

## **A PARADIGM OF THE NEW ECONOMY BETWEEN CONVERGENCE, COHESION AND INCREASING DISPARITIES - CHALLENGES FOR ROMANIA IN VIEW OF THE 2020 HORIZON**

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### **Abstract**

*High-tech, cutting-edge disciplines, innovation and research-development have entered the daily life nowadays. 'Networks' either dedicated to research-development or industrial, economic or social ones shall define the future, and the interaction and interference of all of the above with social and cultural networks is one of the key-elements of impact for exiting the crisis and resuming sustainable, consistent and constant economic growth at European and world level.*

*This context, at European level is conditioned by the convergence and cohesion processes which are increasingly threatened by the considerable increase of disparities between the development level of the regions and the optimum valuation of the human capital regarding access to education, training, high-tech outcomes and products.*

*Romania, as all other EU Member-States makes considerable efforts for reaching the objectives mentioned by the new Europe 2020 Agenda and, as result of the experience gained in the period 2007-2013 must aim to formulate some strategies, policies and measures that would take into account both the complexity of processes and phenomena that originate in the increasingly obvious effects and outcomes of the new economy.*

*The present paper intends to present the manner in which policies and measures dedicated to reaching the objectives of the Agenda "Europe 2020" answer to the context created by the new economy and by the changed economic and social picture as result of the economic and financial crisis. A brief comparative analysis is made between Romania and Member-States sharing some common features from the perspective of the accession and integration process, of the regional disparities, but also from the viewpoint of cultural similarities.*

**Keywords:** new economy, economic and social structures, high-tech, networking, human capital, competitiveness, Europe 2020 Agenda

### **Introduction**

The economic and financial crisis which broke out in 2007 is still far from having exhausted all forms of manifestation, and its effects will continue to be felt even by the time-horizon 2020, thus risking to put into question not only the building-up of

the “Social Europe”, but also the underlying principles and processes, respectively the cohesion and convergence between all Member-States. The previous programming period, under the Lisbon Agenda concluded with the acknowledgement that many objectives were not reached, and they were transposed (sometimes even without being reformulated) for the new programming period. The failure of the Lisbon Agenda, almost unanimously acknowledged by experts has its roots in the very often vague formulation of general and specific objectives, in the absence of some corresponding monitoring, evaluation and intervention systems – where necessary – from the European Union level – either by assistance/support or correction measures for much to distinct deviations of the Member-States. One of the essential reasons was the adoption and pursuing of the specific objectives according to targets expressed by the respective indicators<sup>1</sup>, without considering the capacity of each of the Member-States to support this effort from economic and social viewpoint, even though difficulties and challenges turn manifest on the three essential dimensions for ensuring optimum functioning of the state: the governance dimension – from an administrative perspective; the economies’ structural reform dimension; and the social change dimension with deep implications regarding the change of (organisational, work, etc.) culture and mentalities thus ensuring openness towards the new demands not only with respect to industrial and services’ sector and to the supply of new products and technologies, but also regarding human capital and the required “educational package” that would provide for better perspectives in the transition from school to active life and that would encourage also intensifying the research-development and innovation activities.

The changes and the complex conditions to be met for resuming sustainable economic growth result mostly from the changes that the European economy and society underwent for the last decades, and which determined many experts to support and argue the adoption of an approach from the perspective of “systems thinking” as the European Union, with its institutions, organisations, bodies, rules, regulations and directives is fertile ground for such an approach<sup>2</sup>, the more so as both economic complexity and the “new economy” are mutually supporting changing the economic and social sphere, imposing new cooperation and collaboration rules at international level, between Member-States, regions and the various networks created around different clusters – technologic, industrial, etc.

