

THE INVESTMENT POTENTIAL OF SIBIU COUNTY

LUCIAN Paul

Lucian Blaga University of Sibiu

Abstract:

In order to support its economic development, Romania offers various stimuli to investors, in accordance with European law. Recently, the Department for Infrastructure and Foreign Investments was established. It benefits from support from the Romanian state and encourages investors to come here and invest in areas such as: environment, energy, research, etc. In their turn, foreign investors analyze several factors and make various analyses between states. These interest factors are: costs with constructions and land, labour, the fiscal system, human resources, infrastructure, etc. Concerning the interest factor in Sibiu, manifested through the potential investors, the county is an interesting prospect for foreign investments. It is a known fact that FDI's create both positive and negative effects. Due to the fact that foreign investments are economic activities which take longer periods of time and which require considerable financial and human resources, they generate risks. In order to avoid risks, local administrations and governments in host countries must respect their promises.

Keywords: *foreign direct investments, investment potential, government offered subsidies, interest factors, European legislation.*

JEL classification: *A10*

In order to support the local economy, most developing countries seek to attract foreign investors. Attractiveness is increased once the stimulus offered by the state increases. Most analysis claim that the Romanian economy only stabilized but economic growth is weak, compared with the country's investment potential.

The growth of only 0, 7 % registered by the GDP in 2012 is far below the possibilities of investments. Foreign investors appreciate that there is no

warranty from the Romanian state, at this time, that the structural reforms which are required should not delay and the moving onwards of the economy is taking place at a very slow pace. International institutions, the World Bank, the IMF and the European Community continue to support the idea that Romania can re-launch its economy by strengthening its structural reforms, attracting strategic investors for state owned companies and reducing debts. Stimulus which Romania offers after January 1st is in accordance with the regulations of the European Union, which forbids any member state to offer help to a company which gives it an unfair competitive advantage in relationship with the competition.

Considering increased globalization and the diversifying of foreign investors` production, which has higher added value due to lower production costs, FDIs are of increased importance for Romania. (Mirela Matei, *Investitii Straine Directe*, 2004).

Considering the same sell price for goods produced abroad, a larger profit is included for those who make them in Romania. This is because the made investment is a factor of GDP redistribution within the host country. It has been proven that FDIs create positive effects for the host country, economically and socially. Such an effect is the increased competition between local and foreign investors, because each of them does not want to be eliminated from the market (V.Cojanu, *Integrare și competitivitate*, 2007).

They need production equipments, more advanced technology and more qualified staff. (Mirela Matei, *investiții străine directe*, 2004).

Thus, economic competitiveness will increase locally.

A negative effect generated by foreign companies on companies with Romanian stockholders is the loss of market share due to a lack of competitiveness. Foreign investors will make more exports from Romania. Thus, local firms lose the chance to export Romanian products. Respecting the unique market principle, Romania provides benefits for foreign investments. This negative phenomenon can only be improved by increased quality and efficiency of Romanian products in order to penetrate the Unique Market.

Specialists claim that periods of increased economic competitiveness are characterized by attracting important foreign investment flows, as there is interdependency between them.

Romania set up, by Government decree no. 7/2013, the Department for Infrastructure Projects and Foreign Investment, which has several functions: establishing a policy, regulation and management of state property

representation internally and externally. Under the new institution, companies should receive support from the state in terms of investments, which must be within the following areas: Processing, agro-industry, manufacturing, high-level electrical or thermal energy, environmental protection, water and wastewater recycling, information technology and communications research and development.

In turn, investors analyze the host country, as stakeholders aim to gain higher profit. In addition to subsidies provided by the state in accordance with EU regulations, before they decide to invest in one country or another, they examine the costs of land and construction, taxation, human resources, infrastructure, etc. Investors compare stakeholders from many countries and these comparisons are meant to provide argument for the decision to invest. Concerning direct investment factors affecting export-import costs, we find geographical location and transport infrastructure. For example, Sibiu County offers outstanding investment opportunities for economic development because over time it has developed adequate infrastructure: air, road and rail providing sector development and surrounding counties.

