

ECONOMIC DEVELOPMENT FROM THE PERSPECTIVE OF REGIONAL POLICIES

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Abstract:

Changing processes in today's society have led to a new dynamic of adaptation to present conditions of the specific elements of social, economic and civic. Starting from the premise that social and economic development at the regional level is more efficient and realistic than the national average, since the creation of the European Community worries arose and also the regional development policies to combat them. The objective of the paper is to analyze the regional policies, programmes related to this matter, financial instruments and the results of them in the European Union economies.

Keywords: *Economic development, regional policy, international organizations, financial instruments*

JEL Classifications: *O18, O19, R11*

1. Introduction

Since the creation of the European Community in 1957, regional policies began to develop in order to combat the economic and social concerns at the regional level. Defined as a process of stimulating and diversifying economic activities and private sector investments, regional development process brings significant contributions in reducing the unemployment and increasing the quality of life and standard living conditions. The main objective of the regional policies should include support for capital injections in regions with low population density, low GDP, strengthening and development of the whole activities system in the undeveloped areas.

1.1. Overview concepts

Analyzing the regional policies that have marked European Union economies is necessary to define the specific concepts in comparison with the past experience and the present situation. Regional development in Europe had two directions: horizontal and vertical. Vertical development was made between regions and institutions represented by the European Union and the Council of Europe, while the horizontal development took place between European regions. The consequence of regional development has led to the importance of the idea of a „Europe of Regions”, a study case where the region is more than the part between the state and the local authority, becoming a significant element in the sustainable economic development.

The Council of Europe presented the concept of the region as „homogeneous geographical range”, representing the relation between the territory and human characteristic emphasis emerged as a result of the homogenous regional awareness. European Union has defined the region as the immediately below state indicator dealing with the administrative and political part of a unit and local community of different sizes one from another. In practice, it is not very important the region size, but the competencies and skills of the human resources. The lack of an universally accepted definition of the concept of the region due to the diversity perspectives have enabled the collection of a data collection of common elements. The common elements of all definitions contain the undelimited accurately space, the corresponding human community and the identity assigned region.

Regarding sustainable development derived from the english term, it first appeared in the Brundtland Report, at Stockholm in 1987. The term was defined by the opportunities

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development for effects self- reproduction, with the possibility of supporting a long- time horizon, diversification and economic and social activities development in the region through effective use of the existing resources and energies.

The concept of regional development aims, according to the Regional Development and Public Administration Ministry, the stimulation and diversifying economic activities through private investments and contributions in the employment market to improve the quality of life.

Regional policy has been defined by the European Commission as an investment policy that supports the job creation, competitiveness, economic development, population life quality, contributing also to the 2020 Europe Strategy. By definition, regional policy seeks the reduction of economic disparities, social and territorial with a significant importance in the regions.

2. Regional Development in the European Union

Regional policies of the European economies has a longer history than the European Union policy, starting since 1934 in United Kingdom through the special areas laws that aimed the rehabilitation of the industrial areas that were significantly affected by the high unemployment rates.

Following the post-war period, there were created the majority of the national regional development policies, the role of the state at that time being represented as a significant element through its importance in the redistribution of the economic activities by providing the infrastructure investments.

Since the 70s, it was gradually reduced the state intervention, modifying the position of the regional policy, the state intervention being replaced with strong economic liberalization policies.

These new changes have allowed the granting of some indirect assistance to businesses through direct support modification, reduction of tax levels, have provided training assistance on the side of employees and advisory services and the stimulation of the innovative activities.

Apostoloche M. (2014) supports regional development as an element that attaches great importance on stimulating and diversifying economic activities, stimulating investments mainly in the private sector, aimed to reduce socio- economic differences between regions in order to increase the standard of living and the quality of the services offered to the public. The experience of regional development policy has shown that the regional policies must correspond to constant changes in full correlation with matters relating to the restructuring of production and increase the competitiveness of a region. The trend in recent years of regional policy objectives is to combine regional structural policies to promote national and regional competitiveness.

Sleuwaegen L. and Boiardi P. (2014) showed in a scientific paper in the field, the relevance of innovation as a fundamental element of regional development in the European Union.