‘The New Economy’ is what led to formulating the phrase of knowledge society and economy on which the Lisbon Agenda was built, as result of swift technological evolutions, digitalisation and accelerated automation of all economic sectors in the last decades. Actually, the knowledge society and economy have their origins in the ‘new economy’ which is associated to a package of questions

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<sup>1</sup> The objective of changing Europe, respectively Member-States into one of the most competitive regions of the world; yet, “competitiveness” in itself is a complex element that is hard to quantify regarding quantity but mostly quality as it cannot be restricted to simple evaluation as next to objective factors also a number of subjective ones contribute.

<sup>2</sup> Esposito, M., (2013), "The systemic nature of the EU crisis: reflections on a deepening issue", *Euro Crisis in the Press Blog*, London School of Economics, 02 January.

and dilemmas and the essential answer is whether the 'new economy' is only 'a point on the roadmap' or implies an essential systemic change at macro- and microeconomic level, but also from the social viewpoint. This phenomenon, triggered in the nineties, when the emerging 'new economy' was conceptually defined as the complex outcome of technological progress that determined the massive digitalisation and automation of most processes, hence changing knowledge into a 'ware' (Castells, 1996; Ranson, 2003). Thus, actually, according to the already formulated opinion of some experts, it might be considered that we are already dealing with a new type of "industrial revolution" (Benner, 2002:1-2) which consisted in gaining new valences for the notion of competitiveness from the viewpoint of the markets, but also from the one of human resources who contributed decisively to triggering some processes that could lead even to changes of the social structure. At the same time, the last years proved that there is neither but one answer, nor the principle "one size fits all" applicable in the field of strategies, policies and measures (temporary, or on short-, medium- and long-term) dedicated to exiting the financial and economic crisis, and to resuming economic growth. One of the critical findings of this period is that the particularities of each Member-State had an important role to play both at the time of the crisis' outbreak, but also in the subsequent period when policies and measures approaching specifically the crisis exit and resuming economic growth were based largely on austerity. The latter, far from providing the expected solutions were, to a large extent, in point and triggered a set of effects that led to deepening the crisis, in particular from the social perspective demonstrating that also the social and cultural factors play a decisive role in building-up ways of exiting the crisis. Thus, differences between Old Member-States and New Member-States were fully shown from institutional and organisational viewpoint (at the level of national, regional and local administrations), and from the economic and social one, as well. These disparities and differences were best highlighted in the way in which technological progress was put to good use in creating opportunities even under crisis conditions for generating new jobs, or optimising processes, products and services, or even for investments in research-development (not only in the technological field, but also research-development leading to educational, social innovation, etc.), as well as in encouraging innovation implementation at the level of small-, medium- and large-sized enterprises.

A brief analysis suggests, already from the start, that Old Member-States were better positioned to meet the crisis' challenges but also the biggest beneficiaries of putting to good use the outcomes of increased digitalisation of all activity fields, and of using on a large scale technological progress in most industrial and services' sectors. Practically, the 'new economy' based on knowledge and intensive computerisation of the economic, social and cultural life sectors underwent a revitalising and reconsideration of concepts as result of the economic and financial crisis, its impact proving once again the increasing importance of networks, of their integration at macro- and micro-level, but also the importance of developing some more ample processes and procedures of participatory cooperation and collaboration of all interested stakeholders from the economic and social life.

## **2. The New Economy and Policies regarding Cohesion and Convergence. Comparable Risks between the Lisbon and Europe 2020 Agenda**

The roots of the ‘new economy’ are found in technological progress and ITC penetration in all fields of economic, social and cultural life. Moreover, it resulted from the increasing economic complexity which is based on accumulating “productive knowledge” at the level of societies. “Productive knowledge” is a complex factor where accumulations are realised based on individual contributions that turn aggregated under the form of human capital and resources and shared tacit experience transferred informally and non-formally between generations and which is in continuing structural change. The aggregated change is, in its turn, an essential condition for further enriching “productive knowledge”. Also, “productive knowledge” contributes as well in this analysis of increasing economic complexity which gives birth to both opportunities but also essential risks in the field of cohesion and convergence with respect to increasing disparities between Old and New Member-States of the European Union.

