THE MULTINATIONAL CORPORATIONS*  
- A comparative statistical approach in Romania and Serbia -

PhD Gheorghe SĂVOIU PhD Mladen ĆUDANOV
PhD Constantin MANEA PhD Ondrej JAŠKO
PhD candidate Victor IORGA -SIMĂN PhD Ana JAŠKO
University of Pitesti, Romania University of Belgrade,
PhD Virginia BĂLŢAT
Local Administration,
Arges County, Romania

Abstract

The originality of this paper consists in a comparative approach to the typologies of the financial facilities meant to attract multinational corporations, either in a country that is a member of the European Union, such as Romania, or in a non-member country, like today’s Serbia. The authors have focused on the idea the multinational corporations are a major factor of development for Eastern European countries, in general. Finally, the social corporate responsibility has been useful to the communities in these countries, but still remains a theoretical idea. The financial facilities and opportunities provided by the small economies are not yet compensated through a social equivalent, either inside, or outside the European Union area, for most of the host countries and economies placed in Eastern Europe.

The authors have focused on two characteristic corporations Automobile Dacia from Romania and Zastava Automobile, from Serbia.

***

During the latter part of the 20th century, the traditional macro-and micro-economic theories have diminished the interest for enterprise, entrepreneur, and entrepreneurship, and the new concept of multinational enterprise (MNE) or foreign (international) corporation and the corporate social responsibility have governed the international economic world and its competition and competitiveness. The International Labour Organization (ILO)

* Any multinational enterprise or corporation has a minimum of five major characteristics: a legal personality, a limited liability, some transferable shares and a centralized management under board structure content, its management headquarters in one country, known as the home country, and it operates in several other countries (the host countries).
Economic and Financial Statistics

has defined a MNE, or an international corporation, as a group of enterprises that has its management headquarters in one country, known as the home country, and operates in several other countries, known as host countries, or in an even briefer form, a group of enterprises that manages production or delivers services in more than one country. According to efficient market theory and asymmetrical reality of economics or to the structural market imperfections MNEs are instruments for restraining competition between firms of different nations. An international or even a national market cannot be fully efficient because of the presence of some deviant and unbalanced factors like the control of proprietary technology and distribution systems, scale economies, privileged access to inputs and product or service differentiations, etc.

Large enterprises are defined as those with 250 employees, and it is out of that category that a real corporation, and even a multinational enterprise or international corporation (MNE) can be identified.

Some synthetic statistics about enterprises’ size classes and performance and the typology of the facilities provided by Romania and Serbia to multinational corporations

It is important to underline the relevance of the statistical concept of corporation, or the specific capacity of any enterprise and even any institution that is granted a charter recognizing it as a separate legal entity having its own privileges, and liabilities distinct from those of its members. The European statistics (EUROSTAT data, and other sources also) have used the notion of enterprise group, as an association of enterprises bound together by legal and/or financial links. A group of enterprises can have more than one decision-making centre, especially for policy on production, sales and profit. It may centralise certain aspects of financial management and taxation. It constitutes an economic entity, which is empowered to make choices, particularly concerning the units it comprises. An enterprise group is a set of enterprises controlled by the group head. The group head is a parent legal unit that is not controlled, either directly or indirectly, by any other legal unit. The European enterprise groups are divided into all-resident enterprise groups (with all its enterprises located on a single national territory), and trans-national enterprise groups (with at least two enterprises located in different countries), or into financial and non-financial groups. Some of the multinational corporations (MNEs) or European enterprise groups are very big, with budgets that exceed some nations’ GDPs. Multinational corporations can have a powerful influence in local economies, and even the world economy, and play an important role in the international relations, and globalization. The world economic evolution of the first ten MNEs in the last three years is presented in the next table,
and their influence or power over oil resources and derived technology is obvious:

