

Pauna, Carmen Beatrice; Chilian, Nona Mihaela

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Possibilities for Cross-Border Cooperation in the Adriatic-Danubian Area

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**Possibilities for Cross-Border Cooperation
in the Adriatic-Danubian Area**

Dr. Carmen Beatrice Păuna

Drd. Gabriela Bilevsky

Dr. Nona Mihaela Chilian

Institute for Economic Forecasting

Correspondence email: pauna_carmen@ipe.ro

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Possibilities for Cross-Border Cooperation in the Adriatic-Danubian Area

The EU represents one of the most prosperous area in the world, yet having a number of development disparities between the member states and the 255 EU regions. According to the unanimous accepted procedure, these disparities are measured after the GSP/ capita; another analysis method of the regional disparities is the comparison with the revenue analysis in the EU-15, but according to which, a higher level of convergence is registered- as it is mentioned in the 4th Progress Report of Cohesion, presented by European Commission on 12.06.2006.

The socio-economic differences and the development imbalances between the territories of the EU are the main factors that underpin the community intervention through the regional policy.

One of the Community initiatives dedicated to the attenuation of regional disparities is also the encouragement and support of “transnational cooperation”, whose main objective is “to foster a balanced territorial development and territorial development and territorial integration within the cooperation area”

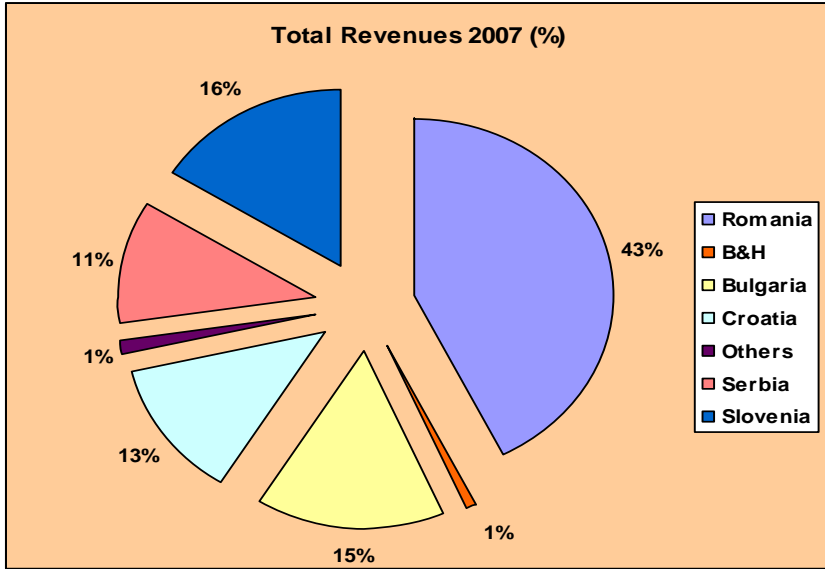
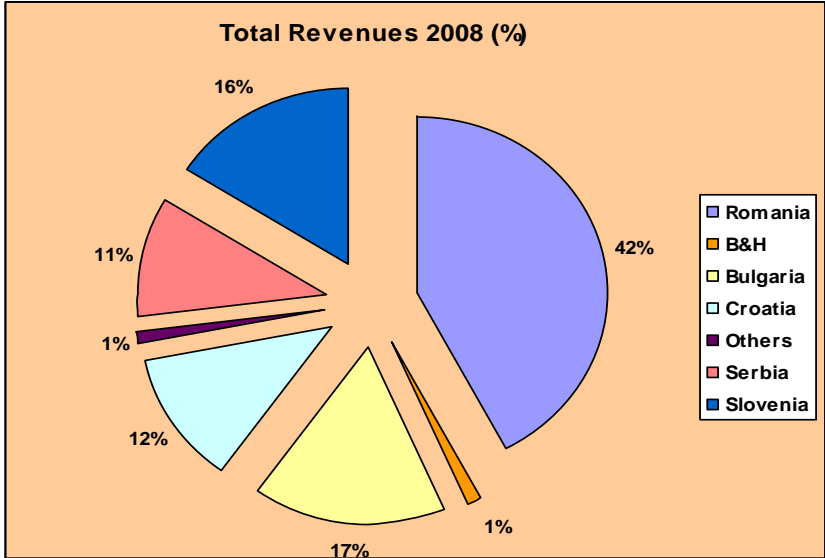
In this context, 13 “transnational cooperation programmes active in the 2007-2013 programming period” were launched. Among them, the South East Europe (SEE) Programme is to be mentioned, due to the fact that it is addressed to the largest number of European countries, 16, which refers to Member States but also candidate and potential candidate countries and neighbouring countries.

