

# THE INFLUENCE OF E.U. INTEGRATION ON THE OVERALL DEVELOPMENT IN THE REGIONS NORTH-EAST OF ROMANIA, SUBCARPATHIA OF POLAND AND CENTRAL SLOVAKIA

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## **Abstract:**

*The existence of some notable development differences in EU at interstate and interregional level imposed the elaboration of a regional development policy aimed at reducing such disparities. The financial assistance provided by the EU is to help the underdeveloped regions. In this article we highlight the overall level of development and its evolution in Romania, Poland and Slovakia, at regional level, in the context of EU accession. Our attention will be focused on the North-East region of Romania, achieving a comparative analysis with two other similar regions from Poland and Slovakia: Subcarpathia and Central Slovakia, respectively.*

**Key words:** EU integration, regions, overall development, Gross Domestic Product, regional development

**JEL classification:** O18

## **INTRODUCTION**

The existence of some *large differences* between EU regions, in terms of income and development, led to the creation of regional development policy, through which is made a transfer of resources in favor of poorer areas. The purpose of this policy is that disadvantaged regions thrive, in order to prevent keeping and increasing disparities.

Creating the average size territorial units in the EU (called regions) had as main purpose the *efficient absorption of EU funds* for regional development and the *elaboration of regional statistics*. On the other hand, the current trend in the EU is that of decisions decentralization at the level of the Member States.

Within the European Union, regional development policy is important as it aims to minimize economic and social disparities between the regions of this community. Among the areas under the coverage area of regional development policy are: SMEs, agriculture, transport, urban development, employment and training, education, environmental protection, etc.

Regional development policy is, at the same time, an instrument of *financial solidarity* and an important force of *cohesion* and economic integration. Financial solidarity involves bringing benefits to poorer regions, and through cohesion achievement all residents would benefit due to the reduction of regional disparities.

## **GENERAL CONSIDERATIONS REGARDING THE LINK BETWEEN REGIONAL DEVELOPMENT AND REGIONALIZATION**

Alongside the EU expansion, the regionalization process has grown, too, and the unitary state has lost more and more of its prerogatives. This happens because, in the current context, the great expanse of the state hinders the efficient conduct of development policies, and certain powers transfer to local communities. Socio-economic and political evolutions led to new tendencies of regionalization. By supporting these guidelines is not intended to extinction states, but taking certain powers of the central government to the regions.

The above-mentioned issues entitle us to consider, without reservation, that regional policy has refocused attention on the idea of regionalization and the establishment of this territorial power

level (regions) created the possibility of accessing new financing resources. Access to some of Structural Funds is conditioned by the existence of regions, and they are at the same time the implementation framework of regional policy. This led to the propagation of the idea of regionalization in Europe, at which contributed also the elaboration of regional development strategies, plans and programs for distribution and efficient use of resources. One contributing factor in implementing regionalization was, however, the adaptation of politics to the global economy, by means of community transformation, as a response to globalization. Also, delegation of powers to local levels was due to the fact that decision-making at the community level leads to a more efficient management of specific problems. Currently, decentralization decision is a widely accepted idea, and regionalization has become a common tendency of evolution of territorial organization of European states.

In order to standardize regional statistics and to enable the application of EU regional policies, it was necessary a single coherent scheme of territorial distributions. In this respect, Eurostat (Statistical Office of the European Union) created the **Nomenclature of Units for Territorial Statistics (NUTS)**. It is structured on three levels: NUTS-1, NUTS-2 and NUTS-3. Each state (NUTS-0) is organized in one or several NUTS-1 regions, which are divided into one or more NUTS-2 regions; these are also constituted from NUTS-3 regions. This organization was supplemented by a more detailed regulation in 2001, when the minimum and maximum limits for sizing regions were fixed:

- NUTS-1: between 3 and 7 million inhabitants;
- NUTS-2: between 800,000 and 3 million inhabitants;
- NUTS-3: between 150,000 and 800,000 inhabitants.

