

The Economic Security of the Lower Danube by Implementing and Developing Cross-Border Clusters Romania – Ukraine

Angela-Mihaela Ene¹

Abstract: The Danube river has represented and represents the congruence of the major economic, social and security interests of its riparian states. The Lower Danube Region is of strategic importance in all its aspects, both for Romania and implicitly for the European Union and for the neighboring state, Ukraine. The approach of this theme reveals sustainable ways of economic development, with a role in increasing the regional socio - economic security through the implementation and development of cross - border cooperation, using the cluster - type associative instruments. This topic proposes a concrete model of cross-border economic cooperation through the cluster mechanism, which is, from our perspective, a viable model of sustainable development and protection of socio - economic values in the Lower Danube Region. As a potentiating region, the South-Eastern development region of Romania must become a node of economic convergence and development for the two Danube riparian states, Romania and Ukraine, as well as a filter area for the security and protection of the European Union's economic interests. The approached topic refers to the immediate measures needed in the field of economic cooperation on the Danube, without which the national and EU strategies in the field would require a long time to achieve the objectives and costly funding.

Keywords: clusters; economic cooperation; cross-border; south-eastern region; Danube

Introduction

The cluster is a mechanism of cooperation and development that includes and brings together institutions and companies from compact geographic regions, that can have together the ability to innovate and develop in a particular area of interest. The concept of this model belongs to Michael Eugene Porter and it is quite widespread in the United States, Canada and the West of the European Union.

In Romania, this mechanism does not have a very long practice and also not enough consistency to generate good practices that reveal the benefits of regional cooperation. However, this mechanism is extremely important and, from our perspective, it can become a landmark of major cooperation and development for the regions of Romania, in that it can concentrate the funding for distinct areas of development, this aspect being important in terms of the necessary time for regional economic progress.

¹ Senior Lecturer, PhD, Danubius University of Galati, Romania, Address: 3 Galati Blvd., Galati 800654, Romania, Tel.: +40372361102, Corresponding author: angelamihaela.ene@univ-danubius.ro.

In our view, the South-Eastern region of Romania, comprising the counties of Constanța, Tulcea, Galați, Brăila, Vrancea and Buzău, may represent a national model of cooperation and development based on the cluster mechanism. However, our approach brings a novelty in terms of the territoriality of a cluster, as in the South-Eastern Region, an efficient and complete cluster must also include the regions of the neighboring countries. This necessity resides in the status of the riparian countries, a status that must be understood and treated in a strategic, innovative and sustainable development vision. The Danube represents an axis of European identity, an axis that must unite, an axis that must generate economic and cultural construction and, last but not least, an axis that encompasses the value and added value generated by the intelligence of all riparian states. Under these circumstances, we can discuss three state entities that can adopt this model of cooperation in the region, namely Romania, Ukraine and the Republic of Moldova. The regions of the two neighboring countries are Cahul District and Odessa Region. The Danube runs on 343.9 km, forming a river border both for Romania and for the European Union.

Cross-border cooperation between Romania and Ukraine has a long history, but there has never been a cooperation mechanism which is really beneficial for the neighboring regions of the two countries. Starting with 2016, with the entry into force of the Economic Partnership Agreement between the European Union and Ukraine, there were created the real prerequisites for the preparation, implementation and development of broader economic mechanisms to build a prosperous prospect for the regions in the two countries. These perspectives are doubled by the European financial framework 2014-2020, which provides distinct funding lines for cross-border cooperation.

Content

The South-Eastern border of the European Union is guarded, among other things, by the Danube River, a river that brings together cultures, peoples, economy, all of them being transformed into a specific axis of identity, an axis that is in constant transformation and development. With a population of over 5 million inhabitants (2.8 million Romania and 2.6 million in Ukraine), the two Danube riparian regions are a point of interest and a strategic position for both Romania and Ukraine. Moreover, the European Union is directly interested in this area to represent an economic and social security environment for the whole Europe, as well as a region generating more than promising innovation, research and exploitation of zonal resources. The fact that the European Union's funding strategies for member countries have had different visions and implementation modalities over the years, has made certain regions unable to develop fast enough in comparison with others that, for various reasons, have been funded in a more consistent rhythm. The

accessibility to cooperation with Odessa region in the neighboring country becomes very important for the South-Eastern Romanian Region .