**The type, name and the specific activity of the first ten active MNEs**

*Table no. 1*

<table>
<thead>
<tr>
<th></th>
<th>2007 NFMCs + home country + activity</th>
<th>2008 NFMCs + home country + activity</th>
<th>2009 FMCs + NFMCs + home country + activity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Toyota Motor-Japan</td>
<td>ExxonMobil - U.S.</td>
<td>HSBC - U.K.</td>
<td>HSBC - U.K.</td>
</tr>
<tr>
<td>Chevron Corporation-U.S.</td>
<td>Total SA – France</td>
<td>AT&amp;T, Telecom services-U.S.</td>
<td>AT&amp;T, Telecom services-U.S.</td>
</tr>
<tr>
<td>ConocoPhillips - U.S.</td>
<td>Electricité de France</td>
<td>Banco Santander -Spain</td>
<td>Banco Santander -Spain</td>
</tr>
<tr>
<td>Total SA – France</td>
<td>Arcelor Mittal-Luxembourg</td>
<td>Chevron Corporation – U.S.</td>
<td>Chevron Corporation – U.S.</td>
</tr>
</tbody>
</table>

Note: 1. Petroleum Refining; 1. Motor vehicles; 2. Bank activities; 3. Other activities

Note: FMCs = financial multinational corporations; NFMCs = non-financial multinational corporations.

Source: http://www.investmentsandincome.com/investments/multinational-corporation.html

We propose the following set of information (exemplified with data in parentheses, referring to the 2007, before the crisis) based on the statistical indicators needed to measure globalisation, and on some specific indicators derived from the structure of national markets:

**The structure of economy by classes - %; [MNEs as non-financial business economy employed 250 or more persons mean less than one enterprise in 400, within the EU – 27, but these enterprises accounted for approximately one third (32.6 %) of employment and more than two fifths (43.1 %) of value added; nevertheless, small and medium-sized enterprises (SMEs, with less than 250 persons employed) generated the majority of value added (56.9 %) and employed most (67.4 %) of the workforce in the non-financial business economy; micro enterprises (those with less than 10 persons employed) played a particularly important role, providing employment to nearly as many persons as large enterprises; the analysis of SMEs in Serbia reveals that after**
Romanian Statistical Review nr. 11 / 2010

**Economic and Financial Statistics**

A period of randomly establishment at the end of nineties, only third registered company in Serbia is in class of small and was active, at the beginning of this century; a comparative approach underlines 20.7 SMEs to one thousand of inhabitants in Serbia, 31 in the countries of Central and Eastern Europe, and about 43 in EU-27; a special peculiarity of the Serbian economy is the fact that more than a quarter enterprises in Serbia are those societies in which there were no employees, while more than half employed in one to five employees’ SMEs; in microenterprises group there are 86.9% of all Serbian SMEs and were employed by 15.6% of the total number of employees.

The business demography contains birth rate, death rate and survival rate of enterprises - % (detailed in the next table for Romania).

The business demography in Romania, during 2000 - 2007

**Table no.2**

<table>
<thead>
<tr>
<th>Year</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Birth rate of enterprises *</td>
<td>10.92</td>
<td>11.45</td>
<td>12.59</td>
<td>18.74</td>
<td>18.96</td>
<td>18.29</td>
<td>14.56</td>
<td>15.62</td>
</tr>
<tr>
<td>Death rate of enterprises*</td>
<td>11.23</td>
<td>11.61</td>
<td>11.31</td>
<td>9.87</td>
<td>10.46</td>
<td>8.61</td>
<td>8.73</td>
<td>-</td>
</tr>
<tr>
<td>Survival rate of enterprises**</td>
<td>-</td>
<td>-</td>
<td>70.96</td>
<td>69.62</td>
<td>76.87</td>
<td>78.6</td>
<td>77.61</td>
<td>75.93</td>
</tr>
</tbody>
</table>

Note*: number of enterprise births and deaths in the reference period (t) divided by the number of enterprises active in t; Note**: survival rate as number of enterprises in the reference period (t) newly born in t-2 having survived to t divided by the number of enterprise births in t-2.


The profit share of non-financial corporations - %; [the profit shares in the euro area (39.3%) and EU (38.7%) is higher than in the US (29.3%)]

The investment rates - %; [the investment rates in the euro area (23.0%) and EU (23.1%) higher than in the US (16.5%)]

The inward Foreign Direct Investment FDI from the rest of the world - % of Gross Domestic Product GDP; [the value of this indicator is the ratio between the inward (FDI) and (GDP) and the level for EU - 27 is 1.6%]

The outward FDI - % of GDP; [the value of this indicator is the ratio between the outward (FDI) and (GDP) and the level for EU - 27 is 4.3%].

