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THE IMPACT OF THE EU REGIONAL POLICY IN ROMANIA

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Abstract: *Europeanization is a valuable concept for explaining the impact of EU policies at domestic level and especially of regional policy development in Romania. The relative low discrepancies and the low levels of development that Romania faced after almost fifty years of centralized planning resulted apparently in no need for a regional policy. This policy was ‘built’ in order to meet the EU financial assistance and Romania had to re-think its centre-region relation and to acquire a new vision over the policy of regional development. The following paper will try to analyze whether the current regional policy managed to have the expected impact in Romania, with short emphasis on the concepts of regionalism, regional competitiveness and economic agglomerations.*

Keywords: regional policy, identity, competitiveness, agglomerations

JEL Classification: P25, R11, R58

INTRODUCTION

The importance of regional policy in Europe has grown with time. It started from the idea that existing economic inequalities between regions are real impediments in the integration process and might lead to social-political instability.

Regional differences in living standards within individual nations are usually considerable. When nations join together in an economic union, regional disparities within such nations are likely to be even wider. The integration of members from Central and Eastern Europe has created new spatial patterns of economic and social inequality including west-east, core-periphery and urban-rural disparities and industrial problem areas.

EU regional policy is concerned with easing the negative effect of disparities across Europe, thus increasing ‘social and economic cohesion’. Being one of the most important common policies and

the second big consumer of the EU budget (after the common agricultural policy) regional policy aims to support poorer areas in order to reduce the disparities in wealth across the European Union, restructure declining industrial areas and diversify rural areas with declining agriculture. It is therefore considered a policy of solidarity.

All countries of the European Union, once they become member states, had to change their division of power and even the most centralized ones suffered a transition period and modified the balance between the requirements of the unitary state and the regional aspirations of its constituent parts. Some states have been better able to adapt to the requirements of regional organization (those having a regional tradition) while others are still struggling to accommodate (especially former communist countries).

Romania tried after 1989 to design a policy for regional development, having both internal and external grounds. The internal reasons regarded the economic weaknesses of some regions that were severely affected by the transition period after communism. Such weaknesses were not acceptable, as they could generate economic and political instability, leading to obstacles for the whole national development. The external reasons, however, were linked with Romania's aspiration to join the European Union in 2007, a process that involved changes at multiple levels, including regional policy. Regional development policy in Romania has no formal or documented tradition. For some, regionalism might even cause threats to the nation-state itself. This could be one of the reasons for which the eight development regions were simply drawn on the map in order to meet the European criteria for accession and integration (regions should be of about the same size and have a certain number of inhabitants), trying to avoid as possible the historical factor.

Regional Policy in Romania started to develop in the same time with the Phare Programme in 1996. However, a legal framework was developed only in 1998; once the law on regional development was adopted (Law 151/1998 and later on Law 315/2004) it brought clarifications about the eight development regions ("voluntary" association of local administrative units) and the institutional framework regarding regional policy.

The negative consequences of this centralized and equalitarian organization of the country were felt immediately after the fall of Communism in 1989, when some social and economic changes and reforms were inevitable. During the transition period the 'shock therapy' was preferred to the gradual change and meant an acceleration of privatization, the liquidation of loss-making firms, liberalization of prices, reduction of trade barriers, promotion of foreign investments and so on. Some

areas where the restructuring policy was stronger, started to be affected by economic and social decline, facing extreme environmental degradation, high unemployment and low standards of living. The most obvious and strongest disparities in Romania after 1990, given the structural changes, were between the rural and urban areas.

The fact that this whole restructuring process meant to ‘clean up’ the economy from unprofitable activities was not doubled by activities to stimulate economic growth accelerated even more the negative effects.

In Romania, the poorer regions suffered an artificial industrialization during communism, which means that these regions suffered the most severe impact over transition, once the unprofitable industry was shut down in 1989. These regions are in the north-eastern part of the country -- the historic region of Moldova and in the south – the agricultural region called Câmpia Română. From the point of view of medium income level and unemployment Moldova and Muntenia are the most poor regions, while Transylvania and Banat are the most developed ones; the historic regions of Oltenia and Maramureş are characterized by a medium level of development. In what concerns the Bucharest-Ilfov region, there is a huge misbalance between it and all the other regions, as the capital attracted investors in all fields of activity and had a quick level of development.