The history of “European becoming” from its beginnings, but mostly for the last decades is an argument for the value of “productive knowledge” in the economic development and growth of the Member-States, divided as outcome of the expansion process into “Old” and “New Member-States”. If Old Member-States (practically the ones standing at the basis of the current European construction) had as starting point a well-consolidated “productive knowledge” and expressed in solid institution, and sound industrial and entrepreneurial culture, the majority of the New Member-States (both from the first wave (Greece, Portugal, Spain, etc.) and from the “second wave” (Central and East-European countries, to which Romania and Bulgaria joined in 2007) shared common elements that hindered them in gaining and, sometimes, in fully putting to good use their own “productive knowledge”. From this perspective, the most relevant time link can be traced between the countries pertaining to the “Mediterranean group”, to which Portugal is added – an outcome of the “mental geography”<sup>3</sup> rather as it is correlated more with the perception and “virtual” borders than geographic reality – and those from Central and Eastern Europe as these countries meet due to the similitudes at the beginning of their efforts of accession and integration:

- Exiting comparable types of dictatorship and centralised planning systems;
- Weak or even inexistent infrastructures;
- Fragmented agricultural sectors, even though significant as weight in the economy of the respective countries;
- Industries based on intensive use of the labour force;
- Rigid economic policies not allowing for high flexibility and ongoing adjustments, with a relatively difficult regime in the field of labour market access and functioning and not very encouraging for local/international entrepreneurship and developing SMEs;

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<sup>3</sup> Gibson, Heather D. (2001): *Economic Transformation, Democratization and Integration into the European Union, Southern Europe in Comparative Perspective*, Palgrave.

- The condition of states at what is also today – relatively – perceived as the periphery of Europe, but essentially border-states between the EU and other states[Gibson, Heather D.:2001].

Obviously, there are multiple correlations between these circumstances and causes which led, even partially, not only to the failure of the Lisbon Agenda, but also to the emergence of higher risks of “divergence” and increasing disparities between Old and New Member-States even between the New Member-States with respect to cohesion and convergence at EU-27(28) level.

The Lisbon Agenda can be regarded as a first concerted exercise in a relatively reformed framework for the entire EU, and which prepared the field both for the future expansion wave, but showed also the vulnerabilities resulting from the hesitant beginnings of the Community when cohesion and convergence were perceived (and to a certain extent continues to be so) as much too general, non-specific objectives and with aims so vast, that monitoring and measuring progresses still require efforts for developing the necessary methodological, analytic and statistic instruments. Yet, we consider that precisely these two objectives can indicate the essential reasons leading worryingly and despite pursued objectives to increasing and deepening divergences between “North” and “South” of Europe, and the explanations can be found in the incipient stages of the process leading finally to the establishment of the European Union.

A ‘hidden source’ of the partial failure of the Lisbon Agenda was the implementation freedom at the level of Member-States (programme contents, management, monitoring, evaluation and control). This “relaxation” was counterbalanced by numerous regulations about efficiency and control over the way the European funds were spent.

The implementation of the Open Method of Coordination (OMC) left at the Member-State’s latitude the engagement, amplitude, and timing, and even the implementation ‘style’ for measures and actions aiming to achieving the Lisbon Agenda objectives.

At the same time, the New Member States of the first wave (2004), but also Romania and Bulgaria (2007) have accessed at a time including in itself the promise of a chance of quickly ‘burning up the stages’ (catching-up) with the direct assistance of European funds aimed at the main objective pursued at European level: convergence and cohesion for sustainable development that would ensure harmonious economic growth, generating jobs and combating poverty and risks for vulnerable groups at European level.

