

EUROPEAN ECONOMIC INTEGRATION: AN ANALYSIS OF SMES

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Summary: The European Integration is a complex process that, in time, proved to bring advantages to all the member states. However, in order to get those advantages it is highly necessary for each economic operator to know, understand and respect the mechanisms of The Single Market and its exigencies.

The European integration is confronted with two big challenges of the whole process developed on a period of 50 years, which are the 27 members expansion and the insertion of the unique coin.

Keywords: Small and Medium Sized Enterprises; SMEs; entrepreneurship; European Economy.

Introduction

The world we live in is marked of uncertainties because Europe is confronted with a deep ageing of population and a crisis of the social and health insurance system. We can talk of a New Industrial Revolution where we find a strong competition between U.S.A., Japan and China.

Each extension of the market gives an economic advantage to the concerned parts in different ways. The little and weak economic countries will win by producing low quantities from the products they hold comparative advantages. These countries will export the products to the big sized integrated market which has the ability to absorb them. The integrated space will strengthen it's power compared to the nearby competitors and to the world economic market.

Situation of European SMEs

Spot-checking reflects that many Romanians have confidence in EU and have a realistic representation of it. When they think at EU most of Romanians associate it's positive image with the success of the Romanian economy and with the expression of the liberty movement of persons as result of eliminating visas. When they are asked about the negative aspects of the integration of Romania in the EU few of them beware of the risks we assumed like the high-possibility of more unemployed persons because of the incapacity for some sectors to become competitive.

Opening the new markets brings pressure to the enterprises, especially those operating in industrial fields with a long history.

The accession to the European Union represents for the Romanian companies the access to a 450 million-consumer market through the removal of the barriers to the free movement of goods and services. The business community must therefore understand that there are both long-term advantages and short-term risks and these must be optimally managed. We want the business community to be informed as well as possible about the procedure of alignment to the Community standards. To this end, the Ministry of European Union aims to reinforce communication with the business people and provide expertise on various sectors of the *acquis*, in association with the other institutions concerned and the employers associations. If business people are better informed, they will be able to prepare more efficiently for the Internal Market of the Union.

The small and medium-sized companies have a major contribution to the success of the Romanian economy. This sector of companies constituted – in the last years – the principal pillar of the member states of EU. The small and medium-sized companies are the key sector that could generate economic growth and it's durability.

Compared with other states from the EU, the small and medium companies prevail in the Romanian economy – 99.5% from total companies, and have a substantial contribution in yielding GDP and to the degree of occupied labor forces. But, analyzing the density of the SMEs, Romania has a density of 20.38 SMEs / 1000 habitants (Source: Calculations based on information from Annuary Statistics, year 2006),

very much underneath Bulgaria (27.6 SMEs / 1000 habitants) or Czech Republic, Hungary or Poland with an average of 42.3 SMEs / 1000 habitants. (Source: Fezability study for gaining access to SMEs finances, start-up and micro-enterprises from Romania, Global Partners 2005).

The small and medium companies represent the backbone of economy in all the countries of EU and they generate a factor of economic progress. They also absorb an important part of labor force (approx. 70% of labor market) and yield a generous part of GDP (approx.60%). They have the capacity to answer in real time to a competitive market and to adapt very fast to cyclic and structural economic changes.

The European Entrepreneurial model will constitute the key to realize with success the European integration which was started last century. The major challenges for the European Model, the extension by acquiring new members, The Single Market and the Economic and Monetary Union – when Euro is introduced, will have chances of success only if the entrepreneur sector will be even more supported. The latest studies show that economic results of China are better than Japan, and is very possible that European Union will have weaker economic results than other regional groups.

The small companies and especially the ones that have economic activity only in Romania, are less informed about institutions that work in the EU, they know few issues about the communitary acquis, and aren't very well trained for achieving what they need in this direction.

Companies expect information mainly from the Chamber of Commerce and Industry. In some cases the companies do not have sufficient initiative nor the chamber has a proactive campaign in informing SMEs.

Business support structures

We must analyze the costs of direct modernization of the product capacities, how to raise the capacity of our products to be more competitive on the EU market. In this category of costs we find direct connected costs of modernization the product capacities in the economy sectors (increase the technological levels, increase the quality of products) without including the costs of modernization the equipments of production which can assure the standards of production, environment, and safety needed in the EU.

