

THE COMPETITIVENESS DEVELOPMENT OF THE SMEs CLUSTERS IN TIMISOARA ZONE AND IN REGION 5 WEST FROM ROMANIA

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1. Competitiveness: a global problem

After the year 1970, the globalization process has determined the growth of the gaps in competitiveness between countries. These gaps are well reflected in the 2003 IDM Laussane Competitiveness Top, according to 320 criteria.

In the year **2003**, the average IDM **subcontinent** competitiveness score shows major gaps as against to the USA and Finland:

- **72.5** points (USA with 100 points) for the 3 countries in North America.
- **71.1** points (Finland with 100 points) for the 15 countries of the European Union, as key competitive regions : Ile de Fance, Bavaria, Rhone-Alpes, Catalonia, Lombardia,
- **Aprox. 60** points (Finland with 100 points) for the other 25 countries of the European Union as from 2004.
- **62.7** points (Singapore with 98.2 points) for the 12 countries of the Asia-Pacific area, as key competitive regions : Zhejiang, Maharashtra
- **33.8** points (Chile with 61.5 points) for the 5 countries of South-America, as key competitive region: Sao Paolo.

All continents present advanced countries, with key competitive regions. These key competitive regions have counties, cities, networks of companies and organizations within Public Private Partnerships as "competitive engines". Each of these entities present problems.

With the gaps within own territory, and are concerned with the growth on various ways of the competitiveness.

In the last century, the economic, technology and military gaps on a global scale, have generated two categories of advantages at macro level (continent, country,region), mezzo level (county, area, city) and at micro level (networks of companies, companies) :

- **Comparative advantage**, determined by following resources: natural , human (qualification, behavior, intelligence, creativity) socio-cultural (cohesion and efficient public-private partnerships, work mentality), law-related (environmental and commercial legislation), financial (average hourly salary including taxes, facilities), in favour of attracting foreign investors.
- **Competitive advantage**, determined by global competitiveness level, and maintained trough domestic and foreign comparative advantages.

2. Evolutions for competitiveness in the Timisoara Area and the Timis County between 1990-2003

It is a worthy fact, that in the year 2003, the "59" IDM Laussane Switzerland global competitiveness top, has included **Romania for the first time**, with 33.6 points. Romania has acquired the **49th** place according to general scoring, and the **23rd** place in the group of 30 countries with more than 20 million inhabitants.

One of the "competitiveness engines" in Romania is for the moment the Timisoara Area and the county Timis located in the 5 West Region (the counties of Arad, Caraş-Severin, Hunedoara, Timiş). The SouthWest of Romania, with its traditional orientation towards competitiveness in the last 300 years, has well put to use its comparative advantages after 1989, in order to transform them into competitive advantages.

The 5 West Region shows differential evolutions of the four counties between 1990 – 2004, thus: Timis county and Arad county have both scored social – economic evolutions, Caras – Severin county and most of all Hunedoara registered difficulties especially in the traditional industrial branches, mining and metallurgy sectors. Thus, the regional strategy of development orientates over the counteract of the negative trends, the decrease of the unemployment through reorganizations and modernization, the improvement of the quality of the environment, the development of the competitiveness, including the exportation sector.

At the moment **Timis county** is well situated in the classifications of the competitiveness of the 40 Romanian counties and the city of Bucharest (2 – 4 places, function of various criteria – percentage in GDP, in the industrial and agricultural production, export/import balance, percentage of the total investments volume and of the foreign investments, unemployment instalment, labour productivity, etc). This proves that the potential, the initiative, the offensive strategy and the social cohesion at local and regional level are advanced in **Timis County**.

