

Evolution and Characteristics of Territorial Economic Disparities in Romania

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SUMMARY

The territorial disparities of Romania, as well as of other states, are a fundamental characteristic of the society's spatiality, with the changes thereof being conditional upon multiple factors. The economy and the society are unequally distributed spatially, this phenomenon being also accentuated by the regional and local specificities and by the different spatial way of manifestation of the natural, cultural economic and social factors. The unequal spatial distribution of the economic activities, transport infrastructures, settlements and population imprints paths of territorial development, sometimes strongly differentiated locally and regionally. Further on, we shall focus on the analysis of the territorial disparities in Romania, from geographic and economic perspectives.

Keywords: regional studies, territorial disparities

Journal of Economic Literature (JEL) code: R11

THEORETICAL BACKGROUND

The classic or hard production factors (capital, workforce and technological progress) lie at the base of the neoclassic, post Keynesian theories of the economic growth, as well as of the polarization theory, and of the export base theory. These consider that the demand and supply in the relation to the production factors cause the economic rise or decline of a region. The invested (local or foreign) capital is an important development factor, due to the creation of new jobs, the multiplicative effects generated by the newly established horizontal economic relationships, the generation of local or regional markets. That is why various local, regional or national players (the government, for example) often focus on the preparation and enforcement of certain economic strategies which allow the granting of tax or other incentives, with a view to attracting capital for the underdeveloped regions. In any case, we have to retain, as a basic idea, the fact that the neoclassic vision of an economic system promoting the harmonious, balanced and rational distribution of the resources and locations is no longer current, a statement valid as well with reference to those theories which place at their core the idea of economic equilibrium (including certain evolutionary historical theories), for the mere reason that a situation of absolute equilibrium, likely to concurrently maximize all the interests of all the economic players, cannot exist (Plummer, 2000). The development and growth cannot be uniform in all the regions, the equilibrium situations being relative and instable. The equilibrium theories,

especially the neoclassic theories, presume the achievement of a long-term convergence of the growth rate recorded by states and regions, a prediction not actually fulfilled (Benedek, 2004).

The new growth theories, the evolutionary historical theories, the adjustment theory, the dynamic theories or the new regionalism also take into account other development factors, sometimes even extra-economic factors, known as weak factors of the development: the development level of services, housing quality, accessibility of settlements, existence of research units, regional structure, that is to say, the cultural, social or political conditions of the economic development, the local or regional markets (the consumption characteristics, income level, savings rate), the local administration role, price level, standard of living, workforce quality, local or regional development policy, etc. These theoretical evolutions are therefore related to the incomplete explanatory nature of the hard development factors, and of the quantity models. Contemporary economic geography is dominated by the evolutionary economy perspective, which considers that the development trajectories are determined by the institutions selected by the market (Sunley, 2000). In accordance with this core idea, the current trend is to complete analysis models based on the measurement of certain parameters (for example, output) by the analysis of the forms of regional growth and development, of the characteristics of those economic activities underlying the growth and the development, and of the local or regional particulars which stimulate or inhibit the growth. Therefore, unlike the macrostructural transition theories (such as the

adjustment theory, the evolutionary historical or dynamic theories), which develop various evolutive spatial models of growth and development, the major contemporary trend is focused on the analysis of the particular regional (and local) contexts of growth and development. This trend is based on the acknowledgement of the singularity and accidentality of the regional development, which confers on this approach a historicist feature, according to which events cannot happen twice, cannot be modeled, but possibly certain types of incidents, groupings of situations in various local or regional contexts can be modeled.

From a methodological perspective, two different outlooks on the region and regional development can be evidenced (also see Table 1):

- the structuralist theories tackle the regions from a global perspective, with the macroeconomic and macropolitical structures and the position of a region within a hierarchical system of center-periphery type determining the regional development. It is thus imprinted a path dependence, structurally and historically conditioned. Thus, the cause of the underdevelopment of some regions determines the development of the others. The development path of a region aspiring to a higher economic status is blocked by global competition and the dominance of some developed regions. Thus an international division of labor of center-periphery type follows, with different

accumulation rates. This class includes the polarization or dependence theories;

- the regionalist theories offer a local perspective to the regional evolution, where the region is presented as an entity with its own personality, with sufficient endogenous capacity to imprint a certain development trajectory. Thus, the internal structure of the regions and the international relationships constitute the sources of regional development. This class includes the dynamic theories, the adjustment theory (the version adapted at the regional level), the evolutionary historical theories (Rostow, Friedmann, etc.), and the new regionalism. As we have already seen, these consider that each region or state goes through the same multiphase (or multicycle) historical development process (from the pre-industrial to the post-industrial society). Thus, a process of convergence towards a similar internal regional structure occurs. However, deviations are possible, and are even present to a large extent. These deviations are structural (these are the result of the interregionally differentiated internal structure), historical (these are the result of a historical accident, or of some various adjustment ways), or are the result of the different regional capacities of adaptation and innovation.

