DOCTORAL THESIS
REGIONAL DEVELOPMENT IN THE EUROPEAN UNION
(ABSTRACT)

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Iași-2013
To Mr/Mrs/Ms...............................................................  

We hereby announce you that on the 30th of November 2013, at 9.00 o’clock a.m., in room 412, Block B (the F.E.A.A. premises), Ms. Marcela Cristina Teodorovici (married Hurjui) is to give a public presentation of her doctoral thesis entitled "Regional Development in the European Union", with a view to obtaining the title of Professor in Economic Sciences.

The doctoral committee is formed as follows:

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We are forwarding here the abstract of the doctoral thesis and are inviting you to attend the official presentation.

Rector,
Professor Doctor Vasile Țesan

Secretary of the Doctoral Department,
Gabriela Costin
Introduction

The way in which the relationships between the countries of the world evolved and grew has led to a context characterised by a new manner of action of national economies whose main feature is the interaction between them. This interaction is the condition and the consequence of the world’s economic, scientific, demographic, social and cultural development.

In Europe, the interaction between the states consisted in a series of internal contradictions, as well as in the emergence and growth of a community space in the form of the European Union. Considering all the inevitable obstacles during its existence, we believe the European Union is now at the beginning of a new process of expansion, as one of the most prosperous and competitive areas in the world from an economic perspective. However, there are major weaknesses caused by the presence of significant disparities, in terms of prosperity and productivity, between the member states and between their inner regions. The complexity of the regional development policy derives, on the European Union level, from its aim at decreasing the economic and social disparities that exist between the different regions of Europe, an aim which has an impact upon such important fields of development as economic growth, professional employment and training, transportation, agriculture, urban development, environmental protection, education, etc.

On different levels- local, regional, national and European- regional policy deals with the coordination of different sectors, the collaboration between decision-making levels and the balance of financial resources. At present regional development on a national level is to follow a certain course of action which is characteristic to the continuous changes caused by the restructuring of production and the increase in competitiveness on a national and local level. The interest in the growth of the macroeconomic stability is typical both of small and big countries, and in Romania the accession to the European Union has caused an increase in this interest in the issues of regional economic development.

The recent world recession, especially that one which aggravated in certain European economies and which is a threat for the core of the European Union, is a challenge to all the member states and to the whole European context, in particular.

In context, regional development in the European Union has got a series of additional values, which is why we can state that the importance of the aspects connected to the way it manifests itself is increasing with time. Consequently, we believe that new approaches and a new economic order may offer solutions to the continuity of economic and regional development.
Over the past decades there has been a lot of debate, both written and in speaking, over the issue of regional development, as on an international level it is an ample process comprising a series of legislative and institutional components, which are necessary for the foundations of connections between the fields of activity, authorities and communities. This process of development on a regional level requires time, assessment and surveillance of the implementation of specific measures, as well as regional projects and initiatives and a type of management that can offer credibility, decision-making power and access to financial resources. Regional development has become a major area of study in scientific research, as well as one of debate for central and local authorities, entrepreneurs and the public. From this perspective, this research paper approaches aspects connected to the analysis of regional development both of member states and regions of the European Union, considering the main theories and models of analysis concerning the convergent or divergent nature of the European model of development, then moving to the identification of ways to reduce economic disparities and to improve the prospects of regional development, concluding with an analysis of regional development in Romania and its similarities with that of the European Union.

Considering the ideas above, we believe that the topic- „Regional Development in the European Union”- is of obvious importance and reflects current interests. The paper intends to approach the process of regional development in the European Union and narrow it to the national level in the particular case of Romania.

The aim of the paper is to assess the performance of the member states of the European Union in terms of regional development and to identify disparities in their development on their way towards a sound Economic and Monetary Union.

