

ROMANIA AND THE DYNAMICS OF REGIONAL DISPARITIES FROM THE EU

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Abstract: *According to the National Institute of Statistics data in 2017, Romania's economy grew by 7%, with GDP reaching 856 billion lei (187.5 billion euro). Starting in 2018, it is estimated that Romania's economy will become the EU's 16th economy, the prospects being pretty good (it is estimated that in the future years the Czech Republic and Portugal will be overtaken¹, and Romania's economy will become even the 14th economy of UE28). Beyond these advances, Romania remains within the European space a country of disparities. On the one hand, GDP per capita (GDP / inhabitant) remains quite low, with only 9,500 euro (12,100 euro in Poland, 18,100 euro in the Czech Republic), being the last but one place at European level.² On the other hand, even if for Romania the pace of recovery is very good (63% of the European average at the end of 2017, compared to 40% in 2007), the statistical data indicate a process of deepening intra-regional disparities, in the context in which, according to the National Prognosis Commission, the projection of the main economic and social indicators in the territorial profile until 2021 does not seem encouraging at all.*

Keywords: *cohesion, cross-border, disparity index, environment, gap, gross domestic product, growth, imbalance, international development cooperation policy, region, cooperation, territorial development territorial profile.*

JEL Classification: F02, Z1

¹ Czech GDP in 2017 - 191.5 billion euro, Portugal's GDP in 2017 - 193.1 billion euro

² Only Bulgaria is worse, with a GDP per capita of 7,100 euro

1. Introduction

This article attempts to emphasize that:

- beyond disputes in respect of trends converging,
- beyond the relevance of regional development policies applied in order to reduce territorial imbalances existing within the EU³,

across the EU and within the borders of the Member States, there are still significant disparities in revenue and purchasing power.

Situated within a competitive environment characterized by robust economic and social heterogeneities, with problems in striking a balance between the levels of economic and social development of different areas, Romania has always been constrained to accelerate the cohesion process to absorb the gaps as quickly as possible.

One of the instruments used was regional development policy, a relatively new concept, its application assuming the establishment in 1998 of eight regions that comprise the entire territory of Romania.⁴

It should be specified that the regions do not have legal personality and are not territorial-administrative units, their configuration being the result of a free agreement between the county and local councils.⁵

The Ministry of Regional Development and Public Administration (MRDPA) is the specialized body of the central administration with attributions in terms of “regional development, cohesion and territorial development, cross-border, transnational and interregional cooperation.”⁶

3 To strengthen the demonstration the data includes the UK, which has already triggered the EU exit procedure

4 Since 1998, Romania has been structured in 8 development regions, grouping 41 counties and Bucharest. Law no. 151/1998 on regional development in Romania establishes the objectives, the institutional framework, the specific competencies and tools needed to promote the regional development policy.

5 The development regions are eight statistical sizes without legal personality, created in 1998 by the association of county councils in Romania to coordinate the regional development necessary for Romania to join the European Union. Romania's development regions correspond to the NUTS-II level divisions in the EU. Although they are becoming more and more significant in the area of regional development, these regions have no administrative status, they do not have a legislative council or executive body. The development regions are not administrative-territorial units, they do not have legal personality, being the result of a free agreement between the county and local councils. Their function is to allocate PHARE funds from the EU for regional development and to interpret and research regional statistics. Also, development regions coordinate regional infrastructure projects and become members of the Committee of the Regions when Romania joined the EU in 2007 (See https://ro.wikipedia.org/wiki/Regiunile_de_dezvoltare_ale_Rom%C3%A2niei).