As far as globalisation is concerned, the integration of industrial,
financial and services sectors in the world economy, it was only to be expected after the global crisis, and a new economic developments will spill over, not only to the European Union (including Romania), but also to the entire European area (including Serbia), multiplying SMEs but also MNEs. Some special EU countries, such as Germany, open up to the world economy more than others member of EU.

We make some significant references about the typology of the facilities provided by Romania and Serbia to international corporations and the real social impact of MNEs. The host economies try to attract MNE with a lot of financial facilities. There are different solutions on each market or economy. The next examples extracted from Romania and Serbia, reveal the multitude of facilities offered to MNEs in Eastern European economies.

*An interesting Romanian example is Renault & Automobile Dacia.* Following the acquisition of majority shares, some important facilities were granted to the Automobile Dacia for an investment that was to be conducted by the Renault. Granting those facilities was subject to the fulfilment of the conditions under which the investment was to be conducted by Renault. A first facility concerned the exemption of the customs duties and the VAT on the import of goods, technological equipments, machinery and tool, representing the assets likely to be paid off through use, as well as the exemption from paying VAT for those goods purchased domestically, which constituted assets likely to be paid off through use, and for the components leading to their generating, which represented a physical contribution to the social capital, or else were purchased from the cash contribution to the social capital of the company. Similarly, there were provisions concerning the exemption from paying VAT over a 5-year period, starting with the first profitable financial term, on condition that happened in max. 3 years since the date of the transfer to Renault of the property right of the stock purchased by the State Property Fund. A 65-day delay was also granted, over 5 years, for the legal deadline concerning the payment of the 5% quota of the value of the cars produced and delivered for the domestic market (i.e. the contribution to the public roads special fund). A 36-month delay was also granted, over 3 years, for the payment of VAT resulting from the monthly VAT discount, for the activities conducted within the company. The same facility was provided for a number of the subcontracting companies *SC Automobile Dacia* worked with, concerning the VAT ensuing from selling to the firm *Automobile* the goods of their own production, and/or their own services. With respect to the facility concerning the exemption from paying VAT over a 5-year period, starting with the first profitable financial term, the Fiscal Code itself mentioned that *Automobile Dacia* benefited by an exemption from the income tax until December 31, 2006, which meant that the year 2002 was the first profit-making year for *Automobile Dacia*. It would be...
worth mentioning that the deadline was the very maximal limit of the three years of grace in point of profit making. Coming back to the conditions of conducting the investment of Renault for the company Automobile Dacia, the fact should be recalled that one of them referred to a programme of re-structuring the staff of Automobile Dacia.

In the same connection, social protection became essential for those persons whose individual work contracts were closed as a result of the action of collective redundancy. In a government ordinance issued in 1999, The government of Romania stipulated several measures of social protection applicable to the employees working on an individual work contract of indefinite duration, and became redundant after the collective redundancy schemes conducted in the privatization, re-structuring, processes etc., after having worked for companies, national companies or societies, as well as autonomous self-administered entities, or other units and entities under the authority of the central or local public administration, enterprises and institutions financed from budgetary or extra-budgetary funds, which was the case of Automobile Dacia.

Those who became redundant through collective redundancy schemes, under the conditions of that regulation, also benefited from active measures for combating unemployment. The aim of those active measures could be to support the people looking for a job, and were, by and large, the following: professional orientation, training in the field of the ways to find a new employment, entrepreneurial and professional training, setting up consultancy and business development centres, financial assistance for generating new work places and jobs, including public works programmes. The employees made redundant through collective redundancy schemes by the employers who had resulted from privatization were paid compensatory benefits. The total amount of money paid as compensatory benefit was established, for each individual who had become redundant by closure of their individual work contracts, in keeping with their seniority.

