

Competitiveness of Romania's South-East Region in the European Context

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Abstract

The European interventionist policy is much stronger on the regional level than on the level of national states. Each economic activity in Europe's regions has now its own place on the European market economy. Creating a European market is important due to its size and economic potential. The Central and Eastern Europe is a potential area of new markets expansion and organization. Moreover expansion and trade are becoming important to the entire European economy as well as all its regions.

Key words: region, regional development, competitiveness, European Union

Jel cod: F15, O18, P25, R11

Introduction

The present paper is structured into seven chapters. The first chapter presents the conceptual definitions of the notions of competitiveness, comparative advantage and competitive advantage. Chapter two emphasizes the region's place in the European context then, Chapter three will determine what the role of regions is. Chapter four presents the programs and instruments employed for regional development. Chapter five presents the regions and regional development in the main European Union Member States so that in the next chapter to present the regional development in Romania, namely, Romania's eight development regions. Chapter seven focuses on the South-East development region in order to determine the hierarchical position of this region in terms of regional competitiveness.

1. Conceptual definitions

The competitiveness increase has become the main objective of the social and economic strategies of development over the last decades of most countries, mainly of the more developed ones, of the strategies for sector development in the national economies as well as business strategies. The rapid development of the contemporary phenomenon of globalization which has broadened the global areas of economies, sectors and firms competition has emphasized the importance of their competitiveness for a favourable position in the international competition and consequently measures have been taken to stimulate the determining factors and to benefit of their effects.

The concept of competitiveness is the grounds for opinions that are often divergent. This is why, so far there has not been widely accepted a definition of competitiveness and has not been yet developed a comprehensive model for the formalization of its content. The current state of research in the field provides therefore grounds for conceptual disputes regarding competitiveness.

According to World Bank, competitiveness cumulates the elements that could provide a top position to an economic entity from its competitors.

According to OECD, "Competitiveness is the ability of companies, industries, regions, nations or supranational entities to ensure a profit to the production factors and a relatively high usage on a sustainable basis, where they are not exposed to free competition."

Based on the concepts of competitiveness and comparative advantage (given by the material factors endowment) the concept of competitive advantage was developed by Michael Porter (1990), (in addition to the material factors endowment, and owning and adequate employment of the intangible factors, first of all R & D and marketing skills). The concept was determined in Michael Porter's vision by the supply and demand factors, the existence of support industries, firm strategies, market structures.

A reference point regarding competitiveness is provided by Paul Krugman (1994), according to which countries should not be seen as competitors on international markets, but only companies compete through the products / services they offer. Countries can compete in exchange by attracting international mobility factors - capital and skilled labour – benefiting of the *location advantages* they have, consisting of low corporate taxation, efficiency of public infrastructure, fair regulations and not very expensive work force.

2. The region's place in the European context

The domain of space economy can be simplified to a series of concentric circles: the core – local economy, then the regional, national, European and international economy. The importance and size of economic activities between the core and different levels (concentric circles) differs substantially. In this context, the regions will develop differentially compared to the national economies.

The European interventionist policy is much stronger on the regional level than on the level of national states. Each economic activity in Europe's regions has now its own place on the European market economy. The creation of a single market will determine the dimensions of this market and the flexibility required by further economic increase as well as a remarkable expansion. As long as the individual nations and regions maintain their independence and cultural and linguistic diversity, the unique market will have a major influence on the economic development.

Creating a European market is important due to its size and economic potential. The Central and Eastern Europe is a potential area of new markets expansion and organization. Moreover expansion and trade are becoming important to the entire European economy as well as all its regions.

Among the E.U. countries there are not similarities regarding the definition of the regions set up geographically, of the population or other criteria. The differences that can be identified show the development of the political and administrative system from each country. Therefore, defining the region is essentially a complex phenomenon due to the difficulty of identifying an

element accepted by all specialists.

Sometimes the region is defined as the administrative level on which certain public sector activities are organized. In the UK, for example, education is managed both on national and local levels, while the health department administration is accomplished on regional level and for certain specialization (pediatrics, cardiology) on even lower levels. The main government departments have their own regional offices that set up and acknowledge these territories in the political formation.

