REGIONAL AND COHESION POLICY – THE CROSSROADS OF EU SECTORAL POLICIES

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Abstract. *The article reviews the main theories of development in order to provide a solid background to discuss one of the most important EU policies – the Regional and Cohesion Policy. Firstly, its weight is given by the fact it represents EU's major development policy, by means of which the EU decision-makers have tried to maintain a balanced growth. Secondly, its special relevance is due to the fact that it represents „a spatial combination of a variety of sectoral policies" (Hooghe, 1996, 10), a genuine crossroads where these sectoral policies meet. EU regions – the focus of Regional and Cohesion Policy – are testing grounds where sector-driven initiatives are tested, confirmed, invalidated, or improved. The new design of the policy is discussed in the context created by the global economic crisis that puts cohesion to a severe test. Just like other phenomena that we can witness today, the crisis only has enforced and strengthened pre-existing trends, among which the shift from convergence and cohesion towards competitiveness as such appears to be the most prominent one.*

Keywords: *development, structural approach, structural policy, EU Regional and Cohesion Policy, competitiveness*

JEL classification: *O10 (Economic Development – General)*

1. Theories of Development

Development has been a hotly debated issue ever since the end of the 2nd World War. After that, it emerged as a discipline concerned with disparities between states and, within single states, between regions or between different social groups. The moment that brought development to the fore of world's attention may be considererd US President Truman's inaugural address in January 1949, in which he advised that the US and the world at large „must embark on a bold new program for making the benefits of our scientific advances and industrial progress available for the improvement and growth of underdeveloped areas" (http://www.bartleby.com/124/pres53.html). Yet, the awareness built around this issue by the war efforts and its results appeared on a strong theoretical

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background created by the contributions of „such thinkers as List, Marx, Weber, Parsons, among others, who defined and conceptualised it in the first place" (Zamfir and Stănescu, 2007, p. 355).

The problem of development was included on the agenda of both developed and less developed states and it was mainly discussed in terms of poverty. In spite of the initial optimism generated, and the actions initiated on its behalf, disparities have persisted up to this day; they have even deepened, breeding the conclusion that development is „the most pressing economic problem of our times", „the greatest single problem and danger confronting the twenty-first century" and „the greatest scandal of our age"(Greig *et al*., 2007, p. 1). The sharpening of inequalities represents „the paradox of modernity – the existance of extreme poverty in a world of unprecedented wealth" (*ibid*, p. 6).

As research and theoretical thinking made good headway, development started to be conceptualized in terms of inequality. This perspective became widely accepted after the publication of the United Nations Development Programme in 1990. UNDP defined human development as „[…] a process of enlarging people's choices. In principle, these choices can be infinite and change over time. But at all levels of development, the three essential ones are for people to lead a long and healthy life, to acquire knowledge and to have access to resources needed for a decent standard of living. If there essential choices are not available, many other opportuninites remain inaccessible. But human development does not end there" (UNDP 1990, p. 10).

This famous report acknolwedged the existence of disparities between states, disparities within the state, as well as disparities between individuals. Disparities exist within rich states also, as a result of industrial restructuring, technological changes, the collapse of entire economic sectors. In this context, UNDP launched the „Human Development Index", which combined indicators of life expectancy, literacy, and GDP per capita. It was gradually enriched with indicators regarding welfare, educational attainment, and participation. The notion of „human development" represented an expression of the emerging idea that developement cannot be reduced to economic growth expressed in GNP terms. More and more thinkers adhered to the idea that „the growth of GNP is indicative only of the extent of national potential for improving the welfare of the majority of population – not the extent to which the society delivers on its potential (Adelman, 1999, p. 14). The emerging ideas about development – centered around such notions as inequality, human and social development, human and country potential – were reinforced by a series of World Bank reports and papers. A bank report published in 1991 differentiated between „economic development" and „development in a broader sense". „Economic development" was seen as „a sustainable increase in living standards that encompasses material consumption, education, health, and environmental protection" (World Bank 1991, *apud* Kingsbury *et al*., 2008, p. 35). „Development in a broader sense" includes „other important and related attributes as well, notably more equality of opportunity, and political and civil liberties. The overall goal of development is therefore to increase the economic, political and civil rights of all people across gender, ethnic groups, religions, races, regions, and countries" (*idem*).

