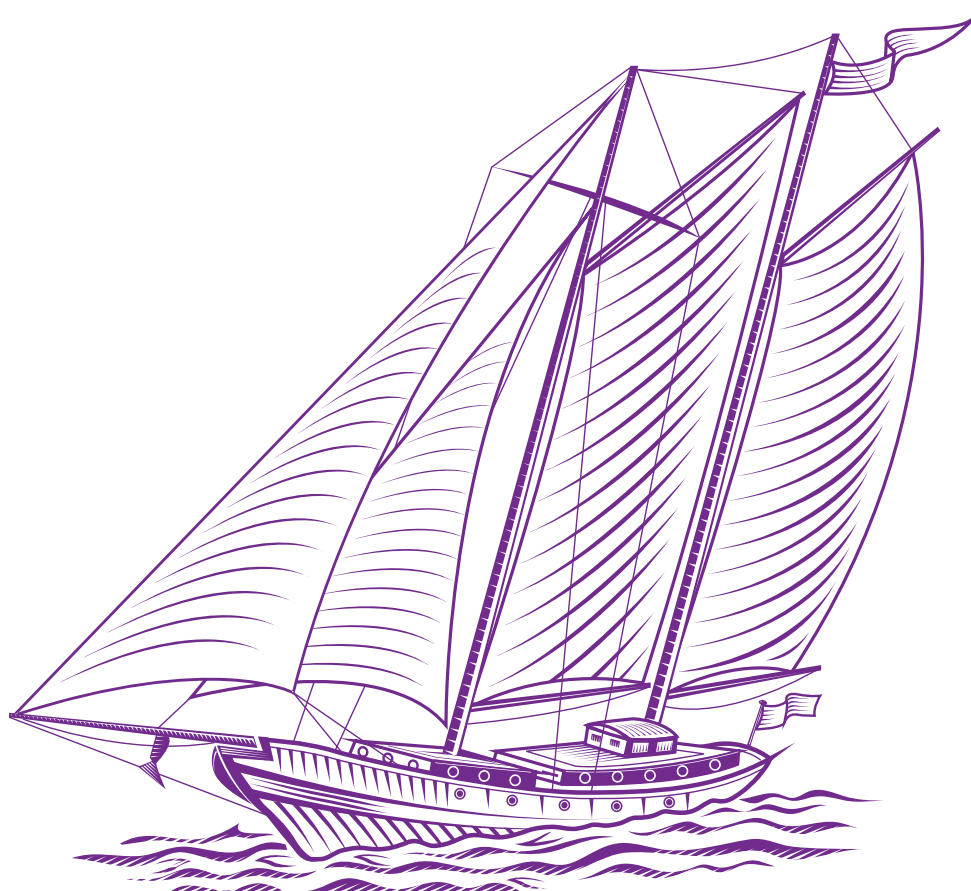




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ALLIANCES STRATÉGIQUES ET GESTION DES CONNAISSANCES: TROIS CAS DE PARTENARIATS TRANSATLANTIQUES

JEAN-MICHEL VIOLA¹, DESISLAVA YANKOVA²

RESUME. La connaissance est à la fois un étalon de mesure et un instrument de transaction. Cet article examine, à l'aide de trois études de cas d'alliances France – Canada, la façon dont les entreprises gèrent la connaissance à leurs frontières. Il débouche sur une typologie des interfaces : la protection en contrôlant, l'absorption en apprenant, l'exploration en veillant et le dialogue en échangeant. Il poursuit en mettant l'accent sur l'importance souvent mésestimée de la gestion de l'intraface entre l'alliance et le reste de l'organisation, sur la diffusion de la connaissance et sur le rôle des agendas individuels dans ce processus.

Mots cle: *alliances stratégiques, connaissances, co-operation, apprentissage*

1. INTRODUCTION/ ALLIANCES ET GESTION DE LA CONNAISSANCE

Cet article explore les enjeux stratégiques et les mécanismes de gestion de la connaissance en contexte de partenariats. Comment les entreprises, tout en étant conscientes du rôle crucial mais ambigu des partenariats, peuvent-elles s'assurer de gérer³ ces échanges et l'objet particulier que constitue la connaissance, à la fois étalon de mesure et instrument de transaction ? Après un rappel des fondements théoriques des enjeux de connaissance au sein des alliances (1), nous présenterons le cadre de la recherche (2) pour ensuite ébaucher une typologie des modes de gestion de la connaissance aux frontières d'une organisation (3). Finalement, nous proposerons, à partir des limites de l'étude, quelques avenues pour des recherches ultérieures (4).

Quelle que soit la structure administrative retenue⁴, quatre critères permettent de classer un accord comme une alliance⁵, soit la volonté de coopération pour atteindre un objectif, la mise en commun de ressources, une forme minimale de réciprocité et la préservation de l'indépendance légale des parties. Si la question

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³ Handy (1994) rappelle que le verbe «gérer» signifie traditionnellement «prendre soin de», «s'occuper de», plutôt que contrôler et planifier.

⁴ Voir, par exemple, Contractor et Lorange (1988) pour une discussion des formes concrètes de ces accords.

⁵ A l'intérieur de ces balises, nous utiliserons donc de manière interchangeable les termes de «partenariat», «alliance» ou «collaboration».

des motifs a été largement explorée⁶, la performance de ces accords est plus ambiguë (Singh et Mitchell, 1996). Ainsi, en 1994, une étude de l'institut de recherche *Conference Board* indiquait des taux de satisfaction des partenaires allant de 26% à 54% selon la nationalité et le type d'accord. Par ailleurs, plusieurs auteurs ont identifié les enjeux critiques au sein des alliances. Par exemple, une concurrence sous une autre forme et une course à l'apprentissage (Hamel et al., 1989), des effets pervers, tels une dépendance accrue, un délaissement du marché local dans le cas d'accords internationaux, une dégradation de position concurrentielle (Porter et Fuller, 1986), une perte de capacités de gestion par détournement de l'attention (Hamel et al., 1989), une dérive vers une acquisition (Bleeke et Ernst, 1995) ou encore une perte possible d'opportunités (Powell, 1987).

Les alliances, ces «liaisons dangereuses» (Drucker, 1996), n'excluent pas la concurrence et peuvent même l'exacerber au sein de courses à l'apprentissage (Hamel et al., 1989). En créant une fenêtre chez le partenaire, elle peut devenir une arme indirecte pour subtilement le vider de sa compétence (Lei et Slocum, 1992). On assisterait ainsi à l'inversion d'un paradoxe de la stratégie, «si tu veux la paix, prépare la guerre», qui deviendrait: «si tu veux la guerre, prépare la paix»⁷.

Au-delà de ces limites, les alliances sont généralement vues comme une source majeure de création de valeur (Spekman et Isabella, 2000; CapGemini Ernts&Young, 2000) où les enjeux de connaissance⁸ tiennent un rôle central (Badaracco, 1991). La création de valeur passe par la capacité des entreprises à réaliser trois types d'opérations dans leurs relations : concrétiser des synergies entre les bases de connaissances des partenaires (1), absorber des savoirs de son partenaire (2), préserver ses propres savoirs critiques (3). Les individus qui franchissent les frontières organisationnelles⁹ représentent l'un des mécanismes du rapprochement. Aldrich (1979) les considère comme étant à l'origine de l'émergence des réseaux d'échange. Spécialement précieux au début du rapprochement pour gérer les flux d'information, ils s'assurent de la bonne communication, détectent précocement les problèmes et construisent les liens sociaux (Alter et Hage, 1993).

⁶ Dès 1988, Lorange et Contractor (p.9) identifient sept motifs à la coopération: la réduction du risque, l'efficience par économies d'échelle ou rationalisation, la complémentarité technologique, l'amélioration du pouvoir de marché, l'exigence des autorités locales, l'accès à des nouveaux marchés et, plus généralement, l'accès aux ressources dans un processus de quasi intégration verticale. Nous pourrions rajouter le gain de temps à cette typologie (Powell, 1987; Hamel et al., 1989) dans un contexte où le temps peut être une source d'avantages concurrentiels (Stalk, 1988).

⁷ Nous empruntons cette inversion à Glucksmann (1974:315) qui l'utilise dans le contexte géopolitique de la dissuasion nucléaire.

⁸ Sans rentrer dans un débat sémantique entre les perspectives contrastées des auteurs qui traitent d'apprentissage et ceux qui traitent de connaissance, il convient toutefois de préciser certains éléments. Davenport et Prusak (1998) précisent avec justesse que, en général, les études portant sur «l'apprentissage» traitent de processus, de contexte et d'individus au détriment du contenu; alors que les études portant sur la connaissance font plutôt l'inverse. Toutefois, la définition même de la connaissance dans le contexte d'une organisation pose un problème dont Winter (1987) a mesuré toute l'étendue.

⁹ Les «boundary spanners» de Katz et Kahn (1966).

Il existe une autre problématique, plus rarement évoquée, associée à la question des frontières: la nature de la relation entre l'alliance et le reste de l'organisation. Aldrich (1979) définit comme un lien lâche (*loose coupling*) la situation où les structures et les activités des différentes parties d'une organisation sont faiblement connectées entre elles, pouvant ainsi évoluer indépendamment. Si ce mécanisme permet une adaptation rapide et efficace à l'environnement, et donc au partenaire dans le cas d'une alliance, il peut conduire à empêcher la diffusion des bénéfices de la coopération dans le reste de l'organisation. Il contribue également à isoler de manière plus ou moins étanche les éléments impliqués dans la coopération.

Gérer la connaissance aux frontières d'une organisation, implique donc, d'une part, positionner la dynamique de l'accord en termes de l'intensité de la dualité de la relation et, d'autre part, développer des pratiques de nature à améliorer la base de connaissance de l'entreprise dans son ensemble, tout en la préservant de dilution.

2. MÉTHODOLOGIE DE LA RECHERCHE

Nous visons à saisir la logique contradictoire des partenariats du point de vue des enjeux de connaissance en mettant en évidence les mécanismes spécifiques de gestion mises en place par les partenaires au sein de trois alliances franco-canadiennes. Le tableau 1 décrit les trois cas.

Nous avons conduit 47 entrevues d'une durée de une à six heures et enrichit cette base par des données issues des rapports annuels et des communiqués de presse. Cette collecte de données primaires et secondaires a été relativement structurée pour assurer une base de comparaison inter cas et permettre d'éviter la surcharge (Miles et Huberman, 1994).

Tableau 1

Trois cas de partenariats France - Canada

Partenariats	Durée	Objet	Partenaires	Apport
INDUSTRIE	30 ans série de projets	Conception et fabrication de systèmes de transport terrestre	INDUCAN	Technologie, fabrication et assemblage
			INDUFRA	Technologie et composantes
PHARMA	2 ans projet unique	Développement d'une nouvelle application technologique dans le domaine vétérinaire	PHARMACAN	Technologie et adaptation
			PHARMAFRA	Compétence technique et réseau commercial

MEDIA	2 ans projet unique	Adaptation et réalisation d'une série de dessins animés	MEDIACAN	Droits d'adaptation et production
			MEDIAFRA	Financement et production

3. RÉSULTATS ET DISCUSSION

Nous traiterons d'abord des questions de l'interface entre les partenaires (3.1), puis des stratégies implicites des transactions (3.2) et, finalement, des dimensions plus souvent négligées de l'intraface entre l'alliance et le reste de l'organisation (3.3).

3.1. Interface et variations sur la frontière

Les trois partenariats étudiés apportent un éclairage spécifique sur les mécanismes de modulation de la porosité de la frontière.

3.1.1. L'ouverture

L'ouverture de l'organisation au partenaire est la première manifestation de la coopération. Elle se matérialise par une communication et par un échange d'informations, d'employés, de biens ou services. Nous devrions rajouter, pour la distinguer d'une simple opération commerciale, que cette communication et cet échange se produisent dans le cadre d'un projet non entièrement pris en charge par un contrat et où des ajustements sont donc nécessaires. L'importance de l'ouverture est liée au mode de coordination retenu entre les partenaires et à la constitution d'un domaine partagé.

Le partenariat INDUSTRIE présente plusieurs domaines partagés. Les partenaires décident de répondre à un appel d'offre, conçoivent un projet, s'assurent de son intégrité, de la compatibilité de ses composantes et de sa performance. La communication portent sur trois questions. Le projet proposé par le client est-il intéressant d'un point de vue économique? Comment capitaliser sur les forces et les disponibilités de chacun pour élaborer une réponse qui réponde aux critères du client tout en assurant la rentabilité financière? Comment établir un protocole de vérification pour s'assurer de la performance finale d'un produit composé d'une multitude de composantes issues de plusieurs fabricants? Notons que d'importants effets d'expérience peuvent se manifester. Les nombreux projets communs ont abouti à l'élaboration d'une certaine standardisation permettant d'élaborer une série de critères basés sur une méthode d'analyse avantages-coûts.

L'analyse de l'appel d'offre, est le point qui conduit à la plus grande ouverture et transparence des partenaires et à la plus grande objectivité. Il n'y en effet ici pratiquement aucune implication personnelle des partenaires. Les deux parties analysent la demande du client de façon intrinsèque. Sa viabilité s'évalue de façon relativement

objective en tenant compte de deux grandes séries de paramètres : les critères de performance désirée par le client et les problèmes posés par l'environnement du projet.

La question de l'ouverture devient particulièrement épineuse dans le cadre de l'élaboration du projet commun en réponse à l'appel d'offre. Trois types de problèmes peuvent rendre l'ouverture difficile.

- **Révéler leurs disponibilités en termes de ressources humaines et matérielles.** Les disponibilités des ingénieurs et des unités productives renseignent sur le niveau d'activité et l'état du carnet de commandes. Un ingénieur de INDUFRA précise que «Cela peut être délicat parfois mais en fait on n'a pas de grands secrets dans ce domaine. Ce n'est pas tant les capacités disponibles qui sont révélatrices que quel type de ressources on est prêt à affecter à quel type de projet».

- **Révéler les innovations développées.** C'est là un des grands enjeux de la solidité de la relation et sans doute l'une des dimensions les plus délicates à gérer : comment inclure les innovations dans le projet sans trop révéler au partenaire ses axes de développement technologique et leur degré d'achèvement ? La tactique que semble privilégier, ironiquement, les deux partenaires est celle de la minimisation. «C'est un peu un jeu de dupes» résume un ingénieur d'INDUFRA, «tout le monde fait comme si l'autre ne savait pas qu'on sait, on fait comme si l'innovation était là depuis toujours...».

- **Répartir le contrat entre les partenaires.** Curieusement, la discussion n'est pas tellement critique au niveau des bénéfices financiers recherchés mais plutôt d'un point de vue stratégique : développer plus spécifiquement une expertise dans une certaine zone géographique, avec un certain type de clients ou encore pour un certain type de produits. Autant d'indications données au partenaire sur les axes de développement privilégiés. Par l'insistance mise à prendre une plus grande part dans tel ou tel domaine l'entreprise révèle où elle pense que va se situer la croissance dans le futur proche.

Le partenariat PHARMA présente une évolution de la perméabilité de la frontière suivant trois phases. Une grande fermeture au début. La relation est largement contractuelle, technologie contre royautés. Dans une deuxième phase, les problèmes forcent l'ouverture de PHARMACAN qui doit donner accès à ses sources scientifiques, les chercheurs universitaires. Les problèmes du produit ont amené PHARMAFRA à s'interroger sur la poursuite du projet créant un climat tendu. Ils ont imposé une ouverture des frontières à sens unique de PHARMACAN. Toutefois cette ouverture n'est guère problématique pour eux dans la mesure où ce ne sont que les scientifiques, universitaires externes, liés à une activité relativement marginale, qui sont concernés.

Le partenariat MEDIA est à la fois le plus ouvert et le moins problématique. L'ouverture est importante car le travail est partiellement collectif et nécessite de fréquentes interactions. Toutefois, le contrat délimite clairement l'interaction, la nature des tâches à accomplir, les rôles de chacun et le résultat final attendu : la production d'une série d'animation. Ce que les partenaires dévoilent ce sont donc

essentiellement deux choses : leur degré de maîtrise des plus récentes technologies et le degré d'expertise de ses employés qui est largement de la connaissance tacite, difficilement imitable.

En fait c'est la logique même de la coopération qui appelle cette ouverture. C'est la condition minimale du non échec prématuré du partenariat. Aussi naturel, mais moins clairement rapporté par les partenaires est la question de la fermeture à l'allié qui demeure une entité indépendante. Une contrainte supplémentaire pèse donc sur la durée de cette relation. Il faut se prémunir contre un risque de défection ou de comportement opportuniste, ou simplement contre la fin de l'accord.

3.1.2. La fermeture

L'organisation se ferme d'autant plus facilement que le partenariat fonctionne sur un mode autre que celui qui consiste à faire ensemble la même activité. Et cette répartition des activités conduit à ce qu'on pourrait appeler une «domaine attribué» : un ensemble d'activités et de tâches aboutissant à la production de biens ou services qui contribuent au projet commun mais effectués séparément. Il n'y a pour les partenaires qu'une obligation de résultat, rarement de moyens, et encore plus rarement d'interaction. Enfin, un troisième domaine pourrait être qualifié de «réservé» dans la mesure où certaines compétences et informations peuvent être utilisées pour remplir ses responsabilités de partenaire mais sans qu'aucun échange sur cette question ne se réalise.

Dans le cas PHARMA, tout était clair au départ. Il n'y avait pas besoin d'échanger donc pas de problème de frontière: la frontière existait et le contrat réglait les transferts. Avec les problèmes, la frontière a du s'ouvrir, paradoxalement, à un moment où la confiance était la plus faible, puis ensuite elle pouvait se refermer. Dans le cas MEDIA, le contrat structure le projet et donc la façon de travailler et les échanges. Le domaine attribué vient de la localisation géographique différente des scénaristes qui fait qu'une partie du travail est effectuée en France et l'autre à Montréal. Toutefois, l'interaction demeure importante tout au long du processus.

3.2. Interface et stratégies implicites des transactions

Le type d'interface en place, qu'il soit le fruit d'une formulation précise ou, plus généralement, qu'il émerge partiellement de l'interaction, peut être analysé sous l'angle d'une stratégie générale de l'entreprise quant au type de relation recherchée et surtout quant à la définition de la nature et du rôle de sa frontière organisationnelle. Ainsi, nous pouvons identifier quatre «stratégies implicites des transactions» sur un continuum entre le souci premier de protection et la recherche ouverte de synergie et de gains mutuels. Ces deux pôles extrêmes représentent, pour l'un, une conception assez utilitariste et, pour l'autre, une conception quasi idéaliste de la coopération. Pour chacune des stratégies, nous analyserons trois éléments clés, soit les motivations (et donc, implicitement, les objets), les moyens et, finalement, les avantages et limites que nous pouvons leur associer.

3.2.1. Une interface pour se protéger : le contrôle

Nous pouvons concevoir l'interface d'une alliance dans un souci de protection, pour ne pas aller au-delà de l'entente initiale, pour garantir la confidentialité des intentions et pour préserver les actifs. Le contrôle devient alors un élément clé, ce qui, dans le cadre d'une alliance, prend essentiellement deux formes : le contrôle de l'accès et le contrôle des transmissions.

Le partenariat INDUSTRIE, par le nombre de personnes impliquées, par la diversité des savoir-faire mobilisés (politiques, technologiques, de production et de gestion) est celui au sein duquel la tentation de protection devait être la plus forte. Et, dans les faits, aussi bien INDUCAN qu'INDUFRA sont effectivement ceux qui pratiquent le plus intensément la protection. INDUFRA qui, au début de l'union avait une nette domination technologique, était moins préoccupée par le contrôle du contenu que par le contrôle des intentions. L'accord était basé sur une technologie éprouvée du point de vue français et le transfert était donc le reflet d'un enjeu supérieur : celui de l'accès à un nouveau marché nord-américain sans crainte réel d'une perte de leadership technologique. INDUCAN, quant à elle n'avait rien à contrôler au départ car son seul apport était sa nationalité et son contrat. Avec le temps, la nature de l'organisation du travail, très structurée, fait en sorte de morceler les tâches et peut aussi agir, en un sens, comme un mécanisme de protection. INDUFRA semble un peu à contre-courant dans ce processus. En effet, a posteriori, il appert que c'est la technologie qui a été le gain important d'INDUCAN au départ. Ensuite, l'enjeu concurrentiel, le facteur clé de succès, n'était plus technique mais bien politique, au sens de la capacité à mobiliser toutes les forces et images potentielles pour remporter des contrats. L'excellence opérationnelle de INDUFRA faisait ensuite la différence avec la durée et la répétition des contrats.

Le cas PHARMA montre une réalité un peu différente. PHARMACAN tente de préserver sa base de compétence en contrôlant l'accès aux chercheurs. Elle tente de demeurer l'intermédiaire entre les chercheurs et PHARMAFRA dont elle filtre ainsi toutes les communications. Ce n'est que l'urgence de la situation qui lui fait renoncer à cette protection devenue alors pathologique car elle entraînait un blocage dans le processus coopératif, en raison d'une asymétrie atypique de connaissance : celui qui possède la technologie est celui qui la maîtrise le moins d'un point de vue technique. De la même façon, PHARMAFRA préserve sa connaissance des marchés et des réseaux de distribution, même s'il est clair que PHARMACAN n'a qu'un intérêt relatif dans ce type de savoir.

MEDIACAN et MEDIAFRA, Les partenaires de MEDIA, ne sont pas impliqués dans des stratégies implicites protectrices dans la mesure où les paramètres du contrat fixent précisément les modalités de la coopération. Le seul risque potentiel résiderait dans une éventuelle et hypothétique débauche d'employés, scénaristes ou réalisateurs.

L'essentiel du contrôle s'exerce au niveau des compétences. Toutefois, il semble fortement médiatisé par la capacité perçue d'un partenaire à mobiliser ces compétences. Cette perception sur la capacité de l'autre à absorber la compétence, d'une part, et à la mobiliser à grande échelle, d'autre part, est donc un déterminant clé du type de protection qui va être mis en place. Ce qu'on cherche à protéger, c'est donc un savoir-faire, source d'avantage stratégique, réel ou non : dans le cas de PHARMACAN, une technologie de base, difficile à préserver en dehors des brevets; pour PHARMAFRA, une connaissance des systèmes de commercialisation et des clients; le système de production et la connaissance des clients de INDUCAN; le système d'innovation et de R-D de INDUFRA. Nous constatons, qu'hormis la situation de PHARMACAN, ces compétences sont largement systémiques, c'est à dire ancrées dans un ensemble complexe de facteurs humains, organisationnels et contextuels. MEDIACAN et MEDIAFRA, à cet égard, ont des compétences plus individuelles, ce qui pourrait être une explication à l'absence de protection.

PHARMACAN souhaite se prémunir de fuites technologiques particulièrement graves dans le cas d'un produit non fini car l'argumentation légale sur la base de la protection peut s'avérer ardue. Un autre aspect des motivations de la protection est également le gain de temps. En bloquant l'accès aux sources de la technologie on tente de passer plus rapidement au stade de la commercialisation pour se rapprocher de la rentabilité. Toutefois, nous avons vu que les limites techniques du projet ont obligé PHARMACAN à revoir cette approche et donc à renoncer à la protection.

Le souci de protection qui matérialise l'ambiguïté des alliances est un souci légitime et indispensable de tout accord. Toutefois, il peut devenir pathologique, dériver vers trop de rigidités dans les échanges et une absence d'initiatives. La logique de protection, au-delà d'un seuil minimum devient alors anti-coopérative. En arrière plan de la logique de la protection peut se profiler une logique plus pernicieuse des courses à l'apprentissage entre les partenaires, jeu ouvert à issue incertaine.

3.2.2. Une interface pour absorber : l'apprentissage

Nous pouvons concevoir l'interface d'une alliance comme un instrument pour aller chercher des éléments précis. L'apprentissage devient alors un élément clé. Dans ce type de relation, il y a asymétrie et l'un des partenaires permet à l'autre un accès à sa base de compétences. C'est là une caractéristique fondamentale de ce type d'interface où l'un des partenaires accepte de transférer une partie de sa compétence à l'autre¹⁰.

La relation entre INDUCAN et INDUFRA, à ses débuts, illustre bien cette situation. INDUCAN, en échange d'un accès à un marché, obtient un transfert de technologie et de savoir-faire de son partenaire. Les modalités de ce transfert sont en partie contractuelles, liées aux droits de propriété et d'utilisation, et en partie organisationnelle, liées à une interaction de type professeur -élève. En effet, INDUFRA reçoit des employés de INDUCAN et les imprègne de ses compétences

¹⁰ Notons que ce processus peut, par ailleurs, être réiproque, portant alors sur des objets différents.

quant à la maîtrise et aux applications de la technologie transférée. Avec le temps, cet aspect a presque disparu. Nous avons maintenant une quasi symétrie de compétences et ce type d'interaction porte essentiellement sur de l'ajustement et de la coordination technique.

La détermination des connaissances à transférer est une étape préalable clé, reliée aux enjeux concurrentiels et aux intentions stratégiques. Il est également nécessaire de déterminer les individus de première ligne, ceux qui vont être au contact du partenaire, mais aussi les mécanismes d'ancrage de cette nouvelle connaissance dans le reste de l'organisation. Par exemple, dans le cas d'INDUCAN, une équipe importante s'est rendue en France pour apprendre en action le savoir d'INDUFRA et, au retour, a mis en place un programme de formation destiné au personnel local.

Le partenariat PHARMA, après l'autorisation donnée par PHARMACAN à PHARMAFRA de travailler en collaboration avec les chercheurs, a présenté lui aussi une dynamique similaire. Les compétences des deux partenaires étaient complémentaires, au niveau de la finition du produit. L'équipe de chercheurs avait la compétence fondamentale du produit, l'équipe de PHARMAFRA avait une compétence pour faciliter sa production et son utilisation pratique par les clients.

Le partenariat MEDIA reflète lui aussi cette situation mais d'une manière particulière pour deux raisons. D'abord, il y a une grande symétrie de compétences techniques pour réaliser le produit, ensuite le fait que cette compétence ne soit pas décisive. En effet, l'apprentissage existe mais de manière incrémentale et relativement marginale, au niveau de façons de faire plus efficaces, de séquences de travaux différentes, de technologies de support distinctes. Rien de central à la compétitivité mais, finalement une amélioration réciproque, essentiellement au niveau de la rapidité et de la maîtrise des coûts.

Le problème général lié aux interfaces qui présentent des dynamiques d'apprentissage est le risque réel d'une dérive vers une course à l'apprentissage et, de manière plus pernicieuse, une évaluation du partenariat dans une logique de quantité de connaissances accumulées. Une autre version de cette logique concurrentielle sous-jacente réside dans une approche de type Cheval de Troie, où une entreprise accède à une autre avec des intentions précises mais cachées dans une perspective concurrentielle.

3.2.3. Une interface pour explorer : l'intelligence stratégique

Nous pouvons concevoir l'interface d'une alliance pour aller chercher tout ce qui pourrait être utile, sans une détermination complète *a priori*. La veille ou l'intelligence devient alors un élément clé. Dans cette perspective, nous retrouvons deux dimensions étymologiques du terme. En anglais, «intelligence» signifie «renseignement» dans le sens de l'obtention d'une information riche, non directement accessible alors qu'en français, «intelligence» trouve sa racine dans le latin *intelligere* qui signifie comprendre. L'entreprise bâtit une interface pour explorer, c'est-à-dire

pour être attentive, pour reconnaître les opportunités et les saisir en intégrant ces éléments, pour appréhender de manière plus fine les fondements de la compétitivité présente ou future de son partenaire. Drucker (1999) précise que la connaissance représente une «fenêtre d'opportunité» et que de cette conception naît l'avantage concurrentiel de l'entreprise.

On retrouve chez les deux partenaires du cas INDUSTRIE une tendance nette pour obtenir une information au-delà du projet commun : les technologies expérimentées ou en développement, les orientations techniques, le carnet de commandes, les accords avec d'autres partenaires. Toutefois, ces recherches et leurs résultats sont le fruit d'initiatives individuelles, non systématisées, non structurées et dont les résultats ne sont pas nécessairement exploités. Des séminaires sont organisés chez les deux partenaires pour gérer l'information. Essentiellement au niveau de ce qui peut être divulgué et de ce qui ne peut jamais l'être. Le contenu porte sur le langage mais aussi sur les habitudes de gestion des documents écrits ou informatiques.

Le partenariat PHARMA présente de tels aspects du côté du partenaire français. Cette asymétrie s'explique par sa compétence technique et donc sa capacité d'absorption des données scientifiques constituant la connaissance de son partenaire ou plutôt des chercheurs universitaires associés à son partenaire. Cette situation facilite la tâche de PHARMAFRA car son interlocuteur n'était pas un employé de PHARMACAN. Il n'était lié à PHARMACAN que par un contrat spécifique portant sur un produit spécifique. Les éléments recherchés portent sur les nouvelles générations potentielles de produits ou le développement de nouveaux produits basés sur des technologies similaires.

Le partenariat MEDIA ne présente pas de comportement d'exploration d'opportunités informationnelles pouvant être exploitées entre les partenaires. Ce constat est cohérent avec les éléments déjà identifiés, notamment le grand encadrement contractuel et la nature des activités impliquées.

Nous constatons que cette approche repose beaucoup sur les individus. Les frontières de l'éthique ont ici des contours parfois flous et les partenaires en sont tous très conscients. Aucun ne déclare ouvertement avoir une telle approche mais le type d'information recherchée et les moyens parfois détournés de l'obtenir peuvent contribuer à donner une impression en ce sens. Le tact, la réciprocité des comportements et cette dimension éthique qui était présente chez tous sont autant de limites à une emphase trop radicale sur cette option. Notons toutefois que l'envisager a certainement aussi des effets salutaires sur les mesures défensives à prendre. Finalement, reconnaissant les limites et les périls du Cheval de Troie, l'entreprise peut être amenée à concevoir son interface dans une perspective plus large, à plus long terme et plus constructive, un peu comme un dialogue.

