

SOCIAL AND ECONOMICAL COMPONENTS - FACTORS THAT INDIVIDUALIZE THE NORTH-EAST REGION OF ROMANIA

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Abstract. Shaping out development regions in Romania meant to be a first step in starting a steadily regional development process in Romania, which started in 1998 and judicially ended in 2004. North East Development Region overcomes the North-Eastern sector of the country, covering a part of the old historic region, Moldova. Nevertheless benefiting of a rich historic, cultural and spiritual fundament and its economic potential being fully used in the process of infrastructural development, rural development, tourism and human resources, this region is marked of some dysfunctional courses of action, acting out as ruptures in the ideal regional development stripe. On its way to economical revival, this region starts from an acute dependency on agriculture, through an inefficient capitalization, low production and excessive dividing of land, at the same time there is the industrial decline which results in technological regress and a high rate of unemployment. The North-East Region represents the most favorable location fort foreign investments but which are kept back by the restricted access because of the improper quality infrastructure. Based on an underdeveloped traditional, it is tried a renewal of the economic and social process, but which is slow and marked by numerous blanks, that sometimes push it to regressive.

Key words: regional development, development region, assisted areas

An important feature of the economical development in Romania is its rich and diversified regional structure, including both more developed or less developed areas. Declaring or stating these development regions meant the beginning of the process of regional development in Romania. Regional development policy became an important component of the accessing process to European Union, being a key policy of it. Thus, for setting the basic objectives of this development policy in Romania, beginning with 1998, according to the Law No. 151, there has been allowed the establishments of eight individual development regions that correspond to the European statistic level NUTS II. Subsequently there were other modifications and rectifications of the initial judicial frame that concluded in the approval of Law no. 350/2004. This law defines the objectives and principles of regional development in Romania in accordance with the ones promoted by the European Union.

These eight regions formed from a voluntary association of the 41 counties and the capital city, Bucharest, not having administrative status either judicial power, but allowing an efficient handling of the human and financial resources. The eight development regions are the following: North-East, South-East, North-West, South, Centre, West, South-West, and Bucharest-Ilfov. The North-East Region overlaps the north-eastern sector of the

country, a part of the old historical region, Moldova. Geographically, this region adjoins itself with Ukraine in North, Republic of Moldova in the East, Galați and Vrancea Counties in the South and in West has as neighbors Mureș, Harghita, Covasna, Maramureș and Bistrița-Năsăud Counties.

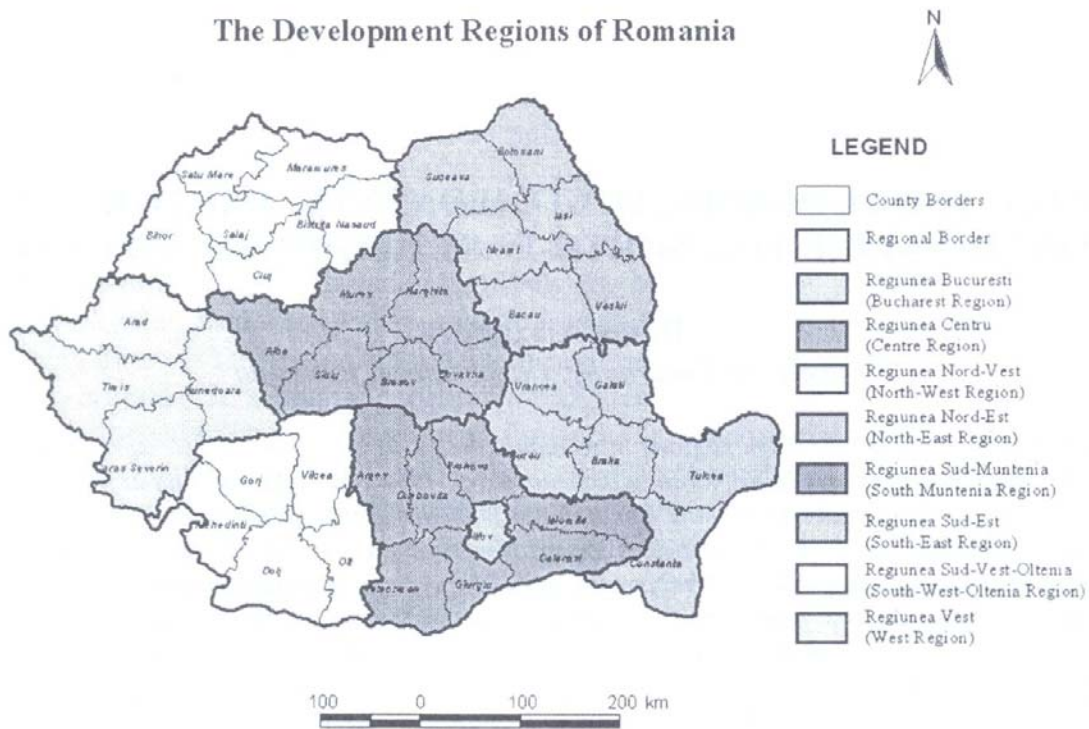


Figure 1. The Development Regions of Romania

Its natural, social and economic potential is fully used in developing the infrastructure, the rural areas, tourism and human resources¹.

