

THE ROLE OF INDUSTRIAL PARKS IN ECONOMIC DEVELOPMENT

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Abstract: *In an attempt to accelerate the process of reforming the economy, the central institutions focus on supporting the use of technology to modernize the industry that would lead to the diversification of activities and the achievement of sustainable industrial development. The imperfections of the market and of the institutional system hampers companies' access to information, knowledge, new technology and financing resulting in increased business risk and directly affecting the progress towards achieving development goals.*

Industrial parks may be considered as a solution to overcome these flaws in the attempt to accelerate the economic development by attracting innovative businesses that can generate jobs, higher incomes and therefore more resources to institutions. They can exploit the local potential in supporting knowledge-based business development and outline an environment where companies can interact with other supporting knowledge suppliers thus facilitating business and local development.

The approach of the subject is theoretical starting from the need to support the economic activities by local social institutions fostering the access to information and technology and identifying some solutions that meet these needs - industrial parks. Even if industrial parks in Romania are still considered in draft form, some examples can be identified as functional and supporting the local development. Their functionality is given by the involvement of local authorities and the interest of the business environment in exploiting the economic potential of the region. The role of industrial parks in supporting the local development is measured in the number of new jobs created, the income received by local institutions by paying taxes and duties from firms benefiting from the infrastructure made available through their involvement in attracting investors; the more productive the industry and more efficient the production, the higher the company's results and therefore the benefits of local institutions.

Keywords: industrial parks, economic development, productivity, efficiency

JEL classification: F21, F22

1. Introduction

In the context of an overall development strategy, industrial parks can be a solution for increasing the local competitiveness through what it provides - institutional framework, modern services in administration, financial consultancy, training, technical guidance, information services, shared facilities, research and own infrastructure designed to meet the needs of companies they gather by providing them with modern services for the business deployment and development. A concentration of a variety of activities and services to support the industry can influence investors' decision to switch to such a region. Successful industrial parks can therefore become centres of growth and innovation, supporting local

development and contributing to the development of the national economy.

2. Industrial parks - production efficiency - local productivity

Industrial parks are an important development tool adopted by many industrialized countries (Hakansson and Johanson, 1993). The growth sustained by the technology used in the industrial park opens opportunities for creating new jobs, improving local productivity and maintaining a competitive environment in the respective country (Markusen et al, 1986). In addition, producers operating in the industrial park will get greater benefits at lower costs. The chance to obtain additional benefits by supporting local development and the opportunity to create new jobs along with the income growth will positively influence the local economic development (Castells and Hall, 1994). These changes, together with the concentration of investment in research and development will modify the industrial structure of the local region and will contribute to upgrading the quality of life.

Productivity is a competitiveness indicator and reflects the effectiveness of activities. The factors affecting productivity were identified (industrial structure, capital savings, technology of adaptability, quality of the workforce) and analyzed by many experts concerned with the achievement of relevant studies which have verified the practical extent to which these factors are specific to the local environment (Kim, 1997).

According to the theory, productivity is the relationship between inputs and outputs in the production process. The efficient transformation of inputs into outputs, thus stimulating productivity is important for a region to become competitive from an economic standpoint. This input-output transformation requires the use of classical production factors: land, labour, capital, as well as the use of neo-factors such as information and entrepreneurship; to improve the input-output ratio or productivity, the emphasis must be placed both on the quality and on the quantity of capital investment, labour, and the locations chosen for production (Kresl, 1995).

The development of industrial parks is an important factor for any economy to actively participate in the global economic system. Industrial parks are based on knowledge and rely on the intensive use of technology. They are representative for the regional economic development and led to a decisive effect of stabilizing the economic reforms in economy. The innovation capacity is the main source of competitiveness of a producer. Innovation stimulates economic growth and development and plays an important part in acquiring the producer's performance and also in attaining long-term competitiveness (Howells, 2002). Innovation is the main way for producers to maintain a competitive advantage and enter new markets. Therefore, the production efficiency is closely related to the innovation of the manufacturing process. The benefits of the local environment regarding productivity are derived from the innovation capacity since the industrial park gathers different economic activities and is the place where technological innovation may occur. The higher the capital-labour ratio, the more used the advanced production technology and the higher the level of labour skills able to apply new technologies in the production processes and getting new goods. Consequently, the local productivity will increase along with the productivity of labour and capital factors (Kendrick, 1977).