The minimal sum was equal to 6 average net salaries as compared to the salary level in the respective economic unit, while the maximum amounted to 12 average net salaries as per unit. The compensatory payments were as a rule made in equal monthly instalments. There were, however, certain exceptions, namely those when the compensatory sums could be paid in one of two portions if the beneficiary declared their commitment to invest on the capital market or presented a business proposal aiming at developing, or associating with a view to, develop a commercial concern/entity, to set up a family association, purchasing or associating with a view to purchase, agricultural implements and equipment. Financing the compensatory payment was done from public funds, including foreign financing. The former employees, now unemployed through the collective redundancy schemes, of
Automobile Dacia were among the beneficiaries of those measures. The people who did not get the compensatory payments benefited, for a 2-year period, from exemption from the profit tax, if they had set up businesses, and from exemption from income tax, for those authorized to conduct economic activities based on free initiative, as independent natural persons, or as family associations. From a fiscal standpoint, too, the exemptions from paying the profit tax were recognised for those who set up commercial concerns, as well as the exemption from paying the income tax for those authorized to conduct independent activities, as either independent natural persons, or family associations. The compensatory payments received by the former employees of Automobile Dacia, financed from public funds, represented incomes exempted from the income tax. In the years subsequent to the privatization, Automobile Dacia continued to conduct collective redundancy schemes, but not as regulated by the 1999 normative act, and this time the compensatory payments were made from their own funds, under the conditions stipulated in the collective work contract. Further facilities and rights were granted when the redundancy occurred, which were relevant of the same redundancies schemes, and were stipulated in the collective work contract. Those compensatory payments, received not on the basis of a special law, but rather as stipulated by the collective work contract, represented incomes of a salary nature, and were subject to the regulations relative to income taxes. The provision concerning the liability of those incomes to the income tax still exists at the moment, being ruled by the Fiscal Code.

From a fiscal point of view, there are still a number of fiscal facilities and incentives for the economic agents, which Automobile Dacia is likely to have access to, among which one can mention both the deductions for the research and development expenses, i.e. the supplementary deduction from the calculation of the imposable profit: the expenses eligible as research and development expenses in proportion of 20%; and the application of the method of accelerated paying off of the machinery value for the equipment and devices intended for the research and development activities, but especially the exemption from paying the re-invested profit, which presupposes that the profit invested in the production and/or purchase of technological equipment (machinery, tools, implements, devices and work installations) used in order to achieve imposable incomes, is tax-exempted. The facility is applicable from 1 October 2009 to 31 December 2010.

On the Romanian market there are, alongside the products of the Automobile Dacia, European firms, but also American, Japanese and, to a lesser extent, Korean, Russian, etc. firms. The fact is notable that on this market there are also prior-owned cars of various models and makes, which in some periods have exceeded the share of the sales of new vehicles. Conspicuous on the Romanian market are, besides the local car manufacturers, a rowing number of foreign producers. Domestic producers cover only part of the range of classes.
The main domestic car manufacturer is *Automobile Dacia*, producing class C compact models (Logan and Sandero) and Class Logan MCV, and, more recently, the all-terrain model Duster. Automobile Craiova produced until recently models belonging to class C average compact models (Cielo, Espero, Nubira, Leganza), when the two companies were in direct competition. They also produced models of Class A mini (Tico and Matiz).

The market share *Automobile Dacia* had during its first market-economy decade, ever since the company was taken over by *Renault*, has seen a fall, yet, within the context of today’s ever tougher competition, it has managed to constantly stay in first position in comparison with the main rival corporations. In 1999, at the beginning of the period under analysis, *Automobile Dacia* had a market share of 72.4%, Volkswagen 1.3%, Skoda (0.9%), Opel (0.7%), Renault (0.6%), and after ten years, in 2009, *Automobile Dacia* had a share of 31.1%. To these are added the imported cars belonging to the same class, and other models of adjacent classes. The major competitors of the company „Automobile Dacia” still remain even in 2009 corporation like Peugeot, Opel, Mercedes, Audi, Volvo, Fiat, Skoda, b) Japanese companies: Toyota, Nissan, Suzuki, c) American companies: Chrysler, Ford, GMC, d) companies in Asia, especially South Korea and China. Analyzing the market share held by each of them, after confrontation with that of the market leader, as defined by Dacia, the first five challengers (competitors with market shares above 5%), a relatively narrow polarization can be found of the first two runners and a seemingly calm market they hold.

