INTERNATIONAL FUNDING AND LENDING

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Abstract:
The practice of recent years has developed a series of specific foreign lending mechanisms involving a large number of banking consortia and other financial intermediaries. The international credit and debenture market analysis highlights the major problems faced by developing countries in financing their internal deficits. External debt accumulated over time by developing countries to accelerate structural reforms has now become a global problem that concerns both debtor countries and especially international creditors.

Key words: *credit, international, investment*

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In international financial-currency relations, credit operations hold the second place in terms of volume after bonds. External credit is still a worthy option to be considered by public or private entities that need resources for the conduct of their trade operations or to finance investment projects.

The practice of recent years has developed a series of specific foreign lending mechanisms involving a large number of banking consortia and other financial intermediaries (warranty institutions, insurance companies, financing companies, investment banks, etc.).

International credit market has experienced over time a continuous development, with mobilized resources increasing each year.

The analysis of the present state of the international credit market and its previous evolution provides a few ideas and future trends:

- international credit is increasing compared to funding by means of issuance of bonds;
- developed countries prevail within the total volume of credit, still following an increasing trend;
- a downward trend in the volume of credit to developing countries;
- an increasing trend of short-term credit (especially for developing countries);
- a downward trend of the banking system in international credits in favor of the private sector.

The international credit and debenture market analysis highlights the major problems faced by developing countries in financing their internal deficits (budgetary, fiscal or from their external balance of payments).

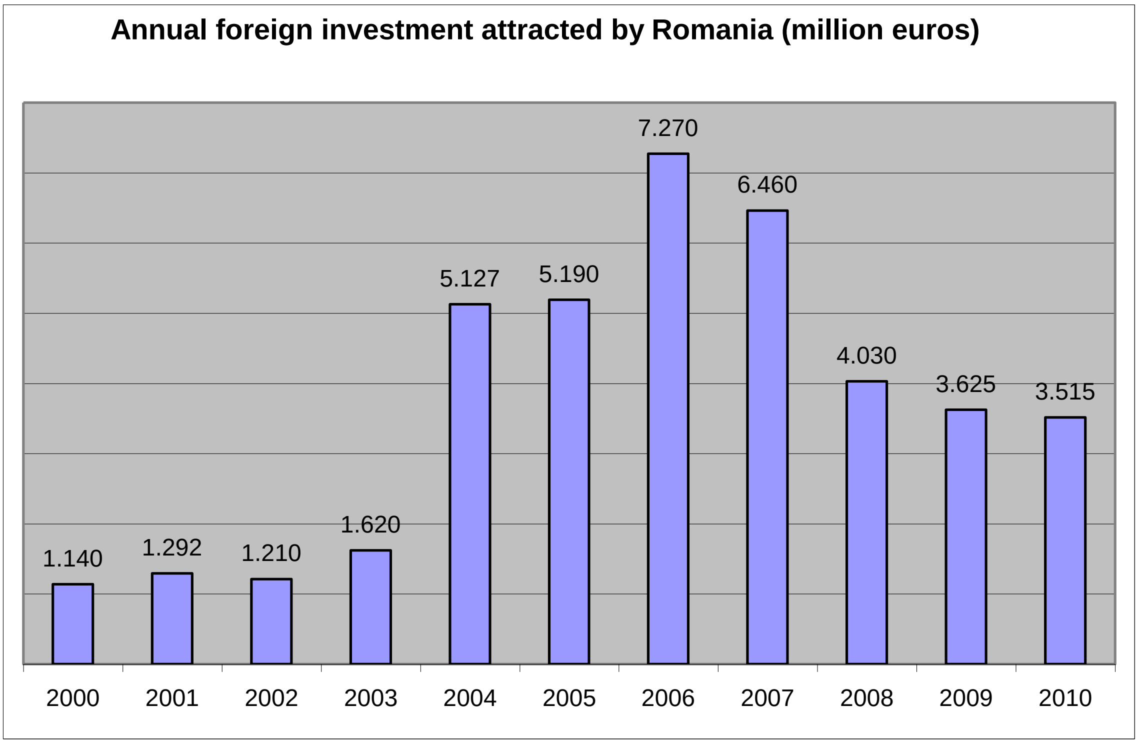
External debt accumulated over time by developing countries to accelerate structural reforms has now become a global problem that concerns both debtor countries and especially international creditors.

The total external debt of developing countries increased at a dizzying pace - nearly 35 times in the last thirty years - almost doubling from year to year. There are a lot of cases where countries facing major crises became unable to repay their external debt, often requiring repeated renegotiation or rescheduling.

Over the last 30 years, the ratio between public and private non-guaranteed debt has show that although the total external debt increased from year to year, this expansion took place mainly on account of the public sector.

A particular category of developing countries are emerging markets, including countries in transition and implicitly Romania, which holds a special place in international financial flows. External credit to these countries increased from year to year, as by implemented reforms and accumulated experience, emerging markets have managed to attract more and more capital from international creditors (public or private).

For the period 2006-2010, the forecasts of specialists have placed Romania on the 31st place in the world in terms of investments attracted. Thus, Romania has attracted on average 4.1 - 4.2 billion annually (about 0.5% of total FDI flows worldwide).



Source: INS, BNR

Current worldwide developments and trends are tightly related to the phenomenon of investment. Deepening interdependence among national economies is marked by great expansion of international investment in its multiple facets.

Investing is any use of an asset as a capital gain to a future period. If the parts to the investment are from different countries than where the investment takes place, it assumes the character of international investment.

International investments may take forms like:

- purchase of shares and / or bonds on foreign markets or issued by a company in another country;
- setting up a new company or opening a subsidiary in another country;
- granting financial credit of a trader from another country or a foreign trader operating on its own market;
- acquisition or merger with a foreign company;
- capital investment participation in the formation of joint ventures.

The economic advantages of foreign investment are:

➢ **for foreign investor:**

- capture a market segment in the country where the investment takes avoiding tariff and non tariff barriers;

- use of raw materials, labor and other resources of the country receiving the investment without additional costs of transportation, workforce training;
- entering the market finished the neighboring country where investment is made, with low costs of transport and service.

- **for local operator:**
- placing the company existing or new firm of machinery, technology solutions and organizational peak, with beneficial effects for the entire national economy;
  - amplification using existing production capacities by enlarging the market, new products may be exported under the new brand, best known on the international market;
  - exploitation of local resources (materials, labor, construction, transport, telecommunications etc.).

In international practice, foreign investment funding sources are:
- investing company's financial results;
- resources of banks that can provide medium and long term loans;
- capital market resources mobilized through placement of shares and bonds;
- government funds;
- individual funds etc.

For investors the choice of source of funding is a complex choice, based primarily on its cost (interest, commissions, dividends) and the conditions of access, use and repayment. It will need to investigate the financial market, capital and credit to obtain the necessary financial funds at a cost as low.

International movement value is determined primarily by the economic cycle of goods and services. These international flows of value are completed and accelerated financial and credit allocation.

This kind of division is the financial system and monetary response to a need to address global problems of mankind, and to amplify the interdependence of states, of globalization.

Economic communication process by money is the possibility to widen, to diversify and to correct the operational and effective distribution through financial and credit. Value becomes more complex messages, including information on distribution partners, the objectives financed, for conditioning multiple access to international credit and financial funds.

Through the operation of financial and credit markets, global economy is achieved as a dynamic economic system, with self-sustainable mechanisms.

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