The current regional disparities in Romania are both inter-regional disparities -between the eight development regions, corresponding to the NUTS II level- and intra-regional disparities -between the counties (corresponding to the NUTS III level) included in each region (according to the Nomenclature of Territorial Units for Statistics, the NUTS II level represents a population between 800.000 and 3 million inhabitants, and the NUTS III level a population between 150.000 and 800.000 inhabitants).

So Romania’s regional policy appeared only in order to meet the financial assistance offered by the European Union. For this reason we could put under question if Romania has a coherent vision of this public policy mechanism, especially from the political factor, as the experience showed that member states with a developed regionalist tradition (like Spain for instance) were better applicants and yet users of the EU financial aid.

1. REGION, REGIONALISM, REGIONAL POLICY IMPACT

The creation of the European Union definitely meant a reassertion of the role of the nation-state, which has gradually eroded its powers. Boundaries, both external and internal were redrawn and

decision-making was no longer the exclusive prerogative of national governments acting alone or in concert with each other (Wagstaff, P, 1999)

The regions, once delimited, even if they were formed based on administrative criteria, tend to develop a certain identity and to become functional regions. In other words, regional actors tend to develop cooperation and interdependence relations with other actors located in the same region. For instance, the public corporations tend to include organisations from only one region, enterprises tend to find contractors from that region only and to base exclusively on the labour force in that region etc.

The fact that the region has become a more important feature of the domestic political landscape in Europe is already a reality. Slogans like ‘Europe of regions’ or multi-level governance are very often used by officials. The European Union is not anymore a two-level game, but a multi-level game, with the EU at the first level, the state at the second and regional actors at the smaller level (Cini, M, 2003).

If we speak of **regionalism**, we need to put emphasis on **identity**, as a key factor. The feeling of belonging to a common space represents the fundament for economic, political, cultural and social actions made by the individuals comprising that territory. However, this feeling of belonging has a different meaning for the administrative staff and for the people living in that area and the same applies for the notion of identity. A possible explanation for this is the fact that the administrative divided territories, the regions, do not overlap the territories defined through other criteria. These differences could be reconciled through a communication policy that promotes the oneness of territorial identity, starting from the historic origins, cultural heritage, social-economic development etc.

Regionalism could be of many types (Rodriguez-Pose, A, 1994): *political* (e.g. Spain and Italy), *incorporated* (the unitary state is formed through the unification of many other states that keep their individual characteristics), *diverse regionalism* (administrative regional structures are based not only on territorial or political criteria, but also on the culture and language criteria), *classical administrative regionalism* (e.g. France – regions are the consequence of decentralisation), *functional regionalism* (e.g. Greece – regions are simple districts of the state administration) and *regionalism through cooperation* (the case of Romania - regions are the result of cooperation between local territorial collectivities).

One of the controversies that an ‘artificial’ regional policy (as it is in Romania) could bring is related to the definition and delimitation of the regions, as the geographical dimension is not necessary

for defining a region. The limits of a region should be a social decision based on one or more criteria. The most important criteria are:

- spatial/geographic characteristics: the region is formed given certain geographic features (e.g. Black Sea Region);
- social characteristics: language, religion, culture, nationality of individuals that live in a certain space;
- political-administrative characteristics: the limits of the regions are set upon a certain rule (e.g. the region should have similar dimensions);
- economic characteristics: the regions are based on certain economic activities (e.g. mono-industrial or poli-industrial regions).

Romania had the chance to become a member of the European Union in 2007. This membership implies many advantages and rights, but also some obligations. The simple fact that we are a member does not bring everything for granted. Romania should be aware that regional policy only bring the expected benefits in combination with a comprehensive national policy development and a coherent policy direction. Regional development policy itself cannot be the main and only pillar for the general development of a state. In the absence of other mechanisms, regional policy may not have the intended effects **Regional development should be a partnership between administration, economy and community**

The regionalization process in general is perceived as an artificial, top-down process, made without the consultation of local communities and without taking into consideration the cultural, ethnic and historic characteristics. The results of this process are difficult to evaluate and unfortunately not very obvious (low impact).

