

# TERRITORIAL SUPPORT OF MACROECONOMIC PROCESSES AND NATIONAL PRIORITIES

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## **Abstract**

*Regional issues, interregional and intraregional disparities and imbalances, respectively, in the economic development of the countries of the European community (and not only) have appeared during historic evolution as a result of an uneven geographical development. Some parts of national territories have been neglected or blamed a certain delay in relation to overall development.*

*The complexity of the regional development policy is highlighted by the need to integrate three priority objectives of the EU: economic and social cohesion, extending the principle of subsidiarity and sustainable development.*

**Key words:** regional development, economic and social disparities, sustainable development.

**JEL classification:** O10

Specifically, the regional policies promoted by different countries meet targets in this category, set in various forms: support for the regions in industrial decline for the reconversion on viable trajectories; support of the urban and rural rebuilding; balancing supply and demand for labor in areas with surplus or deficit in this field: construction or improvement of infrastructure; encourage the capital gains and setting new objectives; accelerating economic growth by diverting resource demands from crowded areas to deficit areas etc.

In this context, the regional development strategies impose as primary objective the territorial support of the restructuring and economic reform processes and, within this framework, the recovery and stimulation of competitive capacity of territories. Also, as operational objectives of the regional development strategies could also be considered the requirements arising from solving problems with regional character, (such as environmental, economic conversion, employment, urban- household and housing etc.).

It is considered, from this perspective, that uneven development of the territories and the presence of regional imbalances lead to economic and political instability, thus becoming obstacles for the development at national and international level.

The issue of interregional disparities development is not a recent one and neither limited to a specific geographical space. Up until the present time, even in countries of the European Union there have still been interregional development differences.

Regional disparities problem approach was imposed after the second world war, using as arguments the need of state intervention in national economies for the construction of a public sector to counteract potential imbalances in the private sector. The balance of supply and demand of the market is a strictly necessary condition for the effective functioning of national economies, but not sufficient as well, which can be met only if there is a balance of territorial development.

Selecting regional policy objectives, within a given period, depends, as it has been shown, on the realities and concerns of each period covered in the economic development. This leads, among other things, to findings such as: ‘The recent national or international statistical surveys demonstrate an obvious mutation: the first traditional

objective of the fitting out territory policies - reducing regional disparities - has reached a second plan, subordinated in a few cases to a less global, but more urgent one: mobilizing for restructuring, for restoring competitiveness in order to creation of new employment<sup>1</sup>.

In this context, taking into account the practical problems faced by the present period and with a view in the short and medium term national economy, we believe that, at the level of the regional development strategies priority objectives are, on the one hand, support for territorial restructuring and economic re-launching processes, streamline territory, restoring and stimulation of regions' competitive capacity and, on the other hand, supporting processes of European integration. In this framework, we mean restoring and stimulating competitive capacity of the territories by supporting regions in industrial decline for conversion and by supporting urban and rural refurbishing, primarily by the development of a network of inhabited areas (streamline territory). Also, the objectives of regional development operational strategies can also be considered the requirements arising out of solving some problems with zonal character, such a nature as environmental ones, economic conversion, household chores and living, or which relate to balancing supply and demand of labor in areas with surplus or deficit in this field, construction or improvement of infrastructure, encouraging inputs of capital and implantation of new objectives, accelerating economic growth etc.

Solving these difficulties faced by any nation at a certain moment, by providing measures and objectives specific to the regional policy domain, represents a common economic policy of the various states.

At an initial stage reduction of regional development gaps has been undertaken by national states. But, in a short time, it was found that the impact of the regional development implementation of the programs carried out by the state, based in particular on fiscal incentives, was rather weak. The rebirth of regionalist movements from the '70s, administrative implementation of the reforms in several countries which legislated the regional level, the extension of the European Community territory and transfer to the institutions of the Community of more and more functions to the national members have contributed to radical changes regarding the regional development phenomenon. At the European level it has been recognized that if it is desired that the new Europe be a territory free of social disorders and large migration processes from one side to another, then there is a need for a strategy to develop under-developed regions in such a way that to put an end to discrepancies, and Europe be a territory of equal opportunities.

In a short time there have been established new priorities for territorial development, the development objectives have been changed, an institutional framework for the financing of development programs has been created and instruments for achieving the regional development policies have been diversified. Later on, in order to perform a record of factual background of the level of development and to promote a uniform ratio of territorial units when performing regional statistics, the Nomenclature of Territorial Units for Statistics has been drawn up and implemented (NUTS)<sup>2</sup>.

At present, the term 'regional development' has different meanings in the European countries. Within the European Union, some member states deal with regional development by showing the existence of tough issues of economic development of most of the internal territories of some territories compared to economically more

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<sup>1</sup> Xavier G.J., Reiffères J.L. ( coordonatori) – Encyclopédie économique. Paris, 1990.

