

# **The Globalization Proces and How it Affects the Settlement Hierarchy. The Case Study of Oradea and Bucharest, Romania**

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## **Abstract**

Seventeen years have passed since the 1992 United Nations Conference on Environment and Development in Rio de Janeiro took place. When the leaders will meet next time at the Johannesburg Summit, they will confront a world situation markedly different in many ways. Globalization, characterized by the liberalization of trade and capital markets and the rapid development of information and communication technologies, has dramatically changed the world's socio-economic landscape. This can be seen in Romania too.

Even so, the 1990s was a time of increasing prosperity for countries, when the average annual rate of growth of the gross domestic product as a whole increased to 4.3 percent. The changes brought by globalization and technology push firms and governments to reorganize and refocus their own resources.

With the same starting point, we will empirically try to show why the Romanian administrative system, concerned about the use of resources, so far constrains the achievement of a balance between resource efficiency and goal effectiveness. The paper points out the existence of a possible relationship between the development state of two Romanian cities, Oradea and Bucharest, and the globalisation process. That is because today, globalization, the first feature of this study, is one of the most influential forces which have brought changes in the development process.

**Keywords:** development, effect, globalisation, regions

## **Introduction**

All the places in the world have multiple levels of existence. This approach failed to recognize that change is evolutionary, that we live in a continuum, and that we cannot simply part from our past (Hughes 2003). From this point of view, Romania, like other East European countries, can be characterized by the rapid and large-scale transformation of the society that has taken place in the past few years.

Even if most parts of Romania consisted of traditional rural societies based on agriculture, industrialization and urbanization dramatically advanced, along with the trend of market globalization, causing drastic changes in their environmental situations. Cities are apparently the manifestation of these changes with contradicting aspects. Economic growth, on the one hand, causes various environmental problems, but on the other hand, it enhances the capability of making investments and mobilizing resources that are necessary for overcoming such problems.

According to the NUTS II level from the statistic European classification and to the Law no. 151/1998 on regional development in Romania, the state administration is responsible for direct law enforcement and has established the institutional framework, the competences and specific tools necessary for the promotion of the regional development policy.

As we look at the current map of Europe, the centers of excellence are mostly concentrated in great agglomerations because they attract financial and human investments, due to their own consumption and the impact upon a larger area. These centers of excellence are first of all concentrated in the political and economic capitals of the countries with population exceeding 500.000 inhabitants. Countries such as Romania do not have concentrations that are very attractive to investors – except for the capital.

### **Aims**

Considering all the foregoing, the purpose of this study is to compare two cities in Romania, Bucharest and Oradea. First, it tries to understand the situation of the local issues from each area. Then, it makes a comparative analysis of data collected from these cities. Finally, it attempts to present the relevant city rank of each of them.

### **Methodology**

The study consisted of two different types of research. The first type is based on certain selected cities and their potential. The second is more of an analysis of some details on crosscutting issues and overall situations from both cities. This section draws on official reports and statements of the Romanian authorities as well as reports from local authorities, agencies and the private, non-governmental sector, including public opinion surveys. Actually, all data was collected from three institutions, two Romanian – Oradea and Bucharest Municipal Council – and one an international agency – Fitch Ratings – which is a global rating agency focused on the development of fixed-income products and services bringing to market a wide range of data.

### **Background, dussions and results**

As Fitch Rating Agency's analysis concluded in November 2008, "the highly centralized budgetary system for Romanian local governments ensures state support and control of the cities' financial position, including debt approval, but it also acts as a constraint on the cities' development flexibility. The state controls the cities' tax base, tax rates and main revenue collection, as well as important expenditures." In view of this argument we must take into account a few points, namely:

The statistical data indicates that Romania has a relatively more reduced level of regional disparities than other neighboring countries. Still, these disparities have grown rapidly and mostly between Bucharest and the rest of the country. This phenomenon has grown due to the impact of the economic restructuring, mainly in mono-industrial areas, whose population was affected by unemployment as a result of the closing of state companies. Others factors which had an impact on regional development include border regions – the regions at the border with Moldavia and Ukraine – and the less developed regions along the Danube river.