Regional programs oriented towards reduction of disparities should consider that poorer regions are less capable of absorbing funds and even more, to use them effectively. If local abilities cannot generate themselves prosperity, it is better to offer assistance to these regions for developing abilities in creating income from economic activities.

It is also important to mention that the intervention area is not always thought at the optimum that would allow to maximize the advantages and diminish the negative effects; the limit urban/rural is kept as reference.

The eight development regions are not administrative units and whether they are the most efficient division of the country remains an open question. However, the current structure cannot be modified, as Romania has to keep this division of the territory during the implementation period 2007-

2013. The eventual change of the current structure is a complex process that requires the consultation of all the actors implicated, including the European Commission.

The success of a region will in the end depend upon its autonomous capacity to take matters in hand, to organise various actors around common goals, to adapt and to successfully adjust to outside pressure. Ultimately, the source of development lie in the region itself, in its people, in its institutions, its sense of community and, perhaps, most important of all, in the spirit of innovation and entrepreneurship of its population (Polese, M, 1998).

2. REGIONAL COMPETITIVENESS AND ECONOMIC AGGLOMERATIONS

The idea of **regional competitiveness** became very actual in the context of globalization, as the flow of goods, capital and persons around the world became a reality. Investors are attracted by regions where the human capital is well trained and also where the cost of working force is at a just level.

Regional competitiveness could be defined as the ability of a region and implicitly of its public authorities to maintain its basis of trained people and of businesses and to attract foreign investors. This attraction is based on the quality of infrastructure, general quality of environment, quality of R&D centers of the region, fiscality, cost of labor etc. There is no consensus in what concerns the term or the way it can be measured, but there are some factors most frequently used when we refer to regional competitiveness: employment and productivity level, sectorial structure of employment, demographic trends, investments, investment in knowledge economy assets, infrastructure endowment, level and nature of education, innovation and R&D. From all these, the **human resource** factor is very important.

According to B. Gardiner (2004), there are three main sources that determine regional competitiveness: infrastructure and accessibility, human capital and production environment.

The current tendency in order to keep up with the rhythm of globalization is the creation of **economic agglomerations** – a geographic concentrations of interconnected companies, specialized suppliers, services' bidder, firms from related areas and associated institutions (for instance, universities, standardization agencies and professional associations) from certain fields of activity, being both competitors and collaborators. Some examples of economic agglomerations in the European Union are siderurgical industry in Alsacia-Ruhr or chemical industry in Basel. If we take the case of

Romania, we could think of the naval industry in Galati, wood industry in Mures, tourism industry in Bucovina, automobile industry in Arges and so on.

There are two basic causes that lead to the creation of economic agglomeration. The first causes are related to land, climate, navigable waterways, immobile labor, in other words, regional endowments that cannot be easily changed. The second causes refer to circularity of location choice, by this meaning that firms want to be where large markets are and large markets are where many firms are located. Agglomeration and trade are linked. The companies will try to focus their activities near the main commodity markets and this will allow them to take advantage from the scale economies and to minimize the transportation costs.

If we speak of the impact of agglomerations in relation with regional policy, we should mention that they are an economic increase factor, but they do not automatically lead to the reduction of regional inequities and achieving the cohesion.

The Group for Applied Economy (2008) considers that Romania has a dynamic business environment and a substantial competitive potential, but in the same time a limited capacity of monitoring and evaluate these advantages. The fact that there is no legal framework to give more power to the regions is a strong barrier towards decentralisation.

CONCLUSION

The European Union is in continuous movement. The integration process has gone through slow and fast periods and has shifted in direction from largely economic integration to include greater social and political integration.

In what concerns regional policy, the programmes directed to alleviate poverty should take into account that poor regions are inherently less able to absorb funds, but also to use them effectively. By offering the funds to the less developed regions, some opportunities in the more developed ones might be lost.

The main challenge for Romania is to make regional development an efficient instrument for economic and social cohesion. Even though cohesion cannot be achieved only through regional development, this is however considered the most important instrument in the current vision of the EU.

Regional policy is a financial mechanism that puts into practice the principle of inter-regional solidarity and of the economic and social cohesion, resulting in a re-distribution of revenues from

certain theories to others. The regional policy is what makes it possible for the three factors necessary for development (the resources of the territory, human resources and capital) to meet at the same time and in the same space, given the fact that these factors cannot always be found together.

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