THE ROLE OF FOREIGN DIRECT INVESTMENT IN THE AUTOMOBILE INDUSTRY IN ROMANIA

Assistant PhD CEAUȘESCU IONUT,
CONSTANTIN BRÂNCUȘI UNIVERSITY OF TÂRGU-JIU,
FACULTY OF ECONOMICS AND BUSINESS ADMINISTRATION,ROMANIA
ionutaurelian81@yahoo.com

Abstract

Direct foreign investment consists of the placing of funds to an economic objective that works abroad, for the purpose of obtaining a certain degree of control over it. Therefore, foreign direct investments are those types of investments in which investors issuers of investment flows have the ability to control and decision on the activity of economic agents receivers of investments.

Foreign direct investments have three components, namely: social capital, reinvested profit and loans inside the company.

Foreign investment is at this time the engine Romania's development strategy, among the biggest investors in Romania in the country being French Renault group. The investment made, Renault has increased as a brand name, DACIA, extending over boundaries of the country even on the American continent were said so, benefited from your investment both Romanian state, as well as Renault.

Keywords: economic balance, natural environment, direct foreign investment

JEL Classification: D24, O10, O14, O18

1. Introduction

At the moment the industry in Romania is characterized by a disturbance generated on the one hand the infusion of foreign capital and on the other hand the Romanian producers of automobile spare parts, which is in a constantly evolving, constantly prospectand market, for the establishment of new contacts, in for conclusion of new commitments with foreign partners. Foreign capital is attracted to the cheap labor force, well qualified, candidate costs, experience reduced in relations with foreign partners, the desire and willingness for collaboration and development of the Romanians.[1]

The most important increase a recorded segment of production of components for automobiles. This growth is stimulated by industry dynamic road transportation. Main objective the beauty of these companies is production of components of metallic materials, plastics and rubber, but also electrical and electronic parts. Currently companies have transferred to the components industry actions on degree of innovation and competitiveness of products in the context of sustainable development. Therefore companies who complete products and producers of components shall be influence each other to achieve finished product.

As for road transport infrastructure in Romania, this is one that measures currently 82,386 km, of which 16,552 km (20.1 %) national roads, 35,221 km (good %) county roads and 30,613 km (6,000 %), communal roads, but more worrying is the fact that of the total number of miles 23,630 km are upgrade[2].

2. History of car industry in Romania

First car manufactured in the territory of today's Romania has been Martha, in Austro-Ungaria, in Arad, in the year 1909, Magyrszegy Automobiliszegy Tarsasag Arad. There have been more than 150 cars per year. In the drawing and performance were similar to those in Germany, with transmission via chain and with a power around 30 hp.

Modern Romanian first automobile, manufactured in plants of porters mill (where railway drezine produced in 1928) had been designed by engineer Petre Carp and was provided with a radial engine with three cylinders, air cooled, which at 30 HP touched 120 km/h, with six passengers at a consumption of 11 liters per 100 km). In 1989, our country was producing a series of motor vehicles, from Lastun (a small car with an engine of 500 cc) up to trucks with high tonnage, in particular for the internal market, but also for export. Factories of motor vehicles were Mioveni, Craiova, Campulung-Muscel, Timisoara and Brasov. Today, there are only two of them: Craiova and Mioveni.
Although the opening of the Romanian economy has coincided with the time at which the large manufacturers auto components have been established in our country, automotive industry in the country is one of the targets of your favorite foreign investors.

ARO (Auto Romania) was the first producer of cars of land in Romania, resident in Campulung-Muscel. The company has commenced production in 1957, but he has known success only after the 1970s, when they launched on the market driving called ARO, the vehicle being quoted as one of the best cars off road that time. Factory has produced 380,000 vehicles, of which two-thirds have been exported in more than 110 countries (before 1989 90% of production was exported). After 1989 production went into decline and the car coming out of production in 2003.

The state sold at end of 2003, for a price of $180,000, 68.7% of ARO, American company with its head office in Brazil, Cross Lander USA Inc., owned by John Perez. The privatization contract has provided for more obligations:
- to launch a new car of land;
- to carry out a capital infusion of 3 million euros until January 5 2005, which is the date by which he had to carry out and a share capital of 1.4 milionae euros;
- to invest for the protection of the environment 600,000 Euro.