The demarcation of the regions, according to the NUTS system, is carried out based on the administrative criterion, in other words, the focus is on those geographical areas with political and administrative decision-making capacity. If a state doesn't have administrative units sized for NUTS, then NUTS regions are created by joining a number of smaller existing administrative units. In addition to administrative criterion, it is also used, as we noted above, the one related to the number of inhabitants. In reality, it appears that many regions are non-administrative, and this constrains to some extent their participation as legitimate entities, from legal and institutional point of view, to decision-making process. Consequently, some regions may end up as mere instruments of the national governments and the European institutions. We believe that in addition to transforming regions in administrative units, is also desirable that they have some autonomy, in the sense of a partial delegation of powers from the center to the local level. The actual assertion of the local autonomy is likely to provide an autonomous and democratic local public administration to manage and resolve in an efficient way the problems of the local community (1). Regarding the targeting criterion regarding number of inhabitants, this is also for guidance, existing some NUTS 2 regions with a population of 500,000 inhabitants (Cornwall in the United Kingdom of Great Britain and Northern Ireland) and other regions with more than 9 million inhabitants (Lombardy in Italy).

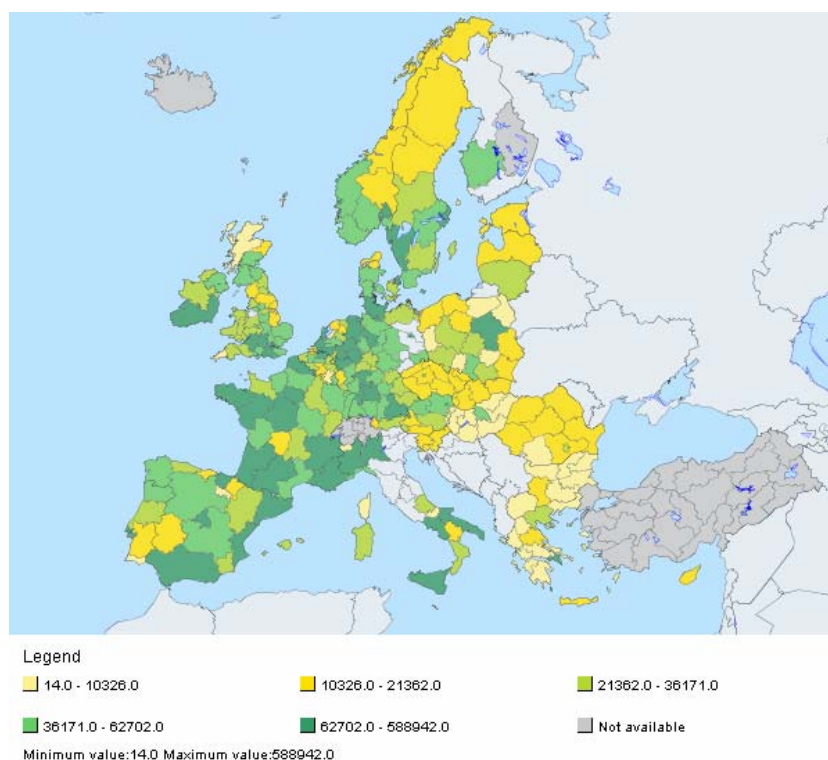
We consider that regional development policy is one of the essential components that contribute to strengthening the EU, because of the role it plays in ensuring overall development and in achieving economic and social cohesion. It aims to strengthen the cohesion both within countries and at EU-level, using for this joint financial contributions from Member States and the EU.

## **THE OVERALL LEVEL OF DEVELOPMENT OF THE POLAND AND SLOVAKIA REGIONS, COMPARED TO THE ONES OF ROMANIA**

*Gross domestic product (GDP)* is one of the most important indicators reflecting the output of a country or region. It reflects the total value of goods and products obtained, less the value of goods and services used for intermediate consumption for their occurrence.