3.2.4. Une interface pour dialoguer : l'échange

Nous pouvons concevoir l'interface pour créer de la valeur par synergie. Le dialogue au sens d'Isaacs (1999)¹¹ devient alors un élément clé pour créer une valeur ajoutée au partenariat, une valeur additionnelle par rapport aux objectifs initiaux de l'accord. Une telle relation repose sur quatre éléments fortement corrélés : l'écoute; le respect qui vient du latin *respecere*, «regarder à nouveau», pour voir le partenaire comme un sujet à satisfaire plutôt que comme un objet à contrôler; la suspension de nos propres jugements et opinions; et la prise de position, la révélation de ce qu'on considère comme fondamental, indépendamment de toute influence extérieure. Ces éléments contribuent à cette synergie qui démarre sur des bases cognitives. Nous retrouvons ces éléments avec des dosages contrastés dans nos trois cas.

Le partenariat INDUSTRIE présente un dialogue assez riche qui se situe essentiellement à un niveau individuel et informel qui reste donc marginal sur la dynamique de l'accord. Entre individus ou petits groupes participant au projet, des éléments d'un véritable dialogue se mettent en place mais sa dimension ne devient jamais organisationnel et n'a donc pas ou peu d'impacts sur les partenaires. Il y a un dialogue humain mais pas organisationnel en ce sens que les relations sont exclusivement centrées sur deux éléments : les projets potentiels et les projets à réaliser. Une dynamique de groupe se forme mais elle n'a que peu de répercussions sur la dynamique de l'alliance en termes d'une conception commune des choses, de la formation collective d'une représentation sur les aspects technologiques et concurrentiels de leurs activités. En avançant ceci, nous ne minimisons pas l'importance de ce niveau de dialogue qui est un ciment important de la relation mais qui se situe à un autre niveau que celui de notre préoccupation première qui porte principalement sur les éléments de l'interface pouvant déboucher sur une synergie créatrice. Le type de dialogue identifié est aussi une condition préalable pour passer à un niveau plus stratégique mais la position hiérarchique des personnes impliquées ne facilitent pas toujours cette transition.

Le partenariat PHARMA est resté centré sur ses objectifs initiaux. Celui-ci a toujours été dans une situation de rattrapage par rapport à son agenda de départ ce qui a conduit à concentrer les énergies sur la tâche, la complétude du produit et sa production. Même s'il a été envisagé ensuite des développements en termes de produits dérivés ou encore en termes de marchés géographiques comme l'Asie qui était exclue de l'accord initial. L'écoute a toujours été présente mais souvent imposée par la gravité des problèmes. D'un côté, écoute d'un partenaire légitimement mécontent, de l'autre, écoute d'un partenaire qui détient les clés de la solution à un problème qu'il est impératif de régler indépendamment des solutions de recours légaux. Le respect a été mis à mal par ses problèmes mais avec le temps et le constat des efforts mutuels, les deux partenaires ont finalement convergé dans cette voie. Les prises de positions ont porté sur des aspects opérationnels : la définition d'un produit fini du point de vue de la capacité de production fiable à relativement grande échelle et de sa capacité d'utilisation efficace par l'utilisateur final.

¹¹ «Generative dialogue invents unprecedented possibilities and new insights» (Isaacs, *ibid*, p. 41).

Le partenariat MEDIA présente riche dialogue mais qui reste circonscrit au projet sans aucune forme de rétroaction sur le reste de l'organisation. Ici, la dynamique de groupe débouche sur un dialogue qui inclut des éléments liés à la tâche à accomplir et à des perspectives nouvelles, comme l'adaptation de nouvelles œuvres, l'adaptation à d'autres univers culturels comme le moyen orient ou l'Asie. Mais la nature du projet, très explicite et précis et la mobilité des membres de l'équipe rendent là aussi les impacts organisationnels limités. L'écoute, le respect et la suspension ont toujours été présents et les prises de position portaient sur des aspects artistiques et culturels.

La métaphore de L'Agora illustre bien l'environnement d'un dialogue. Elle suppose qu'au niveau de l'interface se mettent en place des mécanismes qui permettent ce type d'interaction. Nous l'avons vu dans les trois exemples, la longueur de l'échange, la fréquence des interactions, la marge de manœuvre par rapport au projet sont autant d'éléments qui contribuent à rendre possible un dialogue qui soit fructueux non seulement au niveau individuel mais aussi au niveau organisationnel. Les limites d'une telle approche sont le risque de perte de contrôle et la crainte d'une perte de temps. Ces limites proviennent de la méconnaissance ou de la sous-estimation des coûts d'opportunité liés à une dynamique de l'alliance centrée uniquement sur la tâche et sans perspective dépassant celle-ci dans une logique d'efficacité. Cet élargissement de la portée du partenariat passe, par ailleurs, par une meilleure gestion de la relation entre l'alliance et le reste de l'organisation.

3.3. Gestion de l'intraface entre le centre et sa périphérie

Pour esquisser les contours des enjeux de la gestion d'une intraface, nous aborderons successivement les flux internes qui représentent la première concrétisation de ces transferts de la périphérie vers le centre, la diffusion de la connaissance sur un plan plus organisationnel, pour tenter de mettre en lumière les éléments mis en place par le centre pour intégrer la périphérie et, finalement, les agendas individuels qui font de la périphérie un élément important pour le jeu concurrentiel individuel qui se joue au centre.

3.3.1. Les flux internes et l'intraface : trois logiques transactionnelles

Trois logiques (stratégique, opérationnelle ou financière) peuvent expliquer les flux entre l'alliance, i.e., la périphérie, et le centre, i.e., l'organisation. Dans une logique stratégique, le centre vise une plus grande efficacité de l'organisation en intégrant des éléments de l'alliance, par exemple, une meilleure connaissance de la dynamique concurrentielle, des spécificités géographiques d'un marché ou des exigences changeantes des clients. L'alliance est alors le lieu privilégié de cet apprentissage, le laboratoire qui permet d'atteindre plus rapidement une connaissance opératoire de ces dimensions, soit directement du partenaire, soit par la synergie cognitive née de la collaboration. Le centre se trouve alors face à un problème de formulation.

Dans une logique opérationnelle, le centre vise une amélioration de l'efficacité, par accroissement de la flexibilité, une contraction du temps ou des coûts. Par exemple, un accès à des intrants à meilleur coût, un accès à une technologie innovatrice plus rapidement ou encore à des compétences de nature à améliorer les processus. Le centre doit reconnaître la contribution potentielle de la périphérie et l'intégrer dans ses autres activités. Le centre se trouve alors face à un problème de diffusion et d'implantation.

Dans une logique financière, le centre vise une diversification du risque ou un accroissement des revenus. L'objectif est de générer des ressources à la périphérie pour financer d'autres activités selon les priorités du centre. Le rendement et le court terme sont alors des dimensions importantes de la dynamique qui prévaut au sein de la périphérie. Celle-ci est vue, pour reprendre la célèbre terminologie du *Boston Consulting Group*, comme une sorte de vache à lait, chargée de nourrir le centre ou d'autres activités périphériques. Le centre se trouve alors face à un problème d'optimisation. Nous avons trouvé ces trois logiques, avec des dosages différents dans les six entreprises étudiées.

Dans le cas d'INDUFRA la logique stratégique a longtemps prévalu, en termes de pénétration de nouvelles zones géographiques, notamment nord américaine et, un peu plus tard, sud américaine. La logique opérationnelle a été négligée avant que la compréhension des succès d'INDUCAN n'ait poussé vers un plus grand souci d'efficacité et de compréhension des enjeux sous-jacents. La logique financière s'inscrit ici dans une logique de portefeuille de projets pour avoir des intérêts à différents stades de réalisation, depuis la soumission jusqu'à la livraison, dans une perspective de régularisation des revenus et de gestion du carnet de commandes. Également, au niveau de la répartition géographique de ses intérêts, en termes de différentiels de croissance géographiques et de risques pays à prendre en considération. L'entreprise INDUCAN a mis l'accent sur une logique opérationnelle qui visait à rendre le nouveau secteur d'activités opérationnel le plus rapidement possible, à transférer les apprentissages d'un projet à un autre en termes d'organisation de la production : gestion des échéanciers, techniques d'assemblage... La logique stratégique est sous-utilisée, de l'aveu même de l'organisation, dans la mesure où «si nous sommes très bon pour améliorer continuellement nos façons de faire dans l'usine, il y aurait encore beaucoup à faire sur la gestion des appels d'offre, à utiliser nos expériences au contact des clients dans différents coins du monde pour mieux nous préparer à soumissionner par exemple», comme l'explique un directeur de division.

L'entreprise PHARMACAN est celle qui se repose le plus sur une logique financière. La mission de la périphérie est clairement de fournir un financement rapide aux développements qui se situent au centre, qui représentent le cœur des activités de l'entreprise, ses priorités stratégiques, et qui vont être développées sans recours à un partenariat. D'autre part, et de façon complémentaire, la périphérie sert à appuyer l'argumentation de PHARMACAN envers les marchés financiers en dégageant les premières marges de manœuvre de l'entreprise. A l'inverse, son

partenaire français, PHARMAFRA, est mené par une logique stratégique : la création d'un nouveau pôle d'activités, bâti à partir de ce premier accord. La périphérie est alors ici un levier utilisé par le centre pour assurer son avenir dans une activité prometteuse. La logique opérationnelle est également présente dans la mesure où la périphérie permet un gain de temps en apportant une technologie de base. La logique financière est représentée par la diversification des activités et l'utilisation plus optimale du réseau de distribution déjà en place sur une base internationale.

L'entreprise MEDIAFRA semble menée par une logique financière dans la mesure où la périphérie génère un financement aditionnel, tout en permettant de produire du contenu pour alimenter les activités principales de diffusion. L'entreprise MEDICAN est elle marquée par une logique opérationnelle dans la mesure où la périphérie peut drainer beaucoup de savoir-faire de son partenaire, plus expérimenté, et les transférer à d'autres projets similaires qui sont le cœur de ses activités. Une logique financière, similaire à celle de MEDIAFRA, est également présente.

Les plans stratégiques et opérationnels nécessitent que l'entreprise soit capable de diffuser certains éléments de la périphérie vers le centre pour qu'elle puisse en maximiser les effets positifs. C'est là tout l'enjeu de la diffusion des connaissances.

3.3.2. La diffusion de la connaissance

Il est maintenant nécessaire de s'arrêter aux éléments de l'intraface mis en place pour permettre au centre de rapatrier des éléments pertinents de la périphérie. Cependant, nous constatons, qu'à l'exception d'INDUCAN, les entreprises impliquées dans les trois partenariats ont largement négligé ces éléments. Les transferts, non encadrés de façon systématique, sont laissés au hasard ou à des initiatives individuelles.

L'entreprise INDUCAN est la seule qui ait mis en place un mécanisme qui permettent de faire converger des connaissances de la périphérie vers le centre. Et encore, ce mécanisme est d'avantage un sous-produit de son système général d'organisation qu'une approche structurée et systématique visant à optimiser la relation. En effet, l'organisation du travail chez INDUCAN, notamment au niveau de la production et du montage des projets, repose sur une méthodologie très stricte qui encadre de manière assez étroite le travail. Néanmoins, elle permet aussi aux opérations de l'enrichir de façon ponctuelle par leurs expériences concrètes. Ainsi, les épisodes vécus au cours de l'interaction ont donné lieu à des enseignements qui ont été pris en compte, notamment au niveau technique de la conception des projets futurs, essentiellement d'ailleurs «au niveau de la budgétisation, de l'évaluation financière des options techniques retenues» comme le spécifie un ingénieur de l'entreprise. L'entreprise INDUFRA n'a aucun mécanisme organisationnel pour utiliser de façon systématique les éléments qui ont émergés à la périphérie. Par contre, les répondants sont très conscients de cette lacune. «Nous sommes trop nombreux», «on a pas le temps et trop de gens ne sont pas convaincus», «il y a trop de roulement de personnel; si la même équipe ou à peu près restaient ensemble ce serait peut être jouable mais là on recommence souvent».

L'entreprise PHARMAFRA utilise la formation interne pour mettre à niveau une équipe plus large. En effet, seules deux ou trois personnes sont en contact avec les partenaires scientifiques et bénéficient donc d'un apprentissage très riche. Des séances d'information et de formation sont ensuite systématiquement organisées pour mettre à niveau les autres chercheurs et l'équipe chargée de la production. L'entreprise PHARMACAN n'a aucun mécanisme pour ancrer la périphérie au centre. Sa problématique est plutôt d'avoir au moins une ressource qui suit et comprend minimalement les enjeux scientifiques qui se situent au niveau de la relation entre les chercheurs et PHARMAFRA.

MEDIAFRA n'a aucun mécanisme mis en place ni prévu pour permettre de relier la périphérie au centre. Alors que les efforts de MEDIACAN se situent uniquement au niveau de l'organisation d'un roulement minimal du personnel travaillant avec MEDIAFRA pour pouvoir les affecter ensuite à d'autres projets. Mais cet aspect demeure marginal en raison de la faiblesse relative des ressources et de l'importance ressentie de garder une certaine continuité humaine et personnelle à l'interaction. Notons, au passage, que la présence ou non de ressources excédentaires est ici un élément crucial pour permettre au centre d'intégrer plus étroitement la périphérie. Cette intégration a un coût immédiat en termes de ressources dédiées et les bénéfices sont parfois incertains ou inconsiderés. Ainsi, souvent rien n'est même prévu en ce sens simplement par absence de réflexion sur les bénéfices potentiels de ces transferts. Donc, *a fortiori*, aucune ressource n'y est dédiée.

Par contre un autre aspect généralement ressenti par les entreprises étudiées, c'est le lien particulier qui se crée entre l'alliance et la gestion des ressources humaines dans la mesure où la participation devient un enjeu important de carrière individuelle. Ce qui semble cependant moins évident pour ces organisations, c'est, de notre point de vue, le rôle majeur que ces aspects jouent dans la dynamique coopérative.

3.3.3. Les agendas individuels

Clairement, la participation des individus au partenariat devient un enjeu de carrière considérable et un levier pour le jeu concurrentiel individuel. Le partenariat devient un outil pour la gestion des agendas individuels qui peut conduire à l'exogamie.

Il existe une vive concurrence interne au sein de l'entreprise INDUCAN. Un des enjeux de cette concurrence est la participation aux projets les plus stimulants, les plus prestigieux de l'entreprise. Dans le contexte de ces projets, la capacité à travailler avec les partenaires est une condition de réussite. Nous pouvons ainsi nous retrouver dans des situations, à première vue surprenante, comme le raconte un ingénieur de production : «Il m'est arrivé de me retrouver dans des situations assez spéciales. Nous étions une équipe de l'entreprise qui travaillait avec une autre équipe d'INDUFRA. L'efficacité a été maximale car notre principale motivation était de mieux faire qu'une autre équipe d'ingénieurs impliquée dans un autre projet qu'on voulait avoir. C'est comme si nos propres

objectifs presque égoïstes avaient été ce qui nous fait réussir si bien». L'entreprise INDUFRA présente une dynamique identique en raison de sa similitude quant à l'intensité de la concurrence entre ingénieurs qui est ici rendue encore plus aiguë par le contexte de contraction du personnel. Des ingénieurs d'INDUCAN ont rapporté deux cas d'ingénieurs d'INDUFRA qui ont appliqué pour un poste chez INDUCAN. La gestion de la carrière individuelle peut donc aussi briser la loyauté à l'employeur en utilisant l'alliance comme une passerelle vers le partenaire.

Chez PHARMACAN, le gestionnaire à la tête de la division concernée a été clairement mandaté pour générer des revenus rapides : sans résultat. Par contre, juste après le bouclage de l'accord, soit la complétude du produit, ce gestionnaire a démissionné pour rejoindre les rangs de PHARMAFRA. A la tête de PHARMAFRA, nous retrouvons un jeune chercheur qui venait d'obtenir un premier poste de gestionnaire, à la tête d'une nouvelle division. Dans sa situation, la réussite du projet devenait une condition essentielle de sa réussite personnelle dans la mesure où l'accord devait concrétiser les débuts des nouvelles activités, donc la possibilité la plus rapide de commencer à générer des revenus. Ce qui explique sans doute, comme nous l'avons vu, qu'après ses déboires initiaux, il ait eu une si grande patience pour finaliser le produit.

L'entreprise MEDIACAN présente une dynamique un peu différente. Ici, la participation au partenariat semble moins perçue comme un enjeu de la concurrence individuelle interne mais d'avantage comme un moyen pour la direction d'identifier le personnel le plus prometteur, voire le récompenser. Chez MEDIACAN, le problème en est moins un de concurrence interne que de rareté des ressources compétentes. Nous retrouvons une situation un peu similaire chez MEDIAFRA où la rareté des ressources allège considérablement l'intensité de la concurrence.

4. CONCLUSIONS

Nous avons mis à jour deux dimensions distinctes d'une alliance. D'une part, à la frontière entre les partenaires, l'interface de l'accord peut être conçue selon quatre stratégies implicites qui supposent une plus ou moins grande ouverture. D'autre part, à la frontière entre l'alliance et le reste de l'organisation, l'intraface permet de moduler la diffusion des apprentissages au sein de l'ensemble de l'entreprise et de s'ajuster à la stratégie de connaissance de l'entreprise.

Une première implication de cette recherche est que la reconnaissance du caractère dual des alliances apporte un éclairage nouveau sur les mécanismes de gestion de la relation, tant d'un point de vue structurel que d'un point de vue de gestion de la connaissance. Des études processuelles permettent à la suite des travaux de Doz (1996) de compléter des recherches théoriques (Borys et Jamison, 1989; Buckley et Casson, 1996) ou empiriques (Harrigan, 1988; Hagedoorn, 1993).

Dans cette optique, nous avons mis en évidence la dynamique et la complexité d'une alliance, faisant ressortir les différents enjeux et leurs interactions. Cette perspective se développe au détriment d'approfondissements sur des éléments précis. Par exemple, les modalités concrètes d'une stratégie implicite d'exploration, au niveau de sa formulation et surtout de sa mise en œuvre restent à expliciter. Le devis de recherche et le type de données recueillies sont bien sûr au cœur de ces enjeux. La présente étude, loin de pouvoir livrer une présentation exhaustive de ces points, peut néanmoins servir d'assise pour concevoir une recherche plus ciblée sur des aspects particuliers du canevas présenté.

Dans le même ordre d'idées, quel impact le choix des cas a-t-il pu avoir sur la suite des développements théoriques? Rappelons qu'il y a dans cette décision un dilemme majeur entre potentiel de généralisation, donc avoir des cas «représentatifs» et richesse potentielle du contenu, donc avoir des cas «différents». Nos cas sont certes différents quant à leurs enjeux, aux dynamiques de coopérations qu'ils ont mobilisées, à leur durée, etc.... Sont-ils représentatifs? Il est plus difficile d'être affirmatif sur ce point. Le cas PHARMA est peut être un peu particulier. Toutefois, si nous élaborons sur ce cas spécifique, nous pouvons constater que les implications théoriques ne portent pas sur ces particularités mais la diversité des cas permet plutôt d'illustrer une représentation théorique générale dans des situations qui sans être extrêmes sont quand même fort différentes.

Quelles questions privilégier pour les suites à donner à cette recherche? Nous pourrions, d'une manière traditionnelle invoquer l'intérêt d'enrichir les données dans d'autres secteurs d'activités, notamment dans les services. Nous pensons toutefois que des avenues plus riches de potentiel s'offrent maintenant à nous. Il est nécessaire d'approfondir le cadre proposé à trois niveaux. D'une part, comment s'effectuent ces choix quant à la nature de l'interface et de l'intraface? D'autre part, comment décrire de manière plus détaillée les activités spécifiques quant aux stratégies implicites des transactions? Finalement comment gérer simultanément un portefeuille d'alliance pouvant nécessiter des choix différents selon les critères que nous proposons?

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A SMALL SIZE ENTERPRISE - EXAMPLE IN CONSTRUCTION SECTOR - Small Construction Firms in Turkey -

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ABSTRACT. The existence of enterprises that can generate solutions and integrate with the problems and changing conditions are very important in today's economic environment. The small and medium size enterprises (SME) that are competitive and that are symbolizing the contemporary entrepreneur enterprise model and that constitute the major part of the total enterprises and employment, gain great importance at this point. Small sized enterprises play an important role in the economical and social development of a country, as it is the case for Turkey.

Being one of the leading sectors, building sector, where the labor-intensive technologies are used, is a very important sector with the role in creating employment and vitality in economy. In this paper, the properties, problems and solution suggestions of the Small Sized Construction Firms that take place in AEC sector are studied.

Keywords: *SMEs, Small Construction Firms (SCF), Architecture/Engineering /Construction (AEC)*

1. Introduction: Small Construction Firms in Architecture/Engineering/Construction Sector

In Architecture/Engineering/Construction (AEC) sector, it is aimed to accommodate international standards and to increase the effectiveness of the quality of domestic and overseas contractor-ship and technical consulting services, and the share at the world markets. In accordance with these aims, studies will be prioritized to increase the competition power and productivity of the sector in our country and to provide the management quality in producing services to be incoherent conditions with international standards. (The eighth five-year development plan 2004 program)

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Architecture/Engineering/Construction (AEC) sector is a leading sector which spread out our country to the world, stepped in the global market, and started branding beginning with the 2000s, as it was in the other sectors. The construction sector is continuing to show its development with a steady economy and policy and also investments in foreign markets continue.

Architecture/Engineering/Construction (AEC) sector, which is one of leading sectors in Turkey and in which labour intensive technology is used, has an important place with the employment and the vitality it created to the economy. SMEs in Turkey constitute 99.3% of all enterprises. In this rate, small construction firms furnishing services in Architecture/Engineering/Construction (AEC) sector constitute a part which is nearly the whole of all construction firms.

In crisis periods, while many firm owners change their firms' management and financial structure, some others close their enterprises. Being able to survive in these periods and to continue investments and executions, it requires determining professional management and strategy. As big construction firms continue their activities, small construction firms also continue their activities and constitute a major part of the sector.

In Architecture/Engineering/Construction (AEC) sector which is the pioneer sector in the country's economy and which are mostly all SMEs, the features of small construction firms, the problems that they encounter and the solution suggestions are very important for the country's economy and employment.

Small Construction Firms

In many countries, researchers use different definition and criteria for the term Small Scaled Firms (SSF) (Başmanav, 2001). Measure of value of the definition researches consists of employee number, machinery park size and independency criteria not to cause a conflict both at a national or an international level. (Akin, 1996, Akgemci, 2001, Kavi, 2001, Özdamar, 2000).

The size SSF term represents differentiate in-between the countries according to the industrialization level, market size, worked sector and used production methodology and represents more a relative size. The size scale even differs within a country at different regions and different branches of business. Definitions at the researches may differ according to time, economy, sector, market, people and subject related firms.

In literature, SSF identified with the firm size. Firm size defined as the level of economical activity and capacity. Valuation criteria of a firm size are based on two different criteria, qualitative criteria and quantitative criteria. Another approach in recent years to identify SSF is to take in account the combination of the qualitative and quantitative criteria (Müftüoğlu, 2002).

Independent management, working for local market, having a very small part in the sector and having main capital of the firm supplied by the owner of the firm criteria are the qualitative criteria to identify the size of a firm.

In some of the researchers' opinion it is necessary to cover at least two of the above listed criteria to define a firm as a small firm.

Number of employee, firm capacity, the total amount of wages and salaries, total amount of the firm capital, production amount, total amount of sales, machinery park size, total of active values, amount of energy used, amount of raw material used, created added value criteria are the quantitative criteria to identify the size of a firm.

Even the number of employee criteria is the most used criteria since it is the most easily determined one of the quantitative criteria, any of the criteria can be the considered to define a firm's size (Alpugan, 1998). The secondary evaluated criterion is the machinery park size.

Small firms which works connected to big firms can be separated in two dependent wise;

- * Firms that prepare mid production for many firms, which have the opportunity to work independent, not being dependent on one big firm,

- * Firms that prepare all or most of their production for one big firm.

Dependence wise, the majority of the firms that supply the local needs are the small firms (Alpugan, 1998).

Firms that take place in construction sector determined by the results of the survey (Çetiner, 2004), 100% with their qualitative criteria, 80% to 100% with their quantitative criteria and dependence wise totally, with determined features of these firms relying on the researches above mentioned a general definition can be made for "Small Construction Firms".

These firms can successfully continue their work by applying different types of standardized and typical products within special and limited fields. In recent years, new business opportunities are created for Small Firms as well as to construction sector because of the change in consumption, short time demands, shortening of the durability of products, demand for custom made production instead of fabrication products.

2. Features of Small Construction Firms

Management, Strategic Planning, Organization, Finance, Accountancy, Marketing and Sales, Public Relations, Human Resources, Information Technologies and R&D are the titles that constitute features of the small construction firms (Dinmez, 2005).

Management: It is necessary to be rather careful while taking decisions on the works to be done in Architecture/Engineering/Construction (AEC) sector. Taking decisions and doing works require a serious management experience and knowledge.

In small construction firms, project management techniques are not used. As in all SMEs, there is a management type which is not professional and which is tried to be managed by one person's decisions and benefits. Since there is not a management in which the decisions are taken by forming strategies in a planned way, the firms are encountering with a lot of problems.

While beginning the construction, the place of the building to be built, the location's suitability, its compatibility to the existing infrastructure, the construction technique to be used, its technology, materials, workers and their employment, the time when the site will be completed, financing, relations with customers and many details as such are the issues to be taken into consideration seriously in construction sector.

While taking a decision in a complex and long process, it is necessary to have a good management and application strategy. This can only be achieved by planning and considering on it in advance.

In small construction firms, the firm owner has to deal with some issues such as financing, organization, marketing and sales, the material supply and employment of qualified personnel and workers as well as taking management decisions. Accounting works are generally performed by an accountant, but as it is required in every firm, the firm owner has to have basic accounting knowledge. In small construction firms, departments of sale, financing and human resources are not available.

While beginning a building, the firm owner undertakes all risks and manages his firm in a way which is different from professional managers. In small construction firms, the firm is not just a source of income for the firm owner. The firm owner is an actual worker and takes decisions considering the benefits of his family. The family members also work in the firm actually and are educated in maintaining the firm in the future.

There has to be an intensive communication between the sites which are the application areas of Architecture/Engineering/Construction firms and the offices in which the official topics are pursued. The firm owner always rushes between the site and the office. Since a professional management is not available, the firm owner who is at the site to supply the materials and to monitor the workers can be late in management decisions and this creates some problems in the management of the firm and the communication.

There are various operation steps related to each other during the main process in small construction firms. The firm owner deals with these all these steps personally. He has to provide communication for each step and organize them all himself. In addition, he has to realize items as; supplying materials and finding workers. There is not an indirect and formal relation between the firm owner and the workers and personnel who work in all phases. This type of relation creates flexibility in the firm. In small construction firms, since the firm owner determines the aim of the firm by himself, any coordination problems, any conflicts of benefits and power struggles do not occur. The firm owner organizes the construction works by making plans for short and medium terms.

For the problems encountered while taking decisions before and during the construction, a personal solution is found by trying all solutions that come to the mind. The decisions taken do not depend on a systematic analysis and the certain rules do not have validity. The solutions are realized in practice suddenly and experimentally.

Instead of written communication, oral communication is used. While taking decisions, intuitive analyses are carried out and analytic inputs, reports, documents, and budgets are not used. The firm owner does not make decisions with reports that depend on researches while he is making an investment and he takes decisions by communicating on phone and with the consultation of some people who have done similar works before (Sorguç-Kuruoğlu, 2001).

Strategic planning: It is necessary to make decisions in advance and create strategies in AEC sector. It is necessary to plan and decide on the operations to be done during the construction. Experience, technical knowledge, the ability to take right decisions and strategy are required in the site and office. Since the aim is to perform the project in specified time and with a certain cost and quality, a strategy has to be determined (Kuruoğlu, Özvek, 2003).

In small construction firms, strategic planning is determined momentarily depending on intuition and it is realized in this way.

Organization: In small construction firms while making an investment, aimed targets have to be determined. How long will it take, which resources, which construction materials and construction technologies will be used and when and which work items will be included to the project, have to be organized. Strategic targets are the main leading points while this organization is done, as the organization is performed, the working processes should be inspected. In order to increase the performance of the workers working in the projects, the things to be done, should be specified. From the beginning of a construction to the end, a lot of work items function in the process. Having all these different items; small construction firms, require the profession of many specialized people. These are generally sub-contractors such as painters, plasterers, and ceramicists.

Finance: Since having a financing department and a financing expert would increase the cost, financial alternatives and credit terms cannot be utilized enough in small construction firms as in all SMEs. It is difficult for the firm to make sound financial decisions, to apply and assess the results and thus to make effective financial regulations. There are some foundations such as KOSGEB and KOBİTÜRK, which provide alternative financial solutions for all SMEs and small construction firms (KOSGEB). These foundations create solutions with their projects and applications. SMEs, which become members of these foundations both take professional solutions and establish relations and business partnerships with a lot of enterprises that are engaged in activity in their own sector. Partnership and cooperation, which is one of the most important problems of SMEs in our country has overcome in this way. It is very crucial for construction firms which have to be in coordination with a lot of enterprises such as sub-contractors, project groups, material suppliers, producers to have partnership and cooperation, to know each other, and to have contact with each other.

Accountancy: While a team is working in accountancy departments in big firms, a team is not required in small construction firms as in SMEs. Generally one person to keep all accountancy records is enough. However, the possibility of mistake is big to have only one person controlling. For this reason, the information presented by accountant has to be analyzed in detail by the firm owner/manager. Besides that he has to understand all the conception of the work; the firm owner/manager has to have enough knowledge on accountancy. Accountancy procedures are an important issue which has to be analyzed carefully by the firms and firm owners, whose records have to be followed and on which the firms and firm owners have enough knowledge.

Marketing and Sales: It is difficult for SMEs to make a comprehensive market survey in terms of cost and time. In order to get information about the market that they will invest, making survey and getting in contact with the related enterprises and foundations is useful for SMEs. The situation is the same for the small construction firms also. If the building which requires a lot of money and labour and which appears after a lot of work items and long lasting site applications cannot reach its target, cannot find its customer or will not be used in accordance with its purpose, this investment results in unsuccessfulness. In order not to have results like these, it is important to have investments by evaluating the targets that arise after the market surveys, by knowing these targets will use which marketing and sales strategies and which requirements this building will meet, instead of investing by intuitions and instincts.

