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EU REGIONAL AND CLUSTER POLICIES WITHIN THEIR SYNERGIC EFFECTS

Abstract:

EU Regional policy appears to be one of the most important current programs and agenda at EU level which support clusters in emerging industries in EU. Based on the comparative analysis of European cluster policy and EU Regional policy mutual interaction the object of the paper is to assess the impact of the EU Cluster policy effects on the EU Regional policy regarding the EU competitiveness enhancement in the international economics system. Technological advance, knowledge based production, innovation implemented into new technologies are the outputs of effective synergy how the EU cluster policy can be involved in the EU Regional policy. Those are the tools leading to increasing economic growth, sustainable social and economic development and higher quality of life of European Communities inhabitants. The EU position analysis in international economic relations will also be the object of study with regards to its competitiveness enhancement possibilities within the global economic environment while using the latest science and technology achievements as a synergic output of the EU Regional and Cluster policy interaction.

Keywords:

social and economic development, technology and innovation, international economics, EU competitiveness enhancement

JEL Classification: F63, F68, O52

Introduction

Clusters consist of dense networks of interrelated firms that arise in a region because of powerful externalities and spillovers across firms (and various types of institutions) within a cluster. Clusters drive productivity and innovation. Firms that are located within a cluster can transact more efficiently, share technologies and knowledge more readily, operate more flexibly, start new businesses more easily, and perceive and implement innovations more rapidly (Havierníková, Strunz, 2014). The EU Cluster policy is supposed to provide a platform bringing together regional, national and European actors, with the objective to define and implement a European cluster policy agenda (Baldwin, Wyplosz, 2009). The role of the Commission in this process is mainly to facilitate all forms of cooperation that could lead to more competitive clusters in Europe, by providing neutral economic analysis on existing and emerging clusters, identifying good practice, providing intelligence on opportunities for cooperation and facilitating networking at practical and strategic levels.

EU regional policy is an investment policy. It supports the job creation, competitiveness, economic growth, quality of life and sustainable development. Regional policy is an expression of the EU solidarity with less developed countries and regions. It is used for concentration of resources in the areas and sectors where investments have maximum impact. Regional policy is designed to reduce the significant economic, social and territorial disparities that still exist between European regions (Fojtíková, Lebieczik, 2008). Their persistence would undermine some of the EU cornerstones, such as single market and common currency the EURO. Hitiris (2003) argues that Union funding helps, for example, to improve transport and internet connection in remote regions, support small and medium-sized enterprises in disadvantaged areas, invest in a cleaner environment and improve education and training. The financial resources of the European Union will also flow into innovation, development of new products and new production methods, energy efficiency increasing and combating climate change.

This paper will discuss how the Cluster policy is implemented into EU Regional policy processes by assessing their synergies and parallels, how important role it plays to assure sustainable economic growth in the European Communities and enhance the EU competitiveness within the international economics environment. By means of analysis, comparative analysis methods followed by logical deduction the main goal of this paper is to figure out how and in what way the EU Cluster policy within the technology and innovation implementation processes in EU Regional policy can affect the sustainable economic growth in terms of the promotion measurements for social and economic development.

EU Cluster policy - the way how innovation to be involved in regions

The large majority of all the clusters we currently observe have developed without the help of any designated policies intended to create them. Given the mounting evidence that such clusters make a positive contribution to regional performance where they exist, pressure is increasing to design policies that can foster the development of clusters or increase their economic benefits. First of all, we will define cluster policies as policies that fall into one of the following categories. Cluster development policies directed at creating, mobilizing, or strengthening a particular cluster, e.g. a national funding competition for the best life science cluster strategies. Cluster leveraging policies that use a cluster lens to increase the efficiency of a specific instrument, e.g. an R&D subsidy provided only to companies in regional clusters where the subsidy is likely to incur spill-over effects beyond the recipient firm (Mitchel, Muysken, Van Veen, 2006). Jovanović (2014) states that cluster facilitating policies directed the elements of the microeconomic business environment to increase the likelihood of clusters to emerge, e.g. regional or competition policies that remove barriers for competition between locations. Policies falling into the first category are traditionally at the core of what researchers have looked at.

There are several cluster programs in EU. To increase the innovative capacity and competitiveness as well as for the networking of the high-performing European cluster initiatives with each other, the European Commission provides various cluster and innovation-policy instruments in the different Directorates-General. In addition, most European countries have implemented cluster-specific policies and programs to support the development of sustainable, competitive regions in the national states. Cluster programs in EU are supposed to: improve competitiveness and innovative capacities of regions. At the European Union level there have been first cohesion policy instruments to develop innovative and regional strategies since the early 1980s (Cihelkova, Hnat, 2008). Lipkova (2011) argues that explicit cluster policy programs have been around since the late 1990s. On the part of the European Commission the Directorates-General "Regional Policy", "Enterprise and Industry" and "Research and Innovation" are mainly responsible. The three lead Directorates-General have implemented several actions and initiatives in the context of the particular program priorities, which respectively focus on each other differing promotion and support aspects.

