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THE ADRIATIC-IONIAN MACROREGION IN THE EURASIAN SOCIO-ECONOMIC FUTURE†

Carlo Carboni
Polytechnic University of Marche, Italy. Email: c.carboni@univpm.it

Francesco Orazi
Corresponding Author: Polytechnic University of Marche, Italy.
Email: Francesco.orazi@univpm.it

Abstract

This paper discusses the economic and social potential enabled by the Adriatic Ionian Macroregion (AIMr), characterized by a diffuse industrial pattern based on small and medium-sized enterprises, located in a European periphery, logistics and politics. The analyses show a diverse environment, made up of territories and states that move between vitality, modernization, economic backwardness and social inadequacy of infrastructure networks. In reference to the pillars identified by the EU, the ability to develop investments agreements with strategic political partnership between the states are the main instruments to achieve the objectives of modernizing the infrastructure and technology of this new political and economic realities.

Keywords: Local Development, Social and Economic Gaps, Adriatic Industrial District, Infrastructure Networks, Partnership Capabilities

1. Introduction

The Adriatic-Ionian Macroregion (AIMr) is part of a vast *border* territory facing the Eurasian south-east, a key geopolitical area. This is the first European "focal point" of a macroregion which is particularly problematic due to the financial and economic crisis and that, on the Slavic side, was significantly harmed by wars and ethnic conflicts, after the fall of the Berlin Wall. For this reason, the institutionalization of this macro-region is of great interest. The strategy of the EU associates contiguous territorial areas of member states and non-member states around shared goals of cohesion and development. This project took off after the recognition of the Baltic and Danube Macroregions, and the AIMr is the third such to be institutionalized by the EU, with the aim of strengthening cross-border cooperation and cohesion policies. It is therefore fundamental the institutional recognition at the European level of this macroregion (composed of eight countries) which constitutes a large part of the supranational scenario in which Italian Adriatic development takes place (Pyke *et al.* 1990). Not surprisingly, the AIMr has been supported by several other community initiatives such as the *Adriatic Euroregion* (regions and

† Carlo Carboni, a full professor of Economic Sociology at the Economic Faculty G.Fuà, edited paragraphs 1, 2, 5; Francesco Orazi, a researcher of Economic Sociology at the Economic Faculty G.Fuà, edited paragraphs 3 and 4.

municipalities in six countries), the *Forum of the Chambers of Commerce of the Adriatic and Ionian* (seven countries), the *Forum of Cities* (seven countries) and *Uniadrion* (universities in nine countries). Finally, the Committee of the Regions has performed a wide consultation in the territories of projects, with specification and detail of axes and programs conceived in view of EU funds for 2014-2020. The Macroregion is important because it concerns all of the major issues of the Adriatic axis: from the sea (the first), to the economy, small and medium-sized enterprises (SMEs), craft industries, the environment, tourism and infrastructure. These are addressed within the four *pillars* of the European action plan:

1. Driving innovative maritime and marine growth
2. Connecting the region
3. Preserving, protecting and improving the quality of the environment
4. Increasing regional attractiveness

Given the regions involved on the Italian side, this macroregional development is readily affected by the beneficial influence of the *assets* of our Adriatic axis of development, made up of craftsmen and small and medium-sized enterprises. Of course, the big issue in many countries is the lack of external economies and infrastructure. Among the vast trans-European infrastructure networks there appears to be a hole right over the territories of the AIMr, a hole that urgently needs bridging through infrastructure works “along and through” our shores. In this paper, we limit ourselves to a first exploratory synthesis to get a better idea of the diversity of structural and socio-economic vitality in the area, in order to better target macro-programming, at least in terms of entrepreneurial activity, employment and social cohesion between the different territorial cultures[1].

While awaiting more detailed studies on the territories of the AIMr, this synthesis presents only a provisory exploratory scenario, yet, it allows us to mark three small wayposts indicating three important aspects of South-East Europe: its marked lag, its relative vitality and its outstanding diversity.

2. Institutions, Economy and Society

Our 2013 study of the analysis of the macroeconomic situation of the AIMr is based on the examination of a large set of data apparently heterogeneous. From the vast dataset (more than 50 variables examined in total) for the eight states involved, we selected 15 variables, extracted from various sources and relating to different subject areas. The macroeconomic fundamentals selected provide information on the demographic, educational, social, institutional, economic, commercial and employment profile of the countries of the Adriatic-Ionian Macroregion.

The 15 variables were studied by means of an analysis by principal components, aimed at synthesizing the complex and heterogeneous mass of accumulated information. Table 1 highlights the excellent explanatory power of the two components identified, which sum up to about 74% of the overall variance. Higher values indicate a strong influence of the variable on the selected component, while lower figures (usually below the threshold of 0.30) indicate a marginal relationship between the principal component and the real variable. The first component expresses the infrastructure of a modern country. This component seems indeed closely related to the level of development achieved, which constitutes an endowment of valuable assets (population, tertiary education, per capita income, motorization rate, tourist accommodation), but also a heavy burden (health care spending and public debt). The term *modernity* seems to sum up fairly precisely the essence of this first component.

[1] For further details see the report C. Carboni, M. Socci and G. Morettini “Analisi socio-economica della macroregione adriatico-ionica” [Socio-economic Analysis of the Adriatic-Ionian Macroregion]. The report was presented at conference on the Macroregion at the Giorgio Fuà Faculty of Economics, Ancona, the 12th November 2013 and it was published by CNA [National Confederation of Crafts and Small and Medium Enterprises], Rome 2013. As a consequence, the database does not include the three Italian regions (Trentino-Alto Adige, Lombardia and Umbria) that have become part of the Macroregion in the spring of 2014.

