

## **CLUSTER POLICY RELEVANCE ON REGIONAL DEVELOPMENT**

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### **Abstract**

*The financial perspective 2014-2020 attaches a great importance to supporting SMEs as a factor in industrial competitiveness and economic growth. The importance of an enabling environment for business and entrepreneurship, particularly for SMEs is complemented by the need to improve the impact of the economic-financial crisis from Europe, since disparities of economic development and structural economic differences still persist. In this context, the implementing clusters support policies became a priority for the European industrial policy. In addition, the Europe 2020 Strategy specifically stipulates the importance of clusters for business, especially for SME. Our paper is focusing on the European framework and the efforts made by Romania for cluster promotion as a new organization of the industrial activity.*

**Key words:** EU 2020, cluster, economic competitiveness, industrial policy

**JEL Classification:** R 1, R 3, L 5

Europe 2020 Strategy, which aims to create the framework for a smart, sustainable and inclusive growth includes among others the initiative entitled "An industrial policy for the globalization era".

In the next programming period 2014 - 2020 the European policymakers will direct the EU budget firstly for supporting the competitiveness of industry and in particular SMEs, in order to correct market failures such as access to finance, and to strengthen and diversify the domain - so that the European industry could compete on a global scale.

Also, the participation of small and medium enterprises to financing programs will be a priority objective of the European Strategy for industrial competitiveness and SMEs, which aims at:

- a simplification of the rules
- to reduce the cost of participation
- to accelerate the evaluation, selection and contracting
- to provide single points of contact, etc..

Specifically, the European Commission proposes the establishment of a special program called "Competitiveness and SMEs", as the successor of the current Competitiveness and Innovation Framework Programme (CIP). Also, all support measures for SMEs, including the innovative component of the CIP, would be included in the Common Strategic Framework for Research and Innovation. The "Competitiveness and SMEs" program will focus mainly on measures to promote dynamic, competitive SMEs internationally. In other words, the financial perspective 2014-2020 attaches *a great importance to supporting SMEs* as a factor in industrial competitiveness and economic growth.

Regarding this new strategy, the European Commission<sup>1</sup> mentions that " the EU industry is in shape and has the potential to restore the European economy back on the path of growth." Developing an EU industrial base requires industry to be "modern, innovative, competitive, based on low-carbon emissions, resource and energy efficient."

Improving the overall competitiveness of the European industry is essential, given that 75% of the EU exports come from manufacturing companies of which also carries 80% of R & D in the industry.

Communication identified the following main areas where the competitiveness of the EU economy could be further strengthened in order to achieve significant progress in meeting the objectives of Europe 2020 Strategy<sup>2</sup>:

- Orientation of structural changes in the economy towards more innovative and knowledge-based sectors
- Supporting innovation in industry, in particular by further concentration of research projects in areas such as nanotechnology, advanced materials, industrial biotechnology;
- Promoting innovation and use of clean technologies
- Improving the business environment
- Supporting innovative, full implementation of the Single Market regulations, in particular Directive Services<sup>3</sup>
- Facilitate professional and market interconnection, internationalization and market access of SMEs.

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<sup>1</sup> COM 642/14 octombrie, Comunicare a Comisiei către Parlamentul European, Consiliu, Comitetul Economic și Social și Comitetul Regiunilor, Politica industrială: Creșterea competitivității,

2011 [http://www.europarl.europa.eu/meetdocs/2009\\_2014/documents/com/com\\_com%282011%290642\\_/com\\_com%282011%290642\\_ro.pdf](http://www.europarl.europa.eu/meetdocs/2009_2014/documents/com/com_com%282011%290642_/com_com%282011%290642_ro.pdf)

<sup>2</sup> [http://ec.europa.eu/romania/news/171011\\_competitivitate\\_industriala\\_ro.htm](http://ec.europa.eu/romania/news/171011_competitivitate_industriala_ro.htm)

<sup>3</sup> Directiva 2006/123/CE a Parlamentului European și a Consiliului din 12 decembrie 2006 privind serviciile în cadrul pieței interne

<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:32006L0123:RO:HTML>

The importance of an enabling environment for business and entrepreneurship, particularly for SMEs is complemented by the need to improve the impact of the economic-financial crisis from Europe, since disparities of economic development and structural economic differences still persist, as shown in the following table:

**Table 1**

|   | GDP / capita above the EU average   | GDP / capita below the EU average                          |
|---|---|--|
| Industry priority - advanced technologies   | Austria, Belgium, Denmark, Finland, France, Germany, Ireland, UK, Netherlands, Sweden | Czech Republic, Malta, Poland, Slovakia, Slovenia, Hungary |
| The development of the industry is based on less technologically-advanced sectors | Cyprus, Greece, Italy, Luxembourg, Portugal, Spain                                    | Bulgaria, Estonia, Latvia, Lithuania, <b>Romania</b>       |

**Source:** processing information from "Performance and policies of the Member States in terms of competitiveness 2011", Report of the European Commission, 2012

In the context of the metamorphosis prepared by the European policymakers regarding the industry, implementing clusters support policies first began in 2006. Note, however, that this new organization form of the industrial activity has emerged as a solution to an older deficiency which is competitiveness of the European industry compared to the advanced level of industry from Asian countries (Korea, Japan and to a lesser extent China).

As the European industry has become more innovation oriented, the European Commission noted the need to form clusters of excellence, by „gathering high-technology SMEs around research and technological institutions or by developing geographical concentrations around large enterprises. Therefore, the European Cluster Cooperation Platform platform was launched to facilitate and strengthen transnational cooperation between clusters.

According to specialists, cluster policies create economic growth, productivity, competitiveness, innovation and jobs. Cluster-based economic development as part of supporting innovation and competitiveness of the European industry has become a topic of interest for the European Union in terms for the Lisbon Agenda. In addition, the Europe 2020 Strategy specifically stipulates the importance of clusters for business, especially for SME.

What is new and innovative about this concept known in economic literature as cluster, is that in this formula an action is being determined along the entire value chain of companies from the industrial sectors: suppliers - distributors - individual interactions of companies - collateral actors, etc.; what is important to note is the size of the analyzed value chain, considering the business involvement of the companies not only nationally but also internationally.

Beneficial effects on cost and on the increased capacity for innovation clusters - compared to individual companies, and the overall industry should not be omitted.

The enhanced role of clusters in EU strategic documents (on business and industry) is also justified by the increased competitiveness of individual companies as part of many European clusters already visible in the international economic landscape.

It is important to mention that about two-thirds of those employed in industrial sectors are part of small and medium enterprises, which emphasizes the interest to integrate into industrial clusters.

The first European policies regarding clusters have materialized around 2006, by launching the PRO INNO (2006) and INNOVA (2007) platforms and also the "Regions of Knowledge" program, designed to financially encourage the development of clusters based on innovation, followed by other European programs and platforms - under development (for example: VALOR, INNO - NET: Development and validation of a holistic framework for implementing value-policies , IP4INNO, INNO - Action, CLUNET, INNO - Net, CEE - Cluster Network, INNO - Net, Enterprise Europe Network<sup>1</sup>, EEN, EUREKA, etc.).

In 2007, the European Cluster Observatory is formed, with the role of monitoring and providing statistics on the evolution of clusters in Europe (managed by the Stockholm School of Economics and funded by DG Enterprise & Industry), which is continuously adapted according to changes in activities of industrial companies, new statistical methods of analysis and new permanently-developed concepts by the specialists.

Meanwhile, a number of documents relating to the development and implementation of the cluster concept have been developed, from which we mention the Report the European Commission (DG Research) from 2008 on "Research-intensive regional clusters and science parks."

The report illustrates how a cluster consisting of research institutes / universities, businesses and the public administration have gathered around an economic actor, contributing substantially to the recovery of regional economies by exploiting the results of research and development ([http://ec.europa.eu/research/regions/pdf/sc\\_park.pdf](http://ec.europa.eu/research/regions/pdf/sc_park.pdf)).

In this context, Romania is working to improve its industrial performance in order to encourage innovation in industrial processes and technology, and promotes measures to encourage the transition to a 'green economy' and modernization of industrial sectors, including the promotion of innovative clusters and cooperation between the latter and the academic environment, research and government.

According to experts and existing documents from the Ministry of Economy - national authority regarding national cluster policy - both the private sector and the regional public institutions are not well acquainted with the idea of cluster. Therefore, the development of regional clusters would require a more intensive information campaign on the subject and to stimulate interest expressed by companies and SMEs for the formation of such economic entities. This would be beneficial both to regional awareness of the concept and method of economic organization but also to help public institutions formulate better the future regional policy in this area.

Romania is among the countries with a number of clusters that are below the European average, but is in a good position in terms of export rate of enterprises belonging to the cluster and also in terms of the rate of R&D enterprises in the cluster and cluster management personnel.