We must analyze the costs like the „Indispensable investments” for the economic and social development of Romania but it is difficult to calculate distinct costs directly connected to the process of Integration.

As you can see the majority of afferent integration costs of Romania to European Union exist because of the different institutional structures, priorities and national economic politics. At the micro level, the majority costs of integration to EU drift from a reduced level of competitiveness of some sectors.

The participation to European pan-nets for the purpose to establish new commercial relations is very recommended to increase the competitiveness of small and medium companies. For example: new cooperation in the industrial sector or identifying potential investors. It is known that promoting this type of networks will have as result cheaper services for business.

In 2005, were 36 authorized industrial parks law according, and supported by the Government and which benefit of certain fiscal exemptions settlements emitted from The Ministry of Interior and Administration Reform(MIRA): 9 private parks, 21 public parks and 6 public – private parks. The allocation of industrial parks to regions is disproportionate, from 1 park at West to 12 parks in The Center Region.

We have 21 business incubators and most of them are located in the South-West region (24%) and in Center (19%). These incubators host approx. 11 SMEs, very much under the average of EU (34 business incubators). Most of Romanian incubators have a lack of resources and experience in business.

The weak endowment with infrastructures, including utilities and the lack of spaces and of technologies of information and communication are the major problems of the structures that support business. In few cases, the industrial parks offer assistance in accessing funds from financial institutions.

After analyzing the sources of finance, it was demonstrated that ponderosity of loans, leasing and factoring raised proportionate with the SMEs. Micro – enterprises use own sources of finances and this is the reason why they bankrupt very often.

Financing sources	Percentage in total SMEs		
	Micro	Small	Medium
Own resources	79.53	74.30	77.95
Bank loans	37.84	59.78	72.44
Leasing	20.10	41.62	58.27
Loans from financial institution	1.74	3.35	7.87
Factoring	1.12	5.59	11.02
Guarantees from the Romanian SME Guarantee Fund	0.12	0.00	0.00
Other financing sources	0.37	0.56	0.79

SMEs financing sources by size classes

Source: White Charter of Romanian SMEs, 2006

Entrepreneurship needs larger support

Entrepreneurship contributes in creating places for labor force and economic growth. The new firms, especially the small ones are the main creators for labor force. The states that have a bigger rate of entrepreneurship record a smaller rate of unemployment. For example, in Holland, between 1995 – 1999, 8% first companies created 60% from the growth of workplaces. In U.S.A. 350.000 of companies with fast growth created 2/3 from the total number of workplaces between 1993 and 1996. The studies suggest that entrepreneurship has an important contribution to economic growth, even if the growth of GDP is influenced by other reasons.

Entrepreneurship is vital for the competitiveness. The initiatives of entrepreneurship must be oriented in creating a new company or transferring the property to another „stockholder”, or achieving a higher productivity. These actions stimulate the competitiveness, determining other companies to react by improving their productivity or introducing innovations. The growth of productivity and innovations inside the companies, determines the organization, the technological processes, products, services or the commodity market, or has a result a stronger purchasing power. This process gives to consumers benefits because of more variate choices and lower prices.

Entrepreneurship brings out to light the full potential of humans. A business it's not just a way of earning money. Business men have also other criteria when choosing a career, like social security, the autonomy level or the general interests in the activity. A bigger salary determines bigger needs like personal satisfaction or autonomy. The British proved in their scientific studies that beside material motivations (money and social position), people choose to become entrepreneurs as a way for personal satisfaction (freedom, autonomy, challenge). For some persons, becoming entrepreneur can offer them a very comfortable position.

Entrepreneurship can play a positive role in offering efficient services in health, education, and social system. Social economy encourages the participation of employees in providing social services with benefits like policies oriented to the large public.

Conclusion

Romania's integration into the EU has proved to be a tremendous process in terms of redesigning our strategy and our way to formulate public policies. We are already prepared to act in a responsible, European manner; we know how to establish short- or middle- term goals and objectives, we are able to set appropriate deadlines and define responsibilities. The real integration process, will inevitably mean short-term costs. But the medium and long term benefits will prevail and will be as inevitable as the short term costs.

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