Contemporary thinking on development underlines the fact that development cannot be reduced to economic development, that it includes various changes, from social structures to popular beliefs and customs; it involves the social and institutional spheres, the quality of life, human development, education. Economic growth is an essential component of development, but it is definitely not the only one. Development is a social phenomenon, too, meaning more than an increase of productivity per capita. Consequently, it should be conceived as a multidimensional process, which calls for a major reorganization and reorientation of the entire economic and social system. Along with the increase of income and productivity, development involves radical changes in the institutional, social and administrative structures. Moreover, although development is usually defined in a national context, it transcends national borders and depends on fundamental changes taking place at a global level.

Finally, there are authors who radically challenge the opportunity of development as such and place the entire notion under a cloud. In 1969, Dudley Seers questioned the conceptualization of development as economic growth; according to him, development has to be seen as a process that aims to achieve a universal goal, that of „exploiting human potential" (Seers, 1973, *apud* Kingsbury *et al*., 2008, p. 51). In a provocatively titled book, *Small is beautiful* (1973), the British economist E. F. Schumacher argues against industrialization and praizes village-based economies instead, emphasizing the notion that the very desirability of development should be reconsidered.

Regardless of the varieties of perspectives and of the ways development is conceptualized or measured, it is beyond doubt that economic growth is essential to development, since it makes possible the accumulation and redistribution of resources. This type of neoclassical conceptualisation of development as economic growth and welfare is the more or less explicit assumption underlying any development strategy, irrespective of whether the strategy encompasses a regional, state or global level. At the same time, many authors pertaining more to a structuralist view on development than to a neoclassical, neo-liberal one, convincingly show that more economic growth is not necessarily the solution to close the increasing gaps between states, regions and invididuals as such. The problem of contemporary world is not that it is not capable of economic growth; on the contrary, „it now takes two weeks for the world to produce the same output as the whole of the year 1900" (Greig *et al*., 2007, p. 5). Closing the gaps cannot take place instantaneously, therefore, systematic actions are needed in order to provide for the reallocation of resources. What is at stake here is for these interventions to constitute an engine for growth and not a mere redistribution mechanism, which may create dependency.

2. Poverty and inequality – two theoretical perspectives

There are two main theoretical approaches of the relationship between poverty and inequality: the neoclassical, liberal approach, which focuses on individual behavior, and the structuralist approach, which highlights the performance and importance of social structures. The neoclassical approach emphasizes national economic growth based on economic investments. Development equals economic growth and industrialization, and the basic growth mechanism is the development of physical and human capital. „The premise of neo-classical theory is that, if the investments are made, the acquisition and mastery of new ways of doing things is relatively easy, even automatic" (Reinert, 2007, p. 248). Moreover, the benefits of capital acumulation will „cascade down" to poorer regions and invididuals: „…growth in successful regions will eventually trickle-down to the more peripheral areas, given certain conditions and policies" (Kingsbury *et al.*, 2008, p. 51).

The neoclassical approach assumes the individual's rational choice. Social processes are seen as a social aggregation of choices made by individual people in a society. „The environments within such choices are made and outcomes realized are theorized as markets, usually perfect markets (that is, markets with large numbers of buyers and sellers, no buyers and sellers who are so big that they can influence prices, homogeneous goods, freely available information on prices and freedom of entry to the market)" (Greig *et al.*, 2007, p. 24). Inequality is viewed in economic terms, while equality of opportunity is taken for granted. (Economic) inequality fosters individual initiative and risk-taking, leading to economic growth, which, in turn, produces social benefits. The poor should deal with poverty by themselves, and the only prerogative left for the state in this matter is to create a favorable environment for individual initiative. Consequently, the role of the state should be contained to setting the policies that are conducive to that favorable environment: apply the policies right and development will follow!