Table 1. Regional development theories

Theory	Interregional Differences	Regional Development Mechanism
New economic geography	Increase and persist	– agglomeration of industrial activities, determined by: the economy of scale, costs of transportation, and demand; – mobility of workforce in the industry
Neoclassic growth theories	Diminish; trend toward the regional homogenization	– mobility of hard production factors (capital, technology, labor)
New theories of the endogenous economic growth	Are maintained or increase, to the concentration of the tacit knowledge in certain regions	– technological progress; – investments in human capital; – learning effects;
Post Keynesian theories	Diminish as a consequence of the multiple spatial effects generated by investments	– investments and their multiplicative (income, capacity and complementarity) effect
Export base theory	Diminish as a consequence of the export oriented activities	– investments in export activities; – increase in the external demand
Polarization (dependence) theories	Increase, the obtained development advantages are cumulated, the range of the differences is contingent upon the position of the states within the current global economic system	– polarization effects, relationship between absorption and dispersion effects; – state interventions
Evolutionary historical theories	Diminish, tend toward an equilibrium state, linear-progressive evolution	– investments; – reverse polarization, integration
Adjustment theory	Persist, path dependence	– accumulation regime (compromise between the state and various institutions); – adjustment way
Dynamic development theories	Increase, new inequalities emerge	– cyclical technological innovations in the driving industries – adaptation
New regionalism	Diminish by the innovation capacity of the regions	– vertical disintegration and spatial agglomeration of companies; – setting up of local and regional production industries; – innovation, learning

Source: Benedek, 2004

A number of new outlooks must also be considered in order to understand the mechanisms of occurrence of the significant territorial disparities, which have in common the basic idea according to which the economic activities and the population tend to cluster sectorally and geographically, with the resulted spatial concentration representing more than the sum of the component parts. This concentration allows companies to achieve some economies of scale (Krugman, 2000) or competitive advantages (Porter, 2000). The proximity to markets and the input factors minimize the production costs, allowing the achievement of externalities beneficial for the entire network. The dynamics of spatial concentrations, irrespective of their type, is determined by their innovation potential, the development trajectory imposed by the used technologies, and the capacity to occupy new market segments. The spatial concentrations of the economy and population bear different names: spatial agglomerations or agglomeration economies (Krugman), clusters (Porter), or industrial districts (new regionalism), presented in detail in this sub-section. Further on, I will synthetically present the common denominators and the differences between these outlooks.

A first difference between the agglomeration economies (spatial agglomerations), clusters and industrial districts consists in the reference spatial classes use. Thus, while agglomeration economies are based on the concentration of the consumers (households and companies located downstream), in large urban regions with a diversified economy the clusters may also develop in rural regions or other region types, and the industrial districts comprise urban regions of medium or small size, with specialized economies. A second major difference is of sectoral economic nature: the economy of spatial agglomerations is based on services and industrial branches of intensive technology, the industrial districts are based on the consumer goods manufacturing industries (textile industry, wood processing, etc.), and the clusters are the most flexible, being present in all the economic sectors. Another major difference results from the organization of the economic activities: while the industrial districts are based solely on local or regional networks of small and medium-sized enterprises, globally competitive, both the agglomeration economies and the clusters comprise both small and medium-sized enterprises and large-sized companies, as well as transnational corporations. Henceforth the different perspectives offered for the regional development and political region: the industrial districts offer development a strictly regional perspective, offering a strategic foundation to the endogenous regional development strategy, while the spatial agglomerations support a neoliberal agenda, based on the supporting of innovative regions, competitive worldwide. The clusters are the most flexible and, from this viewpoint, notwithstanding the fact that Porter recommends the application of the cluster theory to advanced economies, the building of clusters requires a developed business environment.

TRANSFORMATION OF THE ECONOMIC SPACE IN ROMANIA CHARACTERISTICS OF EMPLOYED POPULATION

An important role in the emergence and evolution of the territorial disparities is played by the unequal allocation of the economic factors. The transformation of the economic structure of the country, and the technology evolution entailed a higher flexibility of the territorial allocation of the economic factors. The quantity, but especially the quality of the workforce represents one of the most important resources for the development of a country. Even if the statistical regions of Romania have an almost uniform population, their development level, the education and urbanization level, as well as the population structure by age groups indicate a high differentiation, and these contribute in a different manner to the optimal operation of the workforce market.

A general trend of ongoing increase in the rate of occupation of the age group between 55 and 64 years, and that beyond 65 years old, has been seen over the past years. Thus, after the wave of early retirements – within a rather short time –, these age classes increased their share of the total occupied population, from 13.8% (2004) to 16.3% in 2008 (in absolute value, this increase is of 80,000 individuals). This evolution of the working population may be explained by the worsening of the living standard and, especially, by the constant decline in the money revenues of a significant number of the rural inhabitants, who are forced to practice subsistence agriculture. All these trends are also very well illustrated by the fact that the rate of occupation of the population beyond 65 years old is much higher among the rural population (10.8% in 2008), than among the urban population (0.5% in 2008). In 2008, the highest occupational rate can be found in the Northeastern, South, Southwestern and Bucharest regions (over 60%); in the remaining regions, this share stays much below 60%. Outside the capital region, where the higher rates of the occupied population can also be explained by the wider palette of job offers, in the other regions of the country, and especially in the underdeveloped regions, the higher occupational rates are given by the high share of the population occupied in agriculture. To these there is also added the higher proportion of occupied population both from the youth segment (between 15 and 24 years old), and from the elderly group (beyond 54 years old). The lower occupational rate of the central region can be explained by the massive workforce layoffs, due to the restructuring of the heavy and extractive industries (especially in Braşov, Harghita and Covasna counties), whose population contributed significantly not only to the increase in the unemployment, but also to the increased number of retired persons. To these there are also added the higher