Beside the European Commission, the national states have also developed enhanced cluster policies in recent years. Although the country-specific cluster supporting programs also have different priorities in focus and further different instruments are used, they still pursue the same objectives: the need-based support of the cluster

actors and the improvement of conditions for a sustainable regional and sectoral development of clusters (Larry, 2007). An overview on cluster policies of many countries in Europe conveys the cluster platform Germany. Each cluster program is presented by means of uniform criteria.

Lipkova (2012) noted that the policies at European, national, or regional levels, should be mutually supportive and reinforcing, and to influence the competitiveness, innovation and performance in Europe. Also Harakalova, (2014) argues, that although clusters are mainly national and regional phenomenon, the EU seeks to contribute to the successful creation, development and mutual cooperation.

A significant difference exists between the empirical phenomenon of clusters and cluster policies and initiatives based on their creation or development. The discussions are often both terms are used interchangeably, which can create some confusion. Active clusters leave traces, which can themselves be statistically recorded, for example in the area of specialization or concentration of employment within the sector. In contrast, cluster policy is an expression of a targeted, focused strategy, creating political priorities and allocating funding to support innovation, regional development or other policy objectives. In reality, however, can be found all possible combinations between clusters and cluster policies, as indicated by the examples: clusters formed spontaneously without any economic policy support; cluster policy sooner or later leading to real clusters; cluster policy with no statistically significant impact on the formation of a real cluster, etc (Haviernikova, 2014).

Regarding the EU Cluster policy management system an important event was the establishment of the European Cluster Alliance (European Cluster Observatory - ECA) in 2006 as an open platform based initiatives in order to maintain a political dialogue at European level, which should help to increase the excellence and efficiency of cluster policies that will lead to the creation of competitive clusters. ECA umbrella network the INNO-Nets, which aims to strengthen cooperation in the field of cluster policies, to promote the knowledge of SMEs, the recovery of international knowledge, linking the industry and research institutions and supporting innovation in services. As part of the EU efforts to create more world-class clusters across the EU by strengthening cluster excellence, the Commission launched in 2009, under the Competitiveness and Innovation Program, the European Cluster Excellence Initiative (ECEI). To continue the successful work of this pan-European initiative which involved 13 partners from nine European countries ESCA - The European Secretariat for Cluster Analysis was established by one of the partners, VDI/VDE Innovation + Technik GmbH, to offer practical advice to cluster management organizations (Ivanová, 2014). Today, ESCA is a network of cluster experts from 28 countries.

A professional cluster management can contribute to such a development through projects and services that tap into the cluster's potential. The European Cluster Excellence Initiative, initiated by the European Commission DG Enterprise and Industry, developed methodologies and tools to support cluster organizations to improve their capacities and capabilities in the management of clusters and networks. Being members of the European Cluster Excellence Initiative 13 project partners from nine European countries - all well experienced in the field of cluster management and support - created a uniform set of cluster management quality indicators and developed a quality labeling system for professional cluster management with the aim to get this methodology and proof of quality accepted all over EU (Krajňáková, Vojtovič, 2012).

EU Regional policy as regional competitiveness enhancement tool

Regional Policy can be characterized as the EU's main investment policy. Regional Policy targets all regions and cities in the European Union in order to support job creation, business competitiveness, economic growth, sustainable development, and improve citizens' quality of life. In order to reach these goals and address the diverse development needs in all EU regions, € 351.8 billion – almost a third of the total EU budget – has been set aside for Cohesion Policy for 2014-2020 (Hostak, Lys, Yang, Carr, 2013).

Regarding the funding management EU Regional Policy is delivered through three main funds: the European Regional Development Fund (ERDF) and the Cohesion Fund (CF) and the European Social Fund (ESF) (McDonald, Dearden, 2005). Together with the European Agricultural Fund for Rural Development (EAFRD) and the European Maritime and Fisheries Fund (EMFF), they make up the European Structural and Investment (ESI) Funds (Grencikova, Vojtovic, Gullerová, 2013). Overall financial impact has been lead through Cohesion Policy as a catalyst for further public and private funding, not only because it obliges Member States to co-finance from the national budget, but since it also creates investor confidence. According to Krajco (2013) taking into account national contributions and other private investment, the impact of Cohesion Policy for 2014-2020 is expected to be about € 450 billion.

We need to highlight that Regional Policy underpins European solidarity. As Larry (2007) points out the bulk of Cohesion Policy funding is concentrated on less developed European countries and regions in order to help them to catch up and to reduce the economic, social and territorial disparities that still exist in the EU.

The important issue is that Regional Policy cushioned Europe's regions and cities from the worst effects of the crisis. By supporting public investment and deploying EU

investments flexibly, for example through the reprogramming of funds or by raising the co-financing rate in countries like Cyprus, Greece, Hungary, Ireland, Portugal and Romania, regional policy mitigated the impact of the financial crisis which started in 2008. Also at a time of sustained fiscal consolidation EU Regional Policy has become of critical importance. Without Cohesion Policy, much needed public investment in the less developed Member States would have collapsed by an additional 45% during the crisis (Fojtikova, Kovarova, 2014).

