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Interregional Cooperation between Romania and Hungary under the Aegis of European Territorial Cooperation Goal

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Abstract: Romania and Hungary, two Eastern European Nations from the former communist bloc, are emerging nations involved in historical efforts to make the crucial step from a transitional economy to the values and standards promoted by the European Union. Even the economy and the labour market from the two countries produce a small portion of the European GDP, in the last 30 years after the fall of the Communism, there are visible signs of openness to the worldwide business performance orientation. The aim of this article is to present and analyse the economic background and the common regional projects in education research and development, environment, risk prevention, management infrastructure and the identification of the main challenges and future potentials.

Keywords: Regional cooperation; management; development; European projects

Introduction

European Union (EU) is an important geopolitical actor involved in promoting competitiveness and widespread development in Europe by reinforcing the development of local companies and supporting the regional sustainability.

For the former communist states, dominated by a collectivistic mentality, the European Institutions are trying to improve the competitiveness and the international performance orientation for the business sector and tackling the social inclusion.

In Central and Eastern Europe (CEE), the goal of the Union is to invest in human capital by increasing the employment rate to prevent poverty and the massive migration of the population. The promotion of employment can be realized only through economic development and by financial supporting for long life learning.

In the two countries, especially in Romania, the transport infrastructure is highly deprived, and the developing programmes will help to increase the accessibility of remote regions to foreign investments. The demographic problems and the implementation of territorial progress are cornerstones for promoting the economic growth.

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The goal of this article is to present and analyse The Integrating V -A Romania-Hungary under the European territorial cooperation programme. Also, it will be presented a short overview of the eligible border area, the real problems, and the future potential.

The strategy for this Programme was projected by the European Commission and it is the effect of an intensive collaborative process which started at the beginning of 2013 after a serious socio-economic analyses.

The eligible area for this European Cross border Programme is formed by eight counties included in NUTS III regions in Romania and Hungary. In Romania there are the counties of: Arad, Bihor, Satu Mare and Timis and in Hungary: Bekes, Csongrad, Hajdu-Bihar and Szabolcs-Szatmar-Bereg. The region is combining an area of 50 000 km² and it is representing 15,2% of the territory of the two nations (11,9% from the Romanian state and 23,7% from Hungary).

The population from the counties of this area it is around 3 900 000 habitants representing 13% of the habitants from the two nations (KHS; INS). The eligible area it mostly rural, but there are several large historical cities which are the poles of regional economic development strategies. The density of the population is below the European Union average, but the Hungarian counties are having more population density than the Romanian part. In Romania it is an important Hungarian minority (ranges between 5 and 33% in the above-mentioned counties), on the other side, in the Hungarian part, the Romanian minority it is not exceeded 1% (Eurostat). In the eligible area of the both nations exist an important Roma population, and because they are living in great poverty this is a long-term provocation for the officials to improve their life conditions.

Current Socio-Economic Situation in Romania and Hungary

Romania and Hungary are two independent nations from Central and South East Europe; the two countries after the fall of Communism are trying to combine the economic growth with democracy and European extensive programs for social development. Both nations are functional democracies aiming to promote national high productive sectors and to finance their local industries with the help of European Projects.

Romania is a country located in Eastern Europe and is having borders with: Republic of Moldova and Black Sea in the East, Bulgaria to the South, Ukraine to the North, Serbia to Southwest and Hungary to the West. Hungary it is a central European nation and borders with Slovakia to the North, Serbia to the South, Romania to the East, Austria to the West and Croatia and Slovenia to the Southwest. A comparative presentation between the two countries it is presented in the next table.