6 See <http://www.mdrap.ro/ministerul/prezentare>

According to MRDPA, the basic objectives of regional development policy are:

- Diminishing existing territorial (regional) disparities;
- Gradual fulfillment of the criteria for integration into EU structures and access to financial assistance instruments;
- Harmonize with governmental sectoral policies and stimulating interregional, domestic and international development cooperation.⁷

This analysis attempts to draw attention to the relevance of the first objective of regional development policy: **could the regional disparities be diminished through the planning and implementation of specific public policies?**

2. Inter-regional disparities. Romania's Regional Development Policy

It should be said that at the end of the 1990s it was elaborated the Report on Economic and Social Cohesion on Inter-regional Disparities in the EU and in the Central and Eastern European Countries (2000). This report has made a proper mapping of the main features in terms of the level of development of each region:

- A common feature of all European states: **the most developed region is the capital** (Great Britain, France, Belgium, Czech Republic, Austria, Portugal, Sweden), the poorest regions are the border regions (for Western European countries border regions with the former socialist states – eloquently example / Germany, Austria);
- **Inter-regional disparities are also encountered within the strongly industrialized states** (ratio of disparity between the region around London / Inner London and the Mersyside region – **3,43**);
- **Poor regions are also encountered in France, Spain, Portugal or Greece**, with a GDP per capita at around 50% of the European average;
- **In 2000, the poorest regions were those in Central and Eastern Europe** (within the borders of the former communist states - Romania, Bulgaria, Hungary, Poland, Czech Republic);

⁷ See <http://www.mdrap.ro/dezvoltare-regionala/politica-de-dezvoltare-regionala>

- Compared to other EU Member States or candidate countries, **at the beginning of the transition process the level of inter-regional disparities in Romania was low⁸**;
- **The disparity ratio between the most developed / poor region in Romania was 1.85 in 2000** (GDP per capita between Bucharest - Ilfov Region / North East Region).

Table 1: Inter-regional disparities in the EU and Central and Eastern European candidate countries (2000)

Nr.	Country	Regions with the highest GDP	GDP relative	Regions with minim GDP	GDP relative	Disparty
1	United Kingdom	Inner London	246,3	Mersyside	71,6	3,43
2	Belgium	Brussels	223,1	Hainaut	71,8	3,11
3	France	Ile –de-France	154,1	Reunion (Ins. Oc. Indian)	50,9	3,02
4	Germany	Hamburg	183,4	Dessau (din fosta RDG)	63,2	2,9
5	Czech Republic	Prague	121,6	Sredni Cechy	48,5	2,51
6	Ungary	Kozep – Magyaroszag	72,4	Eszak –Alfold	32,5	2,23
7	Italy	Lombardia	136,1	Calabria	61,9	2,22
8	Spain	Madrid	108,1	Extemadura	50,3	2,15
9	Austria	Vienna	150,6	Burgenland	70,9	2,12
10	Poland	Mazowieckie	55	Lubelskie	27,6	1,99
11	Portugal	Lisabon	101,1	Azore (Ins. Oc. Atlantic)	52,2	1,94
12	Romania	Bucharest – Ilfov	35,3	Northeast	19,1	1,85
13	Finland	Uusima	137,2	Ita-suomi	74,9	1,83
14	Netherland	Utrecht	143,4	Flevoland	81,3	1,76
15	Greece	Stereia Ellada	81,5	Ipeiros	47,3	1,72
16	Bulgary	Yugozapaden	34	Severozapaden	22,2	1,53
17	Sweden	Stockholm	133,9	Vastsverige	89,9	1,49

Source: European Commission, First report on economic and social cohesion and other calculations, 2002

⁸ See National Development Plan / http://discutii.mfinante.ro/static/10/Mfp/pnd/pnd_2004.htm

A careful look at the following table (Table 4) reveals some important issues:

- After 7 years (2000-2007), we cannot notice a diminution of inter-regional imbalances (disparities) within the European space. Moreover, imbalances seem to amplify;
- Increasing inter-regional imbalances (disparities) is found in 10 of the 17 states under our analysis;
- For the other 7 states, the decrease in imbalances is insignificant;
- With regard to Romania, inter-regional disparities started to increase especially after accession, the Bucharest-Ilfov Region becoming the most developed region of Romania;
- The ratio of the most developed / poor region in Romania has doubled; we could also notice a process of accelerated poverty in the North East Region (relative GDP per capita decreases for the North-East region from 19.1% to 14.47% of the European average compared to the Bucharest-Ilfov region, which has a 20% increase).

