

Presence of Subsidiaries of Multinational Companies (FATS) in the European Union Countries. Romanian Particularities

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Argument and Methodology

Currently, in Romania and worldwide the presence of subsidiaries of multinational companies is controversial. Moreover, it seems that the pro- and anti-globalization positions (the multinational company is one of the main vectors of globalization) were strongly radicalized. The number of studies that "have empirically identified different results regarding the effects of technology and knowledge transfer and of competition created by subsidiaries of multinational companies in the host countries"² has multiplied.

In this context, it seemed appropriate that, by using the first complete database on branches of multinationals (FATS), developed by EUROSTAT and presented in last January, available for 2014, to initiate a research able to answer two fundamental questions:

- 1. What is the position of Romania in the European Union in terms of economic dependence on FATS?**
- 2. What is the similar position of the United Kingdom, from among the major five economic powers of the European Union, in order to assess some possible implications of Brexit?**

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² C. Mereuță et al., (2013), *Capitalul majoritar străin în companiile noduri de pe principalele piețe ale României*, Editura Economică București – p. 31.

I considered as logical to analyze the data for 2014 separately for the group of the 15 EU countries existing before 2004 and for the group of the 13 countries corresponding to the recent waves of enlargement after 2004. The reason for my option was determined by temporal factors and by the level of economic development of the analyzed countries.

From the methodological point of view, the study includes records that relate to:

- The share of FATS in total number of companies,
- The share of FATS turnover in total turnover,
- The share of FATS gross value added at factor cost in total value added,
- The share of FATS number of employees in total employees.

The record highlights for each variable:

- The share of the EU 28,
- The share of the EU 15, with the ranking of the five major economic powers,
- The share of the EU 13, with the ranking of all countries,
- A specific comment.

The national system of companies comprises for each country the companies in industry, construction, trade and market services, excluding the financial, insurance and public administration companies.

The study ends with conclusions and a recommendation of strategic type for the Romanian Government.

The Share of FATS in the Total Number of Companies

Group	Total number of companies	Total number of FATS	Share of FATS in total, %
EU 28	23377025	265565	1.14
EU 15	18451319	160307	0.87
EU 13	4925706	105258	2.14

Source: EUROSTAT – January 2017 and author's computations.

The Share of FATS in the Total Number of Companies in the Five Major Economic Powers of EU 28

Country	Share of FATS, %
Germany	1.12
France	0.71
United Kingdom	1.21
Italy	0.34
Spain	0.48

Source: EUROSTAT – January 2017 and author's computations.

The Share of FATS in the Total Number of Companies in the EU 13 Countries

Country	Share of FATS, %
Latvia	7.05
Romania	6.47
Slovenia	5.09
Hungary	3.55
Bulgaria	3.53
Croatia	2.77
Lithuania	2.08
Czech Republic	1.30
Estonia	1.21
Slovakia	0.87
Malta	0.64
Cyprus	0.63
Poland	0.46

Source: EUROSTAT – January 2017 and author's computations.

Comments

- The share of EU 13 is more than double as compared to that of the EU 15,
- Romania ranks second as regards the FATS share in total number of companies, after Latvia,
- Poland has the lowest percentage of FATS in the total number of companies, well below the share of the EU 28 and the EU 15,
- Among the major economic powers of the EU 28, the largest share of FATS in the total number of companies is found in the UK, with a value significantly higher than the share of EU 15 and slightly higher than the share of EU 28.

The Share of FATS Turnover in Total Turnover of Companies

Group	Total turnover of companies	FATS turnover	Share of FATS in total, %
EU 28	26586853.5	7478427.5	28.13
EU 15	24123657.3	6529628.6	27.07
EU 13	2463196.2	948798.9	38.52

Source: EUROSTAT – January 2017 and author's computations.

**The Share of FATS Turnover in Total Turnover of Companies
in the Five Major Economic Powers of EU 28**

Country	Share of FATS, %
Germany	22.75
France	20.19
United Kingdom	37.41
Italy	18.05
Spain	27.22

Source: EUROSTAT – January 2017 and author’s computations.

**The Share of FATS Turnover in Total Turnover of Companies in the EU 13
Countries**

Country	Share of FATS, %
Hungary	52.81
Slovakia	51.84
Romania	48.09
Czech Republic	46.70
Latvia	39.34
Bulgaria	33.91
Lithuania	32.48
Poland	29.61
Slovenia	29.10
Croatia	28.96
Estonia	26.92
Malta	21.29
Cyprus	12.81

Source: EUROSTAT – January 2017 and author’s computations.

