

THE CONTRIBUTION AND SOME CHARACTERISTICS OF CROSS BORDER COOPERATION FOR MOLDOVAN SMES (THE CASE OF COOPERATION WITH ROMANIA)

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Abstract: In the paper, some characteristics of cross border cooperation of Moldovan SMEs are examined - types of cooperation, problems and preferences in choosing foreign partners, impact of cross border cooperation on business and regional development. The stress is made on the cooperation with Romania. Content of the paper is based on results of the international research project "Cross-border Cooperation and Partnership in selected NIS countries and the Consequences of EU-Enlargement: Fostering Entrepreneurship in the Ukraine, Belarus and Moldova", elaborated by a research team from 5 countries during 2005-2007 years with the support of INTAS.

The main research method within the project was weakly structured "face to face" interviews with different actors, first of all, with enterprises and households involved in CBC. In Moldova, actors from 2 districts (Edinet, Cahul) placed in the northern and southern parts of the country, correspondingly on the territories of Upper Prut and Lower Danube Euroregions, right along the border with Romania, were interviewed.

Keywords: small and middle enterprises, cross border cooperation, the European Union,

INTRODUCTION

Limited possibilities of SMEs in transition economies, along with development of the process of internationalisation, where more actively smaller sized enterprises are implied, determine entrepreneurs to seek new directions of business development and realise new strategies directed out of borders of their country. An additional opportunity for enterprises from border regions could serve such a form of external economic activity as cross border cooperation (CBC), i.e. the cooperation between enterprises from border regions of neighbour countries.

For Moldovan SMEs that confront serious barriers in their activity (difficult access to all types of resource, narrow internal market, etc.), the CBC could be of special importance. We should mention that Moldova has a small territory and among its 32 districts more than 20 have external borders. But, due to certain circumstances only few Moldovan businesses cooperate with enterprises from neighbour countries. In the paper, results of the international investigation realised in 2005 – 2007 and oriented to identifying some essential characteristics of CBC of Moldova, Ukraine and Belarus with the EU countries and with Romania – at that moment being a candidate country, are presented.

In the paper, some characteristics of CBC are examined – types of cooperation of SMEs, preference in choosing partners from Romania or Ukraine, problems of partners' search, interest of both sides in CBC, influence of CBC on business development and its contribution to regional development.

THE ROLE OF CBC: LITERATURE REVIEW

In order to define the CBC and elucidate different aspects of this phenomenon, several investigations have been taken during last decades in the world. Some researchers see the CBC as a modern regional development practice. While traditional regional development practices originally intended to solve regional discrepancies within national boundaries, CBC is new in that it involves foreign, national and regional governments in addition to supranational institutions (Friedmann and Weaver 1979, cited by Enokido 2007). And implication of different level institutions assumes avoiding of discrepancies between regions which don't have anything in common with national borders. This aim is of a permanent actuality in the EU that uses, including, the CBC for the realization of European integration of countries from the continent.

Thus, the European Commission in the Madrid Convention offers an official status to the CBC defining it as "any concerted action designed to reinforce and foster neighborly relations between territorial communities or authorities within jurisdiction of two or more Contracting Parties" (European Commissions 1980). The importance and relevance of CBC to European integration is mentioned by Grix (2001) who sustains that "the act of 'knitting' together historically antagonistic neighboring states at national, sub-national and local levels has been particularly successful in western Europe, where a myriad of Euro regions function as channels for, and facilitators of, formal and informal interstate cooperation and exchange".

The EU, within its policies established several instruments of CBC promotion. Among them the EU established the concept of the Euro region, "which is a form of transnational co-operation structure between two or more territories located in different European countries" (Smallbone 2007). Besides Euro regions, there have been launched the INTERREG programmes „that aims to promote integrated regional development between neighboring border regions, including external borders, by developing cross-border economic and social cooperation through joint strategies and development programmes" (Smallbone 2007).

