

## THE ECONOMY IN BIHOR COUNTY IN THE CONTEXT OF THE GLOBAL FINANCIAL AND ECONOMIC CRISIS

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**Abstract:** *This paper proposes an approach of the relationship local-global in terms of the response of local economy to the challenges of the present economic and financial crisis. We reviewed some ideas from the specialty literature on the topic of the paper and we developed a case study on Bihor economy. We proposed to check to what extent the local economy has relevance in a globalized world. For this purpose we used the method of studying documents and we realized a comparative study of national and economic development in Bihor during the financial and economic crisis (2008-2011).*

*The analysis of socio-economic indicators for the period 2008-2011 in Bihor county shows a specific response of Bihor economy to the economic crisis, arising from the particular conditions that characterize this area. Even if there are elements of convergence with the general features of the global crisis, there are a number of features that enable a rethinking of the role of the local, of communities in future economic developments. Taking into account the economic and demographic particularities of Bihor county, the local authorities have developed strategies that enabled a superior utilization of local potential and the reduction of vulnerabilities. Thus, in order to attract local and foreign investors, a network of industrial parks has been developed, along with providing facilities to potential investors. Located in the border area, Bihor county benefited from European funding opportunities specific to these areas, in this case HU-RO, which involved joint projects with the Hungarian areas bordering Romania, which were heavily accessed with visible results especially in the plan of SMEs, infrastructure, culture, education and health. Special attention was paid to energetic strategy as Bihor County has significant geothermal resources. Being a multi-ethnic and multi-religious county, a cultural strategy was considered appropriate, having as main objective the increase of quality, diversity, attractiveness of cultural life, intercultural support, stimulation of cultural performance, and the maintenance and restoration of cultural sites. Another strategy was developed in tourism marketing, as the tourism potential of the county is high, but poorly capitalized because of road, rail and air infrastructure, which is more precarious than in most areas of the country. The conclusions of the paper favor the idea of decentralization encouragement which allows greater flexibility and adaptation to "the present time", especially in terms of policies and strategies that can be shaped and implemented.*

**Keywords:** *economic and financial crisis, globalization, anti-crisis measures, socio-economic indicators, local- economy.*

**JEL Classification:** *E32, F63, G01, H70*

## **Introduction**

Even though we live in an increasingly globalized world, or maybe that's the reason why, the local or regional not only do not lose their functions and importance, but even reinforce them. Despite the growing and increasingly strong interdependencies among national economies that generate a certain uniformity of content, of response to similar situations, the regions continue to present a multitude of specificities deriving from the geographical or geostrategic location, environmental factors, economic and demographic structure, social and cultural capital.

An approach of the local economy in the context of a global economy can seem a superfluous approach, like "a drop of water in an ocean." At a closer glance, however, things are quite different, for at least two reasons: the local economy is more important to the community than the global economy, a fact suggested by Castells (2000a) when stating that only "elites are cosmopolitan, people are local" (Castells, 2000a:446); economic interactions are nowadays so numerous and complex that they justify such an approach. In addition, "global society is currently on an unsustainable path" (Mohareb, Murray, Ogbuagu, 2009: 1), as long as the need for raw materials, per capita consumption and population growth exceed the limits of sustainability.

The current economic and financial crisis reveals the presence of an autoimmune disease in the body of the global economy. A latent disease that has erupted when the loans have exceeded any limit, when "bubbles" in real estate began to burst, when the banks, amid some deregulations, so with the complicity of Governments, have excessively produced much play money, creating the illusion that money itself produces value, when banking imposed dictatorship. A disease favored by the out of control activity of TNCs and, even more sadly, by the involvement of scientists in the creation and development of speculative activities. The treatment, difficult to be prescribed, relied mainly on "drugs" discovered by Keynes as being effective in the case of the great depression of 1929-1933: a mixture of public policies that reduce taxation and budgetary spending and stimulate consumption

However, is it the same disease or are symptoms the same? Even if we admit that we're talking about the same pathology, the patient is a different one and requires a specific treatment. On the other hand, different forms of manifestation, like the different impact of the crises require specific measures for each country: United Kingdom stimulates employment, France supports those with low-incomes, Germany stimulates the renewal of the auto-park, Slovakia encourages part-time jobs instead of redundancies, Russia finances the interests of loans, Norway reduces taxation, Japan counts on green energy. Different measures that they have a common denominator: State intervention.