values of life expectancy at birth, which favored the extension of the structure by population ages, thus contributing to the increase in the inactive population. These evolutions of the occupied population are very well illustrated in the light of the population occupied in the two environments – in other words, even the underdeveloped regions may be characterized by a high share of the occupied rural population, while in the more developed regions, similarly to the trends in the Western countries, higher rates of the occupied urban population are characteristic.

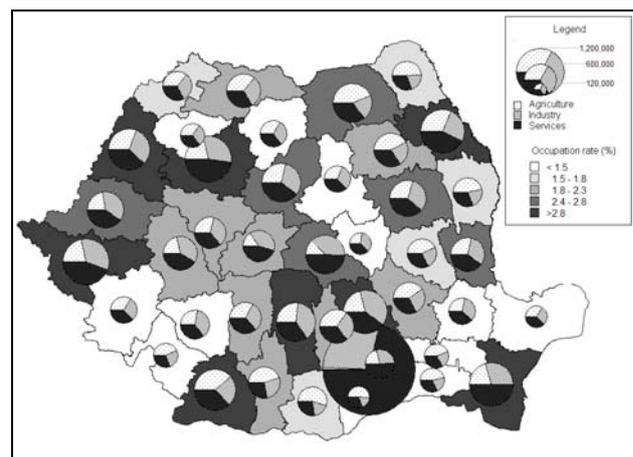
As regards the education level, a higher rate of the occupied population with average studies can be ascertained; as a positive trend, one can notice the increase in the number of population with more time spent in school, which even exceeds the number of those having only primary education. The regional analysis of the education level of the occupied population reveals even more the differences between the regions: the number of the population with higher education is much higher in the Western and Central parts of the country than in the Southern or Eastern parts. In this context, it is very important to review the rate of occupancy of the younger age groups (15 to 25 years old), because the higher their number, the lower the education level and implicitly, the higher the rate of school abandonment. At the same time, these changes emphasize most the attention given by the households or the national economy to the need to ensure a highly qualified workforce. Nationwide, the rate of occupation of these age groups is 8.3%, however the Southern (9.4%) and Northeastern (9.2%) regions by far exceed this value. The only exception is Iași County, which is a university center of tradition, and has a rather high percentage of population with higher education. The smallest values of the rates of occupation of the young population can be found – besides the capital zone (6.1%) – in the Western region (7.4%), which is in close connection with the existence of a more trained population, with a higher education level.

The evolution in time and the changes occurring in relation to the number of the occupied population are best represented by the unemployment evolution, and the evolution of the workforce occupied in the main branches of the national economy. The evolution of the occupancy rates in the three sectors reflects, at the same time, the degree of modernization of the economy. During the transition period, the proportion of the population occupied in industry decreased from 34% in 1990 to 27% in 2000, the remaining active population being rather oriented toward subsistence agriculture, on the one hand, or certain branches of the secondary sector. As a consequence, the share of the population occupied in agriculture increased from 28% (1992) to 41% (2001), and thereafter recorded a significant diminution (27.6% in 2008), without reaching the values recorded in the beginning of the '90s.

At the regional level, the highest values of the population occupied in the primary sector can be found in the Southwestern, South and Northeastern regions (over 35%). These inequalities are much more accentuated if we analyze this index territorially, since in certain counties in Walachia and Moldavia (Giurgiu, Teleorman, Botoșani) the population occupied in the primary sector may reach even up to 50% (Figure 1). In contrast with these counties, the northern part of Walachia, with a much more diversified economic profile, attracted a series of direct foreign investments (Renault– Pitești, Holcim – Câmpulung-Muscel, Samsung COS – Târgoviște). In a less favorable situation are the rural localities of this area, characterized by a negative migratory balance, and a reduced territorial infrastructure development. Higher proportions of the population occupied in agriculture can be found as well in Olt (45%), Vaslui (46.9%) and Călărași (47.1%) counties.

The lowest proportion of the population occupied in the primary sector can be found in the Central, Western and Northwestern regions (between 20% and 30%), to which the Bucharest-Ilfov region (below 5%) is added. At county level, the most heterogeneous is the Northwestern region, where significant differences exist between the two more developed counties of Cluj and Bihor, with high levels of industrialization and urbanization, and the other counties, Maramureș, Satu Mare, Sălaj and Bistrița-Năsăud, where we find a high share of population occupied in agriculture (over 30%).

The population occupied in industry followed a top-down path, decreasing from 43.1% (1990) to 29.7% (2008). This decrease was more marked in Hunedoara, Gorj, Prahova, Brașov, Sibiu, Caraș-Severin counties (between 20% and 30%).