As we have mentioned, the main differences in terms of development are those between the country capital and the rest of the cities. One of the most striking features of the economic growth of the last 12-15 years was due to the increasing importance of the capital city area. Bucharest counts less than 15% of the country's populations, but contributes with more than 26% to the national Gross Domestic Product (GDP) and about 30% of the Romanian Small and Medium Enterprises (SME) are registered there. Over 50% of all foreign investments were drawn in the capital city. Bucharest is also the place that registers a great positive domestic migration. The percentage of students who carry out their studies in the capital city has grown with every academic year.

Except for Bucharest, whose situation in the economic area of the country is special, the economic growth has followed a pattern on the east-west direction. The proximity of Western markets acts as a diffusion factor of growth. Although the statistical data show some time

variations due to several local factors we can note how economic growth had a significant geographical component, the underdeveloped areas being thus concentrated in the NE, at the border with Moldavia, and in the South along the Danube river.

In this area we include Oradea, a city which has a very favorable geographical position, being positioned in the West part of Romania, but at the junction of the roads connecting Central and Northern Europe with the South-eastern part of the continent. Oradea was for a long time and still is one of the most prosperous cities of Romania, due mainly to its location on the Hungarian border. The GDP per capita output in Oradea is approximately 150% of the Romanian average.

In addition to this and according to the criteria of the World Bank (WB) for assessing investments in relation to the city population, Oradea is currently a city that may aim at investments that do not exceed 40 million \$. By means of a coherent policy of promoting joint development strategies, we could attract investments of up to 100 million \$.

According to this, a recent WB declaration made in March 2009 informs that "the foreign investors continue to show interest in the Romanian market, in spite of the international financial crisis". The main fields where investors have shown interest in Romania are manufacturing of non - conventional energy equipment, construction materials and IT.

In spite of these WB considerations, the Fitch Ratings Agency's conclusions about our studied cities informs that the rating actions on Bucharest and Oradea reflect the tight financial and governance relationships between the Romanian cities' local governments and the sovereign, whose ratings act as a string.

We believe this conclusion is a little exaggerated and even the common point of view about this subject concurs with the Fitch one. But the state could not be anything else than an evolutionary development, and the local/regional/area welfare of a country is the end result toward which political development leads in all societies [Goodsell C.T. 2004]. And because local authorities in Romania are confronted with a variety of complex urban challenges, this requires a good relationship between cities and the national authorities.

Before going forward, it is necessary to specify that the Fitch analysis of the two cities' rating is based on the ability to pay debts on time which are necessary for attracting financial resources for co-financing and pre-financing European projects. This is the reason why we consider that the Fitch's choice, when they decided to analyse the two cities and estimate their rating, was a good one, because both cities are concerned about global, regional, and national implications of today's patterns of resource use, with the increasingly obvious negative feedback on the quality of life. Even the proportions and the self-capacities between cities are inadequate; we could observe that:

Bucharest is Romania's capital, which means that not only the entire administrative apparatus but also SMEs are concentrated there.

On the other hand, Oradea is the entrance gate to Romania, which means that Oradea could be the first Romanian place where the investors get into contact with our national possibilities. Foreign investors have an increased interest in Oradea because it has a better position from the point of view of traffic and transportation. Also, we believe that even the extended cross-border relationships established at a local level between different communities over the border could be an attractor for foreign investors, because they have a good opportunity to "land" their investments starting with this territory. Perhaps this is one of the reasons why Oradea, as a municipality is the highest ranked regional center.

Although the selected cities are positioned at different levels of development, both of them show very similar development trajectories in terms of both socioeconomic development and urban environments and planning. The combination of high population densities, severe resource constraints, and thoughtful planning approach motivated both local administrative authorities to develop some innovative policies.

