

ROMANIAN INDUSTRIAL SMES CONNECTION TO THE EU ECONOMY

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ABSTRACT

Further investigations revealed a relatively modest degree of internationalization of SMEs activities in Romania in terms of the markets in which market their products. Edifying in this respect is the information in Figure. 1, which indicates that practically only one of four industrial SMEs in Romania selling to markets outside the country. Naturally, the main market is the EU, which sold one of five companies. Worrying is that for industrial SMEs in Romania, other foreign markets outside Europe there is little, exports which are less than 2% of total exports.

KEYWORDS: Romanian SMEs, industry, European Union

Industrial SMEs in Romania are focused mainly on the domestic market and local markets, which together cover the medium, according to survey results, 81.89% of sales, most of which are intended only local markets, which are sold 59.75% production. Deepening analysis of industry-level groups based on the information in Table. 1.

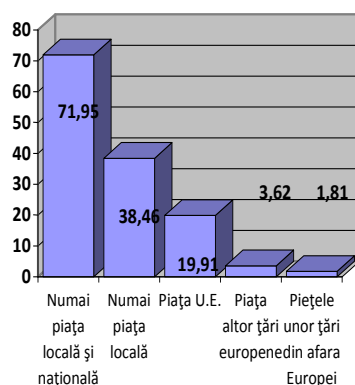


Figure .1 – Markets that sell industrial SMEs

The analysis of data from Table. 1 allows us to formulate the following major findings:

- Only two groups of industries exporting SMEs in excess of 25% - the textile industry, which is very strong lohn and transport means;

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- SMEs investigated in two groups of industries - food and other industries - do not export, it is surprising situation in view of great food industry agricultural potential of Romania;
- Exports to countries in other continents than Europe achieved only SMEs in the textile and woodworking industry, furniture manufacture and paper production.

Structure of markets addressed by SMEs in groups of industries

Table. 1

No.	Group of industries	Only local market	Only local and national market	EU market	Other European countries market	Outside Europe countries
1	Food	61,54	92,31	0,00	0,00	0,00
2	Chemicals	34,62	73,08	19,23	7,69	0,00
3	Machinery and equipment	30,00	55,00	20,00	15,00	0,00
4	Metallurgy, metal construction and metal products	44,83	86,21	13,79	0,00	0,00
5	Transportation	41,67	50,00	25,00	8,33	0,00
6	Textile	31,15	59,02	37,70	3,28	3,28
7	Lumber, furniture and paper	42,42	78,79	15,15	0,00	6,06
8	Others	21,43	78,57	0,00	0,00	0,00

Further detail analysis in the CANE industries are based on information in Table 2.

Structure of markets addressed by industrial SMEs in the branches

Table. 2

No.	Group of industries	Only local market	Only local and national market	EU market	Other European countries market	Outside Europe countries
1	Oil extraction industry and related services	50,00	100,00	0,00	0,00	0,00
2	Food and beverages	61,54	92,31	0,00	0,00	0,00
3	Textile Industry	28,57	78,57	14,29	0,00	0,00
4	Garments industry, arranging and dyeing of fur	34,38	46,88	53,13	6,25	6,25
5	Leather tanning and finishing industry, travel items and leather manufacture, harness and footwear	26,67	66,67	26,67	0,00	0,00
6	Industry manufacture wood and wood products and cork, except furniture, manufacture of articles of straw and plaiting materials	38,46	76,92	15,38	0,00	0,00
7	Pulp, paper and paper products	100,00	100,00	0,00	0,00	0,00
8	Publishing industry, printing and reproduction of recorded media	33,33	100,00	0,00	0,00	0,00

No.	Group of industries	Only local market	Only local and national market	EU market	Other European countries market	Outside Europe countries
9	Industry production of chemicals and chemical products	33,33	66,67	22,22	11,11	0,00
10	Industry manufacture of rubber and plastics	35,29	76,47	17,65	5,88	0,00
11	Industry manufacture other non-metallic mineral products	0,00	50,00	0,00	0,00	0,00
12	Metallurgy	0,00	50,00	50,00	0,00	0,00
13	Metallic construction and metal products (except machinery)	48,15	88,89	11,11	0,00	0,00
14	Machinery and equipment	16,67	50,00	33,33	33,33	0,00
15	Industry by means of computer and office technology	25,00	75,00	0,00	0,00	0,00
16	Machinery and electrical appliances	28,57	42,86	28,57	14,29	0,00
17	Apparatus and medical instruments, precision, optical and photographic	66,67	66,67	0,00	0,00	0,00
18	Road transport means	40,00	60,00	0,00	20,00	0,00
19	Manufacture of other transport n.c.a.	42,86	42,86	42,86	0,00	0,00
20	Industry production of furniture and other industrial activities nec	38,89	77,78	16,67	0,00	0,00
21	Waste recovery industry and scrap recycling	0,00	50,00	0,00	0,00	0,00