The major competitors for Automobile Dacia, with a market share above 5%, in Romania, during 2009

*Figure no. 1*

The Dacia car-making factory has a 44-year history comprising an activity in the field of manufacturing and selling motorcars, spare parts, processing tools, machinery and installations for the automotive industry. The success of that domestic company began in 1966, in Colibasi, a small community in the county of Arges, as part of the Automotive Factory in Pitești, Romania. Two years later, the major shareholder of the company, i.e. the Romanian state, signed a licence contract with France’s Renault, which was based on an agreement between the communist authorities and the French car manufacturer, regarding the assembly work on a Renault car model under the brand of Dacia. In accordance with the contract, Renault would supply all the components of the model, and the Dacia party was to assemble them: thus, the time between designing a model and the market launching of the car was reduced. Over the years, Dacia has developed a whole range of models, including several types of vehicles, both passenger cars, and utility vehicles. Consequently, the Dacia cars became a symbol for Romania, in the same way as the Trabant cars were for East Germany. In 1985, the Dacia engineers started work on the design of the first ever 100% Romanian-made motorcar. After ten years procrastination, in the year 1995, the company Dacia launches the first wholly Romanian-made model, under the name of Dacia Nova. More than a decade ago, in 1999, when the existing alternatives were scarce for the Dacia manufacturer, the French concern Renault purchased 51% of Dacia capital. A government ordinance established the conditions subject to which the investment scheme of the French Renault – S.A., company was to be conducted for Automobile Dacia – S.A., which was tantamount to the re-birth of a MNE through absorption. The conditions controlling the said scheme of investments, going from Renault to Automobile Dacia, referred to:

a) a total value of the investment that was to amount to at least $269.7 million. Out of that money, a minimum of $129.6 million represented the investment for the first year of the five years representing the whole duration of the investment. Approximately one half of the amount of money allocated in the first year represented the investments guaranteed by Renault, which were done through cash/immediate payments going to the social capital of the firm Automobile Dacia, or else through raises of capital.

b) an investment plan was arranged, which included several stages and sought to maintain a certain level for the sales volume, both for the domestic and foreign market; raising the quality of the then existing range of products; developing the suppliers’ network in Romania; introducing new vehicles into the manufacturing process; reaching a certain volume of production, etc.

c) a programme of re-structuring the staff working with Automobile Dacia, as well as the companies in which the firm held capital participations of at least 90%. The plan provided an eventual minimum of 16,280 employees, out of which 8,000 working for Automobile Dacia as a consequence of purchasing the majority stock, the government of Romania granted a number of facilities to Automobile Dacia with a view to the investment that Renault was to make.

The fact is remarkable that one of the most important domestic brands has passed the test of time, unlike the Daewoo and Aro cars, also manufactured internally, and the reason is the vast experience of a strong international corporation like Renault. The total sales in 2009 amounted to 311,282 vehicles. Out of the production of the year 2009, Dacia sold 84,708 units in Germany.
(with a market share of 2.13%), 65,956 in France (2.5%), 41,862 in Romania (28.9%), 21,739 in Italy (0.93%), 18,112 in Morocco, 17,327 in Algeria, 9,727 in Turkey, and 9,030 in Spain. And, to a better demonstration that the MNE was deeply involved, the figures show that Dacia sold in France 20,000 more cars than it did in Romania. With a gross turnover of € 2.1 billion at 1 January 2010, with over 13,000 employees on its own platform, Automobile Dacia has managed to survive the crisis thanks to the new models, especially the all-terrain vehicles, through the quality and price factors, all derived from its own experience, but also, and especially, from the vast experience of the MNE it is part and parcel of.