Source: the author, based on the data in the Annual Statistical Bulletin of Romania, 2010 (time series 1990-2008), INS, Bucharest

Figure 1. Share of occupied population in the three sectors of the national economy, in 2008

A review of the Hirschman-Herfindahl index in the beginning of the '90s indicates an increasing trend in the territorial distribution of the population occupied in

agriculture, followed by stabilization, especially at the beginning of the new millennium.

If during the socialist period the agriculture was concentrated only in certain territories, today the share of the population occupied in the primary sector has balanced out, a more or less intense increase in this respect being recorded in the most counties. Even if the territorial leveling of the population occupied in agriculture entailed the diminution of the disparities existing for several decades, in the global context that indicates even a deepening of the inequalities. The decrease in the Hirschman-Herfindahl index of the population occupied in industry is closely connected with

the decline of the large industrial enterprises" concentrated in a single place", which mostly affected Braşov, Gorj, Hunedoara, Prahova, and Galaţi counties. The increase in this index at the beginning of the new millennium can be explained by the development of the civil engineering industry, unequally allocated, which again contributed to the deepening of the territorial disparities. The fact must be noticed that the civil engineering industry underwent a powerful boost (increasing between 25% and 30%), especially in Iaşi, Cluj, Sibiu, Bucharest, Bistriţa-Năsăud and Satu-Mare counties.

Table 2. Spatial concentration of population employed in the main branches of national economy

1996	1998	2000	2001	2002	2003	2004	2005	2006	2007	2008
Agriculture										
0.0271	0.0273	0.0273	0.0273	0.0272	0.0272	0.0272	0.0271	0.0271	0.0273	0.0273
Industry										
0.0368	0.0380	0.0367	0.0383	0.0372	0.0369	0.0402	0.0381	0.0379	0.3779	0.0377
Services										
0.0448	0.0480	0.0485	0.0505	0.0515	0.0537	0.0503	0.0558	0.0574	0.0592	0.0646

Source: authors, based on the Tempo Online data

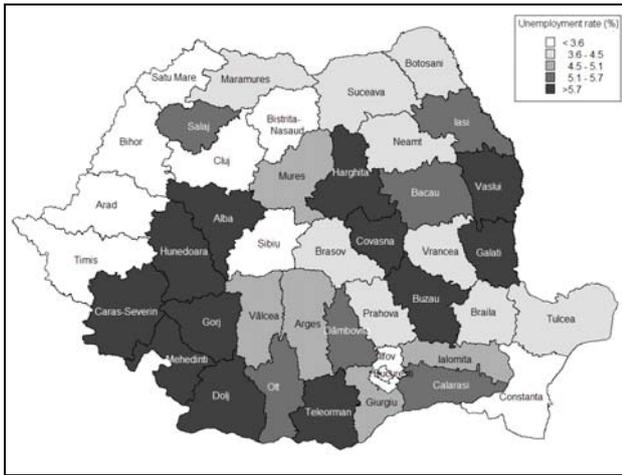
At the same time, an increase trend can also be noticed as regards the index of concentration of the population occupied in services, especially as of 2001. Besides the positive effects of the direct foreign investments, an important role in the growth of services in Romania was played by the small and medium-sized enterprises, which absorbed a large part of the population laid off from industry.

As we have already seen, the tertiarization trend is much higher in the Transylvanian regions than in the Eastern or Southwestern zones of the country, but the strong differentiation within the same region is determined by the population's characteristics, the infrastructure development level, and the network of localities. If the share of the population occupied in the tertiary sector is rather homogenous in the Western region (in each county this sector comprises 30-40% of the active population), in the Northwestern region one can notice a strong differentiation between Satu Mare county, dominated by the primary sector (more than 35% of the population is occupied in this sector; 30% of the remaining population is occupied in industry, and other 30% in services) and Cluj county, where the tertiary sector seems to play the biggest role (according to the last statistical data, 47.6% of the county population is occupied in this sector). Such a differentiation also occurs in Harghita and Braşov counties, the first one absorbing a large part of the population laid off from industry, and creating an intensely agrarian society, while the last one has a significant tertiary sector. Thus, the diminution of the population occupied in various branches of the national

economy did not occur uniformly; in certain sectors, such as the extractive and processing industry, transport, and hotels and restaurants (due to the taking out of service of certain hotel chains inconsistent with the measures provided for by the international offices), a significant diminution was recorded, while the proportion of the population occupied in the domains of trade, financial intermediation, public administration, education and, last but not least, agriculture increased considerably.

TERRITORIAL INEQUALITIES OF UNEMPLOYMENT

Besides the differentiations occurred in the structure of the occupied population, the marked increase in the unemployment entailed the speeding up of the regional disparities, at the same time creating a new dimension of territorial inequalities. The unemployment rate reached its climax in 1999, when the registered number of unemployed people was over 1 million. The highest unemployment rates are recorded in the Northeastern, South and Southwestern regions (over 6%). There is a reverse correlation between the unemployment rate and the population occupied in the tertiary sector ($r = -0.497$), while the correlation with the share of the population occupied in agriculture is direct and weaker (0.337). The lowest values of the unemployment rate are recorded in Bucharest (1.6%), the Northwestern (3.3%) and Western (3.8%) regions, especially in the border counties, with a much more diversified economic structure (Figure 2)



Source: authors, based on the Tempo Online data (2008)

Figure 2. Territorial unemployment differences

Starting from the fact that there is a rather close correlation ($r = 0.506$) between the unemployment rate and the GDP per capita, it is important to verify the situation of the counties contingent upon the unemployment rate, and their positions in the spatial development structure. As also follows from Table 3.