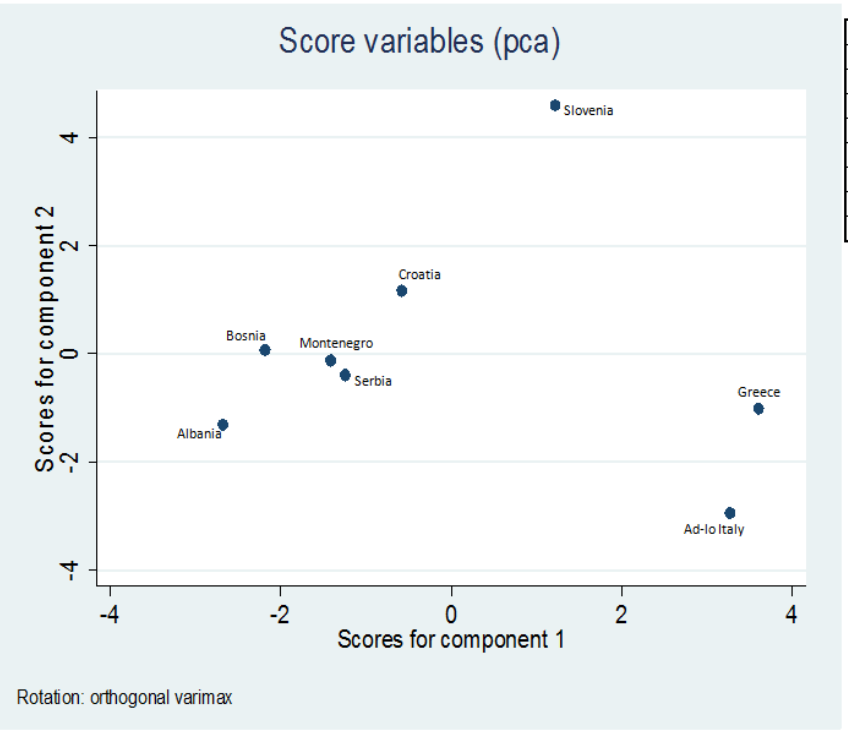
Table 1. Matrix of the components, rotated (Varimax method): Countries of the Macroregion and Adriatic-Ionian Italy variable

Variable	Component 1	Component 2	Unexplained
Dependency index	0.0437	**-0.4331**	0.0649
Population	**0.3139**	-0.1764	0.2305
University enrollment rate	**0.3322**	0.2114	0.1260
Spending in R&D (% of GDP)	0.1883	**0.3137**	0.3178
Motorization rate (motor vehicles per 1000 people)	**0.3852**	0.1302	0.0245
Internet users (per 100 people)	0.0402	0.2877	0.5882
Health spending (% of GDP)	0.0256	0.0835	0.9625
Public debt (% of GDP)	**0.3666**	-0.1507	0.0525
Activity rate (15-64) (%)	0.1741	0.2984	0.3932
Industry, added value (% of GDP)	-0.0641	**0.3194**	0.4701
Export (% of GDP)	-0.1170	**0.4160**	0.0561
GDP per capita	**0.3879**	0.1183	0.0248
Inequality in income-Gini index	-0.0441	-0.2987	0.5551
Tourism (beds in accommodation)	**0.3718**	-0.1508	0.0287
Employees in small businesses (0-49 employees); % of total employment	**0.3604**	-0.1369	0.1010
Variance explained by the components	0.43	0.3111	0.7411

Notes: Eliteam (Carboni,Socci and Morettini, 2013)

The second component seems characterized by the element of *vitality*. This component is (negatively) influenced by the relationship of dependency, but also includes (with a positive sign) the added value of industry, exports and spending on R&D activities. This includes heterogeneous elements, united by a dynamism coming from a younger demographic structure, applied research of the highest quality, a major industrial productivity and the ability to compete in global markets.

Figure 1 provides a reading of the Adriatic-Ionian Macro-area based on these two principal components. Three heterogeneous groups emerge. We note, first of all, two cases (Adriatic-Ionian Italy and Greece) characterized by high modernity and reduced vitality. These countries have reached a good level of development (it is no coincidence that they are the only members of historic EU advocacy present in the Macro-region), which is expressed by widespread motorization, capillary networks of small businesses, high GDP per-capita, high population (especially Italy) and high levels of education (particularly Greece). Past successes, however, clash with future prospects that are far less rosy. A reduced vitality can already be perceived, due to poor industrial productivity (Greece), to a more and more aged population (Italy) and an alarming and out of control public debt.