The structuralist perspective highlights the interdependent nature of inequalities. The paradox of modernity of having extreme poverty in a world of unprecedented wealth is examined taking into account various interdependencies. The solution to such paradoxes is „to focus on transforming the very structures that link deprivation to opulence, rather than lifting the poorer countries up to the level of the wealthier ones" (Greig *et al.*, 2007, p. 6). The focus shifts from dealing with the problem of „lack of development" or „undervelopment" to answering the question „how is wealth generated?". If global wealth and global poverty are interconnected, then the problem of inequalities is not an abnormality to be corrected by an even more sustained pace of economic growth. Growth is part of the problem and not part of the solution. Inequality is the fundamental process that creates poverty. Economic inequality is important, but it is not the only type of inequality, as there are social inequalities and political inequalities, too.

It is not the individuals who are responsible for structural problems. For example, structural unemployement occurs as a result of an imbalance between supply and demand of labour on the labour market. It may be the effect of lack of corelation between jobs and people's skills. This lack of correlation appears as a result of economic restructuring, of technological change, the collapse of an economic sector or of an entire industry.

According to the structuralist perspective, economic, political and social inequalities are interconnected, and this fact produces relative or absolute poverty; therefore, the state must take direct action in order to redistribute the economic, political and social resources. Structural problems prevent the automatic reallocation of such resources and are both technological and institutional in nature. Some examples of such structural problems are slow of inefficient investments, inadequate infrastructure (be it transportation, business, education, social etc.), lack of vision, imperfect and imature markets. Irrespective of their nature, structural problems call for structural solutions. Structuralists argue that, instead of examining the symptoms of inequality, attention should be paid to its fundamental causes and processes, to the social structures that lead to unequal power relations. „From a structuralist perspective, poverty and deprivation are not the result of a lack of resources but the maldistribution of resources" (Greig *et al.*, 2007, p. 13).

In order to develop, a country needs the basic, physical infrastructure – transport, energy and environment infrastructure, as well as social infrastructure, meaning property rights, market institutions, political and social structures, economic and political culture. None of these infrastructures appears spontaneously, as a response to some uncoordinated market incentives. Opening the economy to international trade is such an incentive, but it does create either the psysical or the social infrastructure (Skott and Ros, 1997). Therefore, it is the state that must initiate and steer the process of economic development. Its fundamental role is to boost social development, to create appropriate economic and political infrastructures, to create the framework for development and economic growth.

These debates have theoretical, ideological and practical stakes. They influence the way in which policies are made and implemented. For example, neo-liberal conceptions favor a certain type of policies and measures such as reducing public spending, reducing the role of the state. The structuralist perspective leads to the implementation of redistribution policies, to measures aimed at social inclusion and active involvement of the state in the economy as well as in other sectors of society.

3. A Policy of Balanced Growth

The question of economic and social gaps between EU member states, regions and individuals has accompanied the process European integration since its inception. What we call today EU Regional and Cohesion Policy[1] (http://ec.europa.eu/regional_policy/policy/history/index_en.htm) is a structural policy in the sense that it aims at eliminating or, at least, reducing the disparities between EU regions and citizens in order to attain sustainable and balanced development. This fact was openly acknowledged by Graham Meadows, former Director General for Regional Policy during 2003 - 2006: „The Union has three policies for growth. It has the single market, including its trading agreements with third countries

[1] In order to provide for accuracy of terms usage, when we talk about current EU structural policy, we will use the term „Regional and Cohesion Policy" (as stated on the official website of the EU quoted above). When we talk about that policy untill the year 1988, when the European Council issued the first regulation with specific reference to the notion of „cohesion", we will use the term „Regional Policy".

and it has the single currency [...] But in the Union we have a third policy which is a part of our economic growth armony and which provides us with a balancing factor: Cohesion Policy. Cohesion Policy seeks to balance the disparities which are constantly created by growth and to help the slower-growing regions to grow more quickly and to reach the overall growth rate of the Union. [...] The reason for this policy is that it gives the Union the chance to achieve growth in a more balanced way" („EU Cohesion Policy 1988-2008: Investing in Europe's Future", *Inforegio Panorama*, no. 26, June 2008, p. 30). So, by means of this policy the European Union seeks to identify the structural problems that face member states, regions or different social groups and which hinder development. For these „structural" problems, „structural" answers are sought, which are supported by „structural spending/ transfers".