A similar Serbian example is Zastava automobile, also. Described in many theories of organizational change, each enterprise is going through certain stages of development. One of them is Adizes theory based on living organism. According to this theory, company is viewed as living organism and recognize the process of birth, growth, aging and dying. It was proven that with certain management interventions companies can stay in “top form”. Such intervention could be attracting MNE (in this case Fiat automobiles) to invest into the company. According to this theory, each company has its own life cycle, pre-determined trajectory in its development path. Also each stages of life cycle characteristic certain behaviour, so that is functionally normal in one stage of life cycle, often non functional –abnormal in another. At the picture below it is shown the life cycle of Automobile Zastava:
Life cycle of corporation Zastava
by Adizes methodology (Adizes, 2006)

**Figure no. 2**

Zastava automobile is the direct successor of Zastava, the oldest industrial complex in Serbia, with a tradition longer than five decades. Once the factory with actual exports in 74 countries and production of over 4 million cars, survives today as a potential driving force of Serbian economy. Zastava automobile recognize the chance to see development in the globalization of relations with some of the world’s car manufacturers, in an effort to provide continuous programming and production orientation that would ensure its rapid development and improvement of the position in the market. Main activities are development, production and sales of passenger cars and spare parts for passenger cars with the current assembly capacity of 60,000 cars per year, Class “B” and “C” with a gasoline engine of 900 to 1600 cm³. In addition to equipment for complete production, Zastava has its own personnel for scientific research activities, product development from idea to homologation and business planning of technological process and equipment. Under licence by Fiat over 4 million cars were produced and over 700,000 exported in 74 countries on five continents. Company has 25 licenses of the world leading companies.

At the first stage the firm appears, during a period known as “infancy”, after Zastava automobile was born, when it purchased a licence from Fiat. The
growth is further continued moving in the Go-Go phase, whose characteristic “arrogance”, so in this stage of life cycle Zastava automobile produce and introduce new products, known as Zastava 1300, Zastava 750, Zastava 101. Majority of the factory and its maturation began with departure of one Zastava top manager in 1974, so the new leader had to face with a lot of problems from old period. Its further growth will continue in 1979th, when the company reached for the first time a record of over the 200 000 vehicles. The next year comes from the production of new product “Yugo”.

Top form was reached at the beginning of cooperation with Malcolm Bricklin, and exports to the United States, which lasted all until 1989 and achievement of record in production of 230.000 vehicles. After that period, the period of stability and thus the aging of the complex have begun (Adizes, 2009). Due to the civil war by 1991st, the period of aristocracy was skipped, so thus immediately moved from early bureaucracy to bureaucracy. One of the characteristic of bureaucracy is the intervention of State, because the State must maintain the Zastava in order to preserve it from destruction. In the year of 2005th Zastava renewed cooperation with Fiat, in the form of execution of new model Punto. For this work, Zastava open a new company with no debt, what Adizes propose as solution in due to the next growth of company. The year 2008th was a milestone for the company, because it was necessary to make the privatization process to integrate with other manufactures.

Today Zastava starts joint –venture with Fiat, which mark a new stage in life cycle of this company known as Go-Go. The initial capital of new companies will be divided as: 1) 231 million euro Serbia 2) 469 million euro Fiat. The rest of capital (300 million Euro) will be in form of registered capital (equipment, buildings, intangible and the first licence, etc), compared with 67% ownership of Fiat and 33% ownership of the Serbia. Investment practice in the automotive world, implemented also in our countries as a possible solution to overcome the decline of sale in production of vehicles:1) green field investment, 2) privatisation, 3) joint ventures 4) strategic partnership. Following examples of successful rehabilitation (revitalization of Renault under the brand of Renault, which was carried out as modernization of Dacia, Fiat has made acquisition in Poland and started revitalization) Zastava is committed to a strategy of revitalization through strategic alliance with Fiat. In the year before signing a strategic partnership with Fiat, company employed around 4700 employees with significant financial loss. The first stage of revitalization that the Zastava carried out in partnership with Fiat was linked to the launch of production new model of car Zastava 10. From the beginning of 2006, Zastava started production of the model Punto Classic under the licence of Fiat. In aim to start production Zastava buy assembly
line from Fiat and Fiat committed to delivering over 80% of parts for this car model, including key components and bodies. In that project Zastava invested 20 million Euros.

The second stage of revitalization is connected with stopping production of all Zastava models and beginning of production under the Fiat brand. The production started with model Punto 188, which is produced on the same assembly line on which the model Zastava 10 is produced, but with an increased capacity of about 50,000 vehicles per year. At this stage of revitalization only production facilities and logistic service were engaged, having development of models entirely left to Italian partner and performed in Italy. After the second stage of revitalization Fiat has achieved significant sales growth in the Serbia market and today Fiat holds more than 50% of the domestic markets. Today around 1200 employees works in Zastava. The rest of the staff had to past the test to be employed, after starting the third stage of revitalization.