In the EU the CBC has been one of the key factors in the process of integration and has been seen by Central and Eastern European countries that have aspired to accede to the EU as a model of integration. In this sense, the EU supports the effort of these countries through launching of a CBC instrument with regard to its external borders – programmes such as PHARE and CARDS that have funded cross border cooperation projects (Smallbone 2007). Since 2007, Moldova, being an immediate neighbor of the EU, can facilitate from some of these instruments as well. Although declared by national authorities of special importance, the problem of CBC has been little investigated in the country. At the same time, few activities that could lead to the awareness by population of CBC advantages are taken. In this sense, the CBC of economic agents from border regions as one of the main aspects of CBC, which directly determine regional development has a decisive role.

RESEARCH METHODOLOGY

The material of the paper is based on results of the international research project “Cross-border Cooperation and Partnership in selected NIS countries and the Consequences of EU-Enlargement: Fostering Entrepreneurship in the Ukraine, Belarus and Moldova”, elaborated by a research team from 5 countries during 2005-2007 years with the support of INTAS № 04 79 6991. A determinant contribution to discussing the methodology and results of investigation have made the project coordinator professor Friederike Welter (University of Siegen, Germany) and professor David Smallbone (Kingston University, Great Britain).

The main research method within the project was weakly structured “face to face” interviews with different actors, first of all, with enterprises and households involved in CBC. Besides, employees of business support institutions such as regional/ local administrative bodies, chambers of commerce and industry, business associations and NGOs involved in the economic activity, were also interviewed. In Moldova, actors from 2 districts (Edinet, Cahul) placed in the northern and southern parts of the country, correspondingly on the territories of Upper Prut and Lower Danube Euroregions, right along the border with Romania, were interviewed. In each district 40 interviews were performed: with enterprises – 20, with households – 10, with business support institutions – 10.

MAIN TYPES OF CBC OF MOLDOVAN SMES WITH ROMANIA

In spite of little number of Moldovan enterprises participating in CBC, the interviewing elucidated different types of cooperation. The preponderant type of CBC for most Moldovan enterprises is import-export relations. The main type of production exported from Moldova to Romania is agricultural production: fruits and vegetables, wine, grains, cereals. Within CBC, from Romania to Moldova, relatively more often goods for population are imported, such as clothes and footwear, tablewear, detergents, cosmetics, etc.

Forms of import-export operations essentially differ from partner to partner. Besides, these relations suffer certain changes in time. Thus, for small (micro) enterprises and households, especially at the beginning of business development, the cooperation often was limited to one transaction or periodically repeating transactions, that weren't accompanied even by verbal agreements. Such forms of CBC were quite spread in 1990th when large part of Moldovan citizens ran out of their jobs and had to take entrepreneurial activity in order to ensure a source of income for living. Seizing the opportunity offered by the recently opened borders, they oriented to Romanian markets to realize their production or to acquire goods for trade activity in Moldova. A representative example of that period was the market place in Galati county (Romania), which due to large number of Moldovan traders on it was called “Moldavians' market”. In time, a part of entrepreneurs chose certain partners to cooperate and negotiated certain parameters of transactions, such as assortment, price, volume and time of transactions.

In the CBC are implied not only production and trading firms that import and export goods, but also service providing enterprises, mainly from construction, transporting and land processing spheres. In particular, in interviews there were mentioned examples of providing by Moldovan enterprises of services of road construction and repairing in border regions of Romania; passenger carrying on cross border routes between Romania and Moldova; agricultural land processing for Romanian enterprises.

Sometimes, the CBC is based on exchange of information and consulting. As an example illustrating this type of CBC could serve the cooperation of Moldovan enterprise "Optica" with the supplier of optical goods and equipment from Romania. The later offers to the Moldovan enterprise information about new types of goods, offers consultations, organizes change of experience, invites to exhibitions organized by himself, sometimes at his expense.

