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THE IMPACT OF THE EU REGIONAL POLICY IN ROMANIA

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Abstract: *Europeanization is a valuable concept for explaining the impact of EU policies at domestic level and especially of regional policy development in Romania. The relative low discrepancies and the low levels of development that Romania faced after almost fifty years of centralized planning resulted apparently in no need for a regional policy. This policy was ‘built’ in order to meet the EU financial assistance and Romania had to re-think its centre-region relation and to acquire a new vision over the policy of regional development. The following paper will try to analyze whether the current regional policy managed to have the expected impact in Romania, with short emphasis on the concepts of regionalism, regional competitiveness and economic agglomerations.*

Keywords: regional policy, identity, competitiveness, agglomerations

JEL Classification: P25, R11, R58

INTRODUCTION

The importance of regional policy in Europe has grown with time. It started from the idea that existing economic inequalities between regions are real impediments in the integration process and might lead to social-political instability.

Regional differences in living standards within individual nations are usually considerable. When nations join together in an economic union, regional disparities within such nations are likely to be even wider. The integration of members from Central and Eastern Europe has created new spatial patterns of economic and social inequality including west-east, core-periphery and urban-rural disparities and industrial problem areas.

EU regional policy is concerned with easing the negative effect of disparities across Europe, thus increasing ‘social and economic cohesion’. Being one of the most important common policies and

the second big consumer of the EU budget (after the common agricultural policy) regional policy aims to support poorer areas in order to reduce the disparities in wealth across the European Union, restructure declining industrial areas and diversify rural areas with declining agriculture. It is therefore considered a policy of solidarity.

All countries of the European Union, once they become member states, had to change their division of power and even the most centralized ones suffered a transition period and modified the balance between the requirements of the unitary state and the regional aspirations of its constituent parts. Some states have been better able to adapt to the requirements of regional organization (those having a regional tradition) while others are still struggling to accommodate (especially former communist countries).

Romania tried after 1989 to design a policy for regional development, having both internal and external grounds. The internal reasons regarded the economic weaknesses of some regions that were severely affected by the transition period after communism. Such weaknesses were not acceptable, as they could generate economic and political instability, leading to obstacles for the whole national development. The external reasons, however, were linked with Romania's aspiration to join the European Union in 2007, a process that involved changes at multiple levels, including regional policy. Regional development policy in Romania has no formal or documented tradition. For some, regionalism might even cause threats to the nation-state itself. This could be one of the reasons for which the eight development regions were simply drawn on the map in order to meet the European criteria for accession and integration (regions should be of about the same size and have a certain number of inhabitants), trying to avoid as possible the historical factor.

Regional Policy in Romania started to develop in the same time with the Phare Programme in 1996. However, a legal framework was developed only in 1998; once the law on regional development was adopted (Law 151/1998 and later on Law 315/2004) it brought clarifications about the eight development regions ("voluntary" association of local administrative units) and the institutional framework regarding regional policy.

The negative consequences of this centralized and equalitarian organization of the country were felt immediately after the fall of Communism in 1989, when some social and economic changes and reforms were inevitable. During the transition period the 'shock therapy' was preferred to the gradual change and meant an acceleration of privatization, the liquidation of loss-making firms, liberalization of prices, reduction of trade barriers, and promotion of foreign investments and so on.

Some areas where the restructuring policy was stronger, started to be affected by economic and social decline, facing extreme environmental degradation, high unemployment and low standards of living. The most obvious and strongest disparities in Romania after 1990, given the structural changes, were between the rural and urban areas.

The fact that this whole restructuring process meant to ‘clean up’ the economy from unprofitable activities was not doubled by activities to stimulate economic growth accelerated even more the negative effects.

In Romania, the poorer regions suffered an artificial industrialization during communism, which means that these regions suffered the most severe impact over transition, once the unprofitable industry was shut down in 1989. These regions are in the north-eastern part of the country -- the historic region of Moldova and in the south – the agricultural region called Câmpia Română. From the point of view of medium income level and unemployment Moldova and Muntenia are the poorest regions, while Transylvania and Banat are the most developed ones; the historic regions of Oltenia and Maramureş are characterized by a medium level of development. In what concerns the Bucharest-Ilfov region, there is a huge misbalance between it and all the other regions, as the capital attracted investors in all fields of activity and had a quick level of development.

The current regional disparities in Romania are both inter-regional disparities -between the eight development regions, corresponding to the NUTS II level- and intra-regional disparities -between the counties (corresponding to the NUTS III level) included in each region (according to the Nomenclature of Territorial Units for Statistics, the NUTS II level represents a population between 800.000 and 3 million inhabitants, and the NUTS III level a population between 150.000 and 800.000 inhabitants).

So Romania’s regional policy appeared only in order to meet the financial assistance offered by the European Union. For this reason we could put under question if Romania has a coherent vision of this public policy mechanism, especially from the political factor, as the experience showed that member states with a developed regionalist tradition (like Spain for instance) were better applicants and yet users of the EU financial aid.

1. REGION, REGIONALISM, REGIONAL POLICY IMPACT

The creation of the European Union definitely meant a reassertion of the role of the nation-state, which has gradually eroded its powers. Boundaries, both external and internal were redrawn and

decision-making was no longer the exclusive prerogative of national governments acting alone or in concert with each other (Wagstaff, P, 1999)

The regions, once delimited, even if they were formed based on administrative criteria, tend to develop a certain identity and to become functional regions. In other words, regional actors tend to develop cooperation and interdependence relations with other actors located in the same region. For instance, the public corporations tend to include organisations from only one region, enterprises tend to find contractors from that region only and to base exclusively on the labour force in that region etc.

The fact that the region has become a more important feature of the domestic political landscape in Europe is already a reality. Slogans, like ‘Europe of regions’ or “multi-level governance”, are very often used by officials. The European Union is not anymore a two-level game, but a multi-level game, with the EU at the first level, the state at the second and regional actors at the smaller level (Cini, M, 2003).

If we speak of **regionalism**, we need to put emphasis on **identity**, as a key factor. The feeling of belonging to a common space represents the fundament for economic, political, cultural and social actions made by the individuals comprising that territory. However, this feeling of belonging has a different meaning for the administrative staff and for the people living in that area and the same applies for the notion of identity. A possible explanation for this is the fact that the administrative divided territories, the regions, do not overlap the territories defined through other criteria. These differences could be reconciled through a communication policy that promotes the oneness of territorial identity, starting from the historic origins, cultural heritage, social-economic development etc.

Regionalism could be of many types (Rodriguez-Pose, A, 1994): *political* (e.g. Spain and Italy), *incorporated* (the unitary state is formed through the unification of many other states that keep their individual characteristics), *diverse regionalism* (administrative regional structures are based not only on territorial or political criteria, but also on the culture and language criteria), *classical administrative regionalism* (e.g. France – regions are the consequence of decentralisation), *functional regionalism* (e.g. Greece – regions are simple districts of the state administration) and *regionalism through cooperation* (the case of Romania - regions are the result of cooperation between local territorial collectivities).

One of the controversies that an ‘artificial’ regional policy (as it is in Romania) could bring is related to the definition and delimitation of the regions, as the geographical dimension is not necessary

for defining a region. The limits of a region should be a social decision based on one or more criteria. The most important criteria are:

- spatial/geographic characteristics: the region is formed given certain geographic features (e.g. Black Sea Region);
- social characteristics: language, religion, culture, nationality of individuals that live in a certain space;
- political-administrative characteristics: the limits of the regions are set upon a certain rule (e.g. the region should have similar dimensions);
- economic characteristics: the regions are based on certain economic activities (e.g. mono-industrial or poli-industrial regions).

Romania had the chance to become a member of the European Union in 2007. This membership implies many advantages and rights, but also some obligations. The simple fact that we are a member does not bring everything for granted. Romania should be aware that regional policy only brings the expected benefits in combination with a comprehensive national policy development and a coherent policy direction. Regional development policy itself cannot be the main and only pillar for the general development of a state. In the absence of other mechanisms, regional policy may not have the intended effects **Regional development should be a partnership between administration, economy and community**

The regionalization process in general is perceived as an artificial, top-down process, made without the consultation of local communities and without taking into consideration the cultural, ethnic and historic characteristics. The results of this process are difficult to evaluate and unfortunately not very obvious (low impact).

Regional programs oriented towards reduction of disparities should consider that poorer regions are less capable of absorbing funds and even more, to use them effectively. If local abilities cannot generate themselves prosperity, it is better to offer assistance to these regions for developing abilities in creating income from economic activities.

It is also important to mention that the intervention area is not always thought at the optimum that would allow to maximize the advantages and diminish the negative effects; the limit urban/rural is kept as reference.

The eight development regions are not administrative units and whether they are the most efficient division of the country remains an open question. However, the current structure cannot be modified, as Romania has to keep this division of the territory during the implementation period 2007-

2013. The eventual change of the current structure is a complex process that requires the consultation of all the actors implicated, including the European Commission.

The success of a region will in the end depend upon its autonomous capacity to take matters in hand, to organise various actors around common goals, to adapt and to successfully adjust to outside pressure. Ultimately, the source of development lie in the region itself, in its people, in its institutions, its sense of community and, perhaps, most important of all, in the spirit of innovation and entrepreneurship of its population (Polese, M, 1998).

2. REGIONAL COMPETITIVENESS AND ECONOMIC AGGLOMERATIONS

The idea of **regional competitiveness** became very actual in the context of globalization, as the flow of goods, capital and persons around the world became a reality. Investors are attracted by regions where the human capital is well trained and also where the cost of working force is at a just level.

Regional competitiveness could be defined as the ability of a region and implicitly of its public authorities to maintain its basis of trained people and of businesses and to attract foreign investors. This attraction is based on the quality of infrastructure, general quality of environment, quality of R&D centers of the region, fiscality, cost of labor etc. There is no consensus in what concerns the term or the way it can be measured, but there are some factors most frequently used when we refer to regional competitiveness: employment and productivity level, sectorial structure of employment, demographic trends, investments, investment in knowledge economy assets, infrastructure endowment, level and nature of education, innovation and R&D. From all these, the **human resource** factor is very important.

According to B. Gardiner (2004), there are three main sources that determine regional competitiveness: infrastructure and accessibility, human capital and production environment.

The current tendency in order to keep up with the rhythm of globalization is the creation of **economic agglomerations** – a geographic concentrations of interconnected companies, specialized suppliers, services' bidder, firms from related areas and associated institutions (for instance, universities, standardization agencies and professional associations) from certain fields of activity, being both competitors and collaborators. Some examples of economic agglomerations in the European Union are siderurgical industry in Alsacia-Ruhr or chemical industry in Basel. If we take the case of

Romania, we could think of the naval industry in Galati, wood industry in Mures, tourism industry in Bucovina, automobile industry in Arges and so on.

There are two basic causes that lead to the creation of economic agglomeration. The first causes are related to land, climate, navigable waterways, immobile labor, in other words, regional endowments that cannot be easily changed. The second causes refer to circularity of location choice, by this meaning that firms want to be where large markets are and large markets are where many firms are located. Agglomeration and trade are linked. The companies will try to focus their activities near the main commodity markets and this will allow them to take advantage from the scale economies and to minimize the transportation costs.

If we speak of the impact of agglomerations in relation with regional policy, we should mention that they are an economic increase factor, but they do not automatically lead to the reduction of regional inequities and achieving the cohesion.

The Group for Applied Economy (2008) considers that Romania has a dynamic business environment and a substantial competitive potential, but in the same time a limited capacity of monitoring and evaluate these advantages. The fact that there is no legal framework to give more power to the regions is a strong barrier towards decentralisation.

CONCLUSION

The European Union is in continuous movement. The integration process has gone through slow and fast periods and has shifted in direction from largely economic integration to include greater social and political integration.

In what concerns regional policy, the programmes directed to alleviate poverty should take into account that poor regions are inherently less able to absorb funds, but also to use them effectively. By offering the funds to the less developed regions, some opportunities in the more developed ones might be lost.

The main challenge for Romania is to make regional development an efficient instrument for economic and social cohesion. Even though cohesion cannot be achieved only through regional development, this is however considered the most important instrument in the current vision of the EU.

Regional policy is a financial mechanism that puts into practice the principle of inter-regional solidarity and of the economic and social cohesion, resulting in a re-distribution of revenues from

certain theories to others. The regional policy is what makes it possible for the three factors necessary for development (the resources of the territory, human resources and capital) to meet at the same time and in the same space, given the fact that these factors cannot always be found together.

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DYNAMICS OF THE ROMANIAN ILLEGAL DRUG MARKETS

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Abstract: *Globalization has led to an increase in commercial activities running on the illegal markets, its dynamics being largely determined by the balance between profitability and the major risks involved. Revenues are significant, one example being those obtained from drug industry. In recent years, illicit drug trafficking has seen in Romania an unprecedented escalation, as a result of market liberalization and the movement of persons and because of the extending the phenomenon both among producers and consumers.*

This article examines the size of the Romanian illegal drug markets, the countries of origin and drug transit routes, as well as the profits made by the drug trafficking networks.

Keywords: drug trafficking, profit, illegal markets, cocaine, heroin, psychoactive substances.

JEL Classification: E26

1. ILLICIT TRAFFICKING IN DRUGS AND PSYCHOTROPIC SUBSTANCES

1.1. Countries of origin for the illicit drugs reaching the Romanian markets

The analysis developed by competent authorities in preventing and combating drug trafficking revealed that the heroin seized in Romania, in 2008, was produced mainly in Turkey and Iran, while Morocco was the starting point for hashish, transported via Spain and Portugal. The cocaine is shipped from Colombia and Mexico, Bolivia and Venezuela, while amphetamines and ecstasy sold on the Romanian markets come from the Netherlands and Belgium (EMCDDA, 2009).

Romanian herbal cannabis market is stocked both by the producing European countries, such as Moldova, Netherlands, Belgium and the domestic production, which is in a continuous expansion (EMCDDA, 2010). Even if in 2008, the authorities discovered illicit hemp crop on an area of only 400 square meters (RMCCDDA, 2009) in the last two years, there was an increasing trend of area cultivated with this plant, throughout the country. However analysis of the illicit nature of hemp crops especially highlighted the lack of interest in obtaining licenses required by law to carry out these activities and to a lesser extent, the intention of manufacturing drugs.

1.2. Size of the Romanian illegal drug markets

Heroin and cocaine are overall considered, the most important drugs in terms of involvement of organized crime groups or the financing of local conflicts.

In Romania, during 2007 - 2008, there were decreases in the amount of cocaine, cannabis and opium seized by the authorities, while for heroin, was an upward trend recorded. After this period, major changes have occurred on cocaine and heroin markets in Romania. Thus, in the case of cocaine could be seen a considerable increase in the amount seized, from about four kilograms in 2008 to 1283 kg in 2009, while for heroin, the amount confiscated in 2009 is five times lower compared with 2008, as shown in Table 1.

Table 1 - The volume of illicit drugs seized in Romania between 2003-2009

Drug Type (kg)	2003	2004	2005	2006	2007	2008	2009
Cocaine	12,68	24,57	109,71	10,71	46,695	3,92	1283
Cannabis plant/cannabis resin	72,1	298,31	510,04	1127,06	2120,085	242,08	235,6
Heroin	320,7	65,4	285,07	32,63	129,903	385,23	85,05
Opium	0,57	4,9	6,25	2,85	7,041	2,221	0,05
Other drugs	2,31	52,98	3,09	1,75	0,317	0,823	0,04

Source: Counter-Organised Crime Directorate, GIRP, ***EMCDDA, National Anti-drog Agency, *National Report on Drugs Situation 2010 – Romania*, pp. 106-109, http://www.igpr.ro/RO_National_Report_2010.pdf; ***European Monitoring Centre for Drugs and Drug Addiction (EMCDDA), Country overview: Romania, 2009, <http://www.emcdda.europa.eu/publications/country-overviews/ro#dro>.

It is noteworthy that 84.2% of the total quantity of cocaine seized in 2009, is a unique catch, managed in the sea port of Constanta, in January 2009 (EMCDDA, 2010). An increasing trend is visible in the case of herbal cannabis seizures, by 30.4% from 596 to 777 and by 17.4% for cannabis resin seizures, from 506 to 594. Analysing the existing data in Table 1, it follows also that, during 2003-2009, the quantity of seized opium indicator ranged from a high of 7.041 kg, in 2007 to a low of 0.05 kg, in 2009 (EMCDDA, 2010). According to data provided by the Drug and Precursor Analysis and Profiling Central Laboratory and the Romanian Police General Inspectorate, in 2008, have been

reported, 1055 heroin seizures, of which 91 cocaine seizures, 5 opium seizures, 1202 cannabis seizures (596 cannabis herb seizures and 506 cannabis resin seizures) and 225 synthetic drugs seizures (amphetamines). At the national level, the Central Laboratory of Bucharest is the institution providing the highest number of seizures, as shown in Table 2, followed by the Regional Laboratory of Cluj (EMCDDA, 2009). Heroin seizures declined in 2009, from 1055 to 1038, when compared with 2008, while in the case of cocaine, the number of seizures increased with 13.19%, compared with the previous year. The increasing trend is also highlighted in the case of cannabis (both hashish and marijuana) (EMCDDA, 2010).

Table 2 - Distribution of seized drugs at central and regional level in 2008-2009

Drug type (number of seizures)	Central Laboratory of Bucharest		Regional Laboratory of Cluj		Regional Laboratory of Iasi		Regional Laboratory of Constanta		Regional Laboratory of Timisoara		Total	
	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009
Heroin	1040	1013	7	7	4	7	2	3	2	8	1055	1038
Cocaine	44	61	25	21	1	3	19	16	2	2	91	103
Opium	4	3	0	1	0	0	1	0	0	0	5	4
Marijuana (cannabis plant)	275	328	155	178	105	128	41	59	21	84	596	777
Hashish (cannabis resin)	261	207	131	173	65	42	36	108	13	64	506	594
Synthetic drugs	123	32	60	25	20	3	27	14	2	2	232	76

Source: Table adapted from ***EMCDDA, National Anti-drog Agency, *National Report on Drugs Situation 2010 – Romania*, p. p. 106-109, http://www.igpr.ro/RO_National_Report_2010.pdf; ***Romanian Monitoring Centre for Drugs and Drugs Addiction, *National Report on Drugs Situation 2009 - Romania New Developments, Trends and In-depth Information on Selected Issues*, 2009, Bucharest, Romania, 2009, p.p. 95-98, http://www.emcdda.europa.eu/attachements.cfm/att_112095_EN_NR_2009_RO.pdf, apud Drug and Precursor Analysis and Profiling Central Laboratory, GIRP.

In the case of cannabis, the number of seizures indicator has a slightly different trend than the seized quantity indicator, emphasizing an upward trend both for resin and herbal cannabis. Thus, compared with 2007, there was a remarkable 39.58% increase in seizures of cannabis herb, in 2008, from 427 to 596 and a 49.70% increase in seizures of cannabis resin, from 338 to 506.

1.3. Aspects concerning transport of the illegal drugs

According to data provided by the competent authorities, Romania is mainly a transit area, only a fraction of the drug amount being retained for local consumption. Lately, Romania has also become a storage area, where drugs smuggled in through the southern border, has been store for a certain period and finally directed, to markets with high consumption in Western Europe (Government of Romania, 2005).

Romania is an active segment for trafficking drugs using the Balkan route that includes Turkey, Bulgaria, Romania (by customs Negru Voda, Vama Veche, Giurgiu, Bechet, Nadlac, Bors or Petea) Austria, Netherlands and United Kingdom. A second section of the Balkan route controls the eastern part of Romania, through Ukraine and Poland-Germany or Slovakia-Czech Republic, having as final destination for the illegal drugs the western European markets (Alexandru, 2006).

Trafficking routes depend on various categories of drugs provided for consumption on the illegal markets, or transiting the Romanian territory, *in the case of cannabis*, being outlined, the following routes in the last five years (RMCDDA, 2009):

- *the cannabis resin*: route Morocco - Spain - Italy - Austria - Hungary - Romania is responsible for the entry of nearly 85% of seized cannabis resin, the remaining 15% reaching the Romanian market coming from the Republic of Moldova;
- *the cannabis plant*: 80% of the seized amount follows the route including Afghanistan - Pakistan - Georgia - Moldova, and the remaining 20% comes from Republic of Moldova and Turkey.

Concerning *the synthetic drugs* reaching the Romanian markets, in the recent years, have been emerging new routes both from the West (Holland, Belgium, Germany) to Eastern Europe (Romania) and also from the North (Baltic countries, Ukraine).

Opiate trafficking in Romania is largely facilitated by the country`s location on a section of the Balkan route and close to the northern Black Sea route, as well as the presence of Turkish and Iranian organized crime groups, connected with destination or drug production countries. Regarding cocaine, the traffickers have focused on Constanta port as an entry point into Europe, the significant seizures (about 1300 kg), made in this seaport, in 2009, emphasizing this trend (EMCDDA, 2010).

The relatively stable routes transiting Romania do not exclude other options, their detection depending, to a large extent, on the ability of institutions involved in combating illicit drug trafficking

and drug consumption and, more importantly, how they cooperate with similar institutions in other European countries (Government of Romania, 2005).

In Romania, the transport of illegal drugs takes place using the infrastructure available to private companies specializing in international freight transport (companies managed by Turkish nationals or domestic companies) and through the concealment of these activities as legitimate commercial transactions (for instance the export of oil products or perishable food). In addition, small amounts of narcotics are shipped in packages, through the international transport of passengers or through the vehicles owned by the members of organized crime networks (EMCDDA, 2009).

1.4. The profit raised by the Romanian based drug trafficking networks

International drug trafficking is one of the most lucrative illegal business and the main attribute for the cross-border organized crime networks. Recent estimates of the international institutions (UN, United Nations International Drug Control), claim venues ranging from 300 to 500 billion dollars annually from drug transactions worldwide.

In Romania, the supply of drugs is influenced by risk factors, among which may be mentioned (Government of Romania, 2005):

- geographic location at the intersection of the main traditional routes used by the international drug traffickers;
 - since 2007, Romania is the eastern border of the European Union;
 - increasing the flow of immigrants to Romania and other European Union member states;
 - the development of trade through the border, with consequences on decreasing the control efficiency;
 - increasing the drug use and, in particular, the synthetic drugs use;
 - involvement in corruption of public officials who have direct responsibilities for border control activities;
 - the proliferation of terrorist networks interested in obtaining funds from the illicit drug trafficking;
- the inefficient cooperation between the responsible institutions in reducing the drug supply.

In Romania, the prices on these illegal markets depend on the type of drug, the purchased quantity and its quality, as shown in the table below:

Table 3 - Prices (minimum / maximum) of drugs most often smuggled on the Romanian illegal markets, in 2004-2009

En gros prices (in Euro / kg, l/ or 1000 doses)						
Drug Type	2004	2005	2006	2007	2008	2009
Hashish (cannabis resin)	600-800	1600-2500	1600-2500	2,200– 2,400	8,000– 10,000	4,000– 7,000
Marijuana (cannabis herbal)	1600-2500	600-800	1300 - 1500	1300 - 1500	-	2,000 – 5,000
Cocaine	35,000 - 50,000	35,000 - 50,000	35,000-50,000	42,000 – 44,000	35,000– 55,000	40,000 – 60,000
Heroin	10,000 - 15,000	13,000 - 17,000	15,000-20,000	12,000 – 15,000	15,000 – 16,000	12,000 – 20,000
Amphetamine	3,000-4,000	3,000-4,000	3,000-5,000	5,000	5,000	-
Ecstasy (MDMA)	3,000-4,000	3,000-4,000	8,000-10,000	-	-	3,700 – 7,500

Source: Table adapted from ***EMCDDA, National Anti-drog Agency, *National Report on Drugs Situation 2010 – Romania*, p. p. 111, http://www.igpr.ro/RO_National_Report_2010.pdf; ***R.M.C.D.D.A, *National Report on Drugs Situation 2009 - Romania New Developments, Trends and In-depth Information on Selected Issues*, 2009, Bucharest, Romania, 2009, p. 99, http://www.emcdda.europa.eu/attachements.cfm/att_112095_EN_NR_2009_RO.pdf, apud Counter-Organised Crime Directorate, GIRP, see also UNODC, *World Drug Report 2009*: Section 3.4 Prices, pp. 215 - 234, June 2009. http://www.unodc.org/documents/wdr/WDR_2009/WDR2009_Statistical_annex_prices.pdf.

Analyzing data provided by the General Police Inspectorate in Table 3 and Table 4, for the period 2004-2009, the existing trends highlighted the evolution of wholesale and retail prices, considering the type of drug to be addressed (RMCDDA, 2009):

- *Cannabis*: until 2008, the wholesale price for cannabis resin stood on a rising trend (ranging from 8000 to 10000 Euro / kg) while in 2009, it was recorded a loss; retail price has been stable during 2007 - 2008, ranging between 7 and 9 Euro / g, and increasing in 2009 by almost two times when compared to 2008 and nearly four times when compared with 2004; for herbal cannabis, the wholesale price increased by almost 50% in recent years, while in 2009 the retail price was 25% higher compared to 2008 and five times higher than the price recorded in 2004; the street price for a gram of herbal cannabis ranged from 8 to 14 Euro / g, a slight increase compared to 2007, when ranging between 6 and 7 Euro / g. According to data provided by the Table 3 and the Table 4, in the last four years, has

been recorded a consistent trend of increase both in the price of cannabis resin and marijuana (cannabis herb). The trend is visible for the street price and it is confirmed by the wholesale sales.

- *Cocaine*: the wholesale prices increased in 2009, almost 10% compared with 2008, while the retail price has been kept relatively stable throughout the period 2004-2009;

- *Heroin*: in 2009, the wholesale prices recorded significant variations compared to 2008. Thus, in 2009, the minimum price for a kilogram of heroin was 20% lower than in 2008, and the maximum price was 25% higher than in 2008; the retail price decreased by 19.6% compared to 2008 and it was almost two times higher than in 2004;

- *Amphetamine*: the wholesale price increased in 2006 and then stabilized at the maximum;

Ecstasy (MDMA): the wholesale prices decreased compared with 2006 and is relatively similar with the lowest price recorded in 2004; the retail price has doubled compared to 2008, when the values were similar to those recorded in 2004;

- *LSD*: the price has remained relatively stable throughout the period 2004-2009.

Table 4 - Prices (minimum / maximum) of drugs most frequently trafficked on the Romanian illicit markets, 2004-2009

Retail prices (in Euro / g or doses)						
Drug Type	2004	2005	2006	2007	2008	2009
Hashish (cannabis resin)	4-6	4-6	4-6	7-9	7-9	15 - 20
Marijuana (cannabis herbal)	2-4	5-7	2-4	6-7	8-14	10 - 20
Cocaine	60-120	80-120	80-150	80-120	80-120	80 - 120
Heroin	15-25	25-40	25-60	30-35	46-55	37 - 49
Amphetamine	5-10	7-13	7-13	10	-	-
Ecstasy (MDMA)	5-10	13-15	10-15	7-12	5-8	10 - 20
LSD	20-30	20-30	30-35	33	33	20 - 37

Source: Table adapted from ***EMCDDA, National Anti-drug Agency, *National Report on Drugs Situation 2010 – Romania*, p. p. 111, http://www.igpr.ro/RO_National_Report_2010.pdf; ***R.M.C.D.D.A, *National Report on Drugs Situation 2009 - Romania New Developments, Trends and In-depth Information on Selected Issues*, 2009, Bucharest, Romania, 2009, p. 99, http://www.emcdda.europa.eu/attachelements.cfm/att_112095_EN_NR_2009_RO.pdf., apud Counter-Organised Crime Directorate, GIRP, see also UNODC, *World Drug Report 2009*: Section 3.4 Prices, pp. 215 - 234, June 2009, http://www.unodc.org/documents/wdr/WDR_2009/WDR2009_Statistical_annex_prices.pdf.

2. TRAFFICKING IN PLANTS AND SUBSTANCES WITH PSYCHOACTIVE PROPERTIES

2.1. Aspects regarding the distribution of plants and substances with psychoactive properties

Consumption of substances with psychoactive effect seems to be a relatively recent phenomenon on the European illegal drug markets. In Romania, the authorities were interested in counterring this phenomenon, particularly in the last two years, when distribution and consumption of these products increased sharply. According to a Romanian General Police Inspectorate report, in early 2009, there were 18 stores that sold substances with psychoactive properties, while, at the end of August 2009, where identified 121 such stores, the equivalent to an increase of 672 % of this market in just six

months. Despite the authorities efforts, this market continued to expand in 2010, and there were identified in October, 300 stores and 200 companies that dealing with this trade.

It is legal opening such a store, as its retail activity consists in selling the plants, flowers, seeds, animal feed - CAEN code 4776, or unspecialized products, CAEN code 4690. For this reason, there is not required a license from the Ministry of Health, being sufficient an authorization issued by the local mayor.

Considering the trend of increasing consumption of hallucinogenic substances and plants, in Romania, G.O. no. 6 / 2010 amending Law 143/2000 *on preventing and combating illicit drug trafficking and consumption* and the Law. 339/2005 *on the legal status of the plants, narcotics and psychotropic substances*, provided a new list of prohibited plants and psychoactive substances. But to effectively solve this problem, the Romanian authorities are currently working on a project regarding the prohibition of substitutes to ensure the population protection, having as model the regulations initiated in Poland, in late 2010. Thus, the project prohibits both manufacturing and trading of substances and plant with psychoactive properties, as well as shops selling these products. According to this regulations, it is considered a *substitute* any natural or synthetic substance, in any physical state, or any product, plant or fungus, independent of the packaging type, the management process, its content, presentation, advertising or its name, which may be used to produce psychoactive effects and / or has a negative impact on the health of individual, collective or social behaviour, which is not regulated by other legal measures in force.

Plants and substances with psychoactive properties sold in Romania come mainly from China but also from the European countries like Great Britain, Italy and the Netherlands. Products are brought into Romania by the courier companies, the declared value of the packages being always under 10 dollars, for avoiding the customs control (Adevarul, 2011).

Both Romania and other EU countries faced, in the last period, with an increasing trend of online sales of plants and substances with psychoactive effects. This problem is more difficult to solve as the specialized sites are hosted on servers outside the country to be hard to identify, there are different areas and the IPs are periodically changing. In this respect, consumers can purchase these plants and substances through the advertising, but also using the specialized sites, (for instance *generation2012.ro*).

2.2. The profit raised by the trafficking networks

Products with psychoactive effects are sold in the form of cigarettes, tablets, powders, herbal extracts and packaged in envelopes under different names. Plants considered the most commonly used in Romania (Ancuceanu et al., 2010), with a significant risk to the population health, therefore justifying their prohibition by the enforcement authorities are: *Amanita muscaria*, *Amanita pantherina* (DC.) Krombh, all species of the genus *Argyria*, *Mitragyna speciosa* Korth, *Nymphaea caerulea* Savigny, all species of the genus *Psilocybe*, *Salvia divinorum* Epling & Jativa; *Tabernanthe iboga* Baill, *Turbina corymbosa* (L.) Raf., Syn. *Rivea corymbosa* (L.) Hallier f..

On the illegal markets, the retail prices for these products varying on the purchased amount, as shown in the table below.

Table 5 - Prices for the plants and substances with psychoactive effects sold on the Romanian markets, in 2010

Type of psychoactive substances	Package type	Amount	Prices (in EUR)
Special gold	salt	0,25 g	9.52
		0,75 g	21.43
Pulse	powder	0,5 g	7.14
		3 g	28.33
Fly Agaric Mushroom	dried mushroom	12 g	14.28
Spice Diamond	vegetable fragments	1 g	11.90
Spice Gold Spirit	powder	3 g	21.43
Euphoria	powder	0,25 g	17.85
Generation 2012	powder	0,5 g	19.05
Powder Report	powder	0,5 g	19.05
Frenzy Powder	powder	0,25 g	9.52
		1 g	23.81
Silver	powder	0,25 g	9.52
		0,75 g	21.43
Magic Powder	powder	0,3 g	11.90
		1 g	23.81
M6	vegetable fragments	0,5 g	9.52
		2 g	23.81

Source: Table adapted from Aurora Toma, *Magazinele de vise si comercializarea "legala" a produselor halucinogene*, Pharma Business. Revista de Management Farmaceutic, <http://www.pharma-business.ro/tendinte/magazinele-de-vise-si-comercializarea-legala-a-produselor-halucinogene.html>, see also *Noi produse etnobotanice au pătruns pe piața din România*, Realitatea. Net, 13 aprilie 2010, http://www.realitatea.net/noi-produse-etnobotanice-au-patruns-pe-piata-din-romania_708762.html sau Weed World Legal Shop <http://www.weed-world.ro/index.html>.

As shown in Table 5, the retail prices of the herbs and psychoactive substances are quite large, most of them being sold with more than 12 Euro.

CONCLUSION

At the national level, the main trends concerning the emergence of drug crime phenomena are: the permanent change of the trafficking routes and the types of drugs trafficked on the illicit markets, varying methods of money laundering resulting from the illicit drug operations, increasing the number of drug users and especially, of those who prefer amphetamines and cannabis.

Currently in Romania, the institutional system of reducing the drug supply requires an additional effective coordination, along with the professionalizing staff, improving equipment and the institutional cooperation, allowing an appropriate response to prevent drug-related organized crime activities, the delimitation of competences and the partnership management in information resources.

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THE IMPACT OF THE INSTITUTIONAL INNOVATIONS INTRODUCED BY THE TREATY OF LISBON ON THE EUROPEAN UNION'S EXTERNAL ACTION

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Abstract: *The Treaty of Lisbon has brought major innovations in the institutional framework of the EU. The purpose of this paper is to highlight the possible consequences of these institutional innovations on the management and the implementation of the European Union's external action, particularly in the field of Common Foreign and Security Policy (CFSP).*

Keywords: Treaty of Lisbon, EU's external action, Common Foreign and Security Policy, European Service of External Action

JEL Classification: F55

INTRODUCTION – WHAT BRINGS NEW THIS TREATY?

The Lisbon Treaty has brought significant changes both in the institutional and the procedural framework of the EU, in the area of external relations and security policy. In this respect, I would like to mention some of the most substantial institutional innovations in the structure of the EU: the legal consecration of the European Council, the establishment the Office of the President of the European Council, the establishment of the Office of the High Representative for Foreign Affairs and Security Policy/HR FASP who is also the Vice President of European Commission, and the creation of so-called “EU diplomatic service” - European Service for External Action¹.

The strengthening of the role of the European Council as regards the CFSP decision-making process, the assumption by the HR FASP of the Permanent Presidency of the Council of Foreign Relations, the establishment of the mutual defence clause and the solidarity clause, or defining the legal

¹ *Treaty on European Union*, Articles 13, 15, 18 and 27

framework for permanent structured cooperation on defence are other procedural and regulatory innovations which brought the Lisbon Treaty in the area of external relations and security policy.

All these institutional and procedural innovations as well as others not mentioned here may be the prerequisites to consolidate the role of the European Union in the international arena, regardless of the current theoretical perspective on EU's international role and place. Neo-functionalism or liberal inter-governmentalism, to name two of the representative schools of thought on European integration (Rosamond, B, 2000, pp. 50-73, pp. 130-156), could find sufficient arguments in post-Lisbon institutional design to support its own interpretation on the development of the European construction, including the area of its foreign and security affairs.

Of course, if we look at some of the provisions of the Treaty, we find that the EU tends to adopt an international normative behavior, whereas its external action must be based „by the principles that have inspired its own creation, development and enlargement, and which it seeks to advance in the wider world: democracy, the rule of law, the universality and indivisibility of human rights and fundamental freedoms, respect for human dignity, the principles of equality and solidarity, and respect for principles of United Nations Charter and international law”².

Considering the above mentioned premises, the purpose of this paper is to highlight the possible consequences of these institutional innovations on the management and the implementation of the European Union's external action. Priority will be given to investigate the possibility of EU to become a genuine international political actor, i.e. a strategic competitor, to be able to add at a classic hypostasis of the champion of global trade, development assistance and of multilateralism, a new aspect - the real center of power, even in *soft* power option, as stated most comments in the literature, including those belonging to the most knowledgeable researchers in the field of CFSP (de Vasconcelos *et al.*, 2010, p. 3).

1. EU BETWEEN LEGAL PERSONALITY AND STRATEGIC IDENTITY

Besides the innovations listed above, the Lisbon Treaty comes to simplify the complicated three pillars arrangement agreed at Maastricht. The legal personality which has been a Union, to the detriment of the Communities, is an important step towards defining a clear identity in its relation with other international players. And this step is not only a symbolic one but also a legal one, because even

² *Treaty on European Union*, Article 21

the symbolic and the communication aspects have relevance on the international scene. Without doubt, the "treatment" language, which followed the implementation of the Lisbon Treaty which "removed from Treaties the word the *Community*" and its derivatives, is a subtle action but not a strong enough argument to strengthen the effectiveness and the coherence of EU's international relations.

However, deconstructing the old institutional building based on three pillars and merging them into a single entity - the Union - is the real challenge of the next period of time, with significant implications in the security and the foreign relations sector. Successful political and institutional merger of former three pillars could generate both internal cohesion and the necessary consistency to define a clear institutional identity and effectiveness and coherence of EU relations with its international partners.

It remains to examine briefly below, if institutional adjustments made by the Lisbon Treaty are likely to affect the effectiveness, coherence, identity and cohesion in EU external action or in the terms proposed by the researchers from specialized institute in the EU CFSP „autonomy, consistency and coherence" (de Vasconcelos *et al.*, 2010, p. 3).

2. A UNION IN SEARCH OF COHERENCE

Lack of coherence has been one of constant criticisms made both favorable and negative comments concerning the functioning of the external relations and security policy of the European Union, since its emergence in the Maastricht Treaty until the entry into force of the Lisbon Treaty. The multitude of institutions that considered themselves entitled to speak and act on behalf of external relations - HR CFSP, the Six-months Presidency of the Council, the European Commission President, the Commissioner for External Relations - require a considerable effort to achieve the lowest common denominator both in defining the mere position papers and statements and especially the actions of the EU in international area.

Reinventing, following the former position held since a decade by J. Solana, an "innovative" HR FASP institution, seems to be a simplified institutional solution. The fact that this institution aggregated a Permanent Presidency of External Relations Council and a position on Vice-President of European Commission radically changes the inter-institutional relations in the CFSP area and apparently resolved the dilemma of authorized voice to speak on behalf of the European Union in International Relations. However, this solution that brings coherence inside and in EU relations with

other international players and that seems to solve the dilemmas of chronic incoherence Union's CFSP could be challenged from several directions. One of them is the foreign relations powers conferred by a new institution -TEU of the President of European Council. The specification of the Treaty which seeks to clarify the nature and limits of the powers of the President “at his level and in that capacity, ensure the external representation of the Union on issue concerning its common foreign and security policy, without prejudice to the powers of High Representative of the Union for Foreign Affairs and Security Policy”³ may lead to differences in interpretation. It is expected, of course, that people occupying these offices to make their mark on how powers is exercised and interpreted. To stake a priori only the wisdom of those who occupy and will occupy the two functions might be insufficient to have a well represented and well coordinated entity in world politics.

In addition, a structural characteristic of EU external relations and security area is the preservation of the sovereign prerogatives of the Member States under the conditions defined by the Treaty. It maintains the provision according to which legislation is not adopted in the field of CFSP⁴. This provision weakens CFSP. No doubt this feature of CFSP asks HR FASP and his team a huge capacity of negotiation and a good command of the art of consensus building. From this perspective, most often, Member States prefers to retain some discretion and to accommodate their policies with the Union’s positions, because EU membership is a real multiplier of influence and prestige in international arena. There are some Member States which never misses an opportunity to highlight the specificity of the EU security and foreign relations. Polichinelle's secret is that the British approach in this regard emphasizes the priority given to foreign policy in the UK compared with EU CFSP. Recently, the British Foreign Affairs Minister, William Hague, has not hesitated to emphasize this priority “The EU could not or should not act as if it were a nation state with a national foreign policy”⁵. British example is followed by other Member States, depending on specific interests and approaches. It seems that the post-modernity of EU which was highlighted with a rare talent few years ago by Robert Cooper (Cooper, 2003, p. 6), sometimes leaves some place for the Member States as modern behavior.

³ *Treaty on European Union*, Article 15 (5)

⁴ *Treaty on European Union*, Article 24 (1)

⁵ Rettman, A., *UK champions own diplomacy over EU ‘action service’*, EUobserver, 5 May, 2011,

3. IT'S TIME FOR THE EU EFFECTIVENESS AND PRAGMATISM IN INTERNATIONAL POLITICS?

A question like the one above generates a wide range of responses. If you look at two of the innovations introduced by the Treaty of Lisbon – setting up an EU diplomatic service and introducing the legal basis for a permanent structured cooperation on defense - you might be tempted to formulate a positive response. The launching of the European Service for External Action, after difficult negotiations between the Council, the Commission and the European Parliament could bring increased international representation and effectiveness for the Union. But achieving this goal depends on achieving at the level of the newly inter-institutional agency of the necessary synergy between the skills and abilities of structures and resources from the Council, from the Commission and from Member States' diplomatic services. The ESEA's organization scheme, brought to public's attention early April, indicate a very complex mechanism which requires a strong leadership in order to ensure its functionality. Without this leadership, the newly established institution could simply rely on the administration's wide network of the Union delegations in different parts of the globe. The emergence of the comprehensive legal framework that facilitates the cooperation in defense⁶ could give the necessary impetus for creating an indispensable tool for the EU as a real center of power. Even for the status of a soft power, an idea postulated by the researchers and informally agreed by the Member States, the Union would need a nucleus of *permanent military forces*, the appropriate command and intelligence capabilities and strategic transport capabilities to enable the development of crisis management missions, at least in neighboring regions. The experience gained in achieving the Headline Goal 2003 and the Headline Goal 2010, including the implementation of the Battle Groups concept, as well as carrying out military operations and civilian crisis management operations on three continents is a definite purchase of Union's security and defense area. If based on this practical experience, would be built a permanent structured cooperation, in conjunction with the willingness and potential defense policy of certain Member States, only then we might speak about the development of the pragmatic dimension of the Union, crucial for the development of power, even in its soft version. Of course, the development of this pragmatic dimension requires some further reflections. First of all, the pragmatic potential of the Union is dependent on the political will of the Member States, especially those with adequate defense capabilities. Secondly, it should be noted the risk arising from such a development for

⁶ *Treaty on European Union*, Article 42 (5)

the Union's internal coherence. Of course, multi-speed Europe has already been experienced in establishing the single currency or the Schengen area. Defense seems, however, an area more complicated and baroque, an area where more Member States are reluctant to put together the sovereignty. Apparently the Member States appear to re-fold the last resources of traditional sovereignty.

CONCLUSION

The above reflections and evaluations on institutional innovations introduced by the Treaty of Lisbon and their potential consequences in the field of EU's external action, in particular the CFSP, lead us to an ambivalent conclusion. On one hand, the Foreign and Security Policy of the European Union has emerged strengthened from an institutional perspective. The European Service of External Action and the HR SPF with his triple quality represents new opportunities to bring more coherence in the EU's external actions. On the other hand, the absence of binding rules, of a legislation on the security and the external relations dimension of EU and the inability of the Member States to transcend the sovereignty' classical rules, maintain the structural weakness of this dimension of the European construction.

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AN EXPLORATORY STUDY OF THE REGIONAL CONTEXT OF COMPETITIVE DEVELOPMENT IN ROMANIA

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Abstract: *A recent series of EU initiatives gradually have changed the meaning of growth initiatives whereby the options of economic policy became more closely linked to the needs of development at ever smaller territorial units. The present research attempts to contribute to the discussion about the competitive potential of economic growth at territorial level.*

We introduce a methodological model to evaluate the conditions under which economic growth may generate opportunities leading to self-sustained economic development. The hypothesis is discussed at both national and regional scale and tested with a set of socio-economic variables including indicators relative to economic growth, economic functionality and spatial networks.

Our findings suggest a huge potential in terms of capitalization of different types of capital (territorial, human, cultural), but also in terms of achieving mutual reinforcement of links between advanced and less advanced industries. Most of the national territory contributes insignificantly to the economic use of resources through exports and advanced manufacturing. All this means resources which do not currently contribute to economic growth. Integrating the new concepts of territorial planning is gradual, long term oriented, and with significant learning economies. The objectives to pursue can be suggested from such measures as mapping of business operations in the target area or establishing non-governmental institutions with observation and monitoring roles.

Keywords: competitiveness, spatial development, polycentrism, North-East Romania

JEL Classification: R11, O18

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INTRODUCTION

Competitiveness is intensely endorsed these days as one central issue on the political agenda of most advanced economies. The synchronizing of policy initiatives is remarkable: competitiveness councils in EU, Japan and the US announced a strategic policy vision almost simultaneously in mid-2010. Their convergent thematic focus is just as striking: from sector competition to support policies to regional prosperity. In the EU, an ample policy set including the *Stability and Growth Pact* in 1997, the *Lisbon Strategy* in 2000, and *Europe 2020* in 2010 has realigned growth objectives with the promotion of competitiveness and regional development. This experience left behind some important lessons, leading to a more careful formulation of the regional development policy. For example, the latest (2007-2013) funding package dedicated to economic and social cohesion marked the shift from generic to explicit objectives (i.e. Convergence, Regional competitiveness and employment, and European territorial cooperation), whereby the options of the EU economic policy became more closely linked to the needs of development at ever smaller territorial units.

Facing “competitive imbalances and conflicts”, the EU had to adapt its strategies to new challenges. Danuta Hubner (2010) stated that “the real success of Lisbon was the increased importance of regions in the architecture of the EU”. Given her previous capacity as the EU commissioner for regional development and current one as the president of the Regional Committee of the EU Parliament, her conclusion could be overshadowed by a tendency to serve her own interests if that would not be nevertheless one that happens to highlight the challenge of recent European policies to connect spatial cohesion to industrial competitiveness.

A rapprochement took place between various EU policies with a view to leading to a reinforced approach to competitive development. As a result, a continuous series of initiatives gradually have changed the meaning of growth initiatives. We may recall here projects like Regions of Economic Change (REC) for promoting networks of excellence regarding the sustainable development of regions and cities; European Groups for Territorial Cooperation (EGTC) to support cooperation and border networks, transnational and inter-regional; the European Spatial Planning Observation Network (ESPON) for analysis and measures addressing human settlements, or creation of European networks as alliances of groups of companies (clusters).

The present research attempts (1) to contribute to the discussion about the competitive potential of economic growth at territorial level, and (2) to identify policy guidelines of regional relevance for a

national economy. The estimated impact of this study rests on recommendations based on an interdisciplinary analytical process that explores the regional, industrial and institutional characteristics of developing competitive potential at territorial level.