In AEC sector, well known marketing and sales strategies are used. First of all the product, that's to say, the building itself is important. This product by itself is a marketing tool. Among the marketing and sales techniques of construction firms, promotion and advertisement are effective ones. Although there is a limited number of small construction firms to realize this, brochures, billboards, internet, public relations and sponsorship activities are very effective, and even they are the first examples in the sector. In selling of the building, and in the case of submitting a quotation, it is very important to quote by considering the total demand and the market price in the market related to your product or service. When the customer that is targeted during sales and marketing is reached, it is also important to know in which environment to get in contact with the customer. The reason for this is the necessity to get a long term contact with the customer, to get a sound contact with the customer and not to interrupt the relation with customer in AEC sector. It is possible to keep in-touch with customers first of all with face to face meetings and telephone calls and then via electronic mail and fax. Protecting of continuity of the relation with the customer during or after the sales and giving a supply service in any technical problem will maintain a relation between the construction firm and the customer and will provide prestige and trust for the firm.

Marketing and sales in small construction firms is an issue that has to be considered with public relations.

Public relations: Public relations do not work in SMEs as a separate department. The firm owner has to consider marketing and sales with public relations. Small construction firms have the same situation. Small construction firms generally try hard not to lose contact with their customers that they have gained as a result of their applications in housing even after selling. They must continue their contact systematically with their customers in order to learn whether they live happily in the house purchased or not and to maintain the firm's prestigious appearance. They perform this with the questionnaires they send to their customers or with short telephone conversations. The number of firms that make business with this approach is few.

People who want to have their own houses want to be in cooperation with professional firms and to make all procedures done. Whether in project phase or in construction phase or for a ready house, they require necessary service such as all technical procedures, required cleaning, transportation, and security which they can also encounter even later.

Therefore the concept of public relations is very important in small construction firms. The firm can get development in sales and professionalism for the firm by focusing on this issue and taking strategic decisions.

Human Resources: Although in SMEs custom manufacturing can create advantages in terms of a production understanding that will meet flexibility and different requirements, it is inevitable for the firms to have problems on issues such as the material supply in requested time, serial production and product stocking. Since the firm owner is generally an experienced person on construction techniques who has been educated in job and who is an acknowledged person, the firm has a quality of being an education center. Apprentice training and accordingly master-apprentice relation have gained a great importance. Recruiting qualified and experienced masters is preferred in firms. Thus they are known by their masters' quality in the market they are in. The problem of not meeting the need of qualified staff is valid for all firms. As a solution for this problem, educational associations and professional organizations have to provide some training programs in order to meet the need of qualified staff and should train foremen, master workmen, and apprentices. To provide the accordance between practice and theory in higher education, the coordination between university and industry has to be encouraged.

In Architecture/Engineering/Construction (AEC) firms, an organization plan which is not generally much crowded is available. The firm owner makes decisions about management. He hires persons from his own family or from the persons whom he knows from his environment in the firm. Being careful in choosing the project team and site team who the construction firm will work together affects the quality of the building significantly and thus it does not cause a loss for the owner of the construction firm in terms of cost and time.

While looking for a master workman in small construction firms, experienced masters on their area are preferred. These masters have their own teams. It is seen that the working period of the chosen foremen/masters in the firm is one or two construction periods. A difference between choosing another foreman in another

construction and the quality of the construction occur. However, some masters who work in the same construction firm for a long period are existed. In construction jobs, masters recommend to the firm owner other masters that they know for another work. The masters and workers who cooperate with each other prefer to work as a team.

Information Technologies: Using information technologies in small construction firms is increasing. Using computers for correspondence, sharing them in internet medium or reaching the information about other firms (producers of construction materials etc) in the sector, getting into business partnerships, preparing job offers and accountancy records by means of computers in fast and without mistake are seen as examples of. Using mobile phones in order to communicate with the staff the firm charged in the site, using architectural design softwares in their architectural offices which the firm works together, calculating the cost of the construction to be built, and the softwares which are used in preparing the working schedules are the other examples.

With these technologies used in application, the construction firms which continue their work using less labour in a short time can have uninterrupted communication with their customers and provide the reliability and continuity of the firm in the sector.

Incentives that some foundations such as KOSGEB and KOBİTÜRK provide for SMEs in all sectors for using information technologies have an important place in our country. With the services they provide for their members, they can provide communication between firms, new markets and business opportunities.

R&D: Construction sector which is pioneer in economy should follow all sectors and economical conditions which it has and technological developments carefully and should utilize the opportunities well since this sector is in association with other sectors. Construction sector which is an important symbol of development level of a country should follow the developments abroad and should be renewed by continuously developing. Firms should create a productive environment on innovation and the staff should be informed and supported. Innovations should be an important condition for small construction firms to provide the firm's continuity and growth. Internal and external publications and scientific studies on the sector should be followed, there should be joint studies with universities and new relations should be established with other firms by attending national and international fairs.

Small construction firms should both follow the innovation and realize livable places with modern and professional architectural services in applications. The firm should develop in each step from design to the material to be used and from the management to application with this behavior pattern and it should focus on R&D activities carefully (Dinmez, 2005).

3. Problems of Small Construction Firms and Their Solutions:

After giving the information about the features of small construction firms, let's analyze what these features have brought in the same framework. (Table 1)

Table 1.**The Problems of Small Construction Firms and Their Solutions**

The Problems of Small Construction Firms and Their Solutions		
Features	Problems	Solutions
Management	not to have a professional management understanding	Management information should be transferred
Strategic planning	not to have management strategies	Strategic planning should be carried out
Organization	Wrong assignment in construction firms	Defining jobs and responsibilities
Finance	Making investment and tending to foreign projects	Analyzing and deciding various financial solutions
Accountancy	Accountancy problems	Firm owner's having accountancy knowledge
Marketing and Sales	Increasing investments, realizing foreign activities	Strategic targets in domestic and foreign markets
Public relations	A continuous relation whose strategies have been planned professionally	Being reliable and known
Human resources	Staff in labour intensive Technologies	Recruiting skillful staff who has enough technical knowledge
Information Technologies	Gaining Time/income in construction firms at Office/site	Increasing the workers' training and use of Technologies
R&D	Socio-economical, political and economic conditions	Following construction materials and development of construction technologies

When the titles that we have briefly analyzed in Table 1 are considered in detail:

Management: In AEC applications which cover many work phases, construction firms are not managed with a professional management understanding. Therefore, necessary management information should be given to the owner of the small construction firms. With a professional management understanding, the firm can be able to take correct decisions in order to be successful.

Strategic planning: Small construction firms, which are partially lacking professional management understanding, do not have management strategies to reach their investment targets. If solutions are developed depending on the problems in management, it is seen that the firms will also be successful. They can be able to reach to the aimed target with planned time and cost.

Organization: The organization problem in construction firms has to be solved in practice by defining necessary jobs and responsibilities with a professional management understanding. Wrong assignment in construction firms results in unsuccessfulness in investments.

Financing: Analyzing and deciding various financial solutions which are the requirements of the construction firm that will make an investment and will tend to foreign works will solve the investment problem.

Accountancy: The issue of accountancy which the construction firms have to be very careful with is important for the firms in order not to have any problems in the future and the investment is also significant in terms of its financial importance. While the accountant undertakes the procedures, the owner of the small construction firm has to have enough knowledge on accountancy.

Marketing and Sales: In increasing competitive environment, it is an important problem for the construction firms to increase the investments and realize overseas activities. They reach their objective which they have aimed both in domestic and foreign markets with the strategy they will follow.

Public relations : Construction firms should be in a continuous relation with their customers whose strategy has been professionally planned in their targets and applications. This helps the firm to be reliable and known in its later works.

Human resources: Recruiting skillful staff who have enough technical knowledge to be used in several phases in AEC sector in which labour-intensive Technologies are used helps the firm reach successful results in its applications.

Information Technologies; Information Technologies used is an issue which will make it possible to gain time and income in construction firms' office and sites as in all firms. The use of these technologies is common in construction sector. With the staffs' training, the use of technology should be increased more.

R&D: Developing Technologies because of socio-economic, political, and economic conditions along with varying construction materials and development of construction Technologies, all firms in AEC sector should be analyzed and followed enough in an environment where the competition increased and there are various construction needs.

The results obtained after analyzing these features of small construction firms give information about the problems these firms encounter and their causes. According to these results, the most important problem of small construction firms is management. The most important problem among other problems is their characteristics. The characteristics of the firm are the features that show its institutionalization with whether it is managed by traditional or modern management understanding and whether work phases and the job definitions of employers have been made right and enough.

The financial structure of the construction firm is also an important factor. Programming the process of the construction requires educated, qualified, technical labor power and source. By this although the beginning investment cost will be high, additional costs in the construction process and uncertain conditions will disappear and as a result, the financial management of the firm will also be affected positively.

Other important points are defining the work enough, its distribution; each worker's performing his job on time and in a qualified way. Insufficient technical training, job distribution by non Professional management affect the work negatively in terms of quality, cost and time (Dinmez, 2005).

Some other reasons of the small construction firms' problems that encounter are the quality of technology and material. Construction and communication technologies, lack of materials and equipment, the level of quality and standards in the country can be seen with constructing system and material quality. Communication technologies provide the manager/firm owner with important possibilities in phases of programming and checking. Using technology during the construction makes the process and communication easier. Unless the firm owner takes decisions in accordance with the century's necessities, using technologies does not provide any benefit.

Socio-cultural structure of the society, physical and financial structure of the country, understanding of the management of the construction firm and not being able to perform team work constitute the problems which are analyzed in the framework of the study related small construction firms in Turkey.

Usage of project management and techniques professionally by the construction firms in the country, which provides the leading AEC sector to be more qualified and efficient and it will develop the sector by affecting the investments positively, this will bring in richness to the economy of the country and thus will provide a solution for unemployment.

4. Conclusion

The data obtained from analyzing the features of small construction firms in Turkey, cause/ result assessments and solution suggestions show that not only the firms should do some things in Turkey but also the government should take it seriously, should make necessary laws and realize necessary incentives. First of all the education/level of education should be increased and by this way it will be possible to reach the targets fast and hand down the next generations.

The first problem in small firms is management. The management understanding generally eventuates with the firm owner's personal and family benefits. The firm owner's being the only person who takes decisions on management and investment gives flexibility to the firm works. Thus taking decisions fast and effectively is seen as an advantage. Along with his experience, the firm owner's education on enterprise and management is also important. He should improve his knowledge on the sector by analyzing research-development works as well as internal and external publications about the sector and by attending fairs at home country and abroad. He should attend training programmes and seminars which are given by educational courses and foundations and combine his own experience and this knowledge and then reflect them to his applications.

The firm owner's applying important issues such as financing, accounting, marketing-sales, public relations and research and development carefully will make his firm to be more successful.

The organization that the firm management will make in AEC applications makes it possible for work phases to be completed on specified time and cost. The firm owner should have and carry out information about marketing strategies. It is extremely important to use information technologies in order to reach reports or projects to be prepared easily (Dinmez, 2005).

The economical problems of the small construction firms in our country appear with political problems. The fact that the share left for investment is low, the balance between supply and demand in the market changes and purchasing power has decreased shows the economical problems. With the government's not giving permission to political and economic instability, taking decisions fast and applying them, there will be developments in the sector and employment will increase.

Firms make changes in their management and finance understandings and this also affects the other sectors. During all the economic and politic problems, the firms should develop their investments and to realize the applications by paying a lot of attention for the correct preparations and this is seen as the best approach.

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PUBLIC FINANCE VERSUS PRIVATE FINANCE

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ABSTRACT. The generic term of finance comprises a multitude of practical forms, apparently different not only from the targeted purpose, but also by the way of creating and using of the funds. However, finance is divided in two main forms: public finance and private finance. The public finance is trying to satisfy the common needs of the entire community which is administered by the constituted authority, while the private finance refers to the needs of a much more restrained community constituted through the voluntary association in lucrative purposes. In this paper we tried show the differences between the public and the private finance, their role and mechanism and which is the interdependency between them.

Keywords: *Public finance, private finance, State, cash-flow*

Overview

The word finance is a common noun like any other, however it has a magical touch which conferring it various significations with implications in almost every type of human activities, significations with impact of different intensity, starting from resignation and arriving to despair.

Human behaviours, developed and applied policies, believes, are directly or indirectly, noticeable or not, admitted or not, affected by the finance. Ever since the human being has been conscient of its nature as social animal and integrated in an organised collectivity and until nowadays, finance became “the shadow” he cannot get rid off (and its seems like he does not even want to).

In the past two centuries finance become a main object for scientific research, raising interest of some prestigious economists from all over the world, analysing the multiple implications of finance in any form of social activities (going on even in the present). The notion has been and is still so often used that one can believe that is fully known; however this is just an impression (not to say a wrong one), because almost every user of this notion ascribe it different signification, not only due the lack of elementary knowledge in the field, but due to interest which has to be satisfied and to the followed goal in the rhetoric and practical approach. This observation is meant to underline the extremely complex nature of

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so called finance category and especially the contradictory nature of its different facets in the permanent process of its evolution.

The financial doctrine, not only the international but also the Romanian one, is a wonderful edifice, not polished, but to be polished, so that any contribution, as modest as it might be, is possible and most probably useful (Jeze 1912, Buchanan 1960, Weddigen 1964, Vacarel 2000)

The object of our research is represented by the two main facets of the finance category that are the public finance and the private finance, even though we think that we cannot start searching in those two fields until we clarify the generic term of finance.

The concept of finance

As we mentioned before, the concept of finance is an extremely general term, which covers a multitude of practical, operational and sometimes apparently different forms, through which the essence of what we call finance is manifesting. This essence cannot be defined only from one point of view, from the perspective of only one characteristic. The term finance is hiding several defining elements.

The first defining element is represented by the notion of cash fund destined for some utilization, meaning an amount of money accumulated after satisfying the current, immediate and surviving needs and meant for satisfying certain future predictable needs. For now, we do not discuss to which level of the social organization and for what purposes the fund is created. It has to be underline that this is just an amount of money (and not only) accumulated in a certain purpose. Accepting this first element as a defining feature doesn't reveal yet the entire nature of the category of finance.

The second component element of the researched category is that of cash-flow trough which we form and use the cash fund. Actually, we are talking about a range of cash-flows for creation and utilization. The creation flows originate in the national economy, more precisely in the surplus generated by the economy. The utilization flows have as a destination the satisfaction of the needs determined by a large range of economic, social, cultural, educational, health care, national security activities. The creation flows coming from the incomes generated by different economic activities, are obviously affecting the interest of those who perform these lucrative activities. The utilization flows will contribute one way or another, to the formation of various types of incomes and not necessarily for those who contributed to the creation of the cash fund. This way, the creation and utilization flows of the cash fund are highly contributing to the redistribution of the incomes constituted in the entire society (regardless of the level of the social organization: national or international).

Another defining element of the concept of finance is that of social relation of economic nature judicially formalized. The cash flows are, by definition, redistributing the incomes, this way affecting the property rights, not only of those who provide, but also of those who receive and consequently generating well defined social relations. In

well organized society those social relations which affect the dimension of the property need a precise judicial formalization, either as a law imposed by the authority which administer the community, or as a contract mutually agreed, between those who provide and those who receive, stating the counterparts.

As a result of what we said before the generic term of finance is meaningful only if we take in consideration the three aspects of its essence: the cash fund, cash-flow and that of social relation of economic nature judicially formalized. Each of them has a well define role in what will call later the financial mechanism and financial policy. Those three constitutive elements are found in the practical aspects of the financial phenomenon, being common characteristics. We insisted a little on this aspect because in the conditions of the state controlled economy, finance were considered only under the aspect of the social relation of economic nature which occurred in the process of the redistribution of the national income, throwing on second stage the content of the cash-fund and that of cash-flow. Moreover, the notion of finance and public finance used to be and still are interfered, giving them the same meaning, confusing the general with the particular. As presented before the essential characteristic of the general category of finance, are found in the definitions of every way of manifestation of the general concept. However, each form is defining itself through specific characteristic placing it in the central area of the science of finance.

Public Finance versus Private Finance

The generic term of finance comprises a multitude of practical forms, apparently different not only from the targeted purpose, but also by the way of creating and using of the funds. In order to be better studied and used, this multitude, almost kaleidoscopic, of practical forms of manifestation of one and the same essence it is necessary to be classified according to certain criteria imposed by the purpose of the ongoing study.

The first criterion, with the highest level of coverage, is represented by the nature of the purpose for which the cash fund is created, namely the public or private nature. According to this criterion we believe that finance are divided in two main forms:

- public finance
- private finance

Regardless of the public or private nature of the purpose for which the cash fund is created, the two main forms of finance have as common essential characteristics, the creation and the use of a certain cash fund with the help of cash flows well determined and the carry out of some social relation of economic nature judicially precisely formalized.

The public finance is trying to satisfy the common needs of the entire community which is administered by the constituted authority, while the private

finance refers to the needs of a much more restrained community constituted through the voluntary association in lucrative purposes.

Between those two forms of finance there are also certain differentiation which individualise them as self existent entities, differentiation which can be taken as specific characteristics.

- a) A first difference consists in the purpose for which the fund was created. While the purpose of the cash funds from the private finance is lucrative (the profit is in fact the reason of each entrepreneur), the purpose of the funds from the public finance is represented by the satisfaction of the general needs of the whole community under the administration of the specific authority.
- b) Another difference consists in the way we spend the cash fund. While in the frame of public finance the cash fund is actually consumed during the period of time for which it had been constituted, so that for the next period the need fund has to be re-created from the new GDP, the funds specific to the private finance are used by continuous investments and recuperation, those funds remaining at the same level for a long period of time. Considering the motivations mentioned above the private finance funds are defined as capital.
- c) The public finance funds are constituted for a limited period of time, usually for one year, because they are created on the basis of the incomes formed in the real economy during the year and concern the satisfaction of the general needs of the communities which are defined yearly. The private finance funds, usually are not time limited (in certain particular case a fund is constituted for the accomplishment of a certain purpose: e.g. building the Panama or Suez Canal)
- d) The cash-flows through which are created and spent the public funds represent a non-equivalent value transfer between the property forms: on one hand, from the contributors property and one the other hand, the community property administered by the constructive authority; from the community property to the property of the beneficiaries of the fund.
- e) The cash flows through which are created and spent the private finance funds have a somehow different nature. Firstly, those who contribute to the creation of the capital do not give up to the right of property of their investments, but only the use of it, remaining associative owners of the created fund or, upon the case, creditors; even in the field of insurance of persons and goods the premiums paid concern an equivalent future. Secondly, the capital has to be used for obtaining the profit, but the use of the capital is carried out through a endless buying and selling operations, meaning trough the ceaseless changes of the value form, money – merchandise – money, the rapidity of those changes conditioning in a great measure is efficiency, in other words reaching the goal of the creation of the capital. As a result, the private finance cash flows include the operations of receipts and payments which intermediate the utilization of the capital (Giurgiu 1970).

The public or private character of finance is not conditioned by the presence of the State. It is obvious that the authority which administer the public funds is the state, however if the state organizes certain lucrative activities – e.g. public companies – the funds constituted by those are in the field of private finance, because here the State acts on the basis of the private law, not those of public law.

Above we referred only to the first level of classification of the multitude of the practical forms of finance. The public and private funds have a more complex structure (respecting the specific features already mentioned). In the field of public finance are created two types of funds: the budgetary fund constituted and administered by the State budget and the Special Funds. Between the two types of public funds there is only one difference: all the resources mobilized at the budgetary fund are used according to the established destination by the public authority and not by the contributor, while the contribution to the special funds has from the very beginning a clear destination known by the contributor and the authority cannot modify it during the process of budgetary execution.

The structure of the private finance is more complex than that of public finance as a consequence of the various types of lucrative activities. However, regardless of the type of activity the particular forms of private finance are characterized by the features highlighted above. The differences consist in the specific use of the capital. While the companies from industry, commerce, services and insurance invest the capital mainly in different form of inventories and less in receivables, the commercial banks place the capital in loans, and the financial investment companies or the investment banks place it in securities portfolio.

The system of the credit institutions - except of the central bank – is part of the private finance. A special mention has to be made for the central banks. Those are situated actually somewhere at the border zone between the private and the public finance, because they have some attributions specific to both categories. Therefore, the central banks perform certain activities which are an exclusive right of the state as follows: issuing and withdrawing money, participating in the elaboration of the financial policy, the regulation of the amount of money in the economy, establishing the reference interest, even the interventions on the foreign market. Those functions place the central banks in the public finance area. On the other hand, the central banks can make profit, fact which would place them in the private finance area. We consider though, that the attributions and the functions which belong to public finance area prevail. Even more, obtaining profit is not an essential goal and therefore the central banks may be placed rather in the public finance area.

The complexity which we referred to above is only apparent, actually all types of lucrative activities obtain capital and use it in order to obtain profit in using specific ways.

The role and the financial mechanism of public and private finance

The public finance are manifesting on operational plan by creating and using the funds at disposal of state authority (the main fund being the one forecast and managed by the State Budget, but also by the extra-budget funds the number of which vary in time).

The private finance are constituted by the creation and the use of capital, also by obtaining and redistributing the profit at the companies' level. We have mention that is not important who is the owner of the capital; even in the case where the State is the only shareholder - the case of national companies – he acts as an economic agent, being on equal foot with any other economic agent and therefore placing itself in the area of private finance. The notion of economic agent comprises all the entities which carry out lucrative activities regardless of the economic field (industry, agriculture, commerce, banking, financial investment companies, insurance etc).

We underlined in the previous paragraph that public finance fulfil an essential role in settling the general economic mechanism through the complex network of inter-conditioning generated by the obtaining and the spending of public resources, which makes us consider them, as a system, and any system needs a ongoing mechanism. In the economic literature were presented the contexts in which we use this notion. Related to this aspect, we would like to mention a statement made in a book published more than twenty years ago, but which is still valid nowadays. It was stated then that in order to respect the accuracy of the analysis and the expression it is recommended to use two significations of the notion of mechanism. First of all, using the notion as an correlated kit of financial rapports conferring it the meaning of a system. Secondly (however, at the same time) the mechanism works also as an kit of transformation rules of fund using effects in positive financial results. The book we mentioned refers to the financial mechanism of the enterprise and therefore considered the transformation of the company's fund using effects in profit.

Coming back to the object of our research we put forward the idea that even in the field of public finance, the notion of mechanism must be taken into consideration in its two accepted meanings: as a correlated unit of public funds, cash flows and financial relations, which confers the public finance the quality of system, and, as a set of rules according to which the public incomes are levied and spent in such a way that the general economic growth and the improvement of the standards of life of the whole population are stimulated.

Obviously, we are more interested in the second meaning of the notion of mechanism, the one coming closer to the biologic meaning of organism, and that is because we are trying to reveal the final effect the public finance action has on economy and society. The rules establishing the collection of public revenues (most often imposed by law constraints, more precisely by the vision of the public authority), the destinations and the way of spending the public funds, established by the ones administering the community, are the result of a certain way of thinking, of a certain attitude regarding the evaluation of public needs (to which extend they are real and appropriate, or not) and especially their way of satisfaction.

Also, in the field of private finance, the notion of mechanism must be considered from the perspective of the two accepted meanings: the meaning of system and the meaning of set of rules. According to the first meaning, the mechanism of private finance consists of the private funds, obtained and reimbursed flows, used in order to obtain profit. According to the second meaning, the mechanism of the private finance consists of a set of rules of obtaining, using and reimbursing of the cash funds in such a way that it should be ensured the expected profit, maintaining a permanent balance between payments and receipts, insuring a permanent and constant solvability. The permanent condition of the existence of private finance is the capacity of payment, meaning the avoidance of bankruptcy. Even though it may seem paradoxical, in the conditions of a market economy, a company may have accounting profits, and still face a bankruptcy situation if it cannot honour its payment obligations due to the absence of an adequate cash flow. Furthermore, a company facing losses year after year, can continue its activities if it has a good management of the cash flow.

The interdependency between public and private finance

Apart from the fact that, as we have seen above, there are huge differences between the subjects of private and public finance, those two principal categories of finance are practically connected, mutually conditioning each other in the most proper sense of the word.

The purpose of the public finance is the satisfaction of the general interests of a certain community (whether we are talking about a city, a country, or a union of counties, for example EU), whereas the purpose of private finance is the satisfaction of particular interests of certain persons or of smaller communities. At this point we are asking ourselves the following question: the satisfaction of which interest should prevail? We are entitled to say that this is a dilemma similar to that of the chicken or the egg causality dilemma, and that practically in nowadays society the two categories of finance cannot be treated separately. This crisis period is offering the best example, where the states are called to save companies from bankruptcy, even through nationalizations, or, where there is not such a case, to launch extensive projects for public works.

Public finances are created, directly or indirectly, using the incomes from the national economy, intermediated through private finance. The expenditure of the public funds has certain given effects, some of them immediate, others to be sensed in time, over the level of economic development and therefore, over the efficiency of the use of the capital, which is related to the private finance and, increasing the pool of new incomes for public finance for the next periods. In fact, there is an extremely complex network of mutual conditionings (in a positive or negative way, highly depending on the way the public incomes are collected and on the efficiency of their expenditure).

It is precisely in this complex network of mutual conditionings that the role of the public finance is revealed, the role of ensuring the good functioning of the

economic mechanism, the satisfactory conditions of life and education for the entire population of the territory. Within the current conditions of organization of the socio-economic activities, the public finance fulfils an essential role in the redistribution of the incomes from economy, leading to the regulation of the functioning of the general economic mechanism.

Public finance is, in fact, the main instrument at the hand of the State used to ensure general welfare, without affecting property right, therefore, the decision right of the economic agents and of any citizen. According to the way the public incomes are dimensioned and time of their collection, as well as the way the public expenses are perceived, the State is encouraging or discouraging certain types of activities, the final decision remaining at the discretion of the initiators.

This attribute of instrument at the hand of the State of influencing the economic agent's decisions is not, however, of absolute nature, situating itself among certain limits, which once overcame, loser may be the State itself, meaning the general interest. By saying this, we would like to underline that every time when the general interest at certain moment is exaggerated, without taking into consideration the specific conditions of that moment, misunderstandings are arising, and in the end the loser is the State. Let us take an example. In the autumn of 1991, a new installed government, in order to face some pressing obligations from abroad did not find anything better to do than to confiscate the foreign currency reserves from the State owned companies, at the exchange rate for the dollar at that moment (moment t). Inflation started to increase. In order to pay their import bills later on (moment $t+n$) the same State owned companies had to buy the foreign currency (dollars especially) at the current exchange rate, of course much higher. It was an indirect decapitalisation for those companies. In the year 1992, as a consequence of the accentuated inflation, a reevaluation of the national economy assets has taken place. The State, searching desperately for revenues, decided that all the State owned companies have to pay to the public budget 50% of the differences resulted from the reevaluation. As a consequence of the reevaluation, the companies did not obtain any cash, but they had to face a direct decapitalisation and therefore those state owned companies where sent closer to bankruptcy.

Apart from the fact that public expenditure may be positive, negative or neutral, we have to see to what extend it may be considered productive and profitable; which means we have to interfere again the public finance with the private finance and to use the notions from private finance in order to interpret public expenditure. The profitability of public expenditure presupposes that things obtained must be more valuable than things consumed, and this is the result of the applied financial policies.

For example, public expenditure on education have, most definitely, a direct and positive effect on private finance, by providing companies with qualified workforce, capable of doing jobs with high added value. However, in practice, things are not always like this. There are, sometimes, huge discrepancies in terms of

what the educational system is preparing and what the labour market is expecting. Therefore, is not enough just to increase the financing level in the education field (extremely necessarily without any doubt), but a first criterion in the allocation of finances should be the evaluation of the level of efficiency of these expenditures. Thus, we should imagine and create evaluation criteria of efficiency such as the number of the graduates employed in their specific field of studies, the satisfaction degree of the employers etc. In vain, we invest for years and years important amounts of money in the education of young people, which afterwards, not finding job opportunities on the local labour market, will contribute to the increase of the GDP of some countries like Canada, Australia, USA or any other country which developed programs to attract qualified young employees. Moreover, even in the field of public finance does not exist a correlation between the past and future expenditures. Let's take for example, the situation the sanitary system is facing, where even though there is a lack of medical doctors at the national level, many med school graduates are leaving the country for other states that know how to attract and motivate them (see France). It is like a company would invest large amounts of money in an asset, for a long period of time and, when starting to use it, does not want anymore to spend the necessary funds for implementing and operating this investment; though, it is hard to believe that such a thing could happen in the field of private finance, but which occurs in that of public finance. However, explanations can always be found, more or less plausible, but when engaging public expenditure we should always forecast and evaluate future implied expenses.

Financial policy is meant to conciliate the general interests, whose exponent is the public finance, with the particular interests represented by the private finance. Therefore, building the relationship network is an attribute of financial policy, whereas the implementation and the surveillance of their development is the responsibility of a financial institution. The financial policy is determined not only for insuring the corresponding functionality of the authority, but also for insuring the appropriate intervention in the social and economic life of the community, without affecting the property right, the decision right of economic agents and of any citizen.

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A NEW DIMENSION FOR ACCOUNTING STANDARDS – IFRS FOR SMEs

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ABSTRACT. The development of international accounting has evolved from a reporting tool for multinational companies in the 1960s to a medium for global competition for financing and investing opportunities today. Large international companies have seen the target of international standards because the need for comparable financial information was mainly seen for stock listed companies in order to facilitate the decision process for international investors. Now, because of the new approach in international accounting, the setting of standards for small and medium sized companies became one of the most interested subjects. On 15 February 2007, International Accounting Standards Board (IASB) published for public comment the Exposure Draft on its International Financial Reporting Standards for Small and Medium sized Enterprises, IFRS for SMEs. The task of this article is an analysis of the European environment for accounting and financial reporting regarding SMEs, as we want to see if the development of a single set of standards for SMEs for achieving comparability in their financial reports is both difficult and in their best interest. Current harmonization studies envisage the problem of harmonization analyzing the level of harmony in accounting practices or in accounting standards in one or more than one moment. The purpose of this paper is to activate the academic debate in accounting harmonization for small and medium size entities, and if the main objective, the homogenization of information reflected by financial statements, is accomplished.