Following the research carried out, I believe the main aim of this thesis is the analysis of the regional development policy with a focus on:
- the differences regarding the region- regional development- regional policy triad, the necessity and the fundaments of regional development;
- the presentation of the main methodologic aspects of assessing the level of regional development and its impact on the European Union;
- the evaluation of the use of financial instruments in the regional development policy and of their assimilation on a national level
- the evaluation of the regional development, of the disparities in the economic development of the 27 member states, based on a temporal analysis of the years 2001-2012;
- the evaluation of the degree of regional convergence and of disparities in the economic development of the 27 European Union regions on a DSTU 2 level, based on a temporal analysis of the years 2001-2010;
- the assessment of the regional development on a national level, that is, the regional development in Romania, and the analysis of its European integration;
- the identification of the causes of disparity in economic development and of the main instruments for their improvement or even removal;
- the evaluation and analysis of the budgetary impact upon regional development in Romania.

The scientific approach is based on research by both classic and contemporary economists, found in specialised international, European and national literature, and the thesis includes footnotes on all these references.

Of the most representative studies approaching European economy and regional development, we mention economists such as: Richard Dunford (1990), John Bachtler (1997), Romeo Victor Ionescu (2006), Daniela Lumița Constantin (2005), Tiberiu Brăileanu (2007), Ghiorghi Prisăcaru (2007), Roberta Capello (2007), Marius Profrîou (2008), and many others.

We also mention the works of Johann von Thunen (1826), Alfred Weber (1929), Harold Hotelling (1929), August Losch (1954), Walter Isard (1956) and William Alonso (1964) on the theories of location, as well as the fundamental contributions of North (1955), Borts and Stein (1964) on the theories of regional development. Another important contribution to the possible explanation of the phenomenon of disparities in regional development is provided by the works of Francois Perroux, Gunar Myrdal (1955), John Fridmann (1968), Peter Nijkamp and John Paelinck (1980).

In what concerns the evolution of regional disparities, the possibilities of their improvement through adequate regional policies, as well as the impact of European Union structural funds on economic and social cohesion, we can mention the works of such authors as Capello (2008), Dunford (1993), Quah (1996), Muldur (2001), Yuill (2010) and others.

The European Commission has shown constant interest in the issues of convergence and the solutions to reduce the disparities between the member states and between their component regions, and this is proved by the reports on economic and social cohesion published every three years, and by further reports on the progress of economic and social cohesion.

The methodology of scientific research is based on the interdisciplinary approach, mainly because an accurate analysis of regional development in the European Union implies knowledge and information from such economic fields as general economy, regional economy, economic statistics, public finances. While conducting this research we have considered a range of methods and techniques (quantitative and qualitative), modalities and instruments (tables, charts) which are adequate and were devised according to the objectives of the research. The statistics we use in the
context of this research implies collecting information and data which is essential to the analysis, as well as the identification of markers of convergence and of the causes which led to the phenomena under research.

The methodology applied in this research has considered the study of aspects connected to the regional development of the 27 member states of the European Union, of the DSTU 2 areas of development and in Romania, within its 8 regions, in comparison with the situation in the European Union. We have also considered the issues connected to the budgetary impact on the relationships between Romania and the European Union.

The scientific arguments, the methodology and the implementation instruments described in the thesis meet the requirements of fundamental and practical research useful for those interested in the field of European regional development and regional policy, namely those interested in European funds and ways to access them.

CHAPTER I. Regional Development – Theories and Conceptual Boundaries

This chapter presents the essential guidelines of regional development with a focus on the characteristics of the European model. Starting from the conceptual delimitation of the region- regional development- regional policy triad, the first chapter intends to analyse regional typologies and to approach synthetically the main theories of regional development, as well as to identify models of regional development with a possible future impact.

The boundaries of a country and the regional delimitation of the socio-economic phenomena is a quintessential requirement for a practical framework of regional policy. Coherent measures with a perspective upon the economic and social development of problem areas can only be taken if based on a reformation of the territory according to scientifically proven criteria.

Regional development is a new concept which signifies not only the stimulation and diversification of economic activities, the stimulation of investment in the private sector, the contribution to the decrease of unemployment and the improvement of life standards, but also a whole medium of support and adjustment of durable actions in convergence with the competent fields of the region.

Research on regional development dates back to the XIXth century, when economic analysis started considering the factors that influence transportation and production costs, in the sense of the distance and geographical position and proximity.