The material is further structured in four sections. Section 2 provides a reference point for the inclusion of regional themes among current economic policy issues. We introduce a methodological model to evaluate the conditions under which economic growth generates or not opportunities leading to self-sustained economic development. The hypothesis is discussed in Section 3 on a methodology applied at the national scale and tested with a set of socio-economic variables including indicators relative to economic growth, economic functionality and spatial networks. The economic performance is estimated with the Competitive Potential Index (CPI) at NUTS 3 territorial level.

The option for a comprehensive approach at national level was limited by the scope of the present study. For this reason, we chose to narrow the research objectives to a case study dedicated to a development area. Consequently, Section 4 attempts to evaluate the development potential of the North-East region. Several characteristics, among them the abundance of contrasts (of development, of landscape etc.), recommend this region as a relevant case. Section 5 concludes with recommendations for policy guidance in light of present challenges of industrial competitive development, particularly in the context of correlating the national policies with the EU initiatives. The main implication for public policy consists in facilitating a more rapid transition towards building a competitive growth potential.

1. TERRITORY AND COMPETITIVE DEVELOPMENT: CONCEPT AND METHODOLOGY

The policies for regional development are implemented under a still incomplete understanding of what “regional” actually means. The “regional” development has no operational meaning, in the sense of being useful to policy-making, as long as there is no economic concept applicable to the “region” (Eurostat 2009; Council on competitiveness). The EU statistical arm, Eurostat, refers to a “region” as “a piece of land with boundaries more or less defined that often serves as an administrative unit at a level below that of the nation-state” and recognizes that “fuzzy” may characterize the degree of definition of boundaries (Eurostat 2009). As it happens, the local needs are not necessarily adequately met by the nomenclature of territorial classification (NUTS) which stands for the official territorial unit of analysis in the EU countries. For example, an assessment of the situation in Romania highlights that “the regional development of NUTS II allows only a limited understanding of development” and

should be completed with other factors such as district size, market access and proximity (MDLPL, 2007, p.16).

Interconnected territorial linkages representing contexts of regional/local economic development are almost impossible to be detected in the absence of an interdisciplinary exercise to evaluate the conditions that do or do not generate opportunities leading to self sustained economic development processes. Identifying them depends on an effort capable of deciding how large or small the regions under analysis need to be to form a competitive economic zone, that is, spatial configurations in which growth opportunities are self-sustainable. A welcome development consists in the effervescence of the patterns of economic territorial cooperation (cf. Spinach and Vara-Arribas, 2009; Commission et al., 2008, pp. 38-40). Pilot or network projects can be met in a wide range of activities starting from the identification of best practice examples to the developing of policy instruments or the establishment of consortia or public-private partnerships.

The conceptual support from economic geography captured by polycentric indicators (size of settlements, spatial dispersion and level of connectivity) and initiatives such as REC and EGTC help channel the funds towards the reduction of regional disparities and a more appropriate distribution of development funds within regions. Projects like ESPON enabled the entry into the current terminology of new concepts describing the geographic scale of development: Functional Urban Area (FUA), Metropolitan Economic Growth Areas (MEGA), Potential Urban Strategic Horizon (PUSH) or Polycentric Integration Area (PIA).

Polycentricism came to the fore since the 1980s, as a new concept in spatial planning policies, opposite to monocentricism (i.e. territorial management focusing on a single centre) and urban sprawl (secondary cities have a diffuse structure in a continuous space). The concept specifically aims at a balanced development (in regard to social cohesion), to promote competitiveness between cities and the equilibrium of the urban network for both the urban area and periphery (Richardson 1988).

Regardless of the geographical organization, polycentricism is based on *morphology* (the number of cities, hierarchy, and distribution) and the *relationship between urban areas* (the network of flows and cooperation). As defined by ESPON, the polycentric concept entails a spatial organization of cities, characterized by functional complementarities, institutional and economic integration and cooperation in common policies. The polycentricism degree of national systems in the EU was divided based on several criteria (ESPON 1.1.1): *size* (distribution and dimension of the locality network,

without the dominance of a big city), *location* (homogeneous distribution in the territory) and *connectivity* (high accessibility of FUA`s lower levels compared to the main centre).

Based on these results, the existence of appropriate definitions of potentially funding beneficiary areas can be a step further as compared to previous approaches, although it is equally true that the relevance of some measures must exceed the rhetoric of the polycentricism related concepts. Polycentricism mainly results in a technical analysis of local development by devising an index based on the three criteria. The approach is deficient in indicating the degree or mapping of the optimal configuration of spatial development to be economically relevant. The coverage of development policies must be sufficiently large to allow, on one hand, spatial connections among cities and among cities and villages, and on the other hand, maximizing net economic benefits of specialization and diversification in a wider European context.

To address such needs, the analysis should take into account a growth model emphasizing the role of competitive interdependencies that might occur over a given territory. Location of production, because of its positive and negative externalities, leaves a problem unsolved: what is the optimal geographical scale at which benefits are maximized, and moreover, which is the actual territorial unit of analysis? An evaluation of the situation at the EU level (“Enlargement”, p. 157) showed that there was no method to identify or to measure polycentricism at different geographical scales, as there was no way to estimate its impact over the objectives of cohesion, efficiency and sustainability. It is therefore suggested, within the same context (“Enlargement”, p.157), to develop an operational concept of polycentricism and operational methods for identification and measurement.

A previous research (Cojanu, 2009) eventuated in mapping a typology of operational forms for the implementation of competitive development initiatives. The proposed theoretical framework consists of four coexisting territorial levels: (1) Urban field, (2) Correlated Industry Groups (GIC) (clusters), (3) Development Zone (DZ), and (4) Location-deficient areas. To find the geographical area of these self-sustained economic units is however an analytical exercise in its early phase. Even representations that may seem simple, such as the definition of a rural area (e.g. MMDD, 2007, p. 20) are subject to interpretations in progress. Convergent works (e.g. “Territorial atlas”; Gorj County Council, 2007) help much improve the investigative techniques and so lead to a narrower deficit of analytical instruments.

The starting point of this methodological exercise consists of a set of three mapping criteria – i.e. economic dynamics (described by general economic evolutions), economic functionality (described

by competitive analysis reports), and spatial network (described by territorial characteristics) – each of them analyzed against qualitative and quantitative benchmarks (Cojanu, 2009) folding over the role played by industrial agglomerations in economic development at territorial level. Both the scope of this study and the availability of regional statistics do not allow extending this research to a comprehensive cartography of development areas at national level, nor to a detailed discussion of the three criteria. What we do instead is to (1) create an image of the local development potential and economic performance at national level, and (2) select a regional sample resembling one component of the proposed typology and discuss its competitive potential following the same criteria.

In Romania, the EU concept of spatial development at different territorial levels (polycentricity) has been implemented according to the Government Directive (GD) 998/2008 by declaring *7 national growth poles* (Brasov, Cluj-Napoca, Constanta, Craiova, Iasi, Ploiesti, Timisoara) and *13 urban growth poles* (Arad, Baia Mare, Bacau, Braila, Galati, Deva, Oradea, Pitesti, Ramnicu Valcea, Satu-Mare, Sibiu, Suceava, Targu-Mures). We collected data at NUTS 3 level (counties) and selectively present our results by aggregations also for NUTS 2 level (regions of development).

The first two criteria – economic dynamics and functionality – were combined in a composite index at county level, the Competitive Potential Index (CPI). CPI is composed of values for GDP/capita, Exports/employed population, and a Technological Development Index (see Appendix 1 for methodology). This latter index is based on Eurostat's 'high-technology' aggregations of industries and conversion tables between the Harmonized System (HS) and the NACE rev.2 industrial classification⁸. Additional data on exports characteristics complete the perspective of the competitive potential.

As for the spatial network, we mapped the area covered in one hour on European and national roads starting from the growth poles. The map was realized by using variables like transport infrastructure type, network density and terrain configuration (see Appendix 2 for technical details). These three factors have defined the accessibility to Romania's national growth poles and center poles of urban development at both national and regional level. As regards this latter territorial level, the best approximation for a development area is by appealing to economic structures that already have a geographical and administrative representation. We selected the North Eastern area of Romania which corresponds at NUTS 2 level to the North East Development Region. Accordingly to Rey et al. (2006), *North-East* is the *largest region* (36,850 km²), the *most populous* (3,738 thousand inhabitants), the

⁸ Guidance is provided at http://epp.eurostat.ec.europa.eu/cache/ITY_SDDS/en/htec_esms.htm.

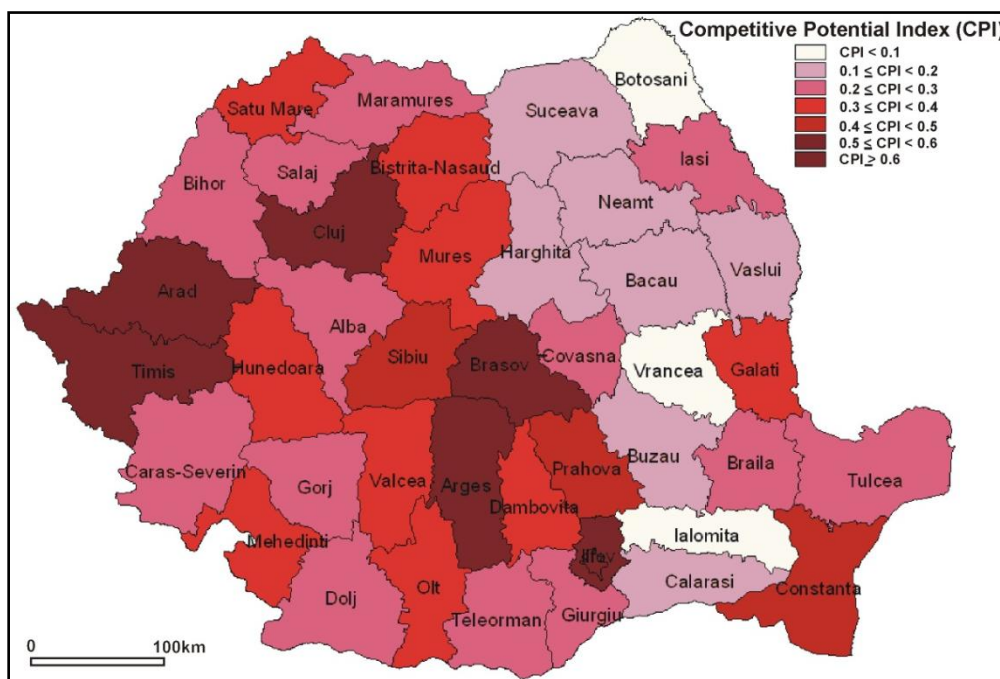
most rural (56% rural population, 46% of the population is active in agriculture and forestry) and the poorest of the Romanian regions, attributes that make this regional economy one of the most compelling cases for our discussion.

2. MAPPING COMPETITIVE DEVELOPMENT AT TERRITORIAL LEVEL

2.1. Economic dynamics and functionality at country level

Figure 1 graphically represents the values of the Competitive Potential Index (CPI) at country level. Compared to the country's average of 0.31, the distribution of values shows that: (1) *An axis of counties with high values of the Competitive Potential Index* crosses almost diagonally the country and nearly overlaps the most complete infrastructure in Romania (European roads, national railways, airports); (2) *An inlaid component of the index distribution* overlaps the western, central and southern parts. The Eastern part of the country is characterized by a homogeneous distribution of values, which translates into the economic performance landscape incapacity to exploit natural and human capital.

Figure 1 - Spatial Distribution of the Competitive Potential Index



The map is realized by georeferencing, digitization and processing in Open Source GIS software (Map Analyst).

According to the CPI hierarchy, Arges county ranks first with an index value of 0.78, reflecting a high volume of total exports (second at country level), the highest ratio of exports and employment (10,925 Euros per employee), as well as the largest share of medium-high technology exports (20.3% of the country's total and 24% of the county's total). Its exports are dominated by automobiles. In second place, with an index value of 0.68, ranks the city of Bucharest, with the highest export values, but also the largest employed population. Timis County ranks third, with the largest high-tech exports.

No county in the North-East region is ranked among top 20. Bacau, the 4th in terms of high-tech exports, ranks only the 34th of 42 because of the large share of low technology exports (ca. 70%) and a low value of exports / employed population at only 1,099 Euros. Only two counties in the South-East region - Constanta and Galati – are exceeding the CPI national average, with shipbuilding and metallurgy, respectively, as main industries. The situation is similar for most of the other regions, each with two or three counties with values above the national average. Overall, the best placed regions are Bucharest-Ilfov, South-Muntenia, with three counties ranking above the national average and Center, also with three counties.

Exports are largely based on medium- (MTE) and low-technology exports (LTE), with 68% and 30% of total exports, respectively. High technology (HTM) exports account for only 1.5% of total exports. If we further divide MTE into medium-high technology (MHTE) and medium-low technology (MLTE), their respective shares in Romania's total exports amount to 43% and 25%.

Table 1 presents the results of export values on the four technological levels for each of the 42 counties. Five counties (Bucharest, Arges, Timiș, Constanta, and Cluj) account for nearly 50% of total exports, while 20 counties have less than one percent. In terms of export volume/employed population (2009), Arges is positioned in the first place (10,925 Euros), while Bucharest is only on the eighth place, with 4,968 Euros, which is in part accounted by significant demographic differences between the two territorial units. 25 counties have values that are below the national average of 2,811 Euros, the last place being occupied by Gorj with only 280 euro.

Table 1 - Distribution of exports by level of technology and counties (2009)

	High Technology Sectors	Medium- High Technology Sectors	Medium- Low Technology Sectors	Low technology Sectors
Total Exports ('000 EUR)	435,992	12,400,230	7,241,337	8,736,974
Share of total national exports (%)	1,51	43,03	25,1	30,3
Alba	0,19	0,7	0,63	4,04
Arad	4,02	5,52	1,38	4,98
Argeş	3,3	20,3	1,5	2,25
Bacău	4,8	0,38	0,14	1,95
Bihor	1	2,35	0,43	6,16
Bistriţa-Năsăud	0,06	1,81	0,52	1,39
Botoşani	0,01	0,12	0,03	2,03
Brăila	0,03	0,1	1,93	1,11
Braşov	11,2	5,47	2,33	3,03
Buzău	0,01	0,4	1,06	2,93
Călăraşi	0	0,21	1,63	1,64
Caraş-Severin	0,5	0,19	0,48	0,48
Cluj	1,39	8,98	1,52	2,67
Constanţa	0,04	0,22	19,25	1,67
Covasna	0,04	0,4	0,1	1,7
Dambovita	0,04	1,19	1,2	0,47
Dolj	0,01	1,13	0,19	1,34
Galaţi	0,05	0,21	9,36	0,32
Giurgiu	0,02	0,38	0,33	0,34
Gorj	0,56	0,09	0,18	0,14
Harghita	0,05	0,09	0,21	1,98
Hunedoara	0,3	1,41	0,47	1,87
Ialomiţa	0	0,08	0,2	0,86
Iaşi	0,46	0,83	0,54	0,98
Ilfov	2,93	1,56	1,86	5,32
Maramureş	0,04	1,14	0,54	3,7
Mehedinţi	0	0,69	0,05	0,28
Mun. Bucureşti	18,02	18,4	20,79	16,16
Mureş	2,86	1,8	0,54	2,52
Neamţ	0	0,21	1,06	2,15
Olt	0	2,13	7,97	0,74
Prahova	0,67	4,19	4,92	2,8
Sălaj	3,41	0,11	1,21	0,86
Satu Mare	1,27	1,47	1,71	2,1
Sibiu	3,5	4,43	1,6	4,48
Suceava	0,08	0,28	0,08	1,41
Teleorman	0,01	0,38	0,03	0,49
Timiş	38,85	9,53	5,9	7,4
Tulcea	0	0,03	3,81	0,53
Vâlcea	0,01	0,76	2,26	0,7
Vaslui	0,27	0,26	0,02	0,91
Vrancea	0	0,09	0,04	1,1

Source: Centrul Român pentru Promovarea Comerţului şi Investiţiilor Străine (2010) and authors' calculation

In terms of high technology exports, the top five positions are occupied by Timis (38.85%), Bucharest (18.02%), Brasov (11.2%), Bacău (4.8%) and Arad (4.02%). In Timis, Bucharest, Arad and Brasov exports are represented by *Optical, photographic or cinema, measuring, checking or precision instruments and devices, surgical instruments and apparatus, clocks, musical instruments, parts and accessories* (HS Code XVIII), while Bacau also adds the aeronautics industry (HS Code XVII: *Vehicles, aircraft, vessels and associated transport equipment*). Calarasi, Ialomita, Mehedinti, Neamt, Olt and Vrancea have no high technology exports, and 29 out of 42 counties do not exceed 1% of the country total.

Medium-high technology exports are represented by Arges (20.3%), Bucharest (18.4%), Timiș (9.43%), Cluj (8.9%) and Arad (5.52%), while the least important contributors come from Gorj, Harghita, Vrancea, Tulcea, Ialomita, with less than 0.09%. Medium-low technology exports originate in Bucharest (20.7%), Constanta (19.2%), Galati (9.3%), Olt (7.9%) and Timis (5.9%) and the last places are occupied by Mehedinti, Vrancea, Teleorman, Botosani and Vaslui with less than 0.5%. Bucharest and Timis are also best performers in the low-tech category with 16.1% and 7.4%, respectively.

In summary, Timis, Arad and Bucharest rank first for each export category, while Vrancea, Vaslui, Teleorman, Mehedinti, Iasi, Ialomita, Gorj, Giurgiu and Caras-Severin do not exceed 1% for any category. The distribution of export categories in each county shows that for more than half of them, the share of medium-technology export exceeds 50% of the total, amounting to 96.13% for Galati. However, high-technology exports values do not exceed 10%, the highest share being recorded for Bacau with 8.45%. At regional level, from the least performing 20 counties, six are located in the N-E Development Region (Neamt, Bacau, Iasi, Botosani, Suceava, Vaslui), and other five counties (Calarasi, Dambovita, Giurgiu, Ialomita, Teleorman) also belong to just one Region (South-Muntenia). The latter region records the largest intra-regional disparities, with two counties (Arges and Prahova) in the first ten as share of total exports.

2.2. Spatial network at country level

The main interrogation of our mapping model is this: can there really be identified polycentric urban structures in Romania, following the oft cited European model of the Pentagon region

encompassing London, Hamburg, Vienna, Milan, Paris which produces 43% of the EU GDP (Rusu, 2009)? "Could it be that a part of the eastern cities of the country are neglected, in complete disagreement with the principles of territorial cohesion? Are public territorial actors not outlining the polarizing power of cities with the help of theoretical models?" (Rusu, 2009)

Our results are presented in Figure 2 and Table 2. Lack of infrastructure (motorways, express roads) leaves a clear dispersion gap between accessible zones. The only exceptions are Bucharest - Ploiesti and Timisoara - Arad, where the areas of accessibility are interwoven. The spatial distribution of temporal polygons highlights that the completion of the A2 (Bucharest – Constanta) and A3 (Bucharest - Brasov) motorways will lead to increased accessibility potential, which will boost economic transactions and give rise to a higher polarization. Difficult topography in some regions could be an obstacle to the temporal dynamics of accessibility. However, the construction of high speed roads may overcome this disadvantage. For example, the distance of 110 km between the growth poles Ploiesti and Brasov through the hardly accessible Posada defile will be covered in about an hour, which will lead to the interpenetration of temporal zones of the two poles. Geo-temporal development of concentric zones (radial accessibility from a central pole to several outer points) would lead to optimal solutions for accessibility.

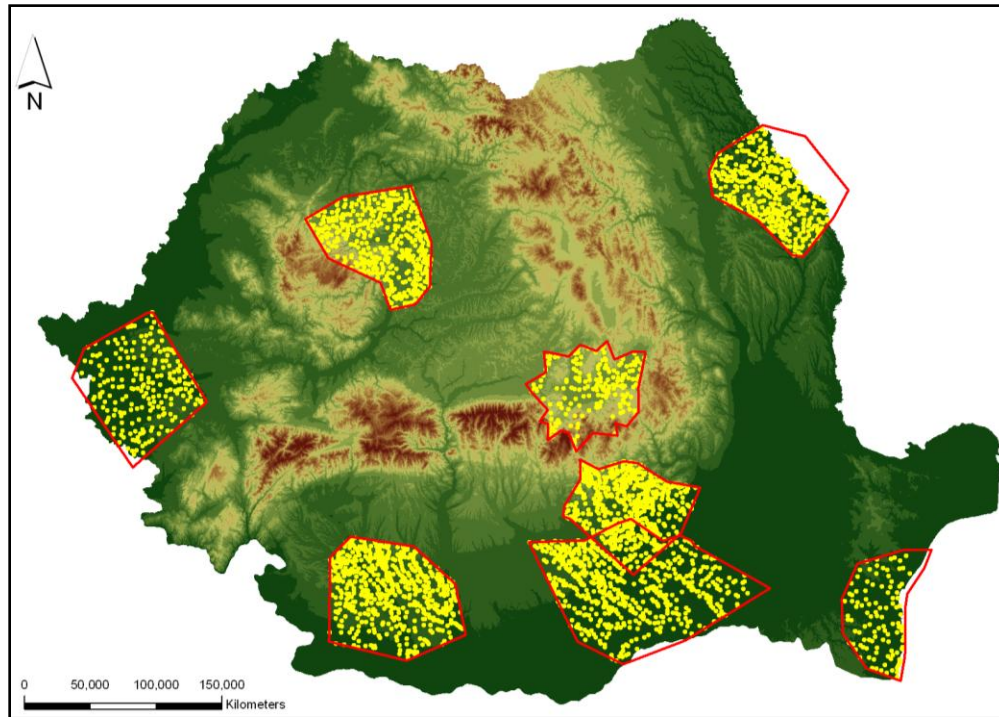
The spatial coverage of Bucharest is determined by the existing two highways A1 and A2 which yields an elongated form in direction east-west. This area is best developed because several divergent and radial roads start from Bucharest to Giurgiu (DN 5), Oltenita (DN 4), Urziceni (DN 2), Ploiesti (DN1), Targoviste (DN 7) or Alexandria (DN 6). The geographical landscape has no implications on the average speed of circulation and therefore on the coverage form.

The spatial coverage of Brasov resembles a "star" because the main roads are located on the valley corridors DN 1, DN 73, DN 1 A and therefore benefit from a higher average speed. Secondary roads, of regional or tourist interest, climb on the peak (Brasov - Poiana Brasov), lowering the average speed.

The influence of space topology is well evidenced by road distribution and speed variation of traffic in the spatial coverage of Cluj Napoca. The analysis points to a big development of roads in the directions east, west and north (DN 1, DN 1C) due to highly suitable ways of communication relative to local geography (Podisul Someșului, Campia Transilvaniei). To south and southwest, accessibility diminishes because of mountains and narrow valleys with steep high slopes. The elongated shape is also determined by the Plain Turda – Gilau of the new highway A3.

The national roads on four lanes (two per direction), close to express roads or highways, determine the form of spatial coverage for Ploiesti. This is the case of the elongation to north-west and south on Valea Prahovei.

Figure 2 - Potential and accessibility in Romania



The map is realized by georeferencing, digitization and processing in Open Source GIS software (Map Analyst).

Table 2 - Spatial coverage of growth poles in Romania

No.	1. Growth pole	2. Coverage area (CA)	3. Number of localities (NL)	4. Population (P)	5. Population density (P/CA)
1.	Timisoara	6,627 km ²	218	826,904	125
2.	Cluj Napoca	5,554 km ²	410	714,735	129
3.	Iasi	6,309 km ²	384	743,636	118
4.	Brasov	4,638 km ²	174	748,048	161
5.	Craiova	7,414 km ²	575	911,273	123
6.	Constanta	4,109 km ²	110	643,424	157
7.	Bucuresti	11,314 km ²	649	2,972,600	263
8.	Ploiesti	5,371 km ²	558	1,119,576	208
	TOTAL	51,336 km²	2,959	8,536,658	166

Source: Authors' calculation

3. THE DEVELOPMENT POTENTIAL OF THE AREA IN THE NORTH-EASTERN PART OF ROMANIA

North East's poor position among other regions is a result of a context of factors such as marginal geographical position, the Carpathians mountainous barrier (Eastern Carpathians) acting as a natural barrier to other parts of the country, lack of infrastructure and connection to the most important European corridors, lack of employment opportunities, considerable domestic and international migration, poor management of natural and human resources etc. Its six consisting counties (Bacau, Botosani, Neamt, Iasi, Suceava and Vaslui), with some notable exceptions, perform poor against almost all benchmarking criteria.

At the same time, the region is home to an apparently untapped potential. The mountainous, sub Carpathian and plateau disposal of the area, as well as favorable demographics and impressive cultural heritage, all confer this region a varied *territorial capital* potential, being characterized by a natural setting and diversification of the environmental components.

The *natural* territorial capital of this region is characterized by:

- *Mineral resources* associated in geological repositories, various in age and structure (Mesozoic crystal deposits, Neocene volcanic deposits, Miocene and Quaternary sedimentary deposits) that contain deposits of manganese, copper, poly-metallic sulphides, salt etc.;
- *Water resources* (springs, lakes, and surface water resources adducted in hydropower plants on Bistrita Valley); and
- *Landscape resources* in several protected areas of the region such as national parks, natural parks, reservations etc. The region has 126 protected areas which amount to 49,183 ha, almost 2% of the total area of the region. It is a high percentage, given that there are in all 949 Romanian protected areas (Primarck et al. 2008).

The anthropogenic territorial capital includes human and cultural resources. The region has important human resources (human capital), being the development region with the highest values of the birth index, which ranks second regarding the population density and includes almost 17% of Romanian population.

The region's *cultural* capital is defined by a series of historical monuments of national and international (UNESCO) importance. In the North East Region, there is the largest number of museums and collections open to the public. It also offers diverse cultural manifestations such as festivals,

theatrical events, customs and traditions, ethnographic and folklore heritage of great originality. The touristic offer is diverse, with eco and rural tourism specificities, with cultural centers, monasteries, and countless monuments.

3.1. Economic dynamics and functionality

3.1.1. Environmental quality: the landscape as a natural resource

To describe this feature, we use the Human pressure index and the Environmental transformation index.

Human pressure is a synthetic indicator for assessing the intensity of human activities' impact on the environment by different land uses (Pătroescu 2000): "The pressure on the environment through human land use is even greater as the share of agricultural area per capita is greater."⁹

To account for various land categories (agricultural, forest and built areas), we refer to the FAO limits to maintain the environmental balance, namely 0.4 ha / capita for arable land and at least 0.3 ha / capita for forest. In the FAO/UNESCO publication *La Carte mondiale des sols* (1964), the *agricultural land use* is characterized by the following categories: (I) territories on the verge of keeping a relative balance between the natural landscape components (<0.40 ha/person); (II) rural landscapes very poorly balanced and moderate unbalanced (0.41 to 1.00 ha/person), characterized by an alternation of cultivated areas and areas with other uses (building area, patches of forest); (III) strongly unbalanced rural landscapes (1.01 to 2.00 ha/person), characterized by exclusive crops, patches of barely preserved forest; (IV) strongly unbalanced rural landscapes (> 2.00 ha/person) include areas with intensive agriculture.

For the N-E Development Region, the spatial distribution of the Human pressure index (2009) includes Botosani and Vaslui in the category III of arable area. The remaining counties are of type II, as storage areas *on the verge of the relative balance of the landscape's natural components*. This is explained by the fact that Suceava, Neamt, Bacau overlap the Subcarpathian and mountain regions where the degree of human intervention keeps itself within the limits of the mountain, most localities being situated at the contact between the Carpathians and the Subcarpathians.

⁹ The Index is calculated as follows: $P = S \text{ (ha)}/N$ where: P = human pressure; S= area (of different land uses); N= number of inhabitants.

In terms of the *use of forest area*, a pressure index is expressed as a degree of naturality¹⁰ that however refers to the actual forest area and not to the "natural state of forest", an ideal situation hard to find today. According to FAO standards, the share of forests helps to identify six types of territories, classified by reference to the degree of damage induced to the ecosystem's balance (Ionescu, Sahleanu, 1989 quoted in Necşuliu, 2007), as follows: ecologically balanced landscape near to the baseline (>60%), relatively ecologically balanced landscape (45-60%), slightly affected ecological landscape balance (30-45%), landscape with endangered ecological balance (30-20%), landscape with strongly affected ecological balance (10-20%), landscape with very strongly affected ecological balance (<10%).

For the N-E Development Region, the spatial dynamics of this index shows a high share of landscapes with very strongly affected ecological balance for Botosani, Iasi, and Vaslui. Suceava is at the opposite, with relatively stable ecological balance, and Neamt, Bacau with slightly affected ecological balance. These latter counties enjoy better forested areas, compacted in Subcarpathian hills and mountainous peaks.

If we combine non-agricultural area land use (buildings, infrastructure) with arable and forest land use, we get a *synthetic index of environmental transformation degree*¹¹. Its spatial dynamics indicates that Iasi, Botosani and Vaslui cover the largest environmental changes, between 44% and 60%. Most stable counties, with changes less than 20% are the mountainous and Subcarpathian counties like Suceava, Neamt and Bacau.

The analysis of different values of the natural territorial capital leads us to the following conclusions:

- Human activities exert a strong pressure on the environment due to the exclusion of large forested areas from the natural circuit;
- Changes after 1990, related to land restitution, led to increased deforestation with visible effects on the increasing agricultural lands;
- The irrational land exploitation has determined the appearance of degraded terrains;
- Due to the economic crisis, agricultural land use in this region could be excessive, leading to deterioration and a negative environmental impact.

¹⁰ This index (I_N , naturality degree) expresses the proportion of forested area to total territorial unit area ($I_N = S_{\text{forest}} / S_{\text{total}} \times 100$).

¹¹ $I_{re} = (S_{\text{forest}} + S_{\text{pasture}} + S_{\text{water}}) / (S_{\text{build}} + S_{\text{arable}} + S_{\text{ineyard}} + S_{\text{orchard}})$ (Dumitraşcu 2005)

3.1.2. Anthropogenic capital

In the analysis of human resources, the following demographic indicators are useful: population density, share of urban population and of rural population, and an ageing index. For the N-E Development Region, the values of birth rate are higher in relation to the rest of the country (birth rate in these counties ranges from 10 to 12 ‰) which is explained by the large share of rural population (60-90%). The ageing index, in comparison with the rest of the country, points to young dominant demographic structures. The analysis of different values of the anthropogenic territorial capital leads us to the following conclusions:

- Relative to the average population density per country (95 inhabitants/km² (Necşuliu, 2007)), the values vary greatly, mostly depending on the housing conditions. Thus, the lowest population density is 27 inhabitants/km² in Botosani and Bacau, and the highest in the largest urban counties (Iasi and Neamt), above the national average, with 96 inhabitants/km²;
- The share of population in rural/urban areas is similarly varied: Suceava, Neamt, Botosani, Vaslui have values between 63 and 58% for the rural areas, while Iasi and Bacau have the largest urban shares (between 43-47%);
- The ageing index has the country's lowest values (1.02 compared to 1.59 for the southern regions): Suceava, Iasi, and Vaslui with values between 0.91-1.02 and Botosani and Neamt with the highest value of 1.26.

3.1.3. Economic performance

Table 3 describes exports by technology categories (HTE, MHTE, MLTE, and LTE). These data provides a first image as to the extent the area resources are capitalized both in the context of increasing competitiveness and in the sense of sustainable development.

Table 3 - Types of technology exports in the north-eastern counties (2009)

(Value in thousands Euros and share of county's exports in county total)

County	High Technology Exports (HTE)		Medium-High Technology Exports (MHTE)		Medium-Low Technology Exports (MLTE)		Low Technology Exports (LTE)	
	Value	Share	Value	Share	Value	Share	Value	Share
Bacău	20914.74	8.45	46661.84	18.84	9797.72	3.96	170329.47	68.76
Botoșani	48.24	0.02	14283.33	7.35	2347.09	1.20	177491.30	91.41
Iași	2005.74	0.87	103384.04	44.87	39463.89	17.12	85618.56	37.14
Neamț	6.29	0.00	25969.26	8.94	76671.52	26.42	187556.60	64.63
Suceava	369.24	0.23	34856.86	21.25	5713.00	3.48	123078.37	75.05
Vaslui	1156.19	1.01	32707.85	28.52	1349.40	1.17	79458.98	69.30

Source: author's calculations

The low-technology exports are predominant. The differentiation of counties confirms the values derived from the analysis of natural and human resources. For example, Botosani and Suceava have the highest values of the degree of rurality and environmental change and the highest values of low technology exports. The high degree of rurality is transferred to products profile (food, processing, vegetable fiber, straw, etc.), but also to the intensity of resource exploitation and hence to the environmental transformation (wood and wood articles, cork).

Diversification of economic activities in this region should be oriented towards new dimensions related to sustainable development. Given the major role of agriculture and the massive migration flows to urban areas, it becomes evident that *alternative activities* should be encouraged *in rural areas*: craft activities/handicraft, rural tourism (including mountaineering, fishing, equestrian tourism, cycling) and agro-tourism; new investments and/or upgrading of storage, processing and marketing of forest fruits, medicinal and aromatic plants.

A re-orientation of the economical diversity starting with the European Natura 2000 network is needed as an opportunity to promote new development paths, built on the exploitation of natural resources (not on their degradation), respectively on nature and landscape conservation as a socio-economical imperative. The capitalization of this network doesn't involve blocking economic activities in these areas, but requires applied management of nature conservation and economic site productivity (WWF 2004). Precisely, these activities are found in the *management plan* of these sites (maintenance of environmental services, traditional activities regarding the use of natural resources developed by and

for the benefit of local communities), whereby both physical and legal persons are allowed to get custody of a Natura 2000 site. In addition, a series of other funds can be accessed for site management, such as ERDF (European Regional Development Fund), SOP ENV (Sectoral Operational Program Environment, Priority Axis 4), the EAFRD (European Agricultural Fund for Rural Development), NRDP (National Rural Development Program), SOP HRD (Human Resource Development), or LIFE +.

3.2. Spatial network

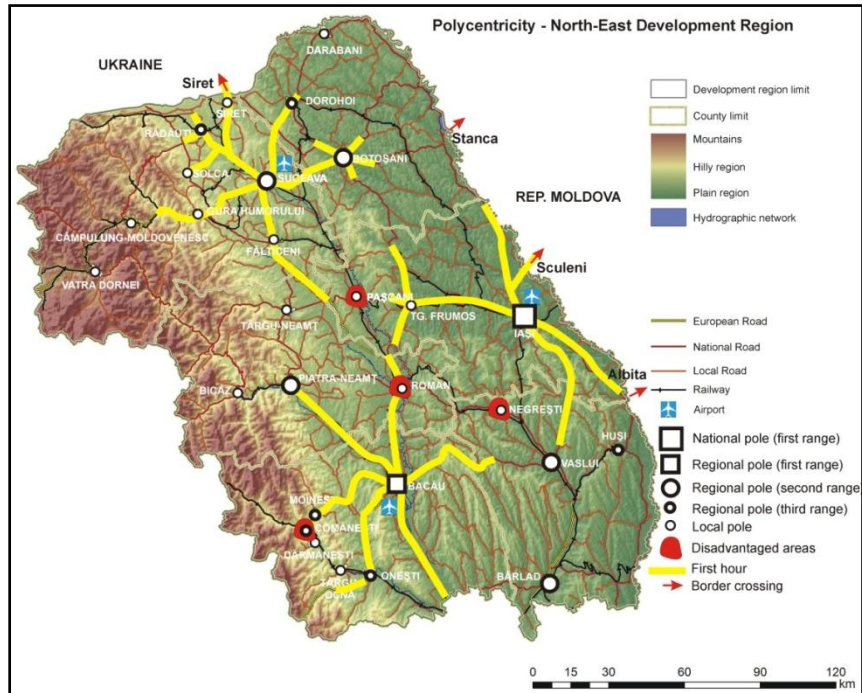
Starting from the general picture at national level, we attempt to discuss to what extent two or more cities can or should cooperate, and to what extent a polycentric network can emerge to help develop a balanced economical and social development.

The outcome of CEMAT Conference (2006 - 2010) (CEMAT 2010) points out that polycentric development can improve territorial functionality, without answering though a fundamental question: how to achieve a balance between a sustainable urban development based on economic performance and healthy living conditions. For our region, considering the number of cities (32), in relation to the region's area of 36,850 km², we can affirm *that a low potential in terms of making a polycentric network of human settlements and activities is present*, because these urban localities have been assigned a large area of polarization. This is also emphasized by the spatial analysis (Figure 3), which displays mostly a monocentric development. Most interactions are established between administrative centers and the other localities as most people travel to solve administrative problems. These cities may not be *labeled as most European cities are*, that is emerging as Functional urban areas (FUA), within which daily commuting is representative for a *polycentric system*.

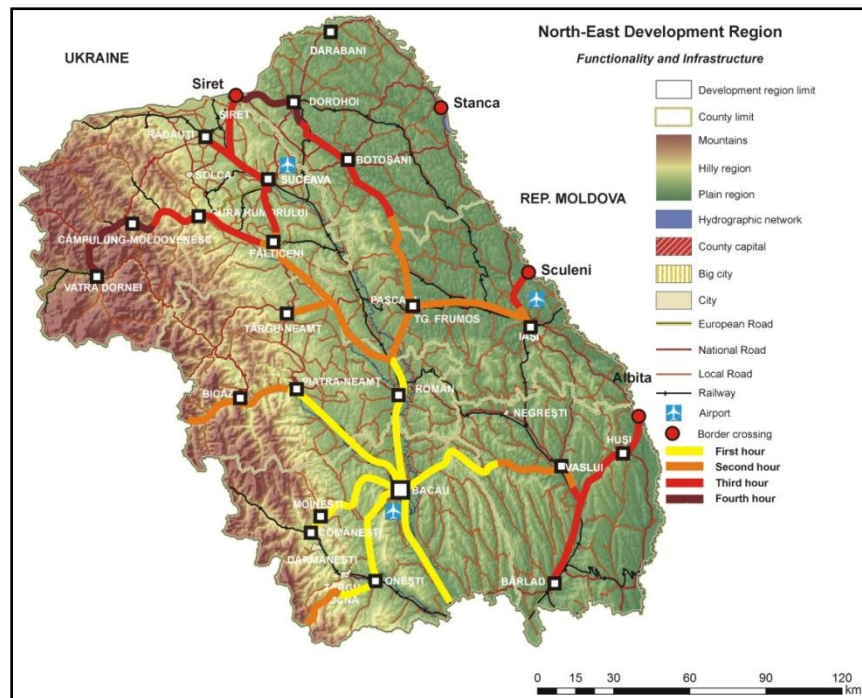
However the three county maps, on which the poles of growth and urban development are represented, make up a cartographic image of the intensity of main disparities, but also of the vectors of a possible polycentric development as the main means of balancing spatial development. We notice the possible polarization direction of Iasi and Bacau towards other centers, by the distance travelled in an hour or two (60 km-120 km on national roads), with an adequate infrastructure coverage for almost the entire region.

Figure 3 - The achievement potential of a polycentric network in the north - east

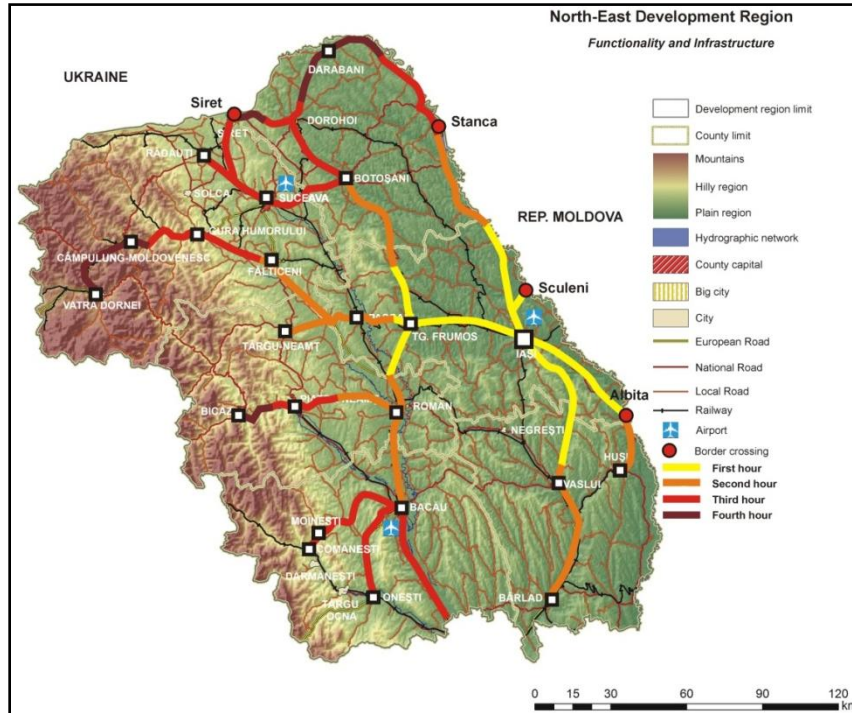
a. North-East Development Region



b. Bacău



c. Iași



The map is realized by georeferencing, digitization and processing in Open Source GIS software (Map Analyst). The database was created based on topographic and thematic maps introduced in digital format.

The region is still dependent on *agricultural resources*, with over 50% of population as "predominantly rural", according to the OECD urban-rural classification (OECD 2008). *The decline of small and medium-sized cities* (Roman, Bicăz, Targu Neamt, Siret, Vatra Dornei), whose development was influenced by the industrial restructuring and lack of foreign investment resulted in the failure of these cities to fulfill their urban functions (Ianoș 2004).

The region has three international airports: Iași, Suceava and Bacău, and is crossed by European corridors (E85 from north to south, E576, E574, E581, E583), and by the country's two main railroads (V-Bucharest-Suceava and VI-Bucharest-Iași). There are few modernized public roads, their share being much lower than the national average (25.1%).

The lack of adequate infrastructure for enabling links to the northern corridors, the corridor III (Kiev-Dresden) and Corridor V (Venice-Bratislava) and the eastern ones, Corridor IX (Helsinki-Thessaloniki), isolates the region from the rest of Europe. Although roads have a higher density compared to the national average, especially alongside valleys (Siret and Prut), the infrastructure is inadequate and obsolete.

The Pan-European network density varies significantly, the western and southern regions having a higher density (IV, VII, X) than the northern and eastern ones. The biggest "blank spot" of the

European corridor network is located in the northern part of Romania, including a considerable part of the N-E Development Region. There is a point of interference with Corridor IX (east) in the southern part of the region. In addition, the position of the region on the eastern border of the European Union could be a strong point in view of the possibility of extending trade flows to the Eastern Europe. The highway project from Cluj to the Moldavian Republic, passing through a large area of the region, could ensure easy access to Moldavia and Ukraine.

In the case of the three poles of urban development (Iasi, Bacau, Suceava), covering a distance of 1 hour *does not* indicate access to important nodal points. The large share of small towns (II regional poles, sub-regional poles, local poles) indicates the existence of *cities with local attraction* serving a radius of 10-15 km. Iasi municipality, through the localities situated in the peripheral ring (Ungheni and Victoria) enables the link between Iasi metropolitan area further to Siret-Prut-Nistru Euroregion (Iașu 2006) and thus supports cross-border cooperation.

The temporal accessibility (expressed in hours) to other urban centers in the region indicates a poor accessibility, which is explicitly represented in cartographical models by coverage areas. For example, from Iasi to Vatra Dornei (a famous mountain resort), 226 km are travelled in over 4 hours. Poor and difficult *connectivity* from all localities to the three airports in Iasi, Bacau, Suceava (more than 4 hours) and daily accessibility to major cities from 1 hour to over 4 hours due to poor infrastructure, argues that the polycentric network can't have a clear contour due to low accessibility to major economic flows, a situation which is reflected in the poor attractiveness for foreign investors.

Identifying opportunities and directions for improving the quality of life should include due reconsideration of landscape as a *resource* for economical, environmental, recreational and social purposes. Thus, the phenomenon of polarization can be extended by the identification of some polarization axes: *natural development* (ecological corridors, protected areas), *agricultural development* (distribution of eco-products markets and centers), *economic development* (landscape as a resource), and *social development* (population movement in relation to the polarizing city).

Among the resources that could be most easily assessed, managed and organized in view to sustainable development is the territorial capital, especially through the abundance of *landscape* resources (natural, agricultural, and cultural). Equally important is the human capital, characterized by a high share of young population (over 30%), Nord East being the only development region with a positive natural balance (25%). This capital can be directed towards several professional reconversion perspectives (e.g. Natura 2000 landscape site management).

From an economic perspective, the key points of sustainable development are the reduction of environmental pollution and the increased productivity of natural resources, meaning more goods and services per unit of nature consumed. Simplification of rules which are too restrictive in accessing available funds (co-financing, eligibility, reporting, pre-funding of the project activities, additional funds from the budget allocation) is required. This would also facilitate the absorption rate and reduce the deficit created in recent years especially in LIFE+, Nature and Biodiversity Programme (see "National Strategy for Biodiversity").

CONCLUSIONS AND POLICY RECOMMENDATIONS

As has been suggested, policy recommendations are the result of an interdisciplinary process of assessing the potential competitive features of territorial activities and sectors. The assessment explores both the economic characteristics of competitive areas and the factors that could contribute to the development contexts as *independent units* of analysis. A corollary for future policies is that the necessary initiatives should provide support to achieve a self-sustaining competitive capacity as regards for example innovation, market share, or product differentiation.

The main implication for public policy initiatives is to facilitate an early transition to developing a competitive growth potential. The national evaluation of the competitive potential, even in the absence of delimitation of typologies of areas of development, suggests that the policy issues are defined by such topics as:

- Bacău, 4th place in terms of high-tech exports, is only the 34th of 42 because of the large share of total exports of low technology (almost 70%) and low value of exports / occupied population at just 1,099 euros. *Why spillover effects do not occur?*
- The top five ranking counties account for nearly 50% of total exports, while 20 counties have less than one percent of the total. *How the regional expansion of export potential can take place?*
- South-Muntenia exhibits considerable intra-regional disparities. *What is the optimal territorial coverage of the regional economy?*
- Relative to the volume of exports / occupied population, Argeş county is positioned in the first place (10,925 euros), while Bucharest ranks only eighth with 4,968 euros. *What are the vulnerabilities of economic performance of large urban agglomerations?*

The regional evaluation of the competitive potential suggests further policy issues such as:

- In the case of the three poles of urban development (Iasi, Bacau, Suceava), covering a distance of 1 hour *does not* indicate access to important nodal points. *How interventions can improve accessibility in the territory?*
- Poor *connectivity* from all the localities to the three airports (Iasi, Bacau, and Suceava) and difficult daily accessibility to major cities show that the polycentric network can't have a clear contour due to low accessibility to major economic flows, a situation which is reflected in the poor attractiveness for foreign investors. *What are the main priorities in terms of economic functionality for these regional economies?*
- The biggest "blank spot" of the European corridor network is located in the northern part of Romania, including a considerable part of the N-E Development Region. *What are the resources to strengthen transnational cooperation?*
- County differentiation confirms that the values derived from the analysis of natural and human resources are also reflected in the degree of economical capitalization. *How to find and use the territorial capital as a resource for economic, environmental, recreational and social purposes?*

Our recommendations focus on a selection of measures based on short-term priorities, namely (1) adjustment of policy interventions on a scale / area of intervention of variable geometry, and (2) gradual allocation of financial assistance according to the difficulties of integration of the development area, as these can be defined at local, regional, national or international level.

