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**The Impact of the COVID-19 Pandemic
on Foreign Investments in Romania
Case Study on Brazilian and Indian Investments**

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Abstract

A virus originating from China was declared a pandemic at the beginning of 2020. The international epidemiological situation generated by the outbreak of the COVID-19 pandemic has strongly influenced the economic balance. Thus, worldwide in 2020 there were decreases in foreign investments, which are the key element in global economic development. In Romania, according to relevant institutions, foreign direct investments are influenced by cheap workforce, qualified workforce, as well as the availability of natural resources. This paper includes two parts, made up of descriptive research and qualitative research. The descriptive research is based on statistics and data from the official reports of the National Trade Register Office. The aim is to pinpoint the number of firms with foreign participation in the capital during the 2020-2022 COVID-19 pandemic, compared to 2019. Also, the paper identifies the fields of interest for investors from Romania, as well as their nationality. The qualitative research is carried out with the support of the diplomatic representatives of Brazil and India in Bucharest. The method used is the questionnaire-based survey and the goal is to identify Brazilian and Indian investments in Romania during the pandemic. The impact on foreign investments in our country was not devastating; the data indicates that from December 2019 to December 2022, they increased by 7.6 %. As for the number of foreign investors, Italy leads the ranking, but according to the value of the capital subscribed, the Netherlands is at the top of the ranking. During the pandemic, Romania attracted significant Brazilian and Indian investments on the market. The contribution of this paper consists in the fact that it is demonstrated that the COVID-19 pandemic did not affect foreign direct investments in Romania; on the contrary, this period was beneficial.

Keywords: COVID-19, Romania, foreign investments, Brazil, investors, India.

JEL Classification: E22, E32, F1, F21, N76.

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1. Introduction

Foreign investments are the key element in global economic development. The international epidemiological problem generated by the outbreak of the COVID-19 pandemic has strongly influenced the economic balance. Thus, worldwide, but also in Romania, in 2020 there were decreases in foreign investments. The coronavirus pandemic and the inception of the Russia-Ukraine military conflict stopped foreign investments, because investors' confidence in the stability of the market dropped precipitously. It is important to emphasise that both the pandemic and the war offered investment opportunities (Hagiu, Barbulescu, 2022). At the macroeconomic level, the percentage of foreign investments is strongly influenced by the growth of GDP and GDP per capita. On the one hand, the high inflation rate and financial crises negatively impact the index of foreign investments. In Romania, according to relevant institutions, foreign investments are influenced by cheap labour force, qualified labour force, as well as the availability of natural resources, with great potential. Thus, it was identified that the GDP influence foreign investments by 5 % (Carp, 2014).

The purpose of this article is to point out the number of foreign companies in Romania, with participation in the capital during the 2020-2022 COVID-19 pandemic, compared to 2019, as well as the sectors of interest and the nationality of investors. Considering that there are not enough studies on Brazilian and Indian foreign investments in our country, this paper aims to follow their evolution during the pandemic.

2. Problem Statement

As far as Romania is concerned, foreign investments grew rapidly after 2007, the year of the country's accession to the European Union. Thus, many foreign companies started investing in the Romanian market, such as Lafarge Group (French capital); CarpatCement Holding (Danish capital); or Holcim (Swiss capital). In Romania, most foreign investments were in urban agglomerations, and at the country level, the fewest were in the north-east and south of the country, the two regions being the poorest in the country (Popescu, 2012). At the level of the economy of this country, it has been identified that the percentage of foreign investments can be developed by increasing the volume of exports, the trade balance and the balance of payments (Popescu, Brostescu, 2022). The main actor in foreign direct investments in Romania remains the EU, both before and after 2007 (Andrei, 2012). The change in the political regime in 1989 in Romania had a positive impact on foreign investments in this country (Stanciu, 2016). The factors that support Romania towards a long-term development are foreign direct investments, the opening of trade and the workforce. At the same time, the increase in GDP, exports, imports, and the workforce attract long-term foreign investments (Ciobanu, 2020). Romania is an attractive destination for foreign investments, because this country attracts more and more foreign investments. In principle, most foreign investments in our country are European. Currently, in order to receive foreign investments, it is important to maintain a balance in the business environment, as well as in the predictability of the

legislation, the goal being the clarity of the rules and the rights of entrepreneurs; economic infrastructure; transparency in the activity of state bodies; confidence in the Romanian business environment (Pîrvu et al., 2021).