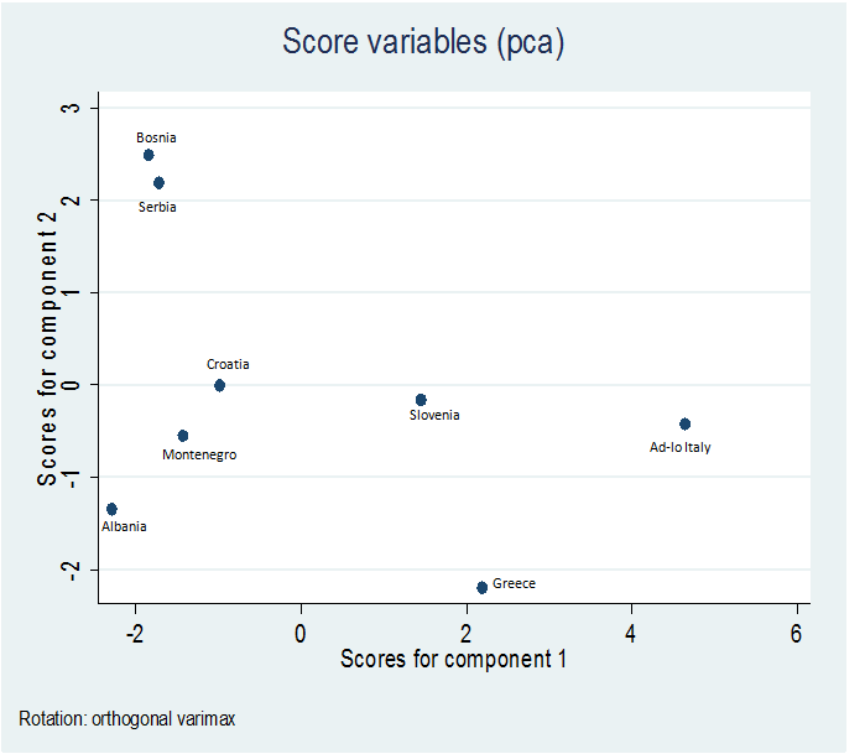
Matrix of Points

Nation	*Factor 1*	*Factor 2*
Greece	3.60	-1.02
Slovenia	1.22	4.58
Montenegro	-1.42	-0.12
Croatia	-0.57	1.16
Serbia	-1.24	-0.39
Albania	-2.68	-1.33
Bosnia	-2.18	0.07
Ad-lo Italy	3.27	-2.96

Figure 1. Matrix of scores for components 1 and 2 - Countries of the Macroregion
Notes: Eliteam (Carboni *et al.* 2013)

Figure 1 offers a key to understanding the macroeconomic fundamentals of the different countries of the Macroregion. One cannot, however, ignore the difficulties of correctly interpreting the Italian case, composed of a somewhat heterogeneous plurality of regionalisms. A useful exercise is to divide Italy into two areas, separating the Adriatic regions (Friuli-Venezia Giulia, Veneto, Emilia-Romagna, Marche, Abruzzo, Molise and Puglia) from the ones facing the Ionian Sea (Calabria, Basilicata and Sicily).

Such a scenario is in stark contrast with the case of Slovenia, the only nation in the Macroregion characterized by high vitality. The country benefits from a low demographic dependency index and expanding production, driven by strong exports and by productive and innovative industries (as evidenced by the significant and far-sighted investment in R&D). There is finally a third group of nations that are not distinguished (near to average) by vitality, but are decidedly lagging from the point of view of modernity. This aggregate includes all of the Balkan countries, consumed by a delayed and as yet incomplete economic transition. Particularly problematic is the case of Albania, whose reduced modernity is exacerbated by the lack of vitality. The low impact of the industrial sector and the shortcomings of the educational system and research are still insurmountable obstacles that have so far precluded any hope of starting the *catching up* process.



Matrix of Points

Nation	*Factor 1*	*Factor 2*
Greece	2.19	-2.20
Slovenia	1.45	-0.16
Montenegro	-1.43	-0.55
Croatia	-0.99	-0.01
Serbia	-1.72	2.19
Albania	-2.29	-1.35
Bosnia	-1.84	2.49
Ad-Io Italy	4.64	-0.43

Figure 2. Matrix of scores for components 1 and 2 – Countries of the Ionian Macro-region and Italy.
Notes: Eliteam (Carboni *et al.* 2013)

Ionian Italy has a much more problematic profile. Figure 2 shows a slight regression in the modernity component, which reflects a high public debt burden and an activity rate below the national average. The most significant decline, however, affects the component of vitality, which has plummeted to a very low level, lower than all other nations in the Macroregion. This collapse is mainly due to the low impact of exports[2], which further undermines an context already at risk and conveys the idea of an area now turned in on itself and increasingly unable to bear the international competition.

Overall, the analysis of the macroeconomic fundamentals highlights signs of vitality in the countries of the Macroregion. However, these do not provide the dynamism that would be needed to move ahead quickly in today's turbulent and complex climate. The only exception is Slovenia, an unusual country in several aspects. Ljubljana seems to look in other directions, addressing itself more to Northern Europe. Moreover, Slovenia has peculiar cultural characteristics, which are more Central European than Balkan.

The different socio-cultural heritage is perhaps the key to the Slovenian success in comparison with the disappointing results of the other countries in the area. The Balkan nations have so far proceeded in fits and starts, accumulating in some cases further regressions compared with an international context in deep fibrillation. Certain expectations matured a few years ago have not yet materialized; the development process has seemed to proceed along a slippery and treacherous path riddled with gaps and weaknesses in certain economic fundamentals. What is needed is more vitality and the ability to identify a clear path for growth, able to tow these nations out of the doldrums of a slow and difficult transition to a more complete modernity. There are just as alarming signals coming from Italy and Greece, the most important countries of the area, who have already made the transition to modernity. These nations are supposed to represent (in terms of history, economic heritage and size) the

[2] With the exception of Sicily with respect to the Macroregional area; cf. Section 3, "Le imprese e gli scambi" [Companies and exchanges] of the report cited.

locomotive of the entire Macroregion, but are plagued by structural problems that produce an alarming deficit of vitality. The lack of dynamism of this "locomotive" risks impacting the entire Macroregion, with these nations unable to overcome their structural weaknesses, now exacerbated by a heavy and long downturn in the European economy.