These states were faced with the need of learning quickly the operation, functioning and harmonisation manner at European level. But, contrary to the circumstances of the “old” accession/integration Member-States the NMS did not have the same “period of grace” as in former stages as result of the increasingly obvious signs of the approaching and then triggered financial and economic crisis at world level. A first finding is that for the period 2000-2006 – even if an ‘accession wave’ was expected for countries facing considerable issues precisely in the field of convergence and cohesion, the funds allocated to this essential point of the European agenda remained stable due to increased pressures related to growing unemployment, but also pressures of those aiming a much too strong fiscal

consolidation at EU level<sup>4</sup>. Thus allocations for the cohesion policy in the period 2000-2006 were of 213 billion Euros, from which 39.6 million Euros for phasing-out assistance.

At the same time, the continuation of reforms was emphasised on four main directions aiming: (i) higher concentration of support for reforms; (ii) implementation decentralisation at the level of Member-States by attributing essential responsibilities for contents, management, monitoring, evaluation and control of the programmes; (iii) simplification of programming and implementation, especially by formulating more concisely the programmes' contents; (iv) in counterbalance to decentralisation and simplification, changes were implemented that aimed at higher efficacy and strict control of expenditures, both summed up under the new principle of efficiency. All these measures, taken already before the accession of the first wave from Central and Eastern Europe, were the expression of increasing concern about full employment opportunities of the labour force, about reaching a higher degree of cohesion and convergence, including by improved diminishment of regional disparities that, as mentioned already, were one of the 'constants' with considerable effects on the European economy right from the beginning, about increasing European competitiveness as compared with the one of USA and Japan, about increasing the positive effects of research-development and innovation. The latter, in particular, aiming at the sector which proved to have the highest potential of swift growth, including from the perspective of generating and creating new jobs: the SMEs. From this viewpoint, it can be underpinned that there are considerable differences at EU-27(28) level between the various 'clusters' of countries, respectively the ones from the North-Western area, the Mediterranean area and the East-European one, the capacities of stimulating SMEs and research-development and innovation activities being much lower for the latter group of states. Practically, a strong, efficient and dynamic SME sector is the one that might be able to support to a large extent research-development and innovation activities that would result in the creation of new jobs, but also occupations and skills in accordance with the demands imposed by the technological progress, the intensive automation and digitalisation of economic sectors, but also of sectors with social and environmental protection impact.

Thus, the reform directions according to the Lisbon Agenda and the cohesion and convergence policy from the period 2000-2006 prepared already the better correlation between the Lisbon Agenda objectives and the ones of the cohesion and convergence policies – the expression of solidarity at European level by which support is ensured for the New Member-States for reaching a level comparable with the one of Old Member-States with respect to sustainable development, economic growth, etc. This moment, respectively the period 2000-2006 and the subsequent period were the two key-moments which on one hand, led to, but also highlighted the 'errors' having as outcomes the (partial) failure of the Lisbon Agenda, and on the other hand proved why – for avoiding repeating the errors, in our opinion, but also according to European experts, the objectives – be they

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<sup>4</sup> The increasing concerns about unemployment was reflected by adding a specific title within the Treaty of Amsterdam from 1997.

‘flagships’ of the European Union cannot be set on the same size and to the same extent for all Member-States of the European Union.

The indicative signs of this state-of-affairs can be found, actually, in the most recent reform dedicated to the cohesion policy, in the period 2007-2013.

First of all, at the time of operating these changes, there were already 10 NMS, to which Romania and Bulgaria were added as of 2007, so that the reform need was stringent. At the time of accession of the 10 NMS it became obvious that the imbalance between regions doubled, and many of the former beneficiaries exceeded in the new context the 75% threshold required for continuing to benefit from convergence and cohesion funds. The immediate consequence was that, contrary to former stages, now the main beneficiaries of the cohesion policy were from Central and Eastern Europe, and the former stage beneficiaries (Spain, Portugal, Greece, Ireland, etc.) were now called, on one hand to contribute in assisting the new members from Central and Eastern Europe, and on the other hand to continue (at a superior level and by changing financing methods) the cohesion and convergence processes at national and regional level.