Table 1. Comparative Presentation of Romania and Hungary

Country information	Romania	Hungary
Capital	Bucharest	Budapest
Official language	Romanian	Hungarian
Ethnic groups	88.92% Romanians 6.50% Hungarians 3.29% Romani 1.29% Other	98.3% Hungarians 3.2% Romani 1.8% Germans 1% not declared
Religion	92.3% Christianity —81.0% Romanian Orthodoxy —6.2% Protestantism —5.1% Catholicism 4.9% No religion 0.8% Others 2.0% No answer	75% Christianity —62.0% Catholicism —5% Protestantism —8% Other Christian 20% No religion 3% Others 2% No answer
Government	Unitary semi-presidential republic	Unitary dominant-party parliamentary constitutional republic
Area	238,397 km ²	93,030km ²
Population	19,317,984	9,769,526
GDP total (2020)	\$584.852 billion \$	316.342 billion \$
EU membership	2007	2004

Source: Eurostat, CIA World Factbook, World Economic Outlook

The name “Romania” is a derivation from the Latin word “romanus” which is meaning “Roman” or “of Rome” and the first modern mention of this name was attested in the 16th century by Italian scholars who visited: Moldavia, Wallachia and Transylvania (Holban, 1983).

The state of Romania emerged in modern history after the union in 1859 of Principalities: Moldavia and Wallachia. The state was named Romania starting with 1866 and gained its independence from the Ottoman Empire in 1877, and after the World War I regions as: Transylvania, Bessarabia and Bukovina became parts of the Kingdom of Romania. In the beginning of the World War II, according to the Molotov Ribbentrop Pact, Romania had to cede: Northern Transylvania to Hungary and Bessarabia and Northern Bukovina to Soviet Union. After World War II, when the country joined the Allies, Romania managed to recover Northern Transylvania and in short time became a socialistic republic under the hegemony of Moscow. The Revolution from 1989 made possible the hard transition toward market economy (Schmitt, 2018).

According to Human Development index, Romania ranks is 52, it is a developing democracy and is the 45th world largest economy by nominal GDP. The annual economic growth rate is 3,5%, the economy is based mostly on services and it is a net exporter of machines and electric energy. The country is member of United Nations since 1955, NATO since 2004 and European Union since 2007, and most of the population identifies as ethnic Romanian.

Hungary was founded as a state in the 9th century AD after the conquest of Carpathian Basin by the prince Arpad. After the Battle of Mohacs in 1526 the country lost its independence in front of Ottoman Empire, but in the 18th century the nation came under the rule of Habsburg dynasty and had formed later the Austrian – Hungarian Monarchy, a top military and political power in Europe.

The above-mentioned empire dissolved after the World War I and following the Treaty of Trianon Hungary lost 58% of population, 32% of Hungarian ethnics and 71% of population. After World War II, Hungary also became a satellite of Soviet Union and starting with 1989 Hungary became a democratic parliamentary republic (Molnar, 2014).

Hungary is having a high Human Development Index, and its cultural, historical, and academic performance classifies it as a middle power in international affairs. Hungary is member of European Union since 2004, joined Schengen Area since 2007 and it's a respected member of: NATO, World Bank and Visegrad Group.

The integration of Romania in EU on 2007 from the economic point of view was an elaborate process to realize a decent transition from an obsolete industrial base to a competitive business environment. The greatest danger for the macroeconomic progress is the high-level of corruption, the main responsible for a sustainable development lack around its counties and main source for a widespread poverty.

After the last international financial crisis, Romania started to promote a national fiscal discipline to continue with the reforms, but despite the standby agreements with International Monetary Fund (IMF) and EU the economy is highly vulnerable to external financial problems.

Before the Covid crisis the economy started to improve because of excellent agricultural harvests, fiscal policies, and industrial exports. The trade with the EU favored the exports as base for the economic development, the wages increases and the tax cuts favored the domestic demands (Simut, 2016). Of paramount importance for the future progress of economy is an increasing aging population and the emigration of the most educated and skilled labor force. Also, the widespread tax evasion, insufficient health care investments and the low rate of attracting EU funds are also important vulnerabilities for a long-term economic stability (Topliceanu & Sorcaru, 2019).