Comments

- The share of EU 13 is clearly higher than the share of EU 15,
- Romania ranks third among the EU 13 countries, with a share significantly higher than the share of this group,
- Poland has a share of FATS turnover in total turnover very close to the EU 28 average,
- From among the main economic powers, the United Kingdom has the highest share of FATS turnover in total turnover, significantly higher than the share of EU 28 and close to the share of EU 13.

**The Share of FATS Gross Value Added at Factor Cost
in Total Value Added of Companies**

Group	Total value added of companies	FATS value added	Share of FATS in total, %
EU 28	6581974.0	1572070.0	23.88
EU 15	6073769.7	1391318.2	22.91
EU 13	508204.3	180751.8	35.57

Source: EUROSTAT – January 2017 and author's computations.

**The Share of FATS Gross Value Added at Factor Cost in Total Value Added of
Companies in the Five Major Economic Powers of EU 28**

Country	Share of FATS, %
Germany	21.87
France	16.01
United Kingdom	29.92
Italy	14.72
Spain	21.08

Source: EUROSTAT – January 2017 and author's computations.

**The Share of FATS Gross Value Added at Factor Cost in Total Value Added of
Companies in the EU 13 Countries**

Country	Share of FATS, %
Hungary	52.66
Romania	43.90
Slovakia	43.59
Czech Republic	42.33
Bulgaria	33.05
Latvia	31.06
Poland	29.09
Lithuania	26.50
Estonia	26.42
Croatia	24.87
Slovenia	24.09
Malta	22.60
Cyprus	11.20

Source: EUROSTAT – January 2017 and author's computations.

Comments

- The share of EU 13 is clearly higher than the share of EU 15,
- Romania ranks second, with a share significantly above the EU 13 share, after Hungary,
- Poland has a much lower share than the EU 13 share, but significantly higher than the share of EU 28,
- From among the major economic powers, the largest share of FATS gross value added at factor cost in total GVA is found in the UK, clearly higher than the share of the EU 28 and practically equal to the EU 13 share!

The Share of FATS Number of Employees in Total Employees of Companies

Group	Total employees of companies	FATS number of employees	Share of FATS in total, %
EU 28	135937393	20252327	14.90
EU 15	110520228	14855679	13.44
EU 13	25417165	5396648	21.23

Source: EUROSTAT – January 2017 and author's computations.

The Share of FATS Number of Employees in Total Employees of Companies in the Five Major Economic Powers of EU 28

Country	Share of FATS, %
Germany	11.66
France	11.09
United Kingdom	19.23
Italy	8.02
Spain	12.20

Source: EUROSTAT – January 2017 and author's computations.

**The Share of FATS Number of Employees
in Total Employees of Companies in the EU 13 Countries**

Country	Share of FATS, %
Romania	26.89
Czech Republic	26.81
Hungary	26.41
Slovakia	25.50
Estonia	22.70
Slovenia	19.25
Latvia	18.66
Poland	17.55
Bulgaria	16.29
Lithuania	14.90
Malta	14.00
Croatia	13.32
Cyprus	6.02

Source: EUROSTAT – January 2017 and author's computations.

Comments

- The share of EU 13 is clearly higher than the share of EU 15,
- From among the EU 13 countries, Romania is leader regarding the share of FATS number of employees in total employees,
- Poland has a share of FATS number of employees in total employees significantly lower than the EU 13 share, but higher than the share of EU 28,
- From among the major economic powers, the highest share of FATS number of employees in total employees is found in the UK, with a share clearly higher than that of the EU 28 and close to EU 13 share!

Conclusion

Analysis of FATS presence in the EU countries clearly demonstrates that the dependence of the economies of the countries belonging to the recent waves of accession to the European Union (after 2004) is clearly higher than that of the original group of 15 European Union countries. I emphasize that this statement applies to each of the four major coordinates of the analysis.

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The analysis has also proved that Romania has the highest dependence on FATS from among the group of the recent EU accession waves, ranking as follows:

- 2nd as regards the percentage of FATS (leader is Latvia),
- 3rd as regards the share of FATS turnover (after Hungary and Slovakia),

→ 2nd as regards the share of FATS gross value added at factor cost (after Hungary),

→ 1st as regards the percentage of FATS employees.

The statement remains valid for the whole European Union, except for Luxembourg, which is a special type of economy, over 80% centered on services.

From the perspective of Brexit, I point out that the United Kingdom is the country most dependent on FATS from among the five major economic powers of the European Union, which may cause various problems to the UK in the new situation of country outside the European Union.