Local governments enjoy the advantages of integrating certain activities on the regional level, as demonstrated by the creation of the Regional Association of NV or of Northern England Local Authorities in England in 1992. The concept of planning on regional level differs substantially from one country to another. Expanding the regional political power varies on national level as well as the power of the regional system of administration.

On the EU level, the region represents a point of reference between the central and local governments. Sometimes regions have a clear-cut cultural identity. It can be associated with linguistic, political, cultural differences between the region and the nation it belongs to, like in the case of Catalans from the North East of Spain.

A regional model has been designed within the EU framework, model that focuses on the economic activity and which quantifies two aspects:

- a) output processing whose structure on regional level is different, especially concerning services;
- b) work factor processing which is a production factor whose services are required in the output production under the current circumstances, the EU's main challenges on regional level are the following:
 - a) structuring and diminishing the weight within the economic frame, which leads to the decrease of the employment opportunities in the economy's traditional sectors;
 - b) expansion of the third-party sector both in the private and public companies;
 - c) technological changes regarding the informational technology, production processing and automation;
 - d) changing the structure of the production factors demand, connected with the changing of national economy;
 - e) increase of integration on the national, European and international level of the market, production factors and financial markets;
 - f) changing the influence regarding the location of economic activities on inter-regional and intra-regional level;
 - g) European integration, which may lead to a more powerful convergence and to a greater divergence in the regional economic increase;
 - h) emphasizing the political centralism in certain economies at the same time with the diminishing of the political control on regional and local level;
 - i) the possibility of co-operation between the private and public companies in their search for proper solutions regarding the urban and regional challenges;
 - j) identifying efficient solutions to the regional challenges and accomplishment of the necessary circumstances required for an efficient political intervention.

3. Regions' role

The regions that are included in the states structure have a tremendous importance if they are regarded through the levels the Member States and associated States of the European Union need to accomplish. On the one hand, an equal treatment in terms of financial support is

ensured by the EU to the Member States and their regions. On the other hand, the possibility of an effective collaboration between state agencies is created. The regions will take an active part in the accomplishment of a united Europe and this aspect requires a well-defined place in institutional structures and in decision-making processes. After putting into practice the Maastricht Treaty, the regions became actually one of the pillars of European integration. Currently, Europe is made up of a veritable diversity of regions. These regions are the result of the social, economic and cultural diversity of the society. Europe cannot exist unless it complies with this diversity.

The issue of regionalism should not be regarded as a restore of territorial forms that existed in the past, usually based on nationalist principles. The State and the region within the state depend on each other and the principle of subsidiarity, stated in the Maastricht Treaty, is regarded as the basis for powers and competencies articulation in each state. The united Europe is based both on the component states as well as on regional and decentralized components of these states.

The role the regions have in building Europe consists of:

- ✚ maintaining, complying and taking advantage of the traditions, culture and history of regional collectivities;
- ✚ ensuring economic prosperity of each area;
- ✚ enabling the citizens the direct and effective participation to the business management of the administrative territorial unit in which they live;
- ✚ through the regional autonomy it contributes to the strengthening of democracy and power decentralization;
- ✚ ensuring a balanced and harmonious development of all territorial and administrative units;
- ✚ it constitutes an adequate power level for the implementation of the principle of subsidiarity;
- ✚ ensuring the premises of interregional cooperation between different countries, an important contribution of building the future Europe.

4. Programs and instruments for regional development

On the European level, as a result of the summit that took place in Berlin in July 1999, the granting of incentives provided by the European Union was re-confirmed and it would be put into practice through the four Structural Funds. On the basis of the European regional policy new priorities, the European Commission decided the budgetary allowance for each member country and for the four community initiatives.

During the Summit was also decided the creation of the fifth instrument for Structural and Pre-adhesion Policies which aims at supporting the structural changes of the countries in the pre-adhering phase and preparing the candidate countries to work in the European institutional system.

The main European Structural Funds are:

- *European Social Fund (ESF)* – which provides assistance to the disadvantaged and unemployed groups to get work places. About 75% of the total budget of the fund is used to decrease unemployment. The main instruments used to accomplish these objectives are financing formation activities and professional re-conversion, unemployed people social rehabilitation, promoting equal chances and assistance for the labour force recruiting system development.