From the perspective of our approach, we believe that the two regions can have a favorable and constructive line on at least two cluster financing areas, namely bio-economy and health. According to an article in Market Watch magazine, Dr. Florin Oancea points out that “EU bio-economy already has a turnover of around 2,000 billion euros and provides jobs for over 22 million people: 9% of the total workforce in the European Union. The cross-sectoral nature of bio-economy offers a unique opportunity to widely approach inter-related societal challenges, such as food security, limited natural resources, dependence on fossil resources and climate changes, at the same time ensuring sustainable economic growth. Considering the importance of the field, the European Commission has developed a strategy entitled “Innovation for Sustainable Growth: A Bio-Economy for Europe”.¹

South-Eastern Romania and Odessa Ukraine Region has an extraordinary potential, especially since these two regions would rely on a cluster-type cross-border mechanism in the research, development and innovation of the bio-economy sector.

According to the national references presented in a press article, we cite that: “Romania is the European state which is best suited for bioeconomy, with a localization coefficient of 3.9. This means that the share of people working in the Romanian bio-economy is almost four times the share of those working in the bio-economy from the rest of the European Union. In reality, this “concentration” in the bioeconomy is mainly due to a very large concentration of the labor market in the agriculture in Romania. In 2014, 28% of the persons employed in Romania were working in the agricultural sector and 83% of the persons employed in the Romanian bioeconomy were working in agriculture.”²

With all this potential, the development and cooperation on innovation and development in the bioeconomy has not made any significant progress at this time either. “The Horizon 2020” programme is, as it is known, the largest research-innovation programme in the history of the European Union, and through its amplitude of over 23 billion euros, it is an extraordinary tool for creating new jobs. Unfortunately, Romania is the last in the European Union’s ranking in this field, as Romanians have participated in only 3% of project competitions of this type. Initially, on the other hand, the European Commission's estimates were that, for the bio-economy field with all its sub-areas of organic agriculture, biotechnologies for ecological tourism, Romania could have attracted over 4 billion euros at this stage.³

This year there has been launched in public debate the Applicant’s Guide on Innovative Cluster Projects, a guide launched under the Operational Competitiveness

¹ <http://www.marketwatch.ro/articol/13425>.

² <https://www.gazetadeagricultura.info>.

³ <http://www.caleaeuropeana.ro/>.

Programme 2014-2020, Priority Axis: 1. Research, technological development and innovation in support of economic competitiveness and business development, Investment priority: P11a: Improving research and innovation infrastructures and capacities to develop excellence in research, development and innovation and promoting competence centres, especially those of European interest. Specific Objective: OS 1.1. Increasing scientific capacity in the fields of intelligent specialization and health. Action: 1.1.1. Large infrastructures of research and development. The total non-reimbursable grants under this programme amount to 31,702,352 euros and are centred on project financing with a value between 200,000 euros and 7.5 million euros. At this time, for South-Eastern Region Romania, there is only a consortium of companies focused on organic farming, Agro Exim. Mostly almost all bioeconomic production is for export. Under these circumstances and considering the agricultural potential that exists through the unification of the two agricultural basins in Odessa region and the South-Eastern Region, we can speak about the development of clusters that ensure sustainable development of both areas, as well as their social securing, factor more than beneficial for the entire European Union. The current legislative framework, both national and European, would allow the establishment of such clusters centred on common objectives of progress and innovation.

From the experience of this economic model, we can appreciate that, for the above-mentioned regions, the most efficient could be the "Four Clover" model, which proved to be more effective than "Triple Helix". The reference issue for the adoption of the "Four Clover" model is given by the fourth element, namely the enhancing entity, since the cooperation between universities, enterprises and institutions proved to be deficient. What makes this economic model viable is the flexibility concretely transposed into the dynamics of regional markets and labor force. It is well known that Romania already feels the lack of labour force, both in the agricultural area and in the health area. Therefore, the criteria necessary for the functioning of a cross-border cluster are fulfilled in our vision, which is why, promoting such an economy for the two regions of Romania and Ukraine is the key to a solid perspective in the European construction.

South-eastern Romania could play a major role in building and enhancing a cluster mechanism on both the bio-economy and the health sector. The history and university experience of the two regions is sufficiently prepared for the development of innovation in the sectors concerned and the funding provided by the European Union is increasingly centred on such entities. The cross-border cooperation between the two countries in favor of the two regions, must be accelerated and strengthened by translating all legislative and technical mechanisms into concrete tools for the development and implementation of some clusters, with well-defined strategies for medium and long term development periods. The category of funds that can fund such entities are: European funds, Romanian funds, Ukrainian funds other types of

funds. We cannot neglect the increased interest of the United States for Ukraine and the financial allocations directly granted by the European Union to Ukraine.

By making a brief overview of the risks and benefits of the involvement, in the form of cross-border cooperation of the two regions, we can appreciate the following: risks can be identified especially on the political and administrative instability of Odessa Region which would be a major factor in the proper functioning of this type of cluster and the advantages can be found in both regions in the form of large agricultural areas, universities with renown and long experience, high quality of training, sound technical infrastructure and research.