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Related to the situation revealed by the analysis, I am convinced that the message of the American Professor Emeritus Robert Gilpin should be taken and adopted by the Government as a strategic objective:

"Undoubtedly, multinationals bring huge benefits to consumers and economies worldwide. However, multinationals are huge concentrations of economic power and, similar to all vast and powerful social institutions (including government bureaucracies and even non-profit organizations), the multinational companies can adopt corrupt, arrogant and socially irresponsible attitudes. Where there is power, there is also its misuse. Competition between companies helps reducing unwanted behaviors, and the national anti-trust policies may restrict a number of questionable activities. While an international regime might prove beneficial, there is no easy and permanent solution to the problems caused by concentrations of wealth and power in economic, social and political affairs, so constant vigilance is needed to prevent abuses. "

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Appendix 1

Multi-criteria Ranking of Dependence of Economies Belonging to the “New Waves” of Accession to the EU (After 2004) on the Presence of Subsidiaries of Multinational Companies (FATS)

	Share of FATS number of companies, %.	Points for number of companies	Share of FATS turnover, %	Points for turnover	Share of FATS value added, %	Points for value added	Share of FATS employees, %	Points for employees	Total points
Romania	6.47	2	48.09	3	43.90	2	26.89	1	8
Hungary	3.55	4	52.81	1	52.66	1	26.41	3	9
Czech Republic	1.30	8	46.70	4	42.33	4	26.81	2	18
Slovakia	0.87	10	51.84	2	43.59	3	25.50	4	19
Latvia	7.05	1	39.34	5	31.06	6	18.66	7	19
Bulgaria	3.53	5	33.91	6	33.05	5	16.29	9	25
Slovenia	5.09	3	29.10	9	24.09	11	19.25	6	29
Lithuania	2.08	7	32.48	7	26.50	8	14.90	10	32
Estonia	1.21	9	26.92	11	26.42	9	22.70	5	34
Poland	0.46	13	29.61	8	29.09	7	17.55	8	36
Croatia	2.77	6	28.96	10	24.87	10	13.32	12	38
Malta	0.64	11	21.29	12	22.60	12	14.00	11	46
Cyprus	0.63	12	12.81	13	11.20	13	6.02	13	51

Source: EUROSTAT – January 2017 and author’s computations.

Appendix 2

Multi-criteria Ranking of Dependence of the EU 28 Economies ** on the Presence of Subsidiaries of Multinational Companies (FATS)

	Share of FATS number of companies, %.	Points for number of companies	Share of FATS turnover, %	Points for turnover	Share of FATS value added, %	Points for value added	Share of FATS employees, %	Points for employees	Total points
Romania	6.47	2	48.09	3	43.90	2	26.89	1	8
Hungary	3.55	4	52.81	1	52.66	1	26.41	3	9
Czech Republic	1.30	12	46.70	4	42.33	4	26.81	2	22
Latvia	7.05	1	39.34	5	31.06	7	18.66	11	24
Slovakia	0.87	18	51.84	2	43.59	3	25.50	4	27
Bulgaria	3.53	5	33.91	11	33.05	6	16.29	15	37
Sweden	1.79	9	31.93	13	27.41	10	21.46	6	38
Austria	3.16	6	34.90	10	26.34	15	19.75	7	38
Ireland ****	1.52	11	38.25	6	38.56	5	15.57	17	39
United Kingdom	1.21	15	37.41	7	29.92	8	19.23	10	40
Slovenia	5.09	3	29.10	15	24.09	17	19.25	9	44
Estonia	1.21	14	26.92	18	26.42	14	22.70	5	51
Lithuania	2.08	8	32.48	12	26.50	13	14.90	18	51
Netherlands	1.18	16	37.00	8	27.30	12	16.27	16	52
Poland	0.46	24	29.61	14	29.09	9	17.55	12	59
Croatia	2.77	7	28.96	16	24.87	16	13.32	20	59
Denmark	1.71	10	23.21	20	21.28	22	19.71	8	60
Belgium ***	0.23	27	36.16	9	27.34	11	16.33	14	61
Finland	1.29	13	23.02	21	21.63	21	16.40	13	68
Portugal	0.74	19	24.11	19	22.40	19	12.78	21	78
Malta	0.64	21	21.29	23	22.60	18	14.00	19	81
Germany	1.12	17	22.75	22	21.87	20	11.66	23	82
Spain	0.48	23	27.22	17	21.08	23	12.20	22	85
France	0.71	20	20.19	24	16.01	24	11.09	24	92
Italy	0.34	25	18.05	25	14.72	25	8.02	25	100
Cyprus	0.63	22	12.81	26	11.20	27	6.02	26	101
Greece	0.27	26	12.50	27	12.01	26	5.15	27	106

Source: EUROSTAT – January 2017 and author's computations.

*** Year 2013.

**** Estimates.

** Luxembourg was not included in the ranking, because of special economic and fiscal peculiarities.