- *European Fund for Orientation and Agricultural Guarantee*- represents the financing instrument of the EU common agricultural policy. The financing objective of this fund

contributes to the agricultural re-structuring in the community zone and to support the agricultural products market. There are two sections which are specific to this fund:

- ✚ *European Fund of Regional Development* (EFRD) – which is meant to reduce the development discrepancies between member countries' different regions.
- ✚ *Financial Instrument of Fishing Orientation* (FIFO) – intended for the piscicultural sector and which has as a main objective the promoting of a durable balance between the sector's exploitation capacity and the seas regeneration capacity.

For 2000 and 2006 period, there had been financed four Community Initiatives with a total budget of 5,35% from the regional policy budget. The purpose of these initiatives is that of identifying common solutions for the challenges that the European Union generally faces. These initiatives are the following:

- ✚ INTERREG III – which focuses on the cross border, cross national and interregional cooperation. It is subsidized by the *European Fund of Regional Development*.
- ✚ LEADER+ - focuses on durable development of the rural areas. It is financially supported by the *European Fund of Orientation and Agricultural Guarantee*.
- ✚ URBAN II – it concentrates on restructuring the urban areas that are facing development challenges. Its programs are financed by *European Fund of Regional Development*.
- ✚ EQUAL – is intended to the European cooperation to fight against discrimination and the inequality in access to work and it is supported by the European Social Fund.

Moreover a special fund for *Innovative Activities* was created having a budget of 0,5% from the total budget used to improve the quality of the regional development strategies. Between 2000 and 2006, the commission identified the following topics for *Innovative Activities* from the *European Fund of Regional Development*:

- ✚ Regional economies based on knowledge and technological innovations;
- ✚ "EuropeRegio", the informational company of the regional development service;
- ✚ Regional identity and durable development.

The performance reserve is another special character instrument applied by the commission. About 4% of the funds allotted for every individual member country are withhold annually, the accumulated amount of money being distributed to the most successful programs.

On the national state level, the regional development is accomplished by involving a certain chain of mechanisms among which we mention:

- ✚ ***Business development relocation.*** This particular mechanism was employed on a large scale in France, Great Britain between 1970 and 1980 and is currently applied in Greece. The state uses this mechanism to reduce the setting up of new companies in overcrowded cities and to stimulate the business development by locating the new companies to the cities suburbs or to underdeveloped areas.
- ✚ ***The state's economic activity territorial delimitation.*** This mechanism has lost its importance as instrument of the regional development when the state property diminished. Another aspect of this mechanism is represented by the social acquisitions which were used in the European states to purchase mainly products from disadvantaged regions. Due to the fact that these acquisitions were branded as discriminatory, currently they are not used any more.
- ✚ ***Companies' financial stimulation*** is applied in order to draw on companies in locating the production and investments in disadvantaged regions by granting fiscal relief, preferential credits, incentives for work place creation, etc.
- ✚ ***Creation of infrastructure*** for the regional development which manifests itself in the creation of the informational infrastructure, investments in social infrastructure, creation of the scientific research centres in universities, etc.

In the Central and Eastern European countries, two types of mechanisms for regional development are frequently used:

- 1) regional development programs, developed by local authorities and also by the Regional Development Agencies
- 2) support of the entrepreneurship's subjects. Mostly the support granted to the regions is accomplished through the regional development programs. Typically these programs contain all regions except the capitals and their peripheries. The funds granting is accomplished by the authorised entities from the Regional Development Funds through the Regional Development Agencies, or local bodies responsible for regional development. The programs include a wide range of issues focusing on creating new jobs, infrastructure development, creation of social infrastructure, business development, tourism, etc.

The regional development support programs are different. If in Hungary these programs are developed identically for all regions, in Estonia such programs are developed for each region separately. Eight regional development programs include the following regions: the peripheral districts, multifunctional cities, islands, Setumaa region (eastern Estonia), the region of south-east, the north eastern Ida-Viru, border areas, local communities.

