Economy

The cooperation area is highly industrialised with prospering urban areas and dynamic core regions (Ljubljana, Celje, Kranj, Maribor, Graz, Klagenfurt, and Villach), however, it also has a series of rural and peripheral sub-regions with a significantly lower level of economic development. Tourism plays an important role as well; however, it is only strongly focused on specific geographic points. Thus, on the one hand there is a lot of economic potential, while on the other hand considerable disparities have to be considered.

There are substantial differences in the economic structure of the participating regions.

Table 4: Basic economic sectors and employment

NUTS III area	No of persons in employment 2004	% of employment in industry	% of employment in services	% of employment in agriculture
Oststeiermark	56,844	29.1	54.0	1.9
West and Südsteiermark	34,639	33.7	49.3	2.3
Graz	207,472	16.2	78.3	0.5
Obersteiermark Ost	38,665	42.5	45.0	1.3
Obersteiermark West	21,578	36.6	50.5	2.1
Unterkärnten	33,947	35.6	47.7	2.0
Klagenfurt-Villach	127,405	13.4	77.7	0.7
Oberkärnten	26,811	22.3	56.3	1.2
Südburgenland	21,367	25.7	58.4	1.9
AUSTRIA	**568,728**			
Gorenjsko	72,579	47.6	49.3	3.1
Koroško	26,348	53.7	40.4	5.9
Savinjsko	104,244	46.3	47.3	6.4
Podravsko	118,164	38.2	55.3	6.5
Pomursko	42,724	44.8	41.2	14.0
Osrednjeslovensko	245,505	28.1	69.7	2.2
SLOVENIA	**609,564**			
TOTAL	**1,178,292**			

Source: AT: WIBIS-Kärnten, WIBIS-Steiermark, HVÖSV; SI: SORS, Slovene regions in figures, 2006.

For the interpretation of the structure on the Austrian side, it must be taken into account that the figures representing the key sectors do not cover all economic sectors (for e.g. construction, mining and trade sectors are not included). As the data refer to the employees in the selected sectors, the entrepreneurs and farmers in the agricultural sector are not included.

Regarding employment of the population in type of sectors in Slovenia, Koroško still has the highest share of population employed in industry, the above-average share of employment in agriculture is characteristic of Pomursko, while the majority of population in Osrednjeslovensko is employed in services. In Austria the core agglomerations of Graz and Klagenfurt-Villach are also clearly dominated by services, nearly 80 % of the employees are working in various service sectors. The region represented significantly by a high industrial employment is Obersteiermark, particularly Obersteiermark Ost. The employment shares in agriculture are represented here without the farmers.

In Slovenia, the Osrednjeslovensko region contributes one third of the gross value added of the whole Slovenia, while Podravsko, Savinjsko and Gorenjsko together are producing another third. In 2002, the main contribution of Osrednjeslovensko to the gross value added was due to the service sector; Koroško is on the other hand still characterised by a strong industrial sector (42.2 %), and Pomursko by the above-average share in agriculture (10 %). In general, growth of the service sector is noticeable (especially in the Osrednjeslovensko, but also in the Pomursko region); however, the growth of the industrial sector is still one of the main characteristics of these regions.

On the Austrian side, the economically strongest regions are the areas of Graz (including the axis of the South and the Upper Styrian core area), and the Carinthian core region (Klagenfurt and Villach). In general, the industrial production is still the core of the economy; however, there is also a high rate of

services, in particular industry-oriented services. The internationally embedded industries are particularly characterised by a high level of technology, export rate and a high level of research activities. In the more rural or peripheral regions, there is a significantly lower level of industrial production, but many of the local and regional SMEs can make use of the involvement in industrial cluster structures driven by the big industrial players (for e.g. in the automotive sector or in electronics).
The shares of the gross value added of the agriculture sector in the Austrian regions are 3.2 % in Kärnten, 3.1 % in Steiermark and 5.8 % in Burgenland (data from 2002). In the immediate Styrian border regions at NUTS III level agriculture contributes to 4.3 % (West/Südsteiermark) and 6.2% (Oststeiermark) of the regional gross value added.