As a result of this contract, the foreign investor would benefit from significant tax breaks. They also have been canceled debts to the state budget representing 50 million dollars on the condition that the company to pay all financial obligations to the state budget. Foreign investor has not complied with the privatization contract and that this had resulted in legal reorganisation and winding up of the company, the future of the car maker from Campulug being so hidebound once with the sale by an investor company disinterest in the modernization and development of production.

In the factory cars can all be found in Craiova 3 periods distinct: period collaborations with, namely a Citroen, Daewoo and period Ford. First model produced by the people at, namely a Citroen in our country was called Oltcit, the name coming from the joint Oltenia and words, namely a Citroen. In the factory in Craiova have been produced three versions of the model Oltcit: Club, particular and the Axl 12 TRS. Conditions imposed by the representatives under the Ceausescu regime weren't very convenient, a fact that has caused tension between the Romanian and French investors who have agreed to take over 36% from the factory. After 1990, the agreement with the government of Romania has been canceled. [6]

Daewoo Motor Company was the first producer of a car alien who has entered the Romanian market, forming in the year 1994 together with S. C Automobile Craiova S.A. a joint venture - called Daewoo Automobilie Romania S.A. Subsequently, Daewoo Motor Company has acquired the authority of main shareholder, by taking over 51% of the company Daewoo Automobile Romania S.A. up to the year 2000, they have been carried out investments of about 700 mil. USD for the modernization of the Craiova plant, the construction of a factory of engines and gearboxes, but also a new production line and a new line of fitting.

Group Daewoo went to financial collapse and has been divided in the year 2008. And the situation Daewoo Automobile Romania S.A. has deteriorated continuously, due to the fact that Daewoo Motor Company, which had entered into bankruptcy, does not has offered trading company Daewoo Automobile Romania S.A. new models for production, by ceasing any financing. In this context, in 2006, the Romanian state, paid 60 mil, USD for controlling interest, (51% of shares owned by Daewoo Motor Company Korea) and thus became sole shareholder. The document signed by has been wiped out all the debts Daewoo Automobile Romania to company Daewoo Motor Korea.

In the year 2007 and have expressed their interest in buying cars Craioava S.A., three largest producers: Ford, General Motors and TATA Motors from India, Ford company was the one who signed the contract with the Romanian state to 57 million euros, representing 72.4% of the share capital, American producer by engaging in direct investments of 675 million euros for the modernization factory and to increasing headcount.

Figure nr. 3.7. Producers of motor vehicles in Romania
Source: http://www.apia.ro/publicatii/buletin-statistic
The second largest alien who has entered the Romanian market has been group French Renault. On 2 July 1999, has been signed the contract for the privatization of the company and Dacia becomes a mark of Renault group, having as main mission to support the development of emerging markets. The French took over 51% of the shares, the investment amounting to about 50 million dollars. In 2000 it is to be launched Dacia SupeRNova, the first affect collaboration and Romania, a car equipped with engine and gearbox Renault. Renault and Dacia have several objectives in the medium and long term: production of a new vehicle intended for emerging markets, the increase in productivity, production cars Renault quality at low prices. In this collaboration, Romania has participated with buildings, machinery, land and workers, to which is added tax facilities and important customs granted by the government. On the other hand, the French promised to invest $269.7 million and to make Dacia has two brand of the firm Renault. At the end of the year 2004 was launched Dacia Logan which has registered as a success on the domestic market as well as abroad, the number cars sold exceeding 161.0000 in the year 2005. This model has received an export launch in 14 countries, reaching to occupy an important position in the region of Central and Eastern Europe, with a market share of more than 2 %.

An important point for Romania is the fact that foreign investors have set up a unit, Renault technology Roumanie S. R. L, dedicated solely research and development which proves French interest so as to increase the quality and competitiveness of products made.