3. Companies and Exchanges: Hypothesis of the Adriatic Taking a Leading Role

The issues addressed above are just a first synthesis through the application of a Principal Component Analysis (PCA). The principal components describe a scene crowded by variables of entrepreneurial presence, productive structure, business demography, external environment, productivity, commercial capacity and competitiveness of manufacturing enterprises. The 11 variables considered are represented by two components (latent variables), which account for about 80% of the overall variance (Table 2).

Table 2. Matrix of the components, rotated (Varimax method): Countries of the Macroregion and Adriatic-Ionian Italy

Variable	Component 1	Component 2	Unexplained
Entrepreneurial density	0.2755	-0.2776	0.03455
Mean size of companies	-0.0064	**0.566**	0.08703
Influence of SMEs (0-249 employees) on total employment (% share)	0.0932	**-0.4536**	0.2068
New company birth rate	-0.0396	0.155	0.8994
Interest rates on loans to companies	**-0.3904**	-0.1388	0.25
Total taxation on companies	**0.3236**	-0.0416	0.3196
Influence of Manufacturing on total employment (% share)	0.1053	**0.5876**	0.2062
Turnover per person employed in manufacturing companies	**0.4266**	0.0563	0.002027
Added Value per person employed in manufacturing companies	**0.3958**	-0.0167	0.04155
Labour costs per person employed in manufacturing companies	**0.4159**	0.047	0.04063
Trade openness (% exports in the Macroregion of total exports)	**-0.366**	0.0301	0.1577
Variance explained by the components	0.5409	0.255	0.7959

Notes: Eliteam (Carboni *et al.* 2013)

The first component is related to elements of context (the interest rates on loans to companies), indicators of productivity (added value per employee), trade skills (turnover per employee) and trade openness (ability to export to distant markets and not only countries of the Macroregion). This component can then be identified as the *performance* of companies.

The second component indicates the structure of companies. It is explained by the size (expressed as mean size and influence of SMEs on the total) and the sector of activity (the influence of manufacturing on the total) of companies.

The analysis allows an identification of four large blocks. The first block includes Italy and Greece, which are characterized by good *performance* and a fragmented productive structure. In particular, Adriatic-Ionian Italy has a good labour productivity and a trade openness much higher than Greece, unable to compete in distant and more competitive markets. The Greek economy is characterized by a productive structure fragmented into a multitude of small businesses, operating mainly in trade and services. The small size of companies is also a common trait in Italian companies, which, however, show a much more accentuated manufacturing vocation.

At the centre of this descriptive scenario are Slovenia, which combines fair *performance* in a fairly balanced entrepreneurial structure. Serbia and Bosnia lie instead among the countries

with a production concentrated in a few large firms (often given favour by public subsidies or international bodies), with, however, lacklustre productivity and results.

Finally, we can identify the nations characterized by a fragmented productive structure and disappointing company *performance*. Emblematic examples are Albania (in which manufacturing companies are still not very profitable) and Montenegro (active mainly in services and trade).

Even in the case of entrepreneurial structure, the data mark a still deep divide between the two seas of Italian shores. Adriatic Italy is improving in terms of *performance* and shows a less fragmented productive structure. Ionian Italy has a highly fragmented productive structure, which places it below Greece. This difference is mainly due to the weak influence of manufacturing, poor ability to export out of neighbouring countries and reduced labour productivity, only partially offset by lower personnel costs. The analysis of the entrepreneurial context highlights rather heterogeneous situations. Bosnia and Serbia are examples of an assisted system, in which the state encourages and supports the creation of large companies that are considerable but still inefficient. The low productivity, however, also affects similar realities such as Albania and Montenegro, which are characterized by small enterprises and poor manufacturing vocation.

Other realities have less clear profiles. Croatia has received tentative, partial increases in the *performance* of its businesses, while Slovenia has embarked on a virtuous path with greater determination, and has already produced significant results.

The best *performance* is still exhibited by Italy, especially in the regions of the Adriatic. The good results should not, however, detract from the need to restructure a still too fragmented productive system.

This study will below highlight, for Adriatic-Ionian Italy, the strengths and weakness of the productive structures in the AIMr, and the potential and shortfalls of the Adriatic model of industrial development, the possible locomotive of the Macroregion.

a) Strengths

Adriatic-Ionian Italy has the largest number of enterprises in the Macroregion: more than 1.8 million units, followed by Greece, with more than 728 thousand companies and by Croatia and Slovenia, with more than 100 thousand enterprises. The other countries are well below these numbers, ranging from between approximately 83 thousand and 24 thousand enterprises in Serbia Montenegro and Bosnia-Herzegovina.

In all countries of the Macroregion small and medium-sized enterprises[3] dominate, accounting for over 99% of the total.

Adriatic-Ionian Italy is the area of the Macroregion with the highest enterprise density, 72 enterprises (total and SMEs) per 1,000 inhabitants, followed by Greece (64.4) and Slovenia (52.9).

