

## **RRC IX – Project 39**

### **CAN CLUSTER POLICIES AND FOREIGN DIRECT INVESTMENT OFFER VIABLE SOLUTIONS TO UNDERDEVELOPED REGIONS?**

#### **NON-TECHNICAL SUMMARY**

This paper proposes a multi-faced empirical analysis of the clustering phenomenon in the Eastern part of Romania (two NUTS-2 regions), as a relevant example which supports the idea that the question of clusters in less developed regions, usually confronted with economic structures dominated by mid- and low-tech industries, can become an interesting niche for the cluster-devoted research in the forthcoming years.

In order to capture the specific features in the two regions, the basic cluster components - sectorial concentration, geographical proximity, competition and cooperation relations, etc. - are investigated by means of interrelated instruments, such as:

- Statistical methods (location quotients, Gini and Herfindahl indexes of regional specialisation and industrial concentration, Lorenz curves and cluster analysis) in order to convey an overview on the spatial patterns of economic activities, indicating possible agglomerations conducive to clusters.
- GIS tool for providing a spotlight on cluster identity and location, based on spatial, thematic data at locality level. Further on, these data are processed for examining the economic results of the firms grouped in the best outlined clusters in comparison with the global results of each of the two regions.
- An interview-based qualitative research conducted among business environment representatives and policy makers in the envisaged regions about the perception of the clustering phenomenon, barriers, prospects and suitable policies. They are combined with the comments regarding successful stories on like cases from Central and East European countries (Poland, Hungary, Czech Republic) that might be considered for the less developed regions of Eastern Romania as well.

The key findings and policy conclusions can be summarised as follows:

- A series of “economic agglomerations” that can be mainly considered of a static cluster-type, in a start-up phase have been identified. In some cases there are weak collaboration bonds and a low degree of strategic orientation. Both small firms and large-scale ones can be found but the openness to sharing knowledge and best practices still needs additional impulses.
- Most of the envisaged economic activities in these clusters may be viewed as local and natural resource-dependent rather than traded industries (e.g. wood, textiles, tourism, etc.), based on horizontal relations (e.g. apparel, wood, metallurgy, etc.) rather than vertical ones and as latent or potential, rather than working clusters.
- Most of the identified clusters make a difference in performance in terms of contribution to regional employment, turnover and higher productivity, confirming that successful clusters can develop in lagging regions too. In many cases, the foreign firms have a significant contribution to these results. However, economic agglomerations with a labour productivity under the regional average, which have not turned to good account yet the efficiency increase potential, have been also revealed.
- There is no single recipe for less developed regions to follow so as to meet the needs of all clusters; on the contrary, successful cluster policies need to take into account the specific regional context. The local actors consider that a clear vision, objectives and appropriate cluster policies should be set up by public authorities, in order to stimulate cluster development, increase FDI contribution and enhance SMEs potential; a differentiated approach is suggested for identifying the right combination of measures.
- Considering their still incipient stage as well as successful experiences of other Central and East European countries, local production systems/industrial districts seem to be the most appropriate organisational form for clusters development in the two analysed regions, with a special emphasis on ‘soft’ measures, able to strengthen the local networks and to ensure cluster identity. Attracting FDI as a potential source for cluster support has to remain a priority for decision makers too. Factors such as the business environment, infrastructure and availability of skilled labour are mainly envisaged in this respect.

**Keywords:** Eastern Romania, clusters, traditional industries, less developed regions, cluster policies