Keywords: *financial statements, comparability, accounting principles*

Small and Medium Enterprises (SMEs) employ about 81 million people in Europe. This equals 66 percent of Europe's total employment. Micro-enterprises with less than 10 employees represent 93 percent of SMEs. There are more than 19 million micro-companies in Europe. In various ways, SMEs contribute to innovation and strengthen the competitiveness of European industry. This includes the large number of SMEs which leverage the open source development model for their business. Especially in Europe they play a significant role in the dynamic, growing ICT market place.

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One definition of SMEs that took the form of a recommendation was given by the European Commission in 1996. It was implemented all over the EU territory until 2003 when the said Commission, taking into account the economic development between 1996 and 2003, adopted a new recommendation by which the SMEs were redefined, recommendation that is taken into account in the elaboration of the politics, programs and measures initiated by the European Commission for SMEs. The definitions entered on the 1st of January 2005.

SMEs are entities that:

1. Do not have public accountability and;
2. Publish **general purpose financial statements** for external users.

Examples of external users include owners who are not involved in managing the business, existing and potential creditors, and credit rating agencies.

An entity has public accountability if:

1. It files, or it is in the process of filing, its **financial statements** with a securities commission or other regulatory organizations for the purpose of issuing any class of instruments in a public market; or
2. It holds assets in a fiduciary capacity for a broad group of outsiders, such as a bank, insurance entity, securities broker/dealer, pension fund, mutual fund or investment banking entity.

The main advantages offered by these economic entities can be summed up in the following way:

- ✎ they offer products and provide services at lower costs than the big enterprises do;
- ✎ they are flexible and adapt themselves easier to the market requirements, thus enhancing the economic development of the country;
- ✎ they represent the incubator for the future big enterprises;
- ✎ they encourage competition;
- ✎ they offer new jobs.

Moreover, the financial resources of these enterprises are scanty, the financing being, more often than not, self-financing from the owner's pocket. In this way, the SMEs are up against real difficulties in obtaining capital or loans, especially at the beginning of their activity. The limited resources narrow down the possibilities to access new technologies or innovations. This is where one has to step in to redress the unfavorable situation of the SMEs, by raising them from the status of being mere "debutant" in the economic life to that of influential participant. This shall be done through the improvement of the production capacity, the increase of competitiveness in the human resources field and the increase of investments, all of these bearing on the subsequent evolution of SMEs but directly influenced by the financial capacity of the entity.

In Europe, accounting rules were covered by the Fourth Council Directive 78/660/EEC, 25 July 1978, on the annual accounts of certain types of companies. This means that accounting rules were made in Europe.

But, from the beginning, the ideas of individual Member States were not the same. In fact, there are two major accounting schools in Europe - Continental school led by France and Germany and Anglo-Saxon school with the United Kingdom as the most important member. The ideas of the two schools are different from many points view.

To give an example: the Continental school supports the idea that assets, such as shares in other companies, should be accounted at historical cost, unless the market value is below the original purchase price. Anglo-Saxon school supports the idea that these shares must be accounted at fair value or market value, even if fair value is far higher than the initial purchase price. The differences between the two systems are quite important. In Anglo-Saxon school case, an increase of the shares market value will be accounted as profit in the profit and loss. Continental School will not register so because the profit is not realized or convertible into money.

This is why the Fourth Directive accounting rules are not always rectilinear. Because the two schools have different ideas regarding some important accounting issues, various articles of the Fourth Directive allows both versions - Continental and Anglo-Saxon - at the same time. Member States have been allowed to choose one of two variants which lead to the fact that accounting rules may vary from one state to another. An annual account of a UK company often is not comparable with the financial situation of a Germany company.

In 2000, at the European Council from Lisbon, the Commission proposed to be implemented in Europe the International Accounting Standards. In order to contribute to a better functioning of the internal market, publicly traded companies are required to apply one set of international accounting standards for the preparation of consolidated financial statements. In addition, the Commission found that it is important that financial reporting standards applied by Community companies participating in financial markets are to be accepted internationally and are truly global standards. Why the Commission has taken an already existing set of accounting standards is evident. In this case, Member States no longer could contradict on the accounting options to be taken.

The decision of the Commission was purely taken to activate the capital markets and that is the reason why the Regulation of 19 July 2002 on the application of international accounting standards forces only publicly traded companies to prepare their consolidated accounts in conformity with the international accounting standards for each financial year starting on or after 1 January 2005. For the annual accounts there is no obligation to be prepared in conformity with the IAS standards.

Although the IAS-IFRS standards are written for quoted companies, the IASB started with a project called “SME project”. IASB wants to develop an appropriate and comprehensive reporting regime for SME companies.

One reason why the first draft appears lengthy and complex is that staff of IASB seems to sticking very closely to full IFRS. Very often the Board concluded that “No major simplifications are needed for SMEs.”. This is making it difficult to

achieve an important objective in this SME project, which is to make the accounting requirements easy to understand.

On February 15, 2007, the International Accounting Standards Board (IASB) issued for public comment the exposure draft (ED) of its *International Financial Reporting Standard (IFRS) for Small and Medium-Sized Entities (SME)*. The stated aim of the proposed standard is to provide a simplified, self-contained set of accounting principles derived from the full IFRS to be used by smaller, non-listed companies. The result should be a high quality and understandable set of accounting standards suitable for SMEs. The users of financial statements are likely to be different for SMEs compared to multinational companies. Where there is no public disclosure, the only groups likely to receive the information are management, shareholders, and perhaps government agencies.

Introducing the Exposure Draft, Sir David Tweedie, IASB Chairman, said: „Our goal has been to produce a standard for use by smaller and unlisted companies that offers the comparability of full IFRSs while reducing the burden on the preparing company. When completed, the SME standard will make the accounting requirements more accessible to smaller preparers in both developed and emerging markets. With this publication, we are now actively seeking the views of companies, banks, the audit profession, and other interested parties as part of a broad consultation to see if we’ve taken out too much or not enough or if we’ve got it about right.”

Project history and due process steps completed:

March 2008 through February 2009	Re-deliberation of proposals in the ED
November 2007	Deadline for comments on the ED and completion of the field tests. 161 letters of comment were received, and 116 SMEs from 20 countries participated in the field tests.
June 2007	IASB launched a comprehensive programme for field testing the proposals in the Exposure Draft
February 2007	Exposure Draft of an IFRS for SMEs issued for public comment
January 2006	The Working Group reviewed a complete draft of the ED and made over 80 recommendations. About 75% of those were implemented in the published ED
October 2005	Public round-table meetings on possible recognition and measurement simplifications (13-14 October 2005)
April 2005	Staff Questionnaire on Possible Recognition and Measurement Modifications for Small and Medium-sized Entities (SMEs)
June 2004	Discussion Paper, Preliminary Views on Accounting Standards for Small and Medium-sized Entities
September 2003	Survey of World Accounting Standard-setters

Current due process step. 116 small entities from 20 countries participated in ‘field testing’ the ED by restating their most recent annual financial statements following the proposals in the ED and reporting any problems encountered. Staff has completed an analysis of the field test results and presented that analysis to the Board in April 2008. The Working Group (WG) met on 10-11 April 2008 to review the comments on the ED, the field test results and staff recommendations. The WG recommendations for changes to the proposals in the ED were submitted to the Board in May 2008 (all recommendations other than disclosures) and in July 2008 (recommendations relating to disclosures). Staff presented its initial recommendations for changes to the ED to the Board in May 2008. At that meeting, the Board began its re-deliberation of the proposals in the ED.

The IFRS for SMEs is intended for entities that do not have public accountability. An entity has public accountability (and therefore should use full IFRSs) if:

- ☞ it has issued debt or equity securities in a public market; or
- ☞ it holds assets in a fiduciary capacity for a broad group of outsiders, such as a bank, insurance company, securities broker/dealer, pension fund, mutual fund, or investment bank.

The **objective of financial statements** of a small or medium-sized entity as presented in the Exposure draft is to provide information about the **financial position, performance** and **cash flows** of the entity that is useful for economic decision-making by a broad range of users who are not in a position to demand reports tailored to meet their particular information needs. In meeting that objective, financial statements also show the results of management’s stewardship of the resources entrusted to it.

The **financial position** of an entity is its assets, liabilities and equity at a point in time. The **elements of financial statements** directly related to the measurement of financial position are assets, liabilities and equity. These are defined as follows:

(1) An **asset** is a resource controlled by the entity as a result of past events and from which future economic benefits are expected to flow to the entity.

(2) A **liability** is a present obligation of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits.

(3) **Equity** is the residual interest in the assets of the entity after deducting all its liabilities.

Modifications of full IFRSs reflected in the ED

The draft IFRS for SMEs reflects three kinds of modifications of the principles in full IFRSs based on the needs of users of SMEs’ financial statements and cost-benefit considerations:

1. Topics omitted. IFRS topics not relevant to typical SMEs are omitted, with cross-references to the IFRS if needed. These are:

- ☞ General price-level adjusted reporting in a hyperinflationary environment.
- ☞ Equity-settled share-based payment (the computational details are in IFRS 2 *Share-based Payment*).
- ☞ Determining the fair value of agricultural assets (look to IAS 41 *Agriculture*, but the Board also proposes to reduce the use of fair value for agricultural SMEs).
- ☞ Extractive industries (look to IFRS 6 *Exploration for and Evaluation of Mineral Resources*).
- ☞ Interim reporting (look to IAS 34 *Interim Financial Reporting*).
- ☞ lessor accounting finance leases (finance lessors are likely to be financial institutions who would be ineligible to use the *IFRS for SMEs* anyway).
- ☞ Recoverable amount of goodwill (SMEs would test goodwill for impairment much less frequently than under IAS 38 *Intangible Assets*, but if necessary to do such a test would look to the calculation guidance in IAS 38).
- ☞ Earnings per share and segment reporting, which are not required for SMEs, and insurance contracts (insurers would not be eligible to use the *IFRS for SMEs*).

2. Only the simpler option included. Where full IFRSs provide an accounting policy choice, only the simpler option is in the *IFRS for SMEs*. SMEs are permitted to use the other option by cross-reference to the relevant IFRS. The simpler options selected are:

- ☞ The cost-depreciation model for investment property (fair value through profit or loss is permitted by reference to IAS 40 *Investment Property*).
- ☞ The cost-amortization-impairment model for property, plant and equipment and intangibles (the revaluation model is allowed by references to IAS 16 *Property, Plant and Equipment* and IAS 38).
- ☞ Treating borrowing costs as expense (capitalization allowed by reference to IAS 23 *Borrowing Costs*).
- ☞ Indirect method for reporting operating cash flows (the direct method is allowed by reference to IAS 7 *Cash Flow Statements*).
- ☞ One method for all grants (or SMEs can use any of the alternatives in IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*).

In adopting the *IFRS for SMEs*, an individual jurisdiction could decide not to allow the option that is cross-referenced to the full IFRS.

3. Recognition and measurement simplifications.

- ☞ Financial instruments:
 - ✎ Two categories of financial assets rather than four. This means no need to deal with all of the ‘intent-driven’ held-to-maturity rules or related ‘tainting’, no need for an available-for-sale option, and many other simplifications.
 - ✎ A clear and simple principle for de-recognition—if the transferor has any significant continuing involvement, do not de-recognize. The complex ‘pass-

through testing’ and ‘control retention testing’ of IAS 39 *Financial Instruments: Recognition and Measurement* are avoided.

✎ Much simplified hedge accounting. The ED includes simplified hedge accounting and less strict requirements for periodic recognition and measurement of hedge effectiveness than IAS 39.

☞ Goodwill impairment—an indicator approaches rather than mandatory annual impairment calculations.

☞ Recognize all research and development costs as expense (IAS 38 would require capitalization after commercial viability has been assessed).

☞ The cost method for associates and joint ventures (rather than the equity method or proportionate consolidation).

☞ Less fair value for agriculture—only if ‘readily determinable without undue cost or effort’.

☞ Defined benefit plans—a principle approach rather than the detailed calculation and deferral rules of IAS 19 *Employee Benefits*. Complex ‘corridor approach’ omitted.

☞ Share-based payment—intrinsic value method.

☞ Finance leases—simplified measurement of lessee’s rights and obligations.

☞ First-time adoption—less prior period data would have to be restated than under IFRS 1 *First-time Adoption of International Financial Reporting Standards*

The skeptics about the usefulness of an international standard for SMEs show that IASB should have paid more attention to the needs of the stakeholders and should have had a „more conceptual” approach in order to take into consideration the different objectives of a „differentiate accountancy” (Epstein, Jermakowicz, 2007).

At *technical level*, IASB proposes a change in the publication requirements, as well as a change in the content of the standards, more precisely, acceptance and assessment. Moreover, the wording of the project was reformulated in English in order to simplify the expression and to facilitate the translation. As far as Europe is concerned, the European Commission, through its Committee for Accounting Regulation, launched a topic of discussion on the simplification of the accounting rules for SMEs and possible amendments to the IVth and VIIth European Directives during its meeting in November 2006 (European Commission, 2006). The solution aimed was introducing new rules, more relevant, which should replace the old ones, more complex and heavy.

The CFA⁴ Institute Centre for Financial Market Integrity (the CFA Institute Centre) in consultation with its Corporate Disclosure Policy Council (CDPC)⁵

⁴ The CFA Institute Centre for Financial Market Integrity is part of CFA Institute. With headquarters in Charlottesville, VA, and regional offices in New York, Hong Kong, and London, CFA Institute is a global, not-for-profit professional association of more than 95,000 investment analysts, portfolio managers, investment advisors, and other investment professionals in 133 countries, of whom nearly 80,000 are holders of the Chartered Financial Analyst® (CFA®) designation. The CFA Institute membership also includes 135 member societies in 56 countries and territories.

appreciates the opportunity to comment on the exposure draft of proposed International Financial Reporting Standards (IFRS) for small and medium-sized entities (SMEs).

The CFA Institute Centre represents the views of investment professionals, including portfolio managers, investment analysts and advisors located in over 130 countries worldwide. Central tenets of the CFA Institute Centre mission are to promote fair and transparent global capital markets, and to advocate for investor protections. The CFA Institute Centre also develops, promulgates, and maintains guidelines encouraging the highest ethical standards for the global investment community through standards such as the CFA Institute Code of Ethics and Standards of Professional Conduct.

In their **general comments CFA Institute Centre** shows why they do not support the IASB proposal to create a different set of reporting standards for SMEs:

1. Investors make decisions by comparing alternative investments. Permitting an alternative accounting regime for companies that "do not have public accountability" ignores the following:

☞ The growth of private equity as an investment class

☞ The interests of bondholders and other creditors of "non-public" enterprises

2. To operate efficiently, capital markets require financial information that is: (a) comparable from firm to firm; (b) relevant to investment and financing decisions, (c) a reliable and faithful depiction of economic reality; and (d) neutral, favoring neither supplier nor user of capital, neither buyer nor seller of securities.

☞ Transactions and economic activities that are similar should be reported similarly in financial statements. Alternative accounting for similar events may interfere with the integrity and usefulness of financial reports.

☞ The potential timing lag between the adoption of new IFRS and their incorporation into "IFRS for SME" will result in further differences between the standards, causing increased difficulty in comparing large and small companies.

3. With the presence of various adopted forms of IFRSs—As issued by the IASB, as adopted by a national regulator, IFRS for SME—analysts may have a difficult time determining exactly which standards have been applied.

While enterprises owned (wholly or in part) by private equity investors are not public enterprises in the conventional sense, they are different from enterprises that are wholly owned by managers. The information needs of the investors in such enterprises are no different from those of investors in public companies. Such investors must decide whether (and at what price) to make the investment, whether

⁵ The objective of the CDPC is to foster the integrity of financial markets through its efforts to address issues affecting the quality of financial reporting and disclosure worldwide. The CDPC comprises individuals who are investment professionals with extensive expertise and experience in the global capital markets, some of whom are also CFA Institute member volunteers. In this capacity, the CDPC provides the practitioners' perspective in the promotion of high-quality financial reporting and disclosures that meet the needs of investors.

(and at what price) to make additional investments to fund capital requirements, and whether (and at what price) to sell their investment. Such decisions are usually made by comparing the subject enterprises with similar enterprises that are public. Such comparison is obstructed when the "nonpublic" company is permitted or required to use different accounting methods.

Bondholders and other creditors also require information to make sound lending decisions. Their information requirements do not differ because the enterprise lacks "public accountability." As in the case of shareholders, creditors generally compare the financial statements of prospective borrowers with those of similar public companies.

The information needs of investors and creditors are essentially the same, regardless of whether or not the enterprise has "public accountability." Some "nonpublic" enterprises are very large and engage in complex transactions (e.g. derivatives) similar to those engaged in by "public" companies. Exempting such firms from IFRS requirements may impair the efficiency of capital markets.

Regarding the **comparability across companies** CFA Institute Centre underlines:

☞ Capital market participants use financial statement information to perform comparative analyses of companies' economic performance and financial position of business enterprises. Those analyses are the basis for estimating the company-specific valuations and assessments of future prospects that underlie informed and sound investment decisions.

☞ While the draft IFRS for SMEs proposal was designed for companies without public accountability, there is no prohibition against national laws or regulations allowing or requiring companies to file using the new standards. It has been a long-standing position of CFA Institute that accounting and reporting standards should apply to all enterprises⁴. Regardless of whether the company has public accountability or not, everyone should account for and report similar economic activities and transactions in accordance with similar principles of accounting. With a single standard, applied as necessary by all types and sizes of companies, this difference would be limited and potentially eliminated.

Also **CFA Institute Centre, state**: "the proposal indicates scheduled updates to the IFRS for SMEs every other year, with special consideration allowed for significant accounting changes. This delay further demonstrates the difficulties produced by establishing dual reporting standards. Since most changes and additions will lag their application to public companies, creditors and other users of the general-purpose financial statements will have to maintain different knowledge bases and/or valuation models: one set for public companies and another for those classified as SMEs. A further wrinkle would appear if the SME moves forward with adopting the change made in the full IFRS before its inclusion in the update for similar companies. The potential for decreased comparability created by timing differences with multiple sets of standards would appear to outweigh the benefits of this proposal."

They strongly believe that different reporting standards will lead to the delivery of information that is not consistent with the requirements of Principle 1 of the CBRM. The non-comparable data creates additional complexities in analyses when coupled with the delay in applying new standards for SMEs by 12-24 months or longer. The board would be better served to focus on the development of proper guidance for the full IFRS requirements ensuring that all companies operating in a particular area (e.g. derivatives or joint ventures) can apply them. As the dissenting board member noted, “The vast majority of accounting policy decisions of an SME are straightforward and extensive reference to IFRSs will not be required and, when required, not burdensome.”

On the other hand The Australian Accounting Standards Board (AASB), the Institute of Certified Public Accountants of Ireland, and the U.K. Accounting Standards Board have strongly supported the IASB publication of the exposure draft *IFRS for SMEs*. The AASB tentatively decided that Australia should adopt a two-tiered approach in relation to Australian corporate entities, as follows:

- ☞ Australian equivalents to the IFRS will be required for corporation that are publicly accountable; and

- ☞ An Australian version of IFRS for SMEs will be adopted by corporations that are not publicly accountable but that prepare general-purpose financial reports.

In many European countries, a close link exists between the statutory financial statements and the results reported for income tax purposes. The successful implementation of SME standards would require breaking the mandatory link between the financial statements and the income tax return, and would also trigger a need to amend the country’s applicable laws.

Some commentators do not support the approach taken in the development of *IFRS for SMEs* (or private companies). They argue that, rather than simply streamlining existing standards, the IASB should have taken a user-based, more conceptual approach in creating “differential accounting” for SMEs. They insist that fundamental differences exist between the objectives of financial reporting for SMEs (being primarily focused on the role of stewardship) and those of reporting by large public companies, and that these differences should be incorporated into the conceptual framework.

Opponents of a separate set of standards for SMEs believe that all entities should follow the same basic accounting principles for the preparation of general purpose financial statements, whether the IFRS or U.S. GAAP. Some have noted that complexity in accounting is merely a symptom—the inevitable result of the ever-increasing complexity of transactional structures, such as the widespread use of “engineered” financial products. Based on observations of the difficulties faced by companies implementing and applying the full IFRS, others have concluded that the problem is not that SMEs need simpler accounting, but that all entities need reporting requirements that are less complex and more principles-based.

In addition, some opponents note that SME standards would adversely affect accounting education, by shifting the focus from preparing professionals to choose the best means of reporting the economic effects of any given transaction or event, to merely following what the “single solution” rulebook says. A worst-case scenario result would be a two-tiered accounting profession, wherein some practitioners would be seen as capable of handling only “little GAPP” assignments.

Because the IASB lacks the power to require any company to use its standards, the adoption of *IFRS for SMEs* will be a matter for each country to decide; that is, a country’s government legislators and regulators, an independent standards setter, or a professional accountancy body. Each country will have to set criteria to determine eligibility.

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THE CHANGES BROUGHT BY THE FINANCIAL CRISIS UPON THE INTERACTION BETWEEN THE EUROPEAN UNION BUDGET AND SMALL AND MEDIUM SIZED ENTERPRISES

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ABSTRACT. Currently, Europe and the entire world is hit by the most serious financial crisis of the past 80 years aroused from the United States sub-mortgage market falling. The countries' governments together with main financial institutions, are required to take an exceptional series of decisions, decisions which can minimize the possible devastating effects on the economy and citizens. In the European area, the European Union budget is the most important tool that influences the amount of expenses and income related to the policy objectives of the Community and in this way each member state policy. For preventing the crisis grow the European Union is trying hard to expand its power in the decision process, and that's way the Budget's construction is starting to change. In this paper we try to find the main effects of that changes on the development of the small and medium sized enterprises. We would also show if the reverse connection is as true as the first one, meaning: *Are the small and medium sized enterprises able to pull off faster the European economy from this crisis and so to have an influence on the make over of the European Union Budget?*

Keywords: *European Union Budget, small and medium sized enterprises, financial crisis*

1. About SMEs

Companies classified officially, as defined by the European Union, as small and medium enterprises (SMEs) are those companies with fewer than 250 employees independent of larger companies. In addition, their turnover or annual balance sheet could not exceed € 50 million and 43 million €. This definition is crucial for determining which companies qualify for programs dedicated to SMEs and some of their exclusively devoted policies.

Commission Recommendation 2003/361/EC regarding the definition of SMEs has been in effect since 1 January 2005. It applies to all Community policies in favour

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of SMEs and covers the whole of the European Economic Area. It was revised to ensure that enterprises which were part of larger groups could no longer benefit from SME support schemes, and that help was targeted specifically at genuine SMEs.

SMEs can be divided into three categories, depending on size: micro enterprises which have fewer than 10 employees, small enterprises having between 10 and 49 employees, and medium enterprises having between 50 and 249 employees.

SMEs become increasingly important in our society as providers of employment opportunities and key elements for the welfare of local and regional communities. The new line of thinking at the European level is based on the belief that entrepreneurship and entrepreneurs should be welcomed and rewarded for the mere fact that they are the backbone of our society. Supporting SMEs should become a basic policy of the Community. To achieve this, the policy-making should welcome the principle of "Think first small", from the rules to public services, thus ensuring that the rules reflect that peoples that uses the most. SMEs must be helped to thrive with all possible means. When the formation and development are limited by unnecessary obstacles, they must be removed in order to obtain grater gains. When SMEs face obstacles dew to market failures, they should be corrected.

2. SMEs and the European Union

The European Union creates an environment where entrepreneurs can thrive and in which entrepreneurship is rewarded. With the project "Erasmus for young entrepreneurs", new born entrepreneurs are now becoming eligible for cross-border mobility, and for achieving the experience and skills through training in SMEs in a different country.

If we look to past statistics at European level, we see that⁵:

- there were 20.2 million active enterprises within the EU-27's non-financial business economy in 2006; these enterprises had a total turnover of EUR 22.3 billion and generated EUR 5.7 billion of value added, with a workforce of 130 million persons;
- the largest sector in terms of value added in the EU-27 in 2006 was other business services, which accounted for 12.6 % of the non-financial business economy total, followed by wholesale trade (9.2 %) and construction (9.0 %); with many industrial activities accounting for less than 1 % of the total;
- the services sector (excluding financial services) accounted for 60.8 % of the non-financial business economy workforce in the EU-27 in 2006;
- the two latest Member States to join the EU (Bulgaria and Romania) generated 0.5 % of the EU-27's value added in the non-financial business economy in 2006, but employed 4.6 % of its workforce.

⁵ Statistical data from www.europa.eu - Eurostat

The European Commission has placed SMEs at the centre of industrial policy-making, realising that ‘if SMEs are to have a significant impact on Europe’s economy, they need to grow bigger – take on more employees, and expand their product ranges, markets and turnover’. Innovation is often seen as the most important driver of growth, whether it leads to new products and services or more efficient ways of delivering existing.

There are considerable differences between Member States in the number of enterprises that make-up the nonfinancial business economy. On average there were 38.6 SMEs (with less than 250 persons employed) in the EU-27’s non-financial business economy for each 1 000 inhabitants in 2004. This ratio more than doubled in the Czech Republic to 86 SMEs per 1 000 inhabitants, while at the other end of the range there were just 6.5 SMEs per 1 000 inhabitants in neighbouring Slovakia. There was an average of 8.4 large enterprises (with 250 or more persons employed) in the EU-27’s non-financial business economy per 100 000 inhabitants (for comparison with the SME figures this is 0.08 large enterprises per 1 000 inhabitants) in 2004. A relatively high ratio of large enterprises to inhabitants was recorded in Slovenia and in the Czech Republic, while only France, Hungary, Poland, Spain and Italy reported ratios below the EU average. In total, there were almost 19 million enterprises in the EU-27’s non-financial business economy in 2004. Of these, 99.8 % were SMEs, the majority of which were micro enterprises (employing fewer than 10 persons). However, on average large enterprises in the EU-27’s non-financial business economy in 2004 employed just over 1 000 persons, compared with an average 4.4 persons employed by SMEs. As such, the relative weight of a single large enterprise in employment terms was, on average, equivalent to that of 227 SMEs. Just over two thirds (67.1 %) of the EU-27’s non-financial business economy workforce was employed within SMEs in 2004. Enterprise structures vary considerably between activities with, for example, large enterprises accounting for 85.0 % of those employed in the energy sector, 78.1 % of those employed in the transport equipment manufacturing sector, or 65.6 % of those employed in the communications and media sector. In contrast, SMEs employed 88.5 % of motor trades workforce, or 88.2 % of those employed in the construction sector. The relative importance of SMEs in terms of their contribution to labour markets also varies considerably across countries, as SMEs employed 81.2 % of the non-financial business economy workforce in Italy in 2004, a share that fell close to 50 % in Slovakia and the United Kingdom.

The economic importance of SMEs was lower in terms of their contribution to total value added, as they generated 57.0 % of the EU-27’s nonfinancial business economy value added in 2004. When combined with information on employment shares this suggests that the apparent labour productivity of SMEs was generally lower than that of larger enterprises.

This view is supported by economic theory that suggests economies of scale may lead to larger enterprises generating more value added per person employed. This was the case for most of the activity aggregates used for chapters covered in sectors like the manufacture of textiles, clothing, leather and footwear; energy; business services; and real estate, renting and R&D which were the only four exceptions where apparent labour productivity was similar or higher among SMEs than large enterprises. On average, apparent labour productivity in large enterprises was 53.2 % higher than in SMEs across the whole of the EU-27's nonfinancial business economy. These differentials in the apparent labour productivity ratios between SMEs and large enterprises were generally more marked for industrial activities, where persons employed in large enterprises were on average 74.9 % more productive than SMEs, while among non-financial services the same differential was reduced to 28.6 %.

Despite considerable differences in the levels of labour productivity between Member States, there was a general pattern of labour productivity rising as a function of average enterprise size. This pattern was particularly apparent for industrial activities in the majority of countries. Exceptions to this rule included Bulgaria and Romania where the biggest difference in productivity ratios between large enterprises and SMEs was reported for nonfinancial services, and in the Czech Republic, Italy, Latvia and Hungary where construction activities reported the biggest differences.

SMEs include all types of companies in business with one employee to co-operatives. While some SMEs offer services or traditional handicraft items, others are more advanced technique companies, with a very rapid development. However, despite the differences, many challenges are common to SMEs in Europe.

For most small and medium enterprises, the administrative burden is the primary problem. Administrative costs for a small company can be up to ten times higher than for a large company, making that burden disproportionately difficult for small companies. That is why the European Commission, given the importance that they give for this type of companies, has set two main objectives: to reduce administrative burdens on businesses by 25% by 2012 and to ensure that all new legislation relating to SMEs are „business-friendly”. To achieve this, the Commission simplifies and improves the law and encourages national and regional authorities to do the same at their own level.

Access to an appropriate form of financing is the second major obstacle that small and medium enterprises face in the European Union. Investors and banks often avoid financing „new borne” SMEs or „young SMEs” due the risks involved. However, entrepreneurs do not fully understand the reasons for concern of investors or banks, which makes harder finding the financial support necessary. The European Commission is implementing several programs intended specifically to improve the financial environment for SMEs in Europe.

Because the financial markets failure to provide SME funding, the European Commission has created and funded financial instruments such as guarantees, to facilitate obtaining loans from banks. Also, it facilitates the investment of venture capital in SMEs.

Between 1998 and 2006 were provided over € 744 million for the benefit of more than 360 000 SMEs. The amount grew to more than € 1 billion, as part of the Framework for Competitiveness and Innovation (CIP) of the Commission for 2007-2013. This amount should allow financial institutions to provide around € 30 billion in new funding for an estimated 475 000 SMEs in Europe - because, on average, every euro spent from the EU budget will allow private investors to provide 6 € in the form of venture capital and enables banks to offer 50 € in the form of loans.

These instruments are covering different needs of SMEs, whether newly established companies or companies already established:

- Facility for SMEs with innovative and rapid growth (High Growth and Innovative SME Facility) provides venture capital for innovative SMEs in the initial stages or during the expansion;
- Guarantee Facility for SMEs (SME Guarantee Facility) provides guarantees for loans, encouraging banks to provide SME financing through more borrowing, including micro-credit and financing for capital development, thereby reducing banks' exposure to risks.

A factor grate influence is the local business environment that has a significant effect on small businesses, wherever they are located, and therefore policies to support and strengthen the economic competitiveness is increasingly determined and implemented at both local and regional level. The European Union has developed instruments to encourage regional development, to support initiatives taken by the regional market and to promote collaboration in the network between different regions of the EU. These is encouraging the entrepreneurship, supporting new businesses and make SMEs become more competitive.

