



# Foreign Investments in Romania on Mobile Market

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*Abstract — The foreign direct investments are defined as direct or indirect ownership of foreign entities to own at least 10% of voting shares of a company. A foreign direct investment can mean an acquisition, a merger, a new plant, plant expansion or absorption. This definition is considered the best, so it will be used when we discuss foreign direct investment.*

*Investments provides replacement and upgrading equipment and technology, increase production and supply of goods, improve the quality and competitiveness, creating new jobs and not ultimately, improved quality of life.*

*In the present paper I analysed the foreign investments in Romania on mobile market.*

*Keywords— Romania, foreign investments, mobile market*

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## I. INTRODUCTION

Foreign direct investment is the economic form and content form of economic relations and international cooperation.

Given the momentum of international economic exchanges, which took place under the impact of economic development and under the impact of protectionist policy that have taken place since the policies of free trade, companies that had met already a considerable development and had become large corporations see themselves suddenly hampered by new protectionist policies of some emerging national states and eager to develop their own industries move to counter them by replacing classical stock exchange goods with stock investment into these countries.

This presents the first international corporations. The most famous examples are established names like Shell, Standard Oil, British Petroleum, Siemens, Krupp, Ericson, Ciba etc. which marked the first time the practice of direct investments abroad, especially in the years 1975-1995. In the non-socialist states, foreign investment policies were continued and amplified.

The most obvious increase in FDI in Western countries took place in the years after 1965, when the increase was over 20 times only by the end of 1989.

The abolition of totalitarian systems in the countries of Central and Eastern Europe has not found them in ignorance practices governing foreign investment in their national economies, so that they could begin shortly certain policies to attract foreign capital in the form of FDI.

In their legislation already existed regulations that were established in the evidence base for improving the legislation in the matter and that eliminated some obstacles to FDI.

Market countries in Central and Eastern Europe presented and presents today a real interest from foreign capital, because of the quality of workforce especially qualified professionally or level of education, and because of the conditions of implementation costs of much lower quality products. Based on such considerations hope for high profits of foreign capital was quite high. Any investor follows the investment that you make to get a bigger profit.

The move to the market economy in Eastern communist reborn private property and starts the main investors being individuals or private companies. In turn and they primarily aim to achieve a larger profit. This makes between foreign and local investors to be some convergence of interests.

This convergence of interests at micro turns often in conflict with macroeconomic interests. For the private investor matters less where and in what area will enroll investment project, but only if it will bring big profits and secure, while macroeconomic interest requires a certain orientation of new investment into areas of national interest.

Long practice in the field of foreign investments showed that foreign investors have acted every time a priority in its own interest, even with complete disregard of national interests of the beneficiary of foreign investment.

Foreign investments have served the interests of their own states and their national economies, leading to unbalanced development areas in which to invest. It would be a grave error if this really would be overlooked and not taken seriously into account. It follows that the strategies state of macroeconomic boundaries appears serious interest in foreign investment policies.

The materials from IMF define foreign investment as those "investments they are taken long-term resident of a country in a company - resident of another country.

Long-term investment presupposes the existence of long-standing relations between the investor and the Investor Company and significant influence over the management of that company.

From the definition may refer the essence FDI, involving holding power of decision and control by the investor on investment objectives, not dealt with foreign portfolio investments.

Depending on the ratio established between the issuer and receiver are two types of international investment - direct and portfolio. When the investment involves the transfer to the issuing agency and the possibility of control over the activity decision agent receiver, it is a direct investment.

In other cases, when the investment does not entail the establishment of such a report, it's an investment portfolio.

The investment portfolio is always a purely financial investment, a purely financial investment. It combines direct investment but in a more complex financial investment with real investment. When issuing agent end up controlling agent receiver, besides the initial cash flow are other streams, many of them having a real consistency: flows of technology, flows of labor, management streams and even streams of goods and services.

The effects of FDI on the Romanian economy supports growth, and in case of greenfield investments growth is due to the creation of new production capacities or additional jobs, the emergence of a new consumer and taxpayer.