Countries with a high volume of production are more open to invest in Romania, by opening an office/headquarter, compared to foreign companies with a low production. Companies with low production volume prefer exports to the detriment of investments. By attracting foreign direct investment, Romania created new jobs, increased the standard of living, and ensured better protection of consumers and competition (Simionescu, 2018). In the era of globalisation, foreign investments are considered to be an important part in the financial development of countries. For example, the BRICS (Brazil, Russia, India, China, South Africa) represent an attraction for foreign investors, due to the size of the market, the cost of labour, macroeconomic stability, infrastructure, and the large volume of trade (Mudiyansele et al., 2021).

This work is innovative, because Brazilian and Indian investments in Romania are analysed during the coronavirus pandemic. Thus, the new companies appearing on the market during this period were identified, as well as the values in euros invested. In addition, attractive sectors and fairs in Romania for investors from Brazil and India were researched.

3. Research Questions / Aims of the Research

The purpose of the research is to respond to the issue of the evolution of foreign investments in Romania, during the period of the pandemic, compared to the non-pandemic year, 2019. Thus, the evolution of the number of enterprises with foreign capital on the Romanian market in recent years will be researched. The aim of the research is to analyse the ranking by country of investors in firms with foreign participation depending on the number of companies, as well as depending on the value of the capital subscribed in lei, in the period 2020-2022. Simultaneously, the evolution of investment sectors in Romania, compared to 2019, is also being researched.

The case study of the research is based on Brazilian and Indian foreign investments during the pandemic, namely the sectors of interest for foreign investors, the newly established companies, the amounts invested, but also the fairs of interest, organised in Romania.

4. Research Methods

The research of this paper includes descriptive research and qualitative research. The descriptive research is based on statistics and data from the official reports of the National Trade Register Office. The methods used are observation, analysis, processing, and synthesis of the statistical data. In this paper, the number of enterprises in Romania in the period 2020-2022, compared to 2019; the ranking by country of investors in firms with foreign participation, according to the number of companies; the ranking by country

of investors in enterprises with foreign participation according to the capital subscribed in lei; and the fields of activity of the foreign companies will be presented.

The qualitative research includes interviews with open-ended questions with diplomatic representatives of the Embassy of Brazil and India in Bucharest. The interviews seek to identify the Sectors of interest for Brazilian and Indian investors; Fairs and exhibitions organised in Romania of interest to investors; and the Strategies of the commercial sectors in the embassies, with the aim of attracting foreign investments.

5. Findings

5.1 Descriptive Research

Table 1. Ranking by country of residence of investors in enterprises with foreign participation - December 31, 2019

2019	
226.892 companies	
Ranking by country of investors in companies with foreign participation - on December 31, 2019, depending on the number of companies	The ranking by country of investors in companies with foreign participation - on December 31, 2019 according to the amount of the subscribed capital in lei
Italy 21.72 %	Netherlands 21.05 %
Germany 10.31 %	Cyprus 11.03 %
Turkey 7.05 %	Australia and Germany 9.56 %

Source: Data processing from <https://www.onrc.ro/index.php/ro/statistici?id=254>.

In December 2019, the structure of the value of the social capital subscribed by firms with foreign participation was 48.27 % for Wholesale and retail trade; 31.73 % for the Extractive industry; and 11.23 % for Transport and communications.

Thus, the research shows that in 2019, there were 226.892 enterprises in Romania, of which most were from Italy, depending on the number, and the Netherlands, depending on the value of the subscribed capital in lei. The sector preferred by foreign investors in 2019 was Wholesale and retail trade (48.27 %).

Table 2. Ranking by country of residence of investors in enterprises with foreign participation - December 31, 2020

2020	
230.976 companies	
Ranking by country of investors in companies with foreign participation - on December 31, 2020, depending on the number of companies	The ranking by country of investors in companies with foreign participation - on December 31, 2020 according to the amount of the subscribed capital in lei
Italy 21.46 %	Netherlands 21.20 %
Germany, 10.19 %	Cyprus 11.04 %
Turkey, 7.01 %	Australia and Germany 9.58 %

Source: Data processing from <https://www.onrc.ro/index.php/ro/statistici?id=254>.