Compared to Romania, its eastern neighbor, Hungary has a competitive market driven economy with a per capita income two thirds of the EU 27 average. After the fall of Communist regime Hungary initiated a series of economic reforms as the privatization of state-owned enterprises and reoriented its trade toward the Western states of Europe. Hungary has been a market driven economy and succeeded in attract investments and reduce fiscal deficits. Those economic reforms helped the adherence to EU in 2004 and to benefit by the financial assistance packages.

After the last world financial crisis, the government started a series of economic reforms and favored the national businesses by an investor friendly legislation. In the last years it was an increase of the value of GDP as a consequence of EU funding, a rebound in domestic consumption, the decrease of taxes and services and the implementation of a unique 9% tax for small, medium and large enterprises (Halpern, 2011). As weak points for the Hungarian performance, we can mention the corruption, the migration and the demographic decline, the rural poverty and the energetical dependence from Russian Federation.

Related to the economy of the 8 counties: Arad, Bihor, Satu Mare Timis, Bekes, Csongrad, Hajdu-Bihar and Szabolcs-Szatmar-Bereg the analyses demonstrate that the region is producing a small portion of the GDP from the two nation (11,3%) compared to its population share. The performance of the region is inferior compared to other counties, only the Timis produces the biggest part, 26% from the total GDP of the area. The development of all the above-mentioned counties is behind the EU level and the zone it is among the less developed in the region (Interreg V-A Romania Hungary).

In the region it is a trend of rising the industrial sector while the services are in a leading position in generating the revenues. The number of the industrial parks is higher on the Hungarian part of the border while the number of business incubators is similar in the two countries. The labor market is having a low performance, the total active population are decreased in Romania and Hungary since 2001 and the share of total active population is lower than the EU average (Kluve, 2010).

The long-term unemployment rate in Romania and Hungary eligible area is higher than the EU members and the Romanian average but is lower than the Hungarian national average. Until 2050 the forecasts

are predicting significant labor force reductions in the 8 counties and the share of unemployment will be highest among the people who have completed only the 8th grade and vocational education. In Romania most of the unemployed population belongs to the group 40-49 and in Hungary to the group 25-29 (ESPON Factsheet Hungary-Romania).

The Main Challenges for the Cooperation Program Romania-Hungary

As a positive aspect, the education is well represented in the two countries and the share of the population which completed the secondary education is above the EU average (Corner, 2015). In the area of the eight counties there is an active academic life and more than 200 000 students are having the opportunity to attend higher education according to Bologna educational curricula. The largest universities in the project area are in Timis, Hajdu-Bihar and Csongrad and are involved in productive Research & Development (R&D) activities to stimulate the economy of the eligible area.

If it is considered the expenditure dedicated to R&D, all the counties are behind the EU expenditure, but the Romanian counties Timis and Arad have increased the expenditure for R&D recently and the officials aim to hold up this tendency (Interreg V-A Romania Hungary). The protection of natural environment it is a cornerstone for the Governments of the two countries, recently in Romania the emissions of carbon dioxide are having an increasing trend and in Hungary the indicators have stagnated. In drinking water purity, Romania outperformed Hungary where the arsenic content of well-waters is high. Romania is consuming mostly natural gas, but the energy generated by the renewable sources is high compared to Hungary and even to European average. The area is rich in water resources – groundwater and surface water- the hydropower is higher in Romania, but related to other forms of renewable energy, both nations are behind the European Union average. The investments in solar power are increasing in Romanian part, while the Hungarian counties are not having a substantial progress related to this issue (ESPON Factsheet Hungary-Romania). Related to the infrastructure and mobility the improvements are in progress in the two countries which are planning to put in practice connecting motorways which would increase the mobility in the whole region. In present exist five railroads that cross the common border and the future development of the railroad system will be crucial for the regional future development. There are five international airports (Arad, Debrecen, Oradea, Timisoara, Satu Mare), the transboundary rivers are not used as transport routes and the number of the persons crossing the border by bicycles is around 1% (Corner, 2015).

In 2014-2020 eight key areas of intervention are in progress:

- Investment in cross-border facilities;
- Increase the cross-border communication;
- Protection of the environment;
- Business cooperation in tourism and infrastructure;
- Cooperation in R&D and innovation;
- Joint development in education and labor market;
- Health care improvement;
- Cooperation among the local communities.