### **2.1 Lisbon Agenda and Europe 2020: challenges and opportunities for NMS and Romania**

The cohesion and convergence policies, both for NMS but also for EU-27 as a whole developed in the period 2000-2010 on the background of necessary structural changes imposed by the shifting economy due to the swift processes triggered by globalisation, intensive automation of entire industrial and services’ sectors, which again attracted with them the increase in the specialisation level required on the labour market, along with relative value added increase for sectors promising or already delivering high performances; at the same time, at social level changes triggered by demographic alterations (marked demographic ageing of European population, decrease of birth rates as result of postponing the time of setting-up a family, of inter- and extra-community migration, etc.) took place, and these demographic ‘transitions’ exercised increased pressures also on changes of a cultural nature, etc.

The first programming period 2000-2006 was one of the most complicated due to the foreseen accession of the New Member-States, and to the increased alarm signs with respect to employment, to the emergence of demand for new occupations and professions on the labour market, to growing requirements for lifelong learning and training, to changing occupation due to automation and technological increasingly complex contexts, to increased demand of new skills and competences for the superior stage in which the EU entered as result of computerisation and digitalisation.

One of the main pursued objectives, once they were changed for the programming period 2007-2013 was the one of regional competitiveness, by which was pursued to obtain performances in the main economic sectors, but also to ensure full employment and better living standards in all Member-States.

Additionally, this period emphasised even more the need to better understand which were the economic, social and territorial dimensions of the cohesion

policies, and the stakes of these dimensions for all countries from Central and Eastern Europe, including from the perspective of “productive knowledge”.

One of the essential dimensions was considered the convergence – at European Union level – but also transposed at national level by increasing convergence between regions of the same country, because especially in the case of the 12 NMS internal regional disparities were already considerable at the time of accession, and were not attenuated but even increased thereafter. Thus, next to regions regarded as “core” for the national policies and programmes and which underwent swift development during the entire catching-up period due to the inflow of FDI, to the emergence and (relative) strengthening of entrepreneurship and SMEs creation, other regions suffered as result of structural reforms, of even considerable structural unemployment manifestation, of increased poverty thresholds and of the social exclusion risks in other regions. This phenomenon, common to the majority of the 12 NMS was strongly shown also in Romania, as result of the concentration trends for activities around urban centres that turned to development centres and true “poles” of attraction for foreign investors, and national level entrepreneurs (Bucharest, Cluj, Constanta, Timisoara, etc.), but less in the case of the towns from the Eastern and North-Eastern area where the issues tended to remain the same, one of the crucial reasons being the absence of critical infrastructures in particular for delivering goods and services that could be produced in the respective areas.

In this programming period of considerable support benefitted, firstly, the EU-10 NMS (Czech R., Estonia, Latvia, Lithuania, Hungary, Malta, Poland, Slovenia and Slovakia) by means of the “Transnational Instrument for Financing Rural Development of New Member-States, of the Socrates’, Leonardo da Vinci and Youth programmes, and funds for education, vocational training, as well as through the “Schengen facility”.

## **2.2 The 2007-2013 Programming Period: A start under the Sign of the Financial-Economic Crisis Outbreak**

The programming period 2007-2013 brought about essential changes regarding the cohesion policy, the objectives 1, 2 and 3 of the 2000-2006 programming period being replaced with three new objectives: *convergence*, *regional competitiveness and employment*, and *territorial economic cooperation*. This reform aimed, specifically, to correlate and pinpoint in the framework of the objectives targeting cohesion and convergence the main objectives pursued also by the Lisbon Strategy, as results also from the reformulation of the three policy objectives. Moreover, for avoiding confusions, and giving up objectives that gave birth to more or less veiled criticism related to inconsistencies within the aimed objectives and much too “diverse” financial allocations, from the new objectives were excluded the community objectives regarding rural development and fishing. Yet, for ensuring the coordination between the Directorates’-General and a certain type of support for fishing and agriculture, their classification as instruments dedicated to the cohesion policy was abandoned as of 2007.

