible with national needs, priorities and objectives.

Second, it should be oriented the current United Nations efforts related to transnational corporations toward the formulation of a set of criteria, adjusted where necessary for the special circumstances of each country.

Third, Romania should eliminate two major obstacles, as regards land tenure and policy. These are the followings:

- (i) identifying the rightful people to deal with concerning land;
- (ii) security of title to land.

These two problems are particularly true for customary land [3].

The aim consists on assessing the operations of foreign investors with a view to increase their favorable impact on rural development of particular benefit to the rural poor and encourage the adoption of policies, regulations and other measures by which these criteria are observed.

CONCLUSIONS

National and international action with full regard for the right of each country to determine its own national policies and priorities is required to maximize the contribution of foreign investment to the goals of rural development and to ensure that the activities of foreign investment in developing countries, in particular by transnational agro-industry corporations, are not inconsistent with and do not impede the accomplishment of overall economic and social development objectives. Special attention should be given, with the aid of specialized

international organizations as necessary, to the ecological ramifications of such investment.

Romania attracted large inflows of foreign direct investments (FDI), thanks to an improved business environment and still-low labor costs. The Romanian Agency for Foreign Investments ARIS put foreign direct investments at 7 billion euros in 2008. Cumulative, in Romania, FDI between 1990 and 2005 has reached over \$ 21.5 billion, total sum for all of Romanian economy's sectors.

But still there are possible many contradictories evolutions generated both by Romanian government decisions and by the influence of the external factors [8].

Many challenges must be addressed to enhance competitiveness and to attract additional FDI.

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