When managed successfully, industrial parks can provide a favourable environment for the development of concentrated firms but also for the local development. When not properly managed, industrial parks will not be able to overcome some issues faced by concentrated companies and that will affect the local environment, such as

pollution. Many industrial parks operate in an unsustainable way due to the social and environmental problems caused by poor management. Operating industrial parks reflect a desire to meet these challenges.

The policy of public institutions must be geared towards the support of industrial parks offering the possibility of a sustainable future. The framework conditions for industrial parks differ among countries and within countries due to the local governing competences, the social, economic, cultural and environmental aspects of each region and of the local community.

3. Industrial parks in Romania

Last year the Romanian industrial sector increased its turnover by 3.1% compared to 2011 and represented a quarter of the total weight of Romanian GDP, which demonstrates the growing interest for this solution of supporting the business environment. One more reason why expectations are directed towards developers who should approach industrial park projects delayed for several years due to economic and political stability.

The interest in industrial parks is also proved by the transactions of industrial areas: the areas traded in Bucharest count up to a total of 38,000 square meters, while in other regions of Romania the total industrial area traded in 2012 comes up to 32,000 square meters, out of which 24,000 square meters were direct transactions between owners and renters. Nationally, the total rental activity consisted of 22 transactions with an aggregate area of approximately 89,000 square meters, the average being 4,000 square meters.

The largest transaction in 2012 was the rental of an area of 15,000 square meters by a chain store, near Bucharest, followed by a company producing car spare parts that leased 14,000 square meters in the same region. Other large scale transactions were that of a company producing electronic components that took over 7,500 square meters in the western region and a commercial company that has leased 6,000 square meters near Bucharest.

Logistics and industrial projects outside Bucharest, due to end in 2013 and 2014, cover 144,000 square meters, plus 70,000 square meters to be found in the drafts because of the difficulty to obtain financing. In 2012, the stock of industrial areas in Bucharest and around increased by 2% to reach a total of 980,000 square meters and the total rental activity increased by 40% compared with the beginning of 2012, according to a report on the industrial market in Romania. The demand for industrial areas at the end of 2012 increased by 24% compared to the demand manifested at the beginning of 2012, and most transactions were concluded in the capital city, representing nearly 35% of total demand. The total area of industrial parks in Romania in 2012 was 2337 ha.

The development of industrial parks is an important issue for economy because of the large investments attracted in these areas. The pulse of the existing businesses is perceived by means of the profits or losses declared by the companies managing these perimeters. Thus, according to a classification drawn by the earnings reported by firms that manage parks in Romania, the most flourishing businesses are in Bucharest. A company that manages an industrial park in the capital city earned last year a net profit of 6,096,315 lei for a turnover of 23,261,083 lei. The second place in point of earnings among firms that manage the 48 industrial parks in Romania is held by an investor who had the courage to develop the largest private industrial park in the south-eastern Europe who can boast with a net profit of 4,250 .971 lei.

In 2012 almost 50% of the investments in the industrial sector were attracted to Bucharest while Romania's southern and western regions attracted 25% and 20% respectively out of the investments made; surprising or not, the port area attracted only 1% of the investment. By enlarging the industrial park around Bucharest 20,000 more square meters of industrial areas were expanded. Logistics operators were the most active in the local market, investing both in domestic infrastructure optimization, and in expanding storage capacity. In order to fulfil the future development plans, they turned to other regions with growth potential. Nationally, no significant changes were recorded in the rent value; depending on the area surface rented it fluctuated between a minimum of 3.75 EUR / square meters / month and a maximum of 4 euro / square meters / month.

Agriculture, tourism and energy were considered, one by one or altogether as possible saving solutions for the Romanian economy. These options can be considered long-term solutions (5-7 years). Assuming that the main concern of most people is providing for living, Romania needs a functional economic engine today. There may be solutions; it is difficult to translate them into reality, so that the results, even the short-term ones are delayed. "Industrial parks" are considered to be the most viable solution for obtaining immediate results.