Considering all these aspects from a regional strategic perspective, we believe that the insertion of socio-economic technology and innovation is the key development mechanism of both regions and implicitly the increase of their capacity for self-sustainability in the long run.

The long-term sustainable development of these regions in South-Eastern Europe can find their support in this form of economic coalescence which, segmented by strategic economic infrastructure objectives, can be the only solution to recovering the economic gap with Western Europe, but also a way of cultural and social integration. Against the background of European construction, Romania must become an important factor in action in the field of neighborhood policy. A coherent and predictive policy in the area of cooperation with the Eastern neighbours can be the fund for a beneficial economic and social development for the European Union. According to the data provided by the Romanian Ministry of Foreign Affairs, the financial assistance for the implementation of the European Neighborhood Policies is granted through the European Neighborhood Instrument and amounts to about 15.4 billion euros in the 2014 - 2020 financial and budgetary exercise of the European Union.

Starting with March 2015, a consultation process has been formally launched at the European Union level (through the publication of the consultation common document “Joint Consultation Paper”: “Towards a New European Neighborhood Policy”), which provided the basis for discussion and the benchmarks of the ENP review process. The whole initiative has proposed reforming the European Neighborhood Policy and its better adapting to the challenges the EU faces in its Neighborhood.¹

Through the project co-financed by the European Regional Development Fund under the Regional Operational Programme 2014-2020, having as a beneficiary the South-Eastern Regional Development Agency, the Intelligent Specialization Strategy of the South-Eastern Development Region was developed, aiming at identifying some instruments of life improvement in all respects, in the perspective of the year 2020.

¹//www.mae.ro.

Although it includes a thorough analysis of the economic component, this strategy addresses, in general terms and little interest, the development of a cluster-type cross-border mechanism. As a result of the data presented in terms of measures that should be implemented in the region in the future, the strategy states that, as far as the research and development expenditure is concerned, Romania still allocates a very low budget to this activity compared to other countries in the European Union, which has direct consequences on the quality of scientific research in our country, the quality of the human research resource and the results of the research - development and innovation activity. The South-Eastern Region allocates only 0.06% of the Gross Domestic Product to research-development, being at the level of 2014 for which there are Eurostat data, the lowest percentage in the European Union. In the South-Eastern Region there are two technology information centres, one in Constanța County, in the field of agro-food and renewable energy and the second in Tulcea County, in the field of environment, tourism and sustainable development. In addition, a technology transfer centre was also provisionally authorized in Galați, within “Dunărea de Jos” University.¹

Intelligent specialization strategies need to be developed at macro-regional level and a lobbying activity of companies in both countries could achieve this desideratum. Thus, with the implementation of the cluster economic mechanism, the Danube riparian regions can have a much faster rhythm of development and a well-defined social security effect.

Conclusions

In our opinion, the “Four clover” cluster format can prove to be extremely effective for the South Eastern Region of Romania and Odessa Ukraine region in the context of funding policies promoted by the European Union and other external financiers.

For the sustainable development of the region, the cross-border cooperation through the cluster mechanism must be embraced and developed into distinct funding strategies and programmes that can provide both the economic growth of the South-Eastern areas along the Danube and an increase in social security at the eastern border of the European Union. The fields of bio-economy and health are areas that can grow horizontally, thus creating a socio-economic security cycle of particular importance for the South-Eastern part of Europe. All these objectives can be achieved by intelligently using the post-2020 funding mechanisms. The implementation of a large lobbying campaign at national level by regional companies and local governments can bring an added value by harmonizing the legislation and technical cooperation mechanisms, all these being the added value that can be generated by this economic model called cluster.

¹ <http://www.adrse.ro/>.

Bibliography

Dan, M.C. (2011). Competitiveness, regional development and clusters in the Romanian context. *Proceedings of the 6th International Conference on Business Excellence*. Ed: Brătianu, C.; Brătucu, G.; Lixandroi, D.; Pop, N.Al. & Văduva, S. Braşov: Transilvania University Publishing-house.

Malmberg, A. & Power, D. (2006). *True clusters – A severe case of conceptual headache*. In Asheim, B.; Cooke, Ph. & Martin, R., *Clusters and regional development*. New York: Routledge.

OECD (2007). *Competitive Regional Clusters*. Paris: OECD Publishing.

OECD (2010). *Regional development policies in OECD countries*. Paris: OECD Publishing

Porter, M. (1998). *On competition*. Harvard: Harvard Business School Press.

<http://www.marketwatch.ro/articol/13425>.

<https://www.gazetadeagricultura.info>.

<http://www.caleaeuropeana.ro/>.

[//www.mae.ro](http://www.mae.ro).

<http://www.adrse.ro/>.