Sibiu has a vast number of roads which assure access through :

- E 81 - Valea Oltului with Vâlcea – Pitești - București ;
- DN 1 with Brașov - Ploiești - București ;
- E 68 Sebeș Alba – Deva - Arad - Nădlac – Curtici;
- DN 14 Mediaș – Sighișoara – Târgu Mureș
- Through Transfăgărășan towards Argeș county;
- On the Sebeș valley with Gorj county;

The county is crossed by the highway component of European Corridor 4 beginning at Nuremberg - Vienna - Budapest Nădlac - Arad-Deva - Sebes – Sibiu. The motorway is currently in progress and will be completed on certain sections shortly. It will ensure the development of the county (it is said that the economy develops, in general, on both sides of a highway, on a maximum 50 km radius).

The rail transport system undergoes an intense process of modernization with the purposeful integration of Copșa station and the Mediaș electrified railway in the national and European transport links ensuring:

- thoroughfare 200: Brașov - Podu Olt – Sibiu – Vințu de Jos – Deva – Arad - Curtici;
- Double main rail road on the sector Ucea – Podu Olt – Sibiu – Vințu de Jos.

- Thoroughfare 300: București – Predeal – Brașov – Blaj – Cluj Napoca – Oradea – Episcopia Bihor ;
- Double, electrified main rail road on the sector Sighișoara - Mediaș – Blaj - Coridorul IV Trans – European .
- Line 2008 : Sibiu – Coșta Mică;

The county has a modern airport with adequate infrastructure development activity for cargo type transports (buildings and infrastructure which are operating for this purpose), a large enough runway which enables the landing of large aircraft and climatic conditions which provide over 300 operating days per year without fog. The airport connects major cities throughout Europe and the operators are established companies in the field.

The current infrastructure is complemented by upgraded roads that allow quick connection with Medias and other cities as Agnita, Dumbrăveni, and favours rapid transportation of goods and passengers also investments in transport infrastructure which has as purpose to become a fast and efficient with the other towns of the county Avrig, Cislădie, Talmaciu.

Communication and urban infrastructure has undergone and is still undergoing a process of modernization, allowing production capacities in either urban or rural areas of the county, having a system of electricity and gas transmission which is in accordance with high requirements.

The wealth of this county is that it can provide products which are more competitive in all sectors and a qualified human resource. This is considered as a factor in the decision making process of investments, because it cannot be totally controlled and planned. This makes it possible to generate a risk investment activity. Sibiu has a highly qualified human resource, especially in the industrial field. The county engineers offer quality work while labour costs are low, compared to wages in Western Europe.

Sibiu county benefits from an old industrial tradition and has undergone a restructuring and modernization process which allows it to provide options to achieve investment goals. If investments are financed by domestic capital or foreign capital which is here a highly-skilled workforce, a tradition of industrial activities and possibilities for a positive location, the newer generations are becoming more and more diverse as a result of infrastructure development and achievement of nodes down the highway and the continuation belt of Sibiu city.

The industrial Area Sibiu - Sura Mica has an appropriate infrastructure and already hosts big names of the European industry: Continental

Automotive Systems, Marquardt Schaltsysteme, Khunke Production, Brandl E, Takata, SNR bearings; together, the six companies have over 6,300 employees and have an income of approximately £ 2.5 billion in the last financial year. Besides them, there are other companies: Gühring OHG, Bramac, Phoenix Mechano Switzerland, RUD Kettenfabrik Rieger & Dietz, Polisano Pharmaceuticals, MEWA, TAS, Siemens, Delphi, Grainer, Poliflex Krupp - Bilstein, Tondach, Winerberger, Compa (factory in Sibiu with old traditions in mechanical engineering), to the business of the automotive industry, building materials, industrial robots, moulds, plastics and pharmaceuticals.

Another area that may be subjected to a process of investment is Medias city, where there is the largest centre for coordinating Romania's gas resources and related industries which the development of gas sector requires. Here we find several Auto Components manufacturing companies active, such as Kromberg & Schubert or Automecanica.