Stimulate investment to be interested domestic producers to grow their business efficiency and improve its quality in order to compete due to the presence of foreign investors or to act as suppliers to foreign investors.

Increase investment capital due to foreign investors' access to foreign capital sessile.

If local capital markets lack the financial resources to finance major projects, foreign investment can cover the deficit because it is a direct source of capital.

Generate positive effects on the trade balance, if the investor directly produces primarily for export or for the production for the domestic market to substitute imports. Support the growth of state budget revenues due to the emergence of new taxpayers in the host country's economy. Even if they are granted certain tax incentives, budget revenues grow due to increased revenues from payroll taxes.

Romanian investments are much lower than foreign ones, and most jobs were created in 2011 in Timisoara-1052 Satu Mare Prahova- 960 or 928, at the ends of the country, while the lowest were recorded for the center of the country, for example Argeş- a job in Siviu 50 seats in Alba 35.<sup>1</sup>

It looked the same year, 2011, can barely visible according to information provided by BCR that unlike other countries in the region, Romania is highly dependent on foreign direct investment in the Eurozone.

Net inflow of FDI in 2012 reached a level of 2 138 million and is structured as follows:

- Net equity capital of foreign direct investors in direct investment enterprises in Romania worth EUR 795 million (37.2 percent of the flow net FDI).
- Net credit received by direct investment enterprises from foreign direct investors, including in the group amounted to 1 343 million euros, representing 62.8 percent of net FDI flows.

Areas that have experienced the biggest increase in capital in 2012 were industry (1 072 million), and namely manufacturing (529 million euros) and energy (EUR 497 million); other areas with substantial capital investments were financial intermediation and insurance (EUR 646 million) and construction and real estate (295 million euros).<sup>2</sup>

The main economic areas, where losses exceeded the profits were financial intermediation and insurance (376 million euro profit 1 015 million losses) and construction and real estate (profit of EUR 255 million, EUR 747 million losses).

In November 2013, Romania has attracted the highest investment, ie 578 million euros, 85% more than in the previous month lows recorded in March (48 million euro) and (92 million euros).

The foreign direct investment totaled in the first month of 2014, euro 244 million, up 8% compared to January 2013, after last year reached the level of 2.71 billion euros, the maximum last four years, as shown by data BNR.<sup>3</sup>

With regard to the balance of countries with low rates of domestic savings that rely on foreign capital to finance investments or current account balance to GDP and the share of bank deposits to GDP (%), Germany is the country most favored in this world, while for Romania the situation is not very favorable.

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<sup>1</sup> <http://storage0.dms.mpinteractiv.ro/media/1/186/3936/9480817/1/hartainvestitii-vass.png>

<sup>2</sup> <http://www.bnro.ro/PublicationDocuments.aspx?icid=9403>

<sup>3</sup> <http://www.wall-street.ro/articol/Economie/163186/investitii-straine-directe-2014.html>

According to a study by Ernst & Young Romania is well positioned to attract foreign investment in coming years, aiming including 2015 (Total respondents: 840 countries were evaluated on a scale from 1-5 by leading representatives of companies international), and the most attractive countries to attract investments such as Germany, Poland and the UK.<sup>4</sup>

## II. VODAFONE INVESTMENT AND PROFIT

In late 2010 estimated a figure of around 24.6 million mobile phone users, the Orange had 10.4 million users, Vodafone - 7.6 million users, Cosmote - 5.2 million users, Telemobil (Zapp) - 0,1 million users, RCS & RDS - 1.3 million users, and Romtelecom - 200 times, according to a report by the communications regulatory authority (ANCOM).

Vodafone was established in 1984 in the UK as a division of Racal Electronics Plc., Known as Racal Telecomms Limited.

Located in a building in Newbury, the company had less than 50 employees. The company name was chosen to Vodafone for the types of services that the company offers: voice and data services provided through mobile.