This policy has accompanied the process of EU enlargement step by step and has acted as a counterweight to the negative effects (real or perceived) of this process. For example, the creation of the single market bred the fear that this initiative would create disproportionate benefits to rich regions, that were more prepared to reap the benefits of trade liberalization. In order to alleviate such concerns, the peripheral monoindustrial regions received considerably more resources, which were meant to lead to their structural adjustment.

The form and content of the Regional and Cohesion Policy changed with each enlargement. It has changed from a simple redistribution mechanism to a genuine structural policy, driven by the aim to reduce the existing gaps and to prevent the creation of new ones. It is not a policy for growth in its own terms, since the engines of economic growth are provided by regulations concerning free trade, the Monetary Union and the free movement of goods, services, capital, people. The role of the Regional and Cohesion Policy in economic growth is rather indirect: to create the necessary conditions and framewroks for economic growth.

The Regional and Cohesion Policy was conceived as „the social counterpart to the dominant economic European project of the creation of a frontier-free market", as emphasized by EC president Jacques Delors himself (Hooghe, 1996a, p. 5). It has sought to combine economic freedom and competition with economic, social, and recently, territorial cohesion. In European terminology, *„the espace libre* needed to be complemented by an *espace organisé"* (*idem*). This policy underlines the dilemmas that have always accompained the process of building the European Union: enlarging vs. deepening, competitiveness *vs*. convergence, economic growth *vs*. redistribution, supra-national level *vs*. national or regional level, flexibility *vs*. long-term planning.

4. Regional and Cohesion Policy in the Context of Globalization

Nowadays, the significance of the Regional and Cohesion Policy is amplified by globalization, by the fact that the Union as a whole must deal with competitive pressures exerted by regional integration blocs (such as USA or Asia-Pacific). EU internal disparities may constitute a brake to its performance in the global, shoulder-to-shoulder competition. Besides, the current economic crisis has „enhanced the relevance of Cohesion Policy investment in the real economy" („Cohesion Policy: Investing in the Real Economy", 2008) and puts it to a severe test.

EU provides a range of striking data from the point of view of internal imbalances. 43% of the economic output of the entire EU and 75% of its investmests in research and development is concentrated in only 14% of the European territory, in what is usually known as the Pentagon – the territory between London, Hamburg, Munich, Milan and Paris („Working for the Regions, EU Regional Policy 2007-2013", Inforegio, 2008, p. 1). It is true that the Pentagon share in the European GDP decreased in 2004 compared to 1995, while the population share remained the same (*4th Progress Report on Economic and Social Cohesion*, 2007, p. x), and that the limits of the Pentagon have been enlarged to include Dublin, Madrid, Helsinki, Stockholm, Warsaw and Prague. However, these striking data revealing the concentration of the EU's capacity to produce wealth, technology and innovation are esentially the same. The entire EU territory is linked to the global one through access nodes located throughout the Pentagon; the biggest and most crowded airports and cities are London, Paris, Frankfurt, Amsterdam, Zurich, Madrid. It is noticeable that all EU gateways to the global world are located in the Western part of Europe.

Regional gaps are even more dramatic. The GDP of the EU richest region, Inner London, is 303% compared with the average European GDP per capita (EU-27, PPS), while the poorest region, the North-East Romania[2], has a GDP which is 24% of the average European GDP (*5th Progress Report on Economic and Social Cohesion*, 2008, p. 30). So, the ratio between the richest and the poorest region is approximately 1:12,5. In 2004, the best 10 performing regions in terms of GDP per capita were all located in the old Member States. The same British region, Inner London, is among the first 10 regions with the fastest growth rate of GDP per capita in the period 2000-2005 (*idem*). Therefore, disparities are not a mere expression of historically accumulated „wealth", but also of a different contemporary pace of development. In simpler terms, there are cases in which the historically accumulated gaps are widening.