Some of the first scientific approaches of a regional level of development were dedicated to the issue of geographical location of
economic activities and places, thereby the name of a new approach in economic sciences - the theory of location. The study of regional issues in Romania became an area of interest in the first half of the XXth century with Romanian sociologist Dimitrie Gusti who, in 1925, starts coordinating work on a rural monography. Later on, Victor Jinga completes the economic, social, political and historical image of Transylvania, and L.Ţigănescu sets the foundation for the use of the input-output method regional economic analysis. He then continues with the delimitation of the regions using economic, administrative, geographical, social, cultural, historical or ecological criteria. The internal structure of the spatial entity of a regional type proves to be the most often used criterion, with the most significant characteristics for a classification of regions. The typical groups of regions use essential characteristics of economic and social development with the purpose of reducing the big number of regions in a country to a few representative categories. There are further classifications of European regions in specialised literature, which results in different dimensions of regional groups, according to the markers selected and the analysis factors of these clusters. Then there are approaches to elements of regional policy which apply in economic and social practice with the help of regional planning, with the purpose of making direct or indirect changes in the spatial and economic structure, so that they can ensure its harmonious adaptation and adjustment to the social, economic and cultural needs of society. First and foremost, the EU regional policy is a policy of solidarity, conceived in such a way as to ensure assistance, on the community level, for the most disadvantaged regions to overcome their weaknesses.

The chapter finishes with a set of models of regional development. The applicability of these models to the economic theory increases the possibility for analysis. The regional economic model represents the conventional image of a region, area or geographical division which is to be analysed, a logical structure rendering the region’s essential characteristics, as well as the relationships between these elements (endogenous and exogenous variables), with the purpose of discovering new connections, strategies and policies to ensure a harmonious development of the region.

For the approach of the issues of regional disparities and growth, but also in an attempt to solve these with the help of economic mathematic models, we have used neoclassic models. The first of these groups of neoclassic models of convergence is Solow’s growth model. The models of circular and cummulative causality (CCC) significantly differ from the neoclassic tradition, with Gunnar Myrdal considering that growth is uneven by nature, which contradicts the neoclassic theory. The theories of endogenous development correspondingly try to identify the initial local
context which determines the competitiveness of the local system of production and ensures its long-standing quality.

Some theoretical challenges come against regional researchers and must be confronted. A first challenge is presented by the attempt to gain benefits through a future convergence in different theoretical approaches, which is only partly achieved by the new theories of regional development.

CHAPTER II. Policies and Instruments of Regional Development in the European Union

Diminishing regional disparities is possible in the context of sustained economic growth, which is based on quality instruments and a competitive regional development policy. Thus, the second chapter of the thesis presents the legislative and institutional framework of regional development policy in the European Union as well as a synthesis of regional development in its member states.

Community legislation with regard to regional policy is complex and can be analysed through several components: the provisions of constitutive Treatises, the provisions of the Treatise for the Creation of a European Constitution and, last but not least, the provisions of legislation adopted and implemented in the European Union.

The chapter succinctly presents the main institutions on the community level. Created by the Treatise on the European Union, the Regional Committee (RC) reflects the desire of the member states to respect the local and regional identity and prerogatives, as well as the participation of the regions to the development and implementation of EU policies. The General Directorate for Regional Policy (GDRP) in the European Commission aims at consolidating economic, social and territorial cohesion by reducing the disparities between the levels of development of the regions and countries in the European Union. The Regional Development Committee (RDC) is responsible for guaranteeing the fact that the European Union and its member states carry out an economic policy in favour of this objective. The Assembly of European Regions (AER) is an international body with 270 member regions in European countries and 16 interregional organisations. The coordinative institutions of regional policies on a national level are organised according to different models in the countries of the European Union (the model with one ministry, the dualistic model, the French model).

On a European level, the history of regional development concentrated around the concept of economic and social cohesion. This refers to the decrease in disparities related to the level of development of the regions and the adjustment of the regions fallen behind to help them overcome the differences that separate them from the most developed regions in the European Union. Research in the field has identified six periods in the European regional development. These periods differ from each other in their
objectives, the institutions responsible for their coordination and the instruments and measures of their accomplishment.

The second chapter establishes the statistic territorial structures of the European Union. At the basis of the regional statistics of the EU are currently the two statistic directories devised and updated by Eurostat:

- The Directory of Statistic Territorial Units (DSTU);
- The „Statistic Regions of EFTA and Central European States” Directory.