With reference to 2011, observing the birth rate of new entreprises in relation to the entreprises in a given year, it is to be noted that the indicator value is particularly high in Montenegro (19.3%), followed by Serbia (9.9%), Italy-Adriatic-Ionian and Bosnia-Herzegovina (about 8%)[4].

[3] At the European level we generally use the following criteria to define SMEs: Micro < 10 employees; Small < 50 employees; Medium-sized < 250 employees; Large > 250 employees. However, within the Macroregion, some countries adopt different criteria in national statistics and propose further classifications. For example, in Albania they are as follows: Micro 0-4 employees; Small 5-9 employees; Medium 10-49; Large 50+ employees; in Bosnia-Herzegovina: Small 0-49 employees; Medium 50-249 employees; Large > 250 employees. Data for Micro enterprises in Bosnia are only available for a few years prior to the most current data available and used in this report.

[4] The levels of this indicator should be read according to the quantitative volume of enterprises in the various countries. In this regard, it should be underlined that the figure for Montenegro and Bosnia is influenced by the small number of companies operating in these realities, characterized by a not very wide entrepreneurial base.

The volume of employment is also more significant Adriatic-Ionian Italy, with 6.6 million workers (of which 5.7 million in SMEs), followed by Greece, with 2.3 million employees in enterprises (1.9 in SMEs). Among the other countries in the area, only Croatia and Serbia have over a million employees in companies, Slovenia having 500 thousand, while Albania and Montenegro are characterized by the lowest number of employees in enterprises (respectively 252 thousand and 102 thousand in the total of enterprises; 209 thousand and 74 thousand in SMEs).

The analysis of the added value per person employed in manufacturing companies shows that the areas which register the best *performances* are Adriatic-Ionian Italy (46 thousand Euros of added value per person employed), Greece (41 thousand Euros) and, with lower values, but still significant on a comparative basis, Slovenia (33 thousand Euros). Other countries follow at some distance: in Croatia the added value per employee is just under 20 thousand Euros, in Bosnia-Herzegovina and Serbia it is approximately 11 thousand Euros, while Montenegro and above all Albania have values well below 10 thousand Euros per employee[5].

In the context described above, the strategic importance that this new political, productive and market area assumes for Italian economic and commercial interests is indicated by the evolution of exports. In 2012, the total volume of exports of Adriatic-Ionian Italy towards countries in the Macroregion amounted to 7.4 billion Euros, compared to 4.2 billion in imports, thus the trade balance gave a surplus of 3.2 billion Euros. The countries to which the regions of Adriatic-Ionian Italy export to a greater extent are Slovenia (2.6 billion Euros), Greece (2 billion) and Croatia (1.2 billion), followed by Albania (0.7 billion), Serbia (0.4 billion), Bosnia-Herzegovina (€0.3 billion) and Montenegro (67 thousand million). As for Italian imports, the order of countries in the Macroregion is the same, with an import value that oscillates between a maximum of 1.4 billion Euros from Slovenia and a minimum of 19 thousand million from Montenegro. The analysis of the volume of trade balances instead shows that Greece is the country with which there are better economic results (+1.16 billion Euros), albeit only slightly ahead of Slovenia (1.12 billion Euros). With Croatia the balance is 0.4 billion; followed by Serbia (+0.19 million), Albania (0.16 billion), Bosnia-Herzegovina (+0.1 billion) and Montenegro (+47 million)[6].

Considering Italy as a whole, the analysis of trade exchange with the countries of the Macroregion tells us that exports amount to 13.5 billion Euros, compared to an import volume of 8 billion, for a trade balance surplus of 5.4 billion. The country to which the highest concentration of volumes of Italian exports goes is Greece, followed by Slovenia (over 4 billion Euros in both cases, with negligible difference). With regard to Greece, there is the largest Italian trade balance (+2 billion), while Slovenia is the country from which Italy imports more significantly (2.5 billion).

b) Criticalities

Among the most problematic factors for business in the countries of the Macroregion (World Economic Forum, 2012-2013), the most significant ones, beyond differences between the various realities, are: access to finance and inefficient state bureaucracy, followed by corruption, policy instability, regulations and tax rates.

Another problematic factor that significantly influences the “context conditions” for the business activities in the Balkan countries is represented by very high interest rates on loans to companies, which reach critical levels, in double figures, in Albania (12.7%) and Serbia and Croatia (over 11%), and a still significant level in Montenegro (9.4%). Such high interest rates should be seen within the process of transition and economic development in the medium to long term embarked on by Balkan economies, where the weight and the role of international organizations, including, of course, those of banks, have been crucial. It is not surprising, in this scenario, that the Balkan countries register such high interest rates as charged by banks and

[5] Our Processing of data: United Nations Statistics Division, (2011).
[6] Our Processing of data: World Bank (National accounts data, 2011); OECD (National Accounts data files, 2011); World Economic Forum (2012-2013).

financial institutions. In the other countries of the Macroregion lower levels of interest rates on loans to enterprises apply, especially in Adriatic-Ionian Italy and Slovenia (5-6%), although values are certainly not very favourable or advantageous for the companies of the countries of the area.

However, if we focus our attention on a measure that provides a more general framework in relation to more or less favourable environmental conditions for the development of economic activities and enterprises, such as the total taxation on businesses, we note that the Balkan countries, despite high interest rates on loans, regain, and consistently, some *appeal*. In particular, the level of taxation on business activity is just 22-24% in Montenegro and Bosnia-Herzegovina, fluctuates around 32-34% in Croatia, Serbia and Slovenia, and remains below 40% in Albania. This threshold of taxation is exceeded, on the other hand, by Greece (44.6%), which therefore presents a situation a little less favourable, in terms of tax burden on business activity, compared to other nations in the Balkans. However, the Greek case pales in comparison to the record level of Adriatic-Ionian Italy, where the overall tax burden on businesses exceeds 70%[7].