The administrative units of the North-East region may be presented in 6 counties: Bacău, Botoșani, Iași, Suceava, Neamț and Vaslui, on a surface of 36.850 sq Km and having a number of 3.836.835 inhabitants. This way it stays on the first place from the size point of view among the eight regions of the country.

Every each county in this region contributes to the nowadays state of it, whether it is about positive or negative realities. Thus we may notice the industrial preponderance in Bacău and Suceava counties, the educational institutions present in three main counties: Iași, Bacău, and Suceava, the well known area where many foreign and national people enjoy practicing a cultural and religious tourism. Everywhere someone turns its head to, it may be noticed the originality and specificity of this space.

Historical and geographical conditions determined a very serious social and economical regress of the north eastern region. The main characteristic of the 60's was the dominance of agricultural activities, people in there having a low level of life. From 1965 to 1985, this region was the subject of a forced industrialization, aiming to take it to a higher standard, this way a larger number of specialists being qualified, therefore impressing a real industrial culture.

¹The socio-economical analysis of the North-East Region, page 3

Industrial development as a concept wasn't the most perfect one because of its planning in a too diversified manner not taking into consideration the natural resources, the energy and environmental resources that existed in the area.

The North-East Development region remained to be the most poorly developed region in Romania (GDP/ inhabitant - 70%)². The poorest areas we may find in the southern part of Iași County, the south-eastern part of Neamț County the eastern part of Bacău County and Botoșani and Vaslui counties in their entirety. Especially in the western part of the region, where there was a forced industrialization (growth industry) during the time from the sixties to the eighties in all types of industry (furniture, chemicals, construction materials, textiles), and in the next ten years there happened to be a deindustrialization in all sectors of activity in this region, thus the economical situation getting worse and the east traditionally becoming underdeveloped. Nowadays we may find in here only light industry and handicraft industry, using cheap workforce, not necessarily properly qualified.

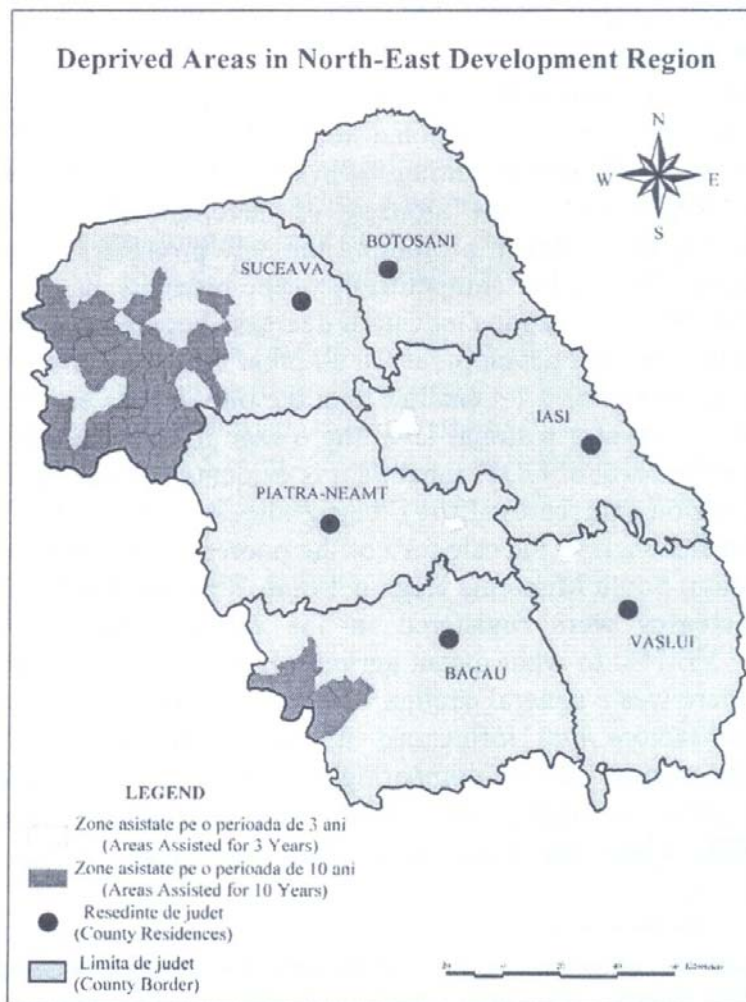


Figure 2. Deprived areas in the North-East Development Region

² Primul document consultativ pentru Planul Național de Dezvoltare 2007-2013, București, 2004

