Italian foreign direct investments in environment or related fields. Case study: Cluj county

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Abstract. This article identifies and presents the main Italian investors in the Cluj county, when considering the environment or the related fields. The main problem faced being the correct delimitation in base of the companies’ CAEN. Also, through this article we try to underline the possibilities one company have when starting to invest in renewable energy or generally, green energy and the motives/benefits for both sides when doing so. Besides, organism like Confindustria Romania or The Court of Commercial Arbitration are stated for the importance of their roles or functions.

Key Words: foreign direct investment, environment, green energy, renewable energy, Italian investors.

Introduction. We live in a process of globalization which leads to increased interdependence among states. One of the main forces behind the globalization is represented by investments. Investments, especially direct financial investments have gained great importance over the last decade and are considered an important tool for accelerating growth and development in developing countries (Mateev 2009).

Italy, a strong developed country, but with an oversaturated market directed its investments towards the least developed countries in the Balkans and especially to Romania. The reasons which led to this guidance of the Italian investments will be presented throughout this paper. This explains the large number of Italian community present in Romania. Bilateral relations between the two countries have been strengthened since 1997 (National Courier 2005; Cluj Chamber of Commerce and Industry 2012) resulting in Italy - one of the main trading partners.

In general, as stated by E. S. Mr. Mario Cospito (His Excellency, statement of the CCIR: Conference on investment opportunities in Romania, November 2010) the Italian Ambassador in Romania, the Italians have invested in the textile, footwear, mechanical, furniture, services, but it is also desirable the extension to other sectors, highlighting the long experience of Italians in: the highways, railway, tourism and environment.

Moreover, the Italian investments focused initially on labor intensive sectors, using organizational practices of production such as: working in the "lohn" system of raw materials or semi-made in Italy. They evolved in affirming joint ventures (Contractual arrangement whereby several persons agree to carry out an economic activity subject to control conjugate (simultaneously). Control of economic activities is conjugated when it is exercised in a collegial manner, by virtue of a contractual agreement. None of the contractors are able to control unilaterally the business of the joint venture. Such a control may not occur in companies with a controlling shareholder) or contracts with local producers for the supply and assembly of machine components or instrumental goods.

This material is divided into four parts. In the first part a familiarity with the concept of direct financial investment is made, what are the advantages of foreign investors and in particularly of the Italians when setting as target for their investments Romania. Then, the second part reviews the environmental activities and the reasons why they can arouse the interest of the investors. The third part focuses on the reasons that have pushed Italian investors to invest in environmental activities in Romania and
especially in Cluj, because, as we shall see, many of them have made such investments. The paper ends with conclusions drawn and the proposals which required to be made.

**Direct financial investments coming from Italy in Cluj county.** First of all, let’s try to define these direct investments. As defined by the Romanian Central Bank, the financial foreign direct investments represent a long term relationship between a resident entity and a non-resident entity, usually involving the investor exerts a significant influence on the management of the investee company.

With another definition comes OECD stating that direct financial investment refers to obtaining long-term influence in a company which is a resident of a country other than that of the investors. And it expresses essentially the same as that given above.

Going forward, we can look to the forms these direct financial investments can manifest. By contribution of foreign participations in capital flows in the foreign direct investment enterprises, can take two forms:

a) A Greenfield investment that involves the establishment of a new company in a foreign market, from scratch;

b) A Brownfield investment (Wiechoczek 2009), which involves the merger or acquisition of a company in a foreign market, target of the investment and the collaboration with a local firm forming a joint venture.

Which are the factors behind the motivation of the Italian investors to invest in Romania? Here we can mention the following factors:

- the costs of material, human, technological etc. - much cheaper than in Italy;
- Romania is a huge market for Western European countries whose market is oversaturated in many areas, a market which the Italian investors quickly broke;
- highly trained labor force, so that one can observe the concentration of these investments in areas that have strong universities, a good example here being Cluj;
- the wealth of natural resources that Romania has;
- both countries are members of the EU, which has resulted in facilitating relations between the two countries by removing many barriers that existed before the integration in the EU, specific before 2007;
- we have among the lowest unique regional taxes (16%).

Next there are represented two graphs (Figures 1 and 2) that highlight the developments of direct financial investments coming from Italy as a value in million Euros and as a percentage from the total foreign direct investments in Romania, 2003-2010 period (I note that this analysis is based on annual reports issued by the NBR regarding financial direct investments in Romania. Unfortunately, in this analysis could not be included the year 2011 as well because the related report for this year has not been yet published).

As it can be seen in Figure 1, the Italian investments in Romania were growing except the last part of the period in which there is a slight decrease that can be put on the recent economic crisis which severely hit the vast majority of the European countries and beyond.