Nowadays the strongest link has emerged between the EU Regional Policy and Europe 2020 Strategy. This is the way how regional policy is adjusted to the current situation and reflects the important issues necessary to be taken into account and to be assessed at present times. Regional Policy has a strong impact in many fields. Its investments help to deliver many EU policy objectives and complements EU policies such as those dealing with education, employment, energy, the environment, the single market, research and innovation (Spankova, Grecikova, 2014). In particular Regional Policy provides the necessary investment framework to meet the goals of the Europe 2020 Strategy for smart, sustainable and inclusive growth in the European Union by 2020.

There are five targets for the EU Regional Policy in 2020 reflected in the Strategy 2020. Firstly it is Employment with the goal of 75% of the 20-64 year-olds to be employed. Secondly, Research & Development with 3% of the EU's GDP to be invested in R&D (European Commission, 2015). Thirdly, Climate change and energy sustainability with the issues such as: greenhouse gas emissions 20% (or even 30%, if the conditions are right), 20% of energy from renewable sources and 20 % increase of energy efficiency. The fourth target is Education aiming at reducing the rates of early school leavers below 10% and at least 20 million fewer people in or at risk of poverty and social exclusion (Eurostat Press Office, 2015). Finally the last target is about Fighting poverty and social exclusion highlighting at least 20 million fewer people in or at risk of poverty and social exclusion. Of course, each Member State has adopted its own national targets in these areas (Grančay, Grančay, Drutarovská, Mura, 2015).

Discussion

The most important issue, by taking into account the strategic linkage of EU Regional policy and EU Cluster policy, is that the Cohesion policy aims to promote cross-border cooperation (between regions and states), to which there would be no assistance provided under cohesion policy. We assume that particular types of funded projects falling under this policy are such as: common share of natural resources, protection against risks, transport infrastructure improving, networking between universities, research institutes, etc. Therefore the objective European territorial cooperation is

aimed at strengthening cross-border cooperation through joint local and regional initiatives, strengthening transnational cooperation by means of actions linked to Community priorities and contributing to integrated territorial development and to strengthening interregional cooperation and finally to exchange of experience at the appropriate territorial level. As it follows from the issue mentioned above, the main principle of the EU regional policy (cohesion policy) is financial solidarity in favor of the less developed regions, but also social groups. It helps to maintain regional competitiveness and facilitates to convergence the poorer regions to more advanced ones. Based on the analysis of the fundamental principles and objectives of EU regional policy their previous level of efficiency in the overall EU regional policy has been set, in succession to a possible further increase of regional policy impact on the EU socio-economic development. We can reason that the complex mechanism of the EU regional policy fundamental principles and objectives is set to use them to eliminate regional disparities, to increase socio-economic development of the regions and then states, which will complete this process by increasing the EU competitiveness as a subject of international economics.

The synergy of EU Cluster policy and EU Regional policy must show how technology refers to ideas and knowledge that business can exploit commercially and assure the world economy sustainable development. The sources of new ideas on which companies can call are many and varied, ranging from universities and research institutes to competitors, customers and suppliers, and to employees. The EU economies are following a long-established trend of restructuring away from the primary and secondary sectors and towards services and high value-added products. But manufacturing is still an important economic sector of the Community for production, trade and employment. In recent years the industry has operated against a background of slow growth of demand, rising unemployment, increasing international competition and rapid changes brought about by technological progress. Although these are problems which to some extent are shared by all members of the Community, cluster policy still remains largely a national responsibility. The Community has taken steps to ensure that, in accordance with a system of open and competitive markets, the conditions and the legal framework necessary for speeding up the structural adjustment and competitiveness of European industry will develop. The Community's cluster strategy in particular regions consists of policies aimed at improving the business environment, by working towards integrating the European market, promoting the necessary changes in industry's structure, and coordinating the activities of the member states. The single market has given a welcome boost to cross-border mergers, acquisitions and joint ventures which are shaping a new structure of production and distribution.

Conclusion

The paper provides a comprehensive, coherent and systematic overview of the basic principles and objectives forming the backbone of the EU cluster policy and the nature of its operation mechanism along with the EU Regional policy. Clusters play an important role when it comes to the access of SMEs to innovation and research, or the joint development of international markets. They will also play a crucial role in the future for the allocation of Structural Funds which requires greater prioritization and specialization within regions. The European Union recognizes the importance of clusters and prospects for economic development and that due to the support of clusters is the subject of very intense debate both at European authorities. The European Union also supports the exchange of information, developing strategies processing and expert analysis including through support associations and initiatives that focus on the development of clusters.

In this paper we have shown how Europe can succeed if it acts collectively as a Union. The ultimate objective is to help Member States and regions in designing smart specialization and cluster strategies to assist companies in developing new, globally competitive advantages in emerging industries through clusters, and in this way strengthen the role of cluster policies for the rejuvenation of Europe's clustering as part of the EU Regional policy.

As conclusion we can say that technological advance, knowledge based production, innovation implemented into new technologies are the outputs of effective synergy how the EU cluster policy can be involved in the EU Regional policy. Those are the tools leading to increasing economic growth, sustainable social and economic development and higher quality of life of European Communities inhabitants.

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