The social – economic potential of Timis county / Timisoara Area (the city of Timisoara and surrounding communes) is distinct, being reflected by more indicators and aspects:

- **surface:** 8.697 km² (3,64% from the surface of Romania),
- **agricultural surface:** 700.000 ha (4.8% from the agricultural surface of Romania)
- **population:** 687.377 – 3,17% from the population of Romania/ 350.502 inhabitants (79 / 708 inhabitants per km²),
- **ethnies [%]:** Romanians 82,3; Hungarians 9; Germans 3,9; Serbians 2,4; Gypsy 0,8; Bulgarians 0,4; others 1,2,
- **teaching degree [%]:** 96,4 / 98,2,
- **education:** 151.195 / 59.278 pupils; 30.592 / 27.501 students in 9 / 8 universities,
- **Research&development:** 49 companies in the industrial sector, IT, constructions, physics-chemistry, medical, economics, management
- **Roads:** 2.858 km (32.9 km / 1000 km²), highway under construction
- **Railroads:** 786 km (90.6 km / 100 km²)
- **Waterways:** possible on the Bega – Tisa - Danube Channel, 1,73 mil. tm/year with barge
- **Airways:** Timisoara International Aiport, 7800 flights/year, 275,000 passangers/year, 1300 tm/year, 5 companies
- **Telecommunications:** fixed phone network 129,429 lines (133 lines/1000 inhabitants), mobile telephony 4 national operators, 4 local radio stations, 2 local TV stations, 2 local cable TV, Internet network evolving rapidly
- **Healthcare:** 7,360 bed in hospitals, 2,673 medics, 172 pharmacies
- **A Private Public Partnership (PPP) dynamic and efficient**, starting from 1992 has elaborated bold interrelated strategies, armonized with the national strategies:

- Development strategies for the Timis County, starting in 1993
- Development strategies for the Region 5 West, starting in 1998
- Development strategies for the Timisora Area , starting in 2000
- **Companies registered** till the 31st of March 2004: 29,394, of which 5,502 are joint-ventures from 77 countries (373,4 mil. USD of social capital, 7% of the total per Romania)
- **Companies that gave in the balance sheet for 2003:** total 15,098, of which: 15.027 (99.5%) SME's; 59 large companies (0.4%); 12 very large companies (0.1%)
- **Private property:** in agriculture 90%; industry 99.5%
- **Social capital subscribed** till the 31st of March 2004: Romanian 8,725.7 bil. ROL (52%); foreign 373.4 mil. USD (48%)
- **Monthly average number of registered joint ventures:** 60
- **Top 10 foreign investors in Timis County** (31st of March 2004) [mil. USD social capital]: Germany 125.9 / 1,311 companies; Italy 72.3/1743 companies; Austria 24.7/274 companies; Switzerland 24.4/63 companies; Syria 21.5/308 companies; Hungary 14.4/148 companies; France 14.3 / 132 companies; Croatia 12.2 / 13 companies; USA 10.1 / 151 companies; Greece 9.2 / 71 companies.
- **Average number of employees:** 185,763 (4.2 % of total Romania)
- **Average unemployment rate in 2003:** 3.6% (7% in Romania)
- **Industrial production growth rate:** 123.6%
- **Exports in 2003:** 1,542.2 mil. EUR (650 exporters)
- **Imports in 2003:** 1,571.8 mil. EUR
- **Technocenter Timisoara created in 2001:** 2001 Industrial Park South (Freidorf) 63 ha; 2003 Industrial Park North (Torontalului) 18 ha; 2004 IT Technological Park
- **Significant business sectors in Tmis County, 2003:** IT & communications, building machinery and equipment, chemical products and plastics, drugs and pharmacie, food industry, agriculture and animal breeding, constructions and building materials, textile, leather industry, shoe industry, wood and furniture industry, commerce, productive and consumer oriented services
- **branches and sub-branches which, after 1995, develop autonomous networks of SME's with Romanian capital:** textiles and ready-made clothes industry, leather industry, equipment industry, agriculture and food processing industry, printing industry, wood processing industry, IT
- **salaries**, relatively small (in March 2004, the gross/net medium salary, 160/110 EUR) and **high quality of professional skills** of labour force establish important comparative benefits of manufacture, services in Romania for the foreign and Romanian companies
- **the cost of hourly labour (including fees)** (EUR/hour), in industry and services, during year 2001 is: **Romania** = 1,5; Portugal 8; Greece 12,8; Spain 16,3; Ireland 17,2; Italy 19,8.....the EU average (15) 22,5...; Sweden, Belgium, Germany, Denmark, Austria 28-29,2
- **trans/multinational companies that have invested in Timis county:**
 - ▶ **Germany:** Continental Automotive, Mondial, Linde Gas Romania, Siemens VDO Automotive, Werzalit Lemn Tech, Vital & Heyl, Kathrein, Berg Banat, SSI Schaefer, Eybl....
 - ▶ **Italy:** Butan Gas, Interporto Romania, Zoppas Industries, General Beton Romania, Incontro Prefabricati...
 - ▶ **USA:** Coca Cola, Detergenti Procter & Gamble, Azur, Delphi packard, Romtronics...
 - ▶ **Austria:** Unita, Kromberg & Schubert, Drumco Strabag, Artima, Bega Pam....
 - ▶ **France:** Alcatel Network, Salomon Romania, Temestate, CN Estate....
 - ▶ **Switzerland:** Rieker Romania, Helvetica Profarm, Inter-Spitzen, Technika Schweiz Impex....