The study concluded that the system characterized by a innovative dynamic on four basic plans of regional policy: institutions, infrastructure, intelligence and inspiration leads to a positive regional development.

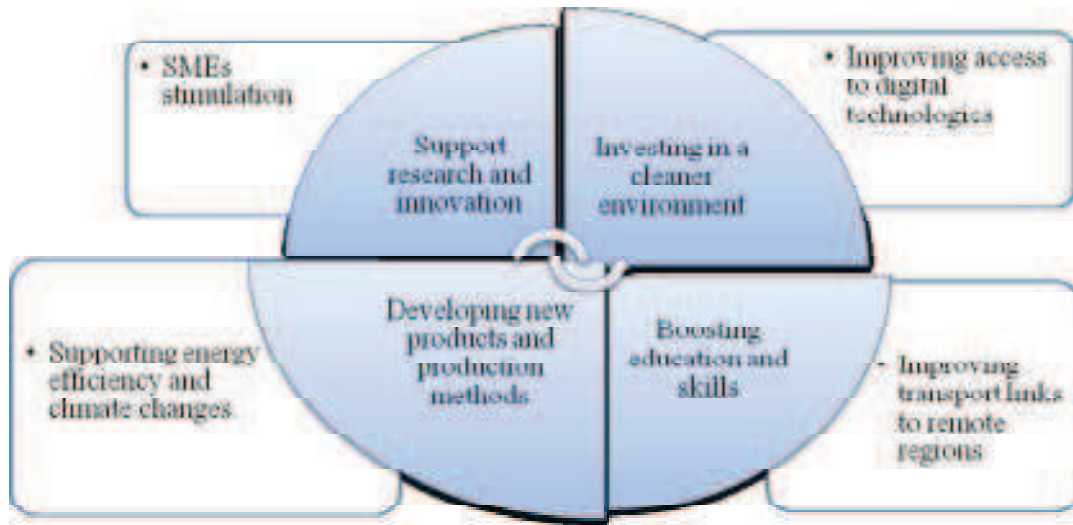


Figure No. 1 Areas funded by the EU Regional Policy

Source: Author, with the European Commission http://ec.europa.eu/regional_policy/what/index_ro.cfm

Regional policy targets the reducing of the economic disparities between regions (see Figure No. 1) traced problem to be addressed through capital injections from specific financial instruments of regional policy.

GDP and regional disparities, 2010

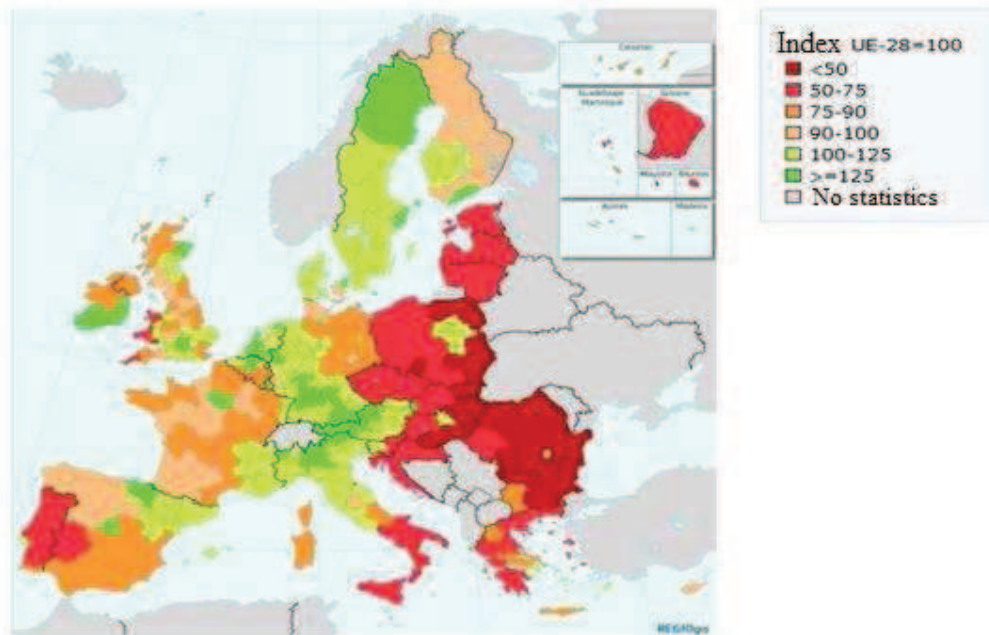


Figure No. 2 Regional Disparities European Union-28 countries, 2010

Source: Eurostat.