For an overview of EU regions in terms of GDP, we believe that the inclusion of the figure no. 1 is useful in illustrating the differences in regional GDP. On this map of the EU, various shades of green and yellow represents the value of this indicator. We can see that regional GDP is lower in

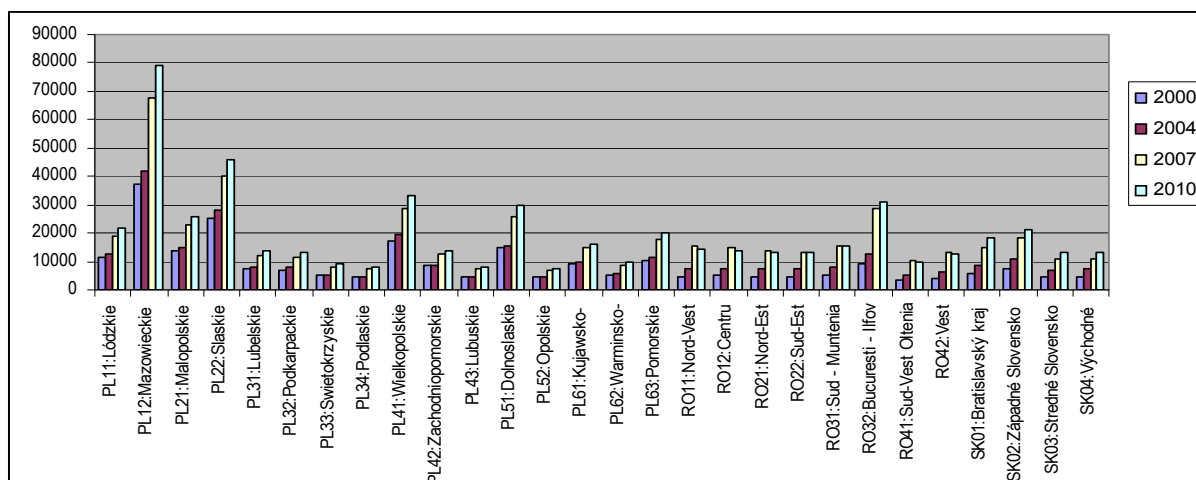
countries east of the EU, but there are also differences in GDP in the same state (e.g. in Poland), which demonstrates the presence of interregional disparities.



**Figure no. 1. Regional GDP (million Euro) on NUTS 2 regions, in 2010**

Source: Eurostat ([http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/search\\_database](http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/search_database))

Our attention will be focused on three countries in Central and Eastern Europe (Romania, Poland and Slovakia), aiming to highlight the evolution of the overall level of development in regional profile. We find that there are discrepancies between regions of Poland and Slovakia, where eastern provinces are the poorest. In Romania and Poland, the regions including the capital have a GDP almost double compared to the national average, and in Slovakia the region with the highest GDP is SK02-Western Slovakia (as it can be seen in Figure no. 2). We also note that in Romania and Slovakia, interregional values are close, while in Poland there are gaps, some regions having very high values and others very low (at East or at border).



**Figure no. 2. Regional GDP (million Euro) in NUTS 2 regions of Poland, Romania and Slovakia, in 2000, 2004, 2007 and 2010**

Source: own elaboration based on the Eurostat data

(<http://epp.eurostat.ec.europa.eu/tgm/graph.do?tab=graph&plugin=1&language=en&pcode=tgs00003&toolbox=type>)

To highlight the regional GDP dynamics, we put together, in table no. 1, the values in 2004 and 2010, calculating the percentage increase and, according to it, we ordered descending the regions of the three countries. A more pronounced increase was registered in the eight regions of Romania, followed by the regions of Slovakia. There is sometimes a tendency that the developed regions have higher growth rates, which can lead to deepening existing interregional disparities. The regional policy developed by EU is designed to avoid perpetuating those disparities. Analyzing table no. 1, we observe that some regions with a high GDP, as PL12, RO32 or SK01 (including capitals) continue to record sustained rates of growth.