In the Figure 2 it can be seen the percentage held by Italy of the total direct investments in Romania, a percentage that shows that Italy is one of the most important investors on the Romanian market. Thus according to the NBR financial direct investments report in Romania in 2010, Italy ranked 6th among the foreign investors.
The presence of the Italian community is generally spread throughout Romania, but tended to concentrate in certain geographical areas. Among them, the most relevant is the presence of the Italian entrepreneurs in counties in northwestern Romania – accessible geographically:

- Arad and Timisoara are the cities with the highest density of Italian companies (about 4,000 companies);
- Bucharest (3300 companies);
- Bihor County (1000);
- Cluj (700 – e.g. 735 according to Cluj Chamber of Commerce and Industry, 2012);
- Brasov (500 - according to Mr. Nicholas Băcanu, vice president of the National Chamber of Romania, Chairman of CCI Arad; National News Agency - Agerpres - November 2010).

Thus, after a thorough analysis of the information received locally, emerge the following:

- companies with foreign capital contribution - Italian, are in number of 735, with a value of invested capital (RON) of 180,203,818.66;
- turnover (RON) of 297,367,174;
- a profit (RON) of 39,419,049.
The average number of employees is 4167, with a foreign contribution - foreign currency, specifically dollars, of 50,831,939.73 or in RON of 5,595,807.59.

**Direct financial investments from Italy in the environmental activities from Romania and, in particular, Cluj county.** The different environmental issues are brought into the public attention more frequently. One the most disputed issue is represented by the polluted energies. These, in addition to being pollutant, are limited. As if this were not enough, with the exhaustion, they become increasingly more expensive. To be clearer, resources are called to dock the non-renewable resources such as oil, coal, etc.

The punishment they receive just for having been used is given to them and the search for an alternative is required. There is such an alternative? Yes. Renewable resources. The have advantages? Certainly. Among the advantages we emphasize that they are renewable, clean and ... profitable? Again a question ... I dare to ask questions because they are answered in the realities in which we live. Let’s go back to the last question. Yes, such investments are profitable.

The profitability of investments in renewable comes from the fact that the legislation of many states provide facilities for those who exploit such resources. Another reason would be that consumers are becoming increasingly aware of environmental issues that face us, why will target companies that use such resources. Another factor that will influence the growth of profitability of such companies is depletion of non-renewable and renewable use as the raw resources.

It can be asked the following question. And yet, why are not widely used? The answer that we can give to this question is emphasized by the cost of such an investment, which is quite high and the technologies used can not give a comparable amount of energy using energy from renewable resources. But lately, the situation has changed. Advanced technologies that are also cheaper, make their way to the market.

It seems that many of the world countries and especially the developed ones understand that, as we have seen, renewable resources provide many advantages. This is one reason why, these countries registered high levels of investments. But a good thing for us, these countries have directed investments in these resources and towards developing countries that offered opportunities on this level. One such country is Romania and a major player locally is Italy. To be more explicit, we chose to analyze the Cluj County.

We tried to identify the main Italian investors from Cluj County. Of these, after analyzing the main operating companies with Italian capital in Cluj, in order of decreased turnover, it can be seen the first companies with environmental activities or related fields, of the (more than) 700 (Table 1).

These companies were selected after consulting the materials received from Cluj Chamber of Commerce and Industry (2012), but important to note is: their high number. So that, as a public user, I did not have access to the entire database. Moreover, there were followed details for each company on the official websites, where there were available, also various profile sites like: http://www.listafirme.ro/, http://www.infofirme.ro/, http://www.firme.info/cluj/, http://www.firme-on-line.ro/ and others like these (Important information about the possibilities Italian entrepreneurs have to invest in environment, in Romania, predominantly in Cluj-Napoca, can be obtained from CONFINDUSTRIA Romania).

This is "Patronage - Patronat" recognized by the Romanian Government in October 2004, organ involved at the table with the Government and the trade unions in order to discuss the important issues of companies (Labour, taxation, etc ...), but also protects the interests of its own associates: **Romanian companies partially or wholly owned by Italians.** For the latter function, the patronage, together with the Chamber of Commerce and Industry Cluj, officially presented **la Corte di Arbitrato Commerciale**, the Court of Arbitration (It is led by the Chamber of Commerce and Industry in Cluj, http://www.confindustria.ro/templates/img/online/users/admin/File/events/2011/%27Arbitrato%20Commerciale%20a%20Cluj.pdf.) → a modern and valuable instrument for resolving the commercial disputes that may arise.
In addition Confindustria's system is inspired by the Italian patronage, wherein is found, being member of Confindustria Italy. Currently Confindustria has nearly 700 associates who provide more than 130,000 jobs, according to data published on the official website. Renewables and clean energy/green in Romania are dotted in its Energy and Environment Commission, these could be divided into the following sectors: hydroelectric, wind, photovoltaic, geothermal, biomass cogeneration and biogas.