In terms of GDP per capita, there are disparities not only between the two countries, but also when comparing the regions nationally. Compared to the EU-25 in 2003, the only Slovene region above the European average was Osrednjeslovensko. In Austria, Klagenfurt-Villach, Graz and Obersteiermark Ost were above average, while other participating regions were below the EU average, though still higher than Slovene regions.

Table 5: GDP per capita in the programme regions

GDP per capita by regions NUTS 3 to EU-25 average, 1995-2002									
NUTS 3	*1995*	*1996*	*1997*	*1998*	*1999*	*2000*	*2001*	*2002*	*2003*
EU 25	100	100	100	100	100	100	100	100	100
Austria	***129***	***130***	***127***	***125***	***127***	***128***	***124***	***123***	***121***
Südburgenland	67	68	69	67	70	70	70	71	70
Klagenfurt-Villach	138	139	134	134	136	134	129	126	124
Unterkärnten	77	79	79	78	79	79	78	78	81
Oberkärnten	84	83	83	78	81	81	79	82	83
Oststeiermark	81	82	81	80	83	84	83	78	83
West and Südsteiermark	81	81	81	79	81	82	80	78	84
Graz	175	172	167	162	162	159	157	148	152
Obersteiermark Ost	104	100	96	98	99	97	102	99	102
Obersteiermark West	113	108	104	103	103	100	101	99	98
Slovenia	***68***	***70***	***71***	***72***	***74***	***73***	***75***	***75***	***76***
Pomursko	52	53	54	54	53	52	53	52	52
Podravsko	56	57	58	59	61	61	62	63	63
Koroško	54	56	57	57	59	60	61	60	59
Savinjsko	64	64	65	66	67	66	66	67	68
Gorenjsko	62	63	65	64	65	64	66	66	66
Osrednjeslovensko	94	96	98	99	104	102	105	107	110

Source: Eurostat, New Cronos, Regions, March 2005; SORS – Slovene regions in figures, 2006.

Industry and SMEs

As the previous period was still under the influence of the restructuring of Slovene industry, nowadays this process has mostly been completed. Nevertheless, dynamic changes in global economy are still to have an important impact in certain branches (e.g. textile, automotive industry, electronics). On the other hand, insufficient enterprise restructuring towards higher added value and intensive technology production is still a major challenge for the Slovene regions. The cooperation between R&D institutions and the enterprise sector is rather weak, though in recent years a highly dynamic development has been observed in the field of establishment of technology centres, centres of excellence, networks and clusters. Due to the inclusion of the Osrednjeslovensko region in the cross-border cooperation programme, another impulse to business support development and research in the participating regions may be expected.

Table 6: Business subjects by NUTS III regions and sectors

NUTS III	No. of business subjects	Industry*	Hotels and restaurants	Services**
Oststeiermark	13,184	4,178	2,410	6,596
West- und Südsteiermark	9,895	3,198	1,832	4,865
Graz	22,515	6,342	3,275	12,898
Obersteiermark Ost	7,911	2,331	1,717	3,863
Obersteiermark West	4,917	1,567	1,008	2,343
Unterkärnten	8,837	2,790	1,785	4,035
Klagenfurt-Villach	19,343	5,331	3,576	10,436
Oberkärnten	8,349	2,363	2,319	3,667
Südburgenland	4,843	1,566	832	2,445
AUSTRIA				
Gorenjsko	14,287	2,171	1,213	8,106
Koroško	4,606	751	271	2,804
Savinjsko	16,837	2,318	848	10,767
Podravsko	19,790	2,305	1,160	13,169
Pomursko	6,911	771	594	4,151
Osrednjeslovensko	48,775	5,660	1,943	33,789
SLOVENIA				
TOTAL				

*SI: manufacturing **SI: trade, transport, storage and communications, financial intermediation, real estates, education, other private, joint and public services
Source: AT: Chamber of Commerce, statistics, 2005, SI: AJPES, 31.12.2005

Most of the enterprises in all regions are represented by SMEs, while the number of big enterprises is rather small. However, big industrial enterprises usually play a key role as economic drivers providing a lot of value added, employment and businesses for many of the local and regional SMEs.