**Table no. 1. The GDP growth in the 2004-2010 period**

	<b>GDP (million Euro) 2004</b>	<b>GDP (million Euro) 2010</b>	<b>Growth (%)</b>
RO32:Bucuresti - Ilfov	12435	31144	150,45
SK01:Bratislavský kraj	8566	18297	113,60
RO31:Sud - Muntenia	7765	15716	102,40
RO42:Vest	6253	12590	101,34
RO12:Centru	7194	14028	95,00
SK03:Stredné Slovensko	6974	13357	91,53
RO11:Nord-Vest	7375	14079	90,90
PL51:Dolnoslaskie	15762	30070	90,78
SK02:Západné Slovensko	11162	21206	89,98
PL12:Mazowieckie	41876	79061	88,80
RO41:Sud-Vest Oltenia	5430	9981	83,81
RO22:Sud-Est	7349	13400	82,34
RO21:Nord-Est	7263	13234	82,21
SK04:Východné Slovensko	7293	13010	78,39
PL21:Malopolskie	14864	26057	75,30
PL63:Pomorskie	11439	19921	74,15
PL41:Wielkopolskie	19318	33015	70,90
PL11:Lódzkie	12749	21720	70,37
PL32:Podkarpackie	7824	13145	68,01
PL33:Swietokrzyskie	5329	8932	67,61
PL34:Podlaskie	4802	8033	67,28
PL31:Lubelskie	8106	13528	66,89
PL43:Lubuskie	4821	7931	64,51
PL62:Warminsko-Mazurskie	5929	9731	64,13
PL61:Kujawsko-Pomorskie	9877	16116	63,17
PL22:Slaskie	28293	46071	62,84
PL42:Zachodniopomorskie	8412	13680	62,62
PL52:Opolskie	4837	7605	57,23

Source: Eurostat

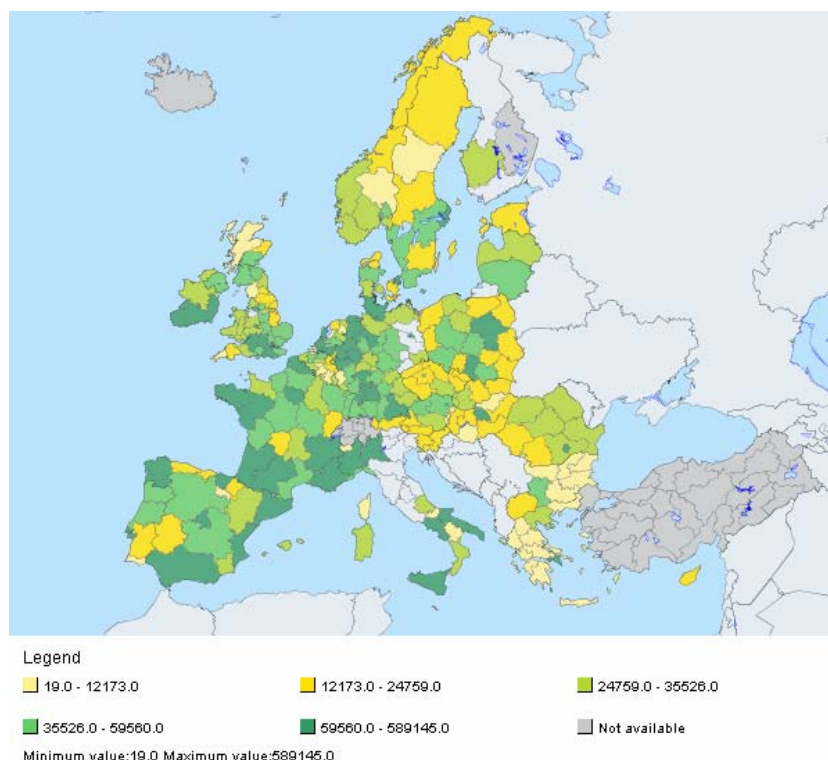
(<http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&plugin=1&language=en&pcode=tgs00003>)

Of course, NUTS 2 regions are not the same, nor from the area or population point of view, nor from the general price level point of view. Therefore, a possibility to eliminate these drawbacks (regarding the comparability of data) would be using the GDP expressed in purchasing power, instead of the classic indicator GDP / capita.

Expressing GDP in purchasing power standards (PPS) eliminates differences between countries in terms of price levels. Calculation of GDP in PPS per capita allows the comparison of economies of significantly different regions. This indicator is calculated by dividing the total value

of goods and services produced in an economy to the number of inhabitants; GDP in PPS per capita is expressed in a conventional currency, which excludes the influence of interstate differences between price levels. It is the key indicator for determining the eligibility of NUTS 2 regions in the frame of the EU structural policy (in relation to the allocation of Structural Funds).