There were established some deprived areas in the region that were also decided to be assisted during specific periods of time. These assisted areas benefited of some special conditions (exemption from paying different kinds of taxes³) for functioning in the economic sector, so that foreign investors should be attracted into the region, invest here and eventually some of them still remain there. There were set periods of ten and three years each as it follows: Bucovina Mining Area – from 1999 to 2009, (Cacica, Gura Humorului, Ostra Stulpicani, Frasin, Fundu Moldovei, Pojorâta, Cârlibaba, Breaza, Câmpulung Moldovenesc, Broșteni, Crucea, Panaci, Șaru Dornei, Iacobeni, Vatra Dornei, Dorna-Arini, Poiana Stampei), Comănești Area (Bacău County – Comănești, Dărmănești, Agas), for ten years – also from 1999 to 2009, which means that they are still assisted; and for three years there were Negrești Area (Vaslui County- Pașcani City as an administrative and territorial unit), Pașcani Area (Iași County – Pașcani City as an administrative and territorial unit), Roman Area (Roman Municipality as the administrative and territorial unit).

It is concluded that the period from 1998 to 1999 is marked by recession both regionally and nationally, the same time were bolded the effects of unloosing the exchange course and the restructuring programmes of the enterprises that registered losses even from the beginning of 1997.

In North East Development Region, at the time of 1999, there was an economical decrease of 50% bigger than at a national level. This was caused by an improper management due to reservedly implementing the system of securing the quality of products and production, of implementing the strategy of development of the enterprises, of implementing marketing principles in promoting the new products, altogether with losing the market and reducing the level of competitiveness of the products, having no resources and investments, there determined a serious industrial decrease beginning with 1997 that caused serious effects upon the regional development in all other fields of activity⁴.

The decrease in 2000 was a lot smaller than the one in the year before, of 0, 6%, in the circumstances in which at a national level there was an economical growth of 4, 1%. The maximum gap at the level of GDP/ inhabitant is evaluated according to the GDP of the eight development region (Bucharest-Ilfov), being almost a third of it. The North East Development Region fits itself in the category of the poorest development regions all along with South East Region, South Muntenia Region, South West and North West Region⁵. The most important decreases were registered in the industry sector with – 32% and constructions with – 33, 7%. In what meant agricultural activities, on a year long distance from 1999 to 2000 there was a general decline both at a regional level and at a national one due to the climatic factors that influenced it. As an unusual fact, the number of constructions in this region (23%) comparing it with the national increase of 1,4. surprisingly it was about an important movement and attitude of building new civil construction in 2000, while the trade sector was continually going down with the

³ The taxes in discussion were about paying the customs, vehicles, equipments, installations, means of transportation, and other remunerated goods which were imported for improving the investments within the area, in the general economic domains of activity: agriculture and animal breeding, production, performing services, trade, environment protection, and all sorts of industrial branches.

⁴ So as to stimulate foreign investments to come to this region, there were facilitated a series of better conditions for the investors that decide to remain here so as to develop all kinds of business, such as commercial societies, romanian judicial persons, private investors and family associations, if by that investment there could be created new workplaces for the unemployed workforce.

⁵ The socio economical analysis of the North East Development Region, page 8

transactions. What only functioned in that period were the industrial constructions into some important projects like the industrial platforms in Iași, Piatra Neamț- Săvinești or Borzesti, hydro energetic constructions like Bicaz-Neamt dam or constructions for living, commercial centers, hospitals and educational centers.

The North East Region is marked by a strong tidiness to agricultural activities, and also by the closeness to the border with Republic of Moldova and Ukraine. The same thing happens to the South Muntenia Region, where the tidiness to agriculture comes out in the first line, and where the Danube acts like a barrier for the transborder trade⁶. The western and central parts of the country were in advantage because of their openness to the western markets and for their more reduced tidiness to the primary sector of economy.