The situation of the regional disparities in the 28 countries European Union was analyzed by Eurostat in 2010, and can be seen in Figure No. 2.

2.1. Significant events. Financial instruments

Signing the Rome Treaty in 1957 announced a series of principles of a future regional development policy at the European level, especially in the six signatory countries, the Netherlands, Luxembourg, Italy, Germany, France, Belgium, which at that time considered the need to reduce disparities between regions and providing sustained support for less favored areas. These measures were meant to establish the Community economy, strong unitary features.

Measures were considered in force since 1958, when the creation of social Community policy instrument, the European Social Fund aimed to improve the functioning of the labor market and the integration of unemployed in it.

Later, in 1962, was created Common Agriculture policy funding instrument, the European Agricultural Guidance and Guarantee Fund (EAGGF) in order to support the development of rural areas and the improvement of agricultural structures.

In order to redistribute budgetary contributions to the poorer regions of the Member States, in 1975 it established the European Regional Development Fund in order to support them in terms of economic development. Its role was to make productive investments in areas like infrastructure, and the creation of new sustainable jobs.

After more than ten years trying to eliminate economic disparities between regions by introducing the notion of economic cohesion in the adoption of the Single European Act (1986), at which time came the creation of a social and economic cohesion policy which had as main aim to achieve European single market and facilitate the accession of the countries of southern Europe. Two years after the Single European Act, the European Council establishes the importance of the tools to reduce disparities between regions at EU level, solidarity funds from the Community budget were expanded and renamed as the Structural Funds.

Once out of the communist space, Poland and Hungary, in 1989, there are created programs with a view to support the reconstruction of the two economies, in 2000, the programme being revised to support the candidate countries in terms of regional development.

Economic and social cohesion, economic and monetary union and the single European market represents European Union Treaty objectives (1993), in base of which is formed the Cohesion Fund which aims primarily to support environmental projects and transport infrastructure in the countries characterized by a very low level of development. The fourth financial instrument created, the Financial Instrument for Fisheries Guidance (FIFG) -1994, brings contributions towards EU in fishing enlargement. Also in 1994 he created the Committee of Regions, with the role of offering consultation and offer opinions in decision-making processes for regional development for the European Commission. Economic and social cohesion policy acquires significance by the Treaty of Amsterdam (1997), and confirmed significant component of reducing disparities between the living standards of the population, emphasizing the need for complex actions supported by the reduction in the level of unemployment.

Berlin Summit in 1999 promoted a series of structural funds reform process to increase community support and join the two instruments Phare pre-accession Instrument for Structural Pre-Accession (ISPA) and the Special Programme for Agriculture and Rural Development (SAPARD) designed to assist the economic and social development of future EU candidate countries.

The year 2002 brought a new financial instrument of solidarity in major natural disasters that presents significant effects on quality of life in the affected areas, the environment or present economic activities.

2.2. Challenges and Trends

The challenge of regional development is represented by the sharp change in Community policies and the extensive application of more and more countries candidates for EU enlargement.

The main challenge for the European Union is the maintenance of the ideal level in terms of economic and social cohesion in the Community. The factors that allow this trend are seen by increasing economic disparities between economic regions of the European Union member countries, changing the distribution model of the geographical disparities and rising unemployment to a significant degree of concern in European countries. Ulltveit-Moe K. H. (2007) shows that the effectiveness of regional policy depends on the level of intra-industry knowledge, the inter-industry knowledge and marketing costs thereof. The analysis consists of the view that the European proposal of reducing the regional disparities can be a very expensive alternative.