There remains a huge potential in terms of capitalization of different types of capital (territorial, human, cultural), but also in terms of achieving mutual reinforcement of links between advanced and less advanced industries. Most of the national territory contributes insignificantly to the economic exploitation of resources through exports and advanced manufacturing. All this means resources which do not currently contribute to economic growth.

Strengthening competitiveness is a process that requires continuous learning and real time action to adjust to changes in economic and technological development. Integrating the new concepts of territorial planning is gradual, long term oriented, and with significant learning economies. The objectives to pursue can be suggested from such measures as mapping of business operations in the target area or establishing non-governmental institution with *observation* and *monitoring* roles.

Recommendations of the ESPON program indicate that the new Member States focus the structural funds first on developing significant urban and other major agglomerations. The process will facilitate convergence at European level, but it is recognized at the same time that it may give rise to

economic disparities and therefore can not be sustained except for a limited period. In light of our findings, the next steps should include a national program of regional development with emphasis on territorial development.

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Appendix 1 Methodology for constructing a competitive potential index at county level

We select three indicators: I_1 GDP/capita; I_2 Exports/employed population; I_3 Technological development index, and define CPI the Competitive Potential Index: $CPI = (I_1 + I_2 + I_3) / 3$

Variables are normalized through the following formula: $I_j = (x_j - x_{\min}) / (x_{\max} - x_{\min})$

where x_j is the value of x characteristic in county j

x_{\min} is the minimum value of the characteristic

x_{\max} is the maximum value of the characteristic

The value of CPI ranges from 0 to 1, where 1 represents the maximum potential.

I_3 is a weighted score calculated for each county depending on the structure of exports taken from the EUROSTAT classification for the grouping of industries according to their technological development:

$$I_3 = (p_4 * 4 + p_3 * 3 + p_2 * 2 + p_1 * 1) / 100$$

Measurement scale:

4 – high technology exports (p_4 % percentage from total exports per county)

3 – medium-high technology exports (p_3 % percentage from total exports per county)

2 – medium-low technology exports (p_2 % percentage from total exports per county)

1 – low technology exports (p_1 % percentage from total exports per country)

Appendix 2 Measuring spatial coverage

The type of coverage areas is determined by *the type of road infrastructure and relief configuration*. The types of infrastructure analyzed are: highways, national roads, and county roads. Speed highway traffic is not influenced by the relief configuration, but speed restrictions may occur through engineering works (restriction of 100 km / h in tunnels or on viaducts).

Total actual localities covered: 2,959

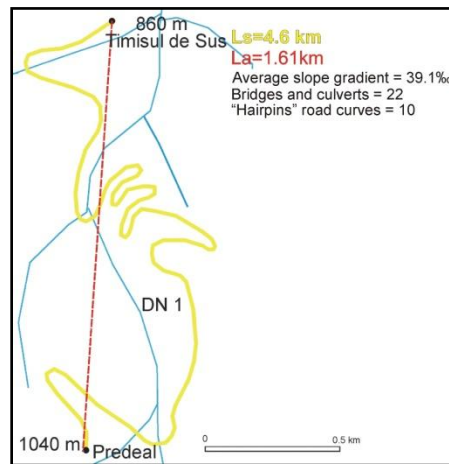
Total localities in all areas of coverage: 3,078

Localities in two areas of coverage (Bucharest and Ploiesti): 119

Total population covered: 8,536,658

	Maximum speed (km/h)	Km covered in one hour	Relief influence
Highway (A)	130	110	No
European Road (E)	100	80	Yes
National Road (DN)	90	70	Yes
County Road (DJ)	90	50	Yes

The relief comes in during the road trip by subtracting the average traffic speed to 50 km / h due to gradients and small radius curves. Example: a declivity of 10 to 15% or radii under 25m - "hairpins".



Example of relief influence for a national road (DN 1 between Brasov and Predeal, the sector Timisul de Sus - Predeal)

L_s = length of road (sinuous), L_a = length of air (ideal), C_s = coefficient of sinuosity due to high slopes, the average slope along the road (H Predeal - H Timisul de Sus / L_s), Hairpins = curve radius less than 25m, average speed = 40km / h.

STANDARDIZATION OR ADAPTATION IN COSMETICS WEBSITES MARKETING ? AN EMPIRICAL STUDY.

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Abstract: *The websites marketing is becoming an important tool both for multinationals and SMEs, in their effort to internationalizing their business.*

This study focuses on the international opportunities that are present within the European markets. The paper aims at identifying the degree of websites marketing standardization vs. adaptation, as a marketing tool for cosmetic products. Moreover, the study examines in a comparative manner the standardization strategy of multinationals and small and medium enterprises (SMEs), leaders in European markets, for different cosmetic categories.

The evaluation of online advertising standardization is based on the modified Model for Testing Advertising Standardization, developed by Whitelock and Chung. The web sites degree of localizations are analyzed based upon 98 criteria, as resulted from an adapted methodology of ProfNet Institut fur Internet Marketing, Munster (Germany). The sample includes the 101 leaders from European markets.

The research outcomes reflect a standardized websites marketing policy for SMEs and localized for multinationals. Also, for perfumes, dental care products and toiletry, European cosmetic leaders implement standardized websites marketing policies and balanced for the other cosmetics categories. The hypothesis concerning a strong correlation between standardization and handling dimension was supported.

Keywords: websites marketing, SME, multinationals, online interactivity, cosmetics, standardization, adaptation

JEL Classification: M37, L66

INTRODUCTION

Nowadays a website can provide growing opportunities, in the context of stagnation markets, consumer behavior changes and the loss of national marketing autonomy. At the present, the European Union markets of perfumes, cosmetics, and hygiene products reach 69.5 billion Euros. (Colipa report, 2010). In the same time, online sellings increased every year and communication with customers via

online becomes popular as well as effective. The increasing use of Internet in business activities is lately a topic of wide interest, both for researchers and for practitioners. The researches on Websites' Marketing strategies are constantly evolving based upon the changes in the competition field in European markets. The Internet is not considered a media itself, but a technology platform that integrates various media: chat, forum discussions, websites, terminal type mobile phones and traditional media and press, radio, Television. It is considered the future of marketing, because it facilitates close relations, is considered a new culture, a state of mind developed by the young (or very young).

According to specialists (Strauss and Frost, 2005; Michael and Salter, 2007), the main Website marketing tactics taking into account Word Wide Web, Net Marketing and E-mail Marketing. Websites can be marketing tools of a domestic or international company designed in order to achieve the following goals (Lendrevie et al, 2006):

- Direct sale of products;
- Providing advisory services;
- Opening a dialogue to customers;
- Building an image that certifies expertise in a specific area;
- Carrying out market research among current and potential customers;
- Building a database of email clients that are interested in specific products;
- News or promotions;
- Provide information about new products.

Under the threats of economic crisis effects, companies seek ways to increase awareness and consumer confidence in their products and services. In the context of global environment's dynamic changes, it can be observed two existing trends: on the one hand, *consolidation of multinationals/transnational's position on the European market and, on the other hand, encouraging the SME's development.*

In recent years, SMEs, by using electronic commerce tool, successfully compete with large companies, with developed IT resources. From this point of view, SMEs are able to accelerate their trade internationalization, through the Internet, in a larger extent (Saarenketo et al, 2008).

The main keys for SME's e-commerce adoption are IT resources and increased flexibility for employees (Fahtian et al, 2008; Bayo-Moriones and Lera-Lopez, 2007). Another important element in

developing electronic commerce for SMEs was the communication between partners (business to business) (Deeter-Schmeltz et al, 2005).

Several studies (PricewaterHouse Cooper) display the dynamic development of website Marketing. In the last five years, websites marketing reaches an average of 30% growth. Although, websites-marketing doesn't imply important expenses, SMEs have adopted this specific strategies and tactics in a small extent (Filis and Wagner, 2006; Morgan, 2009).

Increasing exports and creating a favorable image on an effective web site are not entirely exploited by SMEs at full potential. Recent studies show that most SMEs benefit of the Internet advantages, especially by lowering the cost of listing promotional materials (Quinton and Khan, 2009). However, several researchers (Jelasi and Enders, 2005; Kula and Tatoglu, 2003; Pavic et al, 2007) demonstrate that small firms could obtain competitive advantages (that would enhance its credibility), would respond to questions about the products / offered benefits and integrate their Website marketing strategies in the general strategy of the company. Although, SMEs encounter a series of problems in Website marketing adoption. The most common are: lacking of specialized staff (who maintain the website), inappropriate website design, poor measurement of website effectiveness, irrelevant links etc. Given these evidences, *the premise* of this article is (from online competition point of view) that SMEs can successfully face direct competition, as larger companies. That is the reason we have analyzed, in the present article, both the websites marketing of SMEs and those belonging to the multinationals. We choose *cosmetics' sector* because outlining the websites marketing policies in such a dynamic industry, can be very challenging. This global market has constantly increased, even in the crisis environment. Another reason is that cosmetic industry has the highest frequency for launching new products, because of the cruel competition and the almost saturated market.

The present study performs *the first assessment of Romanian cosmetic leaders' standardization degree of their websites marketing*, using an adapted methodology, through an integrative manner, in order to maximize their efficiency in today's virtual cosmetic field.

The main goal of this research is to find if the online communication through websites of an exporting company is standardized or adapted for different markets/segments.

The study has been performed in two steps. First, we try to emphasize the differences between a company's website in three different markets/countries (if it exists) or content of the same website, in different languages. The complex variable used in this procedure was layout, content, navigation and

interactivity. Secondly, we have analysed the *degree of standardization of online advertising, using the Model for Testing Advertising Standardization, developed by Whitelock and Chung.*

Findings will aid marketers in planning their strategies and tactics, to promptly react to changes in cosmetic market. In the following, we shortly present the main evidence from global cosmetic industry and its advertising, emphasizing on latest communication trends in the field, the multinationals practices and European marketing communication laws.

1. STANDARDIZATION AND ADAPTATION IN ONLINE MARKETING COMMUNICATION POLICIES

Companies operating at the international level may choose to standardize the marketing communication through websites or adapt it to its target segments. Many researchers argue that the impact of culture is the strongest ingredient in the marketing communication strategy. Douglas and Dubois (Douglas and Dubois, 1977) consider four main ways that cultural factors influence the marketing communication:

- choosing the theme;
- connotation of words and symbols;
- interpretation of the conventions pictorials;
- selection of the medias.

As in traditional advertising, in online advertising **standardization** can be achieved in different ways and at different levels (Pop, 2004):

- standardization of the "promising" and the main axis, the basic strategy ;
- standardization on the message;
- standardization for the selection of virtual media resources.

In addition to reducing costs of design and campaigns planification, the most important benefit of standardization is creating and strengthening a global image of a product/company in the respect of a European consumer. Although, the main inconveniences involved in standardization policy are cultural differences and, the eterogeneity of advertising laws.

*However, **adaptation of online advertising** is sometimes essential because:*

- there are negative connotations of names in different languages;
- promotional messages must take into account national attitudes and behaviors;

- availability and efficiency of virtual medias are not the same in every country;
- there are different law's and constraints regarding promotional mix .

In addition to high costs, a major weakness of adaptation is losing image identity.

The firm may adopt another strategy, placed in the middle of these two extremes: **homogenization strategy**, according to which companies choose an identical positioning of the product and, in the same, deciding to use in each country adequate resources.

The specialists' opinions are divided in three categories. One of them is the theory of ads standardization - based on assumption that people from all over the world have the same tastes and desires. They react almost identically to love, beauty, fear etc.(Lynch, 1984) Another category plead to messages personalization, suggesting that the ad is the most difficult element that can be standardized, because culture acts as a barrier (Mueller, 1987).

The majority of researchers state that a local approach is required, especially by media channels settings, because of the different mass audience and the different regulations from country to country. In a previous study of advertising standardization vs. localization of fashion products, Seitz and Johar found that advertisements of perfume brands were highly standardized in Italy, France, Spain, England and Germany, while advertisements of cosmetic brands fell somewhat in the middle between localization and standardization (Seitz and Johar, 1993).

2. GENERAL REGULATIONS OF PROMOTION IN EU

During the years, we can notice a remarkable progress in the standardization of the online promotion legislation in European Union, but still important aspects differ in some countries. The European Union is currently reviewing the regulatory framework for electronic communication networks and services (Huigen and Cave, 2008), a process which began in late 2007 with the publication of legislative proposals by the Commission (European Commission, 2007). Therefore, the international companies' entrepreneurs should take into account to develop distinctive online promotion strategies in every country (Grefe and Grefe, 2004). In addition to consumer rights, to protect economic interests and the right to honest and complete information, the *focus is today on the source's obligation to probe the truth of the advertising message*.

In order to limit the unfair competition through traditional or online promotions and to protect consumers, there are prohibited the following abusive procedures (Diaconescu, 2000):

- False indications about the nature of the products or services;
- Misleading prices;
- Use of packaging that may mislead the consumer about the quantity or nature of the product;
- False indication on the geographical or commercial origin of the product;
- Inaccurate comparison in promoting;
- Advertising to certain categories ("defenseless" persons): children or sick persons;
- Coupled sales etc.

Comparative advertising is widely used in the U.S.A. and is prohibited in most countries in Europe, because it is considered unfair competition. Directive 84-450, transposed today in all European Union countries, partially authorizes it (84/450/CEE, 1984). Ads must: compare objectively important characteristics of goods and the services of the competitors, not create confusion or to denigrate the competitor, not use the competitors' image for launching an identical product at a lower price.

In many countries there are severe forms of control in the field of promotion that can be exercised by consumer bodies, institutions and specialized committees. Thus, certain promotional techniques are prohibited. The code on the promotion over the Internet refers to moral values, messages addressed to children and the protection of personal data of the consumer.

3. COSMETICS MARKETING COMMUNICATION STRATEGIES - BETWEEN STANDARDIZATION AND ADAPTATION. LATEST TRENDS

In the world of cosmetics, advertising does not serve to “announce the existence of the product” (Klein, 2002), but rather, in “producing an image around a particular brand of it”.

The promotion mix in the cosmetic market is frequently articulated around traditional and online advertising, promotional actions and merchandising. Sponsorship and public relations plays only a secondary role, but, for some companies, these instruments represent ways of getting some notable competitive advantages. (Kumar, Massie and Dumonceaux, 2006) Due to the very little differentiated products on cosmetics market, sometimes it is difficult for firms to create a true consumer preference for a brand. For this reason, companies allocate an important budget for online promotional activities, to the detriment of traditional advertising. In this way, the consumer will be sensitive to those brands that offer often temporary benefits. In sales promotion, offering free samples or free trial sessions for beauty care products and reducing prices by offering a product that contains an additional quantity or a

price discount (for hygiene products) are the most used tools in cosmetics industry. The most frequent media advertising for cosmetic products is the Internet, television, followed by magazines for women. Statistics show the highest spending in Internet advertising were for shampoos in Europe in 2009 (Euromonitor, 2010). Some studies (Domzal and Unger, 2001) on the promotion standardization policy show that marketing communication for *perfumes has an extremely high degree of standardization* because it expresses universal appealing fundamental themes. Also, 45% of body care products using the same product and marketing communication policies in all European market (for example Colgate, Gillette, L'Oreal, Unilever).

Beside the usual elements of marketing promotion (advertising, sales promotion, public relation, sales force, direct and on-line marketing), the website marketing insist on a variety of *symbolic* meanings, too (Adascalitei, 2001). In the same time, the brand of the product and the design of packaging are considered as belonging to promotion policy (not to product policy). Also, few researchers argue the website marketing should include in promotion policy the enterprise (through its appearance or employee, who are in direct contact with the public of the company: prescribers, distributors, media or mouth-to-mouth advertising. (Lendrevie and Lindon, 2000)

In the cosmetics industry, the majority of the international companies opted for a global strategy of brands. Marieke de Mooij (De Mooji, 2005) and Keegan & Green (Keegan and Green, 2005), believe that *a global brand is available in most countries all over the world and share the strategic principles and positioning, even if their marketing mix may vary*. Johanson (Johanson, 2006) view is that global trade occurs when there are three factors: *global demand, "global" buyers and scale economies*.

Gillette, Colgate, L'Oreal are positioned the same in all markets and they have a substantial marketshare and loyal consumers. Megabrands have a name and a logo that can be recognized all over the world, but the product may not be standardized. The most successful example of marketing standardization on cosmetics market is Revlon cosmetics. Colgate also is strongly approaching the standardization strategy, with few exceptions because of the legislation concerning imports: in Germany, for example, antimicrobial triclosan substance is forbidden: the water contains a high percentage of fluorine in England; in France there is the constraint that toothpaste with high fluorine content has to be sold in pharmacies, in Italy and Spain promotion is primarily made by stomatologists and the distribution is made through pharmacies. Colgate Total is the most standardised product which is sold in 104 countries (Ulaga, 2002).

Of all the cosmetic categories, perfumes *are the products with the highest standardisation rate*. They are globally launched with a similar strategy. This strategy seems to be profitable for all companies. For example, Avon chooses the same ingredients and packages for its global perfume brands, and the profit is 4% higher than regional and local brands (Keegan and Green, 2005).

However, *none of the companies is launching products with a pure standardized promotion policy*. A reason could be the product labels which, according to the existing legislation must be translated in all languages from that country. The *umbrella promotion* for a brand belonging to a product line is the most present in the cosmetics industry. Nivea, Dove, Yves-Rocher, Florena offers products for face, cleansers, body milk, soaps, deodorant.

Among the latest *trends in promotion strategies (online or traditional) from cosmetics industry* are:

- Brands rationalisation or focusing on main brands (Global Marketing). In late twentieth century, the 10 most important L'Oreal brands represented 90% of the company's turnover. Procter & Gamble has reduced the number of brands with approximately one third, and Unilever 75% (from 1600 to 400).

- Switching from *monobranding* to support branding, due to high cost launching and the development of new brands

- Purchase of local brands and their internationalization

- Developing brand's extensions: L'Oreal began in 1907 with hair care products and has expanded the corporate brand name toward skin care products and beauty products or bath and shower. Beiesdorf started with a universal cream, Nivea, in 1911, and extended the brand for a wide range of personal care products. Gerber has extended the line of care products for babies to eat, drink, clothes, health products. Brands like Shiseido, Avon has extended to new categories of cosmetics or other sectors.

- Ethnic differences of consumers began to be exploited in promotion campaigns. Procter & Gamble launched Cover Girl Queen Collection, a line of cosmetics for women who are not part of the Caucasian race (Davies, B., 2006).

- Positioning the products as "green", natural. Estée Lauder launched Origins Natural Resources, a line that is sold in recyclable packaging and has been promoted emphasizing on avoiding the animal testings, Revlon came up with New Age Naturals, skin care products, entirely made of

degradable ingredients. Procter & Gamble and Lever Brothers already have in the portfolio hundreds of "friendly animals (Kumar, 2004)" product.

Some companies develop online promotion strategies for all major brands, without corporate communication (eg. Procter & Gamble), others prefer to emphasize on the manufacturer (especially small firms, which have a wide variety of brands like Neutrogena). Between those two extremes are most multinational cosmetics companies, trying to bring a balance between the two types of communication (Nivea, L'Oreal, and Colgate).

For example, L'Oréal uses in this respect two main approaches: emphasis on basic French origin like L'Oréal Paris, Lancôme and promote them internationally, with some minor adaptations. The other approach, more radical, is the acquisition of strong local brands, repositioning them and their overall sales. Maybelline, Softshen / Carson, Helena Rubinstein are some successful examples of the second strategies.

4. ADAPTATION OR STANDARDIZATION IN EUROPEAN COSMETIC WEBSITES MARKETING

In the present article, we have conducted an empirical study focused on standardization and localization degree of websites advertising by evaluating online advertisements. In order to achieve our goals, we have analyzed four complex variables: layout, content, navigation and interactivity.

4.1. Research objectives

The main goal of this research is to find if the online communication through websites of an exporting cosmetic company is standardized or adapted for different markets/segments.

The *specific objectives* are the following:

- Determine the degree of standardization vs. localization of cosmetics websites advertisements;
- Analyze the differences between a company's website promotion policy by cosmetics categories in three different languages;
- Assess the standardization and adaptation of multinationals' websites vs. SMEs websites.

According to the case studies presented, we formulate the following hypotheses:

H1: Handling is the most standardized dimension from all websites assessment dimensions

Handling is the most technical dimension in a websites. We consider that the frame of navigations must be identical in every site version of a company in order to keep their global identity.

H2: For being competitive in the battle with the multinationals, SMEs have the most localized websites marketing policy. Online battle involves advantages for SMEs by their increasingly flexibility to rapidly meet consumers demands.

H3: From all cosmetic categories, perfumes and dental care products websites are standardized and the other products are balledenced.

In traditional adverstising, the most standardized cosmetic products are perfumes and dental care.

4.2. Research methodology

We use in standardization/adaptation websites analisis for cosmetic products a methodology based on other two existing models (aproaches). First, we have taken into consideration *Model for Testing Advertising Standardization, developed by Whitelock and Chung*, with some adjustments for cosmetic field (Seitz, 1998) Secondly, we applied a modified version of a *Prof net Institut from Munster website assessment method*, in order to evaluate standardization or adaptation of the four criteria: content, navigation, interactivity and layout.

This study compares advertisements posted *on home page* of every website assesed, using the content analysis methodology. As a research tool, content analysis provides the opportunity to examine the feelings, beliefs and attitudes of a culture in their environment (Rice and Lu, 1988). Moreover, content analysis is a common tool employed in cross-cultural studies when measuring visual and verbal elements of advertisements (Tansey *et al.*, 1990).

The comparison of two ads of the same brand was accomplished according *size, color, general layout, slogan and other texts of a print* (in a similar manner with the traditional printed advertising). For differences in each criterion, it was given a point. For example, if the text was written in the same language but had different meanings, a half of a point would be given. If the slogan or other texts were written in the country's own language (with the same meaning) a point would be given, but, finally if slogan or texts were written in the country's own language but had a different meaning, then two points would be given. Points were summed and could range from zero to five. For example if the picture was totally different the maximum five points would be given, since all evaluative criteria would be

different. In this case, the advertisements were totally localized. Hence, a *score of zero implied total standardization while a score of five implied total localization*.

In order to assess websites standardization/localization we use an identical method of assessing: five points for localization and none of points for standardization. In a previous study (Constantinescu, 2010), ProfNet method, designed especially for websites assessments, was adjusted, cutting some of the original criteria and adding suited criteria to the cosmetic field. We think those criterias are suitable to use it in standardization/localization study because the end-consumers' perception frame is identical. From an internet point of view, a quality website consists in finding easily the requested information, the appropriate atmosphere and a feedback given in time.

Even though, we have cutted more criteria, those who have not been found in any investigated website. Finally, the sites standardization were *qualitatively* assessed through 98 criteria, grouped around the above-mentioned complex variables, as following: 36 criteria for *content*, 26 criteria for *handling*, 19 criteria for *interactivity* and 17 criteria for *layout*.

For example, some of dimension analysed for content standardization/localization degree of websites are: history, download forms, information about products, calendar events, frequently asked questions, information about industry, the managers, shareholders, jobs. For standardization of navigation, we have evaluate: if the navigation path is displayed similar, holding a security certificate, search functions, for interactivity: Intranet/Extranet, personalized pages for the customer, callback service, hotline, e-cards, chat, online tour, schedules, online makeup as well as online request for company information and for layout: the presence of Avatars, live images, a web camera, phone web, existence Flash.

We have to mention that we excluded the dimensions that are missing from a website version of a company websites, but is present in another version of the same site designed for distinctive markets (for example Romanian version and English version). Moreover, every website in the sample was analysed in at least two versions: the local ones, English or French and maximum 5 versions (adding Spanish, German). To be more accurate, if one company have different URL address page for France, England and local, we research on search engines and evaluated those sites. Otherwise, if the company have only one websites (a single URL address) but available in many languages (at least two), we have evaluate the dimension in at least two languages.

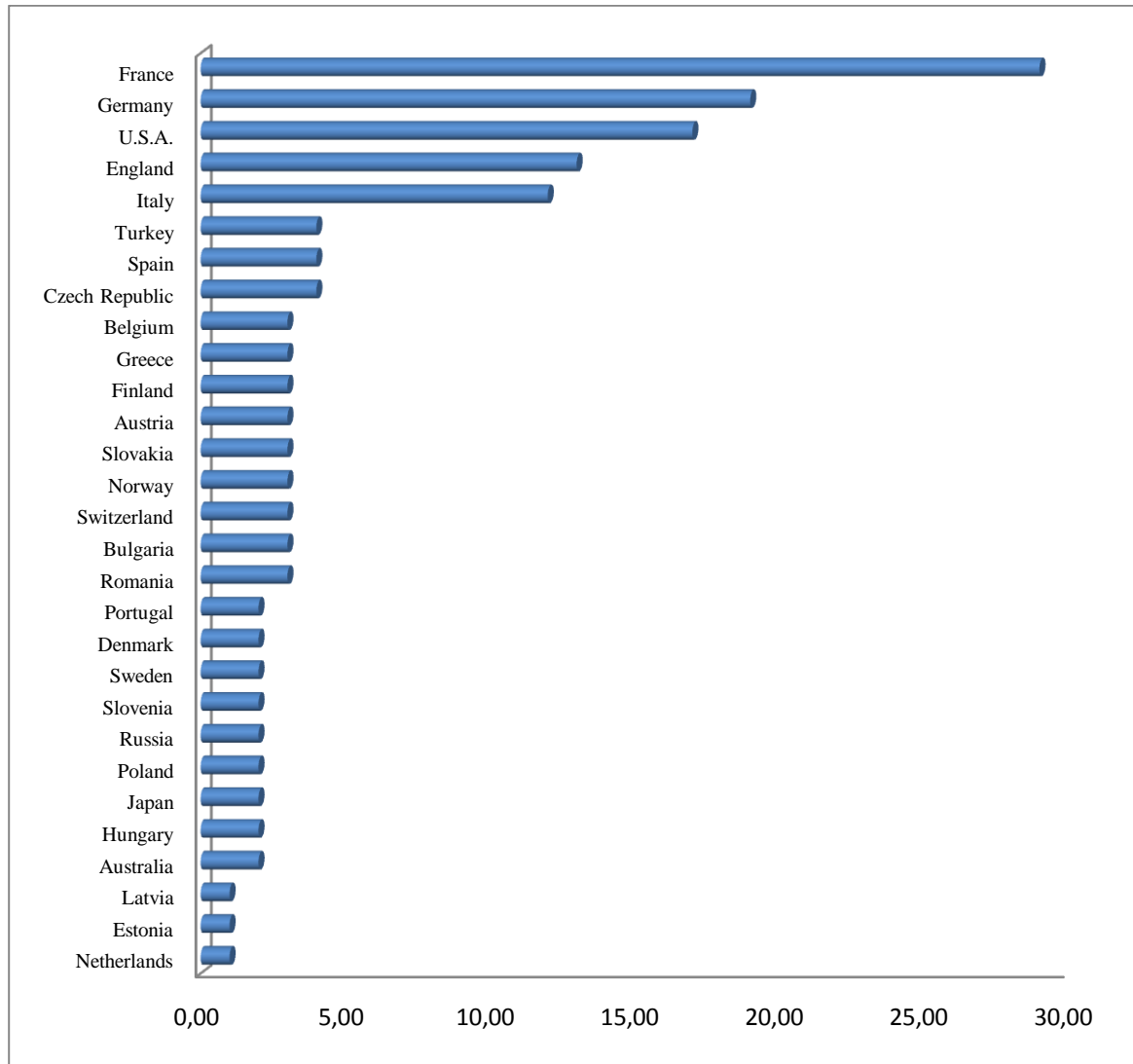
We have established the following interpretation for the obtained scores: between 0-1.33points, the company has a standardized websites marketing policy, if the interval is 1.66-3.33 points; it is balanced and between 3.33-5 is localized.

4.3. Data collection. The sample

The data was collected during the period February- April 2011. The sample was planned to englobe 126 sites. Of these, only 101 were functional, 8 did not have a version of the web-site in a language of world circulation and the remaining 7 were under construction, during the assessment period.

The sample structure by countries is displayed in figure 1.

Figure 1 - The structure of the research sample by countries



Source: Computed data from our emprirical study

The sample consists in the most effective companies on the European market. In order to obtain a representatif sample, we use the companies' turnover rank from different types of cosmetic products. Consecvently, we have chosen those brands/companies present in the top ten ranks, by turnover in each European countries, according to the following categories of cosmetics: skin care products, perfumes, deodorants and antiperspirants, hair care products, shaving products, makeup products, dental and mouth care products, products for hygiene, organic products.

The study bases on the premise that the best companies in the field implement the best websites marketing policy. Thus we consider that our sample illustrate de best practice in Europe.

Euromonitor has conducted a study that examines the market share, by country, of the cosmetics brands in 2009 (http://www.euromonitor.com/World_Cosmetics_and_Toiletries_Marketing_Directory_2009). We mention that our study examined the *sites of the brands*, for multinational companies which have a distinct site for its own brands or, otherwise, the company's website. For companies that have in their portfolio other products than cosmetic (e.g. Amway), we have evaluated strictly the section which refers to cosmetic products.

5. RESEARCH RESULTS

Using the methodology and procedures described above, we have classified the 101 sites depending on differences of their site version, at the time of assessment.

H1: Handling is the most standardized dimension from all websites assessment dimensions

In determining the degree of standardization vs. localization of cosmetics websites advertisements, we have computed the scores and clustered them in the mentioned five dimensions.

Table 1 displays the sample's results.

Table 1 - Sample's scores by each measured dimensions

Research dimensions	Mean	Std. Dev
Online advertising	3.41	1.082
Content	4.18	1.390
Navigation	2.85	1.047
Layout	4.03	0.996
Interactivity	4.09	1.194
Valid N (list wise)	101	

Source : Computed data from our empirical study

In our sample, the content of websites is the most adapted to the market segments (with a score of 4.18 points), followed by layout and interactivity. Online advertising are rather balanced. The less localized is the navigation on the site. The reason could be the identical frame of websites' distinct versions, designed to support the internaut in finding easily information. Another explanation could be the global regulation on sites security, or security certificates.

Hence, the hypothesis was supported.

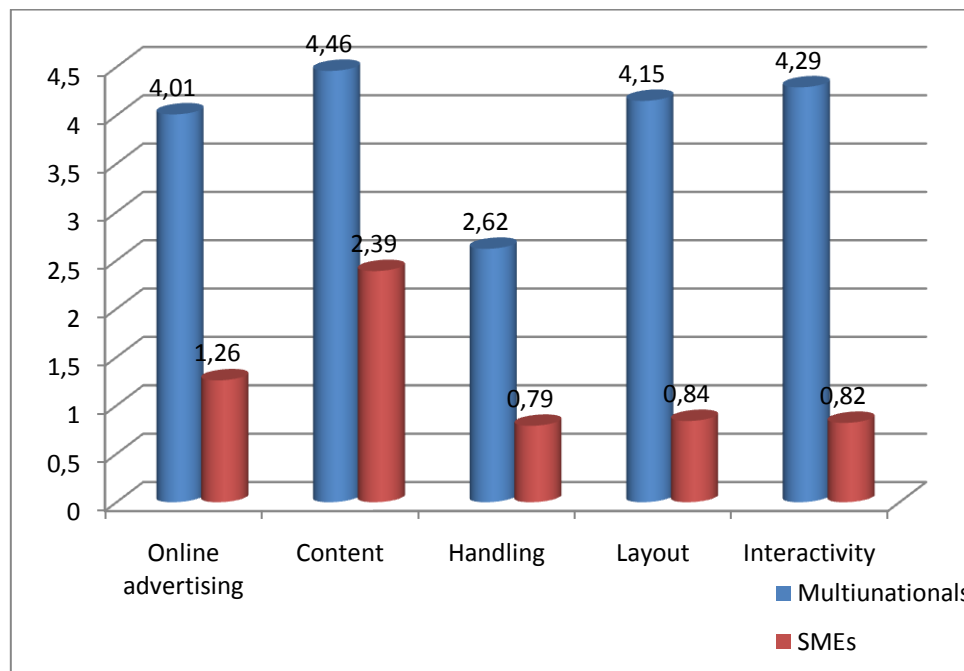
H2: SMEs have the most localized websites marketing policy

In our sample, a percent of 12% is represented by SMEs.

In analyzing the standardization vs. adaptation of multinationals and SMEs websites marketing policy, a surprisingly trend can be drawn: multinationals are adopting a localization strategy (a total of 3.90 points), while SMEs prefer to adopt the same websites tactics for each markets/countries (1.22 points).

The obtained results are presented in figure 1.

Figure 2 - Multinationals vs. SMEs websites marketing dimensions



Source: Computed data from our empirical study

Assessing in depth, the only SMEs dimension adapted in a very small extent for certain markets is content (2.39 points). To be more accurate, SMEs offer distinctive information about local market, efficiency/effectiveness indicators or additional information concerning the distribution or accessibility, online payment details etc.

Instead, the content of multinational websites is more adapted to specific market segments (4.46 points). The displayed news are entirely localized (press releases, new products launches, opening a new store/ branch etc.)

With 3 exceptions, none of SMEs from the sample have more than one URL addresses for different local markets. This strategy can become in short time a weakness, because every local URL address can achieve growing search engine optimization (SEO) advantages, with insignificant costs. In the sample there is a multinational that chose to have only one global URL: dior.com, disposable only in English.

The SMEs websites are available in maximum 5 foreign languages, but the most sites offer the possibility to navigate in local language version, simultaneously with English version.

Many researchers outline the preference of the young Internet users for websites in English (Planken, van Meurs and Radlinska, 2010). However, the analysed cosmetic websites offer products for a large segment of consumer, not only for teenagers. In this way, a large segment cannot be targeted by company, through websites tactics and plans.

Unlike the SEMs, multinationals have at least 5 language versions. For example, Nivea offer the possibility to choose between 89 distinct languages.

The majority of SMEs in the sample disseminates on the main page of their sites identical *advertising* images, in very few cases using a translate copy (scoring 1.26 points). On the other hand, multinationals have obtained a score of 3.41 points for online advertising, which means a medium localization. A percent of 70% from multinationals in the sample implement a highly adaptation policy of homepage advertising in terms of positioning, layout (dimensions, images) and texts. In skincare products case, the most frequent differentiation is by changing the prescriptor, who is usually a local star.

Multinationals' *interactivity* score reach 3.69 points, which represent a localization situation of their websites marketing. Beside the usual elements of this dimension (existence of communication forms, chat, forum), websites in the sample offer the possibility to communicate through socializing sites (like Facebook or Tweeter). Various contests determine the web site navigators to be more implied, to communicate their attitudes, beliefs and impressions. They are challenged by companies to be creative, to discuss with other people about their hope, experiences, or achievements. Among other benefits (like growing the new products notoriety), these policies are designed to consolidate the navigator's fidelity. Another important outcome is the SMEs use in the same extent like multinationals those tactics, especially meant for attracting young segments. These tactics, using socializing network are almost recently implemented to attract and maintain the visitors on the websites. We conclude that

SMEs followed “frog leaps” in adopting and successfully applying websites marketing by avoiding certain developing stages.

Taking a holistic look, we must notice that the *interactivity* score is lower than content score. This result is interesting because interactivity dimension, by its goal (those of active communication, in real time), is designed to be very adapted to navigators needs from all other website’s elements. In our opinion, a low score can indicate the limited acces to requested information or to debates on products and company issues. Even the language can be an important barrier to effective communication. On the other side, could be possible that navigators, familiarized with the social networks, don’t feel any threat in a standardized approach.

Navigation possibilities of websites in the sample are balanced in multinationals case (score of 2.62 points) and standardized in SMEs’ case (score of 0.79 points). We can find all the variables in multinationals websites versions, but most time at different pages /location.

The largest gap between multinationals and SMEs scors occurs in *layout* dimensions assessment (4.15 points, respectively 0.84 points). In comparison with websites belonging to other industries, cosmetic sites display much animation, color, music, a vivid atmosphere are designed to enjoy the visitors and put them in a good and relaxant mood. For this reason SMEs must realize the importance of using audio or visual features, adapted to specific cultures.

In our assessment, L’Oreal and Sheido obtained the biggest score (7.72, respectively 4.70 points) representing a very localizate website policy, meanwhile Chanell and Dior are less adapted.

Taking into consideration the mentioned results, the mentioned hypothesis was supported.

H3: From all cosmetic categories, parfumes and dental care products websites are standardized and the other products are ballenced.

Companies from cosmetic field implement distinctive websites marketing policies for different product category. The study’s scores are depicted in table 2 and figure 2.

Table 2 - Sample’s scores by cosmetic cathegories

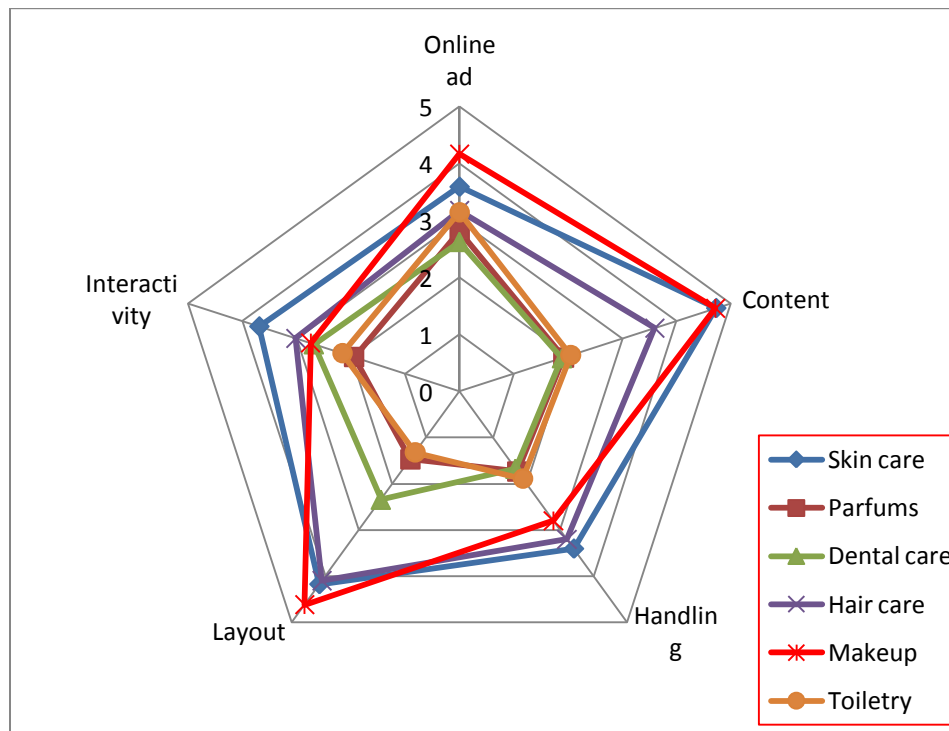
	Skin care	Perfumes	Dental care	Hair care	Makeup	Organic	Toiletry
Online advertising	3.59	2.81	2.62	3.17	4.16	3.6	3.14
Content	4.73	1.92	1.89	3.6	4.72	3.2	2.05

Navigation	3.41	1.73	1.67	3.2	2.8	2.2	1.89
Layout	4.18	1.47	2.34	4.1	4.62	1.7	1.32
Interactivity	3.69	1.94	2.68	3.02	2.74	1.2	2.16
TOTAL	3.92	1.974	2.24	3.418	3.81	2.38	2.11

Source : Computed data from our empirical study

Analyzing the results, the global websites strategy belonging to perfumes, dentalcare products and toiletries is standardization. According to previous researches concerning marketing standardization degree of cosmetic products, perfumes and dental care products obtained the highest degree of standardization (Seitz, 1998). These findings are also validated by our assessment. Perfumes got 1.97 points and dental care 2.24 points. Moreover, standardization in toiletries websites marketing strategies varies from a traditional approach, where advertising is balanced for different markets. This result is important given the lower cost of online localization than in traditional advertising, although the companies decide to advertise global toiletries.

Figure 3. Cosmetic products' websites marketing dimensions



Source : Computed data from our empirical study

The most adapted are websites of skin care products, make-up and hair care products. The most standardized dimension belongs to organic products, for interactivity (1.2 points). This result can be explained by the sample consistency: the majority of SMEs owns the most organic sites and SMEs don't pay much attention on local features.

In conclusion, this hypothesis was partially supported.

CONCLUSIONS

As cosmetics are increasingly associated with personal fashion and consumers are becoming more brand-conscious, websites marketing must be assumed by SMEs in order to sustain or increase sales. Advertising costs can be particularly daunting for small companies, as large companies already have the customer base and the big budgets to spend on promotion. Large international firms and their subsidiaries dominate the cosmetics market. Nevertheless successful small businesses are making their presence felt. Some of these firms have been able to change the core values of the cosmetics industry by offering consumers the opportunity to make purchase decisions based on their enthusiasm for these innovative ways of doing business. Hence, websites marketing offer to the SMEs the opportunity to successfully compete with multinationals.

The findings reflect a standardized websites marketing policy for SMEs and localized for multinationals. Therefore, SMEs' marketers have to take into consideration that websites marketing strategy could change their competitive advantages through growing flexibility and interactivity with the existing or potential customers.

Websites for perfumes, dental care products and toiletry are the most standardized on European markets, while the other cosmetics categories implement a balanced websites strategy. From all dimensions of a website, handling is the most standardized dimension.

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COMPARATIVE PERSPECTIVES IN ECONOMIC CRISES GEOGRAPHY. ECONOMIC STRATEGIES IN EU COUNTRIES

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Abstract: *The strategies for structural-systemic crisis management have generated, to a geographical level, a number of differences between EU countries. These cleavages are the result of differential macroeconomic policies. In this context, this article has the aim of achieving a comparative approach between countries of the south, west and east of the EU space. Also our approach is focused on observing the nature of macroeconomic policies and also on identifying a "pattern" associated with a common ideal -type of "rational choice" in the efficient and effective management of systemic crises. This article aims to identify areas of growth and economic stability of a particular model of public policy and political-economic ideology, to set up a mechanism for "economic engineering". From the methodological point of view, this article uses a quantitative methodology, derived from mathematical analysis, statistics and stochastic, in order to explain, understand and predict the possible evolution of the systemic crises in the EU countries. The interest lies in the possibility of giving a model of macroeconomic policy for the adjustment of inflationist imbalances, labor market and price policy, and also in regulating the equation of production-consumption.*

Keywords: economic crises, EU free market, economic cycle, GDP evolution, economic geography, comparative approach

JEL Classification: E31, E32, G01

1. THEORETICAL APPROACHES IN EUROPEAN ECONOMIC DYNAMICS

The economic European context, almost in the last ten years, is characterized by some structural changes and systemic dynamics. These changes are the result of European enlargement and economic or commercial interactions between EU actors. In this sphere, the creation of the Euro zone represented an ambitious project of EU deepening whose success is still uncertain, although one certainly will welcome the expansion of Euro bond markets, the rising share of the Euro in global currency reserves and the successful ECB policy which has achieved a low inflation rate and considerable credibility as well. Moreover, reduced real interest rates in Euro area countries – except

for Germany, the Netherlands and Austria which already had low interest rates prior to the start of the Euro and ECB – have translated into considerable capital gains.” (Tilly, Welfens and Heise, 2007, p.2)

This economic background, based on uncertain success of a common financial market, and the prescription of Lisbon Agenda, could be characterized by an idealistic perspective of EU evolution and competition. The biggest success of economic policies has been the creation of a single economic market – as an example of successful liberalization of Europe area. In fact, the economic construction of EU has some political problems, generated by the geographic cleavage between West and East, the ideological “legacy” of eastern “fragile democracies”, and also by the traditional and cultural configuration of particular countries of EU. In this meaning, we can observe a geographic disproportional level of economic policies coordination. This disproportional aspect of macroeconomic action or policy emphasizes two, or in some situations three, models of governmental coordination of economic policies, and two general ways for responding to systemic inputs: i) first of all, we can underline a liberal perspective in governmental action, in which everything is centered on the idea of free market. The augmentation of economic freedom (with elements like: business freedom, monetary freedom, fiscal freedom and trade freedom) has been seen like a major pillar of Western governmental action; ii) in the second model, the European economic dynamics can be seen like an inertial mechanism, in which the inertial forces are the result of eastern socialist tradition. The governmental strategy is based on the economic intervention. It is very difficult to discuss about free market and systemic feed-back between economic agents. But we can see some “socialist residuals” in eastern countries and the idealistic perspective of the “welfare state”.

Two models of interaction are deduced from empirical reality through historical experience. The liberal model, in which we assist to a kind of “spontaneous order”, supposes a common place for different actors: the free market. The free market is the result of this order of preferences, generating, in practice, a rational economical behavior and a rational modality for prioritizing the human economic or social needs. The post-socialist model is met, in general in the Third World, in the ex-soviet republics. This combines the common soviet lesson of national protection and intervention with some liberal aspects like rationality, public expenses, rational choice, and rational preferences.