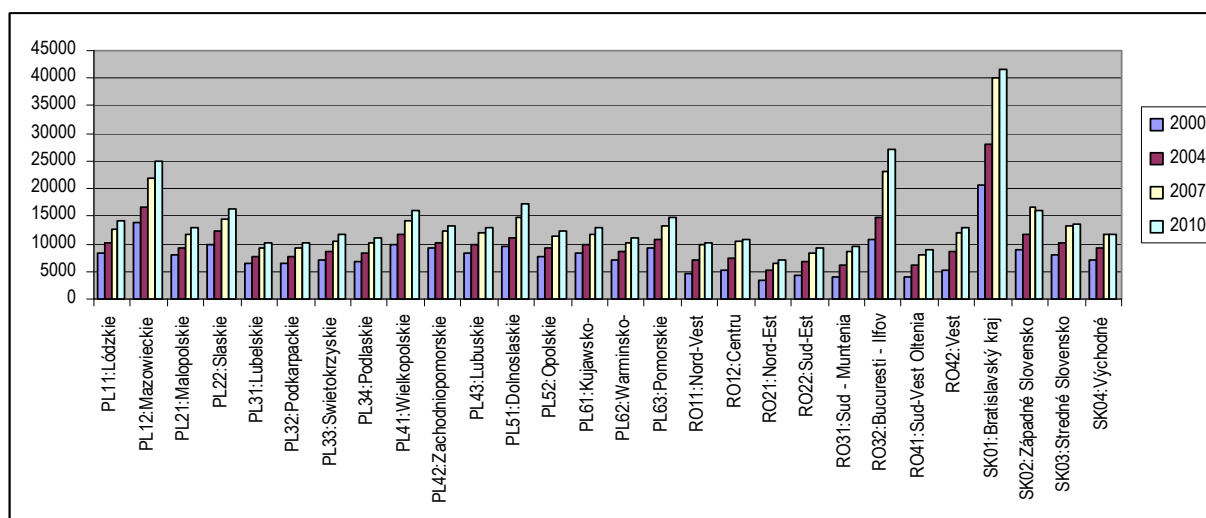
Approached in this calculation, the situation of EU regions is illustrated in Figure no. 3, where we can see a more uniform map of the regions than the previous one. Eastern countries register lower values of GDP expressed in PPS, but the regions including capitals have higher values. We can also see that in the EU there are some discrepancies within the same country (e.g., between northern and southern Italy, or between some regions of Spain).



**Figure no. 3. Regional GDP (PPS / inhabitant) in NUTS 2 regions, in 2010**

Source: Eurostat ([http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/search\\_database](http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/search_database))

In the case of the three countries analyzed, GDP expressed in PPS / capita has the highest level in SK01-Bratislava region, followed at a great distance by the other two regions which include the capitals (RO32 in Romania and PL12 in Poland) (Figure no. 4). Slovak regions have the highest values, followed by the majority of Poland regions, while in Romania GDP levels are quite modest. In terms of evolution, GDP is trending upward, but interregional disparities usually tend to keep. Available data also allow observation of the EU accession effect on the evolution of GDP. For this purpose one can compare, in terms of absolute values, GDP growth in Poland and Slovakia between 2000 and 2004, with one in the coming years after accession. We notice that in many regions economic development was more intense in the post-accession period, fact due to EU integration, which produced beneficial effects in the economy. Regarding Romania, it was not noticed a notable increase of GDP in the years after EU accession (2007), compared with the years before EU accession.



**Figure no. 4. Regional GDP (PPS / inhabitant) in NUTS 2 regions of Poland, Romania and Slovakia, in 2000, 2004, 2007 and 2010**

Source: own elaboration based on the Eurostat data

(<http://epp.eurostat.ec.europa.eu/tgm/graphDownload.do?tab=graph&language=en&plugin=1&pcode=tgs00005>)

In terms of the indicators analyzed above, we see that there are significant differences between regions, in particular in Poland and Romania. Although there have been registered positive evolutions, these differences tend to perpetuate.