In December 2020, the structure of the value of the social capital subscribed by firms with foreign participation was 56.28 % for Electric and thermal energy, gas, and water; 23.82 % for Agriculture; and 5.55 % Financial intermediation.

In 2020, the number of foreign companies in Romania increased by 1.8 % compared to 2019. Italy and the Netherlands remain the leaders among foreign companies in Romania. It is highlighted that in 2020, the sector of interest for foreign investors was that of Electric and thermal energy, gas, and water (56.28 %).

Table 3. Ranking by country of residence of investors in enterprises with foreign participation - December 31, 2021

2021	
236.847 companies	
Ranking by country of investors in companies with foreign participation - on December 31, 2021, depending on the number of companies	The ranking by country of investors in companies with foreign participation - on December 31, 2021 according to the amount of the subscribed capital in lei
Italy 21.32 %	Netherlands 21.01 %
Germany 10.18 %	Cyprus 11.02 %
Turkey 7.07 %	Australia and Germany 10.41 %

Source: Data processing from <https://www.onrc.ro/index.php/ro/statistici?id=254>.

In December 2021, the structure of the value of the social capital subscribed by firms with foreign participation was 40.94 % for Agriculture; 34.33 % for the Extractive and processing industry; and 10.10 % Real estate transactions.

In 2021, the percentage of foreign companies in Romania increased by 2.5 % compared to 2020, and the sector preferred by foreign investors is Agriculture (40.94 %).

Table 4. Ranking by country of residence of investors in enterprises with foreign participation - December 31, 2022

2022	
244.215 companies	
Ranking by country of investors in companies with foreign participation - on December 31, 2022, depending on the number of companies	The ranking by country of investors in companies with foreign participation - on December 31, 2022 according to the amount of the subscribed capital in lei
Italy 21.09 %	Netherlands 21.28 %
Germany 10.16 %	Cyprus 10.77 %
Turkey 7.17 %	Australia and Germany 10.36 %

Source: Data processing from <https://www.onrc.ro/index.php/ro/statistici?id=254>.

In December 2022, the structure of the amount of the social capital subscribed by firms with foreign participation was 46.57 % for the Extractive and processing industry; 26.48 % for financial intermediaries and insurances; and 16.79 % for Electric and thermal energy, gas and water.

In 2022, the number of enterprises was 244.215 in Romania, a 7.6 % higher than in 2019 and 3% higher than in 2021. Italy and the Netherlands remain the main

actors, but the sector of interest is changing, being the Extractive and processing industry (46.57 %).

5.2 Qualitative Research

5.2.1 Interview with the Former Ambassador of Brazil in Bucharest, Her Excellency Maria Laura Da Rocha

1. Which sectors in Romania have attracted investments from Brazilian businessmen in the last 3 years?

With regard to micro-enterprises, during the pandemic, at the end of 2021, a Brazilian businessman established in Romania opened a food truck with Brazilian food, in the middle of Bucharest, at Piata Unirii. The company is called Hot Brazilian Snacks and sells traditional Brazilian products. In addition, another Brazilian businessman invested in Buzau, a Brazilian fast-food chain. The restaurant is called Brazuca and sells specifically Brazilian products. As far as higher investments are concerned, VTEX, a Brazilian digital commerce company, which entered the Romanian market in 2018, invested US\$ 1.5 million in the Romanian platform in 2020, during the pandemic. And the Brazilian Stefanini invested in Romania in 2021, opening an operational security center to meet the needs of the company's customers in the Europe, Middle East and Africa region. The center is run in Bucharest and already has a significant number of highly specialised cybersecurity experts. Currently, the company employs 1800 people.

2. During the COVID-19 pandemic, which international fairs and exhibitions organised in Romania attracted companies from Brazil?

In 2022 at BSDA – International Defense, Aerospace and Security Exhibition for the Black Sea (2022), Brazil was represented by Embraer and Mac Jee. Embraer presented projections and mockups at the fair with the model of the KC-390 Millennium aircraft. The company Mac Jee was present with models of its BGB-82 500 LBS and BGB-84 2000 LBS products, as well as light projections with the Armadillo land defense system.