Having the GDP's evolution for the period from 1998 to 2002, all over the country we may observe an important growth of 57% in Bucharest region whereas for the rest of the regions that growth was under 20% or even lower. So, that means the foreign investments were unequally distributed in the territory, polarizing on the Bucharest region, as a capital city, and the rest of the regions receiving a small quantity of them thus the interregional and intraregional disparities increasing. As major causes and factors that contributed to this increase of disparities we may subscribe here the localization of this region in a national context, the size of foreign and domestic investments. These investments were differently assimilated in the regions in terms of the level of accessibility and the potential of the areas and also the mentality, and sense of initiative of the local actors. The presence of a shaky transport infrastructure and low level of some business processes in small and medium size cities haven't allowed them to develop as main polarizing centers due to the high costs. The western and north-western regions benefit of a relatively high percentage of foreign investments and capital, based on a continually transforming behavioral background towards development.

Even though the decline of the industrial sector marked this area, the business numbers and the number of employees in the national factories is relatively high, about 250 people. The factories function relatively well almost exclusively in the capital cities of the counties: Iași, Bacău, Piatra-Neamț, Suceava, and Botoșani. The main successful enterprises that function in the north east region and which worth mentioning here act in the following sectors of economy:

- Cars and equipments industry,
- Alimentary industry
- Wood industry
- Textile industry
- Medicine industry
- Tourism
- Industry of transports

There happened an interesting phenomenon of financial blockage in this region due to the restrictive laws concerning foreign investors resulting in high taxes for them, and unacceptable additional taxes to their bank loans.

As for the non coherent programmes for privatization of the domestic capital enterprises and the excessive document demands for running a business, together with an inefficient management of unspecialized people, those were some major issues to lead to losing some of the markets, decreasing competitiveness of the products offered on the markets and technological stagnation. Thus many productive units were closed and all of a sudden a

⁶ Primul document consultativ pentru Planul Național de Dezvoltare 2007-2013, București, 2004

huge number of unemployed people were declared. After the year 1996 and up to the present time some of the above mentioned economic enterprises were the beneficiaries of some coherent foreign capital infusion programmes, this way trying to re-launch them on the economical national market⁷: AEROSTAR Bacău- mixed society, Romanian- Israel- aeronautical domain, ANTIBIOTICS Iași- mixed company, formed by an international consortium – medicine field, AGRICOLA INTERNATIONAL Bacău- mixed society, Romanian-German, holding type, established in 1992- alimentary products and drinks, WORLD MACHINERY WORKS Bacău- mixed society, Romanian-American- cars domain, DORNA APEMIN Suceava – Italian private capital society - mineral waters trade, RIFIL Neamț- society Romanian - Italian- textile industry field

On the whole, with a business number of 133.662,7 million dollars, still there is an unequal distribution of the foreign investments within the region, the maximum values having Iași county (37%), while Vaslui and Botoșani counties having together only 10%.

The latest trying of reinforcing the economy is represented by the small and medium size enterprises that function instead of the big factories, and having a small number of employees. There are problems to be solved in this sector, too, because they are not too many and they disappear and appear rather fast in the economical context. The minimum number we find in the North East Region and the maximum number we find the North West and Centre regions. The small enterprises don't have much chance to survive but there come the medium size ones that will prevail in the future. They strongly need a support for their stabilization in what concerns variability of their small number of employees (families) and the local resources they use (wood, mineral waters, soil), in changing the activity type and dynamics in bringing new products on the market. Talking about the north east region, here the small and medium size enterprises represent an important segment of the economy. It was chosen this way of developing the economic sector because they are more flexible, more receptive to the market needs, more innovative and competent in fulfilling the demands of consumers improving the competition environment and more creative in setting up social stability. During a period of three or four years there was a relative distortion of the good going of the economy and beginning with the year 2000 there was a re-launching of the economical sector with the small and medium size enterprises. Consequently, in every each sector of economic activity mostly activate the micro- enterprises (86%), and only a few small and medium enterprises (13, 1%), except the energetic industry and extractive industry fields. What works as an economic activity in this region there are the trade business, tourism with hotels and restaurants, and transport sectors.

Other important subject to be discussed in this paper would be the level of unemployment⁸. There is a continuously growing number of unemployed people at the same time the capacity of societies with domestic capital to adapt to a market based on demand and supply system of working. This situation got worse taking the unemployment rate to high scores. Having no conditions or funds to improve the technology and facilitate more investments in the area, many more investors and managers chose to improve their business by firing more people.