Quite rare are cases of personnel training within CBC. In fact, organized training takes place only at larger enterprises. As example, can serve the training in Romania of the personnel of the under construction Moldovan airport. At SMEs, only familiarization with partner's experience within meetings and while observing activity of its managers, took place. In some cases the type of CBC was conditioned by specific needs of one of the partners. For instance, a Moldovan agro industrial enterprise, in order to get operative information about markets in the border regions of neighbor country, came with the initiative to establish its partner's business in Romania. As a result, the Romanian partner had the role of intermediary, which purposefully was trading the production of the Moldovan enterprise on the Romanian territory.

Among less spread forms of CBC can be mentioned the distributing activity and creation of joint ventures. An example of the later is the creation in the border region of Moldova of a Moldovan-Romanian joint venture producing package (plastic bottle) for mineral water. Thus, even covering little number of economic agents and households, the CBC of Moldovan and Romanian enterprises is characterised by a certain variety.

PARTNERS IN THE CBC

Preferences in choosing partners – from Romania or Ukraine?

Moldova has external borders with 2 countries – Romania and Ukraine. Both of them are attractive for Moldovan entrepreneurs because of their larger markets and higher level of economic development. The commonalty of language, culture, ethnic provenience also favour the development of external economic activity with both Ukraine and Romania. The fact that a significant part of earlier inhabitants of Moldova, after USSR collapsed either emigrated to Romania and Ukraine or left abroad to work, contributed to the development of external economic activity of Moldova. Many of the emigrated people have relatives in Moldova, i.e. there are strong contacts between citizens of Moldova and of

neighbour countries. A part of inhabitants of Moldova have got the citizenship of other countries, including of Romania and Ukraine. This fact facilitates the solving of many problems on the neighbour country territory, as well as, visa and customs problems. The later ones are of a particular importance for the cooperation with Romania after accession of this country to the EU.

A certain part of citizens, like in the past, continue to develop cooperation with Ukrainian partners. This direction is habitual: Ukrainian market refers to traditional for Moldovan goods market, where many of them are well known. At the same time, the Ukrainian market is a part of the huge NIS market, where demand is less satisfied and differentiated than in the EU. Requirements of inhabitants of Moldova and Ukraine to goods are mostly similar or, at least, quite clear because they many years lived as one country. At the same time, the confidence in the possibility to develop a long-term cooperation with Ukrainian business lacks, because there are many unpredictable things in the political and economical life of Ukraine.

Most part of Moldovan entrepreneurs started to explore the Romanian market only in 1990th, but, closeness and openness of borders greatly contributed to establishment of contacts with Romania in all spheres, including business. The attractiveness of Romanian market potentially increased after the issue with regard to the entrance of Romania to the EU was worked out, as the access to Romanian market meant access to the EU market. But, barriers that impeded the access to the EU market, higher level of competitiveness, different standards and requirements towards quality of goods, lack of information about legislation and juncture of the foreign market significantly limited the interest and possibilities of Moldovan enterprises. Also, visa and customs problems arisen after Romania entered the EU didn't foster initiation of CBC.

It is necessary to mention also the preference of Moldovan citizens – a part of them are oriented to Europe, the other – to Ukraine, Russia. The orientation is conditioned by the existence of relatives in one or other country, prior experience of cooperation, knowledge of language to communicate with potential partners, ethnic provenience.

Search of partners by Moldovan enterprises

The problem of partners' search is both responsible and quite difficult for Moldovan enterprises determined to initiate CBC. As a rule, the search is initiated and performed by the Moldovan side. We can assume that it is conditioned by a higher interest of Moldovan firms in the cooperation. Romanian enterprises are interested in cooperation with partners from west at a larger extent that with those from east. In the opinion of business support institutions this situation only becomes more acute after the accession of Romania to the EU.