The economic and geographical differences between the member states are, most of the time, bigger than the conflicts within them. Considering the diversity of the economic and geographical contexts within the European Union, the regional policies of the member states have had to face a considerable lot of problems, which have not been identified in the same way and to the same extent, this leading to the appearance of four main groups of countries. The coordination of regional development is carried out by a board of institutions on the European Union, national and regional level. *The European Level* is represented by the European institutions, especially the European Commission and the European Parliament, which have their own budgets and limited power on the creation, implementation and assessment of national and regional programmes. *On a national level*, the institutional aspect of regional development differs from a country to another and is prompted by a variety of factors.

The chapter continues with a presentation of the macro and microeconomic instruments of regional development policy. The *macroeconomic measures* refer to the budgetary policy, the monetary policy and other measures such as the contingency of imports, short-term assistance for certain regions or support for local production. If the macroeconomic measures aim to act upon general income and expenditure, then the *microeconomic measures* certainly follow a different course, that of distributing resources, which are able to influence the behaviour of entrepreneurs.

The paper also approaches the issues of *internal and external adjustment*. Among the microeconomic measures based on the redistribution of capital, it is estimated that the system of aids represents a real landmark of regional policy. Within this system the most popular measures, applied in most countries and accounting for most of the public expenses, are convenient loans or guarantees for contracted loans, subventions and grants.

### CHAPTER III. Financial instruments of cohesion of Regional Development Policy in the European Union
The third chapter continues with the analysis of the conditions for achieving economic growth and regional development, which have been discussed in terms of experiences of Member States over time and their critical issues affecting the EU and make it vulnerable. It is also approached the issues of financial instruments used by the EU to improve regional development and alignment of Member States policy.

During last century Europe, politicians have become increasingly aware that the establishment of domestic and international economic relations lasting based on trust and demonstrating solidarity with individuals and/or nations less developed, have become indispensable to achieve general welfare.

The economic development of a region is, usually, expressed in terms of gross domestic product (GDP). This ratio is also frequently used as a basis for regions comparison. It is used for comparing between EU Member States and is essential in determining a wide range of policies, such as the extent to which a Member State should contribute to the EU budget.

In the EU, real GDP growth has varied considerably both over time and between countries. The following figure highlights the annual average growth rates of the EU-27 and euro area and the EU between 2000 and 2012.

Regional convergence in GDP per capita expressed in PPS can be analyzed in different ways. The easiest method is to measure the ratio between smallest and the largest values. Under this method, the gap between the EU-27 regions were reduced to a factor of 17.1 in 2000, to 12.2 in 2010, mainly due to the rapid development of Romania and Bulgaria. However, this method uses only the extreme values, the majority of the regions not being considered. Overall, growth convergence in few EU-15 countries and between member states, has compensated the growing divergence in other member states, therefore, we conclude the existence of a increased convergence for all EU-27 countries. Based on the available statistical data, we analyzed the GDP for EU member states, using box-plot diagram and principal component analysis (PCA). The PCA highlighted two groups of countries: high GDP and low GDP throughout the reporting period. Another indicator is the one related to employment. Certain countries experienced a consistent and widespread increase in employment, while others - such as Romania and Portugal - have experienced a downturn by four or five percentage points. The margin that separates the lowest employment rates of the highest rates of employment of labor in 2012 is still significant, Greece with 51.3% at one end, Netherlands with 75.1% to the other.

In order to achieve the Lisbon objectives which set an overall employment of 70% and a 60% employment rate for women, the EU should generate approximately 23.5 million additional jobs, of which 7 million
should be for women and 7 million for people aged between 55 and 64 years. Occupancy rates vary considerably, not only to a national level but also within member states, according to regional characteristics with a relatively high dispersion (measured by the variation coefficient for NUTS2 regions, observed in Cyprus (20, 5%) in 2012.