The production of the new Fiat model Class A will started in the third stage of revitalization, and the production of this model will be only organized in Serbian plants. At this stage of revitalization efforts must be directed to consistent between realization and plan: 1) Initial investment of Fiat – approximately 950 million euro, 2) It is planned to open 4,750 new jobs, 3) Plan of manufacturing is about 200,000 cars per year 4) Planning exports for 2011 is more than one billion euro.

Some general and detailed remarks for Romania and Serbia

Out of the first 100 economic powers in today’s world, nearly 50 are no longer national economies, but MNEs. The first 100 MNEs own circa 1/6 of the world’s economic activity, and the first 500 achieved over 2/3 of the world trade. These corporations have come to the point where they act globally, in synergy with the political, academic and communication media, especially focusing on the high performance of the new technologies and the turning to better account of new resources. At the beginning of the 21st century, world economy is apparently chaotic and is trying to find solutions for surmounting the increasing polarization of virtually all the developed or developing national economies. The new model of development implies a new type of both culture and consciousness, meaning one closer, through communication, connectivity and consciousness, to the concept of holos (the holistic or systemic approach), than to the mechanical or relativistic logos typical of the last century (Laszlo, 2006). The MNEs can be said to have scored many positive aspects, thus ranking remarkably high in the context of Eastern Europe’s markets. From
the collapse of communism in 1989, Eastern Europe has attracted over $300 billion as direct foreign investment, and also through the penetration of the multinational corporations into the Eastern European markets. However, the MNEs that came here have achieved more than merely investing money. The MNEs specializing in banking and the telecommunications companies that have rapidly climbed to the top of the world’s corporations have proved in Eastern Europe how phone networks and connections can be established throughout a whole country in less than one year.

Other MNEs with specific activities have provided technology, expertise and access to foreign markets, and, more importantly, have introduced higher standards of efficiency, ethic and practice, and those aspects have since disseminated into the whole region. Where those multinational corporations came in an energetic manner – especially in the new EU member states in Central Europe and the Baltic area, but also in the Balkans – they have brought innumerable benefits: generating new global employment opportunities for the brightest minds of the younger generations; retraining the older labour force, more often than not treated improperly; ecologization of the environment; saving a number of factories, and, implicitly, whole communities, modernization of new communities et up in localities around industrial centres; creating new industrial activities; setting up new telecommunications networks; stabilization of the banking systems and connecting them to the international banking network; regeneration of local brands; stimulation of economic growth through the intensification of exports, etc. Such services, counting among the most significant contributions that the MNEs have made to Eastern Europe, could conceivably be extended to some of the poorest and remotest localities of the world, but only if aided by well-conceived governmental or UNO programmes. The decision-making factors, stimulated by the proposals UNO and some other voices have recently made, asking for a rapid and substantial decrease in global poverty, should consider this region which has, over the last two decades, undergone a remarkable transformation: post-communist Eastern Europe, a region unique from many angles, and yet apt to stand up as an interesting model for other emergent countries in the world.

The number of MNEs in Romania has grown significantly, particularly after the year 2000. They have acquired mostly public utilities companies, manufacturing industries (cement, metal, machine building, petroleum), but also financial brokering and trade businesses. So far, no social unrest or economic events have occurred having as a specific target the public image of the MNEs operating in Romania. Generally speaking, the MNEs have not been noted as bringing any contribution to the improvement of the national
collective bargaining pattern, but they did propose some best practices for the social partners. For Automobile Dacia, the changes are directly related to the expertise of French MNEs and companies. They involved a large number of local, regional and national partners and stakeholders in the assessment, based on a wide array of criteria and factors, of the social and economic effects of the restructuring process. The French investor applied its corporate social responsibility best practices. The restructuring scheme used in the case of Automobile Dacia for example, has become a model and source of inspiration for other companies not only in Eastern Europe, but also around the entire world. A special department – the ‘Social Reinsertion Service’ was set up to provide counselling and guidance to those made redundant, advising them on finding a new job or starting a business. The post-privatization restructuring made by the multinationals resulted in large personnel layoffs. For example, Arcelor Mittal Steel has reduced the number of workers at their Galați plant from over 25,000 at the date of the takeover to some 12,000-13,000 currently, or Petrom, which, at the time of privatisation (2004), had over 50,000 employees, resorted to a similar practice, reducing their number to some 32,000 by 2006, to 26,000 by 2007, and planning to further cut down the number of jobs to approximately 20,000 by the end of 2010, etc.