It can be noticed that the new objective “*convergence*” is very close to the purposes pursued by objective 1 from the previous planning period, but also to one

of the targets on which most emphasis was laid on within the Lisbon Agenda, respectively *growth and the creation of new jobs*, their target being that even less developed countries of the EU to be able to recover from the historically inherited disadvantages, to introduce required structural reforms within economic sectors, but also with respect to human capital so as to build up a solid foundation for contributing to the purposes pursued by the knowledge-based society, and to turn more flexible and more adjustable to change, at the same time disposing of more efficient administrative and environmental protection capacities for changing European economies and industries into “green” ones, based on higher levels of innovativeness, and intense valuation of some new resources, including non-conventional ones. These all were intended to contribute significantly at sustainable development and ensuring new opportunities, including in the field of labour force employment at regional, national and European level.

Also in this period were maintained the persistent contradictions existing right from the beginning of pursuing some “systemic” and “systematic” objectives of the cohesion and convergence policy, so that it can be stated that even if as a whole, at a so-called “global” level the convergence and cohesion degree increased between Member-States, severe inequalities continued to show between various regions of the same Member-State and, in some instances, even a growth of these inequalities and differences can be seen.

The majority of specialised studies share the opinion that these disparities are to a large extent due to a moment of regional municipalities growth (county municipalities) a fact confirmed apparently for both Old and New Member-States from observations made in the Netherlands and Great Britain in the period 2001-2006 when differences of about 30 percentage points were noticed against the EU average for GDP per capita between region with the most rapid and the most slow growth. Yet another motivation can be found in the distance from the symbolic centre of intense economic activities, and in the distance from the regions with intense industrial and technologic development, even in the cases where this distance is relatively small.

For Romania the differences between the various regions is shown on distances that are not necessarily geographic but, rather, determined by the higher or lower specialisation differences inherited from the centralised economy period, but also by the attraction exercised by the “development poles and centres” that knew how to adjust quicker to the rigors of transition but also to free and competitive market conditions, especially in the field of trade, services, and of developing various types of financial intermediation but also of goods (mainly real estates).

These differences, also for the future, cannot be covered only by the cohesion and convergence policy (a telling example is the case of the Mezzogiorno region from Italy), if next to these policies, in particular after this period of financial and economic crisis, are not added also national, regional policies that stimulate the cooperation between neighbouring regions (counties), so as to put to good use the potential, including the investment one of more developed regions in favour of less developed regions of the same Member-State, by developing some intra- and inter-regional integrated policies. This method could support even a more efficient and effective development not only of lacking infrastructures, but also the creation of

new industrial and services' clusters that would put to good use the comparative and competitive advantages of the respective regions.

### **2.3 Particularities for Romania**

For Romania, the period 2007-2013 meant first full participation as Member-State of EU-27(28) to programmes and projects of the European Union. Already in the pre-accession period, Romania attempted to adjust its position to the Lisbon Agenda objectives as preparation for the new programming period 2014-2020, and as of 2007 the country benefitted also from the various instruments dedicated to cohesion and convergence at European level.

Romania during this stage was marked, in general, by the same issues with which had been faced also the other NMS, respectively: lack of national capital which made imperative the existence of investments based on attracted FDI inflows; absence of strong essential infrastructures (especially in the field of transports); lower development degree of the business sector which is in most cases the true "driver" for research-development at international level, including innovation (also valid for Old Member-States (Netherlands, Germany, France, etc.), correlated with the relatively modest capacity of the public (state) sector to support this type of activities; the need of reforming the educational and vocational training system; lack of experience in carrying-out programmes and projects benefitting from European financing; difficulties in building-up "internal and external networks" on industrial branches and activities, etc.