Paul Krugman, the winner of Nobel Prize for Economics in 2008, pleads for the rapid and massive intervention of the State to reinstate lending and boost expenses in order to overcome the decline in confidence in the banking system, as well as for a more careful regulation of banking activity, of stopping "shadow banking", warning in the book with the same title, on the return of "decline economy". Only the State, he argues has the necessary levers to prevent the appearance of "speculative bubbles" in economy, either financial, stock or real estate ones, which break eventually, with repercussions such as: the decline in investments, consumption, general demand, increased unemployment, declined living standards. (Krugman, 2009: 79, 173-175).

### ***Global and local in the contemporary world***

Systematized in the surprising expression that the world is a "global village" (McLuhan, 1962), globalization has emerged as a defining characteristic of the contemporary world, consisting of a wider process of integrating systems: economic, cultural, political, social, communicational, situation in which numerous works in various fields privilege the global at the expense of the local. Defined as an "intensification of worldwide social relations, which connect distant locations so that local happenings are shaped by events that occur many miles away and vice versa" (Giddens, 1990: 64), globalization has more an anomic nature rather than an organized, homogeneous one, which can generate a "clash of civilizations" (Huntington, 1998).

Although the globalization process began in the fifteenth century (Waters, 2001), we talk about it especially at the end of the 20<sup>th</sup> century, at the same time with the amplification of the phenomena that characterize it: relocation, movement and acceleration, standardization, interconnection, enhanced vulnerability (Eriksen, 2007). Unlike previous centuries, today globalization acquires, along with the economic dimension (meaning convergence of markets worldwide, accelerated capital flows, which escaped state control, transcend national borders) and a cultural and political dimension (Held et al. 2004), environmental, physical and mental dimension, amid the disappearance of trade barriers, mobility, communication, dissemination of information, the establishment and functioning of international institutions, of spatial and temporal barriers.

Globalization can be highlighted by means of several indicators such as: trade volume among the countries of the world, international mobility, capital flows, the number of Internet connections. These indicators, and many others that capture the phenomenon of globalization, have grown spectacularly in recent decades, which entitles the claim that "there is no old cartography. It has become an illusion" (Ohmae, 1995: 20) or "the end of geography" (O'Brien, 1992), meaning border permeability and penetrability.

An approach of the actual world in its complexity, can lead us to the conclusion that the levels: global, national or local, or as Manuel Castells said, "the space of flows" - abstract from social, cultural, historical point of view, and "the space of places" - which condenses human history and material culture (Castells, 1990: 14), coexist and intersect in contemporary society, that "the work process is globally integrated, but labor tends to be locally fragmented" (Castells, 2000b: 18). Hence the terms "framegration" (Rosenau, 1994) or "glocalization" (Robertson, 1995) that suggest, along with the phenomenon of homogenization, of interdependence, or even of response to these phenomena, that there is a process of reconstruction of the local, of retrieval and expression of identity.

There are even opinions that argue that regionalization, not globalization, is the element of the age (Czempiel, 1999) or that "globalization has gone too far" (Rodrik, 1997), that there are global problems (crisis, pollution, inequality etc.), while the solutions are mostly local, after the formula "think globally, act locally". It is an idea that is found in the work of Lester Brown (Brown, 2006: 286) who considers that "saving the planet" depends on the involvement of each of us.

The local is "internal, close, familiar, even intimate" (Bauman, 1998), determined in space and time, it gives identity and preserves traditions, it generates a sense of familiarity and safety. Moreover, it can be said that any manifestation of globalization "always has a local root, a particular cultural insertion, and, even if it is often spoken