The second type of mechanism is different from the one applied in Western European countries. If the EU support is granted through grants, in Central and Eastern Europe the priority is given to credits, grants and business tax incentives. But lately, with the opening of the EU funding of projects through the PHARE Program, the practice of awarding grants began to be applied in these countries as well. The European Union experience has emphasized the fact that the most important tool that can support the accomplishment of the regional programs is the setting up of a Regional Development Fund. Such funds have been created, either on national or regional level (e.g. in Romania) in all European countries. The principle of creating such funds lies in financing, which means the participation in its implementation of the governmental, private and international financial means. From this point of view, the main possible sources that may contribute to the formation of a Regional Development Fund are the following:

- ✚ Funding from Central Government
- ✚ Local budgets of municipalities and communes in the different regions
- ✚ Private sector
- ✚ Structures and international funding institutions.

The proportions in which they contribute to the creation of the Regional Development Fund are different. Moreover, the main contributor may be the state in the early stages of system implementation. A Regional Development Fund should have the necessary means to ensure the local economic development, but should also be well structured. Usually through a Regional Development Fund direct grants cannot be awarded. These can be granted to fund programs and projects taking into account some very specific methods and based on some clearly defined criteria. To ensure a better implementation of the best projects, funding is accomplished through an open system for applications receipt. The criteria include regulations regarding the type of costs that can be covered, the proportion and type of self-financing required and the type of financial assistance contribution that can be provided, etc.

5. European Union's main member states regions and regional development

FRANCE: This particular region is made up of a series of departments and it is not regarded as a superior unit of these departments that should have a certain power over them. The regions were created to deal with certain aspects that also make the interest of other several departments. There are 18 continental regions besides the overseas territories, each representing an individual region. The regional entities study and make suggestions regarding

the regions' economic development, location of the investments objectives, adoption of measures that concern the development and updating of the communication department, public services, etc. The region's competence and tasks may be different from one region to another, depending on the requirements of the department that created them.

The region as well as the department has its own budget and financial means that result from taxes and fees they charge. The purpose of the region creation was to contribute to the economic and social development of the local collectivities. Nevertheless the economic crisis has had repercussions upon the regions as well, manifesting itself as a hindrance against the accomplishment of the tasks and objectives for which they were created.

GREAT BRITAIN: Its greatest administrative and territorial unit is the county, having the character of a region. The county deals with the prognosis of some public interest services, health preservation, organization of education, roads planning and building water supply, etc. to accomplish the competences, the county receives subsidies from the state budget. The government controls the way these funds are employed by the county's entities. The economic and financial public services are managed by public corporations. Therefore the county competences from the economic field are rather limited.

ITALY: it is divided into 20 regions being regarded as the state's greatest subdivisions. Each region is made up of two or more provinces. The regions enjoy administrative autonomy and they are entitled to issue normative documents in certain fields.

The regions' public administration authorities are entitled to organize public services having a regional character, to organize the local police, professional education, medical assistance, local trade, transport in the region, region's territorial systematization, public libraries network, regional tourism, etc.

The regional administrative authorities' regulations should comply with the laws of the Italian state. Each individual region has its own budget and financial means that result from taxes and fees they charge, income resulting from the regional companies managed by the region's directing bodies as well as subsidies from the state budget.

GERMANY: is a typically federal state made up of 9 lands. Each land has its own constitution and legislation; moreover the lands have to abide the federal laws and constitution. The regional autonomy is therefore more conspicuous in Germany than in any other member state of the European Union. The lands are entitled to work out freely all their economic, social, cultural issues without breaching any regulation of the federal laws and constitution. They have their own budgets and they set the taxes and fees on the land level, in other words they have total financial autonomy. As a result every land contributes to its own development and prosperity. Moreover these lands have organizational autonomy including the one involving the local administration.

SPAIN: this country belongs to the group of countries characterized by regional autonomy supremacy as well as Italy. Due to the referendum from the 6th of December 1978 the regions were entitled to their own autonomy. So far three regions have benefited of this decision: Catalonia and Basque Country since December 1979 and Andalusia since January 1982. The Spanish regions are situated at the maximum limit of decentralization. The regions decentralization deals less with the administrative organization modalities and more with financial aspects.

In Spain there are 15 continental regions and two insular regions besides the independent territories and the Spanish possessions form the North Africa. Each of the 17 regions has one up to eight provinces. One of the consequences of the regions' autonomy and decentralization is that, besides Spanish being the official language, there are also recognized as regional languages the Basque language and catalane one. Regardless of the unitary or federal states, the state regions from the European countries have an important part in the homogenous and balanced development of the regions they are made up of.