Although, in reality, Europe is divided around this two political and economical models, the idea of common free market emphasizes the liberal values, principles and directions. Creating a true single market required not simply abolishing border formalities but also removing or harmonizing a range of restrictive national regulations. A key tool was mutual recognition, which required member states to

accept the regulations and standards of other EU countries as equivalent to their own and allowed activities lawful in one member state to be pursued throughout the EC. (Eichengreen, 2008, p. 341)

The central point around which is crystallized the economic EU sphere is represented by the common free market. This kind of arrangement supposes an economic transfer from national arena to transnational level. Almost disproportional between East and West, the economic transfer from national to trans-national space emphasizes a common economic strategy for growth, development, stability and efficiency. This ideal of Lisbon Agenda 2000 underlines the idea of international competitiveness. "Such observations have not reassured those who worry about Europe's ability to maintain its international competitiveness, expand its exports, and grow in the face of competition not just from the United States but from China and the rest of the developing world. Moving further into the production of high-technology products in which developing countries have relatively little presence is one potential source of insulation from this competition, but here observers worry about the bureaucratic obstacles to new firm formation and prohibitive hiring and firing costs discouraging high-tech start-ups". (Eichengreen, 2008, p. 380)

It is very difficult, for the economic analyst, to create a scientific framework for prediction the EU position in international competitiveness. This epistemological difficulty derives from the heterogeneity of European markets, from the economic cleavages between countries with different geo-economical positions, from asymmetrical economical and technical standards between EU members, from the complex and unpredictable interactions between common market and national economic sectors and from the lack of integration of certain services or industries in transnational economic structure.

"Strategies deployed by business in response to the challenge posed by the single market will be largely determined by the structural environment of their own industry. This is because the scope and character of the opportunities presented will be largely fashioned by this environment and the parameters set by it". (Dent, 1997, p.73) Theoretically, the elimination of commercial border and the process of creating a common free market are the main vectors of evolution and competitiveness in European Community. The elimination of trade borders is due to amplify the level of stability in internal markets of EU members and the level of competition in external economic relations of EU.

"The elimination of border controls will improve the competitiveness of intra-EU imports not only in relation to domestically produced products but also to extra-EU imports, potentially resulting in trade creation and trade diversion respectively. There should be an improvement in member states'

terms of trade as cheaper imports become more accessible and from a concomitant fall in inflation levels”. (Dent, 1997, p. 67) The integration process in a common financial market will generate a more efficient allocation of capital flows, and will enhance a competitive environment for national or cross-national economic actors. But, in practice, the common open market could be “contaminated” by national “economic illness”, especially from the members of Eastern Europe. A common space for economic action supposes the translation of national problems or “good points” to the trans-national sphere. And, this mechanism could be in a disequilibrium moment, if we assist to a prevalence of imbalances from eastern countries. This procedure, in subsidiary level, determines a kind of imbalances import and economic insecurity. In this analytical framework we can wonder if a common liberal market will reduce the discrepancies between different geographic or historical economic spaces. “This is particularly relevant if we adhere to the core-periphery view of regional development which dictates that more liberalized market conditions will exacerbate the process of divergence between richer core regions and poorer peripheral ones. The alternative neo-classical view, based on the counter-belief of market forces working towards a convergent equilibrium position, argues that the SEM’s effects would be contributive ultimately to greater regional balance. The Commission and most member states have embraced the former view more warmly. The SEA contained proposals to double the EU’s Structural Funds as a compensatory measure against the anticipated detrimental impact of the SEM upon peripheral regions”. (Dent, 1997, p. 71) This central-periphery approach can be applied in economic geography for understanding the discrepancies between economic policies in Western democracies in correlation with social protection and economic decisions from eastern “fragile democracies”, or in association with the north countries models of economic growth and development.

The liberal meaning of EU economic building shows a kind of centrifugal model based on the entrepreneurial values and actions, crystallized around the rational economic behavior of the states or individuals. Thus, we can distinguish a kind of “Business Europe” constructed in parallelism with the social model of community space. Deriving from these normative premises, a liberal or neo-liberal conception of economic development based on a common and free market is the normative and both empirical solution to imbalances or disequilibrium. The essence of European free market consists in the freedom of factors of production like: labor, services and capital. In this equation all the economic services are equivalent or congruent with entrepreneurship. Thus, the business freedom and directs invests are fundamental values of a coherent and efficient financial market. “In order to complete the common market, the freedom to supply goods and services was to be accompanied by the free and

undistorted movement of factors of production. Labour, capital and enterprise (freedom of enterprise being termed the right of establishment) should be able to locate anywhere within the common market”. (Swann, 2005, p. 5)

The practice of a monetary union can be seen as the pillar around which is created the financial market. This union implies a set of economic standards for members, with the practical purpose of reducing the imbalances between developed countries and late developed countries or nations in economic transition. “Second, the debates about EMU also provoked thoughts about a European constitution. EMU would shift control over monetary affairs to the centre, to a European central bank to be known as ‘Eurofed’. How would those concerned with monetary, and indeed budgetary policy be made accountable?” (Swann, 2005, p. 20) All the changes from eastern economic systems had influenced financial markets through the import of national inflation or the disequilibrium of the labor market. “The changes in eastern Europe and in the general international atmosphere had several implications. The changes were of such a magnitude that it was increasingly felt that the EPC mechanism was inadequate to bear the weight of the new challenge. The changes also implied the possibility of new members, but a larger Community would slow down decision-making in the absence of institutional reform”. (ibidem)

Although, the changes in European economic structure could affect the equilibrium of free market, we can underline the major role played by the flexibility in economic trans-national construction. Flexibility is used with the sense of differentiated integration and represents a main feature of “constitutional orthodoxy” in the European Union. Flexible market regulation cannot be reduced to the removal of obstacles to movement across the single market and there is no reason to assume *a priori* that the adoption of uniform rules at Community level will necessarily result in a more flexible regulatory framework. EU regulation can be just as rigid as national regulation. Economic and Monetary Union has pushed the issue of flexible regulation to the top of the single market agenda”. (Bernard, in Barnard & Scott, 2002, p. 102)

We can see the flexibility like a political necessity, reflected in the predilection of countries for the instrument of the directive rather than the regulation for internal market measures. In this meaning, in the economic literature of market integration we have met a synonymy between flexibility and a kind of “indirect rule” of the market. It is necessary to analyze the market dynamics and stability through flexibility, for understanding the different levels of economic integration.

In practice the European Court of Justice maintained a strict line between the Community rules on competition, and the rules on free movement. “It is the latter issue, commonly referred to as the *horizontal direct effect* of the fundamental freedoms. The immediate cause of renewed interest in the principle of horizontal direct effect of the fundamental freedoms is to be traced back to a recent decision of the Court of Justice on the matter, in which it eschewed once more using the sibylline language that had gradually become its trademark and delivered a judgment clearly bearing marks reminiscent of some of the great judgments in the early days of the Court”. (Van Den Bogaert, in Barnard & Scott, 2002)

The financial market integration objective is reflected in promoting securities market integration. This idea is seen as an important step for a long-term political vision of a robust EU. “Looking more narrowly at the economic objectives underlying the drive towards an integrated European financial market takes the debate into somewhat less contentious territory. Since it is a key function of financial markets, defined here as including equity markets, bond markets and the banking sector, to facilitate the allocation of resources to their most productive use, it is intuitively persuasive to expect connections between the depth and sophistication of a region’s financial markets and its economic prosperity. A well-functioning integrated financial market that brings together previously fragmented pools of capital into a single source should offer a range of potential benefits to enhance the allocative efficiency of the market for the benefit of the real economy. For investors it should offer the potential for higher returns through enhanced opportunities for portfolio diversification in more liquid and competitive capital markets. For companies it should provide easier access to financing capital and to a wider choice of financial products at attractive prices”. (Ferran, 2004, p.13) The main purpose for market security is represented by the economic growth and stability, without the geographical cleavages and economical traditions in Western Europe or Eastern Europe. In this framework, our purpose is to observe the evolution of economy and market in the EU sphere with any differences generated by the geo-economical positions and traditions. Thus, we want to observe, in this evolution, any types of economic policies for ameliorate the imbalances with their geo-political or geo-economical relevance.

2. ECONOMIES IN SYSTEMIC CRISES: ECONOMIC CYCLES AND STRATEGY

In the core of Keynesian macroeconomic theory until the beginning of the 1970s we can put the concept of economic cycle. This is a kind of Neoclassical Synthesis with a strong theoretical and practical experience from the Great Depression of 1930's. This body of theory organizes the description of a closed economy into three major building blocks: the IS and LM relationships for the goods and money market, which in combination yield the so-called AD curve; an AS curve derived from the marginal productivity principle for labour; and demand facing supply on the labour market. In its basic equilibrium formulation, prices (p) as well as nominal wages (w) are perfectly flexible, so that the economy is on its steady-state growth path. (Chiarella, Flaschel, Franke, 2005, pp. 8-9)

In the history of economics, no subject has been more puzzling than the business cycle. Although numerous theories have been suggested since the cycle was first recognized late in the eighteenth century, none of them has succeeded in providing a full explanation of this phenomenon. The causes of the cycle suggested by these theories seem to cover every kind of economic and noneconomic factor one could imagine. (Kyun, 2006, pp.1-2) These theories are centered on the possibility of explaining the economic dynamic through a cycle perspective, with the possibility of generating a kind of "economic laws" like the theories or concepts from natural sciences. One of the main variables of cycle analyses is represented by the competition on the free markets. In this meaning we can observe that an economical cycle has two main phases: growth and crises (depression). The by-pass between growth and crises is marked by the presence or the absence of economic competition. "Like all complex elements, competition has consequences as well as benefits. Competition leads to crisis, the dark side of free-market economics. Despite this drawback, competition is the final element that leads to a free market's complexity. Remember, complexity is a *process*. It is always dynamic, always changing and adapting. There is no such thing as static equilibrium. Equilibrium is a *dynamic* process in which the global or typical characteristics are stable, but the details are ever changing. Competition keeps the process moving. The goal of competition might be: the food in an ecosystem, an optimal solution in a neural network, or the available capital in a free market. The competition cannot be unconstrained, however. There are always rules to ensure that cooperation continues." (Peters, 1999, p.94)

We cannot imagine a cycle between growth- crises- growth without underling the major role played by economic competition. This competition is in fact the natural law of entrepreneurship and also one of the basic models of organizing a free market.

According to Joseph Schumpeter the entrepreneurial action, based on competition between two or more agents, can be reduced to a creative response to economic environment. Thus, we can distinguish two phases: adaptive phase and creative phase. Both phases, as components of entrepreneurial action, are the expression of the by-pass between economic recession and economic growth. “To the Austrians, the business cycle is a matter of coordination. Individuals are trying to mesh their plans in order to meet separate objectives. In particular, producers are attempting to coordinate their production and development activities in order to satisfy the needs of consumers. In a “perfect market,” these activities would be exactly met. Strangely, the mainstream school calls this “perfect competition,” even though the concept eliminates competition. When producers and consumers exactly mesh their plans, there is no need for competition. Instead of perfect competition, the theory should have been called “perfect coordination.” An important assumption is built into the perfect competition model: All parties have the same information and value it in the same way. Only if knowledge is homogeneous will a state of perfect competition exist”. (Peters, 1999, pp. 99-100)

As part of economic cycle, the systemic crises generate a set of negative externalities in national or trans-national economic structure. The lack of competitiveness, the lack of direct investments from entrepreneurs and the imbalances from national economy are the hypostases of economic recession. This phase of economic cycle is regarded for the analysts like a natural phase which could be ameliorated. In this meaning some American economists like Bernake were interested in the process of economic cycle amelioration. But all these perspectives put in “front office” the economic uncertainty and the impossibility of artificial amelioration of this cycle. This aspect could be one of the explanations for the systemic crises, which derives from monetary infusions in “ill economic sectors” or in financial markets.

As part of economic cycle, European financial crisis is without any precedent since 1945. Credit growths, the infusion of monetary liquidity, low coordination of macroeconomic policies are some relevant aspects for understanding the cyclic movements of national economies. The international trade and international economic relations between EU countries and USA is a relevant mechanism for understanding the spreading of economic recessions in different geographic positions. We have here a kind of “contamination” through financial or economic markets. In this sense, the EU countries had imported all negative externalities from USA markets. The important difference is that, like during the Great Depression of the 1930s, the current crisis is endemic and global. We assist, to cycle recession with systemic effects, but with different ways and strategies for ameliorate or reduce the impact.

“Notwithstanding the heavy policy intervention, the EU economy, like other developed economies, is projected to shrink by some 4% in 2009, the sharpest contraction in the EU's history (European Commission 2009). Signs of incipient recovery abound, but this is expected to be rather sluggish as demand will remain depressed due to deleveraging across the economy as well as inevitable structural adjustments. As discussed in a recent Commission report (European Commission 2009), the crisis is likely to raise five challenges”¹². In this context the challenges are:

- i) Unless policies change considerably, the growth potential will suffer as parts of the capital stock are obsolete and increased risk aversion will weigh on capital formation and R&D
- ii) While job losses have been contained so far, eventually the impact of rapidly rising unemployment will be felt.
- iii) The fiscal deficits and debt will continue to increase, also in a structural manner as tax bases shrink permanently and contingent liabilities stemming from bank rescues may materialise.
- iv) The financial crisis has asymmetric effects, which poses a long-lasting challenge for intra-EU adjustment.
- v) There are potential implications of the present crisis for the resolution of the global imbalances¹³

In this context of a cycle paradigm of disequilibrium in EU economy we consider that all the economic policies implemented by the EU actors to the national level, and also to the level of common market are variable in magnitude, intensity, efficacy and governmental management. All these differences are the product of different geographical level, and, for this reason, our purpose is to underline some explanation of intensity and magnitude using as comprehensive unit the geographical distribution inside the EU.

¹² See <http://www.voxeu.org/index.php?q=node/4065>

¹³ See an empirical analyses realized by István P. Székely, Paul van den Noord in the *Economic crisis in Europe: Cause, consequences, and responses – A report by the European Commission*. This report can be consulted on <http://www.voxeu.org/index.php?q=node/4065>

3. DATA AND METHODS

The paper tries to adequate the normative implications and perspectives in practice of systemic economic crises inside EU. Starting with this theoretically premises we want to describe and also to explain the various modality of economic recession and the possible solutions for ameliorate this phase of economic cycle, using a quantitative methodology of research. This kind of methodology will facilitate the comprehensive - inference procedure and will create a mathematical approach in the geography of economic crises. The main purpose of this research is to transcend the limit of descriptivism in understanding economic imbalances in EU, and also the cleavages between Western economies and Eastern macroeconomic policies for development, integration in EMU and stability.

The research questions of this study are: i) which are the basic features of European economic crises? ii) How we can understand the economic crises in EU through a geographical partition? iii) which are the possible solutions for ameliorate this phase of economic cycle? These questions are both normative and empirically, in this case our design of research focuses in two main directions- 1. a theoretical direction, in which we try to enounce comprehensive inferences about EU economic dynamics and strategies for reduce the economic crises impact; 2. an empirical case study, in which we want to observe.

The main hypotheses of this research are: h_1 : Western countries, with liberal traditions, are more efficient in reducing the negative externalities of economic crises. h_2 : Eastern EU members, with post socialist orientation, have greater predisposition in assimilating negative externalities in economic recession.

The aim of this paper is to observe, at empirical level, the main variables that explain economic crises. Starting with this point of view, this analyzes will be applied in EU members from different geographic position. We use regional case study for understanding the particularities of the the economic crises in the EU markets. The case study is also completed by direct observation and by secondary data, derived from academic research or scientific institutes of economic researches. Our methodological design supposes a comparative case study between: Greece, France, and Romania. This study is focused on different geographic perspectives from South, West, and East.

To the analytical level we use the following variables: x_1 - GDP dynamics, x_2 - economic freedom, x_3 - central governmental debt, x_4 - direct investment, x_5 - nonperforming bank loans, x_6 - inflation GDP deflator, and x_7 - labor force.

Numerical values for each variable, except economic freedom, are calculated/ estimated by World Bank data survey, and economic freedom is measured to the scale 0-100 by the Heritage Foundation.

This analyze is focused on a longitudinal exploratory analyses among 2006-2009, for observing the cycle phases: the end of the economic growth period between 2006 and 2007 and the first stage of economic crises between 2008-2009.

Our mathematical models are based on a basic statistics and also on regression models for understanding the main correlations and associations between variables. In this meaning we will use simple differential equations:

$$Y = \frac{dy}{dx}$$

Also, we will use simple integral calculus and Newton-Leibnitz theorem:

$$\int_a^b f(x) dx = F(b) - F(a)$$

Our exploratory model is based on linear and nonlinear regression with :

$$y = a + bx_i, \text{ and}$$

$$\begin{cases} na + b \sum_{i=1}^n x_i = \sum_{i=1}^n y_i \\ a \sum_{i=1}^n x_i + b \sum_{i=1}^n x_i^2 = \sum_{i=1}^n x_i y_i \end{cases} \quad \begin{cases} a = \frac{\sum y_i \sum x_i^2 - \sum x_i \sum x_i y_i}{n \sum x_i^2 - (\sum x_i)^2} \\ b = \frac{n \sum x_i y_i - \sum x_i \sum y_i}{n \sum x_i^2 - (\sum x_i)^2} \end{cases}$$

Starting with these statistical and mathematical tools, our research wants to explain the economic dynamics between 2006-2009 in different geographic area for understanding a general tendency in EU economy and the areas with a high level of economic risks.

4. RESULTS AND DISCUSSIONS

4. 1. Case Study: Greece

To the descriptive level we can observe this dynamic of each variable:

Figure 1 - Descriptive Indicators for Greece

Descriptive Statistics			
	Mean	Std. Deviation	N
GREECE GDP DYNAMICS	2,2500	3,06866	4
NONPERFORMING BANK LOANS IN SPAIN	2,5250	2,11088	4
INFLATION GDP DEFLATOR IN SPAIN	2,5250	1,68201	4
ECONOMIC FREEDOM IN GREECE	60,0500	,94692	4
CENTRAL GOVERNMENTAL DEBT IN GREECE	128,0750	7,17141	4
DIRECT INVESTMENT IN GREECE	4E+009	1836328531	4
NONPERFORMING BANK LOANS IN GREECE	5,6500	1,41539	4
INFLATION GDP DEFLATOR IN GREECE	2,7250	,97425	4
LABOR FORCE IN GREECE	5184220	20623,85717	4

Figure 2 - Correlations for Greece

Correlations

		GREECE GDP DYNAMICS	ECONOMIC FREEDOM IN GREECE	CENTRAL GOVERNMENTAL DEBT IN GREECE	DIRECT INVESTMENT IN GREECE	NONPERFORMING BANK LOANS IN GREECE	INFLATION GDP DEFLATOR IN GREECE	LABOR FORCE IN GREECE
GREECE GDP DYNAMICS	Pearson Correlation	1	-,717	-,849	,293	-,898	,817	-,732
	Sig. (2-tailed)		,283	,151	,707	,102	,183	,268
	N	4	4	4	4	4	4	4
ECONOMIC FREEDOM IN GREECE	Pearson Correlation	-,717	1	,572	,452	,676	-,360	,585
	Sig. (2-tailed)	,283		,428	,548	,324	,640	,415
	N	4	4	4	4	4	4	4
CENTRAL GOVERNMENTAL DEBT IN GREECE	Pearson Correlation	-,849	,572	1	-,359	,990*	-,962*	,262
	Sig. (2-tailed)	,151	,428		,641	,010	,038	,738
	N	4	4	4	4	4	4	4
DIRECT INVESTMENT IN GREECE	Pearson Correlation	,293	,452	-,359	1	-,268	,601	-,055
	Sig. (2-tailed)	,707	,548	,641		,732	,399	,945
	N	4	4	4	4	4	4	4
NONPERFORMING BANK LOANS IN GREECE	Pearson Correlation	-,898	,676	,990*	-,268	1	-,927	,365
	Sig. (2-tailed)	,102	,324	,010	,732		,073	,635
	N	4	4	4	4	4	4	4
INFLATION GDP DEFLATOR IN GREECE	Pearson Correlation	,817	-,360	-,962*	,601	-,927	1	-,246
	Sig. (2-tailed)	,183	,640	,038	,399	,073		,754
	N	4	4	4	4	4	4	4
LABOR FORCE IN GREECE	Pearson Correlation	-,732	,585	,262	-,055	,365	-,246	1
	Sig. (2-tailed)	,268	,415	,738	,945	,635	,754	
	N	4	4	4	4	4	4	4

*.Correlation is significant at the 0.05 level (2-tailed).

We can observe high negative correlations between nonperforming bank loans, central governmental debt and GDP dynamics. We can underline these associations with strong power with values $> -0,80$. Also we can estimate that a causal model of GDP recession could be a high inflation deflator rate, with a strong correlation. ($r= 0,81$). In the regression model we can estimate a nonlinear relation between GDP, inflation and governmental debt with $y= 0,72$. These powerful correlations explain the recession through a high level of inflation and a high level of governmental debt. The governmental debt generates a high level of nonperforming bank loans. To the statistical level we can observe that $r= 0,99$.

Figure 3 – Regression Model: Greece



4. 2. Case Study: France

To the descriptive level we can observe this dynamic of each variable:

Figure 4 - Descriptive Indicators: France

Descriptive Statistics

	Mean	Std. Deviation	N
FRANCE GDP DYNAMICS	,5500	2,32307	4
ECONOMIC FREEDOM IN FRANCE	62,8000	1,55349	4
CENTRAL GOVERNMENTAL DEBT IN FRANCE	72,4250	7,29857	4
DIRECT INVESTEMENT IN FRANCE	7E+010	1,713E+010	4
NONPERFORMING BANK LOANS IN FRANCE	3,0250	,40311	4
INFLATION GDP DEFLATOR IN FRANCE	2,0000	1,00333	4
LABOR FORCE IN FRANCE	3E+007	262742,82855	4

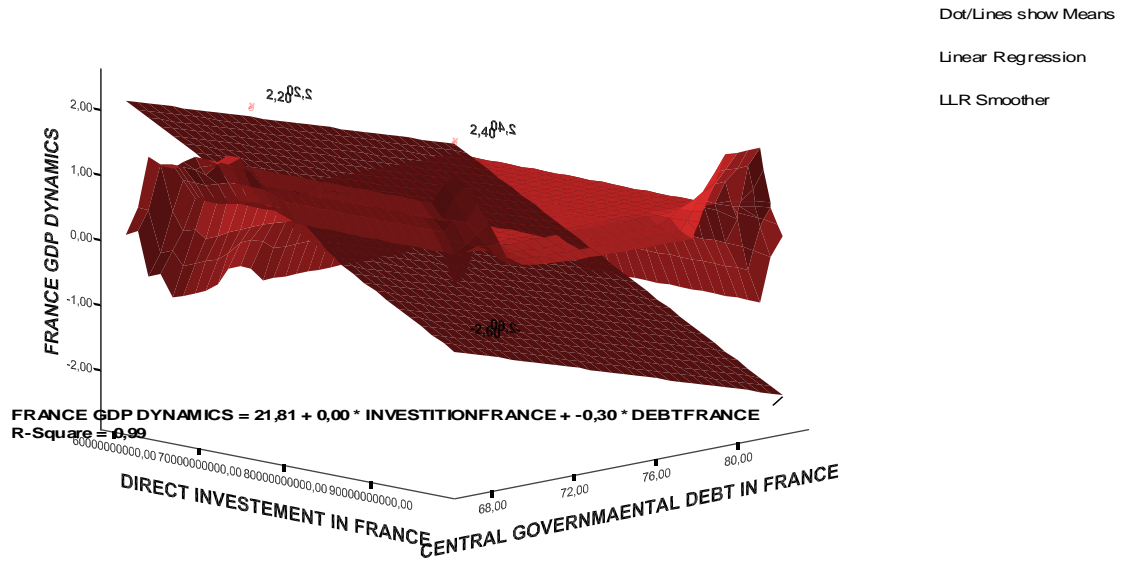
Figure 5 - Correlations for France

		Correlations					
		FRANCE GDP DYNAMICS	ECONOMIC FREEDOM IN FRANCE	CENTRAL GOVERNMENTAL DEBT IN FRANCE	DIRECT INVESTEMENT IN FRANCE	INFLATION GDP DEFLATOR IN FRANCE	LABOR FORCE IN FRANCE
FRANCE GDP DYNAMICS	Pearson Correlation	1	-.586	-.992**	.744	.872	-.774
	Sig. (2-tailed)		.414	.008	.256	.128	.226
	N	4	4	4	4	4	4
ECONOMIC FREEDOM IN FRANCE	Pearson Correlation	-.586	1	.482	-.479	-.137	.870
	Sig. (2-tailed)	.414		.518	.521	.863	.130
	N	4	4	4	4	4	4
CENTRAL GOVERNMENTAL DEBT IN FRANCE	Pearson Correlation	-.992**	.482	1	-.720	-.925	.711
	Sig. (2-tailed)	.008	.518		.280	.075	.289
	N	4	4	4	4	4	4
DIRECT INVESTEMENT IN FRANCE	Pearson Correlation	.744	-.479	-.720	1	.517	-.357
	Sig. (2-tailed)	.256	.521	.280		.483	.643
	N	4	4	4	4	4	4
INFLATION GDP DEFLATOR IN FRANCE	Pearson Correlation	.872	-.137	-.925	.517	1	-.497
	Sig. (2-tailed)	.128	.863	.075	.483		.503
	N	4	4	4	4	4	4
LABOR FORCE IN FRANCE	Pearson Correlation	-.774	.870	.711	-.357	-.497	1
	Sig. (2-tailed)	.226	.130	.289	.643	.503	
	N	4	4	4	4	4	4

** . Correlation is significant at the 0.01 level (2-tailed).

We can observe high negative correlations between central governmental debt and GDP dynamics ($r = -0,99$). Also we can estimate that a causal model of GDP recession could be a high inflation deflator rate, with a strong correlation. ($r = 0,87$). Direct investments could be regarded as a mechanism of reducing disequilibrium. To the statistical model direct investments are correlated with the growth of GDP in 75%, with a Pearson coefficient $r = 0,744$. In the regression model we can estimate a nonlinear relation between GDP, inflation, governmental debt and direct investment with $y = 0,99$. A good mechanism for equilibrate inflation deflator associated with a high level of direct or foreign investment determine a positive growth of GDP. We cannot apply a deterministic model, but we can observe that direct investment is the real source of economic growth.

Figure 6 – Regression Model: France



4. 3. Case Study: Romania

To the descriptive level we can observe this dynamic of each variable:

Figure 7 - Descriptive Indicators: Romania

Descriptive Statistics

	Mean	Std. Deviation	N
ROMANIA GDP DYNAMICS	3,7000	8,25146	4
ECONOMIC FREEDOM IN ROMANIA	61,0750	2,09662	4
CENTRAL GOVERNMENTAL DEBT IN ROMANIA	,0000	,00000	4
DIRECT INVESTMENT IN ROMANIA	1E+010	3165962518	4
NONPERFORMING BANK LOANS IN ROMANIA	7,1500	5,64771	4
INFLATION GDP DEFLATOR IN ROMANIA	10,4750	2,80164	4
LABOR FORCE IN ROMANIA	9886077	232458,48065	4

Figure 8 - Correlations for Romania

Correlations

		ROMANIA GDP DYNAMICS	ECONOMIC FREEDOM IN ROMANIA	CENTRAL GOVERNMENTAL DEBT IN ROMANIA	DIRECT INVESTMENT IN ROMANIA	NONPERFORMING BANK LOANS IN ROMANIA	INFLATION GDP DEFLATOR IN ROMANIA	LABOR FORCE IN ROMANIA
ROMANIA GDP DYNAMICS	Pearson Correlation Sig. (2-tailed) N	1 4	-.658 ,342 4	. ^a . . 4	.929 ,071 4	-.920 ,080 4	.895 ,105 4	.961* ,039 4
ECONOMIC FREEDOM IN ROMANIA	Pearson Correlation Sig. (2-tailed) N	-.658 ,342 4	1 4	. ^a . . 4	-.474 ,526 4	.817 ,183 4	-.475 ,525 4	-.770 ,230 4
CENTRAL GOVERNMENTAL DEBT IN ROMANIA	Pearson Correlation Sig. (2-tailed) N	. ^a . . 4	. ^a . . 4	. ^a . . 4	. ^a . . 4	. ^a . . 4	. ^a . . 4	. ^a . . 4
DIRECT INVESTMENT IN ROMANIA	Pearson Correlation Sig. (2-tailed) N	.929 ,071 4	-.474 ,526 4	. ^a . . 4	1 4	-.716 ,284 4	.725 ,275 4	.794 ,206 4
NONPERFORMING BANK LOANS IN ROMANIA	Pearson Correlation Sig. (2-tailed) N	-.920 ,080 4	.817 ,183 4	. ^a . . 4	-.716 ,284 4	1 4	-.895 ,105 4	-.992** ,008 4
INFLATION GDP DEFLATOR IN ROMANIA	Pearson Correlation Sig. (2-tailed) N	.895 ,105 4	-.475 ,525 4	. ^a . . 4	.725 ,275 4	-.895 ,105 4	1 4	.919 ,081 4
LABOR FORCE IN ROMANIA	Pearson Correlation Sig. (2-tailed) N	.961* ,039 4	-.770 ,230 4	. ^a . . 4	.794 ,206 4	-.992** ,008 4	.919 ,081 4	1 4

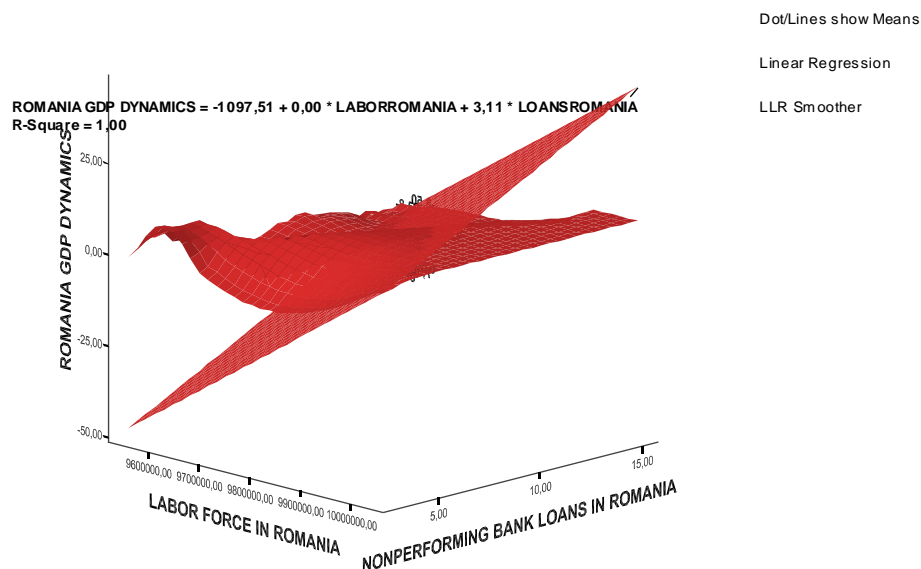
*. Correlation is significant at the 0.05 level (2-tailed).

**. Correlation is significant at the 0.01 level (2-tailed).

a. Cannot be computed because at least one of the variables is constant.

A Romanian crisis, like almost Eastern European economic crises, is the product of a combined 4 factors. With different values, each factor could be analyzed as a causal variable for the recession and for the “retard” of governmental macro policies. In this context direct investment, nonperforming bank loans, inflation deflator and labor force are the main variables of economic depression. All statistical correlations are significant for $r = 0,92$ or $r = 0,96$. The absence of direct investment associated with nonperforming bank loans explain the GDP disequilibrium with $r = 0,92$. The labor market is quite significant in GDP negative evolution with $r = 0,96$. In this case study we can observe a deterministic manner between labor force, nonperforming bank loans and negative growth of GDP. All these elements create a specific model of economic crises, with a great incidence in eastern countries. This model could influence negatively the natural evolution of EU market and economy in the absence of a coherent and efficient macroeconomic policy.

Figure 9 – Regression Model: Romania



CONCLUSIONS

This paper reflects the main economic tendencies of the EU members, especially from different geographical areas, with historical particularities and economic problems in managing the systemic crises. In EU evolution we have argued the main role played by the free market and entrepreneurship, as a vector for EU development, and as a true solution for structural crises. The financial market integration objective is reflected in promoting securities market integration. This idea is seen as an important step for a long-term political vision of a robust EU. The main purpose for market security is represented by the economic growth and stability, without the geographical cleavages and economical traditions in Western Europe or Eastern Europe.

In this framework, our purpose is to observe the evolution of economy and market in the EU sphere with any differences generated by the geo-economical positions and traditions. Thus, we want to observe, in this evolution, any types of economic policies for ameliorate the imbalances with their geo-political or geo-economical relevance. As part of economic cycle, European financial crisis is without any precedent since 1945.

Credit growths, the infusion of monetary liquidity, low coordination of macroeconomic policies are some relevant aspects for understanding the cyclic movements of national economies. As a result

for empirical analyses we can distinguish two types of economic crises and a western- liberal solution for economic growth. Thus, we have observed a model based on inflation and governmental debt, associated with bank credits, especially met in Southern Europe or in Western Democracy and a kind of mixt model, where the absence of investment, inflation, labor market disequilibrium, a high level of public debt are the main vectors of economic depression. A viable solution, observed in western countries practice could be: a high level of economic freedom (70-80%) associated with a high degree of direct or foreign investment. Here, we have to underline the neo-liberal perspective of economy based on entrepreneurship and competition between economic national or trans-national agents.

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THE CONCEPT OF NATION, SEEN BY GEORGE SOFRONIE AND THE ACTUALITY OF THE DEBATE IN THE CONTEMPORARY CONTEXT*

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Abstract: *The present article introduces the reader to the concept of nation provided by the great Romanian jurist George Sofronie. Sofronie can be seen as the "father" of the Romanian international public law school, because he is the one, who has written in Romania an handbook in these field. Sofronie debates on the problem of nations and of protected minorities. These are issues that are also very discussed in the field of the European integration process.*

Keywords: Nation, European Union, principle of nationalities, minorities

JEL Classification: K33

INTRODUCTION

The Romanian society is confronted with a critical lack of guidelines and role models. A varied range of reasons accounts for the fact that elites are nowadays barely recognizable. Overall, Romania seems to be deprived of an innate sense of value and tradition. Unfortunately, traces of the dismal communist era still linger, threatening to bereave the young generation of potential inspiration sources by acting with indolence and discarding valuable people.

Artists of Romanian origin are better known abroad, the laboratories in the United States of America acknowledge the results of Romanian scientists. Even the youngest of our talents seek to shape their future away from their home country. These sheer facts stem from a dark period in the national history, namely the one after 1945, when the Romanian elite were literally annihilated. History as such and the research in archives come to prove that the communist regime in Romania had

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indeed been the most brutal, whilst gradually succeeding in physically destroying the intellectuals. However, the communist regime in Hungary, Czechoslovakia or Poland simply removed the elite from leading positions or from cultural and art institutes yet did not physically finish off its representatives. Hence, the result is obvious.

A sole example is to be mentioned in support of this brief introduction. Alexandru Vălimărescu used to be a professor at the Faculty of Law (University Bucharest). He was born in 1899 in Craiova. At the age of 27, he delivered the defense of his PhD-thesis in Paris and in 1928 he was appointed docent in law. Between 1931 and 1949 Vălimărescu was furtheron promoted in the university hierarchy, while he was additionally working as a prodigious lawyer in the Ilfov Bar in Bucharest. In spite of this, after the “Popular Democracy” had been established, he was purged from the University, since he refused to compromise with the new political regime. Hired as an unqualified worker, he still privately managed to translate from French. Written by him, the lecture on Law Encyclopedia is a real gem, not only what the discourse management is concerned but also for the connections in his field of expertise. Judging by the previously presented information, one cannot help but wonder what kind of a system would want to destroy a valuable person in his prime. Certainly only a diabolical one! This introductory example was meant to raise awareness about the fact that progress cannot be attained as long as the past remains unknown. Moreover, it is imperative for Romanian jurists to become acquainted with the works of the reputed law theoreticians in their own country!

George Sofronie is such a jurist, almost a stranger to many, although he was a remarkable specialist in the field of Public International Law, working at the Law Academy in Oradea as well as at the Faculty of Law belonging to the University in Cluj.

1. GEORGE SOFRONIE – A SHORT BIOGRAPHY

Unfortunately, there is only little biographical information about George Sofronie. While researching in the National Archives in Cluj-Napoca¹⁴, I did not come across much personal data in ratio with Sofronie: a grid dated 1940 informs about the fact that he was married, had a daughter and had declared himself of orthodox religion.

¹⁴ There is a well-documented fonds at the National Archives Cluj Napoca, where one can identify the files of the Law Academy in Oradea as well as those belonging to the Faculty of Law (University Cluj). Unfortunately, during the 5 days I spent in the research room, I could only manage to go through around 1000 pages. That is why I have decided on a further research session at the above named institution. George Sofronie appears in various administrative documents: minutes, a letter exchange with the Rector or the Minister in Bucharest.

A brief biography can, however, be reconstructed based on the research of archive documents and of introductory studies written for some of Sofronie's books, which were later on republished. Another source of information is an article by Aurelian Ionașcu, entitled *George Sofronie. The man and the work*, that appeared in 1980. Thus, George Sofronie was contemporary with Vălimărescu. He was born on April 23rd 1901 in Lespezi, Neamț County. Sofronie went to highschool in Iași, together with a number of other significant personalities belonging to the Romanian culture and science. He moved to Bucharest in 1919, where he pursued his studies at the Faculty of Law, graduating in 1922. Paralleling this degree, Sofronie also studied Letters, displaying a genuine interest in history. 1923 is the year of his graduation, hence also achieving a degree in History. This double qualification proved useful throughout his career and scientific research, since it is mandatory for a specialist in International Law to be familiar with historical aspects. Moreover, Sofronie likewise managed to embed his linguistic skills in his field of activity by publishing articles in German and French.

In 1926, he delivered his PhD-thesis, *The principle of nationalities in Public International Law*, at the Faculty of Law in Bucharest, publishing it shortly thereafter in the *Annals of the Romanian Academy*. This acknowledgement was due to Acad. Andrei Rădulescu, who encouraged Sofronie's scientific endeavours.

These endeavours were mainly centered on the system of international relations and Sofronie could closely analyse the phenomenon, what with the creation of new and decisive concepts for the contemporary society. A suggestive example in this respect is the international organization. He was therefore the first to write a monography about the League of Nations, showing yet again a keen interest in the realm of international relations.

After having delivered the defense of his PhD-thesis, Sofronie went to Switzerland and France, supported by a Rockefeller scholarship. He attended the Graduate Institute of International Studies in Geneva and the Institute of International Law in Paris.

The beginning of his teaching career is to be sought in 1923, at the Gojdu Highschool in Oradea, where Sofronie taught history and law until 1928.

The latter year was to mark his debut on university level. He was allotted a position in the Department of Public International Law at the Law Academy in Oradea. This activity seems to have been paralleled by political involvement. According to some inconclusive pieces of information, he was mayor and prefect. Certain is only that between 1930 and 1931 he was a deputy, and was even elected Secretary of

the Chamber of Deputies. Throughout this time span, Sofronie dedicated himself to the Committee of Foreign Affairs and strived to materialize all the yearnings he had so far only dealt with in theory.

In 1934, he was appointed professor at the Academy of Law in Oradea, being the tenure teacher of the lecture in International Law. An oddity in this respect is to be mentioned. Upon researching in the Archives, it turned out that Oradea did not differentiate between Public International Law and Private International Law. The teachers attempted to present both facets at the same time. Nevertheless, while Sofronie worked there, the difference was made and he only taught Public International Law. A further oddity is that this subject had merely a lecture and no seminar, the latter being considered optional even for those subjects, which did indeed have such a teaching unit.

During the same year, due to the historical situation, the Law Academy in Oradea merged with the Faculty of Law in Cluj. Moving to Cluj brought about a new stage in Sofronie's career: he became a tenure teacher in Public International Law at the Faculty of Law in Cluj. He held numerous lectures there about his field of expertise and topical historical moments, which triggered the interest of the intellectuality in Cluj. Sofronie was the first Romanian theoretician to edit a treatise in Public International Law.

The archive research also revealed an invitation addressed by the Rector of the University Cluj. The presentation of the project supposed to be debated upon by Sofronie was conveyed in an appraising tone.

George Sofronie's teaching activity in Cluj lasted 12 years. Between 1945 and 1946, he was the Dean of the Faculty of Law. The minutes of the Teachers' Board, to which I have already had access, come to prove that he was always involved, constantly pleading in favor of buying foreign books and organizing student debate clubs for the newest issues in the field of International Law. The professor also coordinated diploma papers. Unfortunately, unlike the custom at the Faculty of Letters, the official academic records at the Faculty of Law do not reveal any topics, simply mentioning the word "Law" in the column allotted to the actual titles. That is the reason why I cannot provide any examples in this respect, in order to evince the aristocratic flavor of that time¹⁵.

Beginning with 1946, Sofronie was the tenure teacher of the International Law Department at the Academy of High Commercial and Industrial Studies in Bucharest, where he worked until 1948. At the same time, he was a permanent advisor at the Legislative Committee. Later on, because the department

¹⁵ According to the custodian of the research room, it is highly likely that the files I have not yet studied should contain reference to the titles of the diploma papers. Another explanation which could account for the missing titles, but for which I cannot provide any evidence at the moment, is that at some point, the exam was only a written one; hence the reason why just "law" was mentioned and the titles were not alluded to.

was disbanded, the former professor became the deputy director of the University Library Bucharest. Only rarely was he still called upon to hold lectures at the Law Department of the Institute of Economic Sciences and Planning in Bucharest. He passed away in 1961.

All in all, the work of George Sofronie is widely unknown; not only to laymen but also to those who specialize in International Law, since there is neither republishing nor any re-evoking of his texts. He distinguished himself in the Romanian Law through the fact that he wrote the first juridical monography about the League of Nations as well as the first treatise of Public International Law. By means of his articles, Sofronie dealt with riveting subjects, such as the analysis of international organizations, of Romanian and European diplomacy or of the global political geography. The scientific value and weight of his work was confirmed by the Romanian Academy, which awarded him prizes for four of his papers. These are: *Contributions to the Knowledge of the League of Nations, 1927*¹⁶; *The Protection of Minorities under the Regime of the League of Nations*¹⁷; *The Principle of Nationalities and the Peace Treaties of 1919, 1920, 1937*¹⁸; *Treatise of Public International Law (Principles, Institutions, Jurisprudence, New Tendencies), 1st volume, 1940*¹⁹. These masterpieces belonging to the School of International Law in Romania will be analyzed by the team around Conferencier Dr. Vasile Docea throughout an extensive research project.

George Sofronie's activity was noted in the public and academic milieu not only through his treatises and monographies, but also in terms of a significant number of articles published in Romania and abroad, thus managing to raise awareness about important issues in the field of international relations for laymen and specialists alike. His comments and analyses on foreign policy and diplomacy, which were published in papers such as *Adevărul* and *Universul* reached out to a wide audience. It was namely the time when the field of international relations was starting to blossom, the accent being placed on signing international treaties or on cooperation across the borders, seeking to create organizations at this level.

Consequently, Sofronie's works are a cunning display of both erudition and passion towards the object of study, transparent to any reader or scholar dealing with them.

¹⁶ Dimitrie Gusti was the correspondent on behalf of the Romanian Academy

¹⁷ Ion Nistor was the correspondent on behalf of the Romanian Academy

¹⁸ Oscar Niculescu was the correspondent on behalf of the Romanian Academy

¹⁹ Vespasian V. Pella was the correspondent on behalf of the Romanian Academy

2. THE NATION – A GENERAL PERSPECTIVE

The term *nation* is of Romance origin, a combination between *natio* and *nasci* (Bluntschli, 1875), which would entail the birth of a people from a sociological point of view. However, in some other parts of the continent, this concept is traditionally used to designate the people from a juridical perspective. In reference to French and Anglo-Saxon Law, one could mention the area of citizenship, which makes use of terms such as *nationalité* or *nationality*. That is why it is necessary to pay special attention to the manner in which “nation” is contextualized. What the French Law is for instance concerned, one should relate to the fact that nation must be interpreted historically and juridical as a nation-state.

It is, nevertheless, fairly clear to perceive who belongs to a people, in the juridical meaning of the term, since citizenship is regulated by means of procedural law. There are certain documents confirming someone’s status as a citizen.

From a pre-judicial (Heller, 1934, p.159), i.e. sociological point of view, a people is made up of a number of individuals, who have something in common: origin (Nawiasky, 1952, p.14), language, history or culture (Herzog, 1971, p.41). Others are of the opinion that crises (Zippelius, 1994, p.75), which have been overcome by a group of individuals, can be considered in this respect. Be that as it may, a “we”-feeling is present in most social units, from the family up to a baseball team. For this reason, the sociological dimension of the term “people” is not relevant to Citizenship Law.

The concept of people stands at the basis of the concept of nation. The transition from one term to the other occurred at a subjective level. Ernst Renan was the first to classically define the nation. This happened in 1882, while he was delivering a speech in Sorbonne, where he noted that: „L’existence d’une nation est (pardonnez-moi cette métaphore) un plébiscite de tous le jours” (Renan in Forest, 1991, p.31). The nation can thus be defined as a community (Nawiasky, 1952) based on belonging. It can also be interpreted as a nation created by its own will (Isensee in Stober, 1997, p.137).

Upon closer analysis of the terminology, one can identify two facets of nation. It comes into being (Kriele, 1994) on the one hand through the wish of the people, who becomes aware of its own identity. In other words, instead of simply cohabiting in a community, those who are part of a nation experience preservation and organization instincts.

Furthermore, there is a certain semantic connection between the terms “state” and “nation”, owing to the fact that the era when the nation was formed is contemporary with the one when the national state was created. However, the main difference between people in its pre-juridical meaning, and nation resides in the latter’s actually expressing the wish to achieve a political existence (Schmitt, 1993, p.79). Carl Schmitt²⁰ argues that one can theoretically envisage a nation created not on the basis of the people’s objective criteria, but exclusively out of the sheer wish of several entities (people or not) to cohabit. Therefore, Carl Schmitt considers one could also come across a nation made up of several peoples.

There is also an important difference between the people from a pre-juridical perspective, and nation. The latter has the ability to act politically: this feature determined Abbé Sieyes to formulate the theory according to which the nation is actually the one holding the constitutional power, i.e. the so-called “pouvoir constituant” (Sieyes in Dann, 1988, p.47).

The above presented facets do not, however, exclude each other. Heller remarks that one cannot talk about an affinity of the nation towards the state merely from the perspective of political will (Heller, 1934).

Most theoreticians of Constitutional Law are of the opinion that the first facet, namely the one concerning the preservation and organization instinct, can only be achieved by means of political will: “What feels like a unit, that wishes to preserve and strengthen itself, is only attainable through a powerful organization. The latter can only be found in another state”(Jellinek, 1960, p.120). Jellinek, on the other hand, solely mentions the typical form of a nation. It is consequently accounted for that the ratio between nation and state does not always rely on causality. History even proves that the state actually triggered and spurred the development of the nation (Schmitt, 1993, p.80).