The main conclusions can be drawn from the analysis of such information are:

- industries whose SMEs export a very large proportion are - garments industry, trimming and dyeing of fur (over 53%), followed by other transport industry nec (over 42%) and machinery and equipment (38%). Note that other means of transportation industry nec not only in EU exports, other sectors concerned are present in other European countries and other continents;

- Export of SMEs in all industries is carried out predominantly in the EU;

- industries in which SMEs more balanced approach to local markets, national and EU are manufacturing garments, trimming and dyeing of fur and manufacture of electrical machinery and apparatus;

- A considerable part of industrial branches, eight of twenty, which is 40% across the sample, do not export at all. They are oil extraction industry and related services, food and beverage, pulp, paper and paper products, publishing industry, printing and reproduction of recorded media, industry, manufacture of other non-metallic mineral products industry by means of technique Computers and office machinery, apparatus and medical instruments, precision, optical and photographic waste recovery industry and scrap recycling.

In considering the external market - of which the most important is the EU market - Major interest as charged industrial SMEs in Romania in its accession effects from January 1, 2007.

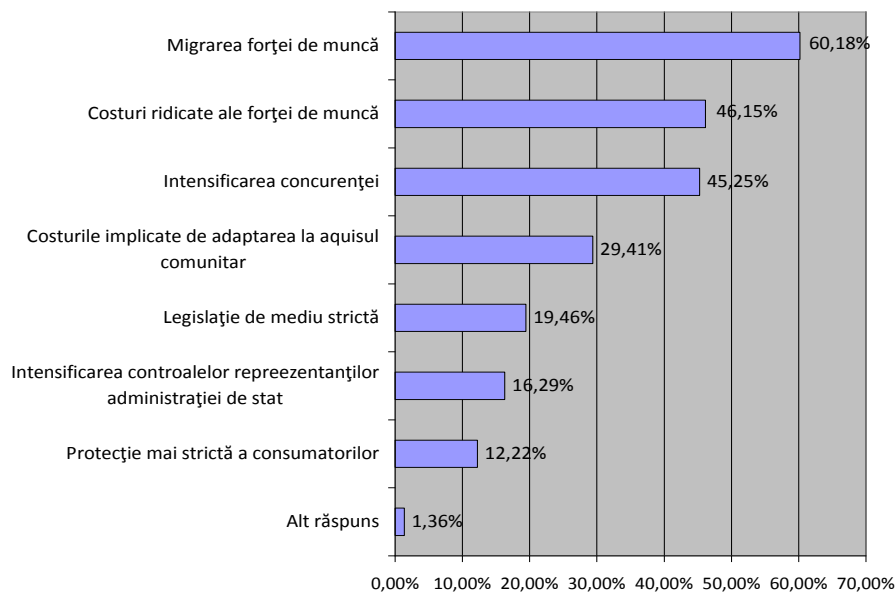


Figure. 2 - Frequency of difficulties resulting from Romania's accession in the EU over the industrial SMEs investigated

The assessment figure no. 2, indicating that SMEs often suffer difficulties, is on the following significant items:

- labor migration is the difficulty experienced by over 60% of industrial firms, which affect productivity and quality of both external markets and internal market;
- Increased labor costs of human resources and increasing competition from imported products are felt almost half of industrial SMEs in Romania;
- additional costs of adaptation to the *acquis communautaire* and the application of more stringent legislation relevant EU practices are two difficulties accused of almost 30% and 20% of SMEs.

Details of the analysis in the industries (see Table. 3) indicating considerable differences in the share of

SMEs perceive as major challenges which we have referred. Continued relevance of many issues we considered relevant:

- labor migration affecting competitive potential of SMEs in 18 of the 21 industries investigated, the level of two of them - the publishing industry, printing and reproduction of recorded media and, respectively, other means of transportation industry;
- the percentage is 100% of firms, large proportions of this difficulty, over 2 / 3 of SMEs registered in three other industries - production of furniture and other industrial activities, manufacture of garments, trimming and dyeing of fur and construction of metal and metal products (except machinery and equipment);

• increased costs of human resources - one of the key factors which depend on the competitiveness of products exported - is claimed by entrepreneurs from 18 industries. The exceptions are two branches which are waste recovery industry and scrap recycling and wood manufacturing industry and products of wood and cork (except furniture), manufacture of articles of straw and other plant materials. The most common amplification labor costs is being felt in industries with a workforce possessing higher qualification - apparatus and medical instruments, precision, optical and photographic equipment (100%), publishing industry printing and reproduction of recorded media (83.33%) and light industry - the industry of leather tanning and finishing, travel items and leather production, harness and footwear (73.33%), garments industry, trimming and painting fur (62.50%).