The analysis of data on the cost of labour highlights the deep divide within the Macroregion between countries of the European Union (excluding Croatia) and the remaining Balkan countries. This confirms that labour in these national realities is a fundamental lever to contain the cost of productive factors, which influences the strategies of delocalisation of foreign companies, among which, as noted, is a substantial share of Italian companies. More specifically, Adriatic-Ionian Italy, in the Macroregion has the highest labour costs per person employed in manufacturing companies (30 thousand Euros). This is followed by the cost of labour in Slovenia (21 thousand Euros) and Greece (18 thousand Euros) and, by a considerable distance, concerning the level of the indicator in question, all the other countries. Among these, with the exception of Croatia (11 thousand Euros), the cost of labour per employee is lower than 10 thousand Euros, with Bosnia-Herzegovina, Serbia (approximately 6.5 thousand Euros) and especially Albania (2.4 thousand) that have the lowest labour costs within the area.

4. The Adriatic Model of Industrial Development

The varied and district-level Adriatic economies that could take advantage of the political and economic change represented by the AIMr still seem trapped by an insidious crisis that has haunted them now for about fifteen years.

This long crisis, firstly productive and secondly financial, is eroding the identity of development model that had, in the eighties, made the Adriatic Corridor highly significant in the industrialization of the country. Since then there has been a rapid decline in figures, with uncertain forecasts.

The first signs of competitive difficulty in these industrial areas occurred in the second half of the nineties. Between 1995 and 2000 the increase in total productivity in the manufacturing sector was practically negligible (Bank of Italy, 2004).

For the whole of the 80s, the foreign activities of Italian companies was principally aimed at participating in or acquiring control of companies with similar or complementary products in European countries and beyond. At the same time, medium-high technology sector firms, with significant economies of scale, were investing abroad in search of new markets; by the mid-eighties, these accounted for three-quarters of the 260,000 foreign workers in our manufacturing industry. A further 10% were Italian owned high-tech firms that sought to exploit synergies in the development of new products and advanced production methods and foreign workers were concentrated in Western Europe and North America.

Since the 90s, firms in the textile, clothing, leather and footwear industries, including smaller business, have started to outsource part of their activities to countries with low labour costs, with the aim of defending the competitiveness of their products from unfavourable trends

[7] Our Processing of data: World Bank (National accounts data, 2011); ISTAT (National accounts data, 2011).

in the ratio of price to quality. In early 2004, the employees of foreign companies controlled by Italian companies had risen to 870,000, accounting for 18% of national employment; a third of these were employed in Eastern Europe and in Asia. However, the productive delocalization carried out by medium-high technology companies does not seem to affect domestic employment, or it does so in a positive way; in traditional sectors, moving part of the production abroad is purely defensive: it reduces employment, but allows enterprises to sustain competition in the international market.

It is in this context that, for years, the Adriatic economy, based on the model of district-level industrialization, has operated. Our research on the Adriatic territory (Orazi, 2009) confirms this trend. Approximately one third of the companies surveyed relocated part of their production in the last five years, the same in their area prevalently experienced scenarios of decline, but, at the same time, two thirds of the sample declare that they are not affected by the state of crisis, a sign of a substantial change in the trend, given the difficulties that the district territory and its areas of specialization have endured for more than five years. The extensive use of delocalisation, constant restructuring of production focused on increasing the quality of products and the consolidation of some market leaders seem to have momentarily checked the competitive haemorrhage with emerging countries. Having permanently lost no longer sustainable world market shares, especially those with lower product values, the local production system seems to be settling into market spaces quantitatively less extensive, but with considerable increases in the value of its exports.

This resurgence in productivity does not apply to the entire industrial context, but only some medium-large sized leading enterprises. This trend has produced three important changes in traditional Adriatic economies:

1) Disarticulation of the integrated district-level supply chain and fragmentation of the local sub-contracting context.
2) Hierarchical organization of production, with the emergence of a few leading local medium or large sized companies, internationalized and financialized.
3) breaking of the symmetry (communities of common destiny) between the performance of local businesses and the socio-economic progress of the local community. The productive leaders operate alone on a global scale. For them, the territory has become a variable of opportunity governed by arguments of cost/benefit (Amin and Thrift, 1995; Storper, 1997; Fujita *et al.* 1998; Carboni, 2009).

On the basis of these findings, the Adriatic axis now risks a new peripheralization, if it is to be reduced to a “infrastructural bottleneck” which would limit the natural characteristic of a bridge towards the Balkans and the Near East.

Industrial and fiscal policy should focus on the productive and artisanal context, helping it to grow and interact, releasing it from bureaucracy and credit asphyxia and providing it with efficient external economies. The existence of artisanal or craft industries throughout the territory has always been accompanied by the presence of a great number of small and medium-sized enterprises: two groupings often overlapping in many respects. This is a great potential of our territories, which makes them generators of widespread economic activity. All this will prove invaluable for the development of the Adriatic axis of development of sparsely industrialized areas such as the Balkan-Adriatic, with the exception of Slovenia.