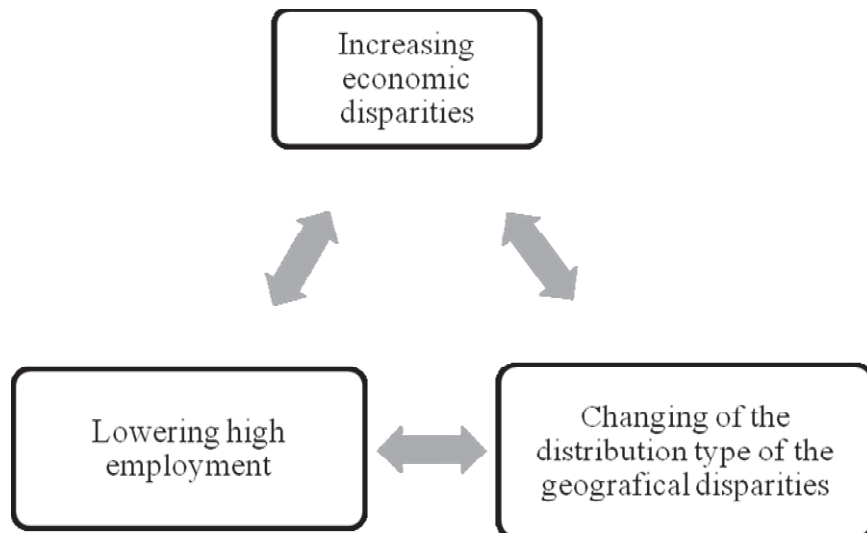


Fig. No. 3 The causes of the problematic aspects in regional development

Source: author

The three aspects mentioned in figure Fig. No. 3 are significant challenges in the degree of economic and social cohesion in Europe.

Becker and Fuest (2010) believes that the European Union supports the coordination and financing of trans-European infrastructure networks, roads and railways linking the EU member states and get to cut transportation costs. They raise questions about whether the EU's involvement in these areas is justified by national infrastructure inefficiencies related policies. Survey conclusion is that regional policy at EU level is sensible to support infrastructure development in the member countries of the Union.

Another challenge is the rapidly rising competition between companies, which leads to companies relocating to areas much more developed in terms of infrastructure, human resource quality or high quality of services offered at regional level. We conclude that regional development funds requires effective management and clearly targeted to disadvantaged regions. The link between economic development and regional policy is one close, the latter having a significant influence on first.

Significant differences between European regions were analyzed by Del Campo et. al. (2008) in a study aimed to classify adjusted european regions using different socioeconomic development axes. Classification has made numerous contributions to regional policy objectives.

3. Regional policies in the European Union

3.1. Regional development and cohesion in the European Union

The diversity of social, historical and cultural is one of the fundamental values of the EU. The welfare of the community can be ensured through free movement in the European economic plan with promoting competitiveness. Since 1957, the Community Treaties followed continuous harmonious development and also the reducing of the regional economic disparities. Regarding the Economic and Monetary Union and the single currency, economic condition has become a fundamental one. The role of regional and cohesion policy is to support underdeveloped regions, to reduce regional economic disparities.

Regional development objectives are:

- Supporting social and economic development zones with the GDP that does not exceed 75% of the average of the last three years.
- Support the through capital injection the reconversions to new professions for regions characterized by a significant decline in traditional industry.
- Support the integration of young people into the labor market and persons exposed to exclusion from it.
- Support workforce by adapting to industrial change.
- Allowing adoption of structures to achieve the transfer and the marketing of products such as those from agricultural and fishing activities.
- Boosting economic diversification and structural adjustment of rural areas vulnerable having low population density, low GDP, most of the population employed in agriculture.
- Support low-density regions.

The funds that compose the financial instruments mentioned in section 2.1, are the import taxes on agricultural products, customs duties, VAT, quota contributions of each Member State, calculated on the basis of Gross National Product.

4. Conclusions

The core objective of supporting development in disadvantaged regions of the country, specific regional development policy was achieved by supporting the capital injections in the reconversion to new professions in the regions characterized by the decline of traditional industries, supporting young people in the labor market integration work, and persons likely to exclusion from the labor market due to failure to meet current professional conditions. Regional development policy in disadvantaged regions by supporting the labor performed by the processes of adaptation to industrial changes. The proposed recommendations from the analysis are the adoption of structures to achieve transfer and marketing structures for agricultural products, but also those from fishing.

Regional development policy should increase capital injections in regions with low density and, more importantly, boost economic diversification and structural adjustment of vulnerable rural areas having low population density, low GDP, where most employment comes from the agriculture.

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