3. Reasons to suport SMEs

There are some reasons to support SMEs that the European Parliament has given, such as:

- the 23 million small and medium-sized enterprises (SMEs) in the EU, accounting for around 99% of all enterprises and providing over 100 million jobs, play a fundamental role in contributing to economic growth, social cohesion and job creation and are a major source of innovation and are vital for sustaining and expanding employment;

- the overwhelming majority of SMEs are micro enterprises, craft businesses, family businesses and cooperatives which are the natural incubators of entrepreneurial

culture and therefore play an important role in enhancing social inclusion and self-employment;

- the creative and cultural sector are a driver of economic and social development in the European Union – with a share of 2.6% of the GDP and 2.5% of the EU workforce; emphasises the importance of SMEs in stimulating the ICT sector and the creative industry;

- according to Eurostat, 91.5% of European companies employed fewer than 10 people in 2003.

At the European level the importance of innovation for SMEs and the difficulties in taking advantage of research opportunities is crucial and that's why the Community considers that national academies of science and research institutes could play a role in driving innovation and reducing barriers to research for SMEs. The focus should not only be on high-tech innovation, low and middle level of technology and informal innovation should also be considered. This means that the European Institute for Innovation and Technology could have an important role in boosting R&D and innovation for SMEs and also national initiatives that lower the threshold for SME's to access research. In a recent document⁶ the European Parliament asks that all Community research and technological programmes should be designed in a way that facilitates the cross-border participation of SMEs. It also considers that the participation of SMEs in clusters must be promoted in order to boost innovation and increase the competitiveness of the EU economy and therefore calls on the Commission to support the improvement of cluster management, notably through the exchange of best practices and training programmes, to design and disseminate tools to assess the performance of clusters, to promote inter-cluster cooperation, and to further simplify administrative procedures for the participation of clusters in European Union programmes.

Statistic, one in four cases of failure of SMEs is due to late payments, in most cases on the part of public administrations. It's possible that the present 'credit crunch' may disproportionately affect SMEs as larger customers and put pressure on smaller suppliers to grant extended payment terms.

We should point out that the main source of funding for SMEs in Europe comes from their own activity and from credits and loans from financial institutions, but because SMEs are perceived as higher-risk business this hampers their access to finance. That's way by directing regional funds more towards entrepreneurship, research and innovation, considerable funds could become available at local level to enhance business potential.

Important factors in the development of the SMEs are the dynamic financial markets (in financing SMEs) and the need to open up European risk capital markets by

⁶ Report of the European Parliament on Small Business Act, 18 February 2009

improving the availability of and access to venture capital, mezzanine finance and micro-credit. And if that's failing to we should emphasize on the enormous potential of the EU Competitiveness and Innovation Framework Programme in correcting market failures in SME financing, in promoting eco-innovation and in supporting entrepreneurial culture.

4. Past actions

The Cohesion policy is a central pillar of the global strategy of the European Union competitiveness, growth and labour. 2007-2013 Structural Funds for regional development provides more than 300 billion €. More than two thirds of these funds are spent for measures to promote business, jobs and growth. SMEs constitute the core of the cohesion policy, which aims to increase the competitiveness of regions and enterprises. It is expected that by 2013, the cohesion policy will invest a sum of approximately € 27 billion - the largest share of EU funds - in the area of entrepreneurship and support business services. Support for research and development, innovation and facilitating SMEs' access to knowledge bases are domain which will receive an amount of approximately € 86 billion, while promoting SMEs' access to information and communication technologies is expected to be approximately € 15 billion.

The European Social Fund for 2007-2013 recognizes the special role of SMEs in creating new jobs and focus on providing direct assistance to companies, especially SMEs, to help them adapt to changing market conditions. This includes assistance for individuals (e.g. training employees and managerial staff), structures and businesses through the development of business services that address the needs of SMEs and their strategies for long-term training. It also offers help to people who work as independent and may also promote entrepreneurship in education systems. In total, these different types of support amounts over € 16 billion.

Expenditure focuses on measures to assist the development of SMEs, for example, support for innovation, finance and business. All regions are now eligible for funding provided by the Structural Funds. In less developed regions, SMEs can receive direct support under certain conditions, while in other parts of European Union support is available particularly for professional associations, support agencies, local governments and other intermediate structures. In all regions, the structural funds focus on measures such as financing of business incubators, consultancy, training schemes and financing for SMEs, technology transfer and training of groups and networks of SMEs.

Finally, another almost € 80 billion will be available to improve agricultural competitiveness and encourage economic diversification in rural areas, i.e. finance for SMEs. Special efforts will also be made special for the benefit of fish farms and regions with specific characteristics, such as mountain regions or the most isolated regions in the European Union.

LIFE +

This programme is divided into three strands:

- Nature and Biodiversity
- Environment Policy and Governance
- Information and Communication

The budget foreseen for LIFE+ is €2.1 billion for the period 2007-2013. SMEs may be able to access LIFE+ funds, both from the part managed centrally by the European Commission and from that managed by national agencies.

Competitiveness and Innovation Framework Programme (CIP)

The “Competitiveness and Innovation Framework Programme” (CIP) is a coherent and integrated response to the objectives of the renewed Lisbon strategy for growth and jobs that is important sectors for SMEs. Running from 2007 to 2013, it has a budget of approximately €3.6 billion.

As regards environment and energy concerns, the CIP comprises:

a) an Entrepreneurship and Innovation Programme (EIP) with an eco-innovation part, to which approximately €430 million has been allocated. The aim is to tap the full potential of environmental technologies to protect the environment, while contributing to competitiveness and economic growth;

b) an Intelligent Energy Europe Programme (IEE) to which approximately €727 million has been allocated. The Intelligent Energy-Europe Programme includes actions to increase the uptake and demand for energy efficiency, to promote renewable energy sources and energy diversification, and to stimulate the diversification of fuels and energy efficiency in transport.

As regards innovation and information technologies, the CIP comprises two main strands:

a) the Entrepreneurship and Innovation Programme (EIP) aims to improve the conditions for innovation, such as exchanges of best practices between Member States and actions to improve, encourage and promote innovation in enterprises. It supports actions fostering sector specific innovation, clusters, public-private innovation partnerships and the application of innovation management.

b) the ICT Policy Support Programme to which approximately €728 million has been allocated. The ICT programme aims to stimulate the new converging markets for electronic networks and services, media content and digital technologies. It also supports the modernisation of public sector services that will raise productivity and improve services.

The Seventh Framework Programme for Research and Technological Development (2007-2013)

The 7th Framework Programme for research and technological development (FP7) pays special attention to the SMEs through its different programmes: “Co-

operation” circa €32.3 billion (SMEs are actively encouraged to participate in all research actions. The involvement of SMEs in Joint Technology Initiatives is also encouraged wherever such activity is considered appropriate.), “Ideas” circa €7.5 billion (just like any other organisation, research teams from SMEs can compete on the basis of excellence.), “People” circa €4.7 billion (greater attention is directed towards encouraging increased SME participation under “Industry-academia partnerships and pathways”.) and “Capacities” circa €4 billion (“Research for the benefit of SMEs” aims to strengthen the innovative capacity of European SMEs and their contribution to the development of new technology-based products and markets. The indicative budget for the SME specific actions is circa €1.3 billion.)

MEDIA 2007-2013

This programme has a budget of €755 million over the period 2007-2013 and deals with the training of media professionals; the development of production projects and companies; the distribution and promotion of cinematographic works and audiovisual programmes and the support for cinematographic festivals. It provides grants to SMEs which are active in these areas.

European Regional Development Fund

For the period 2007-2013 the strategy and resources of cohesion policy (European Regional Development Fund [ERDF], European Social Fund [ESF] and European Cohesion Fund) are grouped into three priority objectives, with a total allocation of € 308 billion:

- Convergence: speed up the economic convergence of the less developed regions (81.54% of the budget);
- Regional competitiveness and employment: strengthen regional competitiveness and attractiveness and help workers and companies to adapt themselves to economic changes (15.94% of the budget);
- European territorial co-operation: strengthen cross-border, transnational and interregional cooperation (2.52% of the budget).

5. New measures

Small Business Act for Europe

Adopted in June 2008, the "Small Business Act" for Europe (SBA) reflects the Commission's political will to recognise the central role of SMEs in the European Union economy and for the first time puts into place a comprehensive SME policy framework for the EU and its Member States.

It aims to improve the overall approach to entrepreneurship, to irreversibly anchor the “Think Small first” principle in policy making from regulation to public service, and to promote SMEs’ growth by helping them tackle the remaining problems which hamper their development.

The Small Business Act for Europe applies to all companies which are independent and have fewer than 250 employees: 99% of all European businesses.

The Small Business Act for Europe is:

- a set of 10 principles which should guide the conception and implementation of policies both at European Union and national level. This is essential to create a level playing field for SMEs throughout the EU and improve the administrative and legal environment, to allow these enterprises to release their full potential, to create jobs and growth;
- an ambitious package of concrete and far reaching new measures including 4 legislative proposals which translate these principles into action both at EU and Member State level;
- designed to be adopted by the European Council to ensure the full political commitment of both the Commission and the Member States together with regular monitoring of its implementation.

Joint Action to Support Micro-finance Institutions in Europe - JASMINE

JASMINE is a joint initiative of the European Commission and the European Investment Fund together with the European Investment Bank, and complements the JEREMIE initiative. It aims to develop the supply of micro-credit in Europe by means of two main actions: by providing technical assistance to micro-finance institutions in order to help them to be credible financial intermediaries and to obtain capital more easily; and by financing the activities of non-bank financial institutions to enable them to make a higher number of loans. The aim of the programme is to improve the access to finance of small businesses, unemployed people, or people not currently in employment who would like to become self-employed but who are unable to access traditional banking services. This programme will begin in 2009 with a three-year pilot phase, with an initial capital of €50 million.

European Investment Bank (EIB) loans

For the period of 2008-2009, the EIB has reserved €15 billion for loans to SMEs, as part of an overall package of €30 billion for the period 2008-2011.

These loans will be delivered via intermediaries such as commercial banks. They are targeted at tangible or intangible investments by SMEs as well as increasing their working capital. The duration of the loans will be between 2 and 12 years, with a maximum amount of €12.5 million per loan.

6. The 2009 Budget

In 2009, the biggest share of the European Union budget – 45% or €60 billion - goes to research, innovation, employment and regional development programmes, in order to help Europe react to the current economic crisis. An 11% increase in research and a 22% increase in the EU's innovation programme will

help boost competitiveness. Funds for agriculture remain at the same level, taking over 40% of EU funding, while spending on the environment and rural development will rise by 2.9%. Europe's external policies will also grow in 2009, including €0.6 billion for the €1 billion food facility to help developing countries respond to rising food prices.

The adopted 2009 budget amount to €133.8 billion in commitment appropriations (commitment appropriations cover legal commitments made to spend funds over one or more years). These commitments are then honoured by payment appropriations each year. Unless otherwise indicated, all amounts mentioned are in commitment appropriations, a slight increase of 2.5% on 2008. This corresponds to 1.03% of the EU Gross National Income (GNI). Payment appropriations (payment appropriations cover payments made to honour the legal commitments entered into in the current financial year and/or earlier financial years) will reach €116.1 billion, a slight increase of 0.3% on 2008, representing 0.89% of EU-27 GNI.

In 2009, almost €12 billion of the EU budget in 2009 will go on projects to boost Europe's competitiveness, 6.2% more than in 2008. The €12 billion includes funds for research which will rise by 11% for the second year running. A record investment of €0.5 billion will also be set aside for the EU's Competitiveness and Innovation programme (CIP) to finance ground-breaking sustainable technologies - an increase of 22% on 2008. More than €1 billion will go to programmes to improve Europeans' skills, mainly through the Lifelong Learning Programme - a 6.5% rise on 2008.

Funding for cohesion will continue to grow in 2009 with nearly €48.5 billion for Europe's regions (a 2.5% rise on 2008). This will also be strengthened by the recent agreement to accelerate Structural Funds financing in 2009, support people in Member States hit by the crisis and increase financing for small and medium sized enterprises (SMEs). Efforts to integrate new Member States into common EU policies are also bearing fruit with 50% of all Cohesion and Structural Funds now going to the EU-12.

Spending on agriculture will remain stable in 2009, absorbing more than €40 billion. The shift within this policy area towards development in rural areas also means more spending on the environment the fight against climate change. Over 40% of rural development funding (€13.6 billion) will be for environmental goals. On top of that, the LIFE+ environmental protection programme will grow by 19%, reaching €317 million. The 22% increase in the EU's innovation programme will also help EU efforts to move to a low-carbon economy by financing sustainable technologies.

Terrorism, crime as well as immigration are still big concerns for Europeans and support for these specific areas will see one of the biggest increases in spending in 2009 at €864 million - up 18% from 2008. The EU also supports initiatives aimed at strengthening active citizenship. In 2009, EUR 0.1billion respectively will go

towards fostering active participation of youth in society as well as the EU Media programme. The culture programme will see a rise of 15% compared to 2008, reaching EUR 54 million.

The EU Budget between 2007 and 2009 – financial framework (aggregate)

Million Euro (current prices)

Indicators	2009	2008	2007
1.Sustainable growth, from which:	60.195,88	58.337,95	54.854,33
Competitiveness for growth and employment	11.769,00	11.082,00	9.367,55
Cohesion for growth and employment	48.426,88	47.255,95	45.486,78
2.Preservation and management of natural resources, from which	56.121,44	55.559,71	55.850,23
Market related expenditure and direct payments	41.131,36	41.006,49	42.311,66
3.Citizenship, freedom, security and justice, from witch	1.514,89	1.634,91	1.443,63
Freedom, security and justice	863,93	731,77	623,83
Citizenship	650,96	903,14	819,80
4.UE as a global player	8.103,93	7.551,22	6.812,46
5.Administration	7.700,73	7.279,21	6.977,86
6.Compensation	209,11	206,64	444,65
TOTAL	133.845,98	130.569,64	126.383,16

The recent surge in food prices has hit the most vulnerable in the world worst and the EU is stepping up its support by providing a Food Facility package of €1 billion over 2008, 2009, 2010. The largest share - up to €568 million - will come from the 2009 EU budget. Maintaining its role as a global player, the EU will also channel over €8 billion into external policies –a 7% rise on 2008. Support for the peace process in the Middle East, in Afghanistan and ensuring stability in Kosovo will be key investments in 2009 – €361m for Palestine and €231m for Afghanistan and €261m for projects in Kosovo.

7. Conclusions

Given the importance of SME's we can clearly see that the European Union has an ungoing theme to suport this sector. This kinde of enterprises are the ones that are growing and developing folowing an accelerate dinamic and that's way a lot of Comunity mesures and Programmes are tailor made for SMEs.

In order to suport the economy, this years and the last one the European Union developed a few new programs to adresse SMEs the word of order being "Think small first".

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THE LINK BETWEEN EXPORTS AND INWARD FOREIGN DIRECT INVESTMENT: THE CASE OF ROMANIA

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ABSTRACT. This paper investigates the relationship between a country's exports and foreign direct investment (FDI) by transnational corporations, with a focus on Romania. First, we lay out the theoretical background concerning the manner in which FDI shapes a country's exports. Then, we give a short overview on the recent evolution of Romania's foreign trade, highlighting sectors in which Romania has revealed a comparative advantage. Further, we take into consideration the increase of inward FDI and its main destinations within the Romanian economy. The influence of FDI on the competitiveness of Romanian exports is then analyzed in detail, employing correlation instruments. The findings lead us to the conclusion that from a statistical point of view, exports and inward FDI are not correlated in the case of Romania. Finally, we make some suggestions and policy recommendations both for attracting FDI and for stimulating the competitiveness of Romanian exports.

Keywords: *exports, foreign direct investment, Romania*

1. INTRODUCTION

The share of foreign affiliates of transnational corporations (TNCs) in world exports has increased over time, reaching an estimated 33% in 2005 (UNCTAD, 2006). The extent to which foreign affiliates contribute to exports varies greatly though from country to country, as UNCTAD statistics demonstrate. The impact of FDI undertaken by TNCs on host-country exports differs according to its rationale. Resource and efficiency-seekers evidently tend to be more export-oriented than market or strategic asset-seekers. As far as the literature is concerned, the debate of domestic market vs. export orientation of foreign affiliates generally leads to different conclusions (Smarzynska, 2003 and Sgard, 2001). As Meyer (2005) found out for a series of countries, about three quarters of FDI aims at supplying the domestic market in the host country.

Nevertheless, through a variety of spillover effects, inward FDI acts as a competitive spur to domestic firms (UNCTAD, 2006). The role of TNCs in expanding exports of host countries derives from the additional capital, technology

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and managerial know-how they transfer, along with enhanced access to global, regional and especially home-country, markets (UNCTAD, 2002). Linkages between foreign affiliates of TNCs and local firms usually trigger the competitiveness of the domestic enterprise sector. Productivity spillovers from FDI through backward linkages (between foreign affiliates and local suppliers) and forward linkages (between foreign affiliates and local customers) can prove very important. As Blomstrom and Kokko (1998) indicate, channels of positive FDI spillovers include: demonstration-imitation effect (knowledge diffusion), competition effect (updating of technology), foreign linkage effect (access to export markets), training effect (movement of staff). Foreign companies induce local suppliers to meet higher quality standards by providing technical assistance and training. Technology transfer translates into higher technological content of exports. This results in increased competitiveness and better export opportunities for the host country.

The beneficial role of FDI for the increase of competitiveness of Central and Eastern European (CEE) economies is advocated by various researchers (see for example Cantwell and Piscitello, 1996). In this region, Hungary is the prime exponent for a consistent growth of exports due to foreign investment, as most of the initial FDI took place in manufacturing. As a result, Hungary has rapidly gained market shares internationally (UNCTAD, 2002). In other countries, such as the Czech Republic or Poland, exports increased at a more moderate pace compared to FDI inflows. In Hungary, as well as in other CEE countries, the inclination to export has been higher for foreign affiliates than for domestic firms (Hunya, 2000). Nevertheless, Resmini (2000) who based her analysis on data of European firms' FDI in CEE countries suggests that market and strategic issues prevail on export-oriented FDI. However, even if we give credit to the superior export performance in the case of foreign affiliates, it is definitely coupled with a higher import propensity. Thus, FDI has generally tended to expand international trade of the host country, but its outcome on the trade balance is difficult to measure.

2. AN ANALYSIS OF ROMANIAN EXPORTS

Taking into account the period 1997-2007 we notice that Romania's foreign trade has risen constantly, but mainly due to the disproportionate growth of imports in the last few years (figure 1). This led to an ever increasing trade deficit (no year with a trade surplus has been recorded in the last decade) amounting to almost \$19 billion in 2006, or 15.4% of GDP.

The composition of Romanian exports has changed over time. Typically, textiles and clothing have represented the major export products in the transition period (about one-fourth of all exports). Romania became the third major exporter of textiles to the EU, behind China and Turkey. Textiles have lost their top spot in Romania's exports in the past two years due to the extraordinary development of machinery, triggered mainly by automotive parts and other industrial components (figure 2). Steel and various metals have also been an important product category

in Romania’s exports throughout the last decade and they even managed to increase their share, surpassing textiles recently. Another major product category that has increased rapidly in the last years and climbed its way up the export chart is that of vehicles, especially after French company Renault acquired the Romanian car maker Dacia. The fifth spot in Romanian exports is claimed by minerals, which improved their position once the oil industry witnessed a steady development.

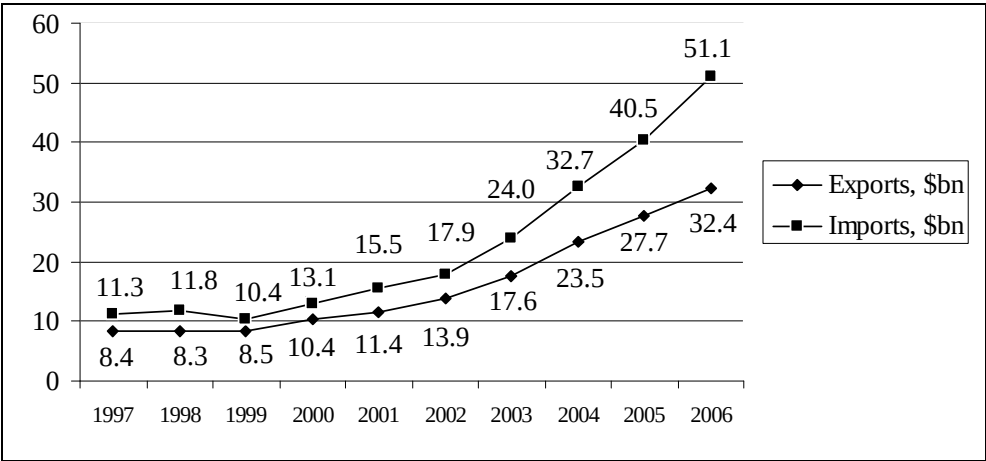


Fig. 1. The evolution of Romania’s foreign trade

Source: Compiled from National Institute of Statistics (1998-2007)

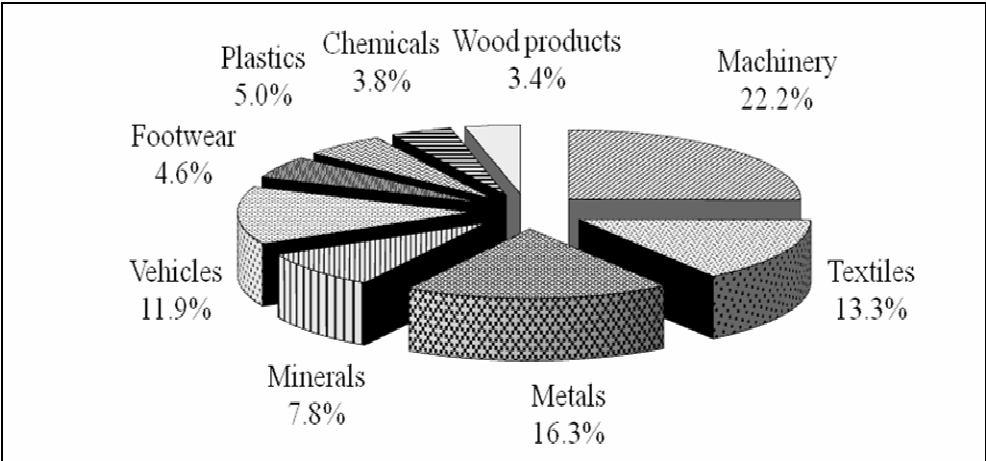


Fig. 2. The distribution of Romanian exports on product categories, 2007

Source: Adapted from the Ministry of Economy and Trade (2008)

The sectors in which Romania has revealed a comparative advantage over the last years are pointed out by calculating the specialization index. The index measures the country's revealed comparative advantage (RCA) in exports according to the Balassa formula (1965):

$$RCA = \frac{\frac{x_j^i}{\sum_{j=1}^n x_j^i}}{\frac{x_j^w}{\sum_{j=1}^n x_j^w}} \quad (1)$$

where: x_j^i = exports of product j of country i, x_j^w = world exports of product j.

The index compares the share of a given sector in national exports with the share of this sector in world exports. Values above 1 indicate that the country is specialized in the sector under review. Data in table 1 suggests that Romania is specialized predominantly in metals, textiles & clothing and in a less obvious manner in machinery and automotive products. Even if footwear or furniture (traditional areas of specialization for Romania) lost ground to higher value-added exports, the concentration of Romanian exports still lies on sectors with low productivity and weak technological intensity (textiles and clothing), or high energy consumption (steel). This has represented a worrying matter throughout the years for policy-makers. With Romania joining the EU in 2007, there are signs that the composition of exports is improving with new, higher-technology sectors broadening the portfolio.

Table 1.

Specialization index of Romanian selected sectors

	2000	2007
Fuels and mining products	0.6	0.4
Iron and steel	7.0	4.7
Chemicals	0.8	0.8
Machinery	0.5	1.7
Automotive products	0.4	1.4
Textiles and clothing	4.2	3.2
Other semi-manufactures	1.0	0.7

Source: Own calculations based on data from the Ministry of Economy and Trade (2008) and WTO (2008)

Another form of measuring comparative advantage is to calculate the RCA in its “domestic” (internal) meaning. A product is considered to reveal comparative advantage if it is traded more efficiently as compared to the average trade performance of the respective country. RCA of country i is derived from the formula:

$$RCA_i = \ln [(x_j / m_j) / (X / M)] \quad (2)$$

where: x_j = exports of product j , m_j = imports of product j , X = total exports, M = total imports. Positive values indicate areas of comparative advantage, negative values indicate comparative disadvantages. As pointed out by data in table 2, the most pronounced comparative advantage in the case of Romania has been registered in wood products, but it has decreased, leaving footwear at the top. Other areas of comparative advantage are metals, textiles and furniture, as highlighted by the specialization indexes above. Chemicals and leather products have always been a source of comparative disadvantage, as well as minerals and machinery, but the position of these last two sectors is improving in time.

Table 2.**Comparative advantages and disadvantages in Romanian exports**

	1997	2001	2006
Fuels and mining products	- 1.03	- 0.73	- 0.34
Iron and steel	1.13	0.59	0.42
Chemicals	- 0.22	- 0.57	- 0.62
Machinery	- 0.96	- 0.43	- 0.17
Vehicles (transport equipment)	0.44	0.02	- 0.15
Textiles and clothing	0.50	0.48	0.69
Furniture	1.21	1.11	0.31
Footwear	1.53	1.66	1.69
Leather products	- 1.14	- 0.95	- 0.74
Wood products	2.14	1.88	1.29

Source: Compiled from Voinea (2002) and own calculations

3. THE EVOLUTION OF INWARD FDI IN ROMANIA

Romania performed poorly in attracting FDI compared to other transition countries and to initial expectations, taking into consideration that it is the second largest country in Central and Eastern Europe after Poland. Inward FDI stock reached the \$10 billion benchmark in September 2003, late after Poland, Hungary or the Czech Republic. Despite the steep growth of FDI inflows in the last 3 years (see figure 3), FDI stock represented only 32.2% of GDP in 2006 (the highest figure so far)³, so its impact on the growth of the economy has to be considered a limited one, especially in the period until 2004.

³ Inward FDI stock reached up to only 20.5% of GDP in 2002 (last position among CEE accession countries to the EU) and 24.7% of GDP in 2004.

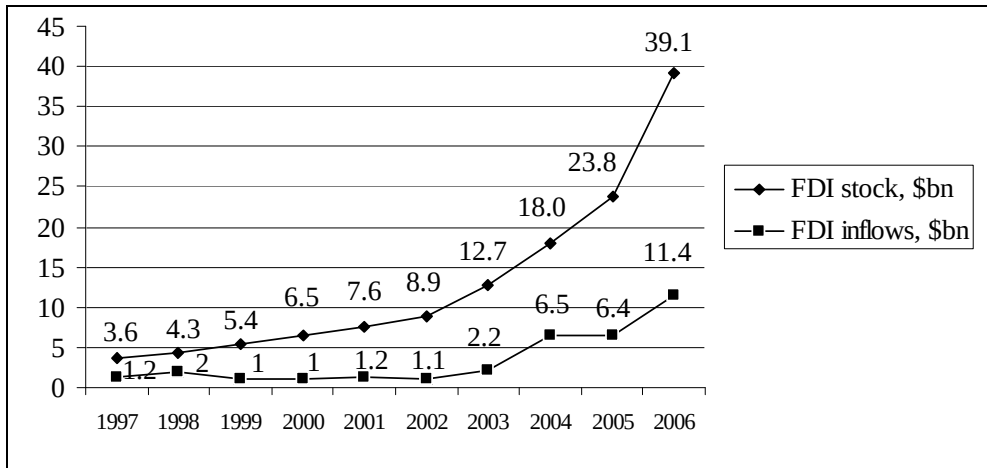


Fig. 3. The evolution of FDI in Romania

Source: Compiled from UNCTAD (2002, 2006) and the Romanian Agency for Foreign Investment (2007)

The reasons for Romania's poor performance in attracting FDI comprises a long list of factors (see Bonciu and Dinu, 2001; Marinescu, 2003) but certainly one of the most important has been the delay in reforms and the slow pace of the privatization process. As various studies have shown (Bonciu and Dinu, 2001; Hunya, 2000), the amount of FDI inflows to CEE countries has been very closely linked to privatization deals. Romania started its "large" privatization scheme in 1997, closing just minor deals until that year. Consequently, FDI flows have been under the \$1 billion mark each year during 1990-1996.

This link between FDI and privatization is also the explanation for the relatively higher amount of FDI in 1998, when a major stake in the Romanian national telephone operator has been sold and also for the high figures for 2004, 2005 and 2006, when the largest Romanian company – Petrom (the national oil company), and various energy and gas companies have been transferred from the Romanian state to foreign ownership. The outstanding inflows of 2006, the best year for FDI so far, are based on the privatization of the largest bank – the Romanian Commercial Bank (BCR). The control stake was sold for EUR 3.75 billion to Austria's Erste Bank in a deal concluded in December 2005.

In the distribution of FDI by sectors within the Romanian economy, industry still holds the top spot, with 50% of all inward FDI (figure 4). Unlike in other CEE countries, where services are in the lead, in Romania they attracted below 50% of all FDI, despite the large investments in telecommunications, banking and insurance, especially in the last few years. Up to the mid 1990s, trade

has been the major destination for FDI. Afterwards industry has started to gain in importance, first the food sector, than the steel industry and automotive industry performing well in attracting FDI.