<sup>2</sup> Conform NUTS, teritoriul Uniunii Europene este clasificat într-o ierarhie de 77 regiuni de nivel NUTS 1, 206 regiuni de nivel NUTS 2 și 1031 regiuni de nivel NUTS 3. EUROSTAT 1995; Proposal for a Regulation of the European Parliament and of the Council on the establishment of a classification of Territorial Units for Statistics (NUTS), European Commission, Brussels, 2001

developed and privileged ones from a historical, geographic and resourceful point of view etc. In other countries it is considered that the approach to regional development ensures active and effective participation of all citizens in the economic, political and social development of the country. Thirdly, it supposes the development of territories situated at a distance far from the economically developed center. But, in all the countries the regional development policy is a state-backed funds policy, which has become traditional already and consistently promoted.

In the countries of the Central and Eastern Europe the regional development is a more recent phenomenon promoted more intensely thanks to the democratization process and to the socio-economic development increase in the framework maintaining and fortifying territorial integrity and widening interstate beneficial collaboration. The basic emphasis is laid on creating units, the so-called territorial regions, separated from the administrative-territorial internal existing structure of the member states and the general balanced increase of the social-economic level of these structures. At the same time, a major and mutual problem of all these countries is the existence of essential gaps in the development of regions, as well as the considerably inferior level in comparison with the European Union countries.

The general objective pursued through the implementation of this regional policy is to minimize the development gaps of various regions, through the support given to weak or under-developed regions, to help them reach similar levels of development with the developed regions.

At the level of the national member states, there are distinguished a few areas in Europe, in which achieving regional development has common features. Their finding out is based on the degree of development of the regions, the specificity of regional issues, the aims and tasks of the regional development policy, the instruments by which this is carried out. Depending on these factors, European states can be classified into five separate groups, each group having distinctive characteristic features.

The first group is made up of the so-called 'integrated members' (Greece, Ireland, Portugal and Spain). These states have a level a poor development in comparison to the other EU member states. That is why the regional development issue is included within the national development framework.

The second group is made up of Germany and Italy, which also face the exacerbated differentiating problem between levels of development of Italian regions in the North to those of the South and the East German lands to those from the West.

The Scandinavian countries (Sweden, Finland), constitute group three and are characterized by vast sparsely populated territories and distant from a geographical point of view.

Group four is represented by Northwest Europe's states - France, Great Britain, the Netherlands, Belgium etc. , which traditionally promote a policy of regional development, which has had a longer historic evolution.

The ECE states (Romania, Poland, the Czech Republic, Hungary, Slovenia, Estonia, etc.) form the fifth group, where promoting regional development policy and regional development itself, has lately had a continuous evolution at both national and regional level.

The 'integrated countries' promote regional development in accordance with the national development of the economy which is at a lower level of development in comparison with the other EU countries. For this reason, the aims of regional development are secondary and arise out of national economic development purposes (for example, in Greece) or complete these purposes. In Ireland the emphasis is placed on developing national industry, endeavoring to achieve a unitary regional development. The main purpose of regional development in Spain is intensified European integration. Intensified European integration requires an economy that will be able to compete with

the other member states' economies. That is why regional development tasks consist in creating the necessary conditions for uniform distribution of the income and a level of evenly balanced economic development between different areas of the country.

In the Scandinavian countries the regional development policy is traditionally based on the principle of equality and ensuring balanced development of the regions within the state in accordance with the need for resolution of more serious problems in the far away Nordic areas.

In Finland three purposes of the policy the basic regional development are important: balanced development of the regions, independent economic development of the regions and creating new jobs.

For this reason, the regional development tasks are geared to: improving the living conditions and ensuring the provision of basic services, widening necessary infrastructure for regional development, renewing the production regional structures, improving the economic operators conditions of activity, creating new employment, fortifying regional economy and increasing professional qualification of the population.

Germany and Italy face the problem of strong difference between the levels of development between regions. That is why, promotion of the regional development policy is much more based on the principles of increasing the economic level of the underdeveloped regions and their actual participation in the economic, social and political development of the country.

The tasks pursued in the attainment of these principles are: lessen the effects of structural reforms, improve the situation of the labor market at regional level by creating competitive and long-term jobs, employment creation alternatives in the regions which have not been affected by structural reforms and improving regional infrastructure as a prerequisite for the future growth.

Regional development in the Northwest European countries has had a long tradition and moved long ago to the stage of orientation towards the liquidation of interregional imbalances. Priority areas for regional development programs are rural localities, hard available because of geographical conditions, improvement of the situation on the labor market, a balance of living conditions etc. For example, in France, the aim of the regional development policy is to contribute to the national unity and solidarity.

The development involves two key objectives: providing identical possibilities on the whole territory of the country and creating the conditions for equal access to knowledge and ensuring the balanced national development.

Tasks pursued by regional development in this part of Europe are oriented towards: continuous improvement of transport infrastructure and communications, better exploitation of the regional development potential, the diversification of activities in rural areas to prevent population migration, qualitative improvement of human resources and solve environmental problems, particularly in rural areas.

The regional development policy is a new phenomenon for the ECE countries. Land-use planning in the socialist period was carried out under the programs of economic sectors development, and in some countries with more liberal economies (for example: Hungary, Yugoslavia) regional development had a similar nature to that of the Western countries, though not in the same proportion. Starting from 1997-98 the regional development policies have been in progress practically in all ECE countries. In most of these countries necessary normative acts have already been approved and at national and local level institutions to promote it have already been created.