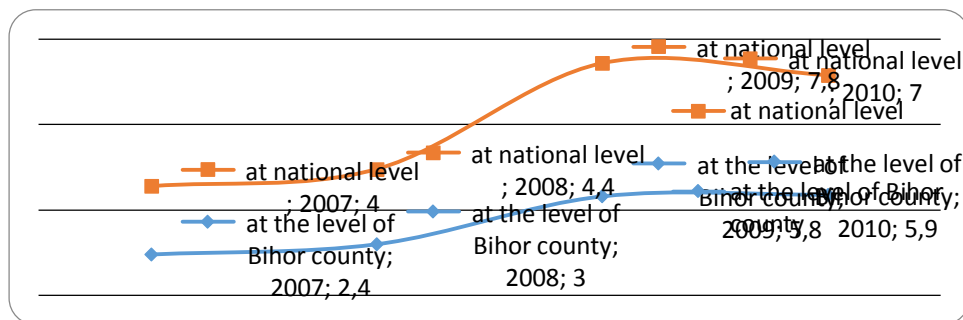
about relocation and deterritorialization caused by global changes, we must also consider that every movement is followed by a new rooting, a reterritorialization in another context "( Dimitrova, 2005: 6).

In other words, the local is not less important than the global, the two realities coexist, are complementary, situation expressed by terms such as: globalized localism (i.e. globalization of a local phenomenon) or localized globalism (meaning the local impact of a global phenomenon).

### ***The evolution of economy in Bihor county in the period 2007-2011. Similarities and specificities in relation to global economy***

With an area of 7544 km<sup>2</sup>, or 3.2% of the country and with a population of 594,615 inhabitants (2.76% of the population of Romania), Bihor county, located in the country's western border, as well as other counties in the same situation (Satu Mare, Arad, Timiș), has a number of specificities derived from its presence in the border area. One can talk about a higher purchasing power in the case of many of its inhabitants because of the opportunities to take advantage of leu-forint exchange rate and the prices in the neighboring country at certain times. Simultaneously, Oradea develops as a commercial city, the retail sales volumes increasing due to purchasers from the neighboring country. This situation is facilitated by short distances and by the lack of language barriers, as in the border area both languages are known, by both sides, at a level that allows individual trade and not only. In recent years demographic changes have intensified, it's true, mainly from east to west, from Romania to Hungary. Many Romanian citizens of Hungarian nationality sought and acquired the neighboring country's citizenship and, along with it, a series of accompanying rights, including the right to receive a pension granted by the Hungarian state based on the protocols between the two countries. A number of citizens from the border area, regardless of ethnicity have purchased homes and land in Hungary in favorable conditions both in terms of price and of infrastructure of localities, due to population migration in Hungary from east to west.

Also due to its geographical position, in addition to Bihor economic structure, we can talk about a relatively low unemployment rate (about half of the national average), and about fluctuations of local economic indicators compared to a predominantly linear-descendant evolution of the national ones.