Still, it was necessary to discuss the pre-juridical concept of people and nation precisely due to the fact that possible connections between the concept of citizenship and the already illustrated aspects could be identified. These connections are obvious when one tries to define, for instance, the principal of the national state, the concept of the peoples’ self-determination and the protection of minorities.

²⁰ Carl Schmitt was a German jurist and philosopher, an expert in political philosophy as well as a great scholar of the General Theory of Law, Constitutional Law and the Philosophy of Law. However, his collaboration with the national-socialistic regime would cause him isolation at the end of World War II.

At the end of the 19th century, Johan Caspar Bluntschli²¹ put forward the following working hypothesis, which he later on proved in his research: “(...) every nation is entitled to create its own state. Since the humanity is divided into a manifold of nations, it is only natural to know just as many states. Each nation a state and each state a national being” (Mertens, 2004, p.41). Bluntschli actually formulates the principle of the national state, principle which has dominated the theories about the state ever since the French Revolution. That doesn't mean that the person, seen as a non-juridical element, is always interchangeable with the concept of people, as a state component. A state made up of several people, is just as conceivable as a people spread out on the territory of several states. This logic-juridical conclusion stands at the basis of the concept of the peoples' self-determination (Quaritsch in Isensee *et al.*, 1995) as well as the need to protect the minorities (Murswiek in Isensee *et al.*, 1995).

The principle of the national state regained its importance when the socialist system in Eastern Europe was overthrown. Once the vertical pressure of the totalitarian regime had ceased to exist, all those states came to an end, since they hadn't actually been national states, but artificial constructs. Yugoslavia and Czechoslovakia are potent examples in this respect. On the other hand, national states such as Romania, Poland or Hungary, which were founded on horizontal cohabitation, survived the new political situation.

To sum up, in the case of Citizenship Law, the notions of people or nation may or may not influence the legislation in this field.

3. THE PRINCIPLE OF NATIONALITIES, SEEN BY GEORGE SOFRONIE AND THE DEBATE IN THE EUROPEAN CONTEXT

George Sofronie deals with this principle on various occasions, being utterly convinced that the appropriate approach is of pluridisciplinary nature. A passionate historian, Sofronie analyses this new concept not only from a juridical, but also from a historical point of view. Since he places emphasis on the latter, he sometimes lacks accuracy in his discourse management. Moreover, he broadly concentrates on the year 1918, which is highly looked upon by his generation, since it marks the creation of the modern Romanian national state. This national state is separated from the neighboring countries by borders, inside which nationals of the same ethnicity inhabit its territory. Just like any

²¹ Johann Caspar Bluntschli was a jurist and politician born in Switzerland. He obtained a doctor degree in law at the University in Bonn. He was a professor at the University in Heidelberg, becoming a remarkable and well-known specialist in Constitutional Law and in Public International Law.

other principle (Sofronie, 1929, p.13), this one seems at least in theory, to be an ideal pathway towards solving the main problems of a society. However, not only nationals of the same ethnicity live within the borders of a national state, but also the so-called minorities, like in the case of Romania. These are often defined as national minorities by the fundamental laws. Hence, the principle of nationalities is functional if and only if the principle of the protection of minorities parallels it. A national state cannot otherwise survive for a longer period of time. One can regard these two principles as opposing poles, yet they offer safety and balance to a successful state system.

Sofronie defines the principle of nationality as being the norm, according to which “those individuals who acknowledge powerful enough similarities between themselves have to be granted the opportunity to create an independent political community within a unique territory” (Sofronie, 1944, p. 5). Even though it is not stated obviously, the previous definition also implies abiding by another principle, namely the one regarding the self-determination every people should be able to exercise when deciding upon their fate.

The Romanian jurist is aware of the fact that the principle of nationalities cannot possibly work unless the minorities living on the territory dubbed “national state” are protected. He consequently argues that the construction of states in Europe at the beginning of the 20th century had not entirely respected the principle of nationalities, so that such a starting point could later trigger internal turmoil. The above mentioned national states were created by signing and ratifying peace treaties. Their authors were subjected to great pressure. For this reason, they did not wholly abide to the principle of nationalities, their priority being the rapid creation of a manifold of national states, meant to ensure a long-lasting peace. Not having acted as such would have led to dreadful consequences at the dawn of the new century. There was a subsequent balance between “nationality” and “minority”. In other words, without applying both principles, the national states would have converted themselves in fictional constructs.

Even nowadays, the specialized literature fails to cast some light on the issues of minorities and their rights within a national state. Some find that minorities are not supposed to have any special rights within a state, others, however, disagree, arguing in favor of their protection. Sofronie, on the other hand, seems rather reluctant towards the minorities being granted certain rights. This deduction might sound rather harsh, yet one must consider that even though Sofronie theoretically acknowledges the importance of protecting the minorities, when he discusses the concrete case study of Romania after 1918, his arguments no longer seem so permissive. The purpose of this observation is not to condemn

his position, but rather to point out that certain historical contexts can decisively influence a generation of intellectuals. Still, one must admit that Sofronie campaigned in favor of solving the problem of minorities by appealing to European standards, any other option merely aggravating current conflicts. George Sofronie was a visionary from this point of view, especially because he considered that pseudo-conflicts can only be dealt with appropriately on a supranational level.

Whether the principle of nationalities still stands is a question asked nowadays at European level. The European construct that came into being in the 1950s has evolved in ways its forefathers could never have imagined. The economic community tends to become a social and even political one. That is why the architecture of the elements which make up the European Union must likewise be subjected to changes. The Treaty of Maastricht (1992) brought about a new concept, namely that of EU-citizenship, which does not open a Pandora's box, but rather an architect's toolbox, meant to redesign a house. This plan hasn't yet been completed and it requires time as well as patience. However, one can imagine that, at some point in history, the European Union may become a "national element", whereas the groups of nationals within it might have the status of "minorities". The EU-citizenship is not the only aspect that hints at such a paradigmatic change in the integration process. The symbols (flag, hymn a.s.o) fulfill a similar function, bringing us closer and creating a common identity, in order to assure wealth, prosperity and a peaceful environment.

The concept of "peace" has been left out so far and is mentioned at the end of this article, because it is, in fact, a leitmotif in Sofronie's works. He pleads for applying the principle of nationalities precisely to demonstrate that balance and peace among European States can be achieved through it. The European construct was created for the precise reason of avoiding a new conflagration, with the purpose of offering the Europeans safety and peace.

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CONSIDERATIONS ON EUROPEAN POLICY OF RESEARCH, DEVELOPMENT, INNOVATION. CASE OF ROMANIA

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Abstract: *The evolution of the European policy in the field of research, development, innovation reflects the maturity process of the European construction, through the very understanding of the particular role of knowledge in economy. An important aspect is the connection with the acknowledgment of the professional's diplomas, which is based on the principle of automatism, on the mutual trust of the Member States in the qualifications obtained within the territory of any of them, on the tradition regarding the existence of a democratic and elitist education system. The improvement of the quality of education and the avoidance of sideslips are required. For the existence of a functional Euro-market in the field of research, development, innovation the differences between the European Union Member States have to be reduced, before attempting to catch up with the United States of America, Japan or China. Because knowledge is the inexhaustible resource of mankind in general, of the European Union, in particular, we should talk about a Union of Research, as we talk about the Monetary Union, for example. The strategy of economic growth in Romania was based on encouraging the consumers to spend money, but they didn't consider a coherent policy based on innovations.*

Keywords: research, development, innovation, education, knowledge

JEL Classification: A12, D63, D83, K19

1. EUROPEAN POLICY IN THE FIELD OF RESEARCH, DEVELOPMENT, INNOVATION. LEGAL FRAMEWORK

The evolution of the European policy in the field of research, development, innovation reflects the maturity process of the European construction, through the very understanding of the particular role of knowledge in economy. The first step in the regulation of the European policies on research, development, innovation is made by the Treaty establishing the European Atomic Energy Community -

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which deals with a specialized research strictly in the field of atomic energy, placing the community research as an alternative to the national research in this area and which does not set any obligations for the research-oriented Member States; its only purpose is to launch an invitation to every state interested in this field of research. The protection of the public interest at the expense of the particular one at European level is derived from the Treaty provisions which govern the dissemination of knowledge gained from research, free or based on non-exclusive licenses. The development of a research, development, innovation policy is the merit of the Single European Act. Although developed independently in the Maastricht Treaty, the common European policy on research, development, innovation (related to educational policy) is designed to interrelate with industrial policy, trade policy and fiscal policy. The understanding of the role of knowledge in today's economy takes the form of the goal set by the Lisbon Strategy, namely the transformation of Europe into "the most dynamic and competitive knowledge-based economy in the world.

Noting the provisions of the Maastricht Treaty on European research, development, innovation policy (Manolache, 2001, p. 436), the fact that the Member States are left with the responsibility for implementing the common policy in this area, based on the role of the European institutions in this field, we believe that the European Parliament should be granted more power, being undoubtedly necessary to inform it, while an active attitude of this European institution is also imperative. The detachment of the common European policy specificity on research, development, innovation, emphasizes that the broad lines are identical to those of the other common policies and that the main objective is to create a single internal research market.

2. ACKNOWLEDGMENT OF THE PROFESSIONAL'S DIPLOMAS, BOLOGNA PROCESS AND EUROPEAN POLICY IN THE FIELD OF RESEARCH, DEVELOPMENT, INNOVATION

An important aspect in terms of research, development, innovation policy is the connection with the acknowledgment of the professional's diplomas. The acknowledgment of the diplomas within the European Union for all EU Member States, in a simplified manner, based on the principle of automatism, emphasizes the mutual trust of the Member States in the qualifications obtained within the territory of any of them. This is an attempt of preserving both European identity preservation and the tradition regarding the existence of a democratic and elitist education system.

From this perspective, the improvement of the quality of education and the avoidance of sideslips are required. We disclosed in the present work the imminent danger of the Agreement between Romania's Government and the Government of the Republic of Moldova on the mutual acknowledgment of diplomas, certificates and scientific titles, provided by accredited educational institutions in Romania and in Moldova, in terms of achieving the common European policy objectives. In spite of this, we have to consider the fact that the European policy in this field is geared more towards internationalization than to Europeanization. The same trend is evident in the relationship between the European Research Area and European Higher Education Area.

European Research Area interfaces with the European Higher Education Area (Bologna Process), as the research process cannot be seen independently of the higher education area (Suciu M., 2006, p.27). It seems to us that the point of convergence between the European Research Area and European Higher Education Area lies in the emphasis on interdisciplinarity (considering that most positive results in technology and the economic zone are created in the interface of various disciplines). The Bologna system tries to make the European educational system compatible with the education systems from UK, USA, Canada, Australia, New Zealand, India, Pakistan, Asia and Latin America. Basically, in addition to the Europeanization (in the sense of European unity) of education, the Bologna system results in the globalization of education.

3. INTELLECTUAL PROPERTY RIGHTS AND EUROPEAN POLICY IN THE FIELD OF RESEARCH, DEVELOPMENT, INNOVATION

The amendment of the European Convention on patents, in terms of reducing time and costs involved in obtaining a Community Patent is also a priority. They should be reduced at least up to the level of the patents obtained in the United States of America, so that we can speak of a real competition between these two. The European Patent Convention was intended to centralize the request forms and the registration forms of patents at the European Patent Organization. This assumes obtaining a European patent by a single procedure, the costs of patenting being significantly reduced for the applicant in several countries. In case of the European patent, one should address to the European Patent Office.

From a procedural perspective, the European patent system is too costly and too complex. The analysis of a patent application may take up to 44 months, compared with 27 months in the United

States of America. Registering a patent in 13 most popular countries of the EPO costs the inventor 39,675 Euros, compared to 9,856 Euro in the United States and 5,541 in Japan. The cost of translation in eight languages (some of the 13 countries have common language) represents one third of this amount, a bill that increases quickly if one wants protection in all 31 countries, with their 23 official languages.

Therefore two patent systems coexist: a national one, in each EU member state, and a European one, but which doesn't achieve the unification of the laws at European level, being merely a form of cooperation of the Member States in terms of intellectual property rights, and without being part of the community legal order. The community policy on research, development, innovation must be understood as a European revival and regeneration policy, based on an inexhaustible resource - the knowledge obtained during research. The development of the research, development, innovation Euro-market is about the public nature of knowledge. The line between knowledge, as a public good and knowledge as a private good becomes clear only through the understanding of intellectual property rights.

4. FINANCING THE EUROPEAN POLICY IN THE FIELD OF RESEARCH, DEVELOPMENT, INNOVATION

Funding is the key to achieving a strategic target the European Union becoming "the most competitive and dynamic knowledge economy in the world". It is obvious that in the present context, given the results obtained so far, and the failures in this area at European level, this is an impossible task at present. In addition, the fierce competition in this area, with the United States, Japan and China have turned this target from a stable one, into a constantly moving target, impossible to achieve on short term. It is very important Regulation no. 1080/2006 of the European Parliament and Council on European Regional Development Fund (European Parliament, 2006).

For the existence of a functional Euro-market in the field of research, development, innovation the differences between the European Union Member States have to be reduced, before attempting to catch up with the United States of America, Japan or China. From this point of view, we can certainly see the difference between the European policy of research, development, innovation and the other community policies. Thus, the common agricultural policy, the industrial policy etc. pursue a rapprochement between the EU Member States without being focused on reducing the gap between EU

and the other three global competitors. In addition, based on the comparative advantages of each Member State, a specialization for each of it is pursued. In contrast, the common European policy on research, development, innovation is based on the competitive advantages of the Member States in general, and on the human capital in particular. Or, one cannot talk about a specialization of a Member State in this sector, because this would mean violating the non-discrimination principle. Only in this context one can understand the common European policy for research, development, innovation and only by understanding this issue Romania will be part of the Euro-market of research, development and innovation, while the European Union will be able to achieve the Lisbon target.

The EU Member States' economies, characterized today by a high level of income and productivity are characterized at the same time, by a high degree of technological innovation. They use cutting-edge technology, and their output consists of quality products and services incorporating high technology. This is strictly about how much of the GDP they invest in the research, development and innovation sector. Austria, Germany, Sweden, have per capita income and a high wage level, consistent with the way they intend to invest in the sector noted. On the other hand, Romania fails to establish the connection between research, development, innovation and per capita income. Killing this sector means inhibiting the economic growth.

The current economic crisis has affected the research, development and innovation sector in all Member States of the European Union. The development of the previously mentioned sector is contingent on the public or private investment in innovation seeing that, in fact, the economic crisis affected the industry; the enterprises management, the managers' attitude, has undergone transformations since they were under the necessity of cutting the expenses they used to make in innovation, in new products and technologies, and support the existing products and technologies. Even under these conditions, analyzing the reports on innovational politics presented in short above, in relation to the way in which the European Union Member States develop this policy, we can identify:

- leaders in innovation: Denmark, Finland, Germany, Sweden, United Kingdom;
- promoters of innovation: Austria, Belgium, Cyprus, Estonia, France, Ireland, Luxembourg, Netherlands and Slovenia;
- moderate innovators: Czech Republic, Greece, Hungary, Italy, Lithuania, Malta, Poland, Portugal, Slovakia, Spain;
- states which must reduce a strong gap in terms of innovation: Bulgaria, Latvia, Romania.

The improvement of the convergence degree between academic education and the scientific research results promoted at university level and the innovation absorption degree within the meaning of improving the capacity of the socio-economic environment to incorporate innovations is also required. The improvement of this segment depends on the mentality of people (a middle way between the particular way of thinking academically and the businessman style), but also on legislation. The important role is played by the national legislators who must find ways to stimulate enterprises to use, convert and enlarge the knowledge stock obtained through innovation, with the clear aim to broaden the possibility of applying this new knowledge in order to obtain innovative products, processes and services.

5. ROMANIA'S CASE

In Romania the research-development sector is favored to the detriment of the one of innovation (Lazar, 2010). The governmental support is directed towards the development of the public institutions of research, towards the increase of the number of specialists involved in the research-development activity and less towards innovation. The reduction of the expenses in relation to GDP starting from 2009 was a blow both to the research-development sector and to innovation. We can also add the lack of incentives for innovation in the research-development sector, the reduced capacity to elaborate projects and draw funds and to implement European projects, the misinformation regarding the delimitation of the responsibilities between the National Authority for Scientific Research and the Ministry of the Small and Middle Enterprises, the inexistence of supply and demand as far as innovations are concerned, the poor absorption of innovations by industry, meaning that more money is spent on machine, tools, extern equipment purchase and less for the development of the enterprise intern capacities.

In 2005, a study performed in Romania on 170 enterprises (Voinea, 2005, p.5) showed the percent of the research-development expenses, observing that it depended on the geographical location of the state, on the specific characteristics of the local market. The existence of the specific departments of research is essential; these determine the introduction of new products, of new technological processes, of new production methods. The development of the research sector pursues the increase of expenses, as well as the increase of the number of employees dedicated to this activity. What is

interesting is the great number of the small enterprises that invest in this sector. This could be due to the great number of the enterprises that work in the software industry.

The involvement of the Romanian state in supporting the expenses of the enterprises in this respect is extremely reduced. Thus, only 2.4% from the companies are supported by the state, while only 2 from 170 enterprises included in the study we mentioned above have tried to obtain European funds. Four out of five Euro invested in this sector come from personal funds, while the credits in this sector are in small number.

Also, very few Romanians are involved in long-life learning programs – only 1.3%, while 40% from the companies that were considered by the study did not invest anything in the training of their own staff. The lack of long-life learning programs makes the adaptation to the structural pressure more difficult, considering the compatibility between the national industry and the world one.

The intern and international competition are essential for the development of this sector.

The ecology, the efficiency and e-government (the increase of efficiency in the public administration) are the directions that have to be followed by the innovational policy from our country.

The strategy of economic growth in Romania, the way it was elaborated after the downfall of the communist regime was based on encouraging the consumers to spend money, on direct foreign investments and on capital flows. Unfortunately, they didn't consider a coherent policy based on innovations. The specialists believe that this is one of the reasons why Romania was and is strongly affected by the economic crisis.

Thus, in 2009, because of the economic crisis they cut down the funds for the research-innovation sector, getting to 0.18% from GDP in January 2009, subsequently increased to 0.27% from GDP, which is still not good enough. Thus, we can say that Romania is one of the last states of the European Union as far as the rate of innovation is concerned. Also, we have to say that we will not refer only to the negative “reminiscences” from this field which existed before 1989, and that we will observe the positive parts from the same perspective and weather they were turned to advantage or not. As an example, we will mention the number of researchers, the research centres from that time, as well as their evolution until now.

The drastic cut down of the research-innovation finances was reflected in the main financial instruments controlled by the National Authority of Scientific Research, as well as in the programs of the National Plan for Research-Development-Innovation, corresponding to the period of time between 2007 and 2013. The consequences of these financial cuts are both complex and negative at the same

time, neutralizing the encouraging signs from the past few years regarding the revival of this sector, the attraction of human capital in this sector, as well as the partnerships between the public sector and the private sector.

Except some debates in this respect, the authorities didn't take a strong official stand regarding the effect of the economic crisis on the research-development-innovation sector, as well as the measures that have to be adopted to counter-balance the negative effects.

CONCLUSIONS

Because knowledge is the inexhaustible resource of mankind in general, of the European Union, in particular, we should talk about a Union of Research, as we talk about the Monetary Union, for example. A greater dissemination of the research results would not only bring notoriety to European researchers and innovators, but also bring about greater competition in the field of research. Competition in research is needed to achieve excellence in this field. Therefore, we also think- as outlined in the Second Report for 2010 of the European Research Advisory Committee - that an annual designation of a "European capital for research and innovation" would be desirable.

Given the different culture of the European Union Member States, the separate systems, filled with tradition both in education and research, we consider the general approach in the Founding treaties appropriate; as for the rest, the issue of research, development, innovation must be subject to the community directives, sparing in this way the acute sensitivity in this area of the European Union Member States.

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THE FAIR VALUE – REPRESENTATION OF THE MARKET VALUE IN ACCOUNTING. TRENDS AND PERSPECTIVES IN ROMANIAN ACCOUNTING PRACTICE

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Abstract: *The market value, as a method of measuring the right value, also provides the highest objectivity due to the fact that it is based on information exterior to the entity, impossible to influence in any way. For the fair value of a product to be equivalent to the market value, a prerequisite needs to be followed: the market must be perfect, namely organized and active. In this case, the evaluation’s type is market to market. In certain fields, the active’s market existence is clearly difficult (for instance for the derived products or specialized, unique assets etc). In such situations – imperfect market – we will valorize that specific good by calculating its fair value by using an evaluation technique, an alternative technique in the absence of a price set by the market. There are two possible approaches: the first one belongs to the analogy method; the second approach belongs to valuing an asset using the modeling technique also known as market to model. The method of determining the value of an asset by analogy or similarity is theoretically valid, but in practice this is difficult, since the notion of similar characteristics is often difficult to establish and prove. This article proposes a valuation of the market value concept based on Romanian realities - legal, accounting practices in that area, and taking into account the existing fiscal limitations.*

Keywords: market value, fair value, comparison approach, the analogy method, identical or similar assets sales, the modeling technique.

JEL Classification: M41

1. FAIR VALUE – METHODS AND CRITERIA FOR RECOGNITION

According to the financial theory, the value of an asset corresponds to the current value of future flows brought by that specific asset (use value). The instruments used for reflecting this value, at any given time, are the markets themselves. One essential condition must be respected: the market must be perfect, organized and active. If the requirement is respected, (after BARTH and LANDSMAN), an

asset's fair value is equivalent with its market value. It's the evaluation called *market to market* (assessment by reference to a market).

Market value therefore represents the selling price of an asset, if there is an active exchange market, accessible to everybody, for the category of items that includes the asset. An active market involves homogenous assets trading between the actors who are permanently present in this market – sellers and buyers – the large public being aware of the prices. In certain areas of expertise, it is difficult for an active market to exist (for example for the derived assets or specialized, unique assets) in these situations – imperfect market – we will value the asset by calculating its *fair value*. This fair or venal value can be defined as the price an asset can be exchanged for within a balanced trade. We are talking about estimation and not about an observation, as in the market value's case. As financial reporting standards stipulate “*the fair value is the sum for which an asset could willingly be exchanged between two informed parties, within a transaction with an objectively determined price*”.

Using an evaluation technique is an alternative assessment method, because of the lack of a price established on the market. There can be encountered two approaches:

- The first one belongs to the analogy method which involves resorting to the market value of a similar asset that has identical or at least similar characteristics to those of the asset under consideration;

- The second approach is valuing an asset with the modeling technique. The method of establishing an asset's value through analogy or similarity is, theoretically, valid, but practically this is difficult to realize, to the extent that the *similar characteristics* notion is, in most cases, difficult to establish and demonstrate. For measuring the fair value, the second approach uses a model available for the entity. Resorting to this kind of technique we can assert that we are in front of a *market to model* valuation (by reference to a model). *For many the fair value notion knows only one reality: the market value*. This, however, represents only one method of measuring the fair value, the one which provides the biggest objectivity because it is based on information exterior to the entity that cannot be influenced in any way.

However, where the asset's value cannot be identified from the market – in the case of those tangible productive assets as machinery and equipment more difficult to trade on active markets, one resorts to the modeling of the fair value – „*the value that can be obtained from selling an active within a transaction held under objective conditions between interested and aware parties*”. In these cases it is

necessary to make analogies with recent transactions of the entity regarding similar assets, compliance with reasoning that will take into account variables as production capacity, operating state, age etc.

In accordance with the international norms [IASB, 2009] IAS 36 „Impairment of assets” certain **recognition criteria** will be respected when estimating the fair value.

One first recognition criterion – starting point in the fair value’s measurement – is presented by the 25th paragraph of IAS 36 „Impairments of assets” which considers that *„the best clue for an asset’s fair value minus the selling costs is the price from a strong sale commitment within a transaction held under objective conditions, adjusted according to the marginal costs associated with asset disposal”*.

In this case the fair value is established through reference to the asset’s *market value*, the best clue being the price of a strong sale commitment recorded after a market transaction (Manea, 2007). The disposal costs are deducted from the market price.

Among disposal costs, there are:

- legal costs;
- notary fees related to the sale (stamp taxes and similar charges);
- postage;
- costs of bringing the asset in optimal conditions for sale;
- travel costs etc.

Example no. 1:

An office specialized in accounting and audit consultancy decides to renew the computer network, selling the old ones according to characteristics such as motherboard, processor, memory, hard disk, disk drive, etc. Note that there is a strong sale purchase agreement and, for example for a Dell Latitude D620 laptop, Core2 Duo 1.66 GHZ, 2048 DDR2, 60Gb Hdd the price is 1.350 lei, the charges related to the sale are 350 lei. The fair value minus the laptop’s selling price is 1.000 lei.

In the same context, referring to the disposal costs and complying with the IAS 36 norms, „Impairment of assets” – paragraph 28 – there are not taken for granted those costs which have already been recognized as debts or those performed after disposal *“in determining the fair value minus the sale costs, the disposal costs are deducted, the other ones than those acknowledged as debts”*. Likewise, if when an asset is disposed the buyer is forced to take a liability for it, the fair value will be corrected with the debt value that is ceded *“sometimes an asset’s disposal may involve a debt assumption for the buyer, but only one fair value is available minus the selling costs both for the asset and for the debt”* (paragraph 29 of IAS 36 „Impairment of assets”).

Example no. 2:

A company has a facility available for sale, market price 230.000 m.u. At disposal the debt of 30.000 monetary units is to be taken over by the buyer. Since the fair value did not take into account the value of the debt transferred to the buyer, this must be corrected with the value of the transferred debt.

For the assets traded on the market for which there are no strong sale commitments, the starting point for measuring the fair value is represented by the asset's market value, in accordance with paragraph 26's clauses which considers that *“if there is no strong sale commitment, but the asset is traded on an active market, the fair value minus the sale costs is represented by the asset's price on the market minus the asset's disposal costs. The corresponding price on the market usually is the auction price. When auction prices are not available, the most recent transaction's price may offer a starting point for estimating the fair value minus the sale costs, provided that there was no major change of the economic environment between the transaction's date and the estimation's date.”*

Example no. 3:

Returning to the first example, the consulting firm is supposed to lack strong contracts, but it has information from the active market belonging to the calculating technique – from local newspapers – and estimates the laptop's price at 1.150 lei, sale related expenses of 100 lei. In this case the fair value minus the sale costs is 1.050 lei. If for the Dell Latitude laptop there is no information on the computing market, but the selling price for some similar equipment is known – the price ranges between 800 lei and 1.000 lei, commissions for selling 80 lei – the consulting office can estimate the fair value starting from the upper limit (the computer is considered usable, in good working condition) thus: $1.000 - 80 = 920$ lei.

If information cannot be gathered from the computing market regarding the selling price of equipment similar in design to Dell Latitude, but the consultancy office has recently made a similar sale, the obtained selling price can be taken as a starting point for calculating the laptop's under review fair value.

The approach from the last example requires the recent selling price's analysis (or the selling offers) of fixed assets identical or similar to the one under review in order to reach an indication about its value (Manea, 2007); in evaluation it is known under the name of *sales comparison approach*. Because it is usually difficult to find comparable assets identical to one concerned, corrections must be

applied for the prices of fixed similar assets sold to ensure their comparability based on the differences between their essential characteristics called **comparison elements**.

The comparisons and adjustments (corrections) are based on elements taken from the market and they reflect what the buyers consider to be the causes of price differences that they are willing to pay. If comparable fixed assets are superior to the one analyzed in a certain characteristic, then their price is corrected downwards. If these assets' prices are inferior to the one analyzed a positive correction will be made. Ideally, when these kind of adjustments and assessments, the conclusions should be based on **identical or similar assets sales** (usually similar), **that have been traded on the market**.

Unfortunately, assets sales identical to that analyzed are rare. Practically, market analysis will reveal similar and not identical assets sales, and this represents the similarity analysis on which the authorized specialist bases his opinion on value.

Among comparison elements there are:

- ***the actual age and origin*** (one will try to adjust the actual comparable's age);
- ***the state (the condition)***: It is known that the differences in the asset's state (condition) affects the selling price of similar assets;
- ***the capacity***: Ideally, the comparable asset should have the same production capacity (or a close one) as the analyzed asset. Otherwise, there might be required the correction for the comparable asset's selling price for reflecting the capacity differences.
- ***characteristics (accessories)***: The specialist assessor should compare the analyzed asset with assets that have the same characteristics and accessories;
- ***the location***: The comparable asset's sale's geographical location may affect the selling price. Additionally even an asset's physical location, within a facility, may affect the selling price;
- ***the manufacturer***: The specialist assessor should, where it is possible, perform the asset's comparison with similar assets' sales realized by the same manufacturer;
- ***the parties' motivation***: This represents an important comparison issue, especially for big equipment. Specialist assessors should analyze and understand the buyer's and seller's motivation and the way it affects the analyzed asset's value;
- ***the price***: In many cases, especially for large properties, the transaction's price should be investigated and expressed in monetary terms (cash);

- **the quality:** The comparable asset's quality should be equivalent to the analyzed immobilization. Otherwise, the specialist should either give up to the comparable asset, or perform an adequate adjustment;

- **the quantity:** Unit prices may vary considerably depending on the sold quantity, which will also be correlated to the market conditions: a buyer's market suggests some important quantities' availability whilst a seller's market suggests a limited quantity

- **sale date:** The specialist assessor should obtain information about sales recorded in a reasonable period of time compared to the analysis' date. This is important especially in the case of unstable markets. Theoretically, comparable sales should be close to the analysis' date, but these are not always easily obtained. When these kind of sales are recorded beyond the "reasonable" period of time, but they must be taken into account, the specialist should account for this fact and make the adequate adjustments, because the pieces of information have a low level of interest;

- **the sale type:** The sale's type and terms indicate different levels of prices related to different marketing methods (hence value's premises).

Generally, the sales comparison method can be used for any of the value's premises, at any marketing form. If the prices before the beginning of the transactions would have been declared, the result could be the market value. If the auction sales would be considered as a point of comparison, the result could be the forced liquidation value.

The sales comparison approach or the **modeling technique** is not applicable when the concerned asset is unique. Even when the asset is not unique, the approach is not applicable if there is not an active market for that element. An inactive market, or one where there is a limited number of sales comparable with the concerned asset, often indicates a lack of demand as well as economic depreciation: where there is an inactive market, the analyzed element could be more adequately assessed through **the analogy method** according to paragraph's 27 clauses of IAS 36 norm "*if there is no strong sale commitment or the asset is not being commercialized on an active market, the fair value minus the sale costs is calculated based on the best available information regarding the sum the company can obtain when the evaluation is made from an asset's disposal within a transaction held under objective conditions between interested and aware parties, after the costs related to the disposal are deducted. To calculate this sum, recent transactions' results with similar assets from the same branch will be taken into account. The fair value minus the sale costs does not reflect a forced sale, except in the case where the management is coerced to sale immediately.*"

Consequently, it is possible for the fair value to be determined even if the asset is not traded on an active market. In these cases, the company will analyze the available information regarding the possible past transactions, with similar assets, with known market selling prices; as well, if there are offers made for similar assets and the prices are situated at approximately close values, there can be made an estimation for the fair value minus the selling costs. This way, especially for those productive tangible assets as machinery and equipment that are harder to trade on active markets, there must be performed analogies with the company's recent transactions regarding similar assets, complying with reasoning which will take into account variables such as production capacity, operating state, age etc.

According to the American Standard FAS 157 market information examples are:

- market prices (finished transactions' prices, demanded or offered prices), adjusted if necessary;
- information regarding the interest rate, changes in production (activity), its volatility, the speed of receivables and trade payables, the unpaid debts' rate, the size of losses, the credit risk, liquidity and currency exchange rates;
- general and specific information regarding credits or other relevant statistics (industry and other sectors).

Returning to *the sales comparison approach*, pertinent questions arise: how is market information obtained and from where?

How is market information obtained: one way to obtain market information is to contact used equipment dealers, who know the analyzed type of equipment, in order to find out recent selling prices or current demanded prices. It is preferable to have a relation with more than one dealer in order to ensure coherent information.

Where can one obtain market information?

- used equipment dealers;
- new equipment dealers;
- sales brochures;
- private sales;
- auction sales.

New and used equipment dealers are good information sources. If a customer bought a mechanical device from a used equipment dealer, this would be a good piece of information. Even more, that dealer can be very cooperative in providing information. The specialist assessor should ask

the customer's permission to contact the dealer who sold him the equipment because the customer could disagree with communicating the sale information, especially if the dealer has relations with his competitors (Manea, 2007). The information obtained from the market will be used by the specialist to shape the analyzed asset's value; in its simplest form, the representation of the sales comparison method implies the relation:

The immobilized comparable asset's price +/- corrections = The analyzed immobilized asset's price

To determine the price more methods or techniques are used, as follows:

- *the identification method;*
- *the assimilation method;*
- *the percentage of the cost method.*

The identification method - This technique establishes an immobilized asset's value by comparison to *an identical one* that has a known selling price. A possible example could be the price for a forklift with known manufacturing, model, age, capacity and condition. In this case there are usually used specialized guides.

The assimilation method - This technique establishes the value relying on the analysis of some assets that have *key parameters close in size*, but not identical (therefore, similar assets), using a measure of utility (size, capacity etc.) as a comparison point. For example, an assessor cannot find sales for an engine lathe manufactured by the Company A, but he finds sales for some lathes with the same size and condition, manufactured by the Companies B and C. As a result, comparable lathes sale can be used, but the assessor must correct the differences from the subject.

The percentage of the cost method - This technique is nothing but establishing the ratio between the selling price and the current gross cost of an asset on selling date. With enough information, a specialist can make statistical analysis and he can establish relations that appeared on the market between the age, the selling price (or the asked on) and the price of a new one.

Example no. 4:

The ALFA Company has an equipment for which it must established the market value through the sales comparison method; for this, people resort to a specialist assessor's services, who, following the information provided by the manufacturers and new or used similar equipment dealers, has drew the following grid market for three sold equipments:

Figure 1 – Information gathered form the market

Elements	Equipment 1	Equipment 2	Equipment 3	Equipment to assess
Sale date	6 months	1 year	2 years	
Age	5 years	5 years	5 years	5 years
Condition	Medium	Excellent	Medium	Medium
Capacity	1.000 units	800 units	800 units	600 units
Accessories	Standard	Standard	Standard	Standard
Selling price	13.000 €	12.000 €	10.000 €	

Source: Manea M., Measurement and evaluation of depreciation to the assets, Academic Book Publishing, Bucharest, 2007

To perform the required corrections, the necessary pieces of information are: the prices increased by 10% a year in the last 2 years; the correction for the capacity differences is 9% for each difference of 200 capacity units; the correction for each condition (state) difference is 10%; therefore between the medium and good correction, the correction is +/-10%.

Corrections and adjustments must be done for sold equipments, where their characteristics are superior to the evaluated one, their price will be corrected downwards, respectively if their characteristics are inferior to the analyzed equipment a positive correction will be made, as in the following chart:

Figure 2 – The market value’s modeling through the assimilation technique

Elements	Equipment 1	Equipment 2	Equipment 3	Equipment to asses
Sale date	6 months	1 an	2 years	
Sale’s date correction	+2,5%	+5%	+10%	
Age	5 years	5 years	5 years	5 years
Age correction	0	0	0	
State	Medium	Excellent	Medium	Medium
State correction	0	-10%	0	
Capacity	1.000 units	800 units	800 units	600 units
Capacity correction	-18%	-9%	-9%	
Accessories	Standard	Standard	Standard	Standard
Accessories correction	0	0	0	
Total correction (% selling price)	-15,5%	-14%	+1%	
Selling price	13.000 €	12.000 €	10.000 €	
Selling price correction – net	10.985 €	10.320 €	10.100 €	

Source: Manea M., Measurement and evaluation of depreciation to the assets, Academic Book Publishing, Bucharest, 2007

The assessor has established a selling price of 10.900 € for the analyzed equipment.

Example no. 5:

The market value for a *group of assets* needs to be adjusted [Manea M., 2007] at a client’s request for a complete line of vacuum plastic injection, 1985 ABC, model X. The specialist assessor has information from auction sales for three comparables A, B and C, as in the following table:

Figure 3 – Information gathered from the market

Elements	Comparable A	Comparable B	Comparable C	Complete injection line
Age, years	7	4	10	5
Condition	Good	Excellent	Poor	Excellent
Production/min. pcs	750	600	500	1.000
Auction price	10.000 €	12.000 €	7.000 €	

Source: Manea M., Measurement and evaluation of depreciation to the assets, Academic Book Publishing, Bucharest, 2007

The correction for each condition (state) difference is 7%, and for each 50 production pieces it is 2%. Each year from the age presupposed a correction of 3%.

Figure 4 – The market value’s modeling through the assimilation technique

Elements	Comparable A	Comparable B	Comparable C	Complete injection line
Age, years	7	4	10	5
Age correction	-6%	+3%	-15%	
Condition	Good	Excellent	Poor	Excellent
Condition correction	+7%	0	+14%	
Production/min. pieces	750	600	500	1.000
Production correction	+10%	+16%	+20%	
Total correction	+11%	+19%	+19%	
Auction price	10.000 €	12.000 €	7.000 €	
Auction price correction	11.100 €	14.280 €	8.330 €	

Source: Manea M., Measurement and evaluation of depreciation to the assets, Academic Book Publishing, Bucharest, 2007

The assessor establishes for the group of assets an auction price of 14.700 €.

It is noted from the above exemplifications that when the professional expert does not have market information or these are combined with information from outside the market, the evaluation process requires the assessor to perform an adequate and relevant research, to carry out competent analysis and extract reasonable conclusions that can be sustained. Not any kind of data is accepted in this process, but all pertinent data about the market should be taken into account, as well as the tendencies and the comparable transactions and other pieces of information. If market information is scarce or inexistent (as in the case of certain specialized equipments), the specialist assessor must explain the situation adequately (in an open manner) and stress the fact that, due to scarce information, the estimation is, to a certain extent, limited. All evaluations need the professional assessor’s judgment; however the assessment report must show that he has founded the market value on market records or that the estimation has been based more on the assessor’s judgment, due to the asset’s specialized nature or due to the lack of comparable market data.

If we exclude the directions mentioned above for shaping the fair value starting from existing market information, one can draw the conclusion that, for the time being, within the International

Financial Reporting Standards the notion of fair value is widespread without reference to any detailed statement regarding its application. Likewise the Romanian legislation makes no reference to specific methods of measuring the fair value; the only data we can gather in the area of Romanian practice come from the professional assessors' experience. On the other hand, the American legislation indicates, through FASB three levels for the fair value, the uppermost are the market transactions that can be noticed for the same type of assets, the second level represents market transactions for similar assets, and the third level is formed of using models with the same market contributions or with a different base. When the fair value is used, the entity must present the level that has been used, as well as the model, in the third level's case.

In addition to modeling the fair value starting from the entity's best information from the market where the asset is traded - according to the sales comparison approach, respectively the approach belonging to the analogy method - establishing this aggregate is also made through other processes. Therefore, IAS 16 norm "Tangible assets" considers that "*if there are no market data regarding the fair value because of the specialized nature of the item of tangible assets, and the element is rarely sold, with the exception when it represents part of a continuous activity, an entity may need to estimate the fair value by using an **approach based on income or replacement cost depreciation***". In these conditions, the fair value's measurement will be performed based on the calculations executed by the assessment qualified specialists. However, since this material is not focused on exploring this aggregates, we will further concentrate on the fair value's modeling treatment according to Romanian accounting practice based on the market value.

2. THE FAIR VALUE APPROACHING THE ROMANIAN ACCOUNTING PRACTICE

The Romanian accounting system has undergone a radical change in recent years, but concerns for Romanian accounting's improvement and development continue. A variety of endogenous and exogenous factors demands that, in a world of globalization, the professional accountants know IFRS. At the same time, in order to maintain the general objective of making a common framework available for managers and financial analysts, framework that is internationally liked, for preparation and presentation of financial statements, the professional accountants have the mission to bring their contribution to the development of accounting policies that will transform the accounting into an essential management tool. Starting from these considerations, the challenge issued by the study of the

IAS 16 standards “Tangible assets” and IAS 36 “Impairment of Assets” sustains the convergence efforts in accounting.

And, although Romanian accounting has recorded a significant legislative progress by taking over concepts and definitions from standards, at times even to identification, Romanian standards do not offer many alternatives, maintaining the normative strictly explained character that does not allow choosing an accounting treatment or applying a politic established through professional judgment correlated with the standard’s requirements. The state of dialogue between accounting rules and accounting policies, between freedom to choose accounting procedures and the obligation to provide users with relevant and reliable information has not been identified yet.

In this context, in the last years the initiative of generalizing the fair value as an evaluation criterion of all fixed assets has become more significant. However, the path to the fair value will have to go through the difficulties of the modeling, which can be incorrect either when formulating the hypotheses, or during the process of choosing the parameters. If modeling the fair value would involve only the contribution of the market value, data gathering – for the perfect markets – it wouldn’t generate such a high subjectivity level for obtaining the value. But since, in most cases, as a consequence for the lack of an active market, the fair value is estimated by using alternative assessing methods, errors may occur when choosing work parameters. Without trying to go through the steps of modeling the fair value through the approach based on the income, for example, we mention here difficulties for measuring at least the following parameters:

- the estimation of the annual net operating income which must be the income that a medium investor expects to obtain and not the income a certain investor can obtain;
- determining the discount rate required by investor;
- estimating the residual value of the asset at the end of life.

And since the necessary information to establish these parameters are not, in most cases, available for the Romanian accounting professionals, the fair value’s modeling through the approaches based on models with same market contributions are found only on a theoretical concept level.

For Romania the fair value is still new. It is difficult for the professional accountants to clarify it on a conceptual level – as it will be seen from the research performed in this material – but even more problematical is its practical application. Regarding this matter, there can be noticed an attitude of reticence justified in the academic and professional environment in connection with the possibility of

introducing an accounting system including the fair value, or, why not, based on the fair value. What could be the excuse for this behavior?

Mainly, the system focused on the fair value as a management representative based on value, is directed towards maximizing the shareholders and creditors' fortune. Under the circumstances of the Romanian instable economical environment, where the bankruptcy phenomenon is manifesting strongly for too many entities, does the concern of protecting these shareholders and creditors even exist? Since he brought funds as well, will the minority shareholder be granted protection and will his economical interests be pursued? Is it possible, in the Romanian economy, to obtain an accounting support guaranteeing to the minority shareholder the profitability corresponding to the invested capital and the risks he has taken? Here are so many questions that must be answered by the Romanian economical environment.

Carrying on with the idea of the minority shareholder's protection, the Romanian accounting should find the best solution for evaluating the patrimonial items mirrored in the financial situations at the lowest cost from the historical cost and the fair value. At the time being, in Romania, at least on a conceptual level, a combination of the two systems has been adopted – historical cost and fair value, with an important significance for the former. Beyond the conditions of the accounting regulations, putting into practice the system based upon the fair value remains a necessity rather than an actual fact.

How did this situation come to be, actually? One possible explanation would be that, for the moment, too many hindrances are restricting the applicability of the concept, such as [Deaconu A., 2009]:

- a profound study and theoretical reflection rather poor for the alternative methods of evaluation in accounting;
- the insufficient theoretical development of the fair value concept by not knowing in practice its successive modelling stages;
- the scarcity of information on the market, as a result of the imperfect economical conditions;
- the opacity and lack of vision of the professional accountants who are not willing to accept the change of a familiar, easy to work with evaluation system, with another, more complex one that requires alterations and estimations difficult to achieve;
- the Romanian present accounting system's reduced ability to apply evaluation at a fair value, which requires specialised professionals – usually, the fair value is the evaluators' attribute.

Concerning the last point, only a few entities can afford hiring a professional evaluator, respectively creating a specialized department because this implies a sustained financial effort. Using outer consultants is not an option for Romanian companies either, especially during this crisis period. This is why, in our opinion, if professional accountants would have the necessary expertise; they could successfully shape the fair value, at a minimum cost for the entity for which they are providing accounting services. Additionally, ensuring the estimation's objectivity can be guaranteed through the ethical standards provided by an accredited organism to which that specific professional accountant has adhered.

CONCLUSIONS

For any Romanian accounting professional who is in an advanced stage to understand international accounting standards, it is easy to realize that they are based upon recognition and measuring principles. Recognition is the process of incorporating an accounting element in an entity's financial situations. After taking the recognition decision, the element's value must be measured, as an operation prior to its inclusion in the balance sheet or profit and loss account. The Romanian assessing practices of historical costs have ceased to comply with the ever complex necessities of the entities that are coerced to adapt to an economical environment that is always changing. In this context, it is necessary to apply the concept of fair value in the Romanian accounting practice.

Under the conditions of an active market, the fair value actually is the market price. In other words, when the markets' existence is not questioned, and they are efficient, an asset's fair value theoretically corresponds to the actual value of a suite of cash flows expected from the element in question in the future. On the other hand, when the markets' inexistence is questioned, or when these exist but they are inefficient, the fair value must be calculated which presupposes determining it based on a forecast model.

The detailed presentation of the fair value's modeling methods – with the examples mentioned above, represents an additional working tool available for the professional accountants, who have another item for the effective implementation of the provisions of IFRS standards. Although borrowed from assessing, these can be applied by other professionals than the assessing ones, while following the working steps mentioned above. The fair value's modeling through the presented options will stop representing in the future only the professional assessors' privilege. Although they are the ones who

mainly have a mix of information which the subsequently subject to modeling in order to estimate the fair value, we foresee a larger acceptance from the professional accountants regarding the practical use of the IFRS provisions. This and due to the fact that Romanian entities, under the present conditions of profound economic crisis will not afford to solicit external expert assessors every time they need to establish fair values for patrimonial items, even less to establish a specific assessing department which involves serious costs. However, there are some limitations, such as: the lack of motivation of the professional accountants to measure the fair value and as a consequence of the fiscal limitations that restrict the practices liked by international standards. In our book, the Romanian entities will be able to measure up to the international accounting practices in measuring the fair value even if they will have to overcome some limitations and constraints.

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THE EUROPEANIZATION OF THE DEVELOPMENT COOPERATION POLICIES: FROM PUBLIC OPINION TO PUBLIC POLICIES

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Abstract: *In the context of the growing importance of the cooperation for development in the European Union and the appearance of a common growing public opinion agreement supporting this kind of initiatives, it is necessary to understand if we can talk today about a true common European policy. Still covered on intergovernmental level and considered to be a part of the national foreign policies, EU development aid is still far from reaching the maximum of its efficiency. In this paper we try to introduce a new evaluation method of the cooperation for development policies and interpretation of the degree of Europeanization of the national policies, starting from the case studies of France, the Czech Republic and Romania, that will enable us to appreciate the stages that have to be completed by the member countries but also by the EU to realize a completely uniform European foreign assistance strategy. The understanding of the European development aid environment is also necessary for the elaboration and the implementation of the Romanian development cooperation policy which is just taking its first steps as an international donor.*

Keywords: *Developing countries, development cooperation, Europeanization, public opinion, foreign aid.*

JEL Classification: F35, F52, F59, I30, O19

INTRODUCTION

Development aid has become in the last few years a key issue in the EU foreign policy being pushed forward by the increasingly constructed awareness of the Europeans on their role in the world. Even if ten years ago it would have been difficult to think about a common European policy on the developing countries because of the different perspectives and interests, it becomes more and more

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necessary for the EU states and institutions to try to build a common cooperation for development policy.