Southeastern Europe is one of the world’s fastest growing regions, which has skilled labour force, low production costs and therefore attracts foreign investors. When we analyze the development of the main companies in the region, we see that the ranking has been deeply several times changed by old traditionally companies but also by emerging newcomers.

SEE TOP 100 – the ranking of the largest companies in Emerging Southeast- European Countries in terms of total revenue - is published since 2007 by SeeNews with the support of its strategic partner Roland Berger Strategy Consultants. In their ranking, Southeastern Europe consists of 9 countries (Romania, Moldova, Bulgaria, Serbia, Kosovo, Montenegro, Macedonia, Albania, Croatia, Bosnia-Herzegovina and Slovenia) with more than 50 million inhabitants and an aggregated GDP of more than EUR 262 billion. “These numbers make it a major player in Central and Eastern Europe and a large, fast moving market to do business in”¹.

¹ SEE TOP 100, Edition 2009, pag. 3

Chart 1. Share of National Revenues in Total SEE Revenues²



Others: Moldova, Macedonia

Source: Own calculations based on SEE Top 100

² Calculations and graphs made by drd. Gabriela Bilevsky

The ranking produced by SeeNews with the first 100 companies in the South-East of Europe (Romania, Moldova, Bulgaria, Serbia, Kosovo, Montenegro, Macedonia, Albania, Croatia, Bosnia-Hertzeogovina and Slovenia) in point of total revenues and profits in 2008, indicates that the first place is occupied by Petrom S.A. of Romania.

In comparison to other Western states in Europe and the USA that are affected by the global economic crisis, the companies in the South East of Europe managed rather well in point of financial performance in 2008. This was partially due to the belated coming of the financial crisis in the region and the much less exposure at that time.

These 100 companies had a total revenue of 95.7 billion euro in 2008, by 15% more than in 2007.

It is noticeable that the biggest seven companies in SEE, in point of total revenues, were in the oil and natural gas industry in 2008. Their revenues were fuelled by the increase in the oil price at a world level, which reached a record level of 147 dollars a barril on 07.03.2008, but in point of profitability were on the third place as sector because of the fall in the oil price in the second half of 2008. This sector had the biggest revenue, with a share of 39% in the total revenues generated by the 100 companies surveyed, to be followed by the sector of production and distribution of the electric energy, with a share of 15% in the total revenues. Wholesale and retail came the third biggest sector with a share of 11%, to be followed by telecommunications with 10% and metals with 7%.

Twenty three out of the 100 companies had total revenues of over one billion euro each, whereas the company coming last on the list had a total income of 405 million euro.

The oil and gas Group Petrom SA, whose majority holder is OMV Austria, was the biggest company in the 2008 ranking, with a total revenue of 4.85 billion euro, followed by its Croat counterpart INA d.d. with 3.65 billion euro.

In this ranking Romania comes out with most of the companies, 43 out of the 100, with a share of 42% of the total revenues of 95.7 billion euro of these 100 companies but also with the biggest number of inhabitants and GDP in the area.

On the other hand, Slovenia, which is one of the smallest countries in SEE, with a population exceeding slightly two million, is ranking second, with 18 companies, with a share of 16% in the total revenues of 95.7 billion euro of the 100 companies.

Next comes Bulgaria with 16 companies with a share of 16%, Croatia with 11 and with a share of 12% and Serbia with 8 companies, but with a share of 11% .