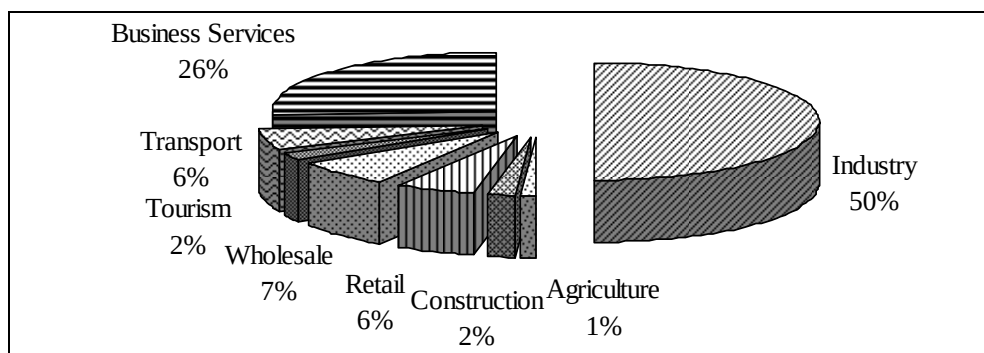


Fig. 4. The distribution of FDI in Romania on sectors, 2006

Source: Adapted from the Romanian Agency for Foreign Investment (2007)

4. THE RELATIONSHIP BETWEEN FDI AND EXPORTS

The European Union stands out as the main investor in Romania, with 65% of the FDI stock at the end of 2006, as well as the main trade partner (68% of Romanian exports and 63% of imports)⁴, but member countries of the EU that top the investor chart do not necessarily top the trade chart as well (table 3). Oddly enough, the number one investing country in Romania from the 1990s onwards has been The Netherlands, and this position is mainly based on greenfield investments. Austria took the first spot in 2006, after increasing its stake in the Romanian economy in an accelerated pace in the last few years by making assiduous acquisitions in the banking and insurance sector. A peculiarity is that the USA holds just 1.8% of the FDI stock in Romania and Japan has an insignificant share.

Analyzing the evolution of FDI inflows in Romania relative to the evolution of exports over the last 10 years, several interesting points emerge. As we can clearly observe, there seems to be no statistical relationship between the two series of data (figure 5). Inward FDI was almost double in size in 1998 compared to the previous year and the following four years, but exports did not follow suit, resting constant and then starting to increase only when the economy has grown significantly, from the year 2000 onwards.

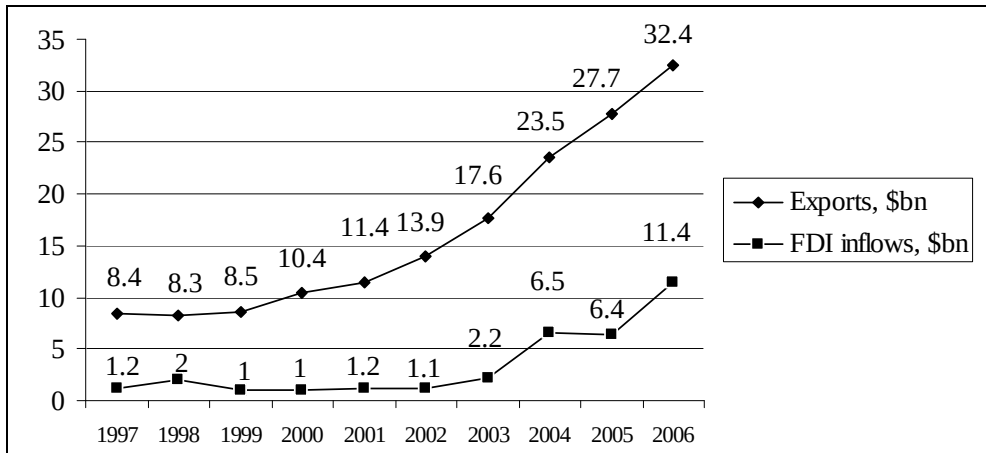
⁴ According to data from the Romanian Agency for Foreign Investment and the National Institute of Statistics

Table 3.**Top 10 export partners and investing countries in Romania (2006)**

Rank	Main export partners	Main investing countries
1.	Italy (17.9%)	Austria (23.0%)
2.	Germany (15.7%)	The Netherlands (17.1%)
3.	Turkey (7.7%)	Germany (10.1%)
4.	France (7.5%)	France (8.0%)
5.	Hungary (4.9%)	Greece (7.8%)
6.	United Kingdom (4.7%)	Switzerland (6.9%)
7.	Bulgaria (2.8%)	Italy (6.7%)
8.	Austria (2.7%)	Cyprus (4.8%)
9.	USA (2.6%)	Hungary (1.9%)
10.	The Netherlands (2.5%)	USA (1.8%)

Source: Compiled from National Institute of Statistics (2007) and the Romanian National Bank (2007)

FDI flows tripled in 2004 compared to 2003, but again, exports rose in a less flamboyant manner, just in line with the growth registered in the previous year. The growth rate of exports even decreased in 2006, despite FDI flows registering much higher values in 2004 and 2005 compared to the years before and booming in 2006.

**Fig. 5.** The comparative evolution of FDI inflows and Romanian exports

Source: based on data from the National Institute of Statistics (1998-2007), UNCTAD (2002, 2006) and the Romanian Agency for Foreign Investment (2007)

Analyzing the correlation between the dynamics of FDI stock and exports we can find that there is a poor link between the two variables. In order to do this analysis we took into consideration the increasing ratio of every variable compared to the previous year (table 4).

As we can see in table 4, the increasing ratio of FDI stock is significantly superior to the increasing ratio of exports in almost every year of the analyzed period of time, excepting the year 2000 when the exports increase exceeds FDI stock increase. Even if it seems to be a direct correlation, the differences of the figures might lead us to the conclusion that this correlation is very low in intensity.

In order to have an intuitive image of this correlation we scattered the pairs of dots resulted from the association of the considered increasing ratios (figure 6). The poor correlation between the analyzed variables is revealed by a very large spreading of dots on the chart surface, with no trend which can be estimated by a specific curve.

Table 4.

Increasing ratios of FDI stock and exports

Year	FDI stock	Exports	Increasing ratio	
			FDI stock	Exports
1997	3,6	8,4	-	-
1998	4,3	8,3	19,4%	-1,2%
1999	5,4	8,5	25,6%	2,4%
2000	6,5	10,4	20,4%	22,4%
2001	7,6	11,4	16,9%	9,6%
2002	8,9	13,9	17,1%	21,9%
2003	12,7	17,6	42,7%	26,6%
2004	18	23,5	41,7%	33,5%
2005	23,8	27,7	32,2%	17,9%
2006	39,1	32,4	64,3%	17,0%

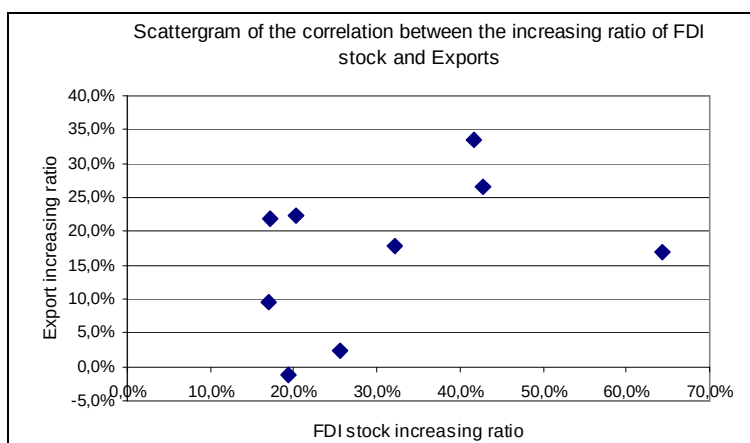


Fig. 6. Correlation between increasing ratios of FDI stock and exports

Our conclusions are also sustained by the value of Pearson correlation coefficient, calculated based on the data regarding FDI stock and export increasing ratios (table 5).

Table 5.

Significance of Pearson correlation coefficient

Correlations

		FDI stock	Exports
FDI stock	Pearson Correlation	1,000	,389
	Sig. (2-tailed)	,	,300
	N	9	9
Exports	Pearson Correlation	,389	1,000
	Sig. (2-tailed)	,300	,
	N	9	9

The Pearson correlation coefficient, obtained by using SPSS system, has the value of 0.389, quite close to 0, which indicates a poor correlation between the analyzed variables. Taking into account also the statistical significance of this coefficient we can conclude that the two variables are not correlated. The significance level (Sig. 2-tailed) has the value of 0.3, which exceeds the significance level of 0.05 corresponding to a 95% confidence level.

These findings lead us to the conclusion that at least from a statistical point of view, the link between exports and FDI does not seem to manifest itself in the case of Romania. This is also true if we consider that the overall share of foreign affiliates in manufacturing exports has been typically very low (33.4% in 1999, compared to 88.8% in Hungary and 59.8% in Poland)⁵. But the influence of FDI on the competitiveness of Romanian exports can be found from a qualitative point of view. A lot of Romania's industrial sectors were plagued by inefficiency, outdated technology and a bad price / quality ratio for products. Enterprises also lacked international marketing skills. That is why FDI became essential, as it brought much-needed technology, management skills, higher productivity and the ability to access new markets, due to the logistic networks controlled by TNCs. FDI has also helped several enterprises to avoid bankruptcy and to continue exporting.

An additional question arises if the sectors displaying the largest amounts of FDI have also strengthened Romania's comparative advantage over time. As industry is paramount for export commodities, we look at this category in more detail.

⁵ See Dumitriu, I., Hunya, G. (2002) for more details.

Thus, of all industries, metals have attracted the highest amount of FDI (8.3% of total FDI stock), one of the areas Romania is mostly specialized in (see table 1), yet comparative advantage is decreasing in this sector (see also table 2). In the fuels and mining industry, with a share of 6.1% in total FDI, the situation has improved over the years. Still it is clearly one of the areas with comparative disadvantage. The food and beverages sector, which attracted 5.5% of total FDI, is one mainly domestic market-oriented, with insignificant exports and as well an area of comparative disadvantage. For chemicals and vehicles (4.5% and 4.1%, respectively in FDI), not only they are in a position of disadvantage, but the RCA index is declining over time. So evidence shows us that FDI is actually helping out sectors with comparative disadvantage (with the exception of steel) and not strengthening those with comparative advantage. A study by Voinea (2003) confirms that the five sectors receiving most of the FDI inflows are also among those with the highest foreign penetration (share of foreign affiliates in total sales) and explains that the lower presence of FDI in wood products, textiles and footwear (areas of comparative advantage for Romania) is outbalanced by the wide-scale use of subcontracting practices through intermediaries.

Useful hints on the relationship between exports and inward FDI are provided also by the rankings of Romania's largest companies and of its main export companies. In each ranking, four companies out of the top ten belong to the oil industry, witnessing an important growth recently due to the soaring of oil prices. Additional major exporters stem from the steel industry, automotive industry, electronics and chemical industry. Five out of the ten largest companies can be also found in the ranks of the top ten exporters.

When investigating the nature of ownership of these companies we notice that eight of the top ten exporters and all the ten largest companies in Romania are foreign-owned. A first glance on this chart could easily lead to the mistaken conclusion that foreign ownership has played an utmost role in boosting exports. But, under closer scrutiny one can observe that at least four of the largest companies in Romania are mainly domestic market-oriented and not export-oriented, namely Metro (German cash-and-carry retail chain), Orange (mobile phone operator, under French control), Vodafone (mobile phone operator, UK-based) and Distrigaz Sud (now owned by Gaz de France).

Even the two largest companies in Romania – oil company Petrom (sold in 2004 to Austrian OMV) and steel company Sidex (bought in 2001 by steel giant Ispat, afterwards renamed ArcelorMittal) which also lead the exporting chart, have not reached the top spots after they came under foreign ownership. They led the export rankings consistently even before FDI started to gain momentum in Romania. A similar situation can be identified for other important exporters.

Thus, the overall impression is that FDI has not boosted Romanian exports to the extent touted by many. One major example though where FDI from the EU has played a chief role for the export-orientation is the automotive sector and especially the Automobile Dacia company. The national car maker, bought 1999

by Renault, exported close to zero in the last years before privatization and since the launch of the Logan brand by Renault at the end of 2004, exports have been increasing at a fast pace (from 16,305 exported cars in 2004 to 88,931 units in 2006 and more than 172,000 exported units in 2008)⁶.

5. CONCLUSIONS AND POLICY RECOMMENDATIONS

A series of conclusions can be drawn on the link between inward FDI in Romania and the country's exports. Research has shown that the presence of FDI generally increases the efficiency of the respective sectors: foreign-owned enterprises are characterized by higher productivity, better management and higher propensity to export compared to domestic firms⁷. But, in the case of Romania, no statistical relationship could be found between the evolution of annual FDI inflows and exports. Witness to this is the relatively small foreign penetration rate. With the exception of metal production, the largest amounts of FDI were oriented towards sectors with comparative disadvantage and did not develop further the comparative advantage that Romania holds in low value-added sectors. Inward FDI aimed first at resource-based industries then it began to move to more technology-intensive industries, as is the case with the automotive industry.

The largest FDI privatized mainly industrial companies with already above average export propensity or were directed towards various services (telecommunications, banking) and trade, which are typically domestic market-oriented sectors. Thus, in the case of Romania, FDI seems to be rather market-driven than export-driven. This is partly understandable due to the large size of the Romanian market (22 million people) and many underdeveloped consumer and service sectors. However, the significance of FDI for the increase of exports is not as high as the literature has advocated (Dumitriu and Hunya, 2002, Javorcik et al., 2004). Also, the impact of FDI on the foreign trade balance was not necessarily beneficial. Evidence shows that the increasing export-competitiveness of foreign-owned enterprises came along with increasing import-demand, worsening Romania's trade deficit over time. Nevertheless, the role of FDI in Romania should not be underestimated, as its contribution was quite impressive from a qualitative point of view. Positive spillovers to local firms include enterprise development and restructuring, enhanced competition on the domestic market, integration into international trade and logistics networks as well as the implementation of a business-oriented culture and modern work mentality.

The improvement of Romania's export competitiveness can be managed with a strategic approach both for attracting FDI and stimulating exports. Legal and macroeconomic stability represent the prerequisites for a better performance in attracting FDI and for a better export performance by domestic firms, together with

⁶ Dacia – *Press Releases 2006-2009*, www.daciagroup.com

⁷ See also Boşcaiu, V., Mazilu, A. (2001), Hunya (2000), Voinea (2003)

the focus on an improved and investor-friendly business environment. This implies identifying and reducing procedural steps, administrative barriers and transaction costs. Easing the access of SMEs to finance and export credits is definitely a priority. Solid support measures of promotional type could facilitate the entry of domestic firms and their export products on foreign markets, once fiscal incentives can be no longer granted according to EU rules. The adoption of an active promotion policy is needed for attracting FDI as well. The Romanian Agency for Foreign Investment should strive to open foreign offices in key cities of the developed world and to contact major investors, committed to long-run investments, directly at the source. The identification of target countries for FDI would be a useful tool, as some of the world's top-investors, such as Japan or the US are underrepresented in Romania.

The emerging cluster in the automotive industry, featuring car assembly and production of a wide range of components should be boosted further by the sale of the former Daewoo plant, now Automobile Craiova to Ford in 2008. Thus, a second pillar beside Renault could trigger the development of the Romanian automotive industry and its exports. Clusters can also be encouraged in selected dynamic areas as software (with a significant growth in the last years), tourism (with a performance well below its potential) or in sectors for which Romania has a long-lasting export tradition e.g. furniture and wine. Enhancing the export competitiveness of such sectors involves the implementation of a well-designed branding and continuous promotional process. This process should be coordinated by regional authorities together with producer and trade associations.

In order to guide the move of inward FDI towards higher-technology intensive sectors and to increase the value-added content of exports, there is a need for a step-by-step changeover to those dynamic products in world trade for which Romania owns adequate resources, human capital and specific skills. To accomplish such a task, policy-makers should eliminate market failures that impede the formation of linkages between domestic firms and foreign affiliates or regional networks, encourage domestic sourcing by foreign-owned companies and upgrade existing linkages so as to generate positive spillovers from FDI in the Romanian economy. Training courses offered to employees of domestic firms, for instance in supply chain management, quality, safety and environmental norms as well as in project management for a better absorption of EU-funds are badly needed to bridge the knowledge gap between foreign affiliates and local firms and to improve the export performance of Romanian goods.

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ANALISIS OF THE EMPLOYERS' ANTICIPATION REGARDING THE CHANGES THAT ARE LIKELY TO OCCUR IN THE ROMANIAN MANUFACTURING INDUSTRY COMPANIES

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ABSTRACT. Lifelong learning represents an important factor in the accommodation process of the firms' activity to the market changes. The introduction in the economy of new technologies imposes the necessity to continuously improve the level of labor force qualification. If some years ago people thought that their abilities and qualifications would allow them to stay employed many years without any problems, today they have to understand that the abilities, with which they entered on the labor market, will not be sufficient during their active life. From this reason, the education and training, even if they are carried on at their work place, in formal or informal systems, have to be always in the attention of the employees, because they represent for everybody the key for their personal development and career evolution. The present paper aims to analyze the employers' anticipations regarding the future development of their own companies, the changes that are likely to occur and the implication of these upon the employment level in their companies. For this analyze data were collected based on questionnaires and were processed with SPSS 11.0 software.

Keywords: *professional training, employment, unemployment.*

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Introduction

Participation in lifelong learning programs is vital as it will improve people's knowledge and skills helping employees safeguard their jobs, but also improving the employment prospects of those who are unemployed.

Besides this problem of unemployment, the changes intervened in the demographic structure – through the increase of the older people in the total population of a country – reinforce the importance of the attendance to lifelong

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learning programs, especially among the adult population. The challenges of these demographic changes have some implications upon the educational and training system, appearing from the necessity to encourage people to attend lifelong learning courses, which will grant them the possibility to be active on the labor market for a long period of time.

People have, on the one hand, to continuously improve their knowledge and abilities through attendance to educational and training programs, and, on the other hand, to be able to apply them in different situations, if they want to be employed and to stay longer on the labor market. Therefore, the education does not represent a process that takes place from the age of 3 to 22 years, but it represents a lifelong learning process.

Taking into account the importance of professional training, both for the employers and the employees, we have undertaken a study on *employees' professional training in companies of the processing industry*. The main goal of the present study is the analysis of the demand for continuous professional training among employers and employees in these companies and the efficacy of these training programmes. In this paper we are going to analyze the employers' anticipations regarding the future development of their own companies, the changes that are likely to occur and the implication of these upon the employment level in their companies.

In Romania studies have been made concerning the characteristics of continuous professional training (INS 2001) and the demand and offer of continuous professional training (INCSMPS, 2004; MMSSF, 2004). Thus the *Probing study on demand for continuous professional training*, made as part of component 2 of the PHARE project of *Institutional Twinning – Assistance for the consolidation of policies concerning continuous professional training*, has aimed at analyzing the demand for CPT with employers and employees of two economic sectors – tourism and constructions. Research on certain aspects regarding professional training of the employees was undertaken as part of a study made by Osoian 2004, *A Practical study on occupying and using human resources at territorial level* focusing on active industrial firms in the county of Cluj. Similarly, as part of the research study centered on the *Impact of direct foreign investments in the processing industry upon the occupation of labour force*⁴¹, certain aspects concerning the professional training of the employees' of these firms have been analyzed.

Material and Methods

In order to analyze how lifelong learning is organized in companies from the manufacturing sector, we made a study during the period 2007-2008. The study was carried out as part of the research project on “*Unemployment in Romania – present and perspectives*”⁵, between 2007-2008.

⁴ Project coordinator - prof Maria Bîrsan, 2006-2007

⁵ Grant CNCISIS, type TD, no. 63, project coordinator - Carmen Maria Guț, 2007-2008.

The study has aimed at analyzing the demand for continuous professional training among employees and employers of the manufacturing industry, following the pattern of the one carried out by INCSMPS⁶ (2004). For the purpose of this study two types of questionnaire were drawn up: one for employers and one for employees.

The period encompassed by the study was 19th November 2007- 20th January 2008. Most questionnaires (95%) were administered directly and only a small part (5%) through e-mail addresses of the firms.

In carrying out the study we focused on companies in the manufacturing sector, NACE 15-37. In order to make sure the firms are active and to check if they handed in their financial reports for the previous year (2006), we accessed the site of the Ministry of Economy and Finance (www.mfinante.ro). The data obtained through questionnaire were processed with SPSS 11.0 programs.

Results and Discussions

The employers' anticipations regarding the future development of their own companies, the changes that are likely to occur and the factors that will induce these changes are presented in the tables below:

Table 1

The employers' perception regarding the changes that are likely to occur in the activity of their own companies

Do you consider that there will be changes in the activity of the company in the future?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	no	65	31.0	31.1	31.1
	yes	144	68.6	68.9	100.0
	Total	209	99.5	100.0	
Missing	System	1	.5		
Total		210	100.0		

Source: own calculation

Table 2

The principal factors that will affect the activity of the companies in the future

	Factori	Total (%)
1.	Factors of technological order	39,5
2.	The change in consumers' demands	37,7
3.	Reorganization of the companies activity	11,2
4.	Changes of legislative order	11,6

Source: own calculation

⁶ National Institute of Scientific Research in the field of Work and Social Network

Analysis of Tables 1 and 2, shows that almost 70% of the employers expect future changes to occur in the activity of the company, mainly due to *factors of technological order*. As a consequence we consider that a firm cannot cope with technological progress unless it offers its employees continuous training. Taking into account that introducing new technologies in the process of production requires continuous improvement of the qualification level of labour force we consider that education and professional training needs special consideration from employees and employers as well.

Second comes *the change in consumers' demands*. Consequently, in order to become and stay competitive Romanian companies need to work out a consistent and viable strategy that would lead to constant growth of effectiveness, to the improvement of the quality and image of their own products and to the reduction of production costs. In order to accomplish this, they need to engage more in research and development activities, to invest in new technologies and to improve management techniques, since as stated by Dan Coanda, sales manager at the Brother Romania company, in an interview given to the "Dialog Textil" magazine, "the companies that invest in high tech machines and technology, have higher chances to stay on the market longer."⁷

In order to benefit of certain advantages, as compared to other countries, Romanian companies have to focus on creating brands of their own, on quality and time saving in production and delivery and not to insist so much on low staff related costs. In the same way, they have to orient towards producing short series, that is to say to adopt a rapid style, since big orders that do not require short term delivery are transferred to other countries where labour force comes cheaper (such as China for textile and ready made articles).

In the past, when companies based their activities mainly on production in the *lohn* system, the future of the business was dependent on the client, market, customs duties, while today, in order to survive on the market and to cope with foreign competition, Romanian companies need to work out viable long term strategies, to invest in new technologies, to focus on productivity, quality and adaptiveness.

The way in which these changes will affect the number and structure of the staff in the processing industry is revealed by the employers' answers to the question – *What impact will these changes have on the number and structure of the staff?*

But we must not forget that the present financial standing of the companies is reflected also in their expectations regarding the evolution of the number of employees working for them. (Table no. 3)

⁷ Dan Coandă, (2001), "About the Romanian textile industry", *Dialog Textil*, Nr. 6, p.1, <http://www.dialogtextil.ro/>, date of access: 15.07.2006.

Table 3

The employers' expectations regarding the evolution of the number of employees

The evolution of the number of employees * Which is the financial standing of your company?
Crosstabulation

			Which is the financial standing of your company?			Total
			very good	good	precarious	
The evolution of the number of employees	will increase	Count	19	37	1	57
		% within	48.7%	30.6%	50.0%	35.2%
	will decrease	Count	2	21	1	24
		% within	5.1%	17.4%	50.0%	14.8%
	will be the same	Count	4	17		21
		% within	10.3%	14.0%		13.0%
	cannot give any estimate of their future vacancies	Count	14	46		60
		% within	35.9%	38.0%		37.0%
Total	Count	39	121	2	162	
	% within	100.0%	100.0%	100.0%	100.0%	

Source: own calculation

More than one third of the employers expect the number of their employees to grow in the future, while 14.8% expect a cut down on staff. Analysis of firms per NACE sections (table no. 4) shows that most firms that expect a cut down on staff in the future are those in the textile, clothing and footwear industry (NACE code 17-19), due to the high number of companies in this section working in the Lohn system. It has to be mentioned that a great number of companies (37%) cannot give any estimate of their future vacancies, especially companies of composite book publishing (NACE code 22), those of the means of transport (NACE code 34-34), machines and equipment (NACE code 29) industry, and those of the textile, clothing and footwear industry (NACE code 17-19). This can be put down to frequent changes in the economy and at company level.

Table 4

The employers' expectations regarding the evolution of the number of employees, on
NACE Sections

NACE Sections * The evolution of the number of employees
Crosstabulation

			The evolution of the number of employees				Total
			will increase	will decrease	will be the same	cannot give any estimate of their future vacancies	
NACE Sections	15-16	Count	10	1	2	6	19
		% within	52.6%	5.3%	10.5%	31.6%	100.0%
	17-19	Count	11	10	3	20	44
		% within	25.0%	22.7%	6.8%	45.5%	100.0%
	20	Count	3	2	3	2	10
		% within	30.0%	20.0%	30.0%	20.0%	100.0%
	21	Count	1				1
		% within	100.0%				100.0%
	22	Count				3	3
		% within				100.0%	100.0%
	23-25	Count	8	1	4	3	16
		% within	50.0%	6.3%	25.0%	18.8%	100.0%
	26-28	Count	9	4	4	13	30
		% within	30.0%	13.3%	13.3%	43.3%	100.0%
	29	Count	1	1	4	6	12
		% within	8.3%	8.3%	33.3%	50.0%	100.0%
	30-32	Count	4		1	2	7
		% within	57.1%		14.3%	28.6%	100.0%
	33	Count	2				2
		% within	100.0%				100.0%
	34-35	Count		1		2	3
		% within		33.3%		66.7%	100.0%
	36	Count	7	4		2	13
		% within	53.8%	30.8%		15.4%	100.0%
	37	Count	1			1	2
		% within	50.0%			50.0%	100.0%
Total		Count	57	24	21	60	162
		% within	35.2%	14.8%	13.0%	37.0%	100.0%

Source: own calculation

As far as types of qualifications required by employers in the future are concerned, results are shown in the table below:

Table 5

Labor demand by qualification

In a future perspective, what kind of qualifications will be mostly requested in your company?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	low qualification	6	2.9	3.7	3.7
	medium qualification	87	41.4	54.0	57.8
	high qualification	68	32.4	42.2	100.0
	Total	161	76.7	100.0	
Missing	System	49	23.3		
Total		210	100.0		

Source: own calculation

In the coming years requirements of the employers will be oriented mainly towards medium education level (41.4% of the total number of employers questioned are looking for this) and high education level staff (32.4%). Only 2.9% of the employers involved in this study will need low qualification staff in the future.

The same orientation tendencies of the employers' demands ranging from low qualified workers through medium and highly qualified staff can be noticed in other countries as well, as it appears in different studies. For instance, Robert Stehrer (2004) drew up a prognosis regarding the evolution of occupation and work demand according to the level of qualification and education of labour force between 2002-2012. This prognosis predicts that in the years to come in all new EU member states the demand for low qualified workers will drop and high qualification will be more required. As far as Romania is concerned, in the next ten years (2002-2012) it is expected that about 35% of the low qualified workers would lose their jobs, while the demand for highly qualified employees will rise with 3%.

Similarly the study entitled "*The Scottish Labour Market 2003*" points out that on the long run there is a tendency of orientation towards jobs requiring medium or high qualification to the detriment of low qualification. Shah and Burke (2006) points out that "occupation will grow more rapidly among high qualification jobs as compared to low qualification ones".

Keeping in mind these increasing tendencies of labor demand for workers with a medium and high level of qualification, these are, on one hand, the risk of exclusion of the unemployed whose qualifications do not fit the employers' demand and, on the other hand, the possibility that unskilled workers or with a low level of qualification to become unemployed. That is why, it is necessary that persons with a low level of qualification should participate to lifelong learning programs.

Taking into account the changes that companies expect in the future, we consider that for a better adaptation to them a better training of the staff would be

needed. Also, we consider that if companies trained their own employees, they would enjoy a higher stability of the staff, since these are more loyal than previously trained ones.

But, the development of lifelong learning programs must take into consideration the present and future demand of the labor market, identifying the areas of expertise and skill-sets that individuals must acquire. This should lead to a better correlation between labor demand and labor supply.

Conclusions

1. The majority of employers (almost 70%) expect future changes to occur in the activity of the company, mainly due to factors of technological order and to changes in the consumers' demand.
2. As far as the occupation level at the company is concerned more than one third of the employers expect the number of employees to grow, while 14.8% expects a reduction of staff. However it has to be mentioned that an important number of companies (37.0%) cannot presently give any estimate regarding the evolution of vacancies at the firm, due to continuous changes in economy and at company level.
3. In the next years employers will orient their demand toward medium and/or high qualification staff and only a tiny part of the employers questioned (2.9%) will need low qualified people.

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THE ANALYSIS OF THE BOOK MARKET IN ROMANIA

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ABSTRACT. This paper is representing the results of a project research that we carried out in February 2009 entitled „The study of the tendencies regarding the book market evolution in Romania”. The analysis of the book market in Romania is based on the studying of the main book market indicators, and these are: „the titles of the books and the printed brochures”, „the copies of the school books” and „the number of university courses”, „the number of libraries” and „the number of registered readers”. The book offer in Romania faces an ascending evolution from one year to another with the readers’ diversification of the preferences and tastes. The representative company in the field says that the *book market has increased constantly in the last five years*, in the same time with the increasing turnovers. Unfortunately, there aren’t studies or statistics in this domain, as there aren’t any data to explain the cultural consumption habits of Romanians, the only information which we can refer to is represented by the ones communicated by the officials of the companies and organizations which act in this sector.

Keywords: *books market, titles, copies, turnover, registered readers, lent volumes*

1. Introduction

The book has had three significations along time: instrument, esthetic object and cult object. For the 20th century man, the book represents the symbol of culture. The book is the object that offers images from the past, as a keeper and in the same time as a faithful beholder of spirit’s destiny. For the 21st century man, the book is mainly an entertainment means of education and information which is situated in a continuous competition with the new technologies.

The book is a piece of art, but also a commodity in the same time. It has two components: a physical one (the easement: paper and/or electronically) and an

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intangible one (the content, character of information sender, the intrinsic quality through which its utility is highlighted). The book is not perishable, only in a strictly physical sense, for example when the paper easement is damaged from different causes, the contained information may be transmitted through other ageless means. The moral usage met in the case of long utilization products (for example televisions) does not take place when along the way, new procedures/ methods of calculus (which are much simple than the existent ones and above mentioned) appear. The exit from usage of a book in fact means the appearance of a new theory that invalidate or complete the existent ones, and the contained information in a certain book becomes at least an element of historical importance in the evolution of the respective (although it probably may be out of service from a significantly point of view).