► **The Netherlands:** Solectron Romania, Novar Electric, Philips & Elba Street Lighting, ABB Rometrics, SCA Packaging...

Economic and investment attractiveness of Timis county and of Timisoara Area it was and it is distinct after year 1991. Must be noticed, in this period, two **evolutions of companies` networks:**

- the incorporation of companies from Timis county in international networks of companies (Lohn and semi-lohn), with distribution on Romanian market and with dynamic exports,
- the development, by the companies with Romanian capital, of their own networks more and more competitive, able to realize their own innovative products, to export them (light industry, equipment industry, wood processing industry, agriculture and food processing industry, IT, etc)

3. Programmes destined to increase the competitiveness of SME`s networks in Timisoara Area, Timis county and Region 5 West for the period 1994-2010

Competitiveness analyses fulfilled by Timisoara Chamber of Commerce, Industry and Agriculture (TCCIA), together with Managers and Economic Engineers Association from Romania (AMIER), proved that **strategical plans classic elaborated for 4 years can not assure a rapid increase of competitiveness in Romania**, required by the integration in the European Union.

After year 1990 the same conclusion was done by other countries (USA, Japan, South Korea, Swiss, Finland, Australia, etc.), which elaborated **Special programmes for the competitiveness**, with the following features:

- the realization, trough Public Private Partnership, adapted to national, regional and local conditions
- based upon the most advanced management and the most advanced entrepreneurship spirit
- after year 1990, based upon the integrativ management, in his beginning variants (Hax, Allaire, Harrington, Miller,..., Lisbon Strategy 2000...)

Similar conclusions have elaborated, also, OECD, FMI, UNCTAD. In 1982, OECD developed LEED Programme (Local Economic and Employment Development) which stimulate the initiatives and local competitiveness.

TCCIA and AMEIR initiated and launched, in February 2004, the **Programme COMPETITIVE ROMANIA 2004-2040 (ROK 2040)**, with an ambitious purpose: in 2040 Romania will be placed on TOP 10 (15) of international competitiveness, according with IMD Lausanne criterions. The Programme ROK 2040 will be include in the Strategy for Lasting Development of Romania 2025 (SDDR 2025), as a type of programme for long term chaining of lasting national strategies.

In the framework of Programme ROK 2040 exist two **sub-programme destined to increase the competitiveness of networks of industrial and agricultural companies**. The two sub-programmes will significantly contribute to the successfully integration of Romanian companies on European Union market, particularly after the year 2007.

Timis county is a pilot within Programme ROK 2040 and on long term is interested to:

- to know and benefit from the experience of LEED Programme
- to incorporate the LEED procedures in his own competitiveness programmes for the period 2004-2010
- to be able to fast spread to the counties from Region 5 West of Romania, to other counties and localities, his own experience in increasing the competitiveness