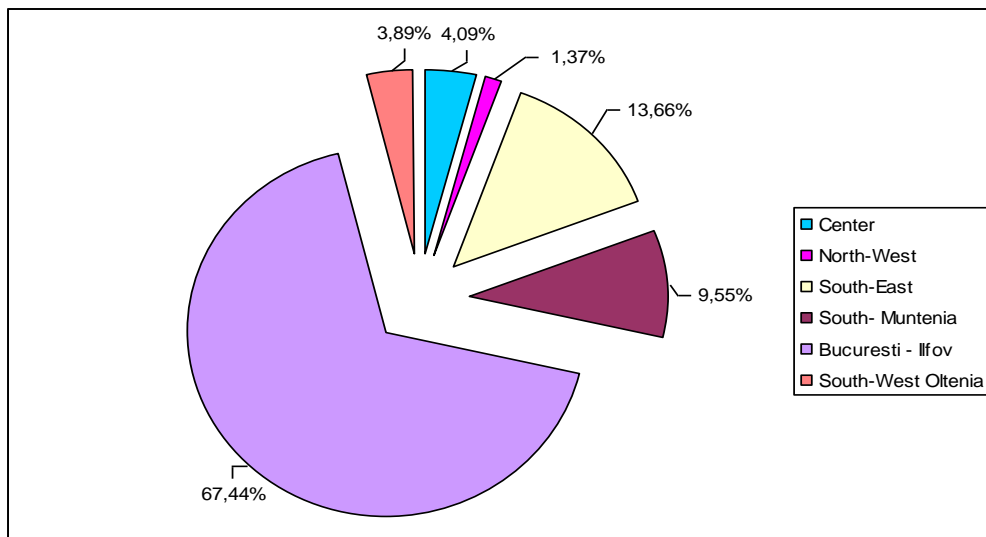
Together, Macedonia, Bosnia and Herțegovina and the Republic of Moldova held four companies in the ranking, lagging behind other countries in the region, with a total share of 3% in the total revenues of the 100 companies.

Montenegro and Albania do not have companies in the ranking due to the small size of their economies.

The most profitable companies in 2008 were the Croat companies, with a profit margin of 5.4%, to be followed by the Romanian companies with a profit margin of 4% and the Slovene companies with a profit margin of 3.6%. The Bulgarian companies had a profit margin of 0.6%.

The figure below indicates that in Romania most of the companies in the top 100 are located in the region Bucharest-Ilfov with a share of 67.44%, followed by the South-East region with a share of 13.66%, South Muntenia with 9.55%. This share is explained by the very location of these companies in Bucharest (Petrol/Natural Gas, Electricity, Wholesale Retail), in Constanța (Transportation), Galați (Metals and Wholesale Retail) and in South Muntenia (Automobile, Electricity).