The European regions have the possibility to cooperate and collaborate among them in the view of accomplishing some mutual advantages and to take part in collaborations and cooperation on national, cross border and international level. The European Union acknowledges the regions from its member states as active participants to its policy. Therefore these regions have representatives in the European Union institutions. Thus the regions defend their own interests in the European Union as well as they do within the states they belong to. On their turn the states should take into account the regions' will and interests. The regions should apply the community legislation and the decision taken by the regions should comply with this legislation.

The strengthening of the interregional cooperation will contribute to the success of the united Europe accomplishment. This cooperation has first of all an economic connotation but it also manifests itself on social, cultural level, etc.

The future Europe aims to be not only a unity of homogenous states but also a diversity of regions that are harmoniously developed, balanced and prosperous. The success of the united Europe accomplishment depends on the way and pace of its regions development.

6. Regional development in Romania

Regional development is a new concept that aims at boosting and diversifying economic activities, stimulating investment in the private sector, bringing contribution to unemployment cut-down and last but not least leading to an improvement of the living standards. In order to apply the regional development policy, eight development regions have been established, which include the entire territory of Romania. Each development region encompasses several counties. The development regions are not administrative-territorial units; they have no legal personality being the result of an agreement between councils and local councils.

The regional development policy is a series of measures planned and promoted by the local government and central authorities, in partnership with different entities (private, public, volunteers) that aims at ensuring a dynamic and sustainable economic growth, enjoying the benefits of an effective regional and local potential, aiming at improving the living conditions.

The main areas that are targeted by the regional policies are the following: companies' development, employment, investments attracting, technology transfer, development of SMEs, improving infrastructure, quality of environment, rural development, health, education, education, culture.

Rural development occupies a distinct place within the regional policies and deals with the following aspects: poverty reduction in rural areas, balancing the economic opportunities and social conditions between the urban and rural areas, stimulating local initiatives, maintaining the spiritual and cultural heritage. The implementation and evaluation framework of the regional development policy is represented by the development region, set up as a voluntary

association of neighbouring counties. The development region is not an administrative and territorial unit and has no legal personality.



Figure 1 Romania's eight development regions

Romania is divided into eight development regions, named after their geographical position in the country: North-east, South-East, South, South West, West, North West, Centre, Bucharest and Ilfov.

Part of the historical province of Moldova, **the North-Eastern region of Romania** is an area where history, culture and traditions are present and they complete the natural environment, which is spectacular. It includes six counties: Bacau, Botosani, Iasi, Neamt, Suceava and Vaslui. The north-east region's economy is predominantly agrarian, particularly to the north, although there are several industrial cities. Due to low cost and well qualified labour the North-east Region is one of the best areas for investment in Europe.

Geographically and historically, the **South East Region** is the mix of Moldova, Muntenia and Dobrogea, located thus to the confluence of history and national culture. The administrative structure of the region includes 6 counties: Constanta, Tulcea, Braila, Galati, Vrancea and Buzau. The region's economy consists of the traditional branches of agriculture, trade, tourism and services and also several branches of developed industries.

The South Region consists of seven counties: Arges, Calarasi, Dambovita, Giurgiu, Ialomita, Prahova, Teleorman, being the third largest region of the country. The northern region is characterized by an increased level of industrialization while the south part, which is undeveloped, is the second area regarding the poverty level in Romania. This area is characterized by the dominance of population employed in agriculture.

The South-Western Development Region comprises the following five counties: Dolj, Gorj, Mehedinti, Olt and Valcea. The economic structure of the South-Western region, Oltenia, is provided by the natural potential and economic tradition in the region. The natural economic potential is given by the rich agricultural, hydropower and thermo-energetic resources. To these the basement of the region which is rich in coal, metal and non-metallic minerals, salt, oil, natural gas, mineral and forest vegetation are added. The tradition speaks of an economic region divided between agriculture and industry based on intensive exploitation of existing natural resources.