To analyze how much the regions differ from one another in a country or across the EU-27, we need a different kind of indicator. Dispersion of employment and unemployment rate gives us an idea of how much regional rates differ from one another. As the dispersion of these rates decreases, labor market cohesion increases. If we consider the rates of 2001, we will see the effect that the crisis had, the growth of these rates during 2008 and reversing the decline that began in 2001. From 2001 to 2008, the dispersion of unemployment rates in the EU-27 decreased significantly by 20.2 percentage points. Subsequently increased dispersion due to the crisis, and in 2012 recorded a rate of 63.2% in the EU27.

A better understanding of EU regional policy and its impact on various aspects of regional economies requires an analysis of the allocation of funds process.

It is therefore important to assess whether the funds are allocated according to criteria established by the European Commission. The third chapter shows us the main financial instruments of regional development. European Social Fund (ESF), European Regional Development Fund (ERDF, the European Agricultural Guidance and Guarantee Fund (EAGGF), Financial Instrument Fisheries Guidance (FIFG), the Cohesion Fund and Solidarity Fund. To reduce economic disparities, EU offered financial aid to the candidate countries through the pre-accession structural instrument that had an important role in this process. (PHARE, ISPA, SAPARD).

Another instrument is the European Investment Bank, which has the role to lend money for projects of European interest as road and rail communication routes, airports or environmental schemes. The chapter also addresses the issue of the recent economic crisis and its impact on regional development. In 2009, the EU economy has experienced the worst recession since the Second World War. GDP fell by over 4% and unemployment rose up to 10% by the end of the year. Regional policy has undergone a number of changes associated with the economic crisis. The negative effects of the crisis which began in 2007, were mitigated in the European Union by the European Economic Recovery Plan (EERP), adopted by the European Council in December 2008. This European Economic Recovery Plan proposes a counter-cyclical macroeconomic response to the crisis in the form of an ambitious set of actions to support the real economy. The objective is to avoid a deep recession.
CHAPTER IV. Regional development in Romania under the impact of internal requirements and exigencies of the European Union

The last chapter focuses our research on how Romania reacts as a member state of the European Union on the recent economic crisis that has gripped the EU regions. Given the Romanian economy, we try to identify the extent in which convergence indicators reflect Romanian economic reality and from the budgetary implications, to evaluate Romania’s absorption rate of European funds and its contribution to the EU budget.

The region, as administrative – territorial distinct unit, in Romania is still present since the nineteenth century. We can say that the evolution of changes and territorial and administrative transformations of the regions in Romania continued until 1998 when, by the appearance of the law no.151/1998 lg (Law on regional development in Romania), the new regions are called regions of development or statistical regions and they are established by voluntary association of counties and they are corresponding to statistical units NUTS II.

The 8 territorial units nominated as development regions, created by law 151/1998 of regional development. Compared to other EU-27 member states, Romania has a relatively low level of regional disparities. In absolute terms, interregional disparities are relatively low, compared to the EU-27 (an index of 82 compared to the old member states such as Fanta-127 or Germany or with an index of 123). However, in relative terms, the disparities have reached levels comparable to those in Belgium, Slovakia, and France.

Given the availability of statistical data, we consider 2001-2010 as a analysis period. The ranking of Romanian regions by GDP / capita in PPS. (euro / capita), indicates the high value of the indicator in the Bucharest-Ilfov, compared to other seven regions. The results obtained on standard deviation, on variation coefficient of GDP / capita, suggest an unfavorable evolution of the sigma convergence degree at the level of the 8 NUTS 2 regions of Romania, in the period 2001-2010. In conclusion, we can say that the Romanian regions manifest an divergence process between 2001-2010.

An explanation of disparities in terms of GDP / capita is related to disparities in labor productivity, expressed as the ratio of regional GDP and employment of the region. Also the unemployment rate is different in the developing regions of Romania. We note that there was a fluctuating state of unemployment and substantial growth after the economic crisis of 2008, also due to economic recovery policies undertaken in response to the crisis.

Institutional structure has been developed for a national and a regional level, according to Law. 151/1998 updated by Law 315/2004 on regional development in Romania.
Romania continued to receive and also to co-finance, pre-accession funds after 2006. In 2007-2011, Romania has received (and provided co-financing) community funding through the three pre-accession instruments.