In general, in terms of companies involved in the activity of the Romanian clusters, the main factors that contributed to the shy promotion of clusters are:

- Industry as the main engine of the cluster generation process: 3 of 5 are clustered based on the business industry;
- The role of the underlying cluster organisations: all Romanian region clusters are formed around highly motivated organizations: large companies (like the textile industry), small enterprises (eg. ICONIC), industry associations (in tourism) Regional Development Agencies (medical) and R&D Institutes (Agro Ind-Pol);
- Innovative financial schemes: because officially no public funding is available for clusters, innovative financing solutions were identified: members' contributions (iconic textile, Ind-Agro-Pol), FP7 (IMAGO MOL) or a mix of funding sources: member's fee + projects of the members indirectly used for the development processes of the cluster+ sales (Cluster Tourism).
- The fully implemented cluster activities include connecting with other business clusters and networks in the country. Among the activities less implemented in the cluster is the joint participation of the cluster members in various auctions in the EU or elsewhere.

The internationalization strategy, which is especially followed by the Romanian clusters, includes the following activities: participation in events, fairs, international study tours, etc., business meetings, participation in international

projects and participation of cluster organizations in international projects as seen from the diagram below:

**Table 2**

**The main activities included in the strategy of internationalization**

|   |
|---|
| Participation in international events, exhibitions, studio visits, etc.                     |
| Business meetings   |
| Participation in international projects   |
| Participation of cluster organizations in international projects                            |
| Including foreign enterprises in the cluster  |
| Biroul de cluster / reprezentarea în exterior. The cluster office / external representation |

In the past two years, regional clusters have produced several international cooperation agreements with similar structures in Europe. Regarding the cooperation between neighboring countries, the most intense cooperation occurs between Romania and the vast southern region of Hungary. Topics cooperation for the neighbor countries are detailed in the following table.

**Table 3**

| No. | Region     | Cluster/Organization          | Domain  | Country          |
|-----|------------|-------------------------------|---|------------------|
| 1   | West       | ROSENC                        | Renewable sources energy  | Hungary          |
| 2   | West       | ICT Vest                      | IT Cooperation Cluster<br>IT Solutions for non-IT business                          | Hungary          |
| 3   | West       | Timiș Chamber of Commerce     | Border cooperation in the field of "green building"                                 | Hungary          |
| 4   | West       | ICT Vest                      | Border cooperation in the field of TIC  | Serbia           |
| 5   | South-West | City Council Dolj             | Border cooperation in the field of agriculture and food                             | Bulgaria         |
| 6   | South-East | Constanța Chamber of Commerce | Border cooperation in the field of tourism and in the field of agriculture and food | Bulgaria         |
| 7   | North-East | City Council Iași             | Border cooperation in the field of agriculture and food                             | Moldova, Ukraine |

**Source:** Ministry of Economy, 2013

At European level, we should be mention the cooperation between The Energy Cluster from the Central Region of Romania and the Brandenburg region of Germany and the cooperation between clusters like Green Energy, Agro Food and Pro Wood County Covasna (Central region) and other similar clusters in Hungary.

Overall, more projects from South-East Europe(eg Smarter Cluster Policies in South East Europe - ClusterPoliSEE, Adriatic Danubian Clustering - ADC, INTERREG IV C - Clusterix and CIP - SEENECO) are being implemented, aiming at integrating the romanian clusters into the european landscape.

## Conclusions

Given the national context and recommendations of the European Commission, the policy of promoting clusters in Romania should be read in conjunction with the stimulation of R&D at both the private and public level, high-tech industries enjoying a sustained promotion.

As it is shown from the experience of developed countries in this respect, implementation of the industrial policies and support for clusters, is improving over time depending on the specific national / regional industrial structure, economic development, public policy type applied and there is no single "recipe for success " but a set of models.

We believe that the most relevant European documents for the apparition of clusters in Europe are: The European Commission Communication accompanied by "The 2011 European Competitiveness Report 2011" and a report on "Performance and policies of the Member States in terms of competitiveness in 2011." The most important findings of these reports are that the recovery from the crisis of the European industry remains slow and fragile, given that industrial competitiveness is becoming more integrated, increasingly depending more on the performance of a large variety of actors from different sectors and locations.

At an European level is becoming more prominent a paradigm shift from a sectoral approach to a horizontal approach, based on innovation, specialization, creation of horizontal key technologies (key enabling technologies).

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