This new reality is in fact determined by the increasing support that development aid benefits all over Europe even if the economical and social struggles of the common European citizen should have made him more self-centered. In fact if we look at the European opinion polls we see almost the same levels of supports independent of the economical development of the EU states: for example 89% of the Slovaks and 82% of the French and Romanians believe that development aid is a very important issue.

Furthermore we see building all over Europe more and more NGOs supporting development cooperation that are building national and European wide networks to try to promote even more the aid issues. Today some are even talking about a development civil society with their own media, objectives, meetings and perspective on the social role of NGOs. Our paper will try to have a European wide perspective on the construction of the development aid issue and show the common as well as the different features existing in Europe. The objective is to see if we can talk about a common European agenda-setting campaign and determine the structural framework on which it has been built.

The promotion of democracy, the respect for human rights, the rule of law and the international laws constitute, without any means, the principle guidelines of the European Union and one of the main basic elements of the identity of the European society mentioned even at the beginning of the Treaty of the European Union (articles 6 and 7).

Moreover the existence of expressed sanctions indicate the logical desire of the European Union to export its values after the Cold War, by pushing more and more of its partners to follow the democratic path. In the domain of foreign affairs, article 11 mentions the fact that “development and the consolidation of democracy and the rule of law, as well as the respect of the human rights and the fundamental liberties constitute objectives of the European Common Foreign and Security Policy”.

Several disposals of the constitutive treaties sustain this objective inside the different pillars. Therefore, articles 177 and 181 (Title XX Cooperation for development) place the promotion of the respect of the human rights and the fundamental liberties as objectives of development aid and any other form of cooperation with third party states. The articles 179 and 308 give a legal frame for all external actions in terms of human rights and democratization. The Lisbon treaty consolidates even more this trend, by confirming the desire of the Union to develop in the next few years its own individual action in favor of the promotion of its values in the world.

Nevertheless, in front of the proliferation of these instruments, several authors didn't miss the chance to question its efficiency and often arriving to mixed conclusions (Helly, 2005). The Commission has realized the same thing, presenting even a communication about the role of the European Union in the promotion of the human rights and democracy in third party states, by underlining the necessity of the redefinition of a new coherent strategy in the field designed to include the preoccupation of the human rights in all the components of the external actions (COM, 2001).

Unfortunately from the strategy to the implementation of the policies there is a huge gap due mostly to the fact that the cooperation for development is still a field dependent on the intergovernmental European decision making so therefore influenced by national interests. Nevertheless the EU has fixed some key principles that should be respected by the EU member states when establishing and fixing their own national cooperation for development policies: the cooperation for development should be preferentially accorded to the weakest and poorest states in the world with a special attention given to the Sub-Saharan Africa, the funds have to be conditioned by democracy principles and not by economic interests or products restrictions, the member states should present open policy strategies and evaluation papers for the beneficiary countries, the implication of the NGOs in the policy formation and implementation should rise, and finally the cooperation between the national agencies is considered to be highly desired and supported.

But can we really say today that the EU member states policies on the cooperation for development converge to a uniform interpretation of the domain and a true European common policy? To answer this basic question we have analyzed the elaboration and the implementation of the development aid policies in three member states of the EU: France, Slovakia and Romania. These countries have been chosen because the period during which they have belonged to the EU is representative of the different existing degrees of inclusion within the European structures and moreover their level of communitarisation of the legislation and practices in the field of development aid is different. Furthermore, the three states chosen for the study have a different experience in terms of cooperation for development, and these exact differences will enable us to illustrate the relation between the European policy and the national practice. This structural perspective will enable us to discover if the EU member states implement the European initiatives and recommendations in the field in the national measures plan and if we can considerate the cooperation for development policies as being communitarised.

1. COMMON EUROPEAN PUBLIC OPINION AND DEVELOPMENT AID POLICIES INFLUENCED BY THE NATIONAL INTERESTS

If we start by putting in relation the evolution of the development aid funds allocated by the European Commission and the evolution of the public opinion we manage to establish clear tendencies and relations that point out the influence of the European public opinion in the development of the cooperation for development policies. Firstly, we notice the fact that the degree of information of the population regarding development aid has doubled from 2003 to 2009, and this thing has enabled the public support for this kind of policies to grow from a low 75% in 2003, to values close to 90% of the European population.

Moreover these rising tendencies are also influencing the dimension of the ODA funds that rise in similar terms during the same period. The ODA funds allocated by the European Commission have therefore raised from 7.173 millions in 2003, to almost double in 2009, more exactly 13.444 million dollars. The important role played by the European Union is also reflected in the support that the EU benefits from the population. In 2010, not less that 76% of the population consider that development aid has to be communautarized but, contrary to opinions, the EU is not seen or desired to be the main operator of development funds. More exactly, on European level, in the context of the economic crisis, but also of euroscepticism, more and more people that sustain the European cooperation see in the national control a mechanism through which their personal and national interests are kept.

Table 1 - The European public opinion and development aid

	1983	1987	1996	1999	2003	2005	2009	2010
1. Population support of development aid policies	82%	88%	82%	76%	75%	91%	88%	89%
2. The degree of information of the population regarding development cooperation	-	-	-	-	10%	12%	24%	-
3. Population support for the communitarisation of the development aid policies	-	-	-	-	-	56%	61%	76%
4. Support for the EU as main operator of development funds	9%	3%	7%	45%	45%	-	26%	17%
European Commission funds (ODA funds in millions of euro - source OCDE)	-	-	-	-	7173	9390	13444	-

Nevertheless a rigorous analysis of the national cooperation for development policies of the countries used in our study indicates the influence of the national interests in the implementation of the strategies in the field.

The first notable result is the way that the donor countries establish the list of main beneficiary countries. If we monitor the process of establishment of the priority beneficiary countries of the Romanian development aid policies we can observe that the defining criteria correspond to a clear national interest. More exactly, Romania's priority countries are the Republic of Moldavia, Ukraine and Serbia because of the important Romanian communities living in those countries. This desire to help Romanian abroad minority is explicitly mentioned in the Romanian ODA strategy which clearly differentiates the national Romanian policy from the true values of development aid.

In the same time, the presence on the axe of priority countries of states like Georgia, Afghanistan or Iraq in the Romanian strategy can be clearly classified on the level of the geo-strategic and military interests that Romania has as a NATO State member but mostly as a partner of the United States in the different conflicts emerged in the area. The importance given to Georgia and Ukraine can be considered as a result of the expressed interests of Romania in the Black Sea region, but this is still a

geopolitical interest. It's interesting to underline the fact that Romania justifies the implication in this area by the comparative advantages that the country has in the terms of democratization process, even if in practice, the majority of the funds are allocated through international institutions, the Romanian know-how not being transmitted directly.

The same phenomenon happens also in the case of Slovakia that has chosen from the beginning to give a special importance to the Slovakian minority living in Serbia and to supporting the democratization and Euro-Atlantic integration of this country. Slovakia goes even further by conditioning the funds given on the respect of the rights of minorities and associating therefore to the development aid, explicit national interests. The fact that recently Afghanistan has been included on the Slovakian list of priorities only underlines the same geo-strategic interests expressed by Romania, as they are both two countries of the "new Europe" clearly concentrated in supporting United States interests.

Another manifestation of the national interests can be noticed by the fact that one of the priority domains of Slovakia is the allocation for the states in the region of development assistance designed to help them integrate in international organization and the EU. This thing expresses the explicit desire of Slovakia to construct itself as a small EU states with good influence networks that will represent an important advantage for the country after the integration of those states in the European community. Nevertheless, we have to remark the fact that Slovakia clearly desires to comply with the EU line by including in the last years Kenya and other poor areas of Africa in the priority beneficiary countries of the Slovakian development aid strategy.

When we come to analyze the French development strategy we notice the massive presence between the beneficiary countries of the former French colonies and the Outre-Mer territories, illustrating by this the sources of the French development policies established since the decolonization process. It's interesting to mention as well the fact that the Secretary of State responsible for cooperation also deals with the French speaking community cooperation, associating in this sense the linguistic community to the assistance at least in organizational terms.

Moreover, the presence of some states like China and Turkey between the biggest beneficiaries of the French assistance indicates complementarities between the French foreign politics and the development aid policy. More exactly, the presence of France in China corresponds to the French intentions to develop a special partnership with this State in permanent expansion and benefit from their economic development. The relation with Turkey is also due to the fact that this State, as an EU

membership candidate, can represent after a possible integration one of the biggest states inside the European community, but also because Turkey represents a door of negotiation with the Muslim world for the West.

Besides the clear influence of the national interests in the French assistance policy, we remark nevertheless the high importance given by France to the poorest states in Africa and also the special partnership that the EU has with South Africa by offering to this State important funds. Contrary to Romania and Slovakia that concentrate on action sectors based on assistance for democratization and the consolidation of the rule of law, the French aid is based upon investment in development supporting the productive activities and the urban and infrastructure development.

It's important to note that, the French Agency for Development is conceived contrary to the Slovakian agency and the Romanian development structures, as an investment bank that registers each year profits from the investments realized in development. We can therefore consider that France favors the financing perspective on cooperation, instead of that humanitarian. Moreover, the French development strategy gives an increasing importance to bilateral assistance that confers more visibility to the Donor State. France gives no less than 55% of its assistance for development by bilateral means whereas Slovakia, that has fixed for itself the objective to increase the level of bilateral assistance, gives a little bit more than 10%, whereas Romania hasn't created yet its own bilateral assistance mechanisms, the amount given by these means being insignificant.

The absence of clear criteria for the establishment of the priority states places the development strategies in the wagon of the national foreign policies of the donor states. The absence of democratic conditioning for the assistance, like it has been defined by the EU, the reduced number of poorest states in the list of priority countries of the ODA policies, the priority given to the bilateral cooperation instead of the multinational or European aid, the specialization of assistance in domains other than those considered as being priority by the EU, the preponderance of the national criteria in establishing the beneficiary states, are only a few of the characteristics that indicate the strong incidence of national interests in the establishment of the national development aid policies. In this context, it is necessary to evaluate the degree of communitarisation of the EU national policies by establishing transparent evaluation criteria.

2. THE DEGREE OF COMMUNITARISATION OF THE NATIONAL COOPERATION FOR DEVELOPMENT POLICIES

Starting from the analysis of the national cooperation for development policies indicating the important influence of the national interests in the elaboration of the national strategies, we considered necessary to concentrate on the quantification of the degree of communitarisation of the national assistance for development policies.

In order to realize this evaluation, we established a barometer of analysis which goes from -3 to 3 quantifying the intensity of the criteria established for the evaluation of the communitarisation, 3 indicating a positive attitude towards communitarisation and -3 a negative attitude. The criteria are based on three categories and the different notations given to each state are based upon our personal analysis of the national policies and by consulting experts working in the field of development aid in those countries. In total 7 French experts, 3 Slovaks and 5 Romanian specialists in cooperation for development have participated at our evaluation.

The first category concentrates on the conditions and the norms imposed by the EU in relations with the assisted partners: 1. The democratic conditionality in allocating funds; 2. The realization of analysis documents of the beneficiary countries (country-paper); 3. The share of the poorest countries in the total of allocated funds; 4. The respect the key sectors established by the EU and the UN Millennium Goals.

If we refer to the democratic conditionality, we remark that all three states register a lack of explicit democratic conditions in allocating funds. Knowing that Romania's funds are given through international organisms, we consider that Romania doesn't really impose any democratic criteria on its own, but the organisms do impose the majority of these norms, therefore we can give a 0 in this case for Romania. France and Slovakia don't have explicit conditions but impose by the realization of country-papers the respect of democratic norms. In the case of Slovakia we can consider the respect of minorities as a democratic norm imposed for the signature of the assistance partnership. France has on the other hand a very differentiated perspective, by ending any kind of cooperation with Haiti when the country was facing political problems that contravened to the democratic principles, but developing in the same time relations with communist countries like China or Vietnam, or non democratic regimes like Libya, that openly disrespects the human rights.

Another custom, imposed by the EU, is the realization of analysis and impact documents on the development aid in beneficiary countries to quantify the effectiveness of the cooperation projects and the progresses made by those states. France has a long tradition in realizing documentations by doing this since the beginning and stipulating the existence of these documents in the juridical functioning norms of the ODA policies. Slovakia has imposed recently this system but it's still in adaptation process with the EU demands, whereas Romania has realized preliminary analysis documents without taking into account the criteria prevailed by the European custom.

Regarding the share level of the poorest countries in the total funds allocated, a norm specifically mentioned in the European initiatives, we remark that the country which has given the biggest interest was France, with important funds given to Sub-Saharan Africa, followed by Slovakia that has made efforts to get involved in African countries like Kenya. Romania has neglected this aspect, not even a single Romanian priority country being from Africa, and the only one classified as being poor is Afghanistan, the others being considered intermediary.

The priority sectors of the European Union are concentrated on the Millennium for Development Goals that France has assumed and wants to respect in totality even if it has a certain preference for the renewable investments. Slovakia has also assumed explicitly these objectives and wants to realize them through its assistance policies, whereas Romania even if it assumes these principles in declaration, tends to realize them in a weaker proportion.

The second category concentrates on criteria of funds allocation because in these sense we can perceive if the resources are integrated in a European context. The elements of classification are: 1. funds allocated by collaborating with other European partners; 2. the dimension of funds allocated bilaterally; 3. if at the level of funds allocation we find subjective criteria like the presence of certain important national minorities or linguistic communities in beneficiary states; 4. in what extent the funds are more allocated through international organization than through the EU; 5. the existence of a profitability objective in the funds allocation; 6. the implication of NGOs, of local collectivities and of companies in the cooperation for development policy.

Referring to the allocation of funds by collaboration with European partners, we can say that the EU stimulates the project creation and common programs of development agencies in EU member countries and supports the intra-European collaboration seen as a method of expression of the Union itself. At this chapter the French Development Agency excels with important partnerships with the agencies from Germany, England, Spain or Italy. Slovakia has also managed to realize a series of

partnerships with agencies from Austria and Holland but this process is still at a formation stage. Romania hasn't presented yet any other contract or important financial association in ODA projects with other EU member states.

Also at the level of funds allocation, we remark the fact that France excels in granting bilateral funds, and Slovakia tends towards this objective, whereas Romania hesitates in following this direction by lack of capacities and resources. Bilateral funds are evaluated with a negative appreciation because this aspect signifies a nationalization of assistance policies and a distance from the ODA financial mechanisms of the EU.

But when it comes to appreciate the funds allocation, it's also important to evaluate the incidence of certain interests in their distribution. Therefore Romania and Slovakia grants more of their funds based on the criteria of the presence of the national minorities in the beneficiary states, whereas France even if it allocates a greater importance to the French speaking countries or to former colonies, doesn't privileges them in relations to others.

On the level of allocation of funds threw international organizations more than threw the EU, Romania is negatively quoted because it grants without any control the majority of the funds threw international organizations like the UN Program for Development, in detrimental of other projects with European partners. On the other hand, France and Slovakia, even know they work with international partners keep the control on these resources or even influence the allocation ways so it corresponds to the EU or national objectives.

In relation to the funds allocation, the profit desire is visible only in the case of France, whose Development Agency realizes financial reports, business plans and distributes dividends to the State from the funds earned. Slovakia and Romania doesn't impose this kind of condition even if an analysis of the economic advantages indicates a winning in terms of prestige and commercial and economic relations with beneficiary states.

The European Union supports the implication efforts of nongovernmental organizations, of the local collectivities and of companies in the assistance for development policies. France has the highest implication level of the local collectivities in the assistance policy, a good level of implication of the companies but has some deficiencies at the level of NGOs. On the contrary, Slovakia has extremely positive results at the NGO level for a newly integrated country in the EU, by accessing already more European funds in the field, but remaining deficient on the level of local collectivities and companies not used with the domain. In exchange Romania doesn't have firm and direct collaborations on ODA

projects with the local civil society, by preferring foreign partnerships, clearly preferred also by the public opinion.

The third category of information for appreciating the degree of communitarisation is the public perception and the support given to the development assistance. The components in the analysis of the perception in relation with the communitarisation are: 1. the support of the assistance policies by the population; 2. the degree of information of the population regarding the assistance; 3. the support of the local communities to the communitarisation and the perspective on the role of the EU in the field; 4. the support of the EU as main operator of the assistance funds. We based our results on the conclusions of the EU barometer from June 2009 by comparing the results of these states to the European average (European barometer, 2009).

The support of the assistance policies represents an advantage in the process of understanding this domain promoted by the EU. Therefore the EU barometer indicates the fact that 89% of the Slovaks consider that the assistance for development is very important or sufficiently important, placing this country on the first places in the European rankings. The Romanians and the French with 82%, respectively 86% of support, find themselves at an intermediary level of support, under the average of 88%. We can also mention that in France the total favorability share is bigger than that of Romania.

On the level of the information degree we studied the knowledge of the Millennium for Development Goals, the European average being of 24% of the respondents. Surprisingly only 13% of the French and 17% of Romanians have heard of the objectives against 37% of the Slovaks.

The public support for the communitarisation and the EU implication in the development cooperation policy are an important index to illustrate the tendency towards the Europeanization of the domain. 60% of the French consider that the European perspective represents an added value to the international development assistance, 52% of Romanians sustain the European perspective, whereas 66% of the Slovaks consider that the EU implication is positive. We mention that the European average has 61% of favorability.

To better understand the way that the EU role is perceived, it is necessary to comparatively analyze the support that the Union benefits from in relation with other international actors and with assistance policies conducted on national level. We observe that Romania, with 47%, finds itself between the first supporters of the EU role as main assistance operators. Only 1% considers that this has to develop on national level. Over the European average of support of the EU as main actor of

26%, we also find France with 27% of support level in comparison to only 5% of support given to the national initiative. The Slovakian support for the role of the EU is also above the average (27%), the Slovaks considering nevertheless that the United Nations should be the main assistance operator with 52% of support. The Slovaks reject the implication of the national State in the ODA policy, only 1% supporting its implication.

It's interesting to see how these statistics contravene to the realities of the policies and the national strategies of these countries, because in Romania the majority of the funds are allocated through UNDP, in Slovakia the EU is given an important attention whereas in France the national policy is priority in development assistance.

Table 2 - The analysis of the degree of communitarisation of national cooperation for development policies

DEGREE OF COMMUNITARISATION OF NATIONAL POLICIES	FRANCE	SLOVAKIA	ROMANIA	TOTAL
I. CONDITIONS AND NORMS IMPOSED BY THE EU IN RELATIONS TO ASSISTED PARTNERS				
1. Democratic conditionality in funds allocation	1	1	0	0,66
2. Country-paper: analysis documents of the beneficiary countries	3	2	0	1,66
3. The share of the poorest countries in the total of the allocated funds	2	1	- 2	0,33
4. The respect of the key sectors established by the EU – Millennium Goals	3	2	1	2
TOTAL I	2,25	2	- 0,33	1,16
II. FUNDS ALLOCATION CRITERIA				
1. Funds allocated through the collaboration with European partners	2	1	- 2	0,33
2. Funds allocated through bilateral aid	- 2	- 1	3	0
3. Important national minorities or linguistic communities in beneficiary states	0	- 2	- 2	0
4. The funds allocated through other international organizations than the EU	2	2	- 2	0,66

5. Profitability objectives in funds allocation	- 2	1	1	0
6. NGO implication / local collectivities / assistance companies	2	1	- 2	0,33
TOTAL II	0,33	0,33	- 0,66	0
III. PUBLIC SUPPORT FOR ASSISTANCE POLICIES				
1. The support for the development assistance policies by the population	0	2	- 1	0,33
2. Information degree of the population regarding the assistance for development	- 1	2	- 1	0
3. Support of the local population of the communitarisation of the development assistance policies	1	2	- 1	0,66
4. EU support as main operation of assistance funds	1	- 1	2	0,66
TOTAL III	0,25	1,25	- 0,25	0,41
Degree of communitarisation	1,02 34%	1,19 39,6%	- 0,41 - 13,6%	0,52 17,33%

The final results of the quantification process of the communitarisation degree of assistance policies for development from France, Slovakia and Romania illustrates the different level of Europeanization of national policies, deficiencies and similarities between national and European policies.

More exactly, when we refer to the respect by the national policies of the conditions and norms imposed by the European Union in relations with assisted partners, we remark the fact that France, with an average score of 2.25, respects the most the European principles, followed by Slovakia with an average score of 2 points. Romania, nevertheless, has deficiencies of operating with the European norms even if with some effort it can achieve without problems the necessary level.

When we examine the allocation of assistance funds we observe that France and Slovakia respects the European provisions, even if the process is still far from perfection with an average score of only 0.33 points. In the case of funds allocation, Romania doesn't respect the European principles being deficient at several chapters with an average score of -0.66 points.

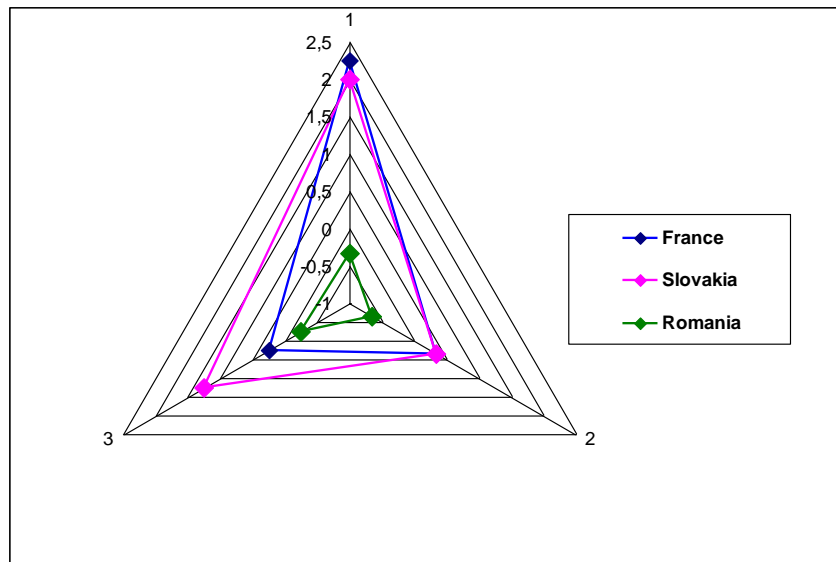
Finally, when we analyze the public support for assistance for development projects and the EU implication in these projects, Slovakia proves to be a true promoter of these domains and the European

role in the field, with a 1.25 point average. France registers some visible deficiencies in the case of the EU barometer with only 0.25 points. Romania doesn't manage to reach the average and has deficiencies at this chapter also with an average score of -0.25 points.

In conclusion, the degree of communitarisation of the European policies from the three countries studied is 0.52 points from the 3 points possible, more exactly a positive degree of communitarisation of only 17.33%. Individually, Slovakia has the most communitarised assistance for development policy with a score of 1.19 points, equivalent to 39.6% positive communitarisation, followed by France with 1.02 points, equivalent to 34% positive communitarisation. Romania has a negative score with -0.41% points, with a negative communitarisation of -13.6%.

The graphic representation illustrates how the communitarisation of the national policies has been performed in the studied countries.

Figure 1 - The pyramid of the communitarisation of the national cooperation for development policies



From these results we conclude that the Europeanization process of the development assistance policies is far from being achieved by the three countries and consequently we can consider that the communitarisation of the cooperation for development has still several stages to achieve. Furthermore, the degree of communitarisation doesn't correspond to the time spent by the country in the European space. The results indicate that a new EU member State, like Slovakia, can have a more Europeanized

assistance policy than France, and old EU member State. We can't nevertheless ignore that the slowness of the European mechanisms, especially when it comes to making foreign policy decision, can represent set-back for a country like France that considers itself as being a medium sized power and a promoter of democracy and humanitarianism on international level.

3. PERSPECTIVES FOR THE COOPERATION FOR DEVELOPMENT POLICIES

The evolution of European cooperation for development policies in the last fifty years has represented the desire to give an answer to the development problems but nevertheless there is still a big gap between the political and institutional capacities of European and the tasks that it has to realize.

Based on specific intergovernmental mechanisms, the European assistance for development policy has passed from escorting the decolonization to the concept of association based on the European model, by integrating successively new methods like the project based aid, the preferential commercial policy, the promotion of human rights and democracy policy (1990), the support to the regional integration process, the crisis management generated by debt and budgetary support, the political dialogue between the State leaders (Cairo Summit in April 2000) and finally the conflict prevention (2001), going to the military crisis management (2003) (Debrat, 2006).

If the financing objectives fixed by the Council of Europe in 2005 will be respected, the development aid will pass from 10 to not less than 20 billion euros, and afterwards to 46 billion euros. The year 2005 has also represented the elaboration of two fundamental papers, the proposition for a common declaration of the Commission, Council and the European Parliament referring to the development aid policy of the EU, and the communication realized by the Commission regarding the EU strategy for Africa.

This European consensus indicates the desire from the member states to have a common vision on the development policies understood through the complementary perspective that associates to this concept the commercial, environmental and security dimensions as well as the programming and the adaptation by countries.

The desire for compromise has created minuses from the point of view of the clarities and the power of the common European decisions in the domain. The cooperation policy is on several aspects thought to be as a foreign policy proposed to the Southern partners starting from the global agenda for the fight against poverty. Financing growth is only the fourth priority objective and is perceived as a

form of reform imposed by the donor State to the beneficiary State. Furthermore the problems of the developing countries aren't hierarchically established.

The European values are forcedly diffused on unilateral level based on this partnership even if this kind of partnership should have meant after a European model a dialogue of cultures and principles. Even more, issues like migration or the fragile states governance are managed in a defensive way by concentrating on the problem perspective that this supposes for Europe.

From the organization point of view, the document doesn't clarify the relations between European policies and the assistance for development national agencies, by promoting only on a rhetoric level a tight intra-European cooperation in this field. The EU doesn't seem adapted to the apparition on the development aid scene of other states like Brazil, China or India, and seems incapable of using the resources of some of the European states with an international ODA policy and strategy (Germany, Great Britain, France or Holland). Even if it gives priority to the cooperation with Africa, the EU doesn't manage to establish a hierarchy of the different regions of the world.

Furthermore, the Millennium Development Goals are considered a priority for the European finances ignoring in this sense the necessity for an economic development that can give a complementary support to the realization of these objectives. This is just one of the series of deficiencies existing on the level of the European cooperation institutional device operation. For example, on the level of the international decision instances each EU member State can express its position separately, and the Union is not even represented most often as an entity, maintaining in this sense the competence on national level. Even more, from an administrative point of view, the process is getting more difficult because of the different responsibilities of the General Directions on the different assistance aspects. This thing is also happening on the decision level, the Council, the Commission and the High Official for Foreign Affairs of the Union share the authority on the development issues. To this we add the fact that three commissioners are sharing the attributions on development and each State, on the Council's level, supports its own geographic and sartorial interests.

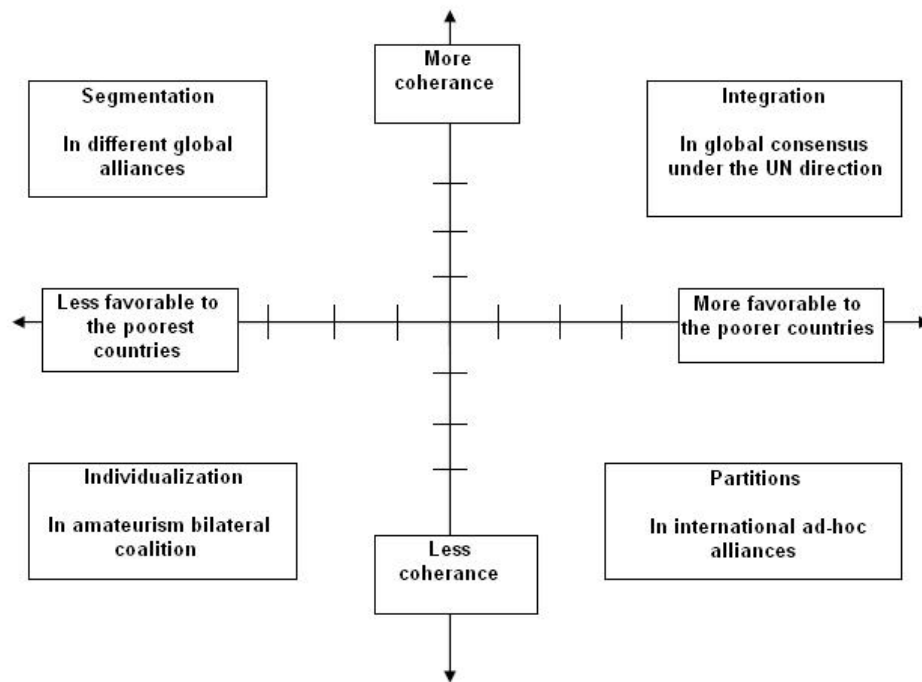
The administrative problems also affect the funds allocation, the access modalities of the funds based on strict European rules being very difficult for the operators in the developing States. This dispersal is also visible on the level of research, Europe being overcome by the American universities, that financed by the World Bank and several companies and foundations, have developed several new research domains and have imposed their own definitions and interpretations on development.

The lack of complementarity or specification regarding development aid in other complementarity domains, like the commercial, agricultural, migration, formation and work policies, makes difficult to realize many of the European objectives. For example, it's difficult to imagine a development of the exports of the countries in development if the EU maintains the commercial barriers for the Southern products.

The European Union has to arrive to a new consensus to establish a geopolitical sense, a regional strategy and a doctrine of the aid to coordinate on European level the development activity. The experience of the Marshall plan has shown that it's needed a massive and concentrated effort to achieve the economic rise of certain geographic areas. An intra-European network can also be created composed of actors and European development agencies that will coordinate on themes and action areas. A solution can be the creation of a consultative council on development issues that will include national and civil society actors and will also deal with the financing given by the Commission to projects also supported by the other European national partners. In this sense, for a better efficiency of the cooperation it is necessary to have a better dialogue with the beneficiary countries and a bigger concentration of the activities on the creation of local capacities and the development of financing methods on European level.

These difficulties and the limits of the European cooperation for development policies in relations to the national interests and also the efficiency problems of the EU conduct us to sustain the point of view expressed by a report of the Overseas Development Institute that presents four possible development scenarios of the cooperation for development policies in the direction either of segmentation, integration, inclusion or individualization (Maxwell, 2009).

Figure 2 - The cooperation for development at the horizon of the year 2010: four scenarios



This table indicates two axes that direct us to four scenarios or hypothesis for the future:

- The right wing superior quadrant: a scenario in which the foreign policy of the EU are better coordinated and more coherent and where the engagement towards poverty reduction is bigger (in fact). In this graph, the scenario is entitled Integration
- The right wing inferior quadrant: a bigger engagement towards poverty reduction associated to a smaller engagement towards European coordination and policy coherence. This thing conducts the member states to accentuate the bilateral ad-hoc actions. This is what we call Partitioning.
- The left wing superior quadrant: a bigger engagement towards the European coordination and foreign policy coherence associated to a weaker engagement towards poverty reduction. This is called Segmentation, because of the effects on the consensus regarding the global development policies.
- The left wing inferior quadrant, illustrates the situation in which a weaker engagement towards European coordination and foreign policy coherence associates to a weak engagement towards the global development objectives and poverty reduction. We arrive to bilateral amateurism, what is called Individualization.

In the case of the integration scenario we can consider that Europe will have a more coherent voice on the foreign policy and development policies level. A bigger part of the assistance budgets will pass through the EU and a bigger complementarity is searched between the international development programs of the EU and the member states. The external relations differentiate on the regions and the aid is explicitly dedicated to the poorest countries and regions.

The partition supposes a passage to a lighter and less enthusiastic foreign policy. Advances from the point of view of assistance centralization and of the commercial negotiation exist, but they aren't very important. The segmentation supposes that important national interests still exist and the aid flows go in their large majority towards countries with an average income. The commercial negotiations turn off and the agreements turn regional. The individualization supposes only a shown interest for European development cooperation and the finances don't follow the way to the EU. The member states discuss about a renationalization of the humanitarian assistance and the commercial negotiations are replaced by bilateral agreements.

An adaptation of these results to the degree of communitarisation would indicate that there is a tendency towards integration expressed mainly in the final results of France and Slovakia but to confirm this trend we need to do a European wide analysis of all the national ODA policies and reclassify the communitarisation indexes on the axes proposed by this analysis.

CONCLUSIONS

The European Union has realized important advancements in the domain of development cooperation, from its origins appeared in the middle of the decolonization process to the existence of policies and coherent objectives for the social and economic development of beneficiary countries. Today, the effort and the desire of the public opinion to find a way to support the poorest countries, has found a part of its answer in the manifested desire of member countries to establish and European consensus regarding development assistance.

Nevertheless, the decision making process remains intergovernmental and very difficult because of the excessive bureaucracy generated by the absence of a unique competent authority and by the lack of complementarity with the other policies of the EU. In this context, the EU member countries tend to maximize the benefits from the elaboration of the development cooperation policies. Some of the states that claim the position of medium sized powers, like France, Germany or Great Britain will continue to

search a way to develop their own global assistance system, whereas the new EU member states, still not very familiar with this field, like Slovakia or Romania, still explore for the opportunities offered by this field. The limited funds that they can direct to this field, conduct these countries to the European perspective because of the funds existing on the EU level. The reality is that the diversity and the specificity of the different forms given to the organization method of the ODA policies constitute not only the main difficulty but also a powerful advantage in developing coherent policies on European level.

The opportunity of an objective evaluation of the communitarisation degree of the national assistance policies for development becomes interesting in the context of the manifested desire of the European Commission to raise its implication in the foreign affairs of the member states. This kind of analysis will enable us in the future to appreciate the stages that have to be completed by the member countries but also by the EU to realize a completely uniform European assistance strategy and of the activities, so necessary for raising the efficiency of the funds allocated by the EU, but also in the perspective of achieving the Millennium Development Goals. In conclusion the strong public support pushed forward the development aid topic within the foreign policy priorities of the EU and the member countries but the diversity of the European population and the national interests limits the true Europeanization of the cooperation for development policies.

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SOCIAL SECURITY IN ROMANIA AFTER EU ACCESSION. RISKS AND TRENDS

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Abstract: *This article reflects the evolution of the social security system in Romania after accession to the European Union. Social security states its specificity as a basic concept that encompasses all the collective measures established by legislation to maintain individual or family income, to provide income when some or all sources have been lost or exhausted or in cases where the individual must cope with increased expenses. From this perspective, social security is a system that takes into account both the protection of able-bodied people (by the social insurance system) and of those who cannot work or are socially disadvantaged. For Romania, the social security system is currently profoundly affected due to the low ratio between the number of productive Romanian citizens, contributors to the public budget and social funds, and the beneficiaries of these funds. The study highlights this issue and focuses primarily on the effect produced on the social security component by the external labor migration, a phenomenon accentuated by Romania's EU accession. Basically, Romania has registered, according to Eurostat, only after 2007, more than 1 million migrants, most constituting the economically active population, the phenomenon having a major impact on the sustainability of the social security system.*

Keywords: social security, sustainability, migration, European integration, pension systems

JEL Classification: F22, H55

INTRODUCTION

Social security is a means to protect its nationals by the State when faced with the risks induced by various social adversities. The development of an adequate social security system, the configuration and acceptance of a coherent legal and economic framework on this issue is an investment in “human infrastructure”, just as important as the investment in the physical infrastructure.

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Given mainly a role in preventing social risks, social security addresses very diverse areas, influencing their development strategy. Every person and every family needs protection from the risks and uncertainties resulting from everyday activities. When this need is not satisfied for the individual and his family, the released effects have significant negative implications on the individual's comfort, his motivation to work and especially on the sustainability and functionality of economic systems. From a conceptual standpoint, social security refers to both social insurance and social assistance. Social security includes: health insurance, maternity benefits, death grants, unemployment compensation, pension, insurance for work accidents and occupational diseases. In this format, the pension system is the largest sequence that composes the social security system. The main issue raised in most discussions concerning the characterization of pension systems has as leitmotiv the dichotomy between PAYG type systems and fully funded type systems.

Typically, the public pension system is founded on the idea of pay-as-you-go (PAYG), i.e. the current payment of pensions from contributions collected from the present income of the working population. On the other hand, there are private pension systems based on the accumulation and investment of individual savings, also called fully funded.

The existing pension systems differ considerably between countries mainly due to the specific historical path of each. For example, in countries with a significant social ideological and economic foundation, such as France and Germany, the PAYG type pension schemes are more present. In other countries, like Britain and the United States, with a liberal or neoliberal economic point of view, the emphasis is on fully funded type systems. These pension schemes can also work mixed. In fact, in most states, the main pillar for the funding of the pension provision consists of a public pension plan, mandatory, and completed by a private pension system, be it mandatory or optional.

1. CHARACTERISTICS OF THE SOCIAL SECURITY SYSTEM IN ROMANIA

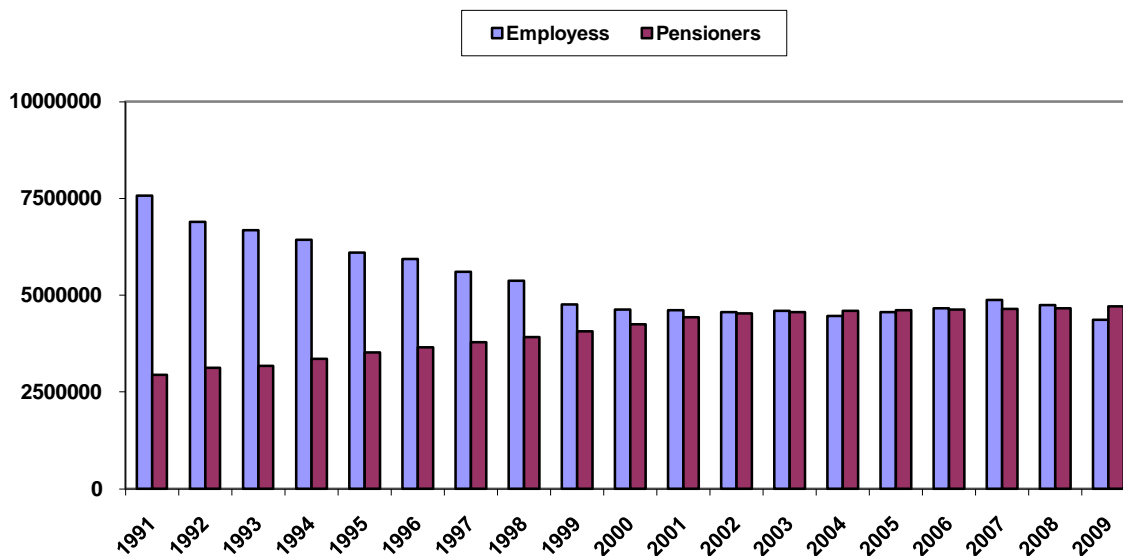
Currently, in Romania operates, as a basic formula, a public pension system of a redistributive type based on the solidarity between generations, i.e. a PAYG type system. It is also called Pillar I. To the public pension system contribute all employees plus any other taxpayers forced by law to pay the SSC (social security contributions). The social security contribution rates are approved by the state social insurance budget law. They are differentiated depending on working conditions: normal, particular and special. The amounts collected from the State Social Insurance Budget out of which

pension rights are paid come from contributions calculated in percentage rates of pay, as incurred, on the one hand, by the employer, and secondly, by the employee.

All contributors receive a pension right, but the link between the amount of contributions paid during the lifetime and the pension amount is not proportionate. All contributors accumulate a score according to the amounts paid, and the pension calculated is the result of the product between the number of points and the point value. A formula that is very relative, because the point value is determined politically and therefore subject to the country's political development and the economic and doctrinal orientation of those in power. This is one of the major flaws of the PAYG type public pension system operating now in Romania. Currently, to the public pension system contribute approximately 4.1 million employees which support about 4.7 million pensioners. The pension formulas applied in the post-socialist period hoping to solve the growing unemployment (including early retirement) have considerably increased the number of retirees. Thus, between 1990 and 2010, the number of pensioners increased by approximately 80%. The deeply unbalanced situation in which the pension system is, based on the principle of social solidarity, specific to PAYG, is reflected in the increased rate of dependency between the number of pensioners and number of employees and the upward direction in which it evolved between 1991 and 2010.

The ratio of employees and beneficiaries of state social insurance pension for the period 1991-2010 reflects the following situation:

Figure 1 – The evolution of the employees and pensioners - Romania during 1991-2009



Source: Romanian Statistical Yearbook 2009, pp.136-137 and online database of the Ministry of Labor, Family and Social Protection, <http://www.mmuncii.ro/ro/statistici-55-view.html>

In addition to pensions paid from the state social security budget, in Romania works the pension system for farmers, different from the public system, not-contributory, which is supported which is supported by resources from the state budget and providing retirement benefits for about 760,000 former farm workers. Then there are the special pensions of former employees of the defense system, which had a special contribution scheme and we also mention other types of pensions such as those of diplomats, judges, parliamentarians, etc. Also in the case of the latter the contributions scheme had a special character.

A major challenge in terms of the reconfiguration of the pension system is the introduction of 2nd pillar, mandatory, of the fully funded type. In 2007, two pillars that match the private pension system were introduced: the 2nd pillar (regulated by Law 411/2004) and the 3rd pillar (regulated by Law 204/2006). The 2nd pillar is binding on all persons up to the age of 35. The contribution is voluntary for those between 35 and 45 years. The 2nd pillar represents the prefinanced component of the first pillar, a part of the social security system contributions, being mandatorily directed towards pension funds under private management. The contribution rate in the first year was 2% of the gross income, and will reach a maximum of 6% by the end of 2016. For 2011, the contribution rate related to the private pension funds is 3% (acc. to art. 17 paragraph [2] of Law no. 287/2010 on the state social insurance

budget in 2011). Regarding the state social insurance system, for 2010 the social insurance contribution rates were 31.3% (for normal working conditions), 36.3% (for particular working conditions) and 41.3% (for special working conditions). From this, the individual social security contribution rate is 10.5%, regardless of the working conditions. The evolution of the contribution rates for both employees and employers for the period 1991-2009 is shown in the table below:

Figure 2 – Social insurance contribution rates paid by the employer and employee

Year	Social insurance contribution rates paid by		
	Employer	Employee	Total
1991	20.00	3	23
1992	25.00	3	28
1993	25.00	3	28
1994	25.00	3	28
1995	25.00	3	28
1996	25.00	3	28
1997	25.00	3	28
1998	25.00	3	28
1999	30.00	5	35
2000	30.00	5	35
2001	23.33	11.67	35
2002	23.33	11.67	35
2003	24.5	9.5	34
2004	22	9.5	31.5
2005	22	9.5	31.5
2006	19.75	9.5	29.25
2007	19.75	9.5	29.25
2008	18	9.5	27.5
2009	20.8	10.5	31.3

Source: The Ministry of Labor, Family and Social Protection, [http://www.mmuncii.ro/pub/imagemanager /images/file /Statistica /Statistici %20lunare/Evolutia%20valorii%20cotelor%20de%20CAS%202011.pdf](http://www.mmuncii.ro/pub/imagemanager/images/file/Statistica/Statistici%20lunare/Evolutia%20valorii%20cotelor%20de%20CAS%202011.pdf)

As noted, the individual social insurance contribution rate has evolved between 3% and 11.67% for normal working conditions.

2. THE RELATIONSHIP BETWEEN THE NUMBER OF CONTRIBUTORS AND PENSIONERS. THE SCENARIOS METHOD USING THE AVERAGE GROSS EARNINGS AND THE AVERAGE PENSION

The calculation made in this approach is a scenario based on average amounts collected annually from individual contributions and employer contributions for normal working conditions, collections in relation to average gross annual earnings and annual average pensions. Particular and special working conditions have been disregarded, since these situations are less common.