The Western Development Region is located in the western part of Romania, on the border with Hungary and Serbia, being made up of four counties (from the administrative and territorial point of view): Arad, Caras-Severin, Hunedoara and Timisoara. Starting from a set of

favourable circumstances and building on an impressive industrial tradition, in the post-communist period, the region registered a steady growth, higher to the Romanian average and has managed to attract a large volume of foreign investments, oriented to various sectors.

The North-Western Region (Northern Transylvania) is one of Romania's 8 development regions, and includes six counties: Bihor, Bistrita Nasaud, Cluj, Maramures, Satu Mare, Salaj, being one of the most picturesque regions in Romania. The region's economy is based mainly on agriculture, on manufacturing; where the prevailing traditional sectors that require intensive labour with low added value. Cheap labour, most often involved in activities of sub-contracting, is still the main element the region's competitiveness relies on, therefore production is particularly vulnerable in a global and free competition.

The Central Region is located in the centre of Romania, in the large curvature of the Carpathian Mountains. It occupies the fifth place of the regions concerning the surface and it includes the following counties: Alba, Brasov, Covasna, Harghita, Mures, Sibiu. Due to its geographical position, the region makes connections with six of the seven regions of development that are situated at approximately equal distance from its central area to the border crossing points. The economy has a visible industrial character, showed both by the high contribution of industry to GDP and the weight of employment in the secondary sector.

Bucharest and Ilfov Region of Development is made up of Bucharest and Ilfov County. Without taking into account the improved economic performance vis-à-vis other regions of Romania, Bucharest-Ilfov region has a rather low level compared to regions of the EU which includes a capital or a city, even taking into account the cities that are capitals of the new EU Member States. The region is highly urbanized, more than 90% of the population living in urban areas.

7. Competitiveness Elements of Romania's South-Eastern Region

The south-east region includes almost all forms of relief: the Danube valley, Baragan field, Dobrogea Plateau with Macinului Mountains, and the north-western regions include a part of the Carpathians and Subcarpathians. Moreover, the region is crossed by the Danube, and it also includes the Danube Delta and on the east side it has the entire Romanian seaside. However, most part of the relief is made up of plain, having a typical continental climate.

The most influenced by economic decline and the industrial restructuring are the steel and metallurgical industry, chemical industry and machine building industry. Unemployment generated by industrial restructuring registers a constantly growing level. Agriculture holds a significant share in the economy of the region, 40.4% of the region population being employed in this sector. The agricultural land has 65% of the total area of the region. The private sector holds the largest share of agricultural land and also produces the most part of the agricultural production. The South East Region holds top position regarding the surface of viniculture.

Despite the high agricultural potential, the capacity of agricultural products processing is low due to outdated technologies. The fragmentation of the arable area in small portions is another obstacle to agriculture development. The low economic potential of small farms as well as agricultural exploitation inefficient management determined the underdevelopment of the agricultural sector and agricultural products processing. In this region are represented almost all branches of industry: petrochemical industry, metallurgical, machine building, textile and clothing industry of construction materials, food industry.

The region is faced with a number of issues concerning the environment protection, due to both natural and anthrop factors: forest degradation, marine pollution, beach erosion, pollution caused by industrial substances or pesticides and chemical fertilizers.

One of the environmental issues that the Danube Delta faces is the river pollution. Moreover, clogging the Danube Delta secondary channels may cause in time flooding of a major part of surface land and destruction of the Delta ecosystem. The Black Sea coast is affected by coast erosion (Eforie area) and the pollution of beaches. In rural areas of Subcarpathians the sliding processes of deforested land are more numerous and periodic floods affect many villages in the valleys and the rivers Siret and Buzău.

South East Region covers the counties: Brăila, Buzău, Constanța, Galați, Tulcea, Vrancea, whose size can be represented graphically in figure 2.