**Chart 2. The share by regions in the total revenues³ of companies in Romania
TOP 100 / 2008**



Source: personal processing on the basis of the data in SEE TOP 100, SeeNews

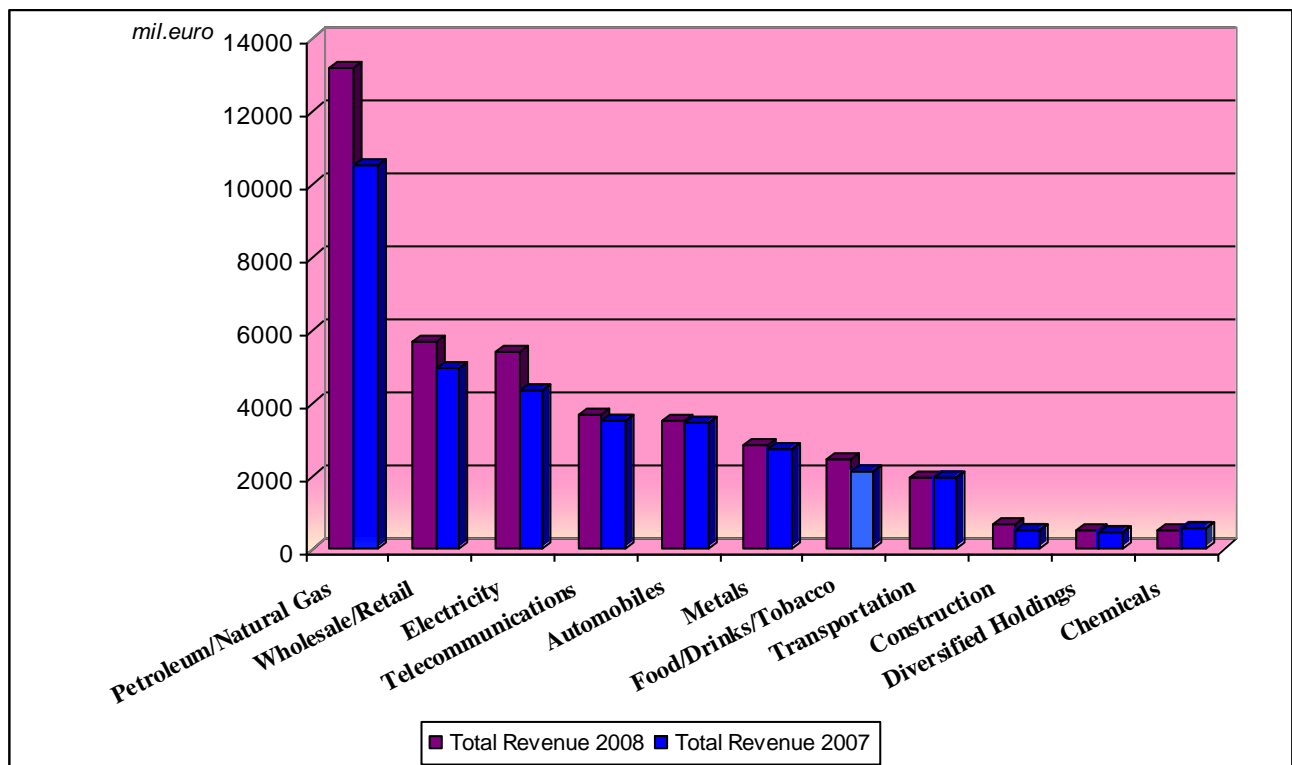
³ denotes net sales revenue

Although the total income of the companies in Romania included in the top 100 went up in 2008 by 15%, their profit went down by 10% as compared to 2007.

All this happened due to the big losses accumulated and which in 2008 reached 196 billion euro with CRF S.A (railway), 134 billion euro with Petrotel Lukoil S.A. and 107 billion euro with Daewoo-Mangalia Heavy Industries SA. In this ranking of losses they are accompanied also by the oil processing companies Rompetrol Rafinare SA with 116.7 billion euro and Rompetrol Downstream SRL with 53 million euro.

If one examines companies in Romania by domains of activity (the next figure) in point of total revenue on 31.12.2008, one can notice that the domain with the biggest earnings is Petroleum/Natural Gas (13181 mileuro), followed by Wholesale Retail (5702 mil.euro) and Electricity (5396 mil.euro), Telecommunications (3673 mil.euro) and Automobiles (3529 mil.euro).

Chart 3. Evolution of total revenues⁴ of companies in Romania included in the top 100 SEE by domains of activity



Source: personal processing on the basis of the data in SEE TOP 100, SeeNews

⁴ (*) denotes net sales revenue

The biggest increases in the total revenues in 2008 as compared to 2007 were registered by Electrica SA (238,92%), E.ON Gaz Romania SA (147,58%), Real,- Hypermarket Romania SRL (97,44%), Rompetrol Rafinare SA (57,63%), Petrom SA (48,89%) and CNADNR SA (46,00%).

After two years of growth, the *profits* of the biggest 100 private companies in Romania went back in 2008 to the level of 2005 in spite of the fact that their cumulated business went up by 3 billion euro as compared to their value in 2007⁵, The biggest changes were in 2009 about the profitability of the giant-companies in Romania.