The most expensive book that was ever printed until present is considered to be „The Canterbury Tales” written by Geoffrey Chaucer (1343-1400). A copy printed in 1477 was adjudicated at the Christie’s house of auction in London, in July 1990, for 4,621,500 pounds. Also in the domain of records, the larger book ever printed is „Bhutan: A Visual Odyssey across the Kingdom” (USA). It measures 1.52 x 2.13 meters, it has 112 pages, it weights 60 kilograms, and the production of a copy costs 2,000 \$. The selling price is of 10,000 \$ (the revenues are donated to a foundation).

2. Material and methods

The analysis of the book market in Romania is based on the studying of the main book market indicators, and these are: „the titles of the printed books and the brochures”, „the copies of school books” and „the number of university courses”, „the number of libraries” and „the number of registered readers”. The book offer in Romania faces an ascending evolution from one year to another with the diversification of the preferences and tastes of the readers.

3. Results and discussions

Concerning the evolution of the number of titles, we can observe an increase from 11571 titles in the year 2002, to **15566 titles in 2007**, so we find ourselves in the front of an increase of **35%** due to the diversification of the book market offer in Romania and the development of the existent demanding coming from readers.

If we follow the number of copies of the books and brochures which were printed we register an oscillatory evolution in the period of reference, with weaker periods like the year 2003 when the number of copies had a decrease of 25% in comparison with the year 2002, and the year 2006 when the number of copies decreased with 17% in comparison with the year 2005, but also periods of refresh and increase, for example an increase of the number of copies with 11% in the year 2004 in comparison with 2003 and an increase of 13% in the year 2007 in comparison with 2006.

3.1 The supply of books in Romania and the books offer in Romania

A picture of the book market in Romania for the year 2007 presented in Business Magazine gives us the right to believe that this market in its full development period may offer new opportunities to the economic agents which activate in this domain of activity. The book market in Romania, with a value of approximately 80 million Euros has a real growing potential, and as the days go by, it develops more and more.

Table 3.1 Romania, the offer for the book market in 2007

• Value: about 80 million Euros
• Publishing houses: 200, from which about 60 have a constant activity
• Bucharest: 35-40% from the total book selling
• Average copies per edition: under 5000 copies
• Coverage: 22% - the share of the ones that have in their houses maximum 20 books, 6% - the share of the ones which have over 500
• Titles: 15566
• Copies (thousands): 11028
• Libraries: 12366
• Registered readers (thousands): 4697

Source: <http://www.businessmagazin.ro/actualitate/romania-piata-cartii-in-2007>, 12.06.2007, Romania's Statistical Yearbook (2008), National Institute of Statistics

For 2008, there were already introduced in the legal deposit 6,220 titles, and for other 12,565 existing the CBP („Classification before Publication”, these books being announced by the editors as being in the process of publishing), which theoretically means a total of **19,785 de titles**.

3.1.1 Present situation

Table 3.2 The analysis of the evolution of the book market supply, on domains, between 2002 and 2007

	2002	2003	2004	2005	2006	2007
	Titles	Titles	Titles	Titles	Titles	Titles
Total	11571	12864	13288	14115	14373	15566
Social Sciences	2014	2205	2413	2724	3036	3177
Exact sciences	1159	1208	1269	1256	1162	1271
Applied sciences	2778	2913	2823	3022	2941	3133
Art and entertainment	334	467	517	522	642	702
Literature	3259	3421	3685	3842	4150	4527
Geography, history	570	702	682	637	645	748
Others	1457	1948	1899	2112	1797	2008

1)entered the legal book stock of the National Library Classification ONU-UNESCO.

Computed with the data obtained from The Romanian Statistical Yearbook, (2008) The National Institute of Statistics

As far as *the supply of books in Romania* is concerned between 2002-2007, speaking about the classification based on subjects, it has been noticed an increase in the number of titles for every domain (no matter whether they are books about social sciences, exact sciences, applied sciences, literature, geography, arts and entertainment) - a favourable approach both for the lecturers and for the specialised economic agents. In this way, the book supply is powerfully developing and all the appropriate conditions for selling and increasing profits are created.

On the other hand, the number of copies is not at all a constant variable when speaking about the classification on subjects: for social sciences, the number of copies decreases with 9.2% in 2007 compared to 2002, while for exact sciences the number of copies increases with 2%; for applied sciences the number of copies decreases with 32.7%, while books for arts and entertainment increase their copies with 57%; as for history and geography there was recorded a decrease with 2.36%, and the literature segment increased the number of copies with 11.2%. All these data are comparative, between 2002 and 2007.

Table 3.3 The analysis of the evolution of the number of copies on domains, between 2002-2007

	2002	2003	2004	2005	2006	2007
	No.of copies (thou)	No.of copies (thou)	No.of copies (thou)	No.of copies (thou)	No.of copies (thou)	No.of copies (thou)
Total	11189	8350	9288	11746	9720	11028
Social Sciences	1651	1204	1374	1518	1439	1498
Exact sciences	933	880	755	671	589	947
Applied sciences	2282	1478	1537	2069	1528	1536
Art and entertainment	284	231	653	248	336	445
Literature	3911	2314	2961	4728	3984	4351
Geography, history	550	539	439	416	442	420
Others	1578	1704	1569	2096	1402	1831
1) entered the legal book stock of the National Library Classification ONU-UNESCO.						

Computed with the data obtained from The Romanian Statistical Yearbook, (2008) The National Institute of Statistics

The oscillant evolution of number of copies can be explained by the changes in lecturers' preferences regarding different subjects, because the supply is always answering to specific demands of the market and is subject to change according to the consumers' tastes.

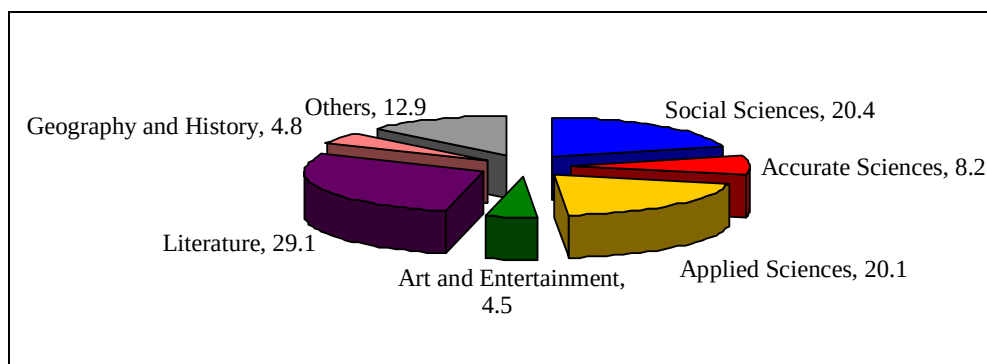


Fig. 3.1 The structure of book titles according to the field of study in 2007

Source: The Romanian Statistical Yearbook, (2008).The National Institute of Statistics

The analysis of the structure of book titles according to the field of study reveals that, in 2007, a significant percent of the total number of books was held by literature titles (29,1%), social sciences (20,4%) and applied sciences (20,1%), due to the growing demand for these topics on the book market.

Regarding the books offer, we might say that „fiction and textbooks do give a way on the market of books”. In the absence of *statistical data at the industry level*, the most credible indicator is the “*sales structure*” from the networks of the great retailers. Thus, in Diverta bookstores, the most important player on this market, the distribution on categories is the following: fiction (30%), children’s books (20%), business, economy, judicial (10%), self-educating books (10%), science, history, politics, journalism (7%), hobby (7%), dictionaries and foreign language courses (6%), school literature and collections (5%) and other genres (5%). The fiction field has experienced the most significant increases due to the large number of printing houses that have published foreign literature in the last years. Also, as it can be observed, children’s books occupy the second place in the readers’ preferences, and in the third place there are books about economy, business and judicial environment (Ciubuc, 2008). People are preoccupied by the economic and social environment; for this reason they buy books that help them better understand the financial-economical and social transformations that are occurring in our country.

The total book market has been estimated *by the main players*⁴ *at a value, in 2008, included between 600 and 100 millions euros* (Boboc, 2008), the most important competitors in this segment being the Publishing Houses Humanitas, Polirom, Corint, ALL, Nemira, RAO, Paralela 45, Teora, Curtea Veche, Trei and Egmont. But all the circulating data looking to the book market from Romania are

⁴ *the main players* = are represented by publishers, authors of books and textbooks, teachers, pupils and students, at which it can be, added the large public who likes to read and to be documented

more or less speculated, because comparing to the occidental markets, the market figures aren't permanent centralized and updated.

Looking at the sales evolution, lots of Publishing Houses confirmed the recorded increasing in the last years as is the case of Polirom, Corint, ALL, Nemira, with values between 15 and 50% from the last year sales.

Table 3.4 The sales evolution of the Romanian Publishing Houses

Publishing House	Sales (million euro)		Increasing % '07-'08	Market share (reported) '08
	2007	2008*		
Polirom	6,0	7,5	26%	>10%
All	3,3	5	50%	7,5%
Corint	5,4	6,5	20%	10%
Humanitas	4	5	25%	
Nemira		3,5		6%
Total market 60 -80 millions euro				

*Appraisals communicated by the representatives Publishing Houses

So, it can be observed that the book market increased considerably in the 2007-2008 period, in the same time with the turnovers higher with 20%-50% of the Publishing Houses.

It should be mentioned the fact that nowadays, there are interactive lessons on a multimedia support and also there are interactive games based on general culture, which are in a strong and open competition with the classical books and manuals. The teaching style of professors should be based on a combination of the traditional methods with the classical ones for a better understanding of the phenomena and the topics that are studied.

For the editors, but also for the general public that consists of loyal readers, it is important to know the forecast supply of books on the market. In this aspect, there will be analyzed the main indicators within The Yearbook of the National Institute of Statistics in Romania, edition 2008, which also includes data of the year 2007.

Thus, there will be forecasted the following indicators: "total number of titles concerning printed books and booklets, which entered in the legal book stock of the National Library" and "number of copies of printed books and booklets".

3.1.2 Forecasted situation

The supply of books and booklets on the Romanian market will be studied and forecasted by three methods: average growth method, the index of dynamic and the linear trend method.

I. Table 3.5 The forecast of the total number of printed books and booklets in Romania

Years	y Total Number of titles	$\hat{y}$, by the method		
		Linear Trend	The medium index of dynamic $\tilde{y}_i = y_i \cdot \bar{I}_{t_i}$	Average Growth $\tilde{y}_i = y_i + \bar{\Delta} \cdot t_i$
2002	11571	11794	11571	11571
2003	12864	12528	12278	12370
2004	13288	13262	13028	13169
2005	14115	13997	13825	13968
2006	14373	14731	14669	14767
2007	15566	15465	15566	15566
			Medium Index : 1,0611	Average Growth = 799
		$\sigma = 229$	$\sigma = 51,74$	$\sigma = 149$
		$v = 1,7\%$	$v = 0,3\%$	$v = 1,1\%$

The series of data is adjusted in the most favorable way, by the average index dynamic, and due to this fact we will forecast the series of data using this method:

Table 3.6 The forecast of the evolution of the total number of printed books and booklets in Romania, 2008 – 2010

Years	Books and booklets printed in Romania
2008	16517
2009	17526
2010	18597

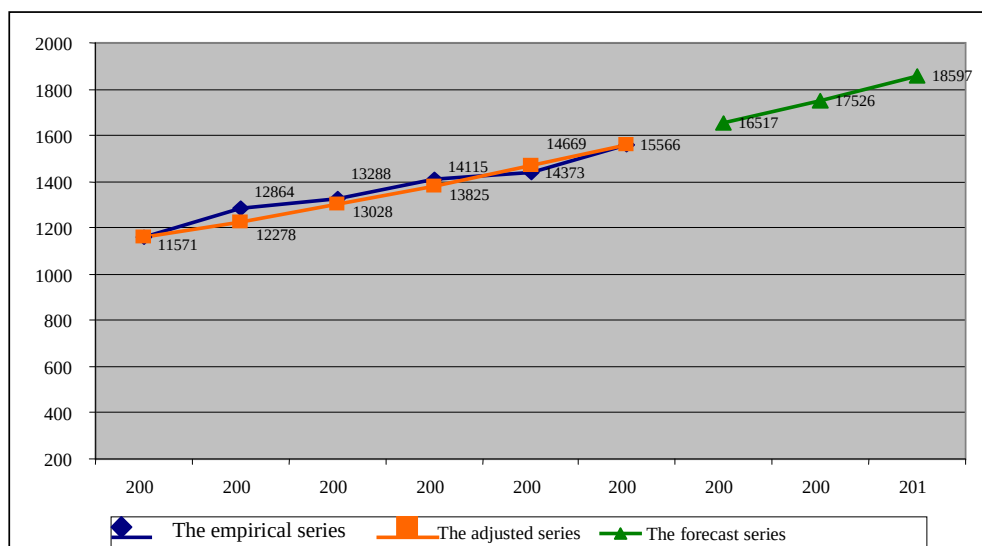


Fig. 3.2 The evolution of the total number of printed books and booklets in Romania, as a consequence of the forecast, 2008 - 2010

According to the conceived forecast, the number of printed books and booklets will encounter an upward trend, this fact being perceived as benefic for the book offer within our country. In 2010 we will have approximately 19,000 titles of books and booklets, which will enter in the legal book stock of the National Library .

II. Table 3.7. The forecast of the copies of books in Romania, for the period 2008 - 2010

Years	y Number of copies (thousands)	ŷ, by the method		
		Linear Trend	The medium index of dynamic	Average Growth
2002	11189	9808	11189	11189
2003	8350	9973	11157	11157
2004	9288	10138	11124	11125
2005	11746	10303	11092	11092
2006	9720	10468	11060	11060
2007	11028	10633	11028	11028
		-	Medium Index : 0,997	Average Growth = - 32,2
		$\sigma = 1159$	$\sigma = 1498$	$\sigma = 1499$
		$v = 11\%$	$v = 14\%$	$v = 15\%$

The series of data is adjusted in the most favorable way, by the linear trend method, and due to this fact we will forecast the series of data using this method:

Table 3.8. The forecast of the books copies in Romania, 2008 - 2010

Years	Number of books copies in Romania (thousands)
2008	10798
2009	10963
2010	11128

In what involves the number of books copies, it can be noticed the fact that the trend, resulted as a consequence of the forecast, is favorable taking into account the potential of the book market in Romania. In 2010, a number of printed books and booklets is estimated to reach 11,128 thousands copies as a consequence of the previous years in which the book market has undergone significant changes and oscillations. An indirect factor, which affects the number of copies, is represented by the high costs in what involves maintaining a printing shop. Besides the initial investment, which is extremely costly, typography needs constant investments to maintain its equipment and to purchase more printing supplies. In what involves the large circulation of books or booklets, over 500 copies, the most favorable is the classic pattern, while for a small number of copies, the most profitable option is the digital pattern (Pahoncia and Rif, 2005).

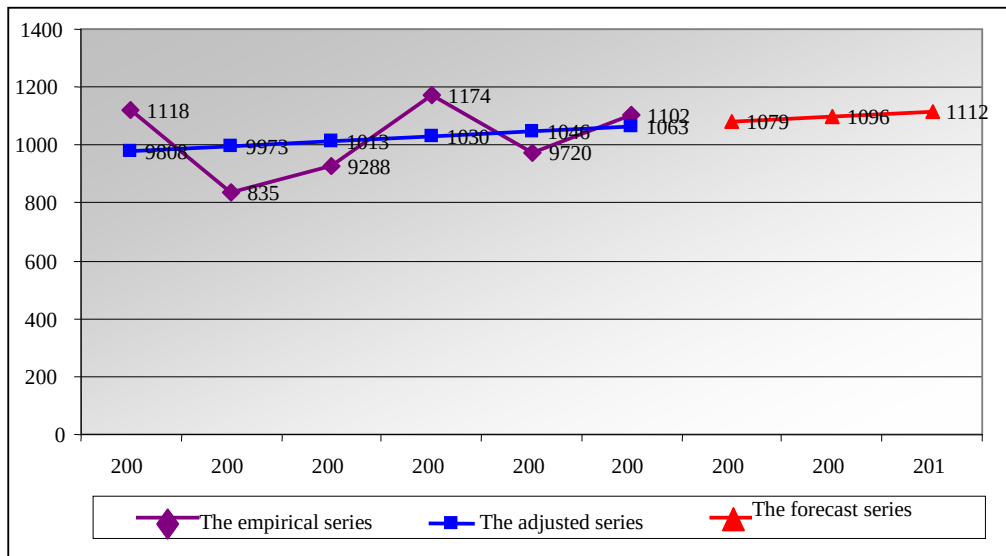


Fig. 3.3 The evolution of the number of books copies in Romania, as a consequence of the forecast, 2008 - 2010

3.2 The school textbooks and the university courses in Romania

As far as the school textbooks and the university courses were concerned, in the period 2006-2007, the situation regarding the book offer in Romania has known moments of increase but also of decrease in the period when the analysis took place, therefore, at the level of the year 2007 there were registered **174 school books titles** (with 7% less than in 2002) and **990 university courses titles** (with 34% less than in 2002).

The number of copies of school books and university courses knows a decrease from one year to another, therefore in 2007 we can notice a decrease of the number of copies of school books to 212 thousands, in comparison with 375 thousands like it was in the year 2002; and also a decrease of the number of copies of university courses to 293 thousands from 897 thousands like it was in the year 2002.

These low values are determined by the saturated demand on the market of textbooks and university courses. It is essential to mention that the private universities and colleges in need of teaching materials, alternative textbooks and university courses experienced a "boom" in 2002. The relatively small amounts registered in 2002 are partially explained by the economic recession we are confronting with, as the financial crisis has a negative impact on the budgets of students who are attending private universities.

Another important factor which sits at the basis of the decrease of the number of copies of school books and university courses is the poor financial motivation for their authors. Likewise, the book and university courses authors may refuse the reprinting of them if there is a lack of students.

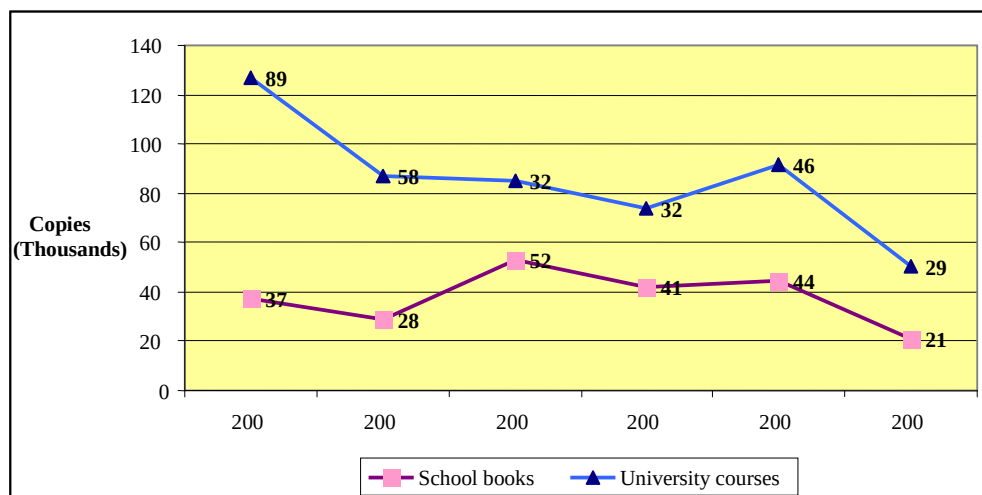


Fig. 3.4 The evolution of the number of copies of school books and university courses which were printed

Source: Romania's statistical yearbook (2008).The National Institute of Statistics

The analysis of school textbooks according to the teaching language reveals the fact that most of them are printed in Romanian (76%). However, the number of school manuals printed in Romanian decreased by 10%, from 146 titles in 2002 to 131 titles in 2007. The second position is held by the textbooks printed in Hungarian, with 19 titles (11%), while the third position is occupied by the German textbooks, with 11 titles in 2007 (6%). This fact is explained by the existence of a significant Hungarian and German minority population in counties such as Harghita, Covasna, Mures or Brasov; in some of the schools in this area, teaching is done solely in Hungarian or German.

As far as university courses are concerned, the vast majority are printed in Romanian – 876 titles in 2007, representing 88.48% of the total number of courses. The second position is held by the courses written and printed in English – 44 titles in 2007 (4.44%) – as there is a great demand for this foreign language. Many of the specialized courses and trainings are held in English, the multinational companies use the English language to establish connections with the business environment; the entire technology is delivered in English (for example the instructions of how to use various devices and pieces of equipment), thus supporting the need for courses in English. Many universities throughout the country have developed special English sections that demand adequate teaching materials. The third position is occupied by the university courses printed in French, with 17 titles in 2007 (1.72%), as Romania has a life-long tradition regarding the study of French culture and language. The fourth position is held by the courses written and printed in Hungarian (0.9%), due to the importance of the Hungarian minority.

Following the general tendency, the number of textbooks and university courses printed in Romanian has been diminishing by 10% every year, while the number of books printed for academic purposes in other languages is decreasing with an average annual rhythm of 20%. All these justify the need for finding solutions in order to overcome this period of recession and stimulate the printing of textbooks and courses.

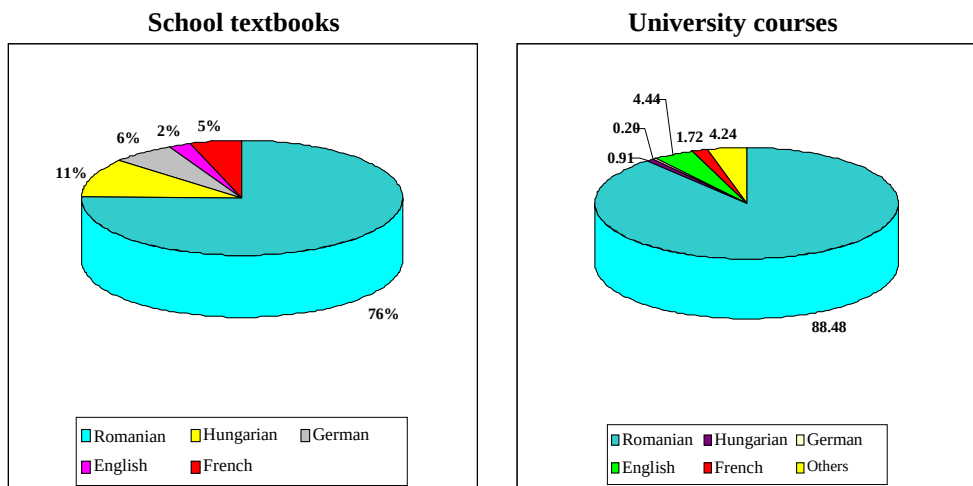


Fig. 3.5 The structure of school textbooks and university courses in 2007

3.3 The Romanian libraries

At the ending of 2007, in Romania there were 12,366 libraries, with 8% less than the ending of 2002, with about 171,990 thousand existent volumes (with 1.2% less than in the year 2002), the registered readers were of about 4,697 thousands (which means a decrease rhythm of 5% per year), the number of volumes for them being of 65,795 thousands, with approximately 19% less than in the year 2002.

Noticeable is the downloading evolution of the registered readers in libraries in the period 2003-2005, from 6,373 thousands to 4,977 thousands and the decreasing tendency which is registered in the year 2007 of approximately 6% in comparison with the year 2006.

This decrease may have emerged thanks to the remarkable development of the internet, the possibility of seeing and purchasing electronic books, the screening of many reference novels, the tendency of people to sit more time at home for leisure, using more and more the internet and the television set for entertainment. Studying the library books is no longer a trend and is not fashionable anymore, young people being thrilled by electronic games, internet for free expression, and the utilization of video chats.

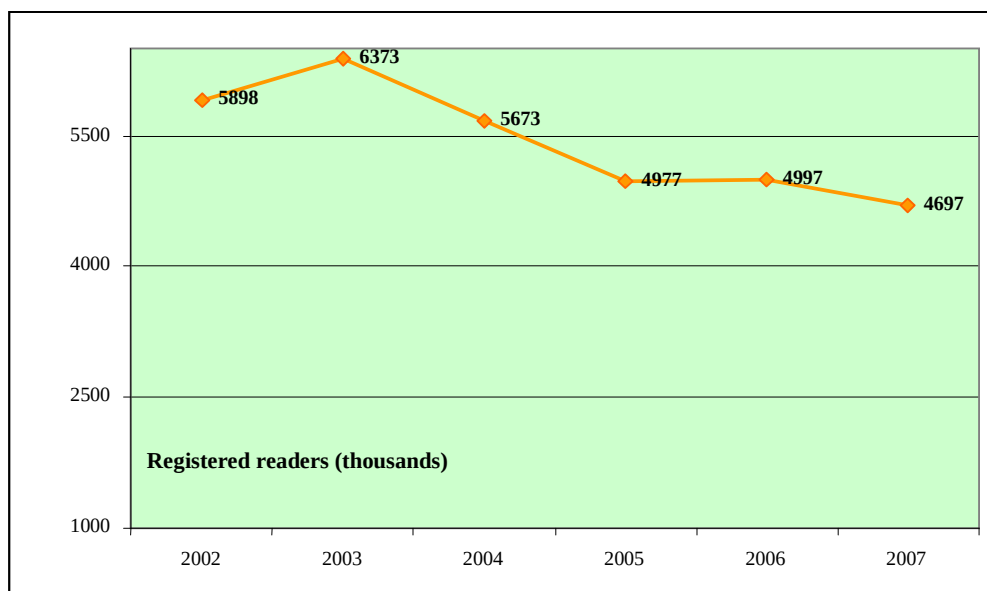


Fig. 3.6 The evolution of the number of registered readers in libraries

4 Conclusions

In conclusion, the book supply on the Romanian market is growing and represents a great opportunity for the economic agents who want to develop business

in this field. The supply must, however, be analyzed and correlated with the book demand on the market, because the offer must be adapted to the reader's particular tastes and preferences. The diversity of the book supply on the market represents a first point of action, as well as the idea of opening as many bookstores and libraries (which are the main points from where you can purchase books). There is a large potential for publishers in order to increase the number of book copies, within the next years, and also to edit new books, according to the forecasts made. For this to happen, the authors must be motivated to write, and the readers must be educated to appreciate the value of books.

The increase in the book supply can be explained by the fact that people have not lost the pleasure and magic of reading. It is true that change is slow, but the support is sure. Maybe in dozens or hundreds of years, the book in the classic sense will still exist. Then, people will read on the computer's monitor, or they will use e-book (the electronic book) which is much smaller and can contain much more information.

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ANALYSIS OF FOREIGN TOURIST MOVEMENT – THE REQUIREMENT TO SET UP GLOBAL TOURIST DEVELOPMENT STRATEGY

MARIA CARMEN IORDACHE¹

ABSTRACT. Tourism is a new social and economic phenomenon that really integrated within daily facts after the Second World War, more precisely in the early 60's. Due to the major changes in the world economy, tourism has had a significant growth, hence its feature given by numerous authors as a "phenomenon typical of the modern world" or a "constituent of daily life".

Resorting to the statistics of the World Tourism Organization, one can notice that tourism generates almost 10% of world gross product, comprises around 9.4% of all investment efforts, mobilizes about 13% of population's consumption expenses and provides work places to almost 9.4% of world working people (1 of 11.9 workers are directly employed in the tourist field).

The statistics above show that tourism means an important factor in the process of economic growth, and it is essential that such activity be analyzed scientifically, objectively, from the perspective of tourist movement indicators.

Keywords: *tourist movement, tourist indicators, arrivals, returns, departures*

1. Introduction

In international practices (Fridgen, J. 1991)), the statistics used in tourism express the amount of tourist activities by three basic indicators:

- o *the number of tourists*, respectively the total number of people that circulate on tourist purposes within national borders or outside them;
- o *the number of days/tourist* shown when multiplying the number of tourists and the duration of stay (number of days) in a tourist destination;
- o *the amount of tourist consumption* shown in values, seen in consumed or purchased products' and services' values during temporary movements by tourists.

Since the amount of tourist expenses exceeds the amount of cashing reported by service providers statistically, WTO in cooperation with the World Travel and Tourism Council (W.T.T.C) and with the European Union Statistics Office (EUROSTART) have set up the system of tourism satellite account (Ro. C.S.T.).

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Tourist movements as well as tourist activities all in all use significant money flows rendered by tourists' personal expenditures, economic agents' returns, salaries, taxes, fees etc. C.S.T. is bound to allow the assessment of tourism share in the world economy in terms of values and concrete dimensions which can be compared internationally (OMT, Madrid, 2001, 2002).

2. Quantification units of tourist movement

The basic instruments of tourist surveys are observations of tourist phenomena registered in various places and at various times of tourist consumption. The observation units that supply necessary information when quantifying the tourist phenomenon (tourist movement) can be identified as follows (Iordache C., 2008):

Customs units where they register the movement of domestic and foreign tourists and travellers according to countries they come from or go to, means of transport or purpose of journey; all this information is taken from tourists' declarations or the customs papers connected to border crossing;

Tourist accomodation units which monitor both accomodation supplies (number of accomodation places, types of services requested, data regarding incomes and personnel, juridical status), and demands (number of tourists and nights spent according to origin countries), giving information taken from the registration of people accomodated in those units);

Domestic or foreign travel agencies on national territory which monitor the number of tourists, the share of activities organized, destinations (inside or outside the country) where tourist activities take place, the incomes raised from additional actions. The information is taken by centralizing recreation and treatment tickets (vouchers) or trip registrations;

Inquiries about tourist activities where tourist families participate; they fill in questionnaires on tourist activities, and then, by their centralization, information is obtained referring to the share of tourist expenses in global consumption level, the preferences for certain types of supplies etc.;

Financial and banking institutions which provide information about tourist demand in general and foreign tourist demand in particular: returns, payments, tourism influence upon payment balance, tourism contribution in GDP etc.

The statistical system seems a vast reservoir where all the information and available data referring to tourist activities accumulate systematically, continuously and reasonably.

3. Types of tourist flows

A tourist flow is rendered by the "number of people that move between a demand section with rules and economically developed areas, and a supply section with specially attractive tourist regions (exporting areas)".

Tourist flows can be structured ***from the perspective of geographic distribution and of the distances between sending and receiving areas***. Thus, there are:

- *interregional flows* – they are tourists' travels from one continent to countries on other continents and they mean almost 20% of all tourist movements;
- *intraregional flows* – they comprise movements within the same continent or region (80% of all travels).