A good example and a successful model is the industrial parks in Hungary (205 functional industrial parks, most of them reaching or being very close to maximum efficiency) due to the national strategy for supporting the activity of industrial parks and to the thoughtful policies that provide consistent facilities and which are supported by a well-designed infrastructure, lobbying, even at the government level. In Romania, the competence to grant the quality of industrial park belongs to the Ministry of Regional Development and Public Administration or government. Following the pattern of countries with economic experience - shared at the meetings held in the various cooperation projects, involving companies from different countries, the development regions of Romania have developed a sustainable development plan with special attention to industrial parks.

By including industrial parks in their development plans, public institutions try to become strongly aware of the need to focus on those actions that create competitive advantages at regional, national and European level, including here the construction of industrial parks.

Considering the fact that the industrial park is a limited area in which economic, research, manufacturing and services activities are being developed so as to grow and enhance the natural and human resources of the area, involving local authorities to improve the state of networking among institutions and the business community in supporting local economic and social development by setting up a managing company refers to:

- providing / performing the utilities and services necessary for the activities carried out in the industrial park;
- ensuring and guaranteeing non-discriminatorily the right to use on infrastructure and utilities, according to the contracts concluded with beneficiaries;
- repairing, maintaining, modernizing and developing, accordingly the infrastructure and utilities within the industrial park;
- ensuring the access to the industrial park area meant for common use;
- administering industrial park spaces and buildings;

- managing their own as well as the attracted financial sources, in accordance with the strategy for operation and development of the industrial park;
- enabling the selection of applications for admission of new businesses in the industrial park;
- attracting investors for the development of productive activities and services;
- develop operating strategy and industrial park development;
- providing support for domestic and international partnership development, business consulting, technology consulting;
- ensuring the collaboration with governments, public local and central administration authorities.

The interest shown by authorities by ensuring these conditions as well as the investors' interest in valuing the local potential will lead to achieving some results in favour of the local development:

- increasing the number of jobs;
- increasing the amount of foreign direct investment;
- creating and developing high technology industries;
- developing activities that ensure the hiring of highly qualified staff;
- increasing the capacity to meet the needs of the domestic market, to expand exports and reduce imports of industrial products;
- producing competitive goods and services for domestic and overseas markets;
- conducting activities in accordance with the regional development objectives.

The important role industrial parks play in supporting the economic development and modernization is acknowledged by the European Economic and Social Committee as well, which recommends a more focused and integrated approach geared towards their support and development, in particular within the crisis and post –crisis context, requiring a more comprehensive strategy to take advantage of the benefits these parks can bring for growth and competitiveness.

With the support of central institutions, the improvement of industrial parks was provided with commitment referring to minimum investment amount from companies that are worth millions of euro, regarding the good-performance guarantees, and the minimum number of new jobs created and minimum gross wages to be paid to employees.

This could be considered an important step in achieving progress compared to the situation of the early 2000s when the local authorities received from the Ministry of Public Works, Transport and Housing the approval for the construction of a number of industrial parks; the perspectives were clear and the visions bold: building industrial parks on thousands of acres, vertically and horizontally that could channel towards urban areas the plus- product benefits for companies and the pathways could emanate enormous quantities of finished products towards the country's customs gates.

Industrial parks were meant to be the source of material benefactions for the workforce whom, looking for jobs used to migrate to these urban areas, be they central or peripheral. After two years, lost from the sight of the public institutions, the industrial parks turned into ruins.

The new projects of industrial parks have attracted major electronics and automotive companies, thus outlining a certain manufacturers and services supplier profile,

since the investors in question were important companies from South Korea, Spain, but also Romanian entrepreneurs eager to be closer to beneficiary companies in the West. In periods of economic difficulties, tax incentives and benefits granted by locating their businesses here represent the most important issues for investors. The first issues to consider are undoubtedly the geographical landmarks, but infrastructure and professional training of the workforce count as well.