Table 3. The distribution of counties based on the GDP/capita and the unemployment rate

Unemployment Rate (%) in 2008	GDP/Capita (PPC) In 2007			
	High	Medium	Low	Very Low
very low	Bucharest Ilfov Cluj Bihor Timiș Arad Constanța Sibiu	Bistrița-Năsăud	Satu Mare	
low	Brașov	Vâlcea Mureș	Prahova Tulcea Brăila Maramureș	Vrancea Suceava Neamț Botoșani
medium	Argeș Alba	Caraș-Severin Sălaj	Dâmbovița Buzău Iași Bacău	Olt Ialomița Giurgiu Călărași
high		Gorj Covasna Harghita	Hunedoara Mehedinți Dolj Galați	Vaslui Teleorman

Source: authors, based on the Tempo Online and Eurostat data, 2007

Bucharest, Ilfov, Cluj, Bihor, Timiș and Arad counties are the dynamic regions of Romania, and the last ones in this hierarchy – that is to say, Vaslui and Teleorman counties – are the least developed counties of the country, both socially and economically. Teleorman County has a multiply unprivileged situation, since both the demographic, and the economic and social indices (illiteracy rate, population occupied in agriculture) record low values. In Vaslui County, the population structure by age groups is still favorable; however, the education level

is very low, and the territorial infrastructure is underdeveloped.

All these reviews indicate that, actually, the unemployment generalization entailed the emergence of long-term unemployment, which most affects the male urban population (in 2008, the unemployment rate referring to this class of individuals was 2.9%), but the most vulnerable group remains the young population, between 15 and 24 years old, in relation to which the unemployment rate was 18.6%. If we perform a regression analysis, where the population unemployment rate is the dependant variable and the annual GDP growth the independent variable, it follows that GDP growth by 1 percentage point contributes to a decrease of 0.21 percentage points in the unemployment rate related to the population with higher education.

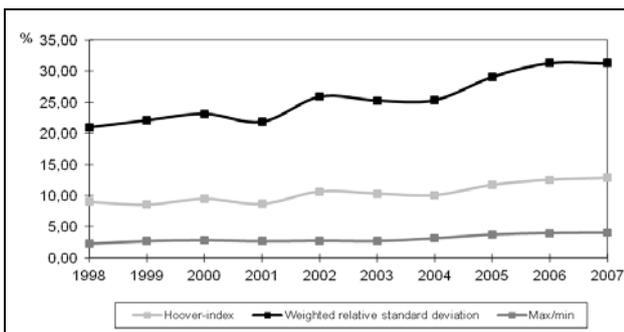
DEVELOPMENT LEVEL OF ROMANIAN REGIONS BASED ON THE GROSS DOMESTIC PRODUCT (GDP)

A particular feature of the regional development in Romania is the mosaic spatial structure of the countries, with the relatively developed regions coexisting with the underdeveloped ones, a fact explained as well by the localization of the natural, human, and infrastructural resources, their share varying from one region to another. The changes that occurred during the transition period led to increased inequalities and changes in the spatial structure. In the mid-‘90s, the GDP growth by inhabitant was much affected by the economic decline of the whole country. Toward the end of the same decade, the stabilization of the macroeconomic processes, the consolidation of the direct foreign investments and, last but not least, the inflation reduction by 16% contributed to a large extent to the growth of the GDP per capita, with a growth rate of as high as 5.7% being reached in 2001. Even in these conditions of positive changes, the GDP per capita remains much below the average EU values, and only the capital, Bucharest, shows a higher economic performance, occupying a distinct place in the spatial economic structure of the country: its economic contribution, at 23% in 2007, exceeded the national average by two times, whereas the population concentration represents only 9%. At the same time, here are also located the largest number of small and medium-sized enterprises (21.5% of the total SMEs); the country's capital stands out both in terms of the high number of employees in the R&D sector, as well as of the high concentration of direct foreign investments.

This special evolution of the country's capital contributed even more to the accentuation of the existing economic inequalities. If we analyze the Romanian counties from the perspective of their share from the average country value, the territorial disparities become even more

conspicuous: the differences between the privileged and unprivileged counties deepened. While in 1998 this difference was 3:1, in 2007 the inequalities increased to almost 5:1.

Thus, although until the beginning of the new millennium the existing inequalities remained the same – as one can see from the review of the Hoover index and weighted relative average deviation – after this period, instead of a territorial leveling we witness an even more marked phenomenon of spatial polarization phenomenon (Figure 3). All these processes were influenced to a great extent by the restructuring of industry in the second part of the '90s, when the counties with significant mining industry, as well as the mostly agrarian and intensely ruralized counties in the southern and eastern parts of the country entered a decline, and the localities with a more diversified structure and more developed territorial infrastructure consolidated their positions in the economic area of the country. All these changes are well expressed as well by the annual GDP growth, which evidences a higher increase in the Western regions, as well as in the counties located north of the capital, and a slower one in the counties from the Southern and Eastern parts of the country.