Such gaps can only be encountered in emerging economies such as China and India, where a 1:7 ratio is recorded between the richest and the poorest regions (*Regional Policy – How It Works*, European Commission, www.inforegio.eu, 2008, p. 4). The United States and Japan are characterized by a more even distribution of wealth. In the United States, for example, the richest state is only two times richer than the poorest one, and all American states have a GDP per capita higher than the average European GDP/ capita. In Japan, the ratio between the richest and the poorest region is only 2:1, and 40 of the 47 regions of this state have a GDP per capita above the European average GDP (*4th Progress Report on Economic and Social Cohesion*, 2007).

In our assessment, the European Union has difficulties in being a global player if it is crossed by too big disparities. On one hand, they influence its global, external competitiveness.

[2] The North-Eastern Region is composed of the Bacău, Botoşani, Iaşi, Neamţ, Suceava and Vaslui districts.

On the other hand, gaps may lead to conflicts, migration, social and political instability, which could jeopardize the performance of the internal market. This, in turn, touches upon the issue of EU competitiveness at a global level.

Contemporary challenges give new impetus to the EU project. Among such challenges there are global crisis, global economic competition, the rise of the new economic collossuses known under the BRIC acronym (Brasil, Russia, India, China), technological changes and the increasing role of technology in the economic growth, climate changes, the increasingly high prices of energy, migration and the ageing/ aged population in developed countries. All these are „challenges that transcend national, institutional and sectoral boundaries" (*4th Progress Report on Economic and Social Cohesion*, 2007). Global issues give new impetus to Regional and Cohesion Policy, too, and create a whole new array of challenges. The causes of problems, issues, and changes are global, but the effects are felt at a regional and local level, which favours the further development and consolidation of a European regional, structural-type policy.

We have underlined the fact that, initially, this policy was a mere redistribution mechanism, by means of which resources were redistributed from the richer to the poorer regions. Funds were not granted in order to reach common goals of what was the embryo of today's European Union. Instead, they were allocated directly to the Member States, which spent them as they say fit in order to reduce internal disparities. Given the pressure created by the single market and single currency, regional action was recognized as a competence of the Union under the cohesion objective, and was no longer left to each Member State. Funds began to be granted for a number of common European objectives. The Regional Policy (today's Regional and Cohesion Policy) witnessed a qualitative leap from a redistribution mechanism to a structural policy, an (indirect) engine for economic growth. Measures implemented on its behalf seek to create the conditions for economic growth, in compliance with the principles of economic and social cohesion. These measures are ultimately meant to increase EU global competitiveness and giving it considerable global weight.

5. Competitiveness *and* Cohesion or Competitiveness *versus* Cohesion?

Given the contemporary requirement of global competitiveness and the new set of challenges brought about by globalization and the current economic crisis, there are many voices trying to shift the EU economy closer to the US model, in which „solidarity", „cohesion", „convergence" are no longer deemed as important. According to such critical views to the current design of the Regional and Cohesion Policy, structural assistance should be directed towards the richest countries in order to enable them to create greater wealth: „wealth thus created would then be redistributed to the poorer segments of the population through specific mechanisms of each country: social protection systems, tax systems, systems of local taxation" (Băleanu, 2007, p. 26).

Arguments in favor of such an approach are based on examples coming from a variety of fields. Firstly, the Internal Rate of Return for publicly funded projects is smaller in poorer regions than in the rich ones; according to strict economic data, projects implemented in former areas appear not to be very profitable. Secondly, the effect of attracting other financial resources, either as a result of co-financing partnerships, or from private sources, is greater in Objective 2 Regions compared to Objective 1 or convergence regions[3]. Every euro spent in the convergence regions attracted about 0.90 euro during the period 2000-2006. In the Objective 2 regions (or regions covered by the „Competitiveness and Employment" objective, every euro invested attracted upon 3 euros from other sources (public of private) (*4th Progress Report on Economic and Social Cohesion. Growing Regions, Growing Europe*, 2007, p. vii).