Table 1. The biggest companies in Romania according to total revenues

Ranking		Company	Turnover (mld.euro)		2009/2008 (%)
2009	2008		2009	2008	
1	1	PETROM	3,05	4,54	-32%
2	3	AUTOMOBILE DACIA	2,12	2,07	
3	2	ROMPETROL RAFINARE ⁶	1,48	2,35	-37%
4	5	METRO CASH &CARRY	1,22	1,49	-18%
5	11	CARREFOUR	1,13	1,19	-5%
6	8	ORANGE	1,05	1,27	-17%
7	14	BAT TRADING	1,02	0,97	5%
8	7	LUKOIL	1,00	1,30	-23%
9	10	VODAFONE	0,95	1,18	-19%
10	18	KAUFLAND	0,85	0,77	10%

⁵ The ranking of the biggest 100 companies in Romania, after the publication of the financial results on the site of the Ministry of Finance.

⁶ In the case of Rompetrol and Lukoil companies, with both refinery activities and distribution of fuel only one company in the group was considered for the ranking.

This ranking does not include 2 of the biggest companies in Romania, GDF Suez Energy and E.ON.Gaz Romania, which had business amounting to 1.01 billion euro, and 805 mil.euro, respectively, and which could modify this ranking but they did not make public their results for 2009 and neither did they make public any estimates for 2009.

The economic crisis settled in Romania, as well, and the biggest ten companies operated in 2009 approximately 14 billion euro, that is 12% of the GDP of Romania, by 4 billion euro less than the first ten companies collected in 2008.

The leader retained its position, since Petrom remained the biggest Romanian company, in spite of the fact that it registered the second biggest fall in business, of over 30%. The local giant operated a little bit over 3 billion euro last year, at a distance of almost 1 billion euro against the next coming in ranking.

The only growth in the top 10 was with Automobile Dacia, with sustained export sales and not on the domestic market, with British American Tobacco (BAT – the manufacturer of Kent), against the background of the price increase and with Kaufland, retailer with a strong expansion in 2009. As a matter of fact BAT also had the most spectacular entry in the top ten as it came up 7 from number 14.

Looking at the countries in the lead, we notice that Slovenia, the smallest country in terms of inhabitants, tops the list with twenty-three companies among the Southeastern Europe's top 100 companies. Then follows Croatia, and other SEE countries.

Looking at the industries represented, we see that the manufacturing sector dominates the region, comprising thirty-one companies but 43.5% of the total net sales revenues.

As stated in the presentation of the SEE Programme, its “global objective is to improve the territorial, economic and social integration process in South East Europe and contribute to cohesion, stability and competitiveness of the area through the development of transnational partnership and joint action on matters of strategic importance.

In full compliance with one of the South East Europe Programme directions, the priority axis 4 “Development of transnational synergies for sustainable growth areas” , there has been identified an area of economic interest, named “Adriatic-Danubian Area”. The idea, that founded this initiative, was avoiding a separate development of the two areas, situated in the South-East part of the European continent and the shaping of a common development strategy for this area, viewed as a whole.

Also, “the EU has favoured and indicated the model of cross-border integration since its origin, as a prototype of European integration”⁷.

Since 1953, Fernanrd Braudel saw in the Adriatic the most coherent of maritime regions. “The Suez chanel is not anymore a possible future bridge between Venice and the Ottoman Empire but a real opportunity to link Europe to the Far East”⁸.

On the other hand, the European bond status of the great river, the Danube, is undeniable. The Danube is the vein that gives life and gets many countries together. The Danube is not a border, since it unites countries. The zone between Hungary and the Black Sea, including the Danube Delta, should be seen as a whole, where many economic activities as tourism, for example, should develop. One of the most recent programmes in this area is WBF/GTZ programme which includes a series of components specific for certain economic sectors and regions that are complementary and consolidate reciprocally their efforts, like the promotion of econmy and employment or the development of exports. The project is a very big one and involves Croatia, Serbia, Romania and Bulgaria.

Another project that addresses this area, is the Adriatic Danubian Clustering - ADC, in the framework of South East Europe Programme, which takes place between 2009-2011 and whose first results are included in our work, following that with its completion, its presentation shall be continued in a future paper.

The ADC project is an excellent example of mobilising public support for entrepreneurial cooperation in the strategic productive sectors of South East Europe.