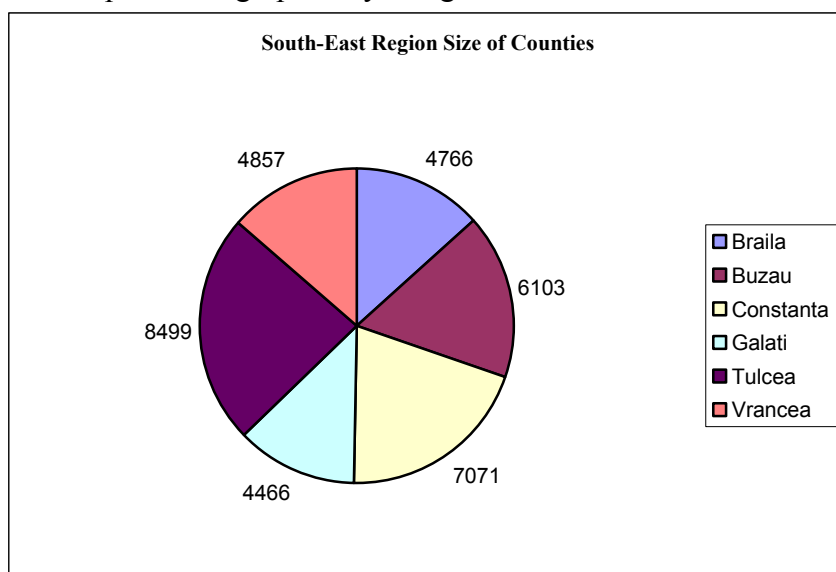


Figure 2 South-East Region Size of Counties

To determine which is the South East region in terms of regional competitiveness, it will calculate the index of regional competitiveness.

Formula calculation of regional competitiveness index I_C is a weighted average of the following three indicators: economic, social and technological. In turn, these indicators are calculated as a weighted average of selected variables within each group of interest. Weights used for each of the indicators are:

- Economic indicator I_E	
E_1 – GDP per inhabitant	10
E_2 – GDP growth ratio	10
E_3 – Productivity	30
E_4 – Net exports	10
E_5 – Gross fixed capital formation (GFCF) reported at GDP	20
E_6 - Net income per inhabitant	20
- Social indicator I_S	
S_1 - Dispersion of regional employment rates	30
S_2 - Employment (total)	40
S_3 - Employment - women	10
S_4 - The index average life expectancy	20
- Technological indicator I_T	

T1 – Research- development expenditure as % of GDP 40
T2 - Population employed in sectors with high technology 30
T3 - Tertiary education with specialization in advanced research 30

Model calculation of the three indicators is:

$$I_E = (10E_1 + 10E_2 + 30E_3 + 10E_4 + 20E_5 + 20E_6)/100$$

$$I_S = (30S_1 + 40S_2 + 10S_3 + 20S_4)/100$$

$$I_T = (40T_1 + 30T_2 + 30T_3)/100$$

$$I_C = (40I_E + 30I_S + 30I_T)/100$$

Calculating each indicator in the regional statistical data reporting to the national average. Thus, the national average is 1.00, and regional indicators will vary around this value. Supraunitare mean values over the national average while the subunitare means the national average. Aggregated by weighting each indicator subindicatorilor with weights above.

The economic indicator by component - the reporting regions the national average

Table 1

Region	GDP per inhabitant	GDP growth ratio	Productivity	Net exports	Net income per inhabitant
North-Eastern	0,69	0,54	0,70	-0,02	0,89
South-Eastern	0,91	0,63	0,94	-0,07	0,94
South	0,84	0,90	0,83	-0,22	0,96
South-Western	0,83	0,63	1,21	0,18	0,99
Western	1,15	1,37	1,35	0,02	0,96
North- Western	0,97	0,63	0,96	-0,18	0,91
Central	1,04	0,93	1,03	-0,34	0,89
Bucharest -Ilfov	1,91	1,78	1,30	-1,08	1,31

Source: Statistical Yearbook of Romania 2007, own calculations

The social indicator by component - the reporting regions the national average

Table 2

Region	Dispersion of regional employment rates	Employment (total)	Employment - women	The index average life expectancy
North-Eastern	0,988	0,865	1,138	0,996
South-Eastern	0,989	1,059	0,896	0,993
South	0,958	0,997	0,990	0,996
South-Western	0,931	0,967	1,040	1,002
Western	0,975	1,018	0,969	0,988
North- Western	1,023	1,032	0,977	0,984
Central	1,059	1,074	0,914	1,011
Bucharest -Ilfov	1,098	0,970	1,038	1,048

Source: Statistical Yearbook of Romania 2007, own calculations

The technological indicator by component - the reporting regions the national average