Table 2: Inter-regional disparities in the EU and in the former Central and Eastern European countries (2007)

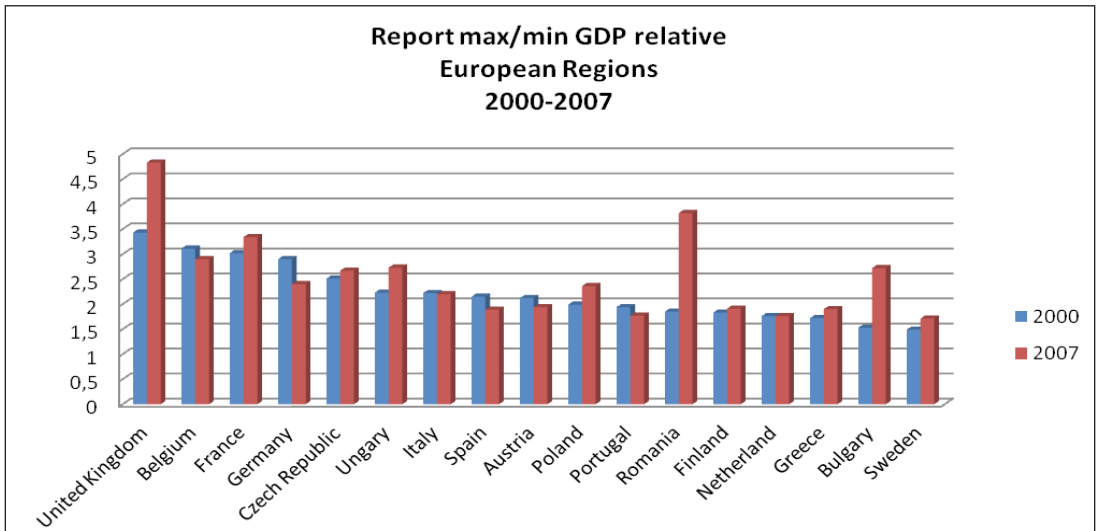
Nr.	Country	Regions with the highest GDP maxim	GDP relative	Regions with minim GDP	GDP relative	Disparity
1	United Kingdom	Inner London	322,97	West Wales and The Valleys	66,81	4,83
2	Belgium	Brussels	254,46	Hainaut	87,65	2,90
3	France	Ile-de-France	203,40	Guyane	60,85	3,34
4	Germany	Hamburg	200,42	Brandenburg Nord	83,40	2,40
5	Czech Republic	Prague	122,5	Sredni Cechy	45,6	2,67
6	Ungary	Kozep-Magyaroszag	65,11	Eszak –Alfold	23,83	2,73
7	Italy	Bolzano - Bozen	153,62	Campania	62,79	2,20
8	Spain	Madrid	127,67	Extremadura	67,66	1,89
9	Austria	Vienna	181,28	Burgenland	93,62	1,94
10	Poland	Mazowieckie	55,32	Lubelskie	23,40	2,36
11	Portugal	Lisabona	94,89	Norte	53,62	1,77
12	Romania	Bucharest – Ilfov	55,32	Northeast	14,47	3,82

13	Finland	Aland	196,59	Ita-suomi	102,55	1,91
14	Netherland	Groningen	190,21	Flevoland	108,08	1,76
15	Greece	Attiki	114,89	Ipeiros	60,42	1,90
16	Bulgary	Yugozapaden	33,62	Severozapaden	12,34	2,72
17	Sweden	Stockholm	192,34	Norra Mellansverige	111,91	1,71

Source: [http://appsso.eurostat.ec.europa.eu/nui/setupModifyTableLayout.do\(7\)](http://appsso.eurostat.ec.europa.eu/nui/setupModifyTableLayout.do(7))

Figure 1 is more than edifying - rather, imbalances increased over the period 2000-2007. As we can see, the podium is occupied by Romania, Bulgaria and Great Britain. Not far away is Hungary, Czech Republic, France, Poland, Greece and even Sweden.