The conclusions for the state of affairs in Serbia are equally interesting. Strategic partnership with MNE was preceded and followed by significant downsizing of workforce, from nearly 5,000 employees to around 1200, but with plans for opening additional 4,750 new jobs in the future. For the last few years in the automobile industry a significant increase of acquisition and integration can be observed. All producers from South Eastern Europe found the only alternative in same kind of partnership or acquisition by major automotive company, depending on the level of technological development and competitiveness on the market, the pricing and contract terms are formed. The Zastava is one of the last car manufacturer that passed this process, not because of the ability of management but because there was no interest for its acquisition. The great reasons for this were in old technology and large number of employees. Both technology and large number of employees were eliminated as problems after agreement on strategic partnership terms. Therefore social impact of MNE attraction in Serbian automobile industry can be described as short-term negative, due to downsizing programs, but positive in the long term, due to the revitalization of production and expected future job creation. There are also negative aspects in MNEs activity and influence (impact). MNEs contribute essential to the change in the equilibrium of employment and unemployment, full time and part-time jobs, highest incomes and lowest incomes, etc. (for example, in EU-27, there is a Paretian equilibrium
or proportion between full-time, and part-time employment, namely 85% to
15%, but in Romania the disproportion is crucial and severe, with full-time
employment at 98%, and part time at 2%, and this is the consequence of an
imbalance in employment and unemployment). Some negative aspects are
derived directly from the very idea and rules of a corporation. The nature
of the corporation continues to evolve in response to new situations as
existing corporations promote new ideas and structures, the courts respond,
and governments issue new regulations. A question of long standing is that
of diffused responsibility. For example, if a corporation is found liable for
a death, how should culpability and punishment for it be allocated among
shareholders, directors, management and staff, and the corporation itself? But
the authors think that there still are many problems to solve for the very next
future of MNEs.

Conclusions

All MNEs are recognized by the law to have rights and responsibilities.
The social corporate responsibility may be seen as aspiration rather than truly
representative attitude, especially after the great efforts to offer facilities,
made by the Romanian or Serbian economies. What differentiates national
corporations from the large MNEs are the economic scale, resources, investment
power and social possibilities. In multiple countries from the beginning of the
Internet era, national corporations can reach potential customers. Thanks to
the Web, even immigration today means something very different than it used
to mean. In fact, Web means also the brain circulation on Internet. People now
can understand what opportunities are available to them around the world
and can work from a distance rather than move, from one place to another.
The authors of this paper believe in the future economic holos (a systemic
approach), studied with statistics thinking based on concepts like connection,
communication and consciousness and a new human ecology as essential
elements of future corporate social responsibility …

Bibliography

  Institute.
  Institute.
cache/ITY_OFFPUB/KS-SF-08-030/
Economic and Financial Statistics


- *** Gov. decree no.445/1999 concerning the granting of facilities, and the conditions under which the investment to the company Automobile Dacia will be done, published in the Official Gazette no. 260/07.06.1999 and Gov. decree no. 898/1999 ruling the modification of Annex no. 1 to Gov. decree no. 445/1999, published in the Official Gazette no. 565/19.11.1999
- *** Gov. decree no. 524/1999 concerning the mandate granted to the State Property Fund to negotiate and conclude the purchase contract with the firm Renault, having as object 51.05% of the stocks of the company Automobile Dacia as a commercial society of strategic interest, and to modify Gov. decree no. 445/1999 concerning the granting of facilities, and the conditions under which the investment to the company Automobile Dacia will be done, published in the Official Gazette no. 316/01.07.1999.