In the following table it will be presented the main priorities and the operational programs which are active in the eligible area of the two states.

Table 1. Operational Programs in Romania and Hungary

Romanian Programs	Operational	Operational program for large infrastructure PIM, funding by Cohesion Fund	Transportation-TENT Environment and climate change Clean energy Energy efficiency Development of urban infrastructure
		Regional operational program POR, funding by Cohesion Fund	Technology transfer SME competitiveness Urban development Cultural heritage Tourism Health and social infrastructure Marginalized communities
		Operational program for human capital POCU, funding by European Social Fund	Youth employment Jobs for all Social inclusion
		Operational Program for administrative capacity, POCA, funding by European Social Fund	Education and skills Public administration Judicial system
		Operational Program Competitiveness, POC, funding by European Regional Development Fund	R&D Information technology
		National Rural Development Program, PNDR, funding by European Agricultural Rural Development Fund	Knowledge transfer in agriculture Farm viability Food chain organization Enhancing ecosystems Social inclusion Poverty reduction
		Operational Program for Fisheries and Maritime Affairs, POPAM	Is not available to date
		Hungarian Programs	Operational
Territorial and settlement development, TOP, funding by European Regional Development Fund	Local communities HR development Low carbon economy		
Human resource development, HDOP, funding by European Regional Development Fund	Social cooperation Knowledge capital Social cooperation		
Integrated Transport development, ITOP, funding by Cohesion Fund	Transport systems Urban traffic		
Environment and economic efficiency, EEOP, funding by Cohesion Fund	Climate change adaptation Wastewater Water supply		
Public administration and public services development, PDOP, funding by European Regional Development Fund	Energy efficiency Innovation in public administration Knowledge transfer		
Rural development, RDOP, funding by European Agricultural Rural Development Fund	Risk management in agriculture Improvement of ecosystems Forestry Organizing food chain		

Source: EU Fonds 2014-2020

All the above-mentioned programs are complementary with national and regional programs, with other EU funding strategies or with national policies.

The regional development is requiring a largest period to be accomplished than the financial program 2014-2014, and in our opinion 2030 will be a realistic date to target all the cooperation goals. In 2030 the area of the project could be a functional cross border region in EU, and until then Romania will be member in Schengen zone and in the way of cooperation it will be no border control activities.

We believe that the cooperation between the eight counties is not a complicated process because there are no burdens for the companies and people to work together in this area. It is necessary to develop an integrate transport network that will enable people and goods to move quickly on the border territory.

As a regional strength, the natural values (protected areas) are attracting tourists and the joint business infrastructure could host business incubators, industrial parks, and ecological friendly business centers. The business in the area should increase the collaboration with the local universities driven by the real needs of small and medium enterprises. It is also very important to invest in higher education facilities, vocational schools, and complementary training for harmonizing the supply and demand of the labor market. The prestigious cultural and touristic values and traditions could contribute to build a strong cross-border tourism with a high-level international potential.

As final remark, through a good strategical coherence can be achieved a joint economic growth by increasing the employment and enhancing the resilience in front of future economical crises. The protection of common values and traditions are also key conditions for an integrated development of the eligible area.

Conclusions

The institutional context for business in the project area has now changed significantly compared to the situation from the last decades. After the admission in EU, Romania and Hungary are trying hardly to evolve in service oriented and knowledge societies. In both nations the public sector in the past suffered major cutbacks and the family-oriented policies became less generous.

With the help of The Integrating V -A Romania-Hungary Programme the intension is mainly to realise a growth in jobs in the future two decades and to make from the 8 counties important centres for the regional economic sustainability. In our opinion there is a need to place a new emphasis on short-term economic performance diverging from the traditional long-term perspective that prevailed in the former communist South East Europe. The new European landscape is characterized by the emergence of a new leaders' models who are evolving as an adaptative response to the global economic changing environment.

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