

AN EXPLORATORY ANALYSIS OF THE TERRITORIAL CAPITAL IN ROMANIA: CASE STUDY OF BIHOR REGION

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ABSTRACT

EU member states are characterized by very different endowments of territorial capital. This set of territorial assets having economic, cultural, social and environmental nature is documented to impact the economic performance of territories. The concept of territorial capital summarizes the endogenous sources of economic development and provides a solid, homogenous theoretical framework through which present regional scenarios can be explained and policy implication can be identified. This paper develops a model of the concept of territorial capital. This model investigates its composition of tangible and intangible goods. The structure of territorial capital across countries is also accounted for, with the aim of understanding spatial imbalances and factors fostering territorial capital accumulation across Romanian counties. The proposed empirical research uses a dataset concerning territorial capital across a Romanian county (Bihar) assembled from the site of Romanian National Institute of Statistics and National Prognosis Commission.

KEYWORDS: *economic performance, territorial capital, economic growth*

JEL CLASSIFICATION: *O10, O20*

1. INTRODUCTION

Territorial capital is a combination of economic, cultural, social and environmental assets that ensures the development potential of places. The potential of this concept resides in the recognition of possible interactions between factors of different nature. Some studies have focused on the analysis of territorial capital and regional growth, such as: Camagni (2008), Camagni and Capello (2009), Capello, Caragliu and Nijkamp (2009), Tóth (2011).

The policies for regional development are implemented under a still non-understanding of what "regional" actually means. The "regional" development has no operational meaning, in the sense of being useful to policy-making, as long as there is no economic concept applicable to the "region". The EU statistical arm, Eurostat, refers to a "region" as "a piece of land with boundaries more or less defined that often serves as an administrative unit at a level below that of the nation-state" and recognizes that "fuzzy" may characterize the degree of definition of boundaries.

This work is devoted to the analysis of the territorial capital in a county from Romania.

Bihar is a county situated in the east of the country and has 4 municipalities, 6 towns and 91 communes. The GDP per capita is well above the national average.

I have chosen to analyze the fiscal value and number of employees in order to establish a theoretic connection due to the number of employees, technology, investments which can increase or decrease the number of fiscal value.

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2. COLLECTED DATA AND ANALYSIS

Three of the top 15 companies of Bihor county by turnover and with the biggest number of employees (including the top position among employers and two in the turnover) last year belonged to brothers John and Viorel Micula. Despite the problems they have had in recent years, they fail therefore still dominate the local economy.

Fortunately, there are other companies in the area such as: Celestica (Romania), the local subsidiary of a group specializing in the production of electronic components (founded over two decades ago by IBM), had 2014 turnover of nearly one billion lei and over 1,000 employees. Sugar Factory Oradea, member of the group Cristal Diamant, had to turn impressive turnover of almost 400 million lei. That while Votrom fuel distributor and manufacturer of components and subassemblies Mekatronic Faist also had less and reaches 300 million lei. Among county is still footwear producers (as Ara Shoes Romania or Lloyd Shoes Romania), furniture (like PGS Sofa & Co or Ada Furniture Factory LLC), and transport companies and logistics (such Transmec RO) or traders in agriculture (as Agroind Cauaceu SA).

Table 1. Number of employees in firms from Bihor County

Place	Company	No. of employees
1 st	Transilvania Import-Export S.R.L.	2349
2 nd	Ara Shoes Romania S.R.L.	1269
3 th	European Food S.A.	1125
4 th	Valentini Impex S.R.L.	1027
5 th	Celestica (Romania) S.R.L.	1012
6 th	PGS Sofa & Co S.R.L.	984
7 th	Melania New S.R.L.	960
8 th	Connectronics (Romania) S.R.L.	878
9 th	Faist Mekatronic S.R.L.	868
10 th	Ada Fabrica de mobila S.R.L.	825
11 th	Plastor S.A.	777
12 th	Leonardo S.R.L.	768
13 th	European Drinks S.A.	726
14 th	Bihore S.R.L.	714
15 th	Luna Shoes S.R.L.	656

National Prognosis Commission data say that economic activity in Bihar is on track. Gross domestic product per capita would reach this year at 6,027 euro, placing the county ranks 18th in the country (therefore in the first half of the league). Bihor county lost some ground in 2012, when the local economy decreased by 2.1% (negative trend recorded in that year and the other 17 counties-including neighbors of Arad and Bucharest), but returned to growth - 1.9% in 2013, + 3% in 2014 and + 3.5% this year, if official estimates are true. Next, CNP experts think, increase in GDP of 3.4% in 2016, 3.6% in 2017 and 4% in 2018 when gross domestic product per capita should reach 7.336 euros. Also on the plus should be in the coming years and the average net wage in the local economy (from 1,274 lei this year it should rise to 1,352 lei in 2016 to 1,421 lei in 2017 and 1,491 lei in 2018) and employment size (from 261,800 this year to over 265,000 people in 2018). Meanwhile, the unemployment rate would drop relatively constant, with 0.1 percentage points each year, rising from 3.3% in 2015 to 3% in 2018.