Table 1

<table>
<thead>
<tr>
<th>No</th>
<th>Company name</th>
<th>Type of organization</th>
<th>Date of foundation (CUI or CIF)²</th>
<th>The activity, CAEN²</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>TIGER SOMEȘ IMPEX S.A.</td>
<td>Closed Joint Stock</td>
<td>27.11.1992</td>
<td>1721 – Manufacture of corrugated paper and paperboard and of containers of paper and paperboard</td>
</tr>
<tr>
<td>2</td>
<td>VIPP RO LAVORI S.R.L.</td>
<td>Limited liability company</td>
<td>18.05.2007</td>
<td>4399 – Other specialized construction works</td>
</tr>
<tr>
<td>3</td>
<td>BOCCARDO ELECTROCERAMICA S.A.</td>
<td>Limited liability company</td>
<td>06.01.1995</td>
<td>2223 – Manufacture of plastic articles for construction</td>
</tr>
<tr>
<td>4</td>
<td>TECNOSCAVI S.R.L.</td>
<td>Limited liability company</td>
<td>27.11.1992</td>
<td>2343 – Manufacture of ceramic insulators and insulating fittings</td>
</tr>
<tr>
<td>5</td>
<td>AGROLUSERNA S.R.L.</td>
<td>Limited liability company</td>
<td>19.12.2001</td>
<td>4299 – Construction of other civil engineering projects n.e.c</td>
</tr>
<tr>
<td>6</td>
<td>STEEL PAN S.R.L.</td>
<td>Limited liability company</td>
<td>03.05.2007</td>
<td>0142 – Raising of other cattle</td>
</tr>
<tr>
<td>7</td>
<td>THUNDERFLEX S.R.L.</td>
<td>Limited liability company</td>
<td>06.09.2006</td>
<td>4672 – Wholesale of metals and metal ores</td>
</tr>
<tr>
<td>8</td>
<td>MOKORYTE S.R.L.</td>
<td>Limited liability company</td>
<td>29.08.2000</td>
<td>2219 – Manufacture of other rubber products</td>
</tr>
<tr>
<td>9</td>
<td>TRANSART S.R.L.</td>
<td>Limited liability company</td>
<td>27.11.1992</td>
<td>4120 – Construction of residential and nonresidential buildings</td>
</tr>
<tr>
<td>10</td>
<td>EDIS NAPOCA S.R.L.</td>
<td>Limited liability company</td>
<td>09.02.2004</td>
<td>5829 – Publishing other software</td>
</tr>
<tr>
<td>11</td>
<td>TRANSIMONT S.R.L.</td>
<td>Limited liability company</td>
<td>20.01.2003</td>
<td>1812 – Other printing n.e.c</td>
</tr>
<tr>
<td>12</td>
<td>SAMARCU S.R.L.</td>
<td>Limited liability company</td>
<td>15.02.2002</td>
<td>2511 – Manufacture of metal structures and parts of structures</td>
</tr>
<tr>
<td>13</td>
<td>FINDER ECHIPAMENTE S.R.L.</td>
<td>Limited liability company</td>
<td>13.01.2005</td>
<td>2561 – Treatment and coating of metals</td>
</tr>
<tr>
<td>14</td>
<td>ENERGOBIT TESAR TRANSFORMERS S.R.L.</td>
<td>Limited liability company</td>
<td>05.02.2008</td>
<td>4669 – Wholesale of other machinery and equipment</td>
</tr>
</tbody>
</table>

¹ Tax Identification Code - CIF is a numeric code representing the unique identifier of a trader. Also called the tax code or unique identifier. Until the 1st of January 2007 it was called Unique Registration Code (CUI), http://ro.wikipedia.org/wiki/Cod_de_Identificare_Fiscal% C4%83; ² CAEN Rev. Two.

The committee may have a major role in the present and in the coming years in Romania, due to innovative ideas proposed in support of environmental protection and low power consumption. Energy and Environment Commission’s objective being to support and guide the entrepreneur to the renewable energy sector, sources of funding, strategic guidance, giving clear reference points in order to streamline and transform the initiative into a profitable one.

Conclusions. Foreign direct investments in environmental activities from Italy towards Romania can be explained with reasons like:
- material costs, human, technological, etc. - much cheaper than in Italy;
- Romania - a huge market for Western European countries whose market is oversaturated in many areas;
highly trained workforce, which is why a concentration of these investments is observed in areas that have strong universities - a good example here being Cluj;

- the natural resource wealth that Romania has, but also those three pan-European transport corridors. Of course, the list can be completed. Plus, following the given reasons, and the various bilateral relations between Italy and Romania and organs as Confindustria, the Italian FDI in Romania continues even despite the crisis (with a slight decrease compared to the years 2007-2008) – in environment as well. The table with the main operating companies, with Italian capital from Cluj county confirming this fact;

- great opportunities related to obtaining renewable resources.

It is desirable, however, that the cities of Romania, which currently consumes energy from traditional sources become points of clean energy production, thus contributing significantly to the protection of the environment (as CONFINDUSTRIA states as well). For this, we hope that the number of investors in this sector will grow as fast as possible - evolution that can be followed sequentially.

References


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*** The statement of Mr. Nicholas Băcanu, vice president of the National Chamber of Romania, Chairman of CCI Arad; National News Agency - Agerpres - November 2010).


*** The Annual Reports issued by the NBR: National Bank of Romania and in collaboration with the Statistical National Institute, INVESTITIIILE STRĂINE DIRECTE ÎN ROMÂNIA, 2010.