In view of the above, we can identify four periods which have marked developments in auto industry in Romania after 1989:

- 1994: First foreign investor (Daewoo Korea) enter the Romanian market and forms together with S. C Automobile Craiova A.S. in a joint venture - called Daewoo Automobile Romania S.A.
- 1999: Come on the market the second foreign investor who took over the factory Automobile Dacia S.A. Pitesti, in the framework of the privatization and set up a new company S. C Automobile Dacia S.A.
- 2003: Romanian company ARO was privatized by an investor disinterest in the modernization and development of production, which has led to the firm's output on the market.
- 2007: The Company Ford concludes the contract for the purchase of shares held by the state in the company Daewoo; was the only one who ensure domestic production.

2. Short analysis of the automobile market in Romania during the period 2007-2014

In 2007, 35% of domestic demand for cars has been covered by Dacia cars, after exit from the market of Aro S.A. and after retightening Daewoo Automobile company's activity. The difference of 65% comes from imports as shown and figure below. After a year with good sales, 2007, in which Romania has never known a sustainable economic growth both in the euro area and in the EU-27, the crisis hit hard in 2008, causing a sudden drop in economic activity at the global level in the last quarter of 2008. As a result of global financial crisis in 2008, many of the Community producers have decided to close down factories or to make massive layoffs due to lower sales and stricter credit terms.

Total number of new motor vehicles registered in the European Union has been in the year 2008 by 17228051 to 2007 when people were registered 18724534 units, so a decrease of 8 %[5].

Table nr. 1. New car registrations EU 2008-2007

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<tbody>
<tr>
<td>Passenger cars</td>
<td>14,712,158</td>
<td>15,959,804</td>
<td>-7.8%</td>
</tr>
<tr>
<td>Commercial vehicle &lt;3.5t</td>
<td>2,039,382</td>
<td>2,275,349</td>
<td>-10.4%</td>
</tr>
<tr>
<td>Commercial vehicle &gt; 3.5t</td>
<td>431,028</td>
<td>448,807</td>
<td>-4.0%</td>
</tr>
<tr>
<td>Buses</td>
<td>45,483</td>
<td>40,564</td>
<td>12.1%</td>
</tr>
<tr>
<td>Total</td>
<td>17,228,051</td>
<td>18,724,524</td>
<td>-8.0%</td>
</tr>
</tbody>
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Source: [http://www.acea.be/](http://www.acea.be/)

World financial crisis had an impact so great that and records of machines on the second-hand fell, but less than, a decline of 29.2% in accordance with the Direction scheme driving licenses and Vehicle Registration (DRPCIV). However, the company's investments in automotive industry have continued and in time of crisis. The climax of the year 2009 was beginning production Ford investor in Craiova, on September 8 being launched the world's first motor vehicle assembled in our country. In the locality in Miroslava, Iasi, in an establishment which involves total investment of 100 million euros Group Delphi, origin, specialized in the manufacture of components for motor vehicles, has started production of diesel pumps. In 2009, Infiniti luxury cars have entered the Romanian market through Autotalia Romania. Infiniti, is owned by Japanese producer Nissan. In 2009 the company adjusted for police needs by Mercedes-Benz , more and more interested in the Romanian market has
decided involvement stronger, so German group Daimler took over the remaining 49% owned by Tiriac Group adjusted for police needs by Mercedes-Benz in Romania.

Market second-hand had a positive development, increasing only by 1%, from 212,900 in 2011 to 214,600 in 2012, according to arrangements steering driving licenses and Vehicle Registration (DRPCIIV). Dacia has sold 35730 vehicles in 2010, the Romanian market under the conditions in which in the year in question has been registered a decrease of 18.5%, so the company has managed to get a market share of 31.7% on the rise by 2.8 percent as against the previous year. More than two-thirds of volumes sold - 24 856 units have been delivered with the program for renewal of car park in Romania. Also, the year 2010 was marked by the launch of Duster. Dacia Duster has established itself as a leader in quick segment values or market, mainly due to the relationship benefits/interior space/price equivalent to the world 4x4 vehicles.