#### **COMPARATIVE EVOLUTION OF THE NORTH-EAST REGION OF ROMANIA WITH SUBCARPATHIA OF POLONIA AND CENTRAL SLOVAKIA REGIONS, FROM THE OVERALL DEVELOPMENT POINT OF VIEW**

Next, we examine the evolution of the overall development level of some regions (NUTS 2) of Poland and Slovakia (in particular, before and after these countries joined the EU in 2004), aiming to identify similarities or differences with the North-East region of Romania. For this reason, we considered appropriate to choose two similar regions (in many ways) to the North-East (RO21) region: a relatively low GDP compared to the national average, possibilities for mountainous tourism. Based on these aspects, we selected the following regions: PL32 - Podkarpackie (Subcarpathia) and SK03 - Stredné Slovensko (Central Slovakia). Subcarpathia is a self-governing administrative region, Central Slovakia consists of two administrative NUTS 3 regions, and the North-East region consists of six counties (NUTS 3 administrative units). It is worth mentioning that in Romania the degree of centralization is higher than in the other two countries.

Regarding the three regions analyzed, most people are working in the industry and in services sector (Table no. 2). In Central Slovakia, those employed in agriculture represent only about 3% of the total, due also to the preponderance of high relief in the region. Unlike Central Slovakia, agriculture has a significant share in the Subcarpathia (over 21% of total employment) and the North-East region (about 48%). The very small share of services (about 1/3) in the North-East region, compared to the other two regions analyzed, as well as the large number of employees working in agriculture are able to reveal the low level of development of this region.

**Table no. 2. The employment structure on sectors in 2011 in the North-East, Subcarpathia and Central Slovakia regions**

	North-East		Subcarpathia		Central Slovakia	
Employees	Thousands	Percent	Thousands	Percent	Thousands	Percent
Agriculture, forestry and fishing	846,4	48,96	182,1	21,42	18,1	3,21



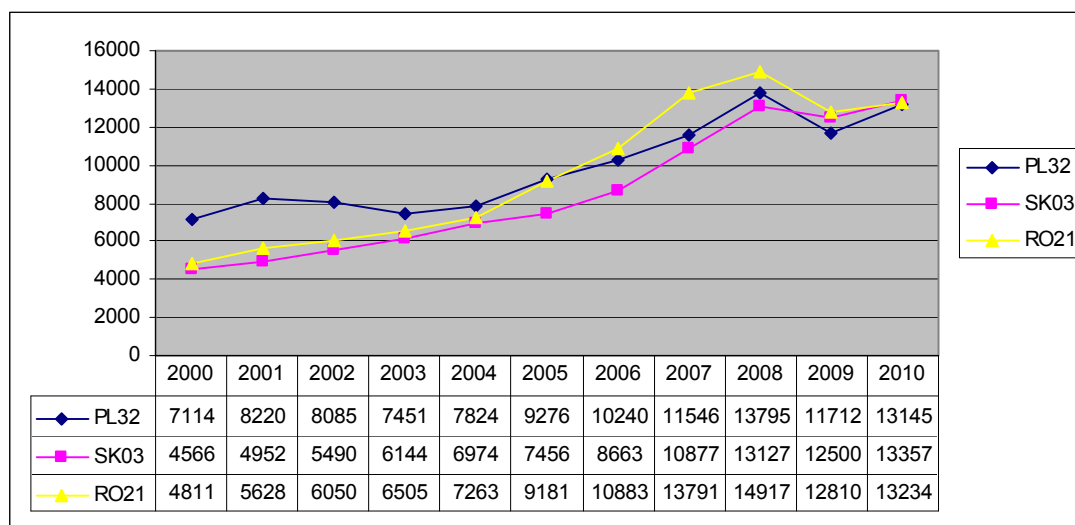
Industry	343,2	19,85	258,4	30,40	224,5	39,79
Activities of wholesale and retail trade, transport, accommodation and food	241,3	13,96	172,1	20,24	126,9	22,49
Information technology and telecommunication	14,0	0,81	7,4	0,87	11,0	1,95
Financial and insurance activities	21,0	1,21	13,7	1,61	8,4	1,49
Real estate activities		0,00	5,1	0,60	2,1	0,37
Professional, scientific and technical activities; administrative services activities	27,4	1,58	31,6	3,72	29,9	5,30
Public administration, defense, education, human health and social assistance	193,7	11,20	162,1	19,07	129,2	22,90
Arts, entertainment and recreation; other services; activities of households and extra-territorial organizations and bodies	41,8	2,42	17,6	2,07	14,1	2,50
TOTAL	1.728,8	100,00	850,1	100,00	564,2	100,00