According to their contents (Gray H.P., 1970), ***tourist flows may be classified into two large categories***:

→ *"sunlust" flows* – meaning tourism in the sun or due to other natural conditions (snow, mineral waters) and mainly formed under the influence of prices and distances;

→ *"wonderlust" flows* - meaning tourism of knowledge (cultural and religious tourism, participation in scientific, artistic and sports events) where the decisive factor is the quality of supply and its differentiation from the domestic one.

Mass tourism typical of the 60's and 70's was characterized by "sunlust" flows but once the economic and social dynamism boosted, it was gradually removed and people have started practising a new form of tourism, characterized by "wonderlust" flows. This breakup is rendered by three elements:

→ *passive tourism is replaced by active tourism* which means people seek to spend their leisure by doing cultural, sports, craftsmanship activities etc.;

→ *modern tourism pursues a natural, human and social environment of high quality*, a pleasant atmosphere to live in;

→ *tourists tend to divide their holidays*, as they prefer going on trips for shorter periods of time and more often.

Tourism growth in a new approach is closely related to the development of tourist consumption. This development is characterized by the transition from standardized mass tourism (the four S's – *Sea, Sun, Sand, Sex*) to more diverse tourism (Lowry, 1993:183). Buhalis (1994:261) proposed that the traditional 4S's for tourism be transformed in „*Specialisation, Sophistication, Segmentation, Satisfaction*“. This process started in the late 1980s and it is expected to dominate the transformation of tourism demand as well as the re-engineering of the industry during the next century.

The new form of tourism features the three L's – *Lore, Landscape, Leisure* and emphasizes the search for local traditions, family or group entertainment organized as celebrations, or doing unsophisticated, amateurish sports (MacCannell, Dean. 1976.). This pattern explains the development of various cultural, historical, sports or leisure activities in general which would not have taken place if tourist demands had not occurred (Kotler, Ph., 1998).

Knowing continents, dimensions and tourist flows' orientation is a significant aspect when assessing tourism, its ranking in international exchanges' structures as well as for setting up a growth strategy in the field.

4. Analysis of foreign tourist movement

Setting up any national strategy for tourism growth also aims at knowing the tourist phenomenon in detail at world level and by large tourist regions. In this respect, WTO is the complete and best source in the field of statistical data and medium- and long-term predictions.

The main indicators that characterize the evolution of tourist industry are rendered by the number of arrivals, foreign tourists and foreign currency returns.

Table 1

Evolution of arrivals and returns in foreign tourism at world level

	1950	1960	1970	1980	1990	2000	2004	2005	2006	2007
Arrivals (million)	25.3	69.3	165.8	287.8	458.3	696.2	763.0	803	846.0	903.0
10-year variation	-	2.74	2.39	1.74	1.59	1.52	1.1*	1.05**	1.05**	1.07**
Variation to 1950	1.00	2.74	6.55	11.38	18.11	27.52	30.16	31.74	33.42	35.7
Returns (billion dollars)	2.1	6.9	17.9	102.0	266.2	475.8	623	676	733	856
10-year variation	-	3.29	2.59	5.70	2.61	1.79	1.31*	1.09**	1.08**	1.17**
Variation to 1950	1.00	3.29	8.52	48.57	126.76	226.57	296.67	321.9	349.05	407.62

Source: *Tourism highlights*, 2008, UNWTO, Publications Department *, 2004 – 2000 variation, ** annual variation

One can notice the continuous trend to grow the dimension of the tourist phenomenon which proves that such activities somehow show phenomena resistance characterizing the global environment, respectively economic crises, political troubles, conflicts etc. (table 1).

In the sixth and seventh decades, the tourist phenomenon was on the rise, then it slowed down as a consequence of its reaching its fullest.

If the two indicators analyzed above are compared, one can notice the more pronounced dynamics of returns (349.05% as compared to arrivals – 33.42%, graph 1). Such dynamics is the result of currencies' parity belonging to the main markets of tourists as compared to the US Dollar and does not show the real decrease of tourist expenses.

It is interesting to know the trends at regional level during 1960-2007 (table 2).

Comparative evolution of indices related to arrivals and returns in international tourism

Graph 1

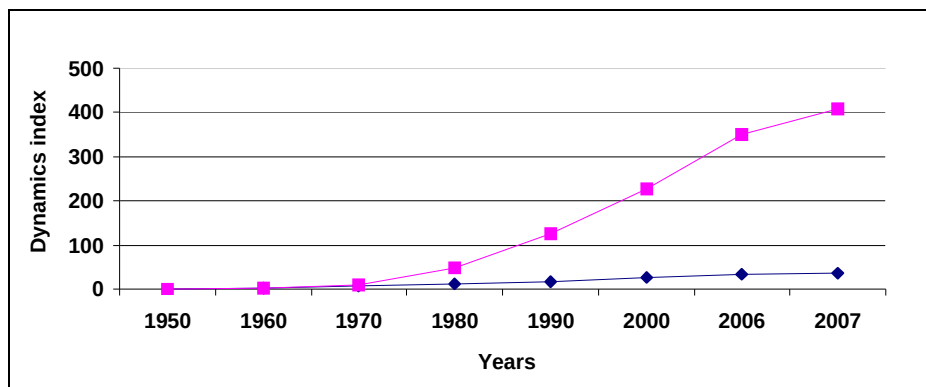


Table 2

Distribution of international tourist movement per areas and its changes along the years

Year Area	1950	1960	1970	1980	1990	2000	2004	2005	2006	2007
Africa										
-arrivals	-	1.1	1.5	2.8	3.3	4.1	4.4	4.6	4.8	4.9
-returns	4.2	2.6	2.2	2.6	2.0	2.2	2.9	3.2	3.3	3.3
Northern and Southern America										
-arrivals	50.5	24.1	23.0	21.6	20.5	17.9	16.5	16.6	16.1	15.8
-returns		35.7	26.7	24.6	26.7	28.7	21.9	21.5	21.0	20
Asia and the Pacific										
-arrivals	-	1.3	3.6	8.2	12.4	17.2	18.4	19.3	19.8	20.4
-returns	1.7	3.4	6.7	9.9	15.7	18.4	19.1	19.9	20.8	22.1
Europe										
-arrivals	-	72.5	70.5	65.6	62.2	57.4	54.5	54.6	54.5	53.6
-returns	42.45	56.8	62.1	59.5	53.6	48.7	52.5	51.6	51.1	50.6
Middle East										
-arrivals	-	1.0	1.4	2.1	1.7	2.6	4.6	4.8	4.9	5.3
-returns	1.2	1.5	2.3	3.4	2.0	2.0	3.4	3.9	3.7	4.0

Source: *Tourism highlights*, 2008, UNWT, Publications Department

It can be seen that Europe is the region having the biggest tourist activity as it is placed highly specially. It is here that the biggest number of largely industrialized countries have a very powerful tourist value mainly targeted at

cultural assets of high historical value as well as famous tourist resorts. It clearly outranks the other regions due to the traditions it has inherited along the decades and it has succeeded in penetrating the main tourist markets by the diversity of its launched and promoted supplies.

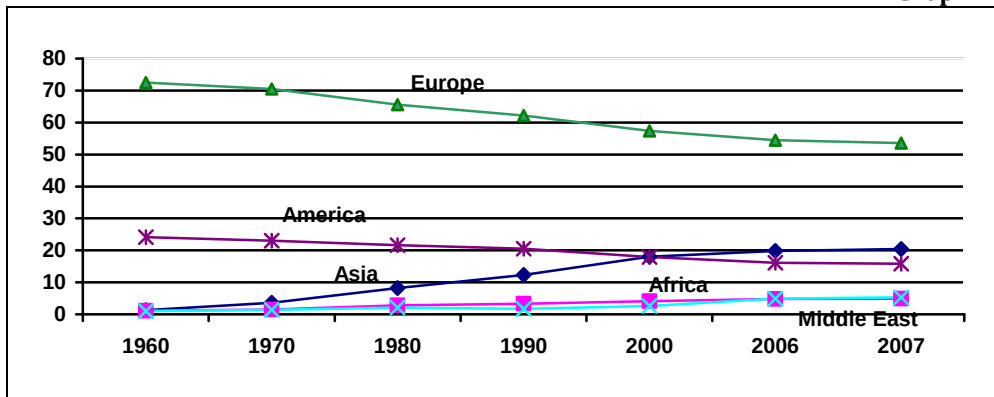
In 1960, Europe used to have a 72.5% market share in arrivals and 56.8% in returns; after 48 years of evolution, the continent has managed to have a 53.6% market share in arrivals and 50.6% in returns. The decrease of this region's market share is due both to the progress of Asian countries, and to the economic and political changes within its frontiers, to Eastern countries' collapse as a result of their transition to market-oriented economy, of too much tourist demand in the region, of competitiveness decrease in some resorts or products etc.

However, the European continent has had slight progress thanks to the emergence and attractiveness of some tourist destinations placed in Central and Eastern Europe.

Growing foreign returns cannot only be justified by the growing number of arrivals, stay duration, movement distances, briefly speaking by daily expenses/tourist, but also by inflation, that is the change of national currencies' parity to the US Dollar and the latter's devaluation.

Evolution of foreign tourist arrivals by regions

Graph 2



Source: *Tourism highlights*, 2008, UNWT, Publications Department

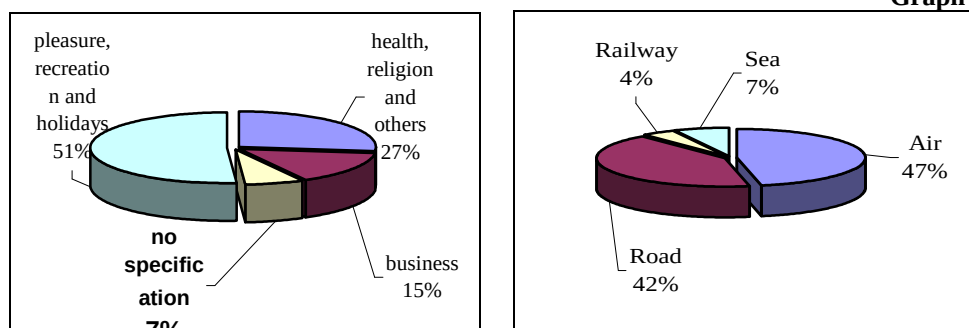
Asian countries have the best figures, that is an increase in their market share both in arrivals and returns, by 19% higher. Eastern Asia and the Pacific are the most dynamic tourist areas in the world, where economic growth has led to 2-3 times higher levels of tourism than the world average (graph 2). Such accomplishments are related to the economic growth of these regions and also to the changes in the level of demand – too much demand in Europe, the search for tourist areas unexplored yet (exploring tourism), the wish to know new cultures, the need for adventure etc.

In 2007, more than half of the total international arrivals were for pleasure, recreation and holidays (51%) – accounting for 458 million (graph 3). Business trips contributed by around 15% (138 million) and 27% were trips for other reasons, such as visits to friends or parents, religious reasons/pilgrimages, health treatments etc. (240 million).

Air transport (47%) and land transport – either road (42%), or railway (4%) – generated almost equal numbers of arrivals, whereas sea arrivals reached 7% in 2006. The trend over the last three years has been for air transport to grow more than land or sea transport has.

Structure of tourist movement according to reasons and transport way

Graph 3



Source: *Tourism highlights*, 2008, UNWT, Publications Department

The main tourist destinations in the world

Although there are major differences as to the types of tourists attracted, travel distances and accommodation costs, it is still interesting to notice that 8 out of 10 countries in the WTO classification regarding tourist arrivals are also to be found among the first 10 countries when it comes to the returns in foreign tourism.

In terms of arrivals, France ranks first, outranking Spain and the USA, whereas in terms of returns, the same three countries rank first, the USA on top, Spain the second and France the third (table 3). It shows the fact that the USA attract a large number of tourists that practice long-term tourism and spend much more than their European competitors who largely depend on short-term tourism.

China ranks fourth in terms of arrivals and fifth in terms of returns, whereas Italy holds the contrary. The United Kingdom and Germany rank sixth, respectively seventh, both in terms of arrivals and returns, and Turkey manages to rank ninth in terms of arrivals and tenth in terms of returns. Ukraine and Mexico, the two countries that end the list of destinations in terms of arrivals (ranking eighth and, respectively, tenth) rank the last on the list of countries with tourism returns.

The two remaining places on the list in terms of returns are occupied by Australia (8th) and Austria (9th).

The ten countries that raised the most money from tourism last year account for half of the estimated total of 856,000 million dollars regarding the returns from foreign tourism. Their share of foreign tourists' arrivals was lower, meaning 46.2%.

Table 3

**List of top countries according to the number of foreign arrivals
and returns from foreign tourism**

Ranking	Country	Foreign tourist arrivals (mil.)		Market share	Country	Returns (billion \$)		Market share
		2006	2007			2006	2006	2007
1	France	79.1	81.9	9.07	USA	85.7	96.7	11.3
2	Spain	58.5	59.2	6.56	Spain	51.1	57.8	6.76
3	USA	51.1	56.0	6.21	France	42.9	54.2	6.34
4	China	49.6	54.7	6.06	Italy	38.1	42.7	4.99
5	Italy	41.1	43.7	4.84	China	33.9	41.9	4.90
6	Great Britain	30.7	30.7	3.4	Great Britain	33.7	37.6	4.40
7	Germany	23.6	24.4	2.71	Germany	32.8	36.0	4.21
8	Ukraine	-	23.1	2.56	Australia	17.8	22.2	2.60
9	Turkey	-	22.2	2.46	Austria	16.7	18.9	2.21
10	Mexico	21.4	21.4	2.37	Turkey	16.9	18.5	2.17

Source: WTO, *Tourism highlights*, 2008, UNWT, Publications Department

As to the expenses for foreign tourism, 46 countries have raised more than one billion dollars, the great industrial economies ranking first (table 4).

Germany, the United States, Great Britain and France rank on top of the list that varies from 83 billion dollars to 36.7 billion dollars per year. These countries represent over a third of the total foreign expenses for tourism.

As regards the expenses per tourist, the English spend the most (1,189 dollars), followed by the Germans (1,008 dollars), the Canadians (754 dollars) and the French (595 dollars).

Europe is the most visited tourist region in the world, with the widest range and highest density of tourist attractions. Although its growth is lower than the world average, the amount of European tourism is expected to double in the next 20-25 years, with a net increase (in terms of expenses and benefits) of almost 3%/year.

Europe's attractions, its natural richness and diversity can be summarized in the following: "nowhere in the world is it possible to find in such a small area so many different cultures, so much history and such a place where people of various cultures and nationalities make up an integrated society".

Table 4**List of top countries according to the expenses for foreign tourism**

RANKING	COUNTRY	Expenses for foreign tourism (billion \$)		MARKET SHARE
		2006	2007	
1	Germany	74.8	82.9	9.69
2	The United States	72.1	76.2	8.91
3	Great Britain	63.1	72.3	8.45
4	France	32.2	36.7	4.29
5	China	24.3	29.8	3.49
6	Italy	23.1	27.3	3.19
7	Japan	26.9	26.5	3.10
8	Canada	20.5	24.8	2.90
9	The Russian Federation	18.8	22.3	2.61
10	Korea	18.2	20.9	2.45

Source: *Tourism highlights*, 2008, UNWT, Publications Department**Table 5****The most attractive entertainment and cultural places in Europe**

Place	Country	Visitors (million)		Place	Country	Visitors (million)	
		1999	2000			1999	2000
Disneyland	France	12	12.5	Eiffel Tower	France	5.9	6.3
Blackpool Pleasure Beach	Great Britain	7	6.8	Louvre	France	5.5	6
Tivoli Liseberg	Denmark	4,2	3.2	British Museum	Great Britain	5.7	5.4
Efteling	Sweden	3,2	3.2	National Gallery	Great Britain	4.7	5

Source: *FW International*, 2001

Tourist movement in Europe is rendered by an area's attractiveness which influences tourist arrivals (European export) and European tourists' departures from one country to another in Europe or from Europe to other regions. Thus, approximately 85% of the travels in Europe still happen in European countries, the major flows being "sunlust", oriented towards North and South, and "wonderlust" and "sunlust" oriented towards West and East (table 6). One cannot skip the trips among neighbouring countries, irrespective of their positions or economic growth levels.

Table 6

Origin of tourist flows

	1980	1990	2000	2007
Intraregional*	78%	84%	84%	85%
Interregional**	12%	16%	16%	15%

Source: data processed according to WTO statistics - *Tourism Market Trends Europe, 2007*

* movements of European citizens within Europe; **movements of non-European citizens within Europe

Europe attracts over half of the tourist flows registered at international level, being the leader on the tourist market even if its share is decreasing (table 7).

Table 7

Evolution of arrivals and returns from foreign tourism in Europe

	1990	1995	2000	2001	2005	2006	2007
Arrivals (million)	284.5	335.6	403.3	406.8	440.3	462.2	484.4
Annual variation	6.2	2.3	6.1	0.9	1.1	1.05	1.05
Share in world total	62.1	59.2	59.2	58.7	54.6	54.5	53.6
Returns (billion \$)	144.6	209.5	244.3	253.5	348.8	376.9	433.4
Annual variation	27.8	17.2	4.8	3.8	1.2	1.08	1.15
Share in world total	53.6	51.5	51.3	49.7	51.6	51.1	50.6

Source: *Tourism highlights*, 2008, UNWT, Publications Department

The decrease of Europe's market share on the world tourist market is caused by the increase in tourist flows towards Asian destinations, the collapse of Asian countries, the declining competitiveness of services provided and also by the too high tourist demand for this region.

The EU keeps ranking first in world tourism as a receiver and sender of foreign tourist flows.

The new monetary unit – the Euro – is not only another payment instrument but also a mechanism of European identity, an element contributing in placing "Destination: Europe" within world tourism. In addition, removing the costs for foreign currency conversion, banking commissions and other international financial impediments certainly stimulates people's, goods' and capital's movement within the EU, thus also serving as an incentive for tourism growth.

Since prices are easier to compare in a single currency, the Euro leads to more competitive travels on tourist markets, with obvious effects upon the prices and quality of tourist services. As to foreign markets, the Euro makes Europe a more convenient destination and enhances its role as an "umbrella" for promotion and marketing activities, keeping the trends of these areas' tourists to come especially

to Europe and not necessarily to a particular country. Due to the fact that not all the EU member states are members of the Euro Zone which might create misunderstandings, the tourist sector should particularly insist upon explaining the existing differences.

5. Predictions of international tourism

The tourist world in the year 2020 will be characterized by the use of better performing equipment and technological endowment and people will be more familiar with informational improvement, many tourist services will be automatized, new tourist destinations will be launched which are nowadays considered difficult to access, the need for knowledge, adventure and travel will rise.

Thus, in the year 2020, 1.6 billion tourist arrivals in the world are expected; those tourists will spend an average amount of 2,000 billion USD.

Taking account of the global demographic increase and the future economic performances, the share of tourists' number willing to travel across the borders of their native countries as compared to the total population has been estimated: world level - 7%, Europe - 14%, Eastern Asia/The Pacific - 10%, Northern and Southern America - 8%, Africa 5%, Southern Asia - 1%.

It is estimated that domestic tourism in most countries will have relatively constant levels within the next 25 years, with the trend for industrialized countries to have a limited budget for mass tourism and obey a certain proportion between total population and those who directly participate in tourist demand set-up.

The most significant increase in domestic tourism will be in the countries in Asia, Latin America, Orient, Africa where the population-tourist ratio will be 10:1 up to 10:3 or 4:1 (table 8).

Table 8

Predictions for 20208

Ranking	Main countries of departure			Main tourist destinations		
	Country	Total world departures (million)	Market share %	Country	Arrivals (million)	Market share %
1	Germany	163.3	10.2	Republic of China	137.1	8.6
2	Japan	141.5	8.8	USA	102.4	6.4
3	USA	123.3	7.7	France	93.3	5.8
4	Republic of China	100	6.2	Spain	71	4.4
5	Great Britain	96.1	6	Hong-Kong	59.3	3.7
6	France	37.6	2.3	Italy	52.9	3.3
7	Netherlands	35.4	2.2	Great Britain	52.8	3.3
8	Canada	31.3	2	Mexico	48.9	3.1

9	Russian Federation	30.5	1.9	Russian Federation	47.1	2.9
10	Italy	29.7	1.9	Czech Republic	44	2.7
Total (1-10)		788.9	49.2	Total (1-10)	708.8	44.2
World total		2,000	100	World total	1,602	100

Source: *WTO statistics*

Nevertheless, in large tourist regions, the trends in the number of tourists who will travel outside the borders of their native countries are much different (table 9.).

Table 9

Predictions of tourist arrivals by regions between 1995 and 2020

Ranking.		Tourist arrivals (million)			
		1995	2000	2010	2020
1	Europe	335	390	527	717
2	Eastern Asia/The Pacific	80	116	231	438
3	Northern and Southern America	111	134	195	284
4	Africa	20	27	46	75
5	Orient	14	19	37	69
6	Southern Asia	4	6	11	19

Source: *WTO statistics*

At regional level, the European continent will remain a highly attractive tourist area and will grow during 1995-2020 by an average 3.1% per year, yet it will have a slight decrease on the tourist market from a share of about 59% down to 45%. On the contrary, Eastern Asia/The Pacific will have a high growth rate of around 7%/year, whereas tourism in the two American continents will be relatively constant at only 3.8% and will have a share on the tourist market from 27% down to 18%. In the other tourist regions, the yearly growth rate will be low, between 5 and 1% in Africa, Orient and Southern Asia.

The data provided by tourism foreteller Yeoman Ian from New Zealand show that tourism will have much progress during 2020-2030, as the much better political, social and economic changes will lead to an increase in world population's options to travel (table 10).

Table 10**Evolution of tourist movement in 2030**

Region	Arrivals %	Returns %	Countries	Arri vals %	Countries	Returns %
Europe	41.1	39	China	8.8	USA	11.1
Asia/Pacific	28.8	28.2	USA	6.2	China	5.7
N and S America	16.3	20.5	France	5.4	Spain	5.3
Middle East	8.4	7.4	Turkey	4.8	France	4.6
Africa	5.4	7.9	Spain	4.5	Turkey	3.9
Total	1,897 million of tourists	2,016.2 billion USD	Malaysia	3.7	Great Britain	3.8

Source: Yeoman, Ian., *Tomorrow's Tourist: Scenarios & Trends*, Elsevier, 2008

6. Conclusions

The tourist boom has also been generated by the technological aggression and psychological pressures upon people caused by industrialized societies since tourism has been considered the most pleasant and useful way to spend one's leisure.

Tourism has become a strength of social life whereas centuries ago it was a subproduct added to travelling reasons: scientific discoveries, pilgrimages, military conquests etc.

An increasing number of developed and underdeveloped countries have discovered the opportunities and prospects of tourism, becoming aware of them as additional resources in the balance of foreign exchanges and in the creation of an image at world level.

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ENVIRONMENTAL PROTECTION

RADULY ISTVAN¹, FAZAKAS R. ENIKŐ²

ABSTRACT. Nature protection and conservation are fundamental elements of environmental protection as this is an important part of the human existence; it is a vital component of the present and future harmonious socio economic development. The ecosystems and the organisms, like the marine and atmospheric terrestrial resources used by humankind, must be administrated in such a way that their optimum and continuous productivity may be assured and maintained. It is necessary to take rigorous measures against the industrial pollution, in order to prevent water and air pollution, protect the forests, lakes, mountains, and the places considered nature conservations. It is a matter of honor for people today to do everything they can to assure an environment favorable to health protection, for the unspoiled preservation of nature's beauties, to consign to the future generations all the gifts with which nature endowed the Blue Planet.

Keywords: *natural environment, environment protection, conservation*

The transformation of the natural environment has become more and more intense over time, and in certain regions, excavation sites, industrial centers, in or nearby big cities, the environment is radically transformed. This is the reason why a category of social relationships for environmental protection, conservation and development has emerged and has continued to develop.

Man consumes large quantities of raw materials that belong to the whole present and future human race.

The technical-scientific revolution that is taking place at a more or less accelerated rate, in all the countries, both those strongly industrialized and in developing countries, the growing number of the world population highlight the need to increase industrial and food production. This increase must be conducted under the circumstances of maximum environmental factors protection.

Scientists all over the world have talked about the natural imbalance that could follow if immediate, concrete, dynamic and efficient measures are not taken in order to avoid environmental degradation. There are more and more national and

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international organizations which firmly sustain common efforts and regulations in this respect both globally, regionally or nationally.

The majority of state Governments has taken into consideration the observations made by scientists (biologists, ecologists, geographers, agriculturalists, medical doctors etc.) and approved of studies and regulations which through their implementation would avoid any environmental imbalances. International organizations under the aegis of the United Nations Organization were created. Thus, in the 27th session of the UN General Assembly at the end of 1972, the Council of the UN Environmental Program was created. This Council comprises 58 states, among which there is also Romania. The UN program in collaboration with other UN organisms focuses on the possibility to protect environmental factors. Many national and international conferences and congresses have been organized. Plans and projects have been drawn up in order to achieve non-pollutant industrialization. In some countries there were regulations developed and brought into force which were differentially implemented according to the districts that were more intensely polluted.

A legal framework regarding environmental protection was created. Environmental protection in Romania has a relatively long history as it was developed in accordance with the international concerns on the matter.

Regulations regarding forest usage were a first step forward in respect to environmental protection (the first official regulation in Transylvania dates back to 1781. *Forest Order for Bucovina*, issued in 1786 is the first Romanian forest code (M. Duțu, 1996).

From the perspective of law there is a series of traditional regulations regarding certain natural factors (forests, water, hunt, fishing etc) or pollution (public hygiene rules, noise etc), but these are not proper legal regulations for environmental protection. Thus, in 1872, the first hunting law is brought into force, in 1874 the sanitary service law is adopted, and in 1896 the Fishing law etc.

In 1919 the National Council in Sibiu introduces the following paragraph in article 2 of the Rural Law: All the areas that are of scientific interest will be expropriated altogether for scientific research. This is considered to be the first Romanian legislative measure taken in order to protect the environment.

July 7th 1930 is the start of a new stage in the process of Romanian environmental protection as the first law for the protection of nature monuments passed. As a result of this law, which had a total scientific research characteristic, series of studies, notes and papers were published, thus establishing the base for valuable sites to be protected by law as nature monuments (36 natural reservations with a total area of 15,000 ha, 15 plant species and 16 animal species among with the National Park Retezat in 1935) (Mohan, Ardelean, Georgescu, 1993).

The social-political and economic transformations which took place in Romania after the December 1989 revolution brought new dimensions to the approach and settlement of the environmental protection, conservation and development issue. The Ministry of Environment was established in April 12th 1991 based on the

Government Decision no 264. It became the state central authority which organized the institutional framework, developed, directed and improved the national environment protection activity. In each district Agencies for environmental supervision and protection were created.

The 1991 Constitution (R) stated in article 35, paragraph 1 the state's obligation to recognize the right of each individual to a healthy and ecologically balanced environment, and in article 44 paragraph 7 it was stated that the property right implies the adherence to environmental protection duties.

In 1995, according to a mediation procedure, both Parliament Chambers reinforced the Environmental Protection Law no 137/1995 (republished in 2000), repealed by article 105 of the GUO no 195/2005 regarding environmental protection (the stipulations of GUO no 195/2005 were brought into force by Law no 265/2006).

Also, the new Forest Code (Law no 46/2008) and Water Law (Law no 107/1996) were adopted.

Environmental protection has also triggered certain changes in respect to social regulations. The protection of patrimony and natural balances cannot be regarded as a simple conservation policy in a primitive stage and preservation against degradation.

Environmental protection aims to maintain the ecological balance by avoiding pollution in order to conserve and improve the quality of natural factors, the natural values of the country, assuring better life and working conditions for present and future generations. This balanced is mainly reached by an optimal usage of natural resources in the circumstance of maximum efficiency with strict abidance by accordance and sustainability of the territorial system in question. As an example: fossil fuel combustion eliminates at present approximately 6 billion tones of carbon into the air annually, which add up to the 170 billion tones that accumulated since the Industrial Revolution, which participate to global warming, desertification in the temperate region, melting glaciers, and the inevitable flooding. In order for the global climate to become again balanced in the following centuries, carbon emissions must be reduced to a level at which oceans and forests can absorb it, 1-2 billion tones annually, approximately 20% of the current emissions level (*L. Brown, 1996*).

The difficulties related to carbon emissions' reduction are not technical or economical, but political, generated by pressure from industries dependent on fossil fuel usage.

Uncontrolled usage of pesticides and artificial fertilizers represents another threat to the natural environment. This lead to soil and ground water contamination, intoxication of the microorganisms that maintain the humus and soil oxidoreduction processes.

Hence, a major part in the protection and conservation of the environment is played by civil or administrative prevention measures. From a procedural point of view, the ascertainment and investigation of infractions regarding the environmental protection regime is made *ex officio* by the penal pursuit authorities, according to the legal attributions.

The priorities of environmental protection are: improvement of ecologic management, public awareness and special training for the civil servants in this field. The environment of tomorrow depends on the actions we take today. At the European level the community must make use in an efficient manner of its moral, economic and political authority in order to intensify the international efforts for settling the global issues and encouraging sustainability. Among the measures to be taken for environmental protection there are: *developing a non-polluting industry, adapting the current industries to an efficient level of fuel consumption; exhaust fumes retention; another structure and fuel for blast engines; usage of bio detergents; soil protection by controlling the usage of artificial fertilizers only for completed to organic fertilizers; avoiding unabolishable pesticides etc*

Nature protection and conservation are fundamental elements of environment protection as this is an important part of the human existence; it is a vital component of the present and future harmonious socio economic development. The ecosystems and the organisms, like the marine and atmospheric terrestrial resources used by man, must be administrated in such a way that their optimum and continuous productivity may be assured and maintained. It is necessary to take rigorous measures against the industrial noxiousness, in order to prevent water and air pollution, protect the forests, lakes, mountains, and the places considered nature conservations. It is a matter of honor for people today to do everything they can to assure an environment favorable to health protection, for the unspoiled preservation of nature's beauties, to consign to the future generations all the gifts with which nature endowed the Blue Planet.

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