Frequency of difficulties by Romanian SMEs after Romania's accession in European Union

Table 3

No.	Industry	Increase in competition	Cost related to aquis comunitare	Labor force migration	Labor force cost related	Environmental legislation	Improved customer protection	Increase of control by public administration
1	Oil extraction industry and related services	50,00	50,00	0,00	50,00	50,00	0,00	50,00
2	Food and beverages	46,15	42,31	50,00	38,46	3,85	23,08	30,77
3	Textile Industry	57,14	42,86	50,00	28,57	0,00	21,43	28,57
4	Garments industry, arranging and dyeing of fur	43,75	18,75	71,88	62,50	15,63	15,63	9,38
5	Leather tanning and finishing industry, travel items and leather manufacture, harness and footwear	53,33	20,00	60,00	73,33	20,00	6,67	20,00
6	Industry manufacture wood and wood products and cork, except furniture, manufacture of articles of straw and plaiting materials	38,46	23,08	61,54	38,46	30,77	15,38	23,08
7	Pulp, paper and paper products	100,00	50,00	0,00	50,00	0,00	0,00	50,00
8	Publishing industry, printing and reproduction of recorded media	50,00	50,00	100,00	83,33	33,33	0,00	0,00
9	Industry production of chemicals and chemical products	44,44	22,22	55,56	33,33	22,22	22,22	0,00
10	Industry manufacture of rubber and plastics	47,06	17,65	58,82	47,06	17,65	5,88	5,88
11	Industry manufacture other non-metallic mineral products	25,00	50,00	50,00	50,00	50,00	0,00	25,00
12	Metallurgy	50,00	0,00	50,00	0,00	0,00	0,00	0,00
13	Metallic construction and metal products (except machinery)	40,74	18,52	66,67	40,74	14,81	0,00	11,11
14	Machinery and equipment	66,67	50,00	33,33	66,67	33,33	0,00	0,00
15	Industry by means of computer and office technology	75,00	25,00	50,00	50,00	50,00	50,00	25,00
16	Machinery and electrical appliances	28,57	71,43	42,86	42,86	57,14	14,29	14,29
17	Apparatus and medical instruments, precision, optical and photographic	33,33	33,33	33,33	100,00	0,00	33,33	0,00
18	Road transport means	40	0,00	20,00	20,00	20,00	0,00	0,00
19	Manufacture of other transport	42,86	42,86	100,00	42,86	14,29	14,29	14,29
20	Industry production of furniture and other industrial activities nec	33,33	33,33	77,78	27,78	27,78	11,11	22,22
21	Waste recovery industry and scrap recycling	50,00	0,00	50,00	0,00	50,00	0,00	50,00

Intensifying competition after Romania joined the EU, caused mainly by foreign firms, it is felt - unlike the previous difficulties - of entrepreneurs in all industries. In eight of the twenty industries, increasing competition is revealed by at least half of SMEs. "Leadership" on the plan are SMEs pulp, paper and paper products (100%), followed by those in the industry by means of computers and office technology. The lower intensity of competition in industries are the manufacture of other non-metallic mineral products and electrical machinery - under 30%.

The first two problems mentioned it is clear that an appreciably affect the competitiveness of SMEs due to cost increase, while a loss of skilled labor. The last factor, has been on increasing competition in the short term it is clear that SMEs generate difficult problems, but the medium and long term, at least some firms will have a positive influence on exports due to increasing their ability to make to economic competition.

Interesting findings and examination of rates that all customers are exporters course of exporting SMEs.

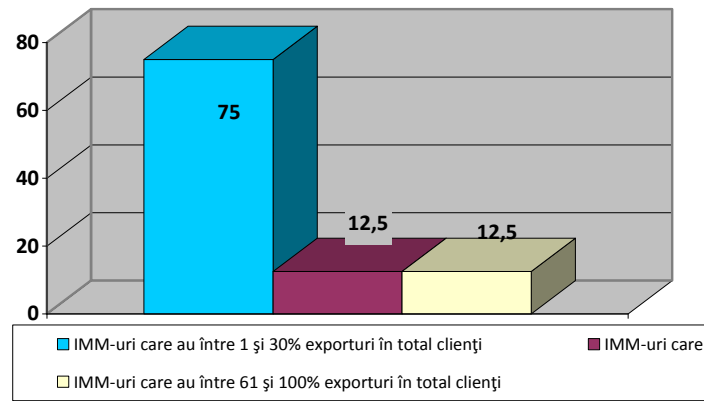


Figure. 3 - The percentages they represent clients all exporters

Main conclusions can be drawn are:

- Only one in eight exporting SMEs are predominantly foreign clients;
- The majority of SMEs export industry, ie $\frac{3}{4}$ customers in other countries is less than $\frac{1}{3}$ of all customers.

All tests carried out indicate a poor connection of industrial SMEs in Romania in international markets, which naturally decreases the ability to increase the quantities of added value generated and recovered.

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