One can even talk about a paradox of the European money, the „paradox of cohesion" (Bal, 2008, p. 68), meaning that this money goes to those who have financial power, the ability of providing co-financing, organisational capacity, experience in strategic planning, in implementing projects, ability to form and lead partnerships. Which runs contrary to the initial design, that of directing the funds to those who face severe development gaps. How can one reconcile these contradictions? Business cases show that investments should be made where more financial gains are to be expected, which is an econonomic and a global demand, too, since EU performs in the global race not with the least developed regions, but with its strongly developed, competitive ones. Gaps are counterproductive and even risky, yet giving money to less developed regions in order to reach some balanced growth may affect the willingness, motivation and determination of more developed regions to act as spearheads and engines of the whole EU.

Another paradox of European development funds has to do with the fact that the efforts initiated in order to reach economic and social cohesion seek, among other things, a levelling of EU citizens' wages. But the increase in wages in less developed regions has the effect of rising the cost of living; these two factors (increased wages and increased living costs) decrease the attractiveness of the respective regions to investors comin from Western Europe or from elsewhere; consequently, they lead to a decrease in Foreing Direct Investment. The decision to invest or to relocate is financially and economically driven. Therefore, seeking cohesion in less developed regions appears not to be sustainable and creates a vicious circle which can hardly be broken. There is some relevant data supporting this view. According to the European Cities Monitor, in 2005 52% of Western European firms were interested in relocating their businesses in the new Member States; a year later, the percentage decreased to 43%. At the same time, interest in relocation increased from 22% to 36% for China, from 22% to 30% for India and from 21% to 28% for countries of Central and Eastern Europe outside the European Union (Cushman and Wakefield, 2006, *apud* Grasland, 2007, p. 76).

Such critical approaches express the concern that the cohesion objective may undermine EU global competitiveness interests. According to critics, we

[3] Objective 1 or convergence regions are regions whose GDP/ capita is below 75% of the EU average GDP. Objective 2 or competitiveness and employment regions are regions whose GDP/ capita is above the 75% threshold but still need structural support and structural readjustment.

cannot talk about competitiveness and cohesion, but about competitiveness *versus* cohesion, irrespective of the countless official statements to the contrary. Besides, Regional and Cohesion Policy is claimed to be more of a structural policy meant to stimulate the endogeneous potential of regions than a mere redistribution mechanism. Consequently, it should cover the entire European Union territory. There is a broad consensus that regions lagging behind must benefit from this policy in the first place, the question is to strike a fair and wise balance between funds meant to reduce disparities and funds meant for economic growth as such.

Under the pressure of such voices, Regional and Cohesion Policy is likely to undergo a major rethinking, from cohesion to competitiveness objectives, which could ultimately lead to a new design of the entire policy. An array of statements and concrete measures are indicative of this new direction of Regional and Cohesion Policy. The latest innovation related to the Structural Intruments is the procedure of *earmarking*, by means of which a considerable part of these funds are reserved – „earmarked" – for the following priority areas: „promotion of research and development, innovation, and an inclusive information society; a strengthening of industrial competitiveness and the promotion of entrepreneurship; encouragement of the sustainable use of resources and the strengthening of synergies between environmental protection and growth; expansion, improvement and linking up transport infrastructure of European importance; investment in people" (*4th Progress Report on Economic and Social Cohesion. Growing Regions, Growing Europe*, 2007, p. 128).

These are often called „Lisbon type priority areas" or „the renewed Lisbon Strategy priority areas". As we know, the Lisbon Strategy was originally designed to help Europe to become, by 2010, „the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion" (*Structural Policies and European Territories. Competitiveness, Sustainable Development and Cohesion in Europe. From Lisbon to Göthenburg*, 2003, p. 10). This strategy was developed on the occasion of the 2001 Göthenburg European Council on sustainable development. In 2005, the strategy underwent a revision according to which emphasis shifted to economic growth based on technological progress and employment (what we usually call „the revised Lisbon Strategy"). In the convergence regions (regions supported by Objective 1 of the Structural Instruments), 60% of the total funding is directed to „Lisbon type" domains. In the Objective 2 regions, the percentage is even higher, namely 75% of the entire structural funding. The European Council decided that the "earmarking" procedure not to be applied in countries that joined after 2004 unless they wanted to. However, the new Member States set their priorities for funding to comply with that innovative procedure. Romania, for example, decided to earkmark 50% of the total Structural Instruments funding for Lisbon-type domains.