Other areas also benefit from old traditions in industry. Such cities include Cisnădie, which has over 100 years traditions within light industry. Textile companies such as Somarest, Transeuro Textile, Ragu exist. Also, the Hartmann plus company is producing automotive components here. The town of Avrig also benefits from old industrial traditions: here, platforms related to mechanical engineering were developed. Miercurea Sibiu intends to build a large industrial park of Belgian investment, to attract new companies and new investors in the textile industry, the most important being Benetton.

The county has great potential for agricultural development, development of landforms are favourable to growing livestock, sheep and cattle are processing factories however need more investments, in order to ensure the processing of raw materials in line with European Union requirements.

The labour laws in Romania include indicators that give rigidity of employment data employment contract rigidity and analyzing indicators of employment (difficulty of hiring, rigidity of hours of work, the difficulty of redundancy) we see that there is a protectionist legislation which attempts equilibrium between the employer and employee, but satisfies the interests of both parties.

The economic potential of the county is supported by an educational system that provides a highly skilled workforce in the existing pre-university colleges and professional schools, which are very well adapted to the needs of

the labour market, not only in cities like Sibiu, but also in Săliște, Cislădie, Agnita, Medias and Dumbrăveni.

The local higher education system consists of Lucian Blaga University, an institution with European recognition that provides a wide range of specializations in accordance with the requirements of companies active in the local market and has developed a partnership with them, the Romanian – German University, Alma Mater University and the Land Forces Academy "Nicolae Bălcescu".

Another important factor in the investment decision is the tax system of the host country (Miniculeasam Fiscal Policy, 2009). In Romania, foreign investments are supported by tax rate of 16% of structural funds received from the EU. For the financial year 2007 - 2013 Structural Funds and the Cohesion of 19.667 billion Euros and future financial year 2014-2020 will be 39.8 billion of structural funds and agriculture. Sibiu County has many opportunities for investment and tourism.

Conclusions

Sibiu is the only city in Romania which has received 3 Michelin stars was European Cultural Capital in 2007, was the place where the Third Ecumenical Assembly was held, the Hilton Hotel which is part of one of the most prestigious hotel chains in the world. Thus, the city does not only provide ways for leisure, but also investment opportunities to develop the booming tourism infrastructure. Also, Ocna Sibiului`s "Black Transylvania", with a history of Maria Theresa expects new investments as well as the tourist resort Păltiniș which has drawn up a development plan that the altitude could become a ski resort for a long period of year and so requires investment.

Another open area is the Hârtibaciului valley, where investments within Saxon cities and tourist area Marginimea Sibiu helped tourism development. This tourism potential is also supported by the two roads which are a touristic attraction, Transalpina and Transfăgărășan, the latter being praised by the magazine Top Gear.

Many activities which investors can place in Sibiu create new jobs in a well structured and growth potential.

Most frequently assessed risks by investors refer to ownership, fiscal policy, budget expenditure, inflation, exchange rates and other such notions. To improve the investment activity in our county, policymakers must consider

the risks which investors face. In this regard, local authorities should always respect their promises..

References

- Valentin Cojanu, Integrare și competitivitate, Editura ASE , București 2007
- Mirela Matei, Investițiile străine, Editura Expert, București 2004
- Mădălin Irinel Niculeasa, Politica fiscală, Editura C.H. Beck, București 2009
- Marian Stoian, Managementul investițiilor publice, Editura ASE, București 2010
- Ion Stancu, Investiții străine și finanțarea lor, Editura Economică, București 2003
- John H. Dunning, Multinational Enterprises and the Global Economy, Addison-Wesley Publishing Company, London Development of the Romanian Beverages Producer, Euromonitor 2012
- Romania trade and invest, CRPCIS 2012
- Brussels, 7.7.2010, COM(2010)334 final, Regulațion of the European Parliament and of the Council, establishing transitional arrangements for bilateral investment agreements between Member States and third countries
- HG 7/2013 privind organizarea și funcționarea Departamentului pentru proiecte de infrastructură și investiții străine
- M.Negrus, Plăți și garanții internaționale, Ed. Economică, 2006