The value of the contribution rate for each year for the period 1991 - 2009 has been taken as a benchmark according to the data from the Ministry of Labor, Solidarity and Social Protection. For the gross average earnings for each year of the period analyzed and the average monthly pension, the data supplied by the National Institute of Statistics. Regarding the amounts collected, depending on individual and employer contribution rates, having as base the average gross earnings for the period 1991-2009, the analysis revealed the following situation:

Figure 3 – Number of employees, the average gross earnings, the total amount collected annually, based on average gross earnings

Year	Number of employees	Average gross earnings (\$)	Total collected/year (\$)
1991	7,574,000	121.14	2,532,438,648
1992	6,888,000	82.48	1,908,938,976
1993	6,672,000	100.59	2,255,124,768
1994	6,438,000	111.61	2,414,369,964
1995	6,106,000	135.67	2,783,507,052
1996	5,939,000	138.23	2,758,470,252
1997	5,597,000	117.67	2,212,827,300
1998	5,369,000	148.58	2,680,273,044
1999	4,761,000	125.34	2,506,377,336
2000	4,623,000	130.94	2,542,497,792
2001	4,619,000	145.23	2,817,415,068
2002	4,568,000	160.96	2,896,665,360
2003	4,591,000	199.94	4,295,796,240
2004	4,469,000	250.75	4,235,791,800
2005	4,559,000	332.22	5,725,216,512
2006	4,667,000	407.97	6,660,249,288
2007	4,885,000	572.53	9,732,896,196
2008	4,738,600	699.11	11,528,630,592
2009	4,367,700	605.06	9,926,007,552

Source: The Romania National Institute of Statistics, Tempo-online, data series, www.ins.ro, FOM107A matrix – The average nominal monthly gross earnings on activities in the national economy and author calculation

The same premise indicates the following situation of expenditure to support pensions, using as a basis for calculating the average pension level for the period 1991 to 2009:

Figure 4 – Number of pensioners, the average pension, the amount spent for insurance of pension rights Romania during 1991 to 2010

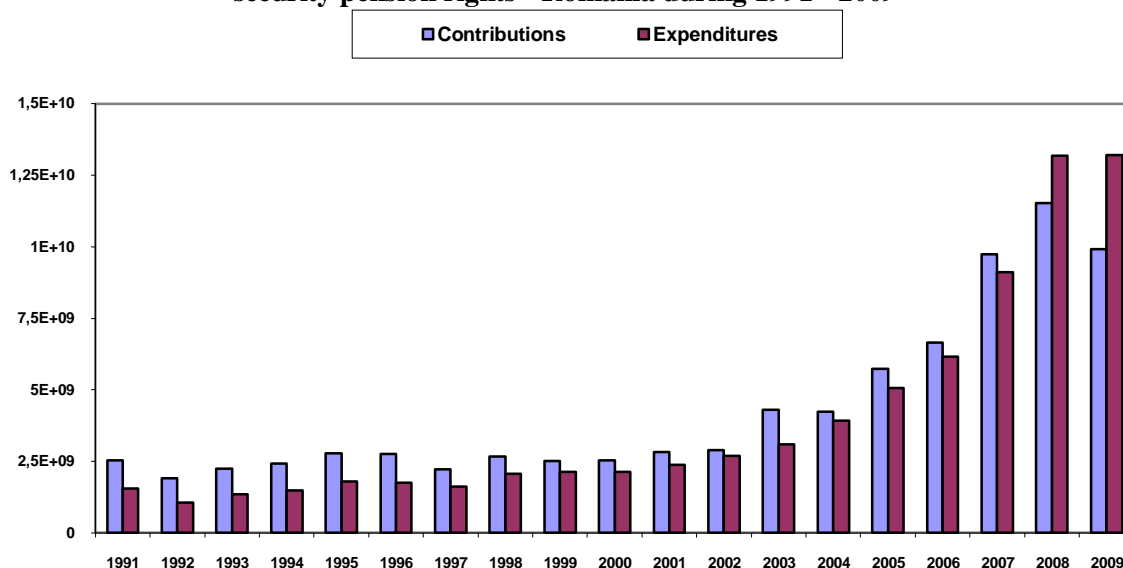
Year	Number of pensioners	Average pension (\$)	Amount spent (\$)
1991	2,941,000	44	1,550,990,532
1992	3,124,000	28	1,065,416,292
1993	3,174,000	36	1,352,625,156
1994	3,359,000	37	1,473,884,544
1995	3,519,000	42	1,790,649,984
1996	3,652,000	40	1,763,027,292
1997	3,782,000	36	1,614,225,360
1998	3,924,000	44	2,059,817,472
1999	4,074,000	44	2,135,667,756
2000	4,246,000	42	2,140,587,660
2001	4,426,000	45	2,385,326,448
2002	4,535,000	49	2,691,686,796
2003	4,570,000	56	3,089,543,544
2004	4,597,000	71	3,923,327,364
2005	4,611,000	92	5,070,406,704
2006	4,633,000	111	6,155,342,112
2007	4,643,000	164	9,117,288,276
2008	4,664,000	235	13,175,999,052
2009	4,718,000	233	13,201,054,668

Source: The Romania National Institute of Statistics, Tempo-Online, data series, www.ins.ro, PNS102A matrix – The average monthly pension according to the retirement system, the Ministry of Labor, Family and Social Protection, <http://www.mmuncii.ro/ro/statistici-55-view.html> and author calculation

Thus, at an average pension of 233 dollars, with a total, in 2009, of 4.718 million pensioners benefiting from state social insurance, the effort for supporting them, taking as a basis for calculating the average pension, is 13,201,054,668 dollars. Since 2009 marked only 4,367,700 employees (i.e. contributors), which provide only 9,926,007,552 dollars in the form of social insurance, a major discrepancy between the amount required to cover the pensions and the amounts collected by the state social insurance system can be noticed.

The situation of this scenario, based on the amount of gross average earnings and average pension is reflected in the chart below:

Figure 5 – The evolution of state social insurance contributions and expenditures to ensure state social security pension rights - Romania during 1991 - 2009



Source: The Romania National Institute of Statistics, Tempo-Online, data series, www.ins.ro, PNS102A matrix – The average monthly pension according to the retirement system, FOM107A matrix – The average nominal monthly gross earnings on activities in the national economy and author calculation

3. IMPACT ON THE STATE SOCIAL INSURANCE BUDGET PRODUCED BY MIGRATION FROM ROMANIA TO THE EUROPEAN UNION

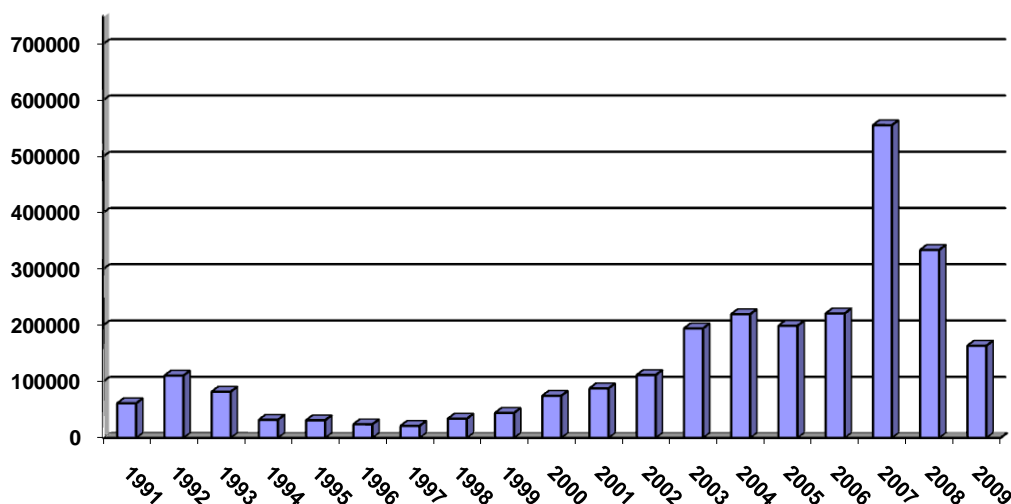
The phenomenon of globalization has generated substantial movements in the international area, among them being found in a significant proportion movement of persons, goods and capital. The geopolitical and social context created following the fall of the Berlin Wall significantly shaped the migration phenomenon, opening the possibility of movement of people mainly from Eastern Europe to Western Europe. Freedom of movement gained by the citizens of Central and Eastern Europe after 1989 has allowed them to turn to other countries including for searching for jobs. The phenomenon, somewhat timid at first because of the quite restrictive legislative conditionalities, accelerated once with the enlargement of the European Union and liberalization of the labor market for all its citizens. The continuous increase in the number of migrants allowed it to become an important phenomenon of the current social reality. Currently, virtually all countries are involved in the complex process of migration abroad, integrating in the general picture wither as countries of destination, either as countries of origin or transit, and this makes migration to be one with multiple facets: economic, social and political.

Research examines one of the major social risks induced by the decrease of contributors due to migration. The effect of this phenomenon is analyzed primarily through the impact on the social security system component, deeply unbalanced by the major asymmetry between the number of employees – thus of contributors – and the numbers of retirees. Article makes an analysis based on existing statistical data at the level of specialized institutions such as the UN Population Fund, the Ministry of Labor, Family and Social Protection, the National Institute of Statistics, Eurostat, OECD etc.

From a conceptual point of view, the meaning of the terms used in this study referring to migration is consistent with the general definitions established by the International Organization for Migration. Thus, the concept of migration refers to movement of a person or a group of people outside the community of residence, within a given reference period, in order to change domicile. From the perspective of this study, migration is treated as one of the factors with the greatest impact on the pension systems, the effects being obvious: lower share of contributions as a result of the reduction of the number of contributors. Given the PAYG scheme financing of these pension programs (pension system based on the principle of social solidarity, i.e. support by those who currently have an income of those who worked in the past), the tax burden is placed especially on employees and employers).

Research shows migration flows from Romania to the European Union. Data on migration flows for the period 1991 to 2009 (this being the last year for which there is data) were extracted from the Eurostat. Where there were missing data, supplementing them was provided with data from Organization for Economic Co-operation and Development. The situation of departures from Romania to the European Union for the period 1991-2009 is shown in the chart below:

Figure 6 – The migration phenomenon Romania during 1991 - 2009



Source: Eurostat 2011 - http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/search_database, table on migr_imm1ctz-Immigration by sex, age group and citizenship and OECD, International Migration Database, <http://stats.oecd.org/Index.aspx>

As seen from the data, consistent in the early 90s, migration falls on a downward route in the period 1993-1997. We can note that the maximum moment in terms of migration was achieved in 2007, therefore when Romania adhered to the European Union, which allowed for greater labor mobility. Thus, in 2007 the total number of emigrants from Romania to the European Union was 555,797 people. Based on the above data, the amount of state social contributions that would have been collected from those who emigrated during the period 1991-2009 was calculated. The analysis is only a scenario that assumes that all those who have emigrated are potentially economically active population. As such, due to lack of evidence enabling an accurate quantification of migration for work abroad, we have used data that reflect the total number of migrants (not only for work, but in general). In fact, a test applied in Spain and Italy, countries that have attracted the largest number of Romanian migrants for the period 2005 - 2009 (period for which Eurostat provides data also on the age of migrants, from which it can be deduced how many of the mass of migrants are potentially active population) shows that approximately 90% of the total migrants fall within the economically active population, aged between 15 and 65.

Thus, under the advanced scenario, if those who emigrated from Romania during 1991 - 2009 would have been contributors to the State Social Insurance Budget, the amounts with which they would have contributed, according to the contribution rate established for the advanced period and according to the average salary, would have been the following:

Figure 7 – The number of Romanian emigrants in the EU, the average gross earnings and the total amount collected (according to the scenario)

Year	The number of Romanian emigrants in the EU	The average gross earnings (\$)	Total/year \$
1991	61,414	121.14	20,533,550
1992	172,030	82.48	47,675,156
1993	254,059	100.59	85,867,471
1994	286,251	111.61	107,346,873
1995	317,567	135.67	144,763,298
1996	341,695	138.23	158,701,199
1997	363,052	117.67	143,540,305
1998	397,114	148.58	198,250,746
1999	441,500	125.34	232,417,962
2000	516,289	130.94	283,932,103
2001	604,245	145.23	368,568,906
2002	716,011	160.96	484,046,348
2003	910,453	199.94	742,706,769
2004	1,130,338	250.75	1,071,373,918
2005	1,329,529	332.22	1,669,611,350
2006	1,550,603	407.97	2,220,424,266
2007	2,106,400	572.53	4,232,979,944
2008	2,440,428	699.11	5,630,221,143
2009	2,604,208	605.06	5,918,337,059

Source: Eurostat - http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/search_database, table on migr_imm1ctz-Immigration by sex, age group and citizenship, OECD - <http://stats.oecd.org/Index.aspx>, The Romania National Institute of Statistics, Tempo-online, data series, www.ins.ro, FOM107A matrix – The average nominal monthly gross earnings on activities in the national economy and author calculation

As shown in the table above, the hypothetical amounts that would have been collected from the mass of Romanian emigrants, where they would have been in Romania and would have been enrolled on the labor market are not at all insignificant.

CONCLUSIONS

The logic course of such calculations was to highlight the extent to which social insurance contributions collected from those who emigrated from Romania, provided they would have acted in the capacity of contributors, would have redrawn the state social insurance budget. As such, we have aggregated the amounts collected from contributors registered in Romania to those which could have

been collected from Romanian emigrants. The figures, restored, would have looked in the following way:

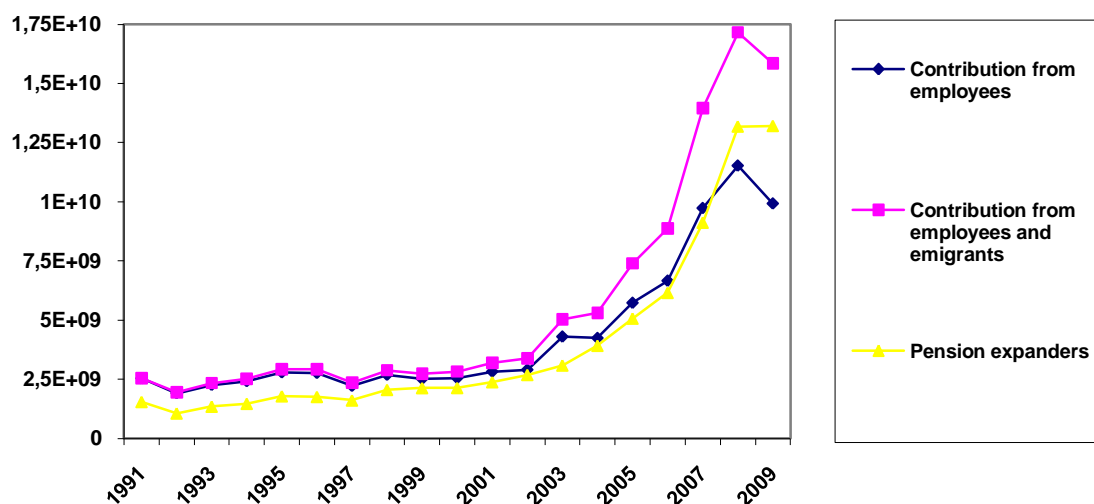
Figure 8 – The migrants amounts, the employee amount and total amount collected

Migrant amounts \$	Employee amounts \$	Total amount collected \$
20,533,550	2,532,438,648	2,552,972,198
47,675,156	1,908,938,976	1,956,614,132
85,867,471	2,255,124,768	2,340,992,239
107,346,873	2,414,369,964	2,521,716,837
144,763,298	2,783,507,052	2,928,270,350
158,701,199	2,758,470,252	2,917,171,451
143,540,305	2,212,827,300	2,356,367,605
198,250,746	2,680,273,044	2,878,523,790
232,417,962	2,506,377,336	2,738,795,298
283,932,103	2,542,497,792	2,826,429,895
368,568,906	2,817,415,068	3,185,983,974
484,046,348	2,896,665,360	3,380,711,708
742,706,769	4,295,796,240	5,038,503,009
1,071,373,918	4,235,791,800	5,307,165,718
1,669,611,350	5,725,216,512	7,394,827,862
2,220,424,266	6,660,249,288	8,880,673,554
4,232,979,944	9,732,896,196	13,965,876,140
5,630,221,143	11,528,630,592	17,158,851,735
5,918,337,059	9,926,007,552	15,844,344,611

Source: author calculation

The chart showing the amounts collected from taxpayers in the country, plus the amounts collected from them plus the hypothetical amounts collected, according to the scenario, from emigrants are as follows:

Figure 9 – Evolution of the contribution from employees, pension expanders and total income from contribution from employees and emigrants



Source: author calculation

Romania's accession to the European Union, in that it has created new opportunities for labor migration, heavily imbalanced the state social insurance budget. It is noted that the hypothetical contribution of these would have been more than sufficient to ensure the sustainability of the Romanian pension system. In fact, when the balance of income-expenditures is broken is when migration begins an upward trend (2002 - 2003) and accentuates once with Romania's accession to the European Union in 2007.

The scenario considered in this approach does nothing else, beyond the mathematical calculation, but to warn that the migration phenomenon, accentuated by Romania's EU accession, has significant implications on the social security component. The imbalance of social security system is closely linked to the economically active population trends. Calculations show that if state social insurance contributions would have been collected from absolutely all Romanian emigrants the state social insurance system in Romania would have been different. It should be recognized however that this scenario has a number of limitations mostly due to the fact that not all migrants are economically active population, on the other hand not all would have become employees, i.e. contributors, even if they would have stayed in Romania.

However, we can conclude that, concerning the impact of emigration on the state social insurance budget, this is a major cause of imbalances registered in the system. Also, we must point out that

migration has an impact on the entire social security system, not only in terms of social security but also in terms of social assistance. For example, in 25 to 35 years, those who work illegally or not at all (significant in number) will reach retirement age without being insured, and will burden the social assistance system, claiming from public money the minimum guaranteed income or other forms of social aid. At that time, the active age population (paying these costs through taxes and contributions to insurance funds) will be less numerous, which will significantly increase taxes (World Bank 2009).

Romania's accession to the European Union, produced in 2007, and the permanent process of integration, the gradual liberalization of the labor market for Romanian citizens will increase the dynamics of migration while at the same time will accentuate the imbalance on the social security component.

In 2008, the European labor commissioner Vladimir Spidla said that the "Hidden economy undermines the financing of social security systems, impedes the pursuit of coherent economic policies and could lead to social dumping". We might add that the phenomenon of migration, especially for countries that face a downward trend of the volume of economically active population can produce the same underfunding effect of social security systems.

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PROTECTION OF NATIONAL MINORITIES IN ROMANIA AND REPUBLIC OF MOLDOVA. GUIDELINES

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Abstract: *In light of recent conflicts on the issue of minorities and European regulations, the issue of the protection of minority rights appears to be increasingly more important in a world of multiculturalism, which should be a world of dialogue and respect of human rights as well. The fundamental principles of protection of minority rights in Romania and Moldova are reflected, first, by the constitutions of both countries. In this article we analyze comparatively the two fundamental documents and we focus on the reflection of the principle of nondiscrimination based on race or ethnic origin in the national law of the two states.*

Keywords: *minority rights, principle of nondiscrimination, international law, human rights*

JEL Classification: K1

"The nation is regarded as a form of human community characterized by a historical, linguistic, cultural, economic unity and also political if established as a state (holder of sovereignty)" (Burian et. al., 2006). Generally, citizenship is a complex institution which represents "the permanent political and legal relationship between an individual and a state, which generates and expresses the fullness of rights and mutual obligations between that person and the State of whose citizen that person is" (Năstase et. al., 2000; Burian et. al., 2006). Ethnicity is a group of individuals who have the same origin and who possess a common cultural tradition.

John Parker, quoted by Gabriel Andreescu (Andreescu, 2004) shows that: "it has been rightly noted that international law assumes the existence of minorities both in general and specifically. However, while the existence of human beings and states is axiomatic in international law, the existence of human groups is problematic. From a conceptual point of view, international law struggles to define the actors who are under the "State" ... while the catalog and content of individual human rights have become relatively clear, the specificity of groups' protection, particularly of the minorities, has remained largely uncertain . The peak of this uncertainty was the definition of "minority" or "of a minority" whose rights were to be recognized".

The lack of a universally accepted definition of the term "national minority" (both in literature and in legally binding texts) doesn't make the protection of the rights of this category impossible, also because "the existence of a minority is a matter of fact and not of definition" said van der Stoel (1993-2001) in his opening speech at the OSCE seminar on minorities held in 1994, in Warsaw.

Romania does not yet have a law on national minorities, as other states have. However, although it is difficult to outline a definition of the national minorities, we can make mention of the one stipulated in the bill on national minorities according to which: "The national minority is any community of Romanian citizens living in Romania since the establishment of the modern state, numerically inferior to the majority population, with their own ethnic identity, expressed through culture, language or religion that they wish to preserve, express, and develop. People belonging to national minorities are Romanian citizens, which expresses freely and openly the affiliation to a national community, or minors whose parents or other legal representatives have declared, by law, this membership".

The 1923 Constitution established by art. 5 a non-discrimination clause, stating that "Romanians, irrespective of ethnic origin, language or religion shall enjoy freedom of conscience, freedom of education, freedom of press, freedom of assembly, freedom of association and all the freedoms and rights established by law. "This provision is repeated in two other cases, being differently formulated, within Articles 7 and 8 of the same Constitution, and states that "the difference of religious beliefs and faiths, of ethnic origin and language, does not constitute in Romania an obstacle in acquiring civil and political rights and exercise them" and respectively that "all Romanians, regardless of ethnic origin, language or religion, are equal before the law and have to contribute to taxes and public duties without discrimination."

The non-discrimination clause was included in the 1938 Constitution referring to the responsibilities of citizens: "all Romanians, regardless of ethnic origin and religion, have to: regard the Country as the greatest purpose of their life, sacrifice in order to defend her integrity, independence and dignity; to contribute through their work to its moral elevation and economic prosperity; to perform the public duties required by law faithfully and to willingly contribute to the public tasks, without which the state cannot exist."

According to Law no. 86 of February 6, 1945 on the status of minority nationalities "checking up on Romanian citizens' ethnic origin in order to establish their legal situation is not allowed".

The specific legal framework in terms of protection against discrimination in Romania has evolved gradually over the last five years. Until 2000, the prohibition of discrimination had been brought under regulation by different laws, including the Basic Law. Also, in this respect, we can make mention of the international conventions and treaties ratified by the Romanian state, with the aim of respecting human rights, and in particular, the equality of chances.

During 2000-2006, a diversified legal framework was adopted. In late August 2000, the Government Ordinance no. 137/2000 on preventing and sanctioning all forms of discrimination was adopted, (subsequently amended by Law 48/2002, Government Ordinance 77/2003, Law 27/2004, Law 324/2006, being republished in February 2007), which was an important step in combating discrimination through legal purposes.

Similar initiatives, in criminal matters, have been materialized by the adoption of the Emergency Ordinance no. 31/2002 regarding the prohibition of organizations and symbols with fascist, racist or xenophobic character and the promotion of the culture of persons guilty of committing crimes against peace and humanity (later amended by Law 107/2006) and by the revision of the Criminal Code.

The Romanian Government Strategy for improving the life of the Roma people, adopted by Government Decision no. 430/2001, was amended and completed by GD 522/2006. The existing Basic Law does not define concepts such as "discrimination" or "privilege" and limits the prohibition of discrimination to the legal sphere and to the relationship with public authorities.

The national minorities in Romania are the following communities: Albanian, Armenian, Bulgarian, Czech, Croatian, Greek, Hebrew, German, Italian, Macedonian, Hungarian, Polish, Russian-Lippovan, Roma, Ruthenian, Serbian, Slovak, Tatar, Turkish, and Ukrainian.

We strongly disapprove of the delay in adopting the status of national minorities, especially in light of the requests of the United Nations addressed to Romania in this respect. The United Nations has expressed negative opinions on the matter of territorial autonomy of the Hungarian population in Transylvania, but recommended that, until November 2010 Romania should to adopt the status of minorities, a bill which has been delayed by the parliament for five years.

The fundamental principles are reflected from the first articles of the Constitution: "Romania is a national, sovereign and independent, unitary and indivisible state." According to Article 4, "Romania is the common and indivisible homeland of all its citizens, irrespective of race, nationality, ethnic origin, language, religion, sex, opinion, political affiliation, wealth or social origin." Article 6 stipulates the guidelines in this field stating that "(1) The State recognizes and guarantees to persons belonging to

national minorities the right to preserve, develop and express their ethnic, cultural, linguistic and religious identity. (2) The protective measures taken by the state for the preservation, development and expression of identity of persons belonging to national minorities shall conform to the principles of equality and nondiscrimination in relation to the other Romanian citizens. "Constitutional Law establishes that minority rights are a category of human rights and are, therefore, individual, not collective.

It is worth noting that, following the review of the constitution of 2003 an important provision was introduced in the Basic Law. Thus, according to art. 73, paragraph (3), point r the status of national minorities in Romania is regulated by an organic law. Organic laws are those adopted by the Parliament in matters of vital importance for the functioning of the state and represent an intermediate category, between constitutional and ordinary laws. So, we will watch for the possible adoption of a national minority status.

The legislation of the Republic of Moldova defines national minorities in the following way: "the persons belonging to national minorities are persons residing in Moldova, they are its citizens, have ethnic, cultural, linguistic and religious particularities by means of which they are different from the majority of people - Moldovan - and consider themselves of a different ethnic origin."

Any person belonging to national minorities has the right to choose freely whether or not belonging to that minority. This choice or exercise of rights related to it should not put that person to the worse. Under Article 10 of the Constitution of the Republic of Moldova, "The State recognizes and guarantees the right of all citizens to preserve, develop and express their ethnic, cultural, linguistic and religious identity." Article 13 establishes that "the State recognizes and protects the right to preserve, develop and use the Russian language and other languages spoken throughout the country."

Coming back to the Law of the Republic of Moldova on the rights of persons belonging to national minorities and to the legal status of their organizations some additional explanations are required. The State guarantees to the persons belonging to national minorities the right to equality before the law and to equal protection before the law and any discrimination on grounds of belonging to a national minority shall be prohibited. The State takes to contribute to creating the necessary conditions for the preservation, development and expression of ethnic, cultural, linguistic and religious identity of national minorities and ensures the carrying out of scientific research in the field of history, language and culture of national minorities. The historic and cultural monuments of minorities are protected by the state.

The state guarantees the realization of the rights of persons belonging to national minorities to preschool education, to elementary, middle (general and professional) superior and post-graduate education in Moldovan and Russian, creates conditions for the realization of their right to education and training in mother tongue (Ukrainian, Gagauz Bulgarian, Yiddish etc.). Similar provisions are established for the use of mother tongue in administration, similar to the Romanian legislation, except that if the mother tongue of the persons belonging to national minorities uses other alphabet than the Latin one, their first name, last name and patronymic is transliterated in the Moldovan language in accordance with its rules of transliteration of foreign names.

Persons belonging to national minorities can exercise their rights both individually and collectively, under law, in organizations (associations, communions, communities, societies etc.) of an enlightened, cultural, religious and charitable nature. None of the organizations of persons belonging to national minorities can claim to monopolistically represent the interests of the respective minority.

The representation of national minorities in Parliament and local councils is established after the elections, as required by law. Persons belonging to national minorities have the right to an approximately proportional representation in the structures of the executive and judiciary power at all levels, in the army, in the courts. And in this case we note the similarities with the Romanian legislation.

Non-discrimination represents a core concept of the problem concerning the protection of national minorities, in addition to the principle of equality. After the fall of the communist regime, minority rights started to become visible, both in the political arena and in the legislative field from Romania and the Republic of Moldova. The legislation in both countries provides important guarantees for the participation of the minorities in the political sphere, the protection of access to education in their own language or the use of the mother tongue in administration.

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THE DYNAMIC OF REGIONAL TRADE SPECIALISATION PATTERN IN ROMANIA

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Abstract: *The paper analyses the evolution of the regional trade specialization pattern in Romanian regions, by studying the dynamic of their comparative advantages over the period 2000 - 2009. The study finds that, in almost all regions (exceptions are North-East and South-East Region) the international specialization has increased for products in which regions were initially relatively less specialized and has decreased for those in which they were initially highly specialized. Finally, most regions recorded large respectively small specialization improvements in products for which the internal respectively external demand expanded at the fastest rate over the time.*

Keywords: FOB exports, CIF imports, Lafay index, comparative advantage, sections of the Combined Nomenclature (CN)

JEL Classification: C10, F10, F49, O11

1. INTRODUCTION

The analysis of the regional trade specialization patterns and their adaptation to internal and external demand primarily implied to use the econometric tools (regression and correlation) to highlight the structural stability of specialization models, and secondly to evaluate this structural change in terms of economic efficiency.

1.1. Database

The database, for my analysis, was provided by the National Institute of Statistics. The **regional import and export trade flows, in the period 2000-2009, are presented by sections of the Combined Nomenclature (CN)**. Data are presented on sections of CN because Romania's foreign trade statistics is made in accordance with the methodology used internationally. The imported and exported goods have been classified, since 1994, by Combined Nomenclature (CN), which is also the basis of the tariff customs. National Institute of Statistics is the official source for such data. Before 1

January 2007, when Romania joined EU, the statistical information on external goods trade have been collected by the National Customs Authority, the institution which collect customs declarations. Based on their dates on establish the level of exports and imports – the Extrastat statistical system. Starting with January 1, 2007 Intrastat system became operational, so that international trade statistics are obtained by summing data from systems Intrastat (Intra-EU trade - data collected by INS) and Extrastat (Extra-EU trade - data collected by the NCA).

To provide a pertinent analysis of the regional specialization, the interpretation was made first in terms of level of technology into products of manufacturing industry and secondly in terms of factor intensity use. To do such an analysis I built a **table of correspondence** between the National Classification of Economic Activities in Romania (**NACE** - at division level), Classification of products and services Activities (**CPSA** - at group level), CN (**CN** - at the chapter) - aggregation of correspondence, between the three classifications at the division level, was made according to official correspondence in the much higher level of detail - and the **classification of industries according to technological intensity** (according to a classification UNIDO 2005) and by **the factor intensity use** (as classified Neven D.J. in the study "Gain and losses from 1992" 1990).

From these data I determined the **Lafay index which quantifies the degree of regional specialization**. This index represents the comparative advantage of intra-industry specialization for a product and it is determined by multiplying the difference of normalized trade balance of the product and the total normalized trade balance area with the proportion of trade (export + import) of the total regional flows. At regional level the amount of index by CN sections must be equal to zero. Positive values for this index imply comparative advantage for a product, so there is intra-industry specialization, and negative values indicate import dependence. A high value/low level of this index is associated with intra-industry high/low specialization.

$$LF_i = 100 \left(\frac{(x_i - m_i)}{(x_i + m_i)} - \frac{\sum_{reg} (x_i - m_i)}{\sum_{reg} (x_i + m_i)} \right) \frac{(x_i + m_i)}{\sum_{reg} (x_i + m_i)}$$

Where: x_i = the value of exports by CN section, m_i = the value of imports by CN section,

\sum_{reg} = sum of index by region

1.2. Methodology

Econometric instruments used to assess the temporal stability of the comparative advantages of specialization processes (Zaghini, 2003) implies building a regression equation where the independent variable represents the value of the Lafay index at the beginning of the period (in 2000) and the dependent variable represents the value of the index at the end of period (in 2009). Regression equation is as follows:

$$LF_{2009} = \alpha + \beta LF_{2000} + \varepsilon$$

Where: LF_{2009} and LF_{2000} = Lafay index for 2009 and 2000

α și β = parameters of linear regression equation

ε = residual error

Interpretation of the regression analysis based on the regression parameter (β) can be made as follows:

- if β is equal to 1 the process of specialization *did not change* during the analyzed period
- if β is greater than 1 then in that region the degree of specialization *increased* or fallen to those products where there is the *advantage* or disadvantage already
- if β is between 0 and 1 then *average specialization index remained unchanged* but increased to products where values were small and declined to products where there were high levels
- dacă β is less than zero - *the processes of specialization have changed*

However, only parameter regression analysis is not sufficient to accurately determine whether changes in the structure of the advantages / disadvantages comparison determines the modifications of the degree of specialization. In fact, the regression parameter tells us what happens on average and does not give us clear information about changes in the dispersion of the distribution of comparative advantages. To obtain such evidence I consider the following equation:

$$\frac{VAR(LF_{2009})}{VAR(LF_{2000})} = \frac{\beta^2}{R^2}$$

Where: $VAR(LF_{2009})$ și $VAR(LF_{2000})$ = variances of the independent and dependent variable

R^2 = coefficient of determination of the regression equation

Interpretation of results can be made from two perspectives, as follows:

➤ *In terms of the correlation coefficient (R) of the regression equation:*

- *If the values are large and tend to 1 – there are not changed the relative positions of the products*
- *If the values are small and tend to 0 – there are significant changes in distribution structure such that the structure has high mobility*

➤ *In terms of the relationship between the regression parameter (β) and correlation coefficient (R):*

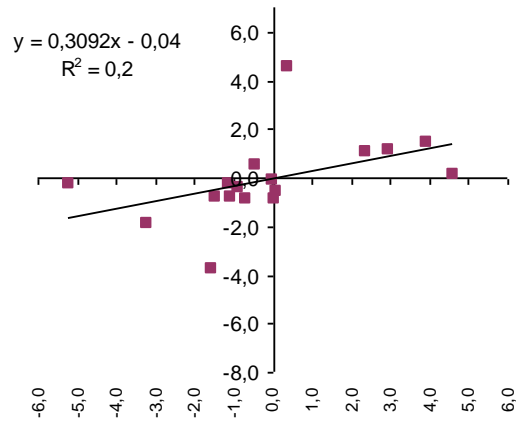
- *If they are equal ($\beta = R$) - dispersion of the distribution remains unchanged*
- *If the regression parameter is greater than the coefficient of correlation ($\beta > R$) - which means that the dispersion increases the degree of specialization has increased*
- *If the regression parameter is smaller than the coefficient of correlation ($\beta < R$) - dispersion decreases as a result decreases the degree of specialization.*

"Regression effect" (given by β) and "mobility effect" (given by $1-R$) provides information on changes in the distribution of comparative advantage over a period. It may be that the regression parameter to suggest a decrease in the degree of specialization due to proportional changes toward the average, but the overall effect should be the other way because of changes occurring in distribution structure.

2. DYNAMIC OF REGIONAL TRADE SPECIALISATION PATTERNS

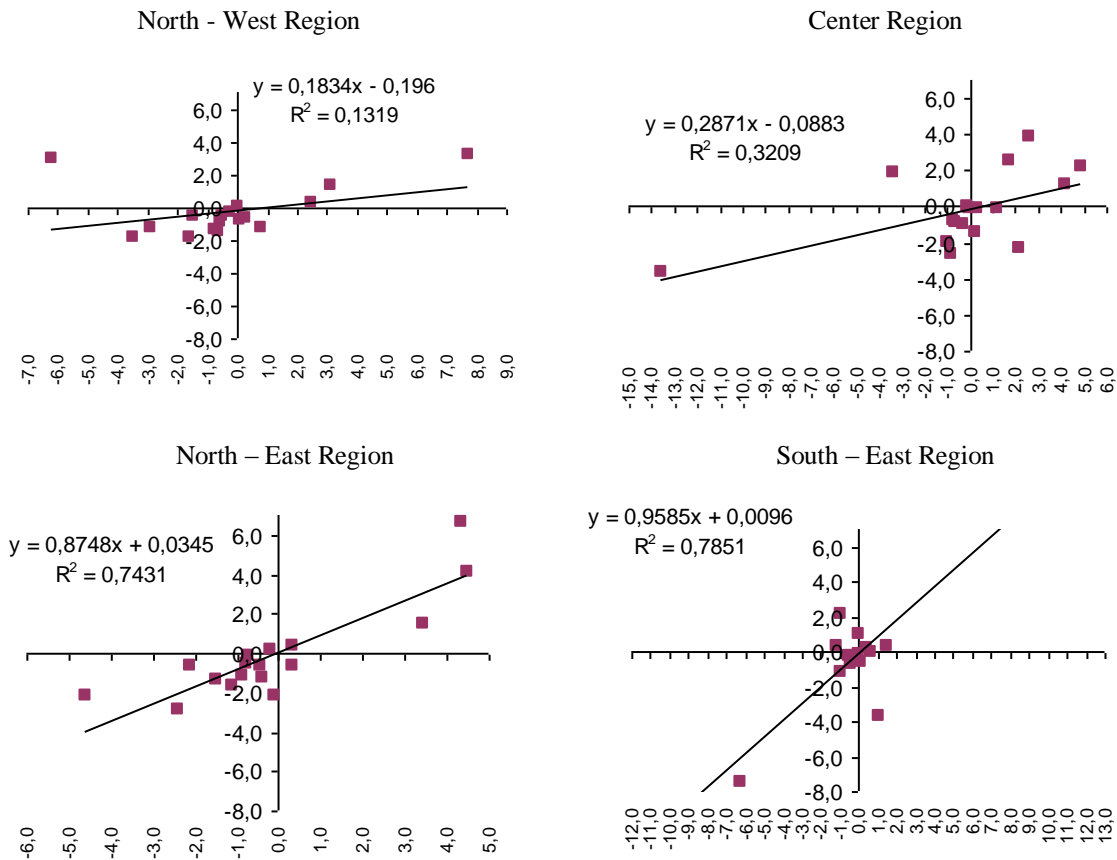
Applying to the database the previously econometric instruments I obtained the next graphical representations (Figure 1 and 2). *Thus, at the national level*, as shown in Figure 1, *the degree of specialization has remained on average the same* during 2000-2009, whereas the regression parameter is between 0 and 1 ($\beta = 0,31$). Also, the regression parameter value close to zero and the mean value at the correlation coefficient ($R = 0,45$), however indicates that there were *significant changes in distribution structure of comparative advantages*.

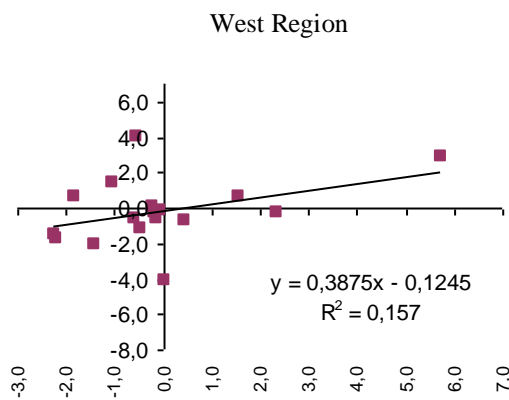
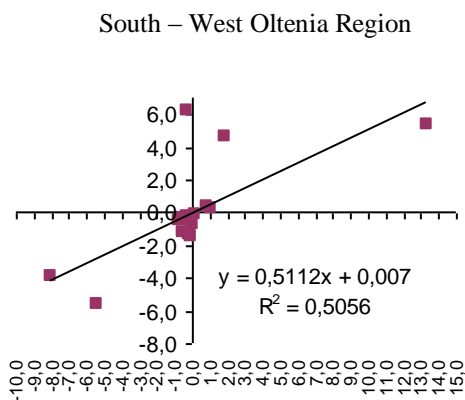
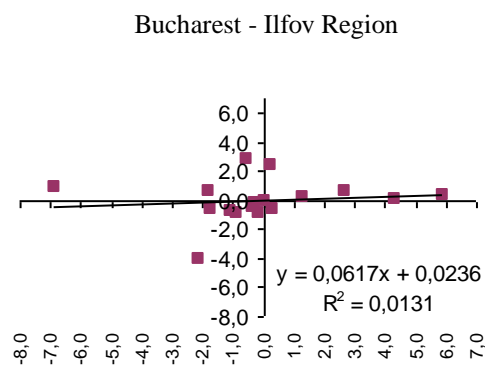
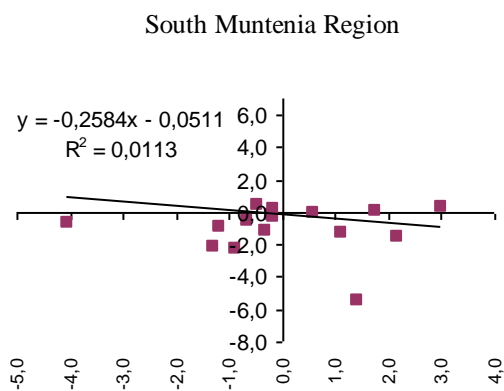
Figure 1 - Dynamic of intra-industry specialization processes in Romania
(Corelograma of Lafay index in 2000 and 2009)



Source: own processing based on information provided by NIS

Figure 2 - Corelograma of regional Lafay index by CN sections in 2000 and 2009





Source: own processing based on information provided by NIS

Because the value of the regression parameter is less than the coefficient of correlation, **I conclude** that in Romania, even if there is a slight decrease in degree of specialisation, there are significant changes in distribution structure of comparative advantages whereas the effect of mobility outweigh the effect of regression. This means that Romania has specialised in sectors where the initial phase was less specialised and despecialised in sectors where the initially was highly specialised.

Since by regions the dynamic of degree of specialisation is different, further, I analyze this phenomenon in each region, based on information provided by Figure 2.

North-West Region

In this region the degree of specialization has remained on average the same during 2000-2009, whereas the regression parameter is between 0 and 1 ($\beta = 0,18$). Also, the small value of parameter regression (close to zero) and the small value of the coefficient of correlation ($R = 0,36$), indicate that there were significant changes in the structure of comparative advantages.

Because of the regression parameter is less than the coefficient of correlation, **I conclude** that in this region even if there is a slight decrease of specialization are, however, significant changes in

distribution structure of comparative advantages whereas the effect of mobility outweigh the effect of regression. This means, that the region has specialized in sectors where it was less specialized and despecialized in the sectors where it was highly specialized.

Center Region

In this region *the degree of specialization has remained on average the same* during 2000-2009, whereas the regression parameter is between 0 and 1 ($\beta = 0,29$). Also, the small value of parameter regression (close to zero) and the small value of the coefficient of correlation ($R = 0,57$), indicate that *there were significant changes in the structure of comparative advantages.*

Because of the regression parameter is less than the coefficient of correlation, ***I conclude*** that in this region *even if there is a slight decrease of specialization are, however, significant changes in distribution structure of comparative advantages whereas the effect of mobility outweigh the effect of regression. This means, that the region has specialized in sectors where it was less specialized and despecialized in the sectors where it was highly specialized.*

North-East Region

In this region *the degree of specialization has remained the same* during 2000-2009, whereas the regression parameter is between 0 and 1 ($\beta = 0,87$). Also, the high values of parameter regression (close to 1) and the coefficient of correlation ($R = 0,86$), indicate that *there were no significant changes in the structure of comparative advantages.*

Because of the regression parameter is greater than the coefficient of correlation, ***I conclude*** that in this region *there is a slight increase of specialization and no, significant changes in distribution structure of comparative advantages. This means, that the region has specialized in sectors where it was highly specialized and despecialized in the sectors where it was less specialized.*

South-East Region

In this region *the degree of specialization has remained the same* during 2000-2009, whereas the regression parameter is between 0 and 1 ($\beta = 0,96$). Also, the high values of parameter regression (close to 1) and the coefficient of correlation ($R = 0,89$), indicate that *there were no significant changes in the structure of comparative advantages.*

Because of the regression parameter is greater than the coefficient of correlation, ***I conclude*** that in this region *there is a slight increase of specialization and no, significant changes in distribution structure of comparative advantages. This means, that the region has specialized in sectors where it was highly specialized and despecialized in the sectors where it was less specialized..*

South Muntenia Region

In this region *the degree of specialization has reversed* during 2000-2009, whereas the regression parameter is negative ($\beta = -0,27$). Also, the small value of parameter regression (close to zero) and the small value of the coefficient of correlation ($R = 0,11$), indicate that *there were significant changes in the structure of comparative advantages*.

Because of the regression parameter is less than the coefficient of correlation, ***I conclude*** that in this region *even if there is a decrease of specialization are, however, significant changes in distribution structure of comparative advantages whereas the effect of mobility outweigh the effect of regression. This means, that the region has specialized in sectors where it was less specialized and despecialized in the sectors where it was highly specialized.*

Bucharest-Ilfov Region

In this region *the degree of specialization has remained on average the same* during 2000-2009, whereas the regression parameter is between 0 and 1 ($\beta = 0,06$). Also, the small value of parameter regression (close to zero) and the small value of the coefficient of correlation ($R = 0,11$), indicate that *there were significant changes in the structure of comparative advantages*.

Because of the regression parameter is less than the coefficient of correlation, ***I conclude*** that in this region *even if there is a slight decrease of specialization are, however, significant changes in distribution structure of comparative advantages whereas the effect of mobility outweigh the effect of regression. This means, that the region has specialized in sectors where it was less specialized and despecialized in the sectors where it was highly specialized.*

South – West Oltenia Region

In this region *the degree of specialization has remained on average the same* during 2000-2009, whereas the regression parameter is between 0 and 1 ($\beta = 0,51$). Also, the average value of parameter regression and the high value of the coefficient of correlation ($R = 0,71$), indicate that *there were no significant changes in the structure of comparative advantages*.

Because of the regression parameter is less than the coefficient of correlation, ***I conclude*** that in this region *there is a slight decrease of specialization and no significant changes in distribution structure of comparative advantages whereas the effect of mobility outweigh the effect of regression. This means, that the region has specialized in sectors where it was less specialized and despecialized in the sectors where it was highly specialized*

West Region

In this region *the degree of specialization has remained on average the same during 2000-2009*, whereas the regression parameter is between 0 and 1 ($\beta = 0,39$). Also, the small value of parameter regression and the average value of the coefficient of correlation ($R = 0,40$), indicate that *there were significant changes in the structure of comparative advantages*.

Because of the regression parameter is less than the coefficient of correlation, ***I conclude*** that in this region *even if there is a slight decrease of specialization are, however, significant changes in distribution structure of comparative advantages whereas the effect of mobility outweigh the effect of regression. This means, that the region has specialized in sectors where it was less specialized and despecialized in the sectors where it was highly specialized*.

In conclusion, as can be seen in figure 3, *in most regions the degree of specialization has slight decrease because the increasing of specialization in the sectors where it was less specialized; it was compensated with the decreasing of specialization in the sectors where it was highly specialized. Therefore, during 2000-2009, the comparative advantages have, generally, decreased, and their structure's distribution has high mobility (except the North-East and South-East where the degree of specialization has increased due to the increased of specialization in those sectors they were already specialized, so the structure's distribution of comparative advantages does not change)*.

Figure 3 - The evolution of comparative advantages and the mobility of the structure during 2000-2009

Regions	Comparative advantages	The mobility of the structure	Specialization	
			increasing	decreasing
North-West	decreasing	average		x
Center	decreasing	average		x
North-East	increasing	small	x	
South-East	increasing	small	x	
South Muntenia	decreasing	high		x
Bucharest-Ilfov	decreasing	high		x
South – West Oltenia	slight decreasing	small		x
West	slight decreasing	average		x

Source: own processing based on information provided by NIS

3. ADAPTING REGIONAL SPECIALIZATION TO THE DEMAND

The results of previous analysis - the temporal stability of the comparative advantage's structure - have revealed that the *regional specialization processes have changed* over the period 2000-2009, whereas the degree of mobility is relatively high.

To assess if these changes represent *the adjustment of productive structures* to the dynamic of demand, I propose, further, to build a *model of specialization* in which the cumulative curves of Lafay indexes, depending on demand, from 2000 and 2009 are compared (Zaghini A., 2003).

Since, by definition the sum of the Lafay index by sections is zero, *the cumulative curve will begin at the positive or negative value* corresponding to the first section with the lowest dynamic *and finish at zero* by adding a positive or negative value associated to the section with the highest dynamic of the demand.

To build the plot, I put on OX axis the CN sections ordered ascending by the demand dynamics and on the OY axis the cumulative value Lafay index.

The cumulative curves of Lafay indexes will increase at the sections where comparative advantages exist and decrease where there are disadvantages.

A regional specialization model can be considered *efficient if that region gain comparative advantages of the products whose market demand is growing* since it involves strengthening the position of the regional economy on the international market.

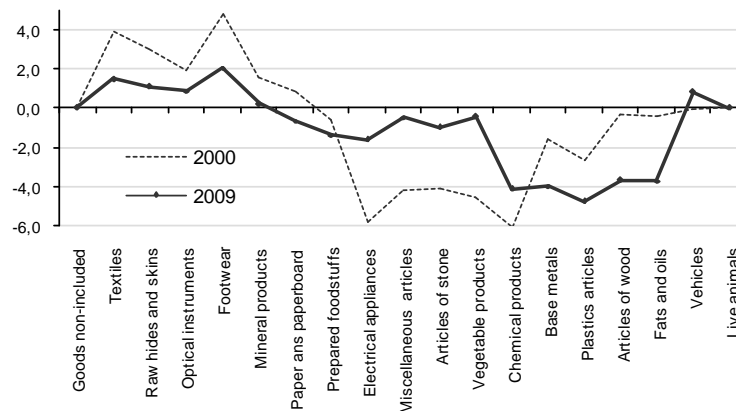
In conclusion, a reduction of comparative advantages (or an increase of comparative disadvantage) to the products with *low dynamic of the demand* can be interpreted as a *positive trend* of development of regional economy, and vice versa, a reduction of the comparative advantages (or an increase of comparative disadvantage) to the products with high dynamics demand can be considered a negative development of regional economy. Every economy should have flexible and competitive production structures that would increase the comparative advantages of those products where demand is growing faster.