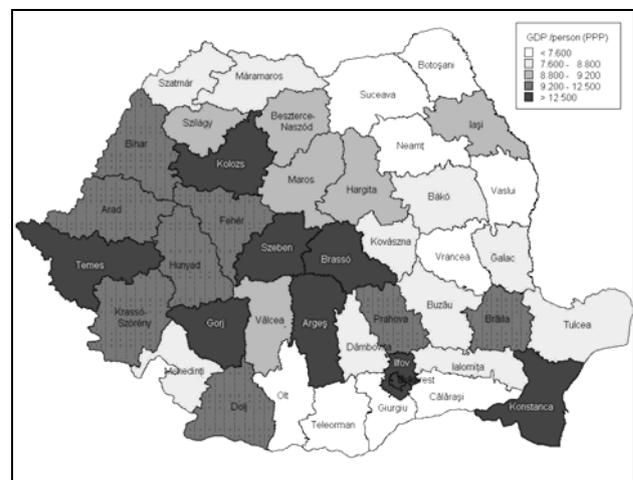
Source: authors, based on the Eurostat data

Figure 3. Territorial Inequalities Based on GDP/Capita

If we take into account the ratio between the maximum and minimum GDP values, we can state that the last years have contributed greatly to the change in the position of the counties in the development hierarchy; however, the general trend in the context of the development level has remained the same: the peripheral regions did not manage to strengthen their positions in the spatial economic structure, while the regions with a higher development level since the past decades strengthened their position within the new economic context. The least developed counties continue to be those in Moldavia, followed by Oltenia, and partially by Walachia, while the winners of the transition period may be generally considered the Transylvanian counties. The development of the Moldavia counties is strongly influenced by their dependency on agriculture, a situation aggravated as well by their location in the proximity of the borders with Ukraine and Moldavia. At the same time, in the case of the counties from the southern part of the country,

agriculture is the main economic activity. All these actually illustrate that, in the long run, the territorial development differences seem to remain stable: the positional changes emerge rather in the case of the more developed regions.

A higher level of the GDP per capita is recorded in the Bucharest municipality, and in the majority of the Transylvanian counties (Figure 4). Higher GDP/capita rates can also be noticed in the case of Gorj, Vâlcea, Argeş, Prahova and Constanţa counties, which strengthened their position within the spatial economic structure of Romania after 1989 as well. As a matter of fact, Oltenia and Walachia are characterized by a dual spatial structure: the counties located to the north of these regions have a more diversified economic structure, as opposed to the weaker development of the counties in the southern part.



Source: authors, based on the Eurostat data

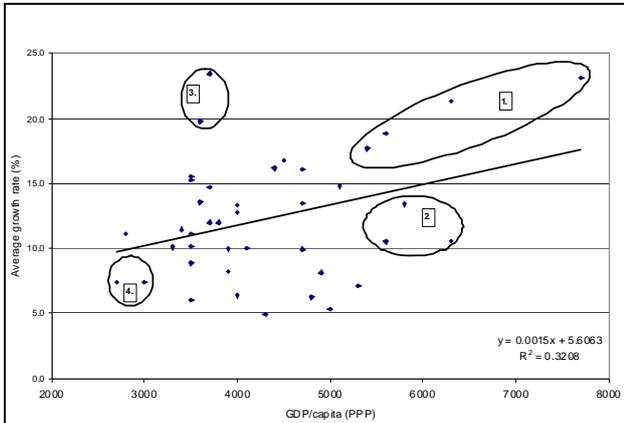
Figure 4. Territorial allocation of counties by GDP/capita

If we take into account the annual GDP/capita growth rate and the value of the economic performance of each county, several county groups can be distinguished (Figure 5).

The first group includes, besides the country's capital, Ilfov, Timiş and Cluj counties – as a matter of fact, those counties which stand out due to their higher development, also doubled by GDP growth. These counties managed to adapt themselves the best to the changed economic social conditions, and better integrate the new elements of the territorial restructuring forces. These territories constitute the most dynamic poles of Romania, where the accumulated human capital, high urbanization, and high rate of population occupied in the tertiary sector will manage to support medium- and long-term territorial development.

The second class includes those counties where, although the GDP rate is high, its increase during the reviewed period was smaller. This class includes Constanţa, Braşov and Gorj counties, where the social conflicts occurred pursuant to deindustrialization, and the slow privatization processes entailed a more moderate growth in the territorial GDP.

A rapid convergence process can be noticed in the case of the third group (Alba and Hunedora counties), since over the last years the development of these counties was much influenced by a high increase in the GDP rate. Keeping in view that the economic growth of the aforementioned counties began from a lower level, this fact entails a much more visible shift of position.