ADC objective is to go beyond the existing similar productive specialisation among companies in the Adriatic–Danubian area and to strengthen the territorial marketing of the Adriatic – Danubian compound in the global economy by realizing more of its productive skills through the establishment of sectoral cluster networks, suitable to enhance the effective integration of the more competitive transnational value chains and to reduce regional disparities, also by fostering the attractiveness of the area for FDI. Furthermore, the aim of the project is to enhance the knowledge on the potential for cross-border cooperation and to promote it, granting greater visibility of the SMEs in the region.

⁷ D. Del Bianco, Cross-border cooperation, No. 43/11, 2006, pp.75-88, pg. 85

⁸ Idem

For the achievement of the envisaged objectives and results ADC undertakes and implements the following:

- identification of strategic transnational value chains as backbones of growth & attractiveness;
- capitalisation of productive complementarities of existing and emerging clusters;
- better horizontal ties among companies of the Adriatic – Danubian compound;
- new dynamic partnership among territorial actors dealing with clusters development;
- improved business environment through innovative ICT (Digital Business Ecosystem);
- capacity building of territorial marketing for the attractiveness of Adriatic - Danubian compound;
- stimulation of policy innovation, vertical inter-companies relationship, higher visibility & accessibility of Local Productive Systems and further regional growth.

In order to find the best ways for improvement of cross-border cooperation in ADC area, there will be developed the following phases:

- Sectoral Studies & Governance Models: For each country involved a SWOT Analysis for the strategic sectors is made with the support of the stakeholders and opinion leaders. Based on the results of the national SWOTs and their comparative analysis at transnational level, an ADC common SWOT will be delivered. On the records issued by Context and SWOT analyses an Economic Map of Strategic Sectors at transnational level will be designed. Four strategic sectors will be selected for transnational clustering under ADC operations.
- Transnational Cluster Strategy: Project Partners outline a qualified Cluster Manager profile for dealing with clusters development and select experts to set up 4 transnational Working Groups (WG), one by strategic sector dealing with vertical issues of SMEs' competitive development. A transversal Working Group (WG) present case studies about cluster governance and PPs approve a concept for effective benchmarking. WGs outline their models for transnational governance of the productive chains in each sectors. Animation of SMEs within the local productive systems shaping the clustering potential via sectoral partnership events and transnational agreements take place.

- Digital Business Ecosystem Model: an Open Source internet-based intelligent infrastructure providing a free common platform, where all companies (SMEs in particular) can cooperate and compete, as a model and a driver for Regional Economic Development. DBE model has been already successfully tested in the framework of 6th FP project during the past years. Based on the results of past project, ADC aims to carry out a survey on the IT assests of selected EU countries and a feasibility study focused on providing a toolkit for a possible application of DBE at a regional level. As a pilot activity, the developing of a small scale demonstration of how SMEs can cooperate through a DBE platform at transnational level, particularly within clusters, is forseen. The model will be tested and promoted through an awareness campaign addressed to decision makers.
- Territorial Marketing of AD Transnational Clusters: A single brand promoting AD cluster organization will be developed, as a trademark and business operational plans for each EU involved region/country will be prepared. Five local help desks will be establish playing a pivotal role for investors support and providing specific consultancy services for local SMEs interested in joining transnational clusters at local level. Data collection, delivering and maintaining of a catalogue of products/services for cluster companies development will be published on the virtual market place, managing a customised electronic alert for encouraging SMEs relationship.

Until now, the socio-economic profile of the area has been defined within the ADC Context Analysis, based on the main economical indicators on the NUTS II and NUTS III level, of which we present the most relevant: GDP/capita and unemployment rate – as partial results of the ADC Economic Map.