For what concerns the Adriatic-Ionian area, progress should be made to engage these economies in the new frontiers of technology and knowledge, a goal that the crisis has held back and deferred. The miracle of the Adriatic model is, at heart, the remarkable growth of per capita income in spite of industrialization appearing distant from the technological frontier. It has not been easy, but has been possible thanks to the ability of endogenous human resources to produce quality artefacts. However, from that historical experience, many factors are not replicable.

Today, we are facing a turning point. The past is a resource, but it is behind us, and a change is required and must be managed with institutions through strategic intelligence, in looking towards 2020. This means managing a gradual repositioning of business towards an

innovative model run through territorial *governance* including all players across the territories. This means industrializing and financing codified and generative knowledge, increasing competitiveness and added value, creating *Networks of Companies* and *Networks of Competence*, activating in terms of development not only businesses and local authorities, but also universities, research centres, professional communities, banks and venture capital. This also means internationalizing companies and the territory, not stopping at provincialism, and thinking once again to the major European corridors that threaten to ignore this part of Italy (Chandler, 1990; Penrose, 1995; Crouch *et al.* 2001)

With network and technology focus, a very interesting vehicle for growth is FabLabs, especially for artisan textiles within the Adriatic model of industrial development. In America, the widespread penetration of FabLabs transports the slogan of Made in China in the direction of Made in USA. In San Francisco the prototyping of a product costs merely $125. This is a revolution in bring out the creativity and expertise of the disadvantaged. The “disadvantaged” economies of industrial districts have been transformed by numerically controlled machines, or small-scale automation. FabLabs are a piece of industrial future for the grandchildren of this generation. The generational shift in mobilizing business is passing by way of these bottom-up levers of fertilization of creativity and skills. There is some promise of a sort of dematerialization of production processes, where laboratories and even factories are disintermediated by the computing power of a desktop and the applied flexibility of a three-dimensional printer.

5. Accompaniment to Dialogue between Cultures

This initial analysis shows that the issue of *diversity* is, paradoxically, the common ground on which to find unity of purpose in the Macroregion: the recognition of economic, political, cultural, religious, social and community diversity, in the broadest sense, is the precondition for identifying common assets, apart from our common seas, and for providing chances for each country and each territorial region to best develop on an institutional, economic and social plane. What also emerges from our analysis is marked social and economic diversities between states. Their amplitude suggests that we should not neglect cultural accompaniment as a framework for the measures envisaged by the four development priorities already identified by the European Union. In other words, relational initiatives should not be underestimated especially in associated socio-economic, entrepreneurial, cultural, professional, university and especially youth fields. It is important that economic integration proceeds along with a generational and cultural interrelationship among macroregional territories. This means fertilizing and promoting relations between professional, artisan and commercial communities. The approximately 600 major Italian companies located in other states of the Macroregion can constitute a launch-pad for cross-border projects that specifically address the issue of decentralization in an effort to balance advantages and disadvantages with industrial and network policies.

In addition, it is opportune to noted a dimension to which our report makes short but meaningful references, namely the financial sector, in which Italy has substantial interests in the Macroregion. For example, in Serbia, the Italian banking sector (including Banca Intesa Serbia, the largest bank in the country, and Unicredit, the third largest), has an influence of little below a quarter of the market in the entirety of Serbia’s banking sector. In Serbia, Italian presence is also significant in the insurance sector with Generali and Unipol-Sai. For the Italian regions, it is essential to build networks reaching from the Italian presence in the economic and financial sector to academia and business sectors. Besides unemployment, the most problematic component of the Macroregion concerns high interest rates on loans to companies, which reach double figures in Albania, Serbia and Croatia and come close in Montenegro (Table 3). In the current international financial and economic crisis a vicious circle has been created that manifests itself also at the macroregional level: while companies need vital oxygen in terms of liquidity, banks have reduced, if not completely frozen, lending, or, if lending is granted, high interest rates are applied. This is a problem closely intertwined with the evolution of the international financial markets in which action is required at a macroregional scale.