Figure 1: Report max / min GDP relative European Regions 2000-2007



Source: author

Table no. 3 shows us how the process of diminishing inter-regional imbalances evolved in the period 2007-2015 (the data provided by Eurostat):

- In 7 out of 17 states, we are still seeing a process of intensifying inter-regional economic imbalances;
- The reduction of inter-regional imbalances in the other 10 states is more than insignificant in 6 of them (a ratio ranging from 0.01 to 0.13), insignificant in 4 of them (a ratio ranging from 0.31 to 1,00);

- The poorest region of Romania (Northeast) recovered in seven years only 0.05% of the previous imbalance (compared to the richest region of Romania, Bucharest-Ilfov region);
- During this period, the Bucharest-Ilfov Region had an increase in the GDP per capita of 75.88%, while the North-Eastern region had an increase of 19.43% only.
- At the beginning of 2016, the region around the capital of Romania had a GDP per capita of 131.20% of the European average, while in the North-East Region was 33.90% only;
- Regarding GDP per capita, the North-East Region exceeded at the beginning of 2016 only the Severozapaden Region in Bulgaria, which had a GDP per capita of 30.10% of the European average.

Table 3: Inter-regional disparities in the EU and in the former Central and Eastern European candidate countries (Eurostat 2015)

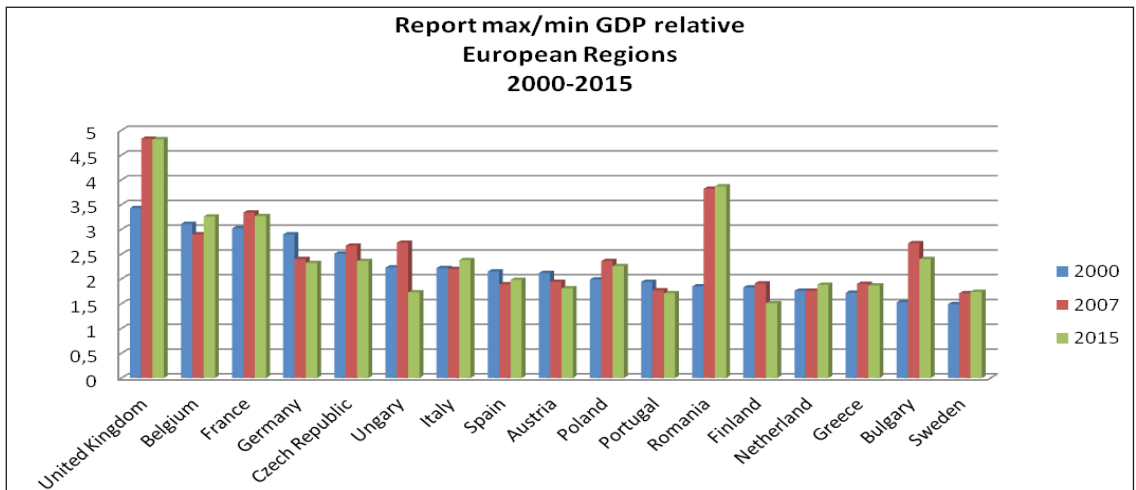
Nr.	Country	Regions with the highest GDP max-im	GDP relative	Regions with minim GDP	GDP relative	Disparty
1	United Kingdom	Inner London	325 (+2,03)	West Wales and The Valleys	67,4 (+059)	4,82 (-0,01)
2	Belgium	Brussels	207,2 (-47,26)	Hainaut	78,00 (-9,65)	3,26 (+0,36)
3	France	Ile-de-France	175,2 (-28,2)	Guyane	53,50 (-7,35)	3,27 (-0,07)
4	Germany	Hamburg	193,5 (-6,92)	Brandenburg Nord	86,7 (+3,3)	2,32 (-0,08)
5	Czech Republic	Prague	173,1 (+50,6)	Sredni Cechy	73,20 (+27,6)	2,36 (-0,31)
6	Ungary	Kozep-Magyarország	73,2 (+8,09)	Eszak –Alfold	42,40 (+18,57)	1,73 (-1,0)
7	Italy	Bolzano - Bozen	149,1 (-4,52)	Campania	62,60 (-0,19)	2,38 (+0,18)
8	Spain	Madrid	128,1 (+0,43)	Extremadura	64,70 (-2,96)	1,98 (+0,09)
9	Austria	Vienna	159 (-22,28)	Burgenland	87,80 (-5,82)	1,81 (-0,13)
10	Poland	Mazowieckie	107,20 (+51,88)	Lubelskie	47,50 (+24,10)	2,26 (-0,10)