The main advantages of the Romanian industrial parks are of two types: tax and material benefits. The tax benefits derive from the Romanian legislation that states tax exemptions for a period of three years for all investors settled in the industrial parks, and a substantial reduction of the tax on buildings. In addition, it is the municipality that builds up, with its own resources, the entire infrastructure (roads, electricity, water, sewage, heating, and telecommunications). The managing company supports the companies settled in the park, linking investors and local public institutions. The investors can also benefit from the free information on aid schemes and funding resources from European funds. The industrial parks are of Greenfield type, thus the promoted tender does not only rely on a low cost for the land but also on a complete network of utilities: water supply and sewerage network, roads, public street lighting, telecommunication networks.

The activities of the companies concentrated in industrial parks in Romania are mainly in the fields of:

- manufacturing, with the possibility to concentrate on various leading industries;
- business prevailing in the financial, banking, consulting, design, research and development activities, as well as business management activities;
- distribution focused on goods storage and logistics activities;
- services, where the industries producing services prevail;
- in addition to the activities that prevail and confer the specialization of the industrial park, there is a number of related services that can be carried out in order to support the development of these activities of expertise: provision of utilities, cleaning and security, trade and catering services, hotel activities, accounting services, business support services, insurance and other similar activities or direct linked to them.

In times of economic crisis, the support for these investors has come neither from the state nor from local market outlets, but from across the border; jobs have been maintained throughout the previous year thanks to the fact that the production of the park was geared more towards exports. In order to support investment in the industrial park and to shorten the periods for obtaining approval or authorization documents, the managing company collaborates with the representatives of local authorities, thus speeding up the process of administrative assessment to obtain the specific documentation. The Strategy of the Industrial Park stipulates the existence of the services important for economic such as banking / insurance, courier, etc. activities within the perimeter of the park.

In 2006, in Romania there were 37 industrial parks where there were 426 companies functioning with over 10,000 employees. Of these, 23 were operational, the others being in various stages of development. In 2010, there were 50 industrial parks throughout the entire country, created on a 2001 government ordinance that establishes the facilities that the state provides for investors who come to these places. The most important facilities are downsizing local taxes or establishing an

annual rent under the market value. Industrial parks and cheap labour force in Romania attracted big businesses of the global market that operate activities in various fields, from manufacturing to services and trade as well as foreign direct investment of billions of euro.

Table 1. Indicators associated industrial parks (2012)

Indicators	Value
number of industrial parks (total)	52
number of operational industrial parks	39
total area of industrial parks – ha	2337
firms settled in industrial parks	783
employees in industrial parks	34541

Source: <http://www.financiarul.ro/2013/03/30>

The ten largest industrial parks created by the state in the last eight years, that attracted billion euro foreign investments and created over 22,000 jobs in the economy, still have 30% of their surfaces unoccupied. Although new investment projects were frozen the engines of production keep on working, "saved by exports".

Examples of "good practices" are few, but not entirely concentrated in the capital city area; the western and also the southern or central regions are considered attractive to investors due to the opportunities offered, cheaper labour force in some areas, more qualified in others, nevertheless anxious to ensure a decent living especially after the "working abroad" experience.

The other parks - regardless of the region in which they were created (even some in Bucharest) lack a clear vision and an effective national and international marketing service, which, for the circumstances given when investors - Romanian and foreign - are particularly careful with money management and choosing locations, affects the business environment and the market.

Table 2. The situation of industrial parks in Romania (July 2012)

Type of ownership	total	operational
Public	27	21
Private	19	12
Public-private	6	6
Total	52	39

Source: <http://www.financiarul.ro/2013/03/30>

4. Conclusions

Industrial parks represent a factor with certain influence on the economic growth. They create conditions conducive to attract foreign investors. In Romania, the industrial parks in areas where they are functional have a positive influence on revitalizing the business environment, on transferring the modern technologies, and on restructuring and modernizing the industry. The construction of industrial parks in Romania has generated new jobs. Most of the new jobs have been created around the capital city and in the country's western counties. In regions where newly created industrial parks do not exist, there is a poor economic situation and the unemployment rate is high, here we are talking about regions in eastern and south-

eastern Romania. Creating and developing industrial parks in Romania is a process in an incipient phase, but, certainly, this is a solution in attracting investment and supporting local development long-term.

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