In the interviews, different ways of foreign partner search were mentioned. Small enterprises and households perform the partner search independently. It is not wondering as SMEs from Moldova, as in many other cases as well, quite seldom officially address to business support institutions and prefer to solve problems by

their selves or appeal to unofficial private consultations. This happen because other ways of partner search are not known to Moldovan SMEs, are not accessible or don't correspond to their requirements (regarding the quality, price, etc.).

More often, larger enterprises find foreign partners within forums, seminars, as well as through Internet. The seminars and forums are usually organised by Chambers of Commerce and Industry (CCI) or local administrative bodies. For instance, one of the respondents participated in a meeting of economic agents from Romania and Moldova organised by the CCI Edinet and CCI Botosani. Because among participants the respondent couldn't find a suitable partner in the sphere of tourism, he asked CCI Botosani for help. Later, the Chamber recommended a tourism agency from Iasi which became respondent's partner.

The analysis of the CBC shows that enterprises often limit to finding of one partner, or among several partners usually there is a main one and the cooperation with it is for the participant more important, stable and lasting. The existence of just one partner implies risk for the partnership and possibly for the business, especially if the CBC is quite important for the activity of the enterprise.

Interest of partners in CBC

Most of Moldovan respondents mention that the interest for CBC comes from both sides. At the same time, from their point of view, Romanian partners are oriented to western European partners at a larger extent than to the eastern neighbours. The orientation of Romanian business to west could become a threatening for the development of cross border cooperation of Moldovan enterprises.

From another side, some Moldovan entrepreneurs point out the stimulating role of the ethnic factor in the development of CBC with Romania. In the interviews is mentioned that in spite the fact that main in CBC is the economic effect, at the same time, there is present the willing to have common deals with kindred people. A part of respondents – Moldavians are sure that the support coming from the Romanian side has also on the basement a national subtext. The result of cooperation is determined not only by the extent of interest, but also by the commonalty of interests of both sides in the CBC.

The expectations of Moldovan and Romanian partners from CBC mentioned in the interviews are quite different. Expectations of Moldovan entrepreneurs are more diverse: they need raw materials, equipment and new technologies, they necessitate training and change of experience, seek new markets and possibilities of financing. For Romanian entrepreneur there are two attracting factors in CBC – entrance to a new market and the possibility to access the EU financing that can be facilitated by cooperating with Moldova. Lack of commonalty of interests of partners could turn into barrier of CBC development.

CONTRIBUTION OF CBC TO BUSINESS AND REGIONAL DEVELOPMENT

Importance of CBC for enterprises activity

Analysing the importance of CBC, it was found out that practically all Moldovan entrepreneurs evaluated positively its impact on business; even they used different criteria of evaluation. The effect from CBC for most enterprises was the growth of income (oriented to business development or family needs), enlargement of the assortment, growth of turnover, entrance to new markets, acquiring of work experience in other conditions.

For a range of enterprises the CBC became a necessity that determined the continuity of enterprise's activity. In some cases, especially at the beginning of 1990th, due to established CBC, enterprises avoided the bankruptcy. Some entrepreneurs outline the change of current business indicators under the influence of CBC. Thus, for a Moldovan enterprise that due to CBC became distributor of a large European company, the cooperation brought a small 5% growth of turnover as a result of assortment enlargement. Other entrepreneurs examine the role of CBC from a strategic point of view. For instance, the manager of a bakery that recently signed a contract of delivering to a Romanian supermarket belonging to a large European trade network around 20% of its production, considers the cooperation important, first of all, due to the possibility of accessing a new market – not only the Romanian, but also the European one.

Sometimes, the entrance to Romanian market takes place with the purpose to diversify external sale markets. Even holding a small segment of market in Romania (i.e. Europe), enterprises try to secure against any unpredictable changes of situation on traditional NIS markets, although the later at the moment are suitable to Moldovan producers. Besides, the diversification of markets allows smoothing to some extent the seasonal aspect of the production process. The international, including cross border cooperation increase the number of potential customers, as well as offer a larger choice of raw material and equipment suppliers.