3.1. The specialisation models in terms of internal demand

To build this model I ranked first in ascending *order all CN sections according to the dynamic of the internal demand expressed by regional imports* (2009 compared to 2000). Then, I determined the

values of the Lafay cumulative curve by summing, adding position with position indices calculated at the section.

**Figure 4 - The specialisation model in Romania between 2000-2009
(in terms of internal demand)**



Source: own processing based on information provided by NIS

As can be seen in Figure 4, the *dynamic of specialization patterns in Romania in terms of internal demand* (imports) has the following trends:

- for *products* with relatively constant or changed slightly demand (*small dynamic*) the *comparative advantages* has decrease in 2009 compared to 2000
- for *products* with *average demand dynamics* the *comparative disadvantages* has recorded a *fall* in 2009 compared to 2000
- for *products* with *growing demand* the *comparative disadvantage* has decrease in 2009 compared to 2000 (except for means of transport where disadvantages turns to the comparative advantages)

In conclusion, in Romania the changes in the specialization model *for products with small and average internal demand dynamics* (the decreasing/increasing of comparative advantages/disadvantages at the products where it is a small or average demand dynamics) *are "efficient"* for the national economy. I can not say the same thing about changes in the specialisation model, *for goods where there was a high dynamic*. Thus, rather to decrease the small comparative disadvantages from 2000, those have increasing further in 2009. This is a sign that *Romania's productive structures were*

not competitive and flexible enough, compared to those from abroad, to satisfy an increasingly higher internal demand and „other countries" have satisfied the excess demand.

At regional level, adaptation of the specialisation model to the internal demand is different, but, generally, I can say, according to figures 5 and 6, that ***most regional economies respond efficient to the demand growth*** by increasing/decreasing the comparative advantages/disadvantages or turning disadvantages into comparative advantages (***except the North-West and South-Muntenia***).

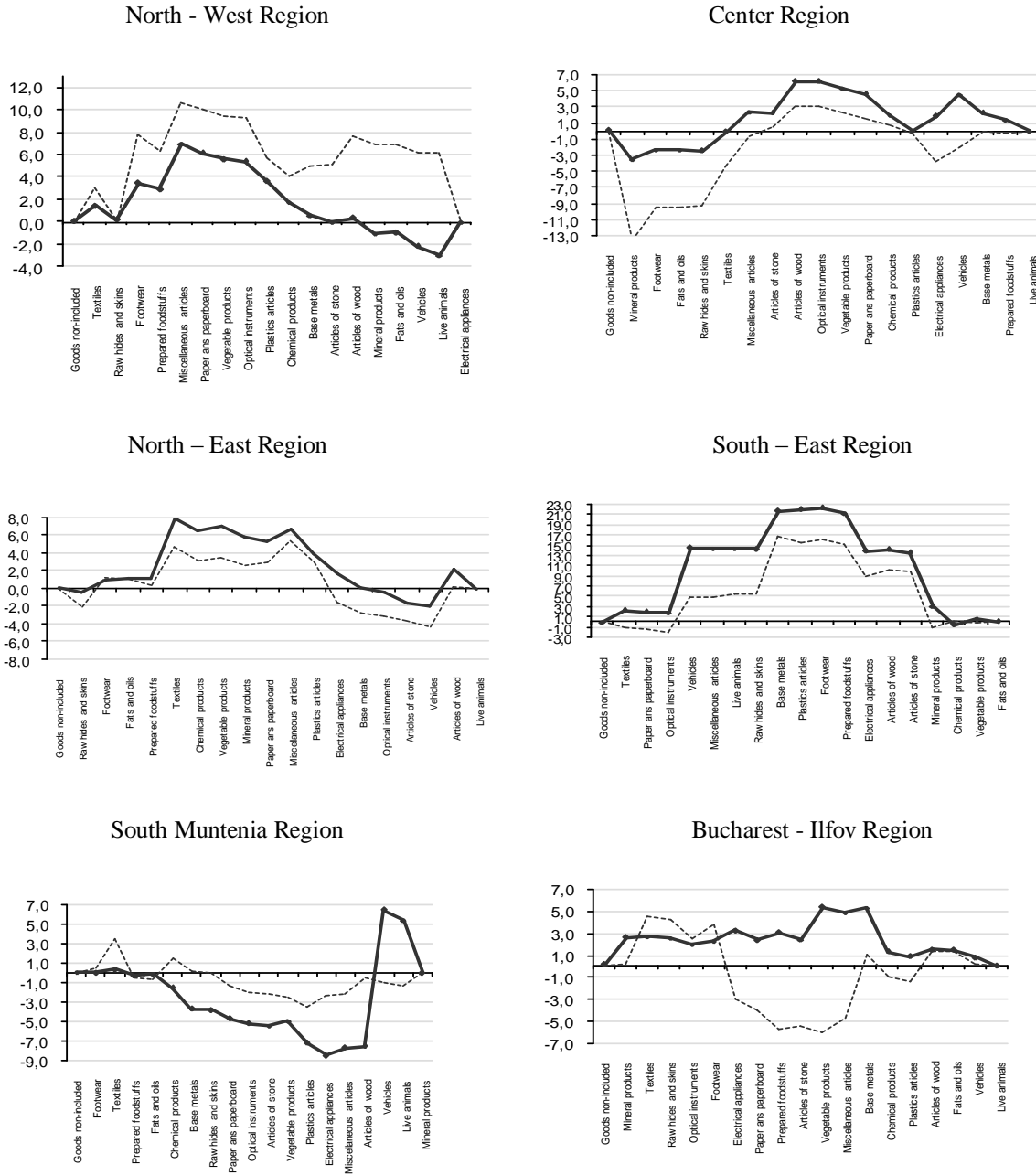
Its important to emphasize that the changing patterns of regional specialization in terms of internal demand, implied in fact the growth of comparative advantages or the decreasing of the disadvantages in all categories of products, which would mean that the regional production structures are competitive and try to satisfy the demand, regardless of its dynamics.

Figure 5 - Adapting regional specialization pattern to the internal demand dynamics between 2000-2009

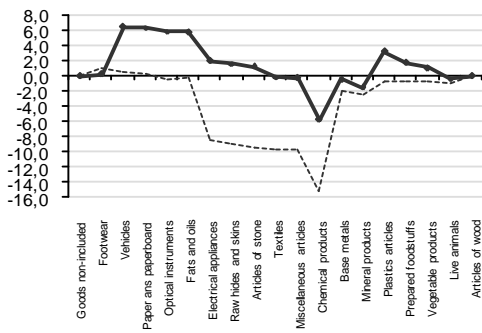
Regions	Internal demand dynamics		
	small	average	high
North-West	comparative advantages decreasing	comparative advantages decreasing	advantages turns into comparative
Center	comparative disadvantages	comparative advantages increasing	disadvantages turns into comparative advantages
North-East	comparative advantages increasing	comparative advantages increasing	comparative disadvantages
South-East	disadvantages turns into comparative advantages	comparative advantages increasing	small and constant comparative advantages
South Muntenia	comparative advantages decreasing	comparative disadvantages	disadvantages turns into comparative advantages
Bucharest-Ilfov	comparative advantages decreasing	disadvantages turns into comparative advantages	small and constant comparative advantages
South – West Oltenia	comparative advantages increasing	disadvantages turns into comparative advantages	disadvantages turns into comparative advantages
West	comparative advantages increasing	comparative advantages increasing	disadvantages turns into comparative advantages

Source: own processing based on information provided by NIS

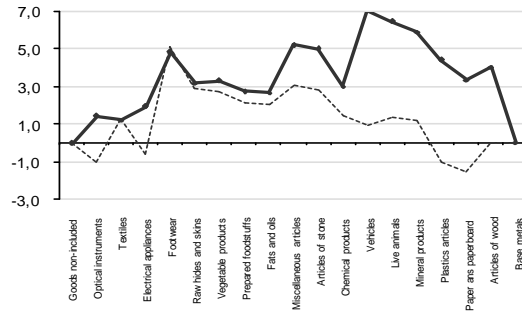
Figure 6 - The regional specialization model in terms of internal demand, between 2000-2009



South – West Oltenia Region



West Region

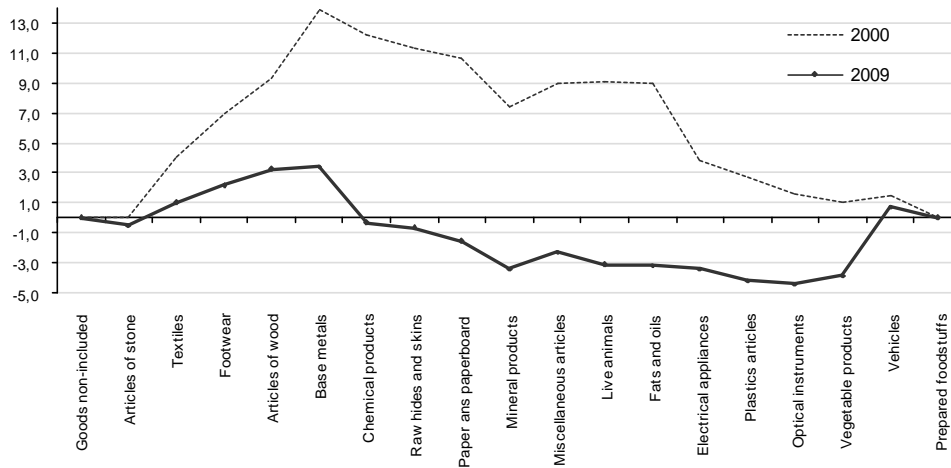


Source: own processing based on information provided by NIS

3.2. The specialisation models in terms of external demand

To build this model I ranked first in ascending order all CN sections according to the dynamic of the external demand expressed by regional exports (2009 compared to 2000). Then, I determined the values of the Lafay cumulative curve by summing, adding position with position indices calculated at the section.

Figure 7 - The specialisation model in Romania between 2000-2009 (in terms of external demand)



Source: own processing based on information provided by NIS

As can be seen in Figure 7, the *dynamic of specialization patterns in Romania in terms of external demand* (exports) has the following trends:

- for *products* with relatively constant or changed slightly demand (*small dynamic*) the *comparative advantages* has decrease in 2009 compared to 2000
- for *products* with *average demand dynamics* the *comparative disadvantages* has recorded a *fall* in 2009 compared to 2000
- for *products* with *growing demand* the *small comparative advantage* has decrease and turns in disadvantages in 2009 compared to 2000 (except for means of transport where the comparative advantages remain)

In conclusion, in Romania the changes in the specialization model for *products with small external demand dynamics* (the decreasing of comparative advantages at the products where it is a small demand dynamics) are "*efficient*" for the national economy. I can not say the same thing about changes in the specialisation model, *for goods where there was a average and high dynamic*. Thus, rather to increase the comparative advantages from 2000, those have decreasing turns in turns in disadvantages in 2009. This is a sign that *Romania's productive structures were not competitive and flexible enough*, compared to those from abroad, to satisfy an increasingly higher external demand. *Exceptions are the means of transport*, whose high comparative advantages, strengthens Romania's position on the international market with such products.

At regional level, adaptation of the specialisation model to the external demand is different, but, generally, I can say, according to figures 8 and 9, that ***most regional economies not respond efficient to the demand growth*** by increasing the comparative advantages or turning disadvantages into comparative advantages (except are North-East and South-East who have preserved the advantages especially in products with a high dynamic of the external demand).

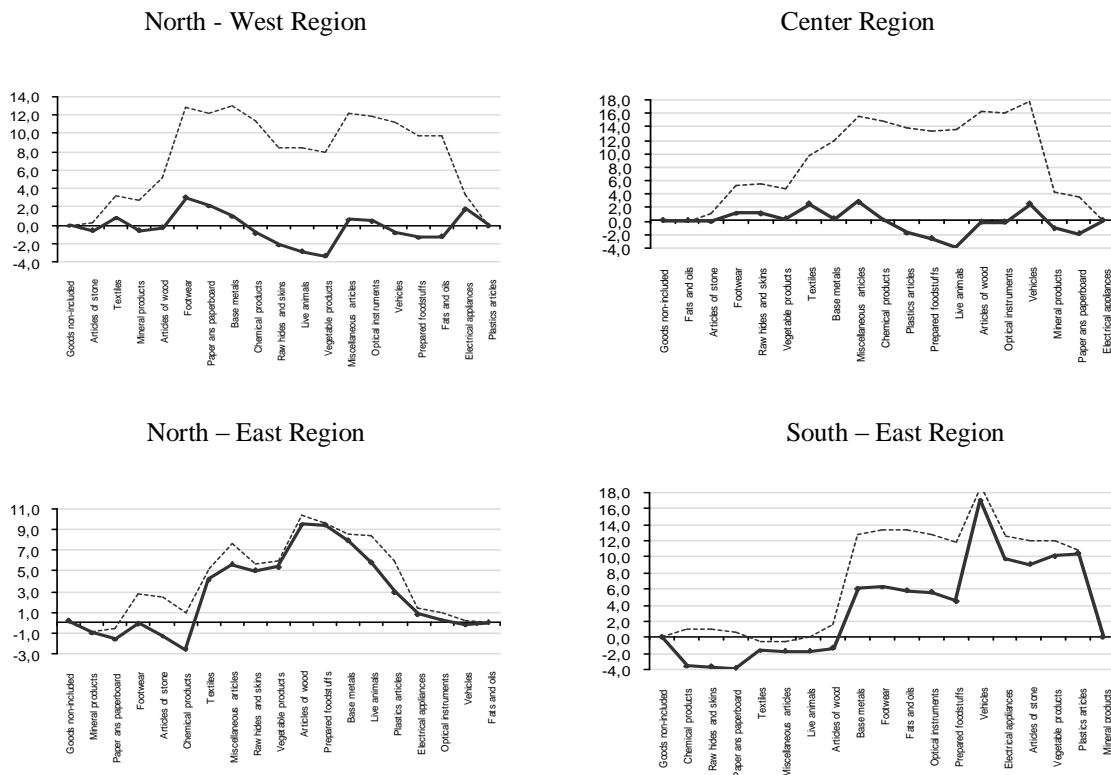
Its important to emphasize that the changing patterns of regional specialization in terms of external demand, implied in fact the decreasing of comparative advantages and turns in disadvantages in all categories of products, which would mean that the regional production structures are not competitive and flexible enough to satisfy the demand, regardless of its dynamics.

Figure 8. Adapting regional specialization pattern to the external demand dynamics between 2000-2009

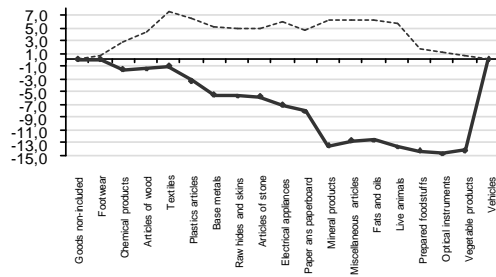
Regions	External demand dynamics		
	small	average	high
North-West	comparative advantages decreasing	advantages turns into comparative disadvantages	advantages turns into comparative disadvantages
Center	comparative advantages decreasing	advantages turns into comparative disadvantages	advantages turns into comparative disadvantages
North-East	advantages turns into comparative disadvantages	comparative advantages decreasing	comparative advantages decreasing
South-East	advantages turns into comparative disadvantages	comparative advantages decreasing	comparative advantages decreasing
South Muntenia	advantages turns into comparative disadvantages	advantages turns into comparative disadvantages	advantages turns into comparative disadvantages
Bucharest-Ilfov	advantages turns into comparative disadvantages	comparative advantages decreasing	advantages turns into comparative disadvantages
South – West Oltenia	constant comparative disadvantages	disadvantages increasing advantages decreasing	advantages turns into comparative disadvantages
West	constant comparative advantages	advantages turns into comparative disadvantages	comparative advantages decreasing

Source: own processing based on information provided by NIS

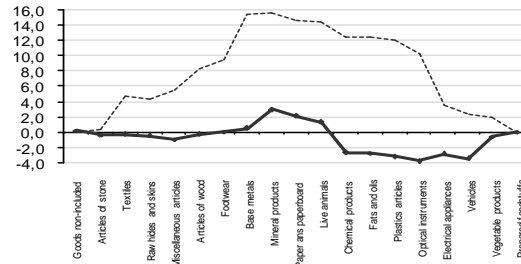
Figure 9 . The regional specialization model in terms of external demand, between 2000-2009



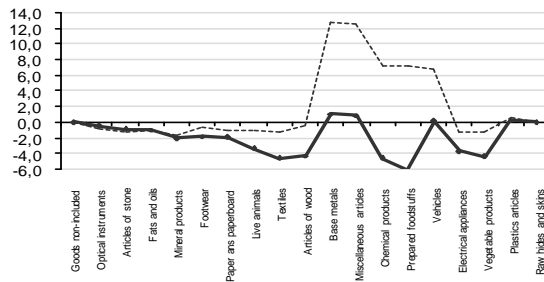
South Muntenia Region



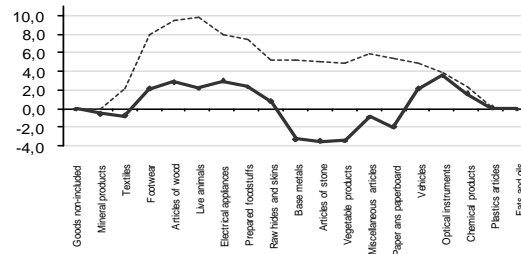
Bucharest - Ilfov Region



South – West Oltenia Region



West Region



Source: own processing based on information provided by NIS

CONCLUSION

The results of this analysis – The dynamic of regional trade specialization pattern in Romania - in terms of the temporal stability of the distribution structure of comparative advantages, has revealed that *at the regional level the specialization processes have changed* between 2000-2009, whereas the degree of mobility is relatively high.

In most regions recorded *a decline in comparative advantage due to high mobility of the structure of their distribution* (except North-East and South-East where the degree of specialization has increased due to increased of specialization in those sectors that are already specialized, therefore distribution structure of comparative advantage does not change).

To assess if these changes are the final results of efficient adaptation of productive structures to demand dynamic I built two models of specialization, one *in terms of internal demand* and the other in terms of *external demand*.

Changing patterns of regional specialization, has assumed that *in terms of internal demand* the increasing of the comparative advantages or decreasing of disadvantages and in *terms of external*

demand the decreasing of their advantages and turns in disadvantages for all products. This would mean that regional production structures are competitive for internal market - they try to satisfy demand- while for the foreign markets are not sufficiently flexible and competitive in order to satisfy a growing demand.

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THE OMC IN THE EUROPEAN EMPLOYMENT POLICY: BRINGING SOCIALISATION IN

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Abstract: *This paper argues in favour of a more thorough analysis of a specific set of dynamics taking place in the Open Method of Coordination (OMC), the latter being conceived as an informal organizational framework aimed at mutual learning (de Burca and Zeitlin, 2003) and policy change (Dolowitz and Marsh, 2000; Radaelli, 2000). The aim of this paper is to uncover the missing link between these two elements, which has hitherto been black-boxed by the literature. Theoretical tools from International Relations (IR) theories (i.e. constructivist institutionalism) are borrowed in order to circumvent such a fallacy. The premises are the same as the ones hitherto employed by scholars studying the OMC (e.g. Jacobsson, 2004): can norms and values assume a binding character even outside the ‘territorially bounded democratic government’ (Héritier and Lehmkuhl, 2008) and thus leading to policy change? If so, how does this phenomenon take place? Nevertheless, the approach is different, in that it builds on two closely interrelated factors: the concept of socialisation with its micro-processes (Johnston, 2001; Johnston, 2008) and the institutional characteristics of social environments (Rogowski, 1999). Accordingly, this paper will address the question: is the OMC in European employment policy a social environment conducive of socialisation?*

Keywords: Open Method of Coordination, mode of governance, policy learning, socialisation

JEL Classification: L38, J48

INTRODUCTION

The theoretical relevance of this topic is multifaceted. On the one hand, the OMC is conceived as a real novelty in the European modes of governance, being significantly different from the European precedent uses of soft law (i.e. the BEPG), from deliberative practices carried out by other international organisations, such as the OECD (Jacobsson and Vifell, 2003; Borrás and Jacobsson, 2004) and from benchmarking procedures employed in the private sector (Jacobsson, 2004). Accordingly, many practitioners emphasized its relevance by referring to the OMC as the ‘third way between intergovernmentalism and supranationalism’ (Ekengren & Jacobsson 2000). On the other, the vast

literature on the OMC and the modes of European governance has often fallen short in deepening the concept of ‘mutual learning’ and its implications. Whilst many detailed analysis have been carried out in other specific aspects of the OMC (e.g. the benchmarking)²⁵, the majority of studies has failed in “[taking] account of the type of learning involved, where mimicking is merely one type of learning and probably not the most important one” (Jacobsson and Vifell, 2003, p.5).

Two caveats are needed. First of all, a theoretical rather than an empirical approach is preferable for several reasons: the short life of the OMC; the difficulties in assessing policy change in such an indirect and non-binding process; the unreliability of Commission’s evaluations being more rhetorical and political documents than a proper empirical analysis (Eberlein and Kerwer, 2004; EIPA, 2000). Secondly, the focus will be on the committees acting in the European employment policy, namely the EMCO and its sub-groups: the Ad hoc group and the Indicators group²⁶. Indeed, the OMCs differ sensitively across issue areas (Caviedes, 2004; Borrás and Jacobsson, 2004; Guy, 2008) and thus a macro approach is not viable. Furthermore, a micro approach is preferable for another reason, namely the fact that “a constructivist ontology allows (even demands) that the unit of socialization is the individual or small group” (Johnston, 2001 p.34): this permits to focus on group preferences as preference transformation, typical of deliberative practices, rather than as preference aggregation (Johnston, 2001; Eberlein and Kerwer, 2004). The focus on European employment policy may be explained also by the fact that similar but not equal practices to the OMC had been already in place in the European Employment Strategy (de la Porte and Nanz, 2004) before the Lisbon Strategy. In fact, the employment policy is perceived by many authors as the most developed example of OMC (e.g. Jacobsson and Vifell, 2003).

1. THE THEORETHICAL STATE OF ART: BRINGING SOCIALISATION IN

Given the infinite literature on the OMC, the modes of European governance and the concept of policy learning, this section limits the analysis to those theories which focus on two aspects: the institutional characteristics of committees and the concept of socialisation. Accordingly, the literature on European governance will be limited by the focus on policy, rather than polity or politics (Treib, Bahr and Falkner, 2007) and within this area, this paper will concentrate on the concept of deliberative

²⁵ For a detailed analysis of the process of benchmarking in the OMC see Arrowsmith J., Sisson K. and Marginson P., 2004, ‘What can ‘benchmarking’ offer the open method of co-ordination?’, *Journal of European Public Policy*, 11(2), pp.311-328.

²⁶ Information about such committees is available at <http://ec.europa.eu/social/main.jsp?catId=115&langId=en>.

democracy. The latter may be conceived as a mode of governance whereby norms and values are interiorised and thus policy change is fostered through reasoning, arguing and persuasion dynamics (De la Porte and Nanz, 2004; Radulova, 2007; Eberlein and Kerwer, 2004). De la Porte and Nanz (2004) identify three models of deliberative democracy: Habermas's procedural theory, Joerges's deliberative supranationalism and Sabel and Cohen's directly deliberative polyarchy (or democratic experimentalism). In the first one the focus is on arguing and how it triggers policy change, which is perceived as preference transformation from micro to macro level rather than mere aggregation. Such an approach builds on Habermas's theory of communicative action, which stresses the importance of persuasion, namely the interiorization of norms and values through the logic of appropriateness (March and Olsen, 2009), though persuasion represents only one of the various processes which may lead policy change (Johnston, 2001). Sabel and Cohen's directly deliberative polyarchy emphasises the effectiveness of problem-solving deliberation through bottom-up logic of participation (Eberlein and Kerwer, 2004), though the participatory character of the decision-making process eclipses the learning procedures. Indeed, learning processes are perceived only as the creation of a new common knowledge thus neglecting the mechanisms whereby such common knowledge is formed. Furthermore, the democratic experimentalism theory, despite stressing the importance of the institutional framework (Eberlein and Kerwer, 2004), is more concerned on the two-level policy network between the local deliberative units and the central authority rather than the analysis the internal characteristics of the social environments. Joerges's deliberative supranationalism focuses primarily on comitology, even though it may be applied also to other European committees (De la Porte and Nanz, 2004; Jacobsson and Vifell, 2003). Such an approach is the most suitable for the objectives of this paper for it concentrates on arguing as a mode of communication through the lenses of institutional requirements and not through public discourse (Neyer, 2003): only certain institutional conditions trigger learning processes.

Deliberative supranationalism approach is to be integrated by a more thorough analysis of the micro-processes of socialisation in order to better comprehend the dynamics taking place in the OMC which have hitherto been labelled under the generic term 'learning'. A caveat is needed: this paper does not focus only on policy learning, but it tries to establish a connection between it and policy change. Indeed, many authors have deeply analysed the concept of learning (e.g. Hemerijck and Visser, 2003), but the majority have fallen short in going beyond and analyse the *nexus* between policy learning and policy change. First of all it will be worth deepening the concept of social learning and policy

mimicking as they are conceived in this field of studies, namely the two main avenues to policy change (Hemerijck and Visser, 2003). Social learning may be defined as “a change of ideas or beliefs (cognitive and/or normative orientations), skills or competences as a result of the observation and interpretation of experience”. (Hemerijck and Visser, 2003, p.5) What in the approach to policy learning is labelled as mimicking, namely borrowing or copying the others’ behaviours as a rational way to face the challenges from the external environment, will be termed in this paper ‘emulation’ for reasons which will be clear below. The main characteristics of social learning and policy mimicking may be appreciated in Table 1.

Table 1 - Social Learning v. Policy Mimicking

Social learning	Policy mimicking
domestic	cross-national
inward-looking	outward-looking
trial and error	benchmarking

Source: Hemerijck A. and Visser J., 2003, Policy Learning in European Welfare States, unpublished manuscript, Universities of Leyden and Amsterdam

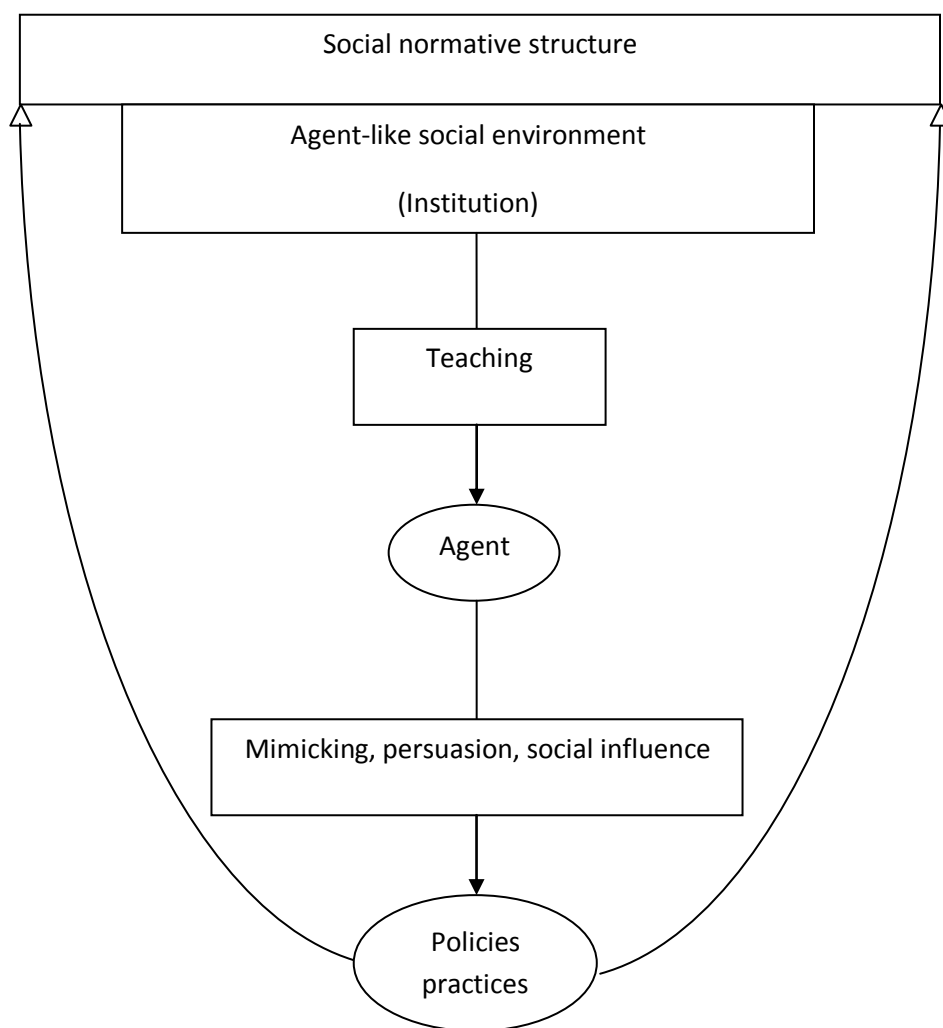
This paper calls into question two aspects of the approach. First of all, it is questionable that policy mimicking and social learning represent the only avenues to policy change: there are other reasons why policy change is fostered other than an analysis of previous experiences or the emulation of ‘the good guy’. Indeed, this approach is too agent-centered and too rational in its premises, being based on a markedly problem-solving perspective. As a consequence, this paper integrates such an approach utilised to analyse policy change in the OMC with the concept of socialisation employed in IR theories.

The concept of socialisation in IR theories has been utilised since the very beginning though being under-theorised in the majority of cases (Johnston, 2001). Only with the constructivist turn both at the agent level (e.g. Wendt, 1992) and at the structure level (e.g. Kratochwil and Ruggie, 1986) such a concept commenced to be properly considered. Socialisation is not only conceived as a motivation for pro-norm behaviour, but also as something affecting the agent’s identity and interests: “a process of internalizing new identities and interests, not something occurring outside them [actors] and affecting only behaviour [...]; socialization is a cognitive process, not just a behavioural one” (Wendt, 1992 p. 399). Nevertheless, constructivist approach to socialisation is characterised by a relevant fallacy.

Indeed, it tends to focus exclusively on persuasion as the only form of socialisation (Johnston, 2001). Accordingly, socialisation is limited to a specific meaning attached to persuasion close in spirit to Habermas's theory of communicative action: deliberation as the strategic attempt to convince other actors in an *inter pares* situation through reasoning and arguing (Hasenclever *et al*, 1997). Given the non-exhaustive approach to socialisation provided by earlier constructivist theories, this paper builds on socialisation as theorised by Johnston(1993; 2001; 2008). Socialisation is seen as “a process by which social interaction leads [actors] to endorse expected ways of thinking, feeling, and acting” (Johnston, 2001) and it comprises three micro-processes: mimicking, social influence and persuasion. This novel approach neatly differentiates learning from socialisation. In fact, teaching is only the first step in order to trigger socialisation processes, as illustrated in Figure 1. Once the agent is exposed to new information and *stimuli* from a social environment, it may change its behaviour for two main reasons: socialisation or emulation.

Emulation is a (bounded) rational selection of perceived successful exemplars in order to maximise utility; it also comprises a first-stage learning since the actor, first of all, has to comprehend the causal models which the successful exemplars utilise (Johnston, 2008). Social learning is not so different, in that it is based on rational premises and it entails learning too; the only difference is its inward-looking nature (Hemerijck and Visser, 2003).

Figure 1 - Learning and Socialisation



Source: Johnston A.I. (2008) *Social states: China in international institutions, 1980-2000*, Princeton University Press

The theories on the OMC and the new modes of European governance (e.g. Tömmel, 2009) implicitly entail something more than mere emulative processes, with continuous references to terms such as ‘socialisation’ or ‘persuasion’, without going further though. Accordingly, it will be worth analysing the concept of socialisation and its micro-processes. First of all, mimicking represents the borrowing of behaviours and attitudes due to the spirit of survival in a novel environment or in response to a novel *stimulus*. The action *per se* is the same as the one typical of emulation, though the logic behind it differs. In fact, emulation is driven by a rational choice, whereas mimicking is triggered

by the necessity of survival in uncertainty (Johnston, 2008): “I shall do X because everyone seems to do it and thus survives. So until I know better, X is what I shall do”(Betz, Skowronski and Ostrom,1996). Secondly, social influence conceives pro-norm behaviour as inherently interconnected with the social status of the agent in the social environment: social status markers, such as backpatting and *opprobrium*, are crucial in determining agent’s attitudes: “I believe the answer is X, but others said Y, and I do not want to rock the boat, so I shall say Y” (Betz, Skowronski and Ostrom, 1996). Thirdly, whereas social influence and mimicking are characterized by a rational element, namely the maximization of a utility, persuasion is totally based on the ‘logic of appropriateness’ (Johnston, 2001): “I do X because it is good and normal for me”(Betz, Skowronski and Ostrom, 1996). Indeed persuasion represents public conformity due to private acceptance (Johnston, 2008).

2. THE EMPLOYMENT COMMITTEES AND SOCIALISATION

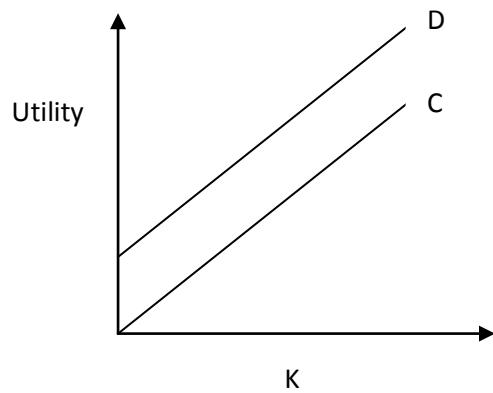
This section analyses the committees acting within the European employment policy as a social environment with their own internal logics, norms, values etc. (Kohler-Koch, 2002 in Jacobsson and Vifell, 2003). The importance to focus on social environments when analysing the process of socialisation relies on several factors: the effects of social status markers are more pronounced in a restricted context (that is why social influence may be isolated only within delimited environments) and the same is true also for the role of norm-entrepreneurs, for instance. The assumption is that certain institutional arrangements (of an international organisation or a committee), create a favourable environment for the conduction of one micro-process of socialisation or another. Johnston (2001;2008), building on Rogowski’s (1999) model of strategic choice, draws a theory which unites the micro-processes of socialisation and the institutional constraints of a social environment. This section applies such an approach to the OMC practices taking place within the European employment committees building also on the deliberative supranationalism approach to the European governance. The aim is to address the question: are the employment committees a social environment conducive of socialisation? If so, what type?

2.1. Membership

A large membership influences the effects of social status markers within a group and the same is true also for a high level of publicity of internal dynamics, attitudes and behaviours (Johnston, 2001; Johnston, 2008). First of all, many authors stress the difficulties faced by bargaining dynamics in presence of a large membership (Neyer, 2003): arguing is a more feasible tactic in such a case. Nevertheless, the importance of the size of membership is relevant not only with respect to the mode of interaction (i.e. bargaining or arguing), but also it is a precondition for social influence (Johnston, 2001): large membership maximises the utility of backpatting and shaming²⁷. The reason is illustrated in Figure 2, which represents the passage from a situation in which backpatting/*opprobrium* has no influence on the agent to a situation in which the agent is influenced by social status markers (i.e. a situation in which social influence is at work).

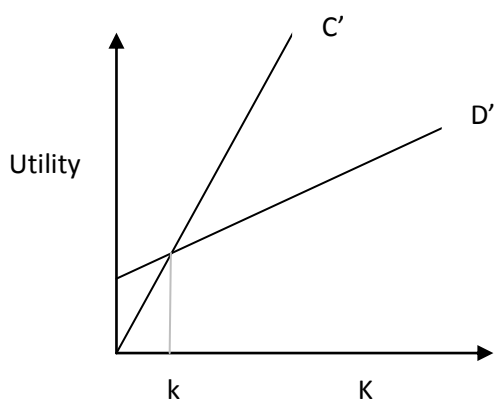
²⁷ A relevant issue derives from this assumption: the accumulation of social status markers. The latter have a more marked effect when the possibility of accumulation is available. There are several factors which may bolster such an organizational memory (Hemerijck and Visser, 2003): a structured secretariat, the availability of information in a database, the iterative nature of interaction etc. The EMCO and its sub-group present all these characteristics: a structured secretariat within the Commission, a rather high degree of availability of information with an online database and an average of 16 meetings a year (Jacobsson and Vifell, 2003).

Figure 2 - The Effects of Social Influence



- K: members
- C: payoffs of cooperation
- D: payoffs of defection

This figure represents an N-person prisoners' dilemma model, in which the utility of defection is always higher than the one of cooperation, regardless the size of membership (indeed, the D slope is above and parallel to the C slope).



- k: equilibrium audience
- C': payoffs of cooperation with the effect of backpatting
- D': payoffs of defection with the effect of *opprobrium*

The influence of backpatting makes the C slope more upward (now C'). Indeed, for any additional member of the group the utility of cooperation increases more than in the case of the previous C slope.

The influence of *opprobrium* makes D slope more downward (now D'). In fact, for any additional member of the group the utility of defection increases less than in the case of the previous D slope.

k represents the number of members of the group above which cooperation brings more utility than defection.

Source: Johnston, A.I. (2001), "Treating International Institutions as Social Environments", *International Studies Quarterly*, 45(4): 487-515.

As demonstrated, an increase in the number of participants augments the effects of backpatting/*opprobrium* and thus fostering cooperation. The EMCO consists of two representatives and two alternates for each member state and the sub-groups are composed of one representative and one alternate. Therefore, including the members of the EMCO Support Team and the ones of the EMCO Secretariat, an elevate number of officials operate in this sector meeting more than once a month in Brussels. Indeed, the iterative character of policy cooperation within the OMC has marked effects

(Caviedes, 2004). Furthermore, several officials of the Commission and of the Council are involved in the daily work of EMCO and its sub-groups.²⁸

Many scholars emphasize the importance of publicity as a factor supporting arguing rather than bargaining (Neyer, 2003), though publicity has a marked role also in sustaining social influence. Transparent procedures, the availability of information and the attention by mass media and the public opinion have a manifold effect. First of all, they are indispensable for the accumulation of social status markers, which in turn reinforces the social influence dynamics. Secondly, publicity creates two types of constraints on actors: the consistency constraints, which forces the agent to maintain his/her precedent positions, and the plausibility one, which prevents actors to take unfeasible positions (Neyer, 2003). As a consequence, publicity enhances the effects of backpatting and *opprobrium*, rendering thus cooperation a more viable strategy than defection. Despite the availability of reports and working documents on the Commission website (De la Porte and Nanz, 2004) and the vast academic literature developed during the last decade, publicity has hitherto shown weak effects on the internal dynamics of the employment committees due to two main reasons. First of all, the lack of a European-wide social and political platform has led to the segmentation of the public debate on employment policies (Neyer, 2003; Jacobsson and Vifell, 2003), remained linked to the national arenas. Secondly, studies show that the media coverage of the employment policy is almost negligible at the EU level, being the focus on the national level (De la Porte and Nanz, 2004). As a result, “governments do not face pressure from broader public debate to comply with the recommendations of the EES” (Meyer, 2003 p.6).

2.2. Franchise and Decision-making Rules²⁹

Deliberative democracy theories underline the importance of authority allocation within a group: asymmetrical allocation bolsters bargaining dynamics (Meyer, 2003). Indeed, institutional constraints shape modes of interaction (Scharpf, 1997), but they also influence the way in which socialisation mechanisms function. In fact, with an even allocation of authoritativeness the weight assigned to social status markers from each member of the group is equal and there is not only one ‘persuader’³⁰. In the EMCO and in the two sub-groups the power is unevenly allocated, as stated by the internal procedural

²⁸ Given the uniqueness of the status of the EMCO and few other committees, which have a ‘double-hat’ character being formally under both the Commission and the Council (Jacobsson, 2004)

²⁹ Johnston’s model considers franchise and decision-making rules as two separate dimensions. This paper treats them as a single factor given the low importance of formal voting procedures within the employment committees.

³⁰ As in the case of persuasion, in which socialisation is closely interconnected with the relation between the persuadee and the persuader and the latter’s specific characteristics (Johnston, 2001).

rules, though many studies emphasize the tendency of consensus-building rather than voting (Jacobsson and Vifell, 2003; Haahr, 2004). As a consequence, although the QMV voting procedure allocates more power to certain members and less to others (Borrás and Jacobsson, 2004), the consensus culture developed in such committees rebalances the situation.

Another aspect is noteworthy: authority is not only related to institutional procedures or rules. In fact, within a group an actor may play the role of norm-entrepreneur even without formal powers (Finnemore and Sikkink, 1998). Many authors (some of them implicitly, e.g. Jacobsson, 2004, others explicitly, e.g. Schmidt, 2000) emphasise the role of the Commission as norm-entrepreneur, which is a characteristic of persuasive dynamics rather than social influence. The Commission has played a pivotal role with respect to many aspects. First of all, it provides materials, logistic support and expertise to the committees through the secretariat (Jacobsson, 2004). Secondly, it bolsters the diffusion of common framework of analysis of labour markets (Jacobsson, 2004; Kaiser and Prange, 2004), such as the so called ‘flexicurity’ at the basis of the European Social Model. Thirdly, the Commission has always promoted the use of EU jargon within the employment committees, but also in the national realm, such as the concepts of ‘prevention’, ‘activation’ and ‘lifelong learning’. Furthermore, with the support of Eurobarometer and Eurostat agencies, it has spread the use of objective criteria, common standards and statistics, which facilitates deliberative dynamics (Jacobsson, 2004). Nevertheless, two points are important. First, “there have been no empirical tests on the extent of the Commission’s influence as a norm entrepreneur” (De la Porte and Pochet, 2004 p. 72). Second, the role of the Commission may be perceived more as a ‘knowledge editor’ than a proper norm-entrepreneur (Jacobsson, 2004). Indeed, despite acknowledging the fragility of this distinction, its role has been more oriented towards the diffusion of common theoretical and practical tools in order to create a fertile ground for deliberative dynamics, rather than proposing specific policy paradigms.

2.3 Mandate and Autonomy Principal-agent³¹

Social influence is at work when agents enjoy little room for manoeuvre. Otherwise, independent agents are more likely to be persuaded if they enjoy a high level of discretionary power within the social environment (Johnston, 2001; Johnston, 2008). Empirical findings illustrate the tendency of the

³¹ Also these two factors originally were distinct and then this paper has merged them given that the autonomy of the agent is strictly interconnected with the specific mandate with which the committees are invested from time to time (De la Porte and Nanz, 2004).

EMCO meetings towards becoming ‘drafting sessions’ rather than deliberative fora (Radulova, 2007). Indeed, due to a more proactive role of the Presidency and more stringent agendas (De la Porte and Nanz, 2004), the EMCO meetings have gradually become fora in which locked national positions are engaged in a bargaining on the wording of the final documents (Jacobsson and Vifell, 2003). As a result, more deliberative and thus persuasive dynamics have moved from the EMCO to the more technical sub-committees (Jacobsson and Vifell, 2003; De la Porte and Nanz, 2004). Accordingly, the situation radically differs according to the mandate which the committee official enjoys. In the Indicators group, for instance, where the mandate is markedly technical, officials enjoy large room for manoeuvre and thus deliberative dynamics bolster persuasion³². Conversely, in those occasions in which there is a controversial issue on the agenda the EMCO is characterised by bargaining dynamics between fixed national positions and officials are constrained by precise political mandates. Yet in normal situations (i.e. no salient issue at stake) the EMCO officials are not restrained by so stringent mandates (although total discretion is rare) and thus social influence is at work.

CONCLUSION

As demonstrated, the employment committees acting according to the OMC represent a social environment close to the idealtypic of social influence, as drawn by Johnston (2001; 2008). Needless to say, reality and theory are not perfectly overlapping. For instance, a large membership is a factor supporting social influence dynamics, though publicity has revealed to fall short in creating constraints on the internal mechanisms of the committees. Furthermore, although an even allocation of authoritativeness creates the precondition for social influence, the role of the Commission as ‘knowledge editor’ may be perceived as a subtle way to act as a norm-entrepreneur and thus exerting influence (Schmidt, 2000). Finally, only in certain occasions that combination between mandate and autonomy typical of social influence arises. In fact, only when the political mandate of the committee concerns issues of not salient nature the autonomy of the agents is such that social status markers exert influence on them. As a consequence, when certain conditions are met, the OMC in the employment policy may be considered as a social environment conducive of social influence.

³² Arguing on technical issues is suitable for the type of persuasion based on the content of the message (Johnston, 2008). In fact, scientific data, statistics etc. are perfect tools to support a persuasive strategy. Conversely, persuasive dynamics in political issues are more based on the prestige/authority of the persuader. For a detailed analysis of the types of persuasion see Johnston, 2001.

The objective of this paper is to focus on a topic often under-theorised and to illustrate the potentialities it bears. In fact, the *nexus* between policy learning and policy change within the OMC has hitherto been black-boxed by the literature: as stated above, there are other reasons why policy change is fostered other than an analysis of previous experiences or the emulation of ‘the good guy’. An agent may adopt a policy paradigm because it is seen as the only sensitive and appropriate solution or due to the necessity of recognition within a group. Future research projects should concentrate on the empirical analysis of social influence dynamics within these committees in order to verify the theory. Through a qualitative discourse analysis (e.g. cognitive mapping) it will be possible to trace the consequences of social influence on actors’ behaviours and attitudes (Johnston, 1995). As pointed out by Johnston (2001; 1995), if social influence is at work, cognitive mapping will reveal a marked attention towards social status markers. Telling examples may already be found in the existent literature: “the whole process is driven by proving to be capable in the eyes of the Commission or other member states” (interview, Swedish government official in Jacobsson, 2004 p.363), “as a group pressure is created, you can’t see it as your mission to divert all the unpleasant things said about your country” (Jacobsson and Vifell, 2003 p. 14-15), “one does not want to be the worst one in the class” and “Peer pressure feels” (Jacobsson and Vifell, 2003 p. 20).

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