And data of the National Statistics Institute (INS) are generally giving optimism. In the first six months of the year industrial production index increased by 2.3% in Bihor county over the same period of 2014. That was after last year increased by 6.9% compared to 2013. Another sign that the local economy is on a positive trend is that, compared to the same month last year, the number of

employees increased by about 1% to almost 158,000. In turn, the number of unemployed decreased lately (from 9.131 in June 2014-8734 in June 2015), the unemployment rate down from 3.3% also at 3.2% in the same period. That while the average net wage increased by almost 100 lei from the middle of last year (from 1,243 lei in June 2014-1336 lei in June 2015). The good news continues with a fairly consistent increase of arrivals in accommodation establishments in the county in the first half - almost 125,000, compared to 118,000 in January-June 2014. In terms of real estate things are better: last year, in Bihar were completed 1,032 new homes, 23% more than in 2013 when only 838 were completed.

Not all developments in the local economy are, however, positive. According to INS data, in the first four months of Bihar firms exported goods worth 613 million euros, four million less than in January-April 2014. That while nationally, the value of exports grown in the same period by more than 900 million (over five percent respectively). The trend had been visible since 2014, when Bihor county exports were 1.917 billion euros, about 1% less than in 2013 (this despite growth of nearly 6% nationally).

Neither in terms of average salary in the county the situation is not satisfactory. Despite the increase over seven percent from last year, in June 2016 Bihor is ranking 29th in the country, after less developed counties (such as Olt, Tulcea, Calarasi, Teleorman, Ialomita and Mehedinti) and after Arad, Salaj and Satu Mare.

According to the Ministry of Finance, Transilvania General Import Export SRL last year had a turnover of 819 million lei, almost 5% less than the 855 million reported for 2013. And European Drinks decreased (from 300 million RON two years ago to 293 million last year) and the same trend had a European Food SA and businesses - from 361 million to 319 million lei in 2014. 2013 and the fourth leading company in the group, Rieni Drinks lost several percent last year (recording a turnover of 67 million lei, compared to 73 million in 2013).

Leonardo, for instance, owns chain stores with the same name, after being rendered insolvent in 2010, officially entered into bankruptcy this spring. Then, according to information provided by the Labour Inspectorate Bihar, in the fourth quarter of 2015 would take place in the county collective redundancies totaling nearly 500 people. Among them, a garment factory in Beius, with 55 employees, which will cease its activities.

Table 2. Fiscal venue

Place	Company	Fiscal value (million lei)
1 st	Celestica (Romania) S.R.L.	924,2
2 nd	Transilvania Import-Export S.R.L.	819,4
3 th	Zaharul Oradea S.A.	361,5
4 th	European Food S.A.	319,5
5 th	Votrom S.R.L.	299,2
6 th	European Drinks S.A.	292,2
7 th	Faist Mekatronic S.R.L.	292,6
8 th	Ara Shoes Romania S.R.L.	261,6
9 th	PGS Sofa & Co S.R.L.	258,0
10 th	Transmec RO S.R.L.	235,6
11 th	Agroind Cauaceu S.A.	210,4
12 th	Ada Fabrica de mobila S.R.L.	197,2
13 th	For United Energy S.R.L.	194,2
14 th	Lloyd Shoes Romania S.R.L.	168,8
15 th	Electrocentrale Oradea S.A.	168,5

3. CONCLUSIONS

The geographical distribution of territorial capital documents spatial imbalances, confirming the need for space-specific policies. The specific policies include:

- Attracting investors and funds;
- Providing land, equipped, especially in industrial areas.
- Ensuring economic politics and local tax attractive for investors.
- Providing a range of educational and vocational training more diversified.
- Developing international airport (with as many destinations to attract various investors).
- Local and national infrastructure development.

Future research is needed to address the relationship between the structural characteristics of territorial capital in Romanian counties, effectiveness of European cohesion policy and this issue is particularly relevant in order to maximize local returns to specific investments.

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