Cooperation with Romanian partners earlier developing cooperation with European firms, allows receiving of information about new technologies, modern methods of goods' advancement, organising of production, situation and development trends in certain sectors of economy, and as a consequence, using these knowledge while working on domestic market. As a result of CBC some enterprises acquire additional sources of financing, in particular, by creating of joint ventures.

Contribution of CBC to regional development

Beside the opportunity of business development offered by CBC, it is important for the region ensuring contribution to its economic and social growth. Particularly, industrial enterprises produce substitutes of imports, contribute to growth of competitiveness, and satisfy local demand by enlarging the assortment and improving quality of goods. Enterprises participating in CBC contribute to

local and national budgets paying taxes; and at goods' export in the region/country international currency come. Due to CBC, new work places are created. Enterprises, producing high quality production, contribute to the improvement of the quality of life of inhabitants.

Especially should be mentioned the social orientation of some enterprises, for example, creation of work places for disabled people. One of the interviewed enterprises at the beginning was created as Centre for professional training of disabled people. Even in time it changed the status, the enterprise continues hiring disabled people and their children, offers sponsorship and donation to them. In the interviews, other kinds of enterprises' contribution to social development of the region were mentioned. For example, the enterprise "Opica" regularly offers sponsorships to the Society of Blind from Cahul, as well as free diagnostic service, treatment and medicines.

Any positive results of business development, including, of CBC, have a particular value, because they serve as example for other entrepreneurs – less active and successful, that consider impossible the development of business in existent business environment, and the achieving of competitiveness on European and other external markets.

CONCLUSIONS AND IMPLICATIONS

The achieved investigation allowed making some conclusions on both theoretical and practical plans. In the theoretical plan, on the background of insufficiently studied problem of CBC with regard to transition economies, investigation of the case of Moldova and Romania can serve as an additional "input" in elucidating of all variety of CBC. All the more that the case between Moldova and Romania is a peculiar one, because here left trace on, from one side, the commonality of culture, history, language; from another side – the long period of "iron curtain" between 2 countries, the contemporary stage with difficult political relations between the governments of Moldova and Romania, additional problems linked to the accession of Romania to the EU.

The utilisation of obtained results for practical purposes, proceed from the fact that most Moldovan enterprises, due to CBC, could improve their business indicators. Besides, the CBC of Moldovan and Romanian enterprises foster the economic and social development of regions, which is very important for Moldova. Nevertheless, quite few Moldovan enterprises are involved in CBC. Among main barriers of CBC development, could be mentioned insufficient business support institutions, their weak orientation to providing services related to foreign economic activity.

Besides, entrepreneurs are not completely informed on advantages the CBC could offer; they are not used to ask support to institutions, don't know about their existence or don't trust them. For Moldovan SMEs, the difficult foreign partner search is another barrier to CBC initiation and development. In order to

stimulate the CBC development, there is the need of development of business support institutions, which facilitate the access of enterprises to sources of financing, information, consulting, training. It is important to take into account the specific needs of entrepreneurs related to CBC, for example, familiarisation of Moldovan entrepreneurs and specialists to methods of foreign partner search, technologies of initiation and maintaining business contacts, etc.

After the adhesion of Romania to the EU in 2007 year Moldova became an immediate neighbour of the EU and that influenced the CBC of enterprise with Romania. In the perspective, this can bring new possibilities for Moldovan enterprises, but, at present, they confront additional visa and customs problems. The situation is worsened by political divergences between the two neighbor countries that influence the activity of all levels authorities and have a negative impact on the CBC of Moldovan enterprises. An important role in this situation could play the policies of the two countries and of the EU, by fostering simplification or, at least, well-regulation of visa problems, as well as, by stimulating all forms of contacts between enterprises, organisations and citizens from neighbour countries.

The study of CBC on external borders of the EU in the future could serve as grounding of practical measures for realization of the EU neighbourhood policy, including within Euro regions.

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