Considering the above-mentioned decision of the European Council and the 2007-2009 financial package that comes with the Accession Treaty of Romania, in January of 2006, the European Commission informed the Romanian authorities, the indicative allocation of Structural and Cohesion Funds to be given to Romania, by objective and by year for 2007-2013 period. With an average of 26.30%, Romania faces serious challenges in terms of structural and cohesion funds absorption. The highest degree of absorption is recorded by the European Agricultural Fund, with a percentage of 33.36%, while the opposite is the European Fisheries Fund and the Cohesion Fund with an absorption below 14.5%. The need to improve the absorption of EU funds becomes more urgent in the context of fundamental change in the fiscal policy approach. Furthermore, the reduced efficiency of automatic stabilizers is an additional constraint for Romania.

In terms of membership, starting with 2007, Romania shall ensure payment of its contribution to the EU budget financing in the own resources system. To determine national net position in relation to the community budget, each member state uses the tool called "net financial balance"

Since the first year of accession, Romania was a net beneficiary in the financial relationship with the EU, registering a positive balance as shown in the table below. The amounts paid by Romania to finance the EU budget are about 1,150 millions for 2007, reaching in 2012, 1.426 millions. By the end of 2012, Romania has contributed to the Community budget to EUR 7.666 million. The overall result was always a positive balance at the end of 2012 amounted to a surplus of 7.653 million euros.

Finally are presented various models of territorial administrative reorganization. The first is based on the territorial functionality criterion and it is authored by Professor Radu Sageata. Alternatively, another option in administrative reorganization of the territory is the investing of the eight development regions with administrative status by turning them into counties and the Romanian Academy level, was developed in 2013 the study "The administrative-territorial division, regional development in the EU and in Romania" under the direction of Acad, Ion Paun Otiman, in which are proposed six new regionalization variants, four new and two optimization models of existing regions. In the future, Romania should develop a system of administrative regions of socio-economic development or shall continue the ongoing process of administrative decentralization based on the expansion and improvement of local autonomy, issue to be solved urgently.

Conclusions and proposals
This part of the work is a challenge in trying to formulate coherent and relevant conclusions resulting from the work done to achieve this essay.

Started in the middle of the sixth decade of the last century, the regional development policy of the European Union has proved ultimately effective way to control, prevent and combat disparities, considered a major obstacle to harmonious development within a country, between different regions and at community level.

Economic and geographical differences between member states are, mostly, much higher than the disagreements within them. Nevertheless, domestic inequality measured in terms of per capita income and unemployment, are a sufficient care for all member states to introduce regional policies aimed at redress such imbalances. States responses to regional problems are influenced by a variety of factors, including the nature and seriousness of the regional problem, of internal administration system and international arrangements. Of major importance is the European dimension, both in terms of regional weights in the European context and in terms of EU policies influence on domestic regional policy.

Throughout the paper, theoretical research is supported by a practice research, respectively, for assessing regional development and inter and intra-regional disparities, by comparative analysis in terms of time and territory.

The complex issue of research lead to creating a set of conclusions. There is a clear trend of regionalization in the EU and to focus on areas that affect its overall level. The European Union considers its regional policy effectiveness can be enhanced by ensuring better focus of financial resources on disadvantaged regions. The European Union considers unacceptable the existence of major imbalances, which can cause barriers to deepening integration, thus acting through its policy of regional development policy that covers all member states.

One of the obvious trends manifested in the sphere of development theory is related to the increasing concerns in interdependence spatial/regional analysis of economic and social phenomena and processes. Although its inception, regional science has focused attention on two factors, distance and area (region), with time, due to the increasing complexity of economic phenomena were identified other factors that make the future development of a regions (relations between regions, certain economic and financial levers, supply, demand, growth poles, technical progress and innovation, etc.).