Duster has obtained award "Autobest 2011", as well as the titles "Machine-2011" in Romania and Croatia, but also the trophy "SUV-ul-2011" in Romania. In 2012, Dacia sold 348723 vehicles, higher volume with 12% of the carried out in the year 2011. The rate of increase in sales Dacia has increased from year to year, annual sales volume of the mark reaching to double between 2010 and 2012.[4]

In the year 2014, Dacia sold over a half a million of models and more precisely this has managed to not exceed over 500,000 units sold in a single year, the Dacia has achieved the most high-performance in all-time greats having an increase of 19%.

As regards products cars Romanian company, Dacia Logan hatchback ranks 1 in human preferences and especially of the Romanians. Place 2 is occupied by Dacia Duster 6134 cars sold. Third is located Dacia Sandero with 5,000 units sold.

Outside Romania, Dacia sold over 481,840 cars, that means an increase of 19% over the previous year. Romanian Dacia brand last year 0.4 points reaching to hold 2.5 on market of the region. France is the country in which Dacia sold its best goods with almost 106,000 units, and market share is 4.88% this fact powerless it even on the place 5 at the most sold cars. Best models sold are Sandero and Duster.

The two country in which the success of the brand far transcends the Romanian car is Germany, with nearly 50,000 units. Third is located Spain which sells almost 30,000 units in favorites being and here Dacia Duster and Dacia Sandero.

In the month of April 2015, they have been produced in Romania 37,323 vehicles, with 8.03% more against the similar month of 2014, total production over the first four months and this way he got to 143,490 units. Of these, 124,675 are produced by Dacia and 18,815 of Ford. The largest volumes are not models Dacia Duster, in which they were manufactured 57,228 units (with 12.7% more than in 2014), Dacia Logan (31,342 units, with 19.4 percent less than in 2014), Dacia Sandero (21,361 units, with 27.6 percent more than in 2014), Ford B-MAX (18,815 units, with May 15 less than in 2014) and Dacia Logan MCV (14,744 units, with 9.3% more than in 2014). [4]

In the case of sales on the market in Romania, they are still supported by purchases made by legal persons, their share of the total being, for the first 4 months of 2015, of 88%.

3. Auto components market in Romania

A very important component of Romanian car market, as I have specified above shall constitute production of automobile spare parts. Since 2000, many international companies have invested in the construction of factories for automobile spare parts, attracted by cheap labor and qualified as much as possible. This trend continues in the present. Of the investors who carries on business in the country here are:

- Continental Automotive Systems Ltd based in Sibiu, which has reported a turnover of 2.23 billion lei and a loss of with only 16.4 million lei. Continental Automotive had at the end of last year 2,369 employees and claims of 309,84 million lei. If we also add the establishments in Timisoara, Satu Mare and Arad, as well as factories of tires, group Continental can be considered indisputable leader of the producers of automobile spare parts and accessories in our country. In fact, factory in Timisoara is placed on the fourth place in the top, with 4,088 employees, with a turnover of 1.66 billion lei and a loss of 58.03 million lei. Activity of the group has increased significantly in 2013 compared to 2012, only factories in Sibiu and Timisoara bringing an increase in revenue of 31.9% from 2012.[3]
- Delphi Automotive owns three factories in Romania located in Sannicloau High, Iasi, and Moldova New, in which they are employed over 10,000 people. Delphi plants in Romania produce wiring harnesses and components for systems common rail diesel engine. So, Delphi Packard Romania of Timis county candidates, with a turnover of 1.57 billion lei and Delphi Diesel Systems Romania, Iasi county. Delphi Packard loss totalled 2.11 million lei, and claims 307,7 million lei. The company has reduced the number of employees from 9,129 to 8,518, in an effort to restructure the business. The company's turnover has been reduced in relation to the 2012, while the profit was evaporating in difficult market conditions in the EU. However, the company remains one of the major employers in Banat.[3]
- Delphi Diesel Systems Romania, with its head office in Iasi, has 1,914 employees and a turnover of 1.49 billion lei in 2013. Net profit obtained totalled 113,79 million lei, while claims were 232,2 million lei. [3]
• MGI Coutier, is a producer of French automobile spare parts which still holds in 2006 an establishment in Timisoara, and to open a new production unit to replace the old one, which has become completely overcrowded. Decision comes against the background controls growth coming from Audi, Dacia, Ford and PSA.