Source: authors, based on the Eurostat data

Figure 5. Correlation between GDP and the annual growth rate

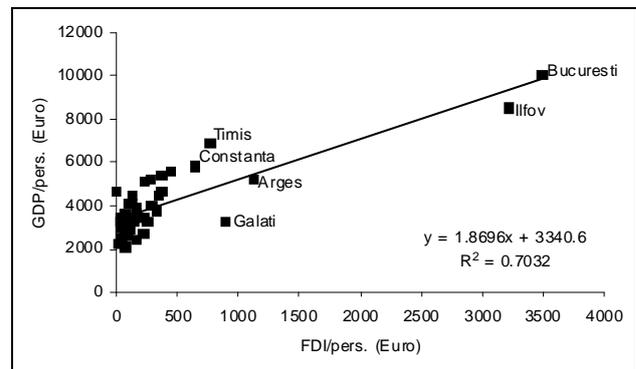
The most unprivileged counties are included in the fourth group, being unable to place themselves on an ascending development path, and thus remaining the most underdeveloped areas of the country ever since the last decades. In question are Botoşani, Vaslui and Giurgiu counties.

FOREIGN DIRECT INVESTMENTS

Currently, direct foreign investment (DFI) represents one of the driving forces of Romania's development, since the invested capital significantly contributes to the economic growth of the country. The role of foreign investment does not require too many explanations; besides the provision of capital, these contribute not only to increased technological performance, but also to the high qualifications of the workforce. At the same time, direct foreign investments represent the main form of expression of globalization (Guran, 2002).

DFI evolution has undergone high oscillations, and one of the factors which adversely influenced the attraction of direct foreign investments during the '90s was the very general state of the national economy: high inflation, with adverse effects on economic growth, that being supplemented as well by a very slow pace of the privatization process and industry restructuring. Later on, the economic growth entailed increased DFI. Thus, while at the beginning of the new millennium the cumulated value of DFI hardly reached 100 million euro, this value increased to 5.2 billion euro in 2005. This evolution is closely connected with the improvement in the business environment, the stabilization of the economic social

sphere, and the accession to the European Union. While Romania is ranked among the last places in Europe as regards DFI value, nevertheless it ranks first out of the seven Southeastern European countries in this respect. The territorial allocation of DFI displays significant variations between counties and regions. In this respect, the GDP/capita and DFI/capita ratios remain eloquent, these variables expressing in a conclusive manner the development of each individual county (Figure 6). Out of the 12.8 billion euro subscribed share capital until the end of 2005, more than half (7.6 billion euro) is concentrated in the Bucharest-Ilfov region, followed by the South and Southeastern development regions. Oltenia and Moldavia rank in the last places here, as well as in other development indices



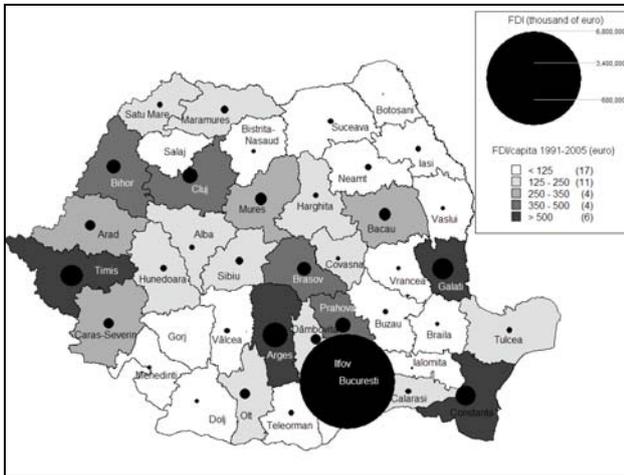
Source: authors, based on the data published by the Romanian Agency for Foreign Investments, Eurostat

Figure 6. Correlation between DFI/capita and GDP/capita, in 2006

The territorial allocation of the trading companies indicates an even more marked differentiation. Between 1990 and 2005 119,120 trading companies were established, of which more than half (64,507) are in Bucharest-Ilfov, followed by the Western, Northwestern and Central regions, and in this respect the last in this hierarchy are the Southwestern, South and Northeastern regions. The types of investors are also different, from one region to another: while the Western and Northwestern regions attracted a very large number of companies with foreign participation (especially European), the country's capital, as well as the Southern and Southeastern regions attracted several investments in greenfield initiatives, especially from non-European investors.

The territorial allocation of the FDI per capita at the county level indicates highly marked differences between the Western and Eastern parts of the country (Figure 7). Similarly to the GDP allocation per capita, several counties with higher FDI values can be distinguished: these are the Western counties, as well as the Eastern Transylvanian ones, continuing toward South with Argeş, Prahova and Ilfov counties, as well as Bucharest municipality. In the Eastern part of the country, only Constanţa and Galaţi were attractive for a significant

volume of FDI. As one can see, FDI has a high concentration in the counties having higher development potential; the counties in the Northern half of Moldavia, those in Oltenia and Eastern Walachia record very low FDI values/capita (below 1,550 Euro). Bucharest is the preferred target of the investors: more than 50% of the foreign investment and over 20% of the registered small and medium-sized enterprises are concentrated here.



Source: authors, based on the data published by the Romanian Agency for Foreign Investments, 1990-2005

Figure 7. Allocation of counties by Foreign Direct Investments (FDI)

Among of the decisive factors entailing the localization of the foreign investments are the accessibility, distance, and last but not least, the geographic position. If we correlate the FDI and the geographic position of each county, determined by the longitudinal coordinates, the connections are insignificant, while the correlation with the latitude coordinates (y) is -0.275 . However, if we take into account only the counties actually located in the Western part of the country (Satu Mare, Bihor, Arad, Timiș, Caraș-Severin), we obtain a correlation of 0.542 with the longitudinal coordinates.