Vodafone analogue network was launched on January 1, 1985, the first call being made from St. Katherine's Dock in London to Newbury. It launched the first mobile network in the UK.

After launch, the network has developed rapidly so that by the end of 1985 reached a total of 19,000 customers, and three years later, in 1988, Racal Telecomms reach record third of the total profit of Racal Electronics' for one year. On April 15, 1997, the first GSM operator in Romania, operating under the brand name Connex.

The main shareholder of Mobifon was Telesystems International Wireless (TIW), who won in November 1996, one of the two mobile licenses available in the market.

After a transitional period of six months, initiated in November 2005, the company was named Connex-Vodafone, on April 27, 2006, the operator became Vodafone Romania by campaign "Live every moment" going on the idea that each second is important and it have taken advantage of it, că time is precious and that they do not have to lose. Vodafone keeps its promise to be in conjunction with the community.

Thus, in 2006, investing heavily for overconfidence safety on the slopes and organizes SkyFest, a festival of sports winter which offers its gains awards.

Continues the "Clean Seaside", continues to provide scholarships for high school graduates and any support Telecommunications. As Connex take a great importance in young people who represent the future, progress, ideas that underlie their politics.

In 2001 Vodafone had a number of mobile phone users about 1, 6 million at the end of 2013 was 8.315 million users, with a turnover of approximately 929 million euros and a net profit of 244 million. Currently, worldwide, Vodafone has about 347 million customers, equity interests in 31 countries across 5 continents and over 40 partner networks worldwide.

Investment by the major mobile operators in the local market, Vodafone, Cosmote and Orange are classified as direct investment, which reached nearly 8 billion over time, and last year had a total turnover of 7 billion RON (1.6 billion euros).

The telecommunications industry makes to the state budget a total of 2.1 billion lei in 2011 to 2.03 billion lei in 2010, up 22% over the figure of 2007. Vodafone Romania has invested 2 6 billion in the last 15 years to develop operations in the local market, coming with an initial investment of Vodafone (UK = 230 bln. \$.<sup>5</sup> Currently has 4,000 employees, obtaining, in 2011, a decrease of 3 1% from the previous quarter.

The decrease in customers is due to disconnections continue to postpaid customers inactive customer base of the company.

Orange Romania invested over 2 billion from entering the market in Romania and has about 2,500 direct employees currently.

OTE Group has invested 3 billion in development operations in Romania including Cosmote Romania, Romtelecom and Telemobil, with a total number of 10,000 employees.

In February 2011, the Competition Council fined Orange Romania and Vodafone Romania with 268.33 million RON (63 million euros) for abuse of dominant position.

If Vodafone Romania, the penalty was set at 3.45% of the company's turn over in 2010 amounted to 120.35 million lei.

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<sup>4</sup> Ernst & Young European attractiveness survey 2012,  
<http://www.ey.com/GL/en/Issues/Businessenvironment/2012-European-attractiveness-survey>

<sup>5</sup> <http://www.ukessays.com/essays/economics/aspecte-teoretice-privind-investitiile-straine-directe.php>

The company challenged in court sanction, and in May the Court of Appeal decided to suspend payment of fines.<sup>6</sup> Orange, Vodafone and Cosmote are the most used mobile networks among entrepreneurs in Romania, according to the study "Use of mobile services by private entrepreneurs in Romania" by Division Market Research Group Romanian-German Rentrop & Straton made the end of 2012.<sup>7</sup>