This led to the present situation, with serious problems especially in the areas where activated only one type of industry (Botoșani and Vaslui counties). In the last ten years the North East Region maintains itself on the first place from the unemployment point of view,

⁷ The socio economical analysis of the North East Development Region, page 21

⁸ The global SWOT , in regional strategy north east 2004-2006

especially in Neamt County where the average (14%) is the maximum in the country⁹. There would be an explanation or the reduced number of the registered unemployed people, and that is the high number of pensioned people, a high rate of leaving the country. Here we may observe a vicious circle in which each person is strongly tied up with other person, and through communication, they attract new work force into two main European locations for emigration – Italy and Spain, promoting work in the underground economy and also through the fact that the most long-term unemployed people don't register anymore to the workforce offices, creating a precedent and deepening into ignorance and complaining.

Even if the agriculture is the main economic sector in the region, it doesn't work properly and not contributing enough to the national GDP. The main activities in the primary sector that contribute to the national GDP are forestry exploitation and the economy of fishing, hunting, being only influenced by the climatic evolution. The level of active population in the agricultural sector is rather high (49, 80%), superior to the national one (40, 4%).

As a special feature of the North East Region from the economical point of view there is the large surface of agricultural territory - 14, 30 % of the total agricultural surface of the country. It is worth mentioning because this resource cannot completely be used, having a low productivity in every type of culture, due to certain factors that influence here¹⁰:

- Relief diversity in the region
- The quality of the field, with a high degree of diversity, alternative categories of soils due to the division of land, as a result of giving land to private owners, decision established through Law 18/1991 and the low level of mechanization
- The exploitation of the agricultural surfaces is made on small allotments of 1 to 3 hectares because of land division, a result of transferring the agricultural surfaces to private property and low mechanization, being known that a gainful exploitation is made on at least 50 ha lots by one single tractor.
- Aged workforce; more than 28% of the rural population is over 60 years old and the youth migrates towards urban centers.
- High level of poverty of the owners who have big problems in cultivating and breeding
- The lack of capital for restructuring and modernizing the agriculture
- The instability and erosion of soils, numerous landslides

As a result of destroying the adduction and waterworks facilities in irrigation systems, the surfaces endowed with irrigation facilities summed up to 135.441 hectares of the whole region: Bacău 20.920 ha, Botoșani 20.234 ha, Neamț 10.414 ha, Suceava 3.778 ha, Vaslui 29.662 ha, in fact the irrigated surfaces being a lot smaller.

Private agriculture characterizes itself by an excessive land division due to the disposal of the state properties to the private owners. Of the entire agricultural surface in the private sector, the level of association between the land owners represents about 3-5% in Bacău County, 10, 8% in Botoșani County, 7, 5% Neamț County and 9% in Suceava County.

⁹ Primul document consultativ pentru Planul Național de Dezvoltare 2007-2013, București, 2004, the ministry of public finance

¹⁰ The socio economical analysis of the North East Development Region, page 17

If we talk about the transport infrastructure, road infrastructure, water and sewerage networks, they put enough big problems in most of the counties, but the most affected are Botoșani, Iași and Vaslui. One of the main causes of interregional and intraregional disparities is given by the different access to the county, national and international transport infrastructure and its improper quality. The North East Region belongs to the category of the regions with limited access to transport infrastructure. In this region, Botoșani County has 18% of land roads, practically impracticable. The counties that have the highest number of modernized county and communal roads are Vaslui and Suceava counties, each one of them having 223 km and respectively 174 km of roads. On the other hand, Botoșani and Neamț counties have 55 km and respectively 58 km of modernized roads.

The region's railway network finds itself under the national medium average from the length and technical endowments point of view. Bacău County has the the highest number of localities connected to clear water and sewerage systems, which is superior to the other counties and also to the national average. Iași, Neamț and Vaslui counties have the most underdeveloped sewerage system and Iași and Suceava counties have the less extended clear water network of all. Bacău County where there happened an increase of the number of localities endowed with sewerage system in 1999-2001 period, in the other localities the situation remained constantly unchanged. While Neamț and Suceava counties have almost the same values like the national average in terms of modernized roads, Botoșani and Iași counties are at the other end.

First of all because of pretty low costs of the workforce the North East Region of Romania is one of the most advantageous locations for foreign investments, even in Europe, too. The fields and the industrial buildings may be purchased at low prices and, about bank and telephone services in this region they deal very well commercial trades. Having three major university centers, we may say that this region may step up with a workforce segment relatively educated and highly qualified. Communication networks that bond the region with the other ones of the country are being improved and much more there is a railway network well done and also airports in Suceava, Iași and Bacău. The textile industry is referred to as to the most profitable nowadays economical sector, at the same time tourism is referred to as a future industry.

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