Spoken in terms of sectors, the industry is focusing on metal and mechanical engineering (including automotive industry), electronics and micro-electronics, wood processing and paper, tool making and plastics. Additional smaller sectors, but partially fast growing ones, are registered in food industry, software and eco-technologies.

In most of these sectors industrial clusters and networks have been established as a result of the cooperation process between the enterprises. Such **industrial clusters** have been created on both sides of the border; the major ones include automotive, wood and material clusters in Steiermark, and microelectronic and software clusters in Kärnten. In Burgenland, there are cluster initiatives, but they focus more on handicraft or construction activities with low participation of industrial companies. In Slovenia, the automotive, toolmakers, energy, ecology and plastic clusters are among the biggest established clusters.

Besides industrial clusters, there are also **networks**, defined as SMEs or industrial companies of the same sector, cooperating primarily at the horizontal level (common marketing, qualification, representation, use of synergies), but with low involvement of universities and research institutions. These networks have been created in the fields of eco-technology, food trade and agriculture, and technology partners in Steiermark. In Kärnten, there are networks in environmental sectors, as well as in the timber and plastics industry.

The activities of these cooperations (clusters and networks) are usually focused on the geographical area of the home base. The more advanced clusters already involve partners from neighbouring areas, and in some cases (automotive, microelectronic cluster) also those from trans-border regions. Generally speaking, however, the frequency of cross-border cooperation is low.

Many of the local or regional SMEs are integrated in cluster activities. The companies make significant benefits from such involvement in terms of growth, technology upgrade, increase of market access and information basis.

In general the **SMEs sector is characterised by**:

- High flexibility in business and technology operations
- Prevailingly direct and individual customer orientation
- Low rate of internationalisation
- Low rate of research activities
- Limited geographical area of actions (partners, customers)
- Low export rates
- Low level of integration in trans-national production chains or networks
- Qualification level of employees below industrial average
- Few contacts to universities and research institutes

Addressing SMEs and young businesses, the cooperation area offers remarkable business support and technology transfer and infrastructure, as well as provides them with a series of education and training facilities.

In Slovenia, the network of local and regional business development centres provides key **business support** at local levels. Some of the centres have also become one of the 29 so-called one-stop-shops established in Slovenia (13 of which are operating in the programme area). They enable entrepreneurs to register and receive relevant information and counselling, especially in the start-up phase, and play an important role in promoting entrepreneurship.

During the last programming period, the municipalities invested substantially in the development of **business locations.** The start-up support has also partly improved due to the development of **incubators** (eg. Gorenjsko, Podravsko – university incubator, Pomursko – network of incubators).

The business support infrastructure comprises of business centres, innovation centres, incubators and technology parks, and additional, more commercially oriented types of infrastructure. This infrastructure is available in all involved regions. Altogether, 31 units have been identified, the majority (16) of which are situated in Steiermark, 6 in Kärnten, 2 in Südburgenland, and 7 in Slovenia (plus the 13 one-stop-shops). These institutions offer tailor-made infrastructure for business start-ups and in particular for innovation oriented young technology businesses. Usually, additional services, such as consulting, education, integration in networks or access to financial funding, are offered by the parks and centres.
Nevertheless, cross-border connection and integration into trans-national networks both from the parks and their tenants has not yet been highly developed, though there have been some single initiatives.

There is a great potential for cross-border cooperation in this field and in the last period the latter was indeed strongly supported through development of business links, networks, development of a joint model of business location management, digitalisation of the SMEs sector, etc. However, achieving a truly significant success and sustainability of the cooperation and networking activities will first require an intensification of cooperation and activities as well as more in-depth strategies.

Summarising this section, in most of the mentioned regions, industry and industrial SMEs act as the key economic sector, which is, together with industrially oriented services, responsible for the economic growth in the regions. Moreover, advanced business and technology-oriented infrastructure has been established and proper organisations of industrial clusters and thematic networks have been created. Nevertheless, many of the SMEs are active in a rather limited geographical area and do not avail themselves of existing opportunities to connect with new partners, new value added chains and markets across the border.