Source: Eurostat ([http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=lfst\\_r\\_lfe2en2&lang=en](http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=lfst_r_lfe2en2&lang=en))

When comparing the surface of Subcarpathia to that of Central Slovakia, we notice that they are approximately equal. However, they differ in the number of inhabitants, which in Central Slovakia is significantly lower due to low density of population in mountainous areas. North-East region is much larger than the other two, but as population density and diversity of the landscape it resembles them. Another similarity relates to mountain tourism that can be practiced in all three regions, due to the existing opportunities.

In our analysis, in addition to graphical representation of the evolution of some relevant indicators, we also calculate an evolution index for the three regions, for pre-and post-accession equal periods (for data comparability). To strictly highlight the effect of EU accession on economic development, we avoided using values from 2009 and 2010, when circumstantial decreases were registered due to the global economic crisis. According to existing data, periods were set as follows: between the years 2001-2003 and 2003-2005, for Slovakia and Poland (which joined the EU in 2004), and for Romania (which joined the EU in 2007), between 2004-2006 and 2006-2008 (2).

Further on, we are referring to the comparative evolution of one of the most important indicators of general development – **GDP**. From the data analyzed (for the period 2000 - 2010), one can notice that, in absolute values, GDP increased by about 84% in PL32, by 192% in SK03, and by 175% in RO21 (Table no. 3). In terms of total GDP, the three regions have similar values, RO21 recording the highest ones in the period 2006-2009 (Figure no. 5).



**Figure no. 5. GDP in the period 2000-2010 in regions PL32, SK03 and RO21 (million Euro)**

Source: own elaboration based on the Eurostat data

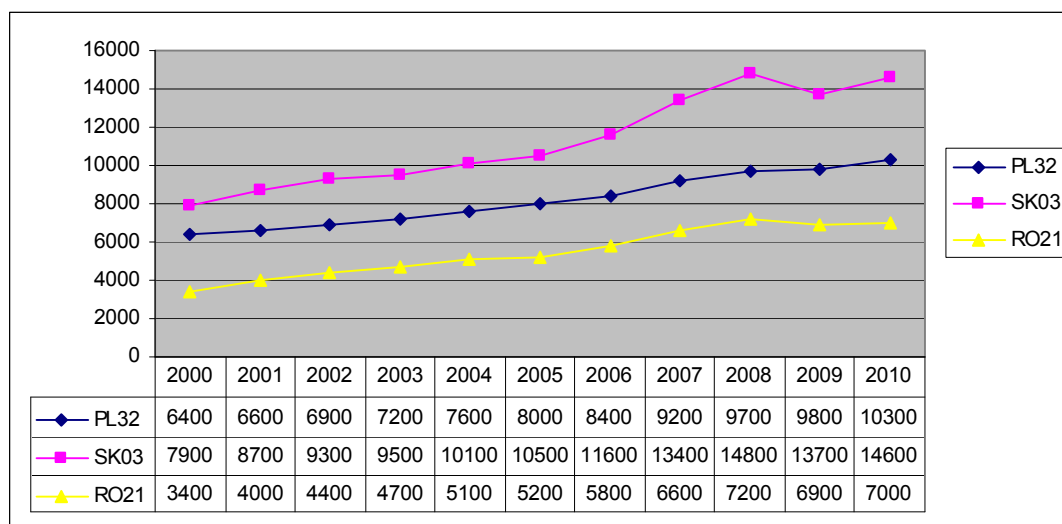
Comparing pre-and post-accession periods, we see that, only in case of PL32 region, in the post-accession period, there has been a significant increase of GDP. In the SK03 region, a slight increase has been recorded, and in RO21 the growth rate decreased slightly (Table no. 3). Hence, we conclude that the beneficial influence of accession was manifested especially in the PL32 region.