Table 3

Region	R & D expenditure	Population employed in sectors with high technology	Tertiary education with specialization in advanced research
North-Eastern	0,385	0,605	1,260
South-Eastern	0,308	0,372	0,200

South	1,103	0,576	0,040
South-Western	0,308	0,645	0,060
Western	0,590	1,477	0,660
North- Western	0,386	0,791	1,980
Central	0,513	0,924	0,560
Bucharest -Ilfov	2,897	3,419	2,740

Source: Statistical Yearbook of Romania 2007, own calculations

The aggregate economic indicator

Table 4

Region	Economic indicator	Social indicator	Technological indicator
North-Eastern	0,64	0,96	0,71
South-Eastern	0,79	1,01	0,29
South	0,80	0,98	0,63
South-Western	0,91	0,97	0,33
Western	1,06	0,99	0,88
North- Western	0,81	1,01	0,99
Central	0,90	1,04	0,65
Bucharest -Ilfov	1,41	1,03	3,01

Source: own calculations

Regional competitiveness index (I_C)

Table 5

Region	I _E	Share	I _S	Share	I _T	Share	I _C
North-Eastern	0,64	0,4	0,96	0,3	0,71	0,3	0,76
South-Eastern	0,79	0,4	1,01	0,3	0,29	0,3	0,71
South	0,80	0,4	0,98	0,3	0,63	0,3	0,80
South-Western	0,91	0,4	0,97	0,3	0,33	0,3	0,75
Western	1,06	0,4	0,99	0,3	0,88	0,3	0,99
North- Western	0,81	0,4	1,01	0,3	0,99	0,3	0,92
Central	0,90	0,4	1,04	0,3	0,65	0,3	0,87
Bucharest -Ilfov	1,41	0,4	1,03	0,3	3,01	0,3	1,78

Source: own calculations

Hierarchy of development regions

Table 6

Region	Rating after competitiveness index	Rating after GDP per inhabitant
North-Eastern	6	8
South-Eastern	8	5
South	5	6
South-Western	7	7
Western	2	2
North- Western	3	4
Central	4	3
Bucharest -Ilfov	1	1

Of calculations is observed that the development region of Bucharest--Ilfov region is the only supraunitare value all indicators, the differences between this region and others are considerably higher and vary according to the indicators analyzed. Also observed that the social is relatively balanced in all regions with an inter-regional variation decreased while the technology to differentiate between regions in terms of development.

Analyzing Table 6 on the hierarchy of development regions is observed that the first is the development of Bucharest-Ilfov, followed by the Western as both criteria hierarchy: the index of competitiveness and the GDP per inhabitants. In the South-Eastern region, it is the GDP per inhabitant ranked 5, but the index of competitiveness in last place. This is because the technology has the lowest level of performance among all developing regions, although GDP per inhabitant place of work and productivity are high in this region and is a social indicator employment for total very good report the national average. Much of the growth in the South-Eastern are based on trade with the port area, but for a competitive development should invest more in research and development in tertiary education.

8. Conclusions

The EU should act in a particular manner showing solidarity and cohesion to the new members since their increase and development will bring in benefits to everyone. At the same time, the community policy re-formation is compulsory: not only for funds economizing but also for promoting better policies. When we make a decision regarding this kind of changes we should take into account the goals of the Lisbon agenda and also the need for innovation and increase:

- ✚ concerning the common agricultural policy, the continuous change is necessary thus less support should be granted to prices and quantities and more to the quality. It is also necessary to elaborate a rural economic development policy which will support and not prevent the massive work force migration from agricultural sector to the Central and Eastern Europe. However this aspect implies the opportunity emergence for the developing countries to take an active part in the agricultural products trade.
- ✚ regarding the structural expenses, certain measures are necessary adapted to the needs and priorities of the new members as well as the regional integration of the Central and Eastern Europe. Major investments will be necessary both in the environment and infrastructure as well as in human resources and education.

An innovative method should be identified of using the EU budget to support other policies like research and development. Concerning the budget income share, a more impartial, transparent and stable system is required. Over the entire continent, the EU should provide the result people expect, helping the mature economies to be innovative and the less mature ones to complete their change. The world doesn't wait for us!

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