Therefore, the fact that a country or a region is crossed by development gaps will not automatically make her eligibile for European funding; even under conditions of severe disparities, be they economic or social nature, money is likely to be granted in order to support objectives of economic growth and competitiveness. In principle, funding will still go to regions that have severe development gaps. But if money is not spent up to the above mentioned percentage on „Lisbon type"interventions – that are less connected to closing the gaps but more to enriching global competitiveness – it is likely that funds will be returned to the EU budget. In our assessment, this new design of Regional and Cohesion Policy, with a renewed focus on competitiveness and on the strenghts of a state or a region rather than on weaknesses represents a true „paradigm shift" in EU development outlook. Estimates can be made that more and more efforts will be made in order to change the whole philosophy of structural type funding.

The new design of the Regional and Cohesion Policy is based on the awareness that development – broadly speaking – cannot be achieved only by eliminating disparities, but also by exploiting strenghts, by stimulating excellence and growth poles. A cursory look at Romania's priorities for the 2007-2013 programming period, as they are stated in the National Development Plan shows that they target negative aspects and weaknesses almost exclusively, which may be an indication of the the desyncronization between Romania's performance and EU trends (see also Bârgăoanu, 2007).

„Competitiveness is at the heart of the cohesion policy", according to the *5th Progress Report on Economic and Social Cohesion. Growing Regions, Growing Europe*, (2008, p. 6). Funds granted in order to support Regional and Cohesion Policy must be so designed in order to achieve the two global objectives of the revised Lisbon strategy – economic growth and the creation of new and better jobs. The objective of this policy is not only to reduce disparities (an ex-post correction of existing disparities), but also to stimulate the endogeneous potential of regions, to create the conditions and framewors for growth. It is still a matter of debate whether marrying growth and competitiveness objectives to cohesion ones is a viable option in practical terms. What is beyond debate is the awareness that cohesion should not represent an end in itself and it makes sense only in so far as it supports global competiveness. It is true that cohesion is having a hard time today under the dire conditions created by the economic crisis. But, as with many other phenomena that we can witness these days, the crisis only enforced and strengthened pre-existing trends.

„In the age of globalization", European Commission President José Manuel Barroso said in the opening of the European Week of Regions and Cities in October 2006, „regions and cities [...] have a leading role to play in the competitive Europe we are trying to create" („EU Cohesion Policy 1988-2008: Investing in Europe's Future", *Inforegio Panorama*, nr. 26, June 2008, p. 25). This statement suggestively summarises the entire current debate regarding interdependences between globalisation, regionalisation and europeanisation.

Regional and Cohesion Policy exceeded, somewhat paradoxically, even EUs' borders, which shows that, in terms of policy design, EU can be „a workshop of institutional innovation" (Telò, 2007, p. 1). In 2006, the European Commission signed a Memorandum of Understanding on Regional and Cohesion Policy with China (*4th Progress Report on Economic and Social Cohesion. Growing Regions, Growing Europe*, 2007). One of China's priorities is to reduce development disparities between its regions. The same type of agreement was initiated with the Russian Federation in 2007, and there are some ongoing discussions on the same topic with South Africa and Brazil.

EU tries to strike a balance between cohesion and competitiveness so as not to favour one at the expense of the other. The fact that the this policy of „balanced growth" has been pretty successful so far, creates a reference framework for other countries, which reinforces the initial rationale of Regional and Cohesion Policy, the awareness that internal disparities are counterproductive and constitute a hindrance to economic growth and competitiveness.

Whether the EU concept and policy cohesion will pass the test of the current economic crisis is a matter for the future.

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