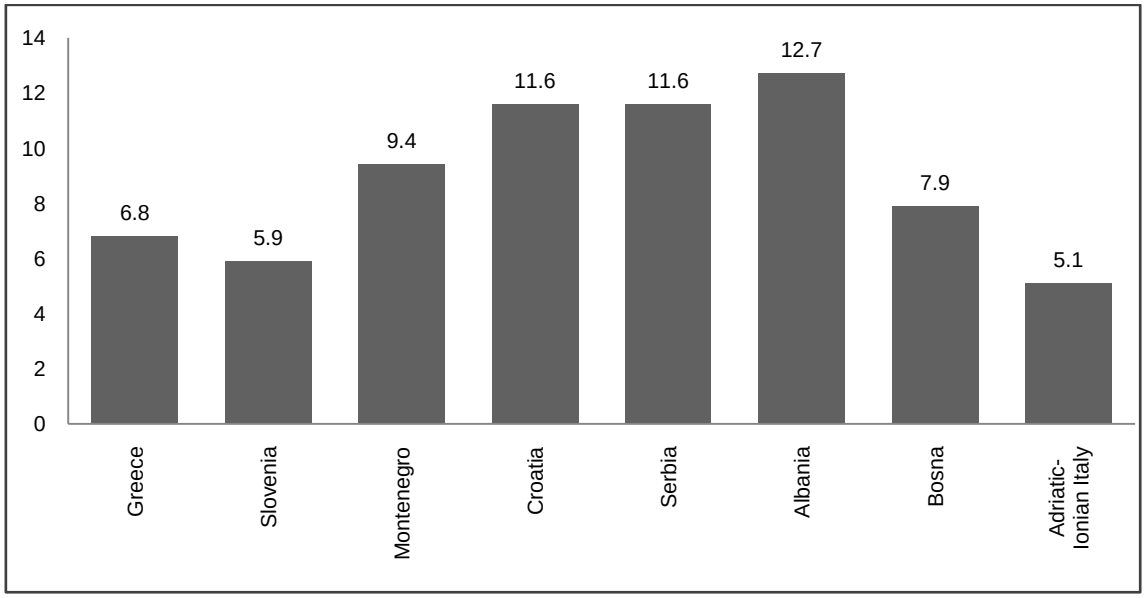


Figure 3. Interest rates on loans to enterprises (2009).
Notes: Eliteam (Carboni *et al.* 2013)

a) Sluggishness

An important aspect in the Macroregion is the sluggishness, or overall lag, plaguing South-Eastern Europe, an extremely delicate position right on the border with Eurasia and Mediterranean Africa: low spending on education, research and development (except Slovenia), high corruption (idem), questionable democracy (except Slovenia, Italy and Greece) and public debt soaring beyond the permissible (Ionian Italy and Greece). If we examine more deeply the economic dimension, we observe that the area has employment and unemployment rates worse than the European average and that meagre productive infrastructure is far from the most advanced technological frontier. Backwardness is also striking not only for what concerns the Balkan territories, but also those of Ionian Italy and Greece. Competitiveness, with the exception of Adriatic Italy and Slovenia, is low: difficulties in accessing credit, corruption, inefficient bureaucracy and tax regulations are some of the aspects that make the Adriatic Macroregion unattractive for FDI.

On the socio-economic level, this framework leads to the conclusion that this area of South-East Europe, if not the object of adequate investment, risks being trapped in a strong peripheralization, due to the problems facing Member States as much as country-candidates. However, there may be some consolation in imagining that cross-border Macroregions, geopolitically “burdened”, might be transformed into vast pacified areas, open and in development.

b) Vitality

Having considering weaknesses, let us consider some of the potential: presence of a rich fabric of SMEs and especially micro-enterprises, with the exception of in Bosnia and Serbia; a *Manufacturing Index,* which despite the crisis has held firm; and, in some cases, a slight improvement in the measure of vitality on the Balkan side. It is the *vitality* demonstrated in the past six years by some countries of this area that is the second aspect to be emphasized: following the extraordinary case of Slovenia, which stands out against the rest (even though the crisis has also hit hard there), in terms of dynamism, are precisely countries such as Italy and Greece, who have the best starting *assets* of the area, but appear to have declining economies. On this front, with technological *assets* in vital areas, a lot can be done, especially if accompanied by a growth of streamlined and efficient administrative culture between institutions

and if more space is given to the expression of the third mission of universities in contributing to the development of the territory, by providing technology, but also more space especially for those *professional communities* the territory needs to become competitive. The traces of vitality that emerge from the macro analysis reinforce the idea of the presence of the regional economies of considerable interest for dynamism. It is vital that local and regional authorities are made fully aware of the issue of the attractiveness of the macro-area, which remains low, similarly to what happens in suburban areas. The formation of a modern culture of administration and *governance* seems to be a prerequisite not only to counteract the influence of forms of *crony capitalism*, but also to carry out essential work to care for the common assets of the Macroregion.

c) Diversity

A third aspect, already mentioned, is the *diversity* among territorial societies: society is measured in terms of different ethnicities and religions, but also in the diversity of the age pyramids (also influenced by migration flows), opportunities for higher and tertiary education, access to the products of modernity and types of employment. Also our analysis concerning companies reveals high heterogeneity in the macro area.

Diversity is also expressed in terms of incomes among the various territories, up to a point where differences in income per capita between Adriatic-Ionian Italy and smaller countries on the other shore are considerable (8 times).

Moreover, the European objective is not the creation of macroregional homogeneity, if not perhaps in a gradual or marginal way. What is important is to put the territories in a condition in which they can make their own choices for development using the necessary synergies and opportunities offered by the EU.

Our examination and research, ultimately, do not seem to be encouraging for what concerns “ready and available” territorial assets in the various territories. In other words, the socio-economic analysis indicates that there is much to do in the Macroregion and the “much” must be studied with a selective eye. It is necessary to look with favor to the vitality of some local economies in the Macroregion not only on the Italian and Slovenian side. But we cannot close our eyes to the overall severe financial and technological underdevelopment of the entire macroregion, including the Adriatic area.

In order to reduce these structural delays, our studies highlight the need to strengthen the fabric of friendship and institutional sharing between member countries, working in line with the cross-cutting actions of the four *pillars* indicated by the EU.

In addition, to prevent the AIMr from being transformed into a market of wild productive delocalization, generator of social dumping and unemployment in the areas of primary development, interstate political governance of the territories must be strengthened (Peters and Pierre, 2001; Fratesi and Senn, 2009). Such a negotiation process should be widely shared and must lead to a regulatory mechanism of development that safeguards the specificity and diversity of the countries and regions that make up this new European social, political and territorial reality. In this sense, the effective institutional coordination of policies and resources is the first strategic objective to be pursued against the backdrop of possible scenarios for the medium to long term.

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