As regards the allocation of the investments by various branches of the national economy, industry remains the preferred sector of the foreign investors, a fact explained by the high value of the share capital subscribed here in the period 1991 to 2005, this representing 52%, followed by professional services, with 21.7%, trade, 14.9%, transport, 7.1%, tourism, 1.8%, civil engineering, 1.7%, and agriculture, 0.9%. The fact that several investors head toward industry can also be explained by the lower land prices; notwithstanding the fact that the infrastructure is underdeveloped, there is a qualified workforce and a large tradition in this domain. The fact must be noticed that investment in industry is more and more important due to the revamping needs, which also explains the high expenditure in this sector (almost 70% of the investments were intended for revamping, according to the Romanian Agency for Foreign Investments, 2005). All these point to the fact that the investors prefer those counties where the

infrastructure is well developed and, implicitly, is highly accessible, where the workforce is qualified (not necessarily cheap), where there is a large tradition in the domain of the industrial products, and the social environment is favorable to foreign investors.

CONCLUSIONS

In conclusion, we may state that the development policies of the last fifty years have had the positive effect of re-leveling the regional hierarchy, without bringing any spectacular reversals in the hierarchy of the regions. Thus, the territorial structure is currently marked by the clear dominance of Bucharest (logically, the capital also having the largest agglomeration economy in Romania), and certain industrial regions which have stood out ever since the first industrialization phases: Banat (first of all Timiș county, Arad and Caraș-Severin being under comparative regress), the Hunedoara – Sibiu – Brașov – Prahova Valley axis, the Lower Danube region (Galați – Brăila), and the Bacău–Neamț grouping. The Dâmbovița – Argeș axis, as well as Constanța, were gradually added to these in the aftermath of the World War II. At the opposite pole, the same as 100 years ago, is Oltenia (notwithstanding the fact that on the whole it moved ahead of Moldavia, but not the Western part of the latter!), Moldavia (its Eastern and Northern part), the Northern part of Dobrogea (Tulcea county), and certain areas of Transylvania (Sălaj and Bistrița-Năsăud counties). Certainly, it is hard to see whether, and by how much, the interregional difference amplitude was reduced.

However, it is a certain fact that the development regions reproduce the regional differences established in time, statistically evidenced at the county level as well. Thus, each table indicator reveals the existence of certain development differences, which overlap over the borders of the cultural historical regions. Moldavia remains on the underdevelopment pole (Northeastern Development Region). Dobrogea, Walachia and Olteia (Southeastern, South and Southwestern Development Regions) have an intermediary position, while Transylvania, Banat and Crișana (Central, Western and Northwestern Development Regions), together with Bucharest, make up the development pole. The rather lower values of the indicators in the North-Western region are explained by the traditionally lower development level of Sălaj and Bistrița-Năsăud counties.

The analysis of the changes occurring in relation to the demographic and economic potential of Romania leads to the conclusion that, instead of a diminution of the existing disparities, lately we are confronted with an ongoing increase in these. In a number of peripheral zones, the secular migration of the population has entailed the emergence of multiple disadvantages, as evidenced both by the change in the structure by age groups, as well as by the decline of certain regions, in the

absence of a coherent development. The birth rate diminution and the gradual aging of the population have changed to a large extent the population structure by age groups, and have had a major impact both on the organization of the economic and social system (education, pension system), and on the territorial disparities.

The evolution of the economic area in the transition period reveals no major changes as regards the spatial structure of Romania; the polarized regional development model strengthens more and more, dominated by the country's capital, with the highest level of economic and social development, to which there are added those counties having rather large urban centers, and a more diversified economic structure (Cluj-Napoca, Timișoara, Constanța); the weaker harnessing of the economic and human potential is characteristic of the peripheral counties, with a low urbanization level. In these areas, the accumulated social and economic dysfunctions were even more accentuated by the demographic ones – especially in the Southern Walachia counties – the youth migration contributing, for several decades, to increased demographic aging, which together with the lower

education of the inhabitants, entailed the delineation of some zones with multiple dysfunctions. From among the new factors leading to a more marked differentiation of the regional development over the last 20 years, we remark here on the increase in direct foreign investment, the strengthening of the position of the small and medium-sized enterprises, and research and development activities. All these factors have had territorially selective effects, being especially concentrated in the developed regions.

The analysis of Romania's position within the spatial structure of the European Union emphasizes the peripheral position of the Romanian regions, as well as the existence of certain development gaps that are still significant, especially as compared to Central and Western Europe. On the whole, the analysis of the disparities with the aid of several mathematical statistical indices allowed the highlighting, at the European regions level, of a process of diminution of the territorial inequalities. Therefore, in the future we can expect to see a gradual diminution of the existing development differences in relation to the Romanian regions.

“The described work was carried out as part of the TÁMOP-4.2.1.B-10/2/KONV-2010-0001 project in the framework of the New Hungarian Development Plan. The realization of this project is supported by the European Union, co-financed by the European Social Fund.”

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