• Group Bosch currently holds investments in three cities in Romania: Bucharest, Timisoara and Blaj, in the distribution of equipment and auto parts, equipment termotehnice and power tools, import and distribution appliances and components for the manufacture of machine tools, as well as a service center of outsourcing. [7]

• Takata Romania SRL of last year's 3,782 employees and the turnover of 1.68 billion lei at the factory in Arad, while pursuing an activity at all in the field of safety systems auto as well as the ones from Autoliv. The company has obtained in 2013 a profit of 67,73 million lei, while claims have amounted to 305,68 million lei. Takata has been on profit and by reducing the number of employees compared with the previous year.

• International Automotive Components (IAC) in the United States began in February 2010 build a factory dashboards, door panels and trims from the ceiling at Bals, Olț county. Completion of the work is scheduled at the end of the year 2011, according to the information communicated to the release of the study. It is the first supplier auto which makes a greenfield investment in Romania, worth 58 million euros. 400 People will work here when factory will be fully operational, the products being intended for car maker in particular Ford in Craiova.

Conclusion

The evolution of the automotive market in Romania will certainly be influenced by the evolution of European and world auto market. In the conditions of the new owners will either switch a new crisis of petroleum mainly due conflicting statuses of the countries in North Africa and in the Gulf area, almost all with greater reservations underground hydrocarbons, corroborated by an expansion of new producers of cars in particular in the People's Republic of China and India, in addition to the traditional (Japan, Korea, Germany, France, Italy, England, and last but not least USA), manufacturers of new passenger cars in Romania reprofilati under the supervision of two large world builders, Renault and Ford, will continue the fight to obtain market outlets of the products produced in the country.

To achieve this goal, he would have to take into account the following aspects:

• production of new products with advanced technology in: low power consumption of fuels, safety on the roads, cost price as smaller.

• Design and production of new prototypes energy alternatives: ethanol, hydrogen, electric, etc.

• market prospects for auto discovery of new potential buyers (South America, Africa, the countries of the former Soviet Union, etc.).

• governmental support for the support for marketing of the products in the country.

Attention of governments around the world is centered on cars because they are polluting in towns, cities or areas apparently green. The Japanese at Toyota who were the first to come with protections of eco-friendly design a car in the early 1990s, a car which to consume less fuel and thus appeared Prius, the machine that is running the trend eco machines. The price difference between hybrid and other similar models from the point of view of dimensions and dynamic performance is a few thousand Euro, cost of batteries and electric motor.

European Union imposed that, by 2020, 20% of fuel used to be bio. Until then, intermediate shares were 2% in 2005 and 5.75 percent in 2010. Biodiesel, which up to 2005 was missing altogether in Romania, was dispersed in 2008 an internal market of about 50 million euros. Romania may produce each year between 400,000 and 600,000 tonnes of biodiesel, which is four to six times more than required or requested and imposed by EU regulations. Biodiesel is a product eco-friendly fuel and shall be drawn up in accordance with the standard SR EN 14214: 2005. The product is derived from animal fats and vegetable oils, which is to be used as a fuel for engines with illumination by combustion or compression to thermal power stations with liquid fuel.

Dacia hamster is not produced by the factory from Mioveni, but is the product "Center for Research engineering University automotive industry", at the University of Pitesti. The aim students has been carrying out a car with CO2 emissions of just 99g/km). Machine Name given symbolises that the model is a “guinea pigs”, but it has another significance, in the German language, the term "hamster" defines the ability to make reservations, build-up of energy, as is the case in hibridelor.

Machine uses technical platform of Dacia Sandero with a system of Ecomatic Hybrid propulsion system. Hamster is a hybrid diesel-electric, the engine is located under the front hood, and electrical system at the rear, Dacia hamster will take advantage of the four-wheel drive. Hamster is not the only idea that the students at the University of Pitesti, linked to the Dacia models. Furthermore, they may also working on two other hybrid car models: Electra and Grand Sandero. It remains to be seen whether research carried out in this direction will also consist in a passenger car series to one of the producers.

Bibliography