In both cities, major local authorities' policy statements are made to bring environmental issues to public attention. The local authorities of both cities concentrate on four areas: environmental conservation; protecting human health and the environment; environment, trade, and economy; and information and public outreach.

Local authorities must have a wide range of powers and duties. It is true that the national policy is set by the Government, but local Councils are responsible for all day-to-day services and local matters [Goodsell C.T. 2004]. If we look at the Fitch 2008 rankings report we can summarize that the agency's conclusion that both cities should focus on improving the quality of life follows the national issues and trends: more cycling; investment in public transportation; growth of the wind, solar, hydro, geothermic, and biomass energy production; and more community groups.

Considering the above, these measures are practically part of the local public administration strategy in the studied cities. The Fitch rating omitted some important facts that document the municipal efforts in this area and confirm some important achievement in the development of the city. It should be noted that the Oradea Municipality won several recognitions directly from European institutions in the last few years. For example, Oradea received the "Europe Prize" distinction in June 2005 by the Council of Europe, as recognition for the efforts in the implementation of European measures and regulations, and for their good transnational links with other communities from abroad. Thus, Oradea is the only Romanian city with such a distinguished award from the European forum. Also, in October 2007, Oradea received from the same European institution the prize "Golden Star Award" for "Youth Mobility in the EU" Project.

On the other hand, according to the Ernst & Young study, Bucharest and its neighborhood is the preferred choice for future investment in the region of Eastern Europe. The same agency said last year that the overall perception of investors of the region of South Eastern Europe had improved steadily. Among the foreign companies which have confirmed the existence of investment plans in the region, 50% intend to establish branches in Bucharest and a few other cities around it, 19% have plans for expansion of the existing operations in Bucharest, while 15% intend to buy local companies or businesses.

As we can see, the investing potential in both cities still exist, but we should not forget that the world crisis is only beginning.

We can conclude that a new framework is needed, one that encourages flexible cooperation between local authorities as well as partnerships with private and civic sector actors. For this, a few steps are necessary to accommodate local conditions:

The first step is the development of an open, networked form of local authorities that involves public, private, and civic sectors in maintaining and fostering the economic, social, and cultural resources of both cities.

The second is the purposeful management of the local knowledge of infrastructure, meaning the combination of networked economic, social and cultural knowledge of resources that makes each of our cities unique in what regards possibilities and values.

Also, the quality, depth and diversity of local knowledge infrastructure must become a primary focus of local authorities, resulting in the articulation of a balanced, knowledge-based development strategy.

Traditional hierarchical city management must be reinforced in separate specialist functions of departments, providing independent interventions. The responsibility of local authorities has shifted to conforming local possibilities and administrative procedures to the requirements imposed by central administration. Strong linkages between national and local authorities undercut the potential for area-based development.

Although we know that the public administration system in Romania has a certain dynamic, its implications in the settlements hierarchy can be simply summarized:

In the long term, cities will be able to control their destinies through a proper political lobby made at the national level (even internationally). In this sense, cities may gain more autonomy.

In the meantime (which could be forever), both cities must recognize the subversive effect of centralization on local policy-making, develop the management capacity to control its impact on local development agenda and implementation options, and minimize the impairment of local interests by global economic agents, now permitted by the national administration. Furthermore, collaborative arrangements with other stakeholders in both the business and civil society are essential because the interconnection between knowledge and the sense of place is the basis for a positive future for cities. The current emphasis in the planning field on community involvement and planning advocacy reflects a partial response to the problem, by ensuring that all facets of a given situation and all stakeholders' interests are considered.

Inequality and insecurity, social fragmentation, isolation, and exclusion, thoughtless damaging of the environment and environmental injustice are not new problems, but the context is changing. New tools and capacities are available to leverage the unique knowledge resources of our studied cities, thereby interactively influencing and shaping both threats and opportunities that arise. It is up to the citizens to act to improve the conditions of and within our cities.

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