ADRIATIC DANUBIAN COUNTRIES - GDP per capita (2006)



Legend

NUTS II - GDP per capita

- 5800 - 6600
- 6601 - 8730
- 8731 - 10600
- 10601 - 19800
- 19801 - 29900

Project Country

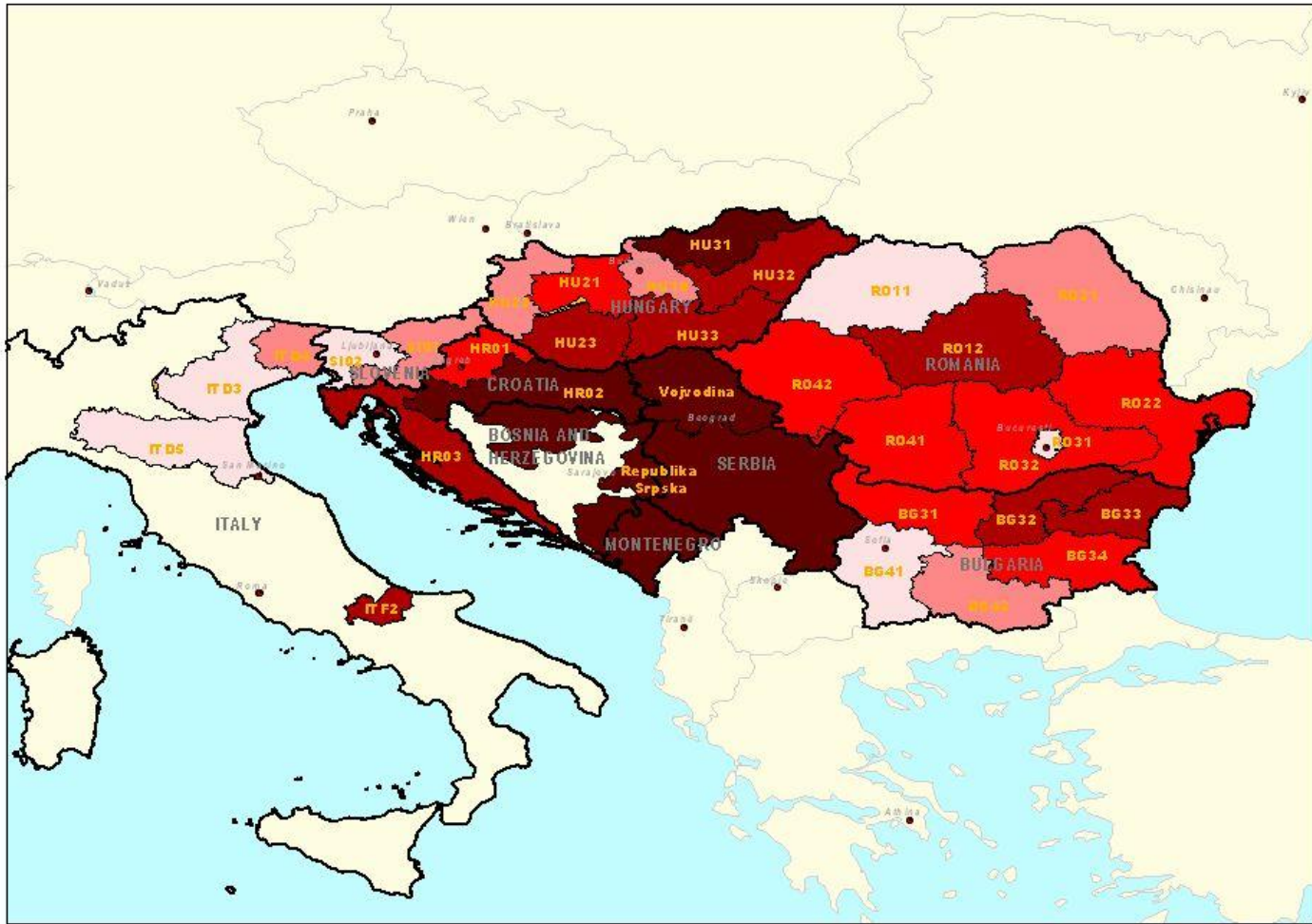
Europa country

Capitale

0 200 Kilometers



ADRIATIC DANUBIAN COUNTRIES - Unemployment rate (2008)



Legend

NUTS 2 Unemployment rate

- 2.9 - 3.8
- 3.8 - 5.2
- 5.2 - 7.2
- 7.2 - 12
- 12 - 20

Project Country

Europa Country

Capitale

200 0 200 Kilometers



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