**Table no. 3. Evolution indexes for regional GDP (million Euro) in the regions PL32, SK03 and RO21**

	Evolution index 2001-2003	Evolution index 2003-2005	Evolution index 2000-2010
PL32	90,64	124,49	184,78
SK03	124,07	121,35	292,53
	Evolution index 2004-2006	Evolution index 2006-2008	
RO21	149,84	137,07	275,08

Source: own elaboration based on the Eurostat data

Regarding **GDP expressed in purchasing power standards per capita** (which gives a clearer image by eliminating the differences in absolute values between regions), for the three regions, there was a general tendency to increase between 60 and 105%, between 2000-2010. Major differences remain, so that in the region SK03 the value is approximately double compared to RO21, whose amount is lower, even compared to the one corresponding to PL32 region (Figure no. 6).



**Figure no. 6. GDP in the period 2000-2010 in the PL32, SK03 and RO21 regions (PPS/inhabitant)**

Source: own elaboration based on the Eurostat data

Comparing pre-and post-accession periods, we can specify that in the regions of Poland and Slovakia, increases in the second period are slightly higher than the previous ones (by about 2% and 1%, respectively). Regarding Romania, after EU accession, the growth of GDP expressed in PPS is about 10% higher than in the previous period. This reveals a slight tendency of decrease of interregional disparities that exist at Community level (Table no. 4).

**Table no. 4. Evolution indexes for regional GDP (PPS / inhabitant) in the PL32, SK03 and RO21 regions**

	Evolution index 2001-2003	Evolution index 2003-2005	Evolution index 2000-2010
PL32	109,09	111,11	160,94
SK03	109,20	110,53	184,81



	Evolution index 2004-2006	Evolution index 2006-2008	
RO21	113,73	124,14	205,88

Source: own elaboration based on the Eurostat data

## CONCLUSIONS

EU is not homogeneous in terms of overall development. There are large differences both between Member States and between regions of the same country. Because of this fact regional development policy aims to reduce disparities by providing financial assistance to help underdeveloped regions. We found that Poland and Romania are among the countries where there are notable interregional differences in terms of overall development.

Referring to the three similar regions analyzed, we noticed that *GDP (in million euros)* increased, afferent values being similar, and after accession only PL32 region has recorded an acceleration of the growth of this indicator; *GDP (expressed in PPS)* record a upward trend (even more dynamic after accession) in the regions studied, indicating an increase in living standards, especially after 2004 (for Poland and Slovakia) and after 2007 (for Romania), respectively. SK03 has the highest values, followed by PL32 and RO21, and this shows that a higher standard of living in the region in Slovakia, compared to the other two regions analyzed.

It can be seen that in the three regions, GDP has a growth tendency over the period 2001-2010, but, however, some interregional disparities tend to perpetuate, which is a negative aspect. This may be due to deficiencies in the implementation of regional development policy at the local level. The regional development policy can significantly improve people's living standards, and one of the relevant examples is that of Ireland, which now has a high GDP / capita (although at the EU accession moment it had a very low GDP / capita compared to the EU average).

## ENDNOTES

- (1) Zaharia Petronela - *Favourable Conditions for the Manifestation of the Autonomy of the Local Public Administration Management in the County of Suceava*, Economic Insights – Trends and Challenges, Vol. II (LXV), No. 1/2013, p.106
- (2) Due to the fact that the EU accession of Poland and Slovakia took place at January 1st, 2004, and the data for the year 2003 are calculated until 31st December 2003, the period 2001-2003 include exactly the two years preceding the EU accession (31st December 2001 – 31st December 2003), and the period 2003-2005 include the first two years after EU accession (31st December 2003 – 31st December 2005). This situation is also valid for Romania, which joined UE at 1st January 2007, and the ante and post-accession periods considered are 2004-2006 and 2006-2008, respectively.

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