11	Portugal	Lisabona	108,40 (+13,51)	Norte	63,50 (+9,88)	1,71 (-0,06)
12	Romania	Bucharest -Ilfov	131,20 (+75,88)	Northeast	33,90 (+19,43)	3,87 (+0,05)
13	Finland	Aland	140 (-56,59)	Ita-suomi	92,70 (-9,85)	1,51 (-0,40)
14	Nether- land	Groningen	187,20 (-3,01)	Flevoland	99,10 (-8,98)	1,88 (+0,12)
15	Greece	Attiki	98,20 (-16,69)	Ipeiros	52,40 (-8,02)	1,87 (-0,03)
16	Bulgary	Yugoza- paden	72,30 (+38,68)	Severoza- paden	30,10 (+17,67)	2,40 (-0,32)
17	Sweden	Stockholm	179,5 (-12,84)	Norra Mellans- verige	103,20 (-8,71)	1,74 (+0,03)

Source: <http://appsso.eurostat.ec.europa.eu/nui/setupModifyTableLayout.do> (7)

Figure 2 demonstrates unequivocally that reducing discrepancies between developed and poorer areas is a lengthy process and is carried out in small steps. Beyond the higher pace of development of poorer regions, the economies of developed regions not only do not stagnate, but are in most cases on an upward trend.

Figure 2- Report max / min GDP relative European Regions 2000-2015



Source: author

Conclusions

- Even if the fundamental objective of regional development policies is to reduce regional disparities, the practical approach to this issue must take into account the level of development of each country;
- Like any EU Member State, Romania must be seen as a sum of the his regions, whose economic growth depends on their evolution;
- But each region must be interpreted in a key that takes into account the diversity of geographical, economic, human, cultural and historical realities;
- This type of diversity causes strong inter and intra-regional disparities within the EU, the disparity index representing the indicator that describes this phenomenon very well;
- Practically, the effect of implementing regional development policies is not the reduction of regional imbalances, but the territorial development seen in a broader context of EU-wide development dynamics;
- This explains why, for example, after 16 years of regional development policy implementation, the UK's disparity index rose from 3.43 to 4.82 (across EU Member States, the greatest difference between regions is found in the UK);
- Even though at the beginning of the transition process the level of inter-regional disparities in Romania was low, in time it gained another magnitude, the process of deepening the disparities being amplified;
- After 2000 for example, the pace of development around the capital is very high compared to other Romania regions;
- Even though three of the regions in Romania are currently among the poorest in the EU (in terms of GDP per capita)⁹, Bucharest is better than many other EU capitals in gross domestic product per capita;
- In order to stop the process of deepening regional disparities, we appreciate that Romania needs to make its territorial development policies more flexible, taking into account the economic, social, cultural, geographic and historical particularities of each region;
- Romania must also acquire skills in the flawless instrumentation of the continuous process of redefining the objectives in terms of increasing cohesion at the continental level.

⁹ North-East Region, South-West Oltenia region, South Muntenia Region

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