Czech legislation in this field shows the regional policy as being a model for the economic and social development with emphasize on restructuring the industry, development of the production sector and priority development of the local communities.

The aims of regional development in Hungary are: ensure the effectiveness at the national level by reducing gaps between regions, the proportional development of the country to increase the standard of living, the social-economic possibilities and improve infrastructure.

The implementation of regional development programs aims at: contributing to the development of a market economy in all regions, creating the conditions for self-contained development; reducing imbalances between regions, especially between the capital and the rest of the territory and stimulating initiatives at the regional and local level and developing their coordination with national tasks.

The basic aims of the policy of regional development in Romania are:

(a) reducing existing regional imbalances, by stimulating balanced development, accelerated recovery of delays of development in less-favored areas and the prevention of new imbalances occurrence;

b) the preparation of the institutional framework to meet criteria for integration in the EU and access to European funds;

c) correlation of governmental sectorial policies and activities at the regions' level, by stimulating initiatives and utilization of local and regional resources;

d) stimulation of interregional cooperation, domestic and international, cross-border, including euro-region cooperation.

The process of drawing up and implementation of the sustainable development strategy in the Romanian society is marked by a series of constraints and restrictions. The main constraints and restrictions are determined by the existence of serious economic, social and technological gaps that separate Romania from highly developed countries.

The causes of the existing gaps are the result of certain past developments, but also of errors close to the present. The main causes of economic, social and technological gaps that separate Romania from the developed countries are the following:

- the historical development of Romania for an extended period of time, under foreign dominations, who have forbidden the normal processes in the formation of the modern national development state;

- the effects of Europe break after the second world war and the cold war (emphasized such gaps);

- imposing the communist political system, as a result of the Romanian state inclusion in the Soviet state's sphere of influence;

- economic and social costs of the process of transition from a hyper-centralized economy to a market economy (acted as aggravating factor of the gaps).

It should be noted that the transition has generated economic and social effects such as: deindustrialization; fraying of agricultural industrial structures; drastic decrease of the population's purchasing power, the quality of life and the volume of public services, health and education; drop in birthrate and life expectancy; loosening social and national solidarity, etc., for whose rebalancing great social efforts need to be made. A particularly phenomenon dangerous for the future of the Romanian society is excessive social polarization, which is in conflict with the model of social cohesion required by the European Union. Serious is the fact that after 21 years of transition, Romania still has not been able to recover in full all the losses caused by the fall of the system in 1989. An objective analysis of present vulnerabilities in Romanian society shows that principles of market economy are not responsible for the failures of the change in the controlled national-based system to the mechanisms for competitive market, but the negative phenomena identified in the Romanian society, such as: faulty management of economic and social transition process; favoring populism; economic regress; drop in quality of life; excessive polarization of the society and an increase in

the number of those living below the poverty limit; degradation of the standard of living of the majority of the population, including health, education, and environment quality; the mitigation of the state authority and efficiency institutions, all of which have affected social solidarity and have unbalanced deep national societal system.

With all these negative aspects, the period 1990-2005, has had important steps in the economic and social reform plan, in the creation and strengthening of institutions and market mechanisms in the case of Romania. After the period of the decline and reverse swing, the economy has begun to operate closer to normality.

Internal markets begin to develop, based on private sector development, which has become predominant in most economy sectors. Foreign direct investments have grown in recent years, although their level per capita is still low, as compared with other neighboring countries.

Developments in the Romanian society in the past few years have proven the possibility to converge with the political, moral and institutional values of the democratic, free and developed world, and claim the need of a long-term strategy. The transition from the short-term strategies, which have their founders, but also their limits, to the medium and long-term strategy, which seeks to harmonize requirements and directions of Romania's development with those of the integration in the Euro-Atlantic structures, of globalization and the issue of the environment on a national, European and global scale has become a necessity.

The possibility of a long-term strategy is enhanced by the normalization of the economic life, the stabilization of political and social processes, the new conditions of Romania as a NATO and the European Union member country,

The integration in the European Union is a determining factor in the development of the sustainable development strategy. Integration is not a 'gift' or a 'forced march', but a partnership, a means of insurance of the conditions of sustainable development of the economy and Romanian society. From the perspective of Romanian interests, sustainable development, as a long-term complex process, should particularly aim at the reduction of historical gaps of development, emphasizing mostly internal efforts, maximizing net opportunities that the process of European integration and globalization of the markets can provide. Sustainable development can only be product of a national recognized and consistent effort, to which no external factor can be substituted.

Sustainable development involves inter-generational solidarity, ensuring the continuity of growth processes and economic and social development, in accordance with processes in progress, at European and global levels, and with contemporary technological progress.

In the case of Romania, on the background of the existing regional imbalances, the economic re-launching assumes complete action of all agents, including local communities.

Moreover, the current crisis, even if global, does not affect to the same extent all economic activities and, consequently, not all areas of the country.

In this framework, the restructuring involves an approach on at least three plans: economic and social (identification of development projects), institutional-administrative and judicial.

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