Next to the reasons shared with other NMS, other reasons were due to the regional and national particularities: high weight of energy-intensive industries, combined with the existence of mono-industrial areas, and labour-intensive activities; the existence of industrial sectors for which the modernisation and revamping capacity was not fully put to good use in the period before 1990; the restructuring of the industrial sector did not follow the principles of efficiency but was made, rather, by restricting activities and even 'dismembering' large industrial complexes; the decrease in the industrial sector weight and shifting to the services' sector within structural reforms; fragmentation of lands in agriculture combined with the absence of a clear strategy in the field; the absence of a sound road, rail, river and maritime transportation infrastructure which is contrary to the provisions at EU-27(28) level; the excessive dependence on foreign direct investments for diminishing disadvantages due to the lack of national capital, the low research-development and innovation capacity (as national support means and instruments were lacking), the delay, postponement, and even giving up some consistent reforms for the heavy, bureaucratic administration, with many failures and risks related to clientele and which still requires consistent legislative and institutional reforms in the context of accession and in the perspective of full integration within the EU-27(28).

In 2007, once accession to the EU was achieved, it was found that major risks existed with respect to the absorption capacity, on one hand, and on the other hand related to the manner in which these programmes and instruments could be used at national and regional level.

Up to 2007, the convergence model applied both in Romania and the other NMS was based on sustained entries of foreign capital under the form of FDI in the financial-banking, and real estates' sector, but also based on the entry of foreign companies which transferred part of their manufacturing activities in Central and Eastern Europe: this meant new investments and productivity increases. Yet, these progresses, acknowledged as contributing directly to increasing competitiveness and implicitly convergence of NMS, including here Romania do not provide for guarantees with respect to convergence on long-term, that is sustainable convergence. The crisis period had a considerable direct impact and showed one of the great sensitivities of the Romanian growth model: after the outbreak of the financial and economic crisis, FDI in Romania decreased, some investment that were regarded as for long-term and ample ones were even abandoned (leaving aside considerable financial losses, this also contributed to unemployment increase, a case in point being the Nokia factory from Jucu), others were downsized and the financial, goods, and services' markets' uncertainty was increasingly more severely felt. Thus, the crisis' period proved that the growth model based on FDI is not enough as foreign companies from developed countries, irrespective if these countries are EU-27(28) Member-States or not, shall not give up the 'hidden' competition pursuing even when realising such investments to maintain their leading positions in the field of innovation, technological development and strategic decision-making. An argument in this respect is brought even by one of the European Commission reports regarding competitiveness in 2020, where it is stated that: *"in spite of the high levels of internalisation within EU-12 (New Member-States), the majority of research-development and innovation activities are realised by and between the EU-15 countries (Old Member-States). [European Competitiveness Report, European Commission, 2010b].*

Another particularity for Romania, from this perspective, was that the majority of FDI was concentrated less in productive sectors and more in the banking sector, of real estates' investments and other sectors without direct productive and commercial value.

Thus is explained also the much more 'vulnerable' position of some countries like Romania and Bulgaria where domestic capital could not become strong enough, especially due to difficulties in accumulating such capital in the period 2000-2007 and after this period due to the difficult bureaucratically hindered development of the SME sector.

### **3. Conclusions**

The economic and financial crisis can be regarded, to a certain extent, as opportunity both for old and new cohesion Member-States of the European Union. The imposed continuation of the structural reforms meant to contribute to healthier economy and of an increased fiscal discipline, implementing the austerity packages had as effect on one hand the reconsideration of the European economic and social development model, and on the other hand contributed to better understanding and better knowledge about the limits of cohesion and convergence for both old and new cohesion and convergence Member-States. Moreover, it seems that the

financial and economic crisis was the inflexion point from which it becomes necessary to design more concretely the cohesion and convergence programmes in direct connection with the European Agenda, respectively the one of the new programming period 2014-2020.

Also, the period crossed by Romania together with the other NMS since 2007 and up to 2013 has shown a higher flexibility of Romania and of the countries from the Central and Eastern Europe as compared with Mediterranean countries in adopting measure, adjusting strategies and national projects to the new conditions resulting from the diminishment of the foreign direct investment flow, of the export capacities, of the demand for goods and services, etc.