Regional development theories registered several periods of development that can be classified as: classical theory stage (the localization theory), neoclassical theory stage (the theory of growth poles) and recent regional stage theories (theory of endogenous development). Economic
problems analysis from the perspective of regional development theory, uses both elements of general economic theory and those of mathematical science, statistics, geography, etc. Localization theory based on transportation costs by Thunen (1800) was improved in the future period, with the emergence of monopolyst competition theory. Thus in 1933, Cristaller brought a new vision of market analysis by trying to determine the size, number and distribution of towns in the area based on analytical observations on consumers behavior. Central place theory has acquired new meanings in Losch's research (1954), who analyzed the existing correlations between economic regions and national states, heading toward modern macroeconomics, urban and regional and away from microeconomics theory of location from the traditional concept of Weber. Economic growth theory has evolved in the company of two distinct generations of models, namely, endogenous and exogenous growth models. According to exogenous growth model (Solow-Swan neoclassical model), due to differences between rich and poor economies regarding saving rates and investment capacity, the states ability to economic convergence is questionable. Conditional convergence implies an approximation of per capita income levels while maintaining significant disparities in development between economics, while the absolute convergence claims equalization of per capita income regardless of their initial level. Endogenous growth models provide different conclusions regarding the existence of convergence, the most important being that the first does not imply decreasing returns to scale.

Along with the two generations of models, exogenous and endogenous growth, gradually emerged a third generation, which gives a special significance in long-term regional growth, some determinants related to the development of the region or country, to the economic policy options of the country and the specific problems of different regions.

Moving away from the standard neoclassical model, geographic and economic models on the regional disparities interpretation, provides a number of explanations for the absence of convergence. In relation to the central regions, which have a important stock of human and intellectual capital with a positive effect on increasing technology transfer and a high economic growth rate, the periphery is characterized by a reduced capacity for the technical progress implementation, which will affect economic convergence.

In the context of deepening European integration, we find that there isn’t a clear pattern, universal, which is the solution for economic growth and reducing disparities between different regions or countries of the community. In what concern the reception of new members, the European Union
prepares and supports acceding countries by regional policy programs and instruments destined to mitigate the shock of major regional imbalances.

Regional policy is seen as a tool that can correct certain regional imbalances (imbalances arising in the revenue, employment, restructuring issues, innovation, research). The essence of a region is really the interdependence between activities and interests, and these interactions are fundamental in regions with high population density. Any change recorded in certain type of activity causes externalities and effects, and these effects may be positive or not.

Benefits of economic growth of a region are felt, most often, by certain interested and influenced groups, while the costs are supported by the entire community. Consequently, a high number of regions have as main objective economic growth by attracting additional activities. Regional rivalry, as a promoting form of competitiveness, does not contribute to increasing national wealth: a region gaining while another region loses. The resources (capital, labor) are directed to a certain region and therefore cannot be used in another region, and from a national perspective, there is no gain. Most countries, including economically developed ones, are facing regional problems and therefore they apply regional development policies and strategies as a result of uneven development of different areas, of different dynamics of economic development, declining entry of certain activities of demographic travel and rural depopulation.

At EU level were initiated a series of actions and accompanying policies, given the regional imbalances manifested between North and South, between central and peripheral areas, and that the customs union established within the Community, partially contributed to increased regional imbalances, favoring the concentration in areas that have competitive advantages. EU perfected the regional development policy by creating the Structural Funds and the Cohesion Fund, used in financing pursued actions by reformulating regional development objectives depending on each stage requirements. It can be said that the European Union has reformed "on go" regional development policy by adapting to new conditions, issue even more variable as the enlargement process has registered an unprecedented rate.

Reforms in the European Union regional policy seeking to increase the efficiency of structural and cohesion funds by reducing the number of financed objectives, and the number of community initiatives. Improving the use of funds was done including by simplifying the funds process allocation. New guidance has given priority to the poorest regions of the European Union, focusing on infrastructure improving and workforce training in areas facing structural difficulties in industrial, rural or urban aspect.
Besides reducing regional disparities in production, unemployment and income is, for many countries in the world, a major policy objective. It is believed, however, that it should be given a broader orientation to the regional disparities: in the current economic and social conditions, are emerging new types of imbalances, especially in terms of the environment, provision of infrastructure elements, the possibilities of education, availability of capital, access to skills, etc. Reducing these disparities creates the conditions for businesses and local authorities to compete on an equal footing with governments and similar institutions from other regions of the country or other countries.