3. What is the strategy of the Embassy of Brazil in Bucharest to promote Brazilian entrepreneurs and attract Romanian investments, after the imbalance caused by the COVID-19 pandemic?

For 2023, we propose to resume the organisation of the Business Roundtable, to attract more Brazilian businessmen, Romanian entrepreneurs, and authorities from both countries, in order to support and develop the Brazil-Romania economic exchange.

5.2.2 Interview with the Representative of the Commercial Economic Sector within the Embassy of India in Bucharest, Mr. Arijit Laha

1. Which sectors in Romania have attracted the investments of Indian entrepreneurs in the last 3 years?

India's investments in Romania are not that big; according to an estimate they amount to approximately US\$ 1-1.5 billion. Romania offers foreign investors some special facilities that Indian investors can take advantage of. One of these facilities are the State Funds for business expansion in Romania or the opening of a new business, preferential rates for utilities and the tax rate, and the rapid allocation of land. Currently, there are approximately 400 Indian companies that have invested in Romania. The attractive sectors are IT, the steel processing industry, and the pharmaceutical industry. The largest Indian investor in Romania is the Liberty Steel Group from Galati (the steel plant), founded by Sanjeev Gupta. In 2020, Liberty Galati completed an investment of EUR 13.5 million, for modernisation. The Indian IT company Yash Technologies, with over 8000 employees globally, entered the Romanian market in 2022.

2. During the COVID-19 pandemic, which international fairs and exhibitions organised in Romania attracted companies from India?

During the pandemic, a delegation of six important members of Tata Advance Systems participated in Black Sea Defense and Aerospace – BSDA 2022, which took place in Bucharest between 18-20 May 2022. Also, many Indian companies participated in the ROMEXPO fairs, mainly at the Rommedica fair, both in 2021 and in 2022.

3. Which is the strategy of the Embassy of India to promote Indian entrepreneurs and attract Romanian investments, after the imbalance caused by the COVID-19 pandemic?

The Embassy of India in Romania is ready to guide all entrepreneurs from Romania and offers all the necessary assistance to those who are interested in investing in India and developing commercial relations with India. The embassy aims to advertise India's tourism and trade in the future, on all possible channels (newspaper, social networks, etc.). In order to attract Indian investments in Romania, the Embassy of India organised a forum and an exhibition between July 27 and July 29, 2022, in partnership with the Chamber of Commerce and Industry of Romania (CCIR).

6. Conclusions

In conclusion, the COVID-19 pandemic did not affect foreign investments in our country. In 2019, there were 226.892 foreign companies on the market, their number increasing every year. In 2022, the number reached 244.215 companies, 7.6 % more than in 2019. Depending on the number, most foreign companies in Romania have Italian capital. Depending on the amount of the subscribed capital in lei, the

Netherlands is the main investor in Romania. The sectors of interest of foreign investors vary every year, from Wholesale and retail trade, to Electric and thermal energy, gas and water or to Extractive and processing industry.

Regarding Brazilian investments, this is an innovative topic, because currently there are not enough studies and analyses on this matter in Romania. During the pandemic, in 2021, Brazilian investments increased, through the opening of two Brazilian-specific restaurants, Hot Brazilian Snack and Brazuca. In addition, investments in the IT sector have experienced expansion, the Brazilian collaborative trade company, VTEX, is investing in 2020, US\$ 1.5 million in a platform. And the Brazilian company Stefanini opened an operational security center in 2021. Also, the BSDA – Black Sea Defense and Aerospace 2022 fair attracted the defense companies Embraer and MAC Jee to present their products at the event. Thus, Brazilian investments increased during the health crisis, the main sectors of interest in Romania for Brazilian investors being that of Public Food; IT and Defense.

Regarding Indian investments, the steel plant Liberty Steel Galati is the main Indian company in Romania, investing EUR 13.5 million in 2020 for modernisation. In 2022, Yash Technologies, an Indian IT company, was also opened. BSDA – Black Sea Defense and Aerospace 2022 fair attracted the company TATA Advance Systems, and the Rommedica fair at Romexpo attracted Indian companies from the pharmaceutical industry. Therefore, the main sectors in Romania of interest for Indian investments are the steel processing industry, the pharmaceutical industry, IT, and defense.

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