A significant element requiring a more in-depth analysis is the level of the so-called social capacity of accepting the conditions during severe economic periods, as well as of the main social and cultural components that will contribute more or less to resuming economic growth and exiting the crisis. This fact is due to the recent trends at European and international level, but also due to increasingly important progresses in the field of information and communication technology and especially of their applications in the daily life, their impact on the action way at the level of groups and of the society as a whole.

Therefore, in the next stage, the economic policies of the NMS, and the ones of the old cohesion Member-States and at the level of EU-27(28) shall have to analyse the probability and possibility of changing the current meaning of the cohesion and convergence policy, if the intention is to avoid an European level implosion. The strict rules and regulations of fiscal policy, the ones referring to GDP per capita, to real and nominal incomes of the population from old and new cohesion and convergence Member-States are all necessary but not sufficient conditions for blurring the differences between the old and new Europe. Moreover, a careful analysis should be made about the main models operating at the European level (see Gösta Esping Andersen "The Three Worlds of Welfare Capitalism"), respectively the liberal, corporatist/state and social-democratic models to which is added the Mediterranean model for adjusting the cohesion and convergence policies to the economic policies from the old and new cohesion and convergence Member-States, in accordance with their classification within these models. Even though none of the models is found in "pure state" in reality, it is found that the Mediterranean model is the most relevant because both old cohesion Member-States from the respective group and the NMS are represented by this cohesion model where family and 'network' relationships operate both at social and economic level.

Thus, more and more takes shape the possibility of delimiting, defining and adopting a new and typical convergence model for the countries that "borrow" as result of the comparable historical conditions, but also of the shared "mental geography" same characteristics, but also methods of formulating, implementing and continuing their national economic policies, respectively the countries from the Mediterranean area and the Central and Eastern European one.

By assuming the objectives of the Europe 2020 Agenda, the Member-State must formulate their economic policies for these objectives and the cohesion and

convergence policies in accordance with the new circumstances generated by the economic and social climate in full changing and transformation process.

The main stated objective of the *new social economy* represents an ambitious desiderate and which can be reached only in the context in which the lessons from the failure (even if only partial) of the Lisbon Agenda are 'learned'. Thus, the following elements should be retained that could contribute to reaching successfully the objectives supported by the new programming period:

- the cohesion and convergence policies of the former period included objectives that were in an overlapping relationship with the Lisbon Agenda, in particular in the field of employment and equality of chances and gender; this overlapping, far from being redundant/useless should be deepened and even underpinned within the initiatives related either to the cohesion and convergence policy, or to the programmes' and projects framework which are launched by the European initiative Horizon 2020;
- at European level increased emphasis is laid on formulating some threshold and terms for measuring progresses and economic evolutions much more differentiated, starting from the actual conditions from each Member-State for being able to evaluate correctly and in a concrete manner progresses, but also the possible delays and deviations from the common Agenda;
- including some determinant social factors in the equation of measuring by indicators the obtained outcomes in the new programming period is necessary not only for ensuring a higher rate of success in reaching the major objectives of the Europe 2020 Agenda, but especially in the context of cohesion and convergence policy that are the expression of stability and solidarity, inclusively social at European level.

The increasingly more often formulated fears of the experts are that the objectives of the future Europe 2020 Agenda are just as vaguely formulated as the ones of the Lisbon Agenda, and a list of open questions needs to be in-depth analysed to identify possible answers: is there an assumed common vision at the level of all Member-States regarding the major objective of a social economy market? Which is the possible value added of the new European agenda for the required processes of structural reforms, of re-industrialisation and of social and cultural changes that the numerous aimed objectives involve? What composite/aggregated indicators of quantitative and qualitative nature shall be necessary, useful and precise in estimating and evaluating the new objectives and the new agenda? Is the initiative of increased centralised, strengthening and disciplining fiscal policies based on austerity packages at the level of institutions with responsibilities in the field beneficial? And so on.

**SELECTIVE LITERATURE:**

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