Given current trends recorded in regional development in the member states of the European Union, we find that there is a clear direction of regionalization in the EU and concentrating on regions which affect its overall level. The European Union considers unacceptable the existence of major imbalances that can cause barriers to deepening integration, acting this way through its regional development policy, that covers all member states. Along with these trends, the regional development policy of the European Union is facing three broad categories of changes: the acceptance of the new member states, which will exacerbate the disparities between the less developed regions of the EU and will cause a shift of EU funds, helping less developed regions, in order to improve their infrastructure and services optimization, in order to increase their attractiveness and technological revolution and the computerization of society involving a trained population and adaptable to ever changing circumstances. We can say, therefore, that the main trend in EU regional development policy is to focus on regional development objectives.

Enlargement of UE has increased the budget for regional policy, which allows us to consider that the European Union is concerned to the new member states, in order to improve their development differences and their alignment to the standards of other old member states.

In the analysis of the achievement and evolution of regional development process in the EU member states, we have assessed the productivity and the employment rate of workers in the period from 2001 to 2012. Dispersion of employment and unemployment rate gives us an idea of how much, the regional rates differ from one another. As the dispersion of these rates decreases, labor market cohesion increases.

From the analysis at NUTS 2 regions level of the EU, taking into consideration the indicators of GDP and GDP/capita in the period 2000-2010, we can notice the upward trend of total GDP in all regions, in the context of emphasizing the difference between the region with the highest and the lowest level of GDP.
In conclusion, is confirmed a process of real convergence in the EU, in terms of GDP/capita, driven by the reduction of disparities process, as some of the less developed EU regions grow at a pace, faster than most developed regions. Although regional disparities in terms of GDP/capita increased in some of the member states in the period 2000-2010, almost all regions of the less developed member states have approached the EU average.

The economic crisis has had a severe impact on the economies of EU member states, each of them taking action accordingly.

Public finances have suffered dramatically from the severe economic downturn that began in 2008. All member states recorded a budget deficit in 2009. Accumulated public debt amounted on average to 74.6% of GDP in 2009 and grew to over 85% in 2012.

Research in how Romania reacts as a member of the European Union, starting from the initial economic development conditions, led us to conclude that the progress of Romanian economy, analyzed in terms of the degree of economic development through GDP and GDP/population is reflected in its oscillatory dynamics but positive and superior compared with the EU, affected since 2009 and with a favorable evolution of GDP/capita throughout the investigated period. The structural convergence, analyzed in terms of the degree of diversification of production, reflects the diminishing role of agriculture in our country and the manifestation of a modernization process of the national economy. The foreigner direct investments indicates an openness towards European market due to EU integration, they registered a growth of 8% in 2010 compared to 2003.

At the level of the 8 development regions of Romania, development disparities manifest both within the regions and between them. Considering the analysis period 2001-2010, we find notable differences in terms of GDP/capita, 6 of the 8 regions falling below the national average. This can be explained by disparities in labor productivity and inadequate structure of employment by economics sectors.

The results on the degree of dispersion related to GDP/capita, estimated by the of variation coefficient, suggesting an increase in dispersion and the manifestation of a strong divergence process in the regions of Romania.

The budgetary implications arising from the financial allocation granted to Romania by the European Union through the pre-accession funds and subsequently through structural and cohesion funds, reflects the EU's concern for regional development and the degree of absorption of these funds indicates low concern for regional development in Romania. In consequence, with an average of 26.30%, Romania faces serious challenges in terms of structural and cohesion funds absorption between 2007-2012.
The highest absorption rate records the European Agricultural Fund with a percentage of 33.36\%, while the opposite is the European Fisheries Fund and the Cohesion Fund with an absorption below 14.5\%.

In Romania, the regional development policy has had a good start creating, relatively quickly, the institutions and mechanisms in line with the communitaire acquis. We could appreciate that in Romania was created the institutional and legislative base for development and implementation of regional policy. The main problem that arises in the future is to make operational the existing laws and institutions; the institutions must gain experience and adaptability to cope with the many demands that arise, including the European funds absorption. The low degree of absorption, in cohesion policy, implies focusing additional efforts from the Romanian authorities, process in which the year 2013 becomes essential.

The population and European governments efforts over 50 years was not just an exercise in integration but also one of disparities management between member states in the context of ever closer interdependence between them. Regional development should be considered by policy makers as a long-term process that requires constant attention and effective action.

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