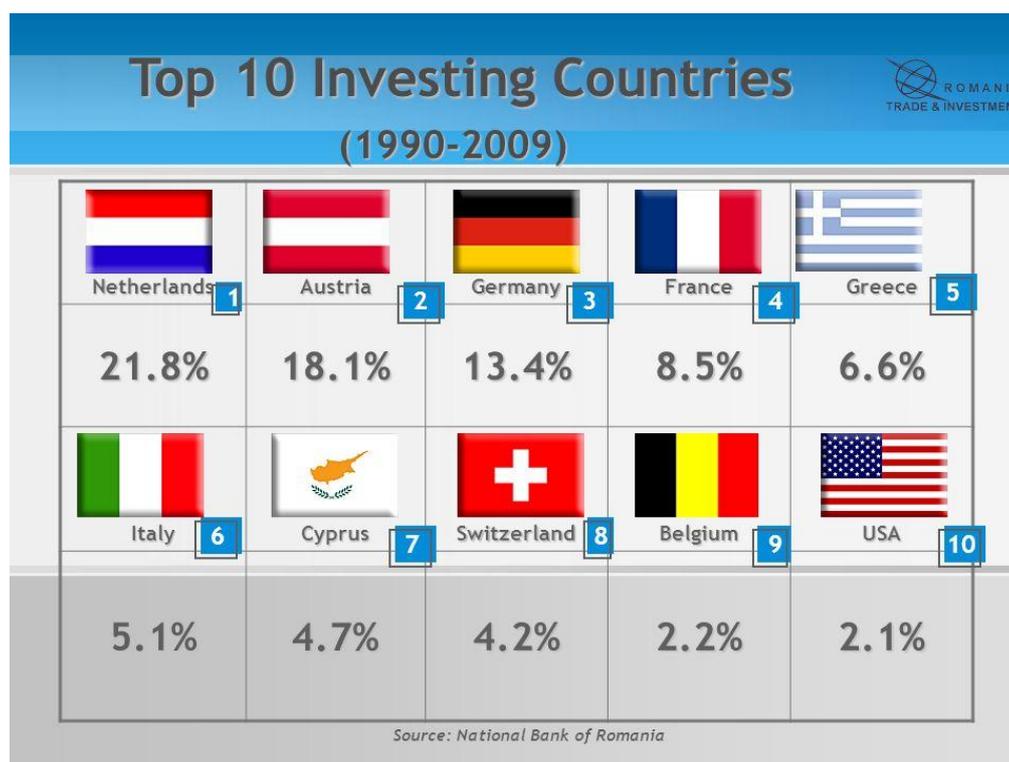
In 2012 Vodafone revenues are declining worldwide, it exemplified and job cuts, for example in Spain up to 620 seats and reduced entry-level states all over the country of investment. However, in the years 2013-2014, Vodafone has invested about 55 million euros in the development of 4G and expanding the number of stores in the country, only seven franchises opened in 2013, which meant creating new jobs and all efforts to maintain the customers who tend to migrate to other mobile networks.<sup>8</sup>

### III.CONCLUSIONS

The version Foreign direct investments have a significant impact on the economy. In recent years, they "directly affect the potential of an economy to have a sustained economic growth" and bring the country invested in a number of advantages which benefited:

- benefits for the transfer of new technologies, know-how and managerial experience • promoted international trade
- create new jobs
- increase the productivity of factors of production, and thus lower prices and increase the quality of goods and services
- foreign investors creates competition for local producers, so there is a restructuring, growth their competitiveness and otherwise removing market
- State benefit by collecting taxes from foreign investors

According to recent statistics conducted by the firm Ernest & Young Romania holds 1% of the investment world and remains among the most attractive 15 European countries both in on volume of investments attracted and jobs results.



<sup>6</sup> <http://www.dailybusiness.ro/stiri-it-c/dosarul-privind-amenda-aplicata-vodafone-de-consiliul-concurentei-va-fi-rejudecat-99983/>

<sup>7</sup> <http://www.manager.ro/articole/analize/studiu-retelele-de-telefonie-mobila-orange-vodafone-si-cosmote-in-topul-preferintelor-intreprinzatorilor-privati-din-romania-15575.html>

<sup>8</sup> <http://www.wall-street.ro/tag/investitii-vodafone.html#ixzz30f7AhCRh>

Romania has reached so to win a share of 3.2% of total investments in Europe, ranking 11th among the 15 major investment destinations on the continent. Keep this quota contributes direct investment coming from the telecommunications sector, including and Vodafone, with investment in the last 15 years, amounting to 2, 6 billion.

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