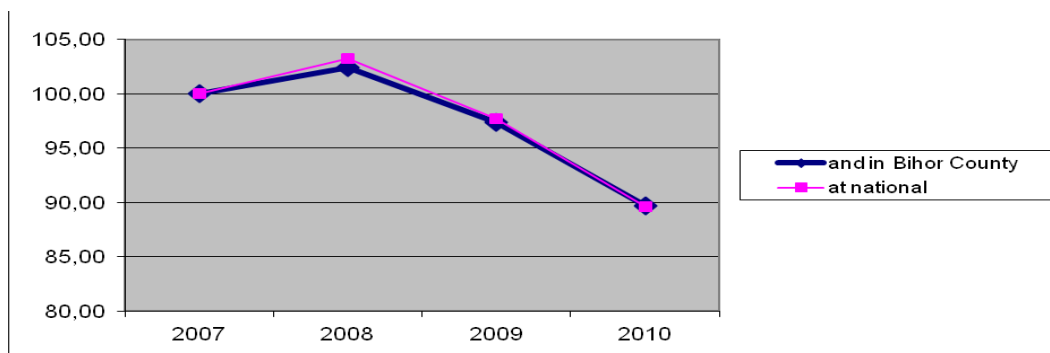


**Figure 1.** Unemployment rate at national level and at the level of Bihor county

Source: Romanian and Bihor county Statistical Yearbook

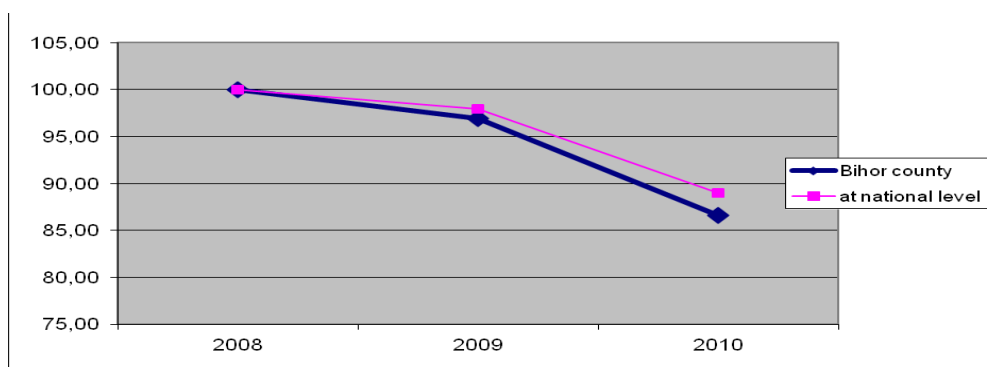
In these circumstances, the economic and financial crisis took on a slightly atypical form in Bihor county, it began to manifest only at the end of 2008, the early manifestations being related to production size restriction due to a decreased internal and external demand, increased unemployment and unemployment rate, decreased volume of international trade.

Industrial production, mainly concentrated in Oradea, is represented by: light industry, food industry, energy and machine construction industry, non-ferrous metallurgy - including mining, chemical industry, wood processing, construction materials industry. The diminished activity in industry was reflected in the average number of employees, which decreased steadily from 2008 to 2010, at the same time with the decreasing number of active local units (Figure 2,3) and the decrease with one-third of gross investment in these units in 2009 compared of 2008.



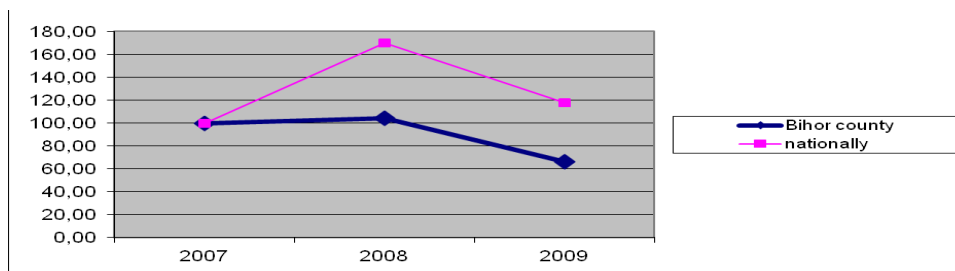
**Figure 2.** The evolution of the average number of employees nationally and in Bihor County (in%)

Source: Romanian and Bihor county Statistical Yearbook



**Figure 3.** The evolution of the number local active units at national level and in Bihor county (in %)

Source: Romanian and Bihor county Statistical Yearbook

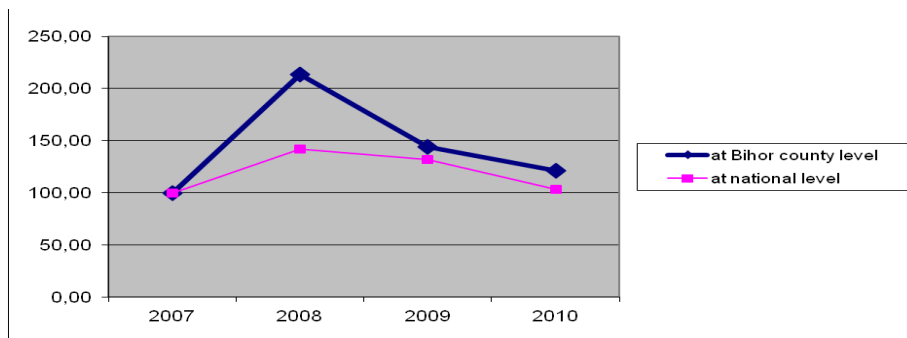


**Figure 4.** The evolution of gross investments in active local units, nationally and in Bihor county (in%)

Source: Romanian and Bihor county Statistical Yearbook

The figures above capture both "classic" and some particular relations, between situations and economic indicators. Thus, during the economic crisis some companies have temporarily or permanently ceased their activity in 2007-2009, while the remaining ones made larger investments in 2008 compared to 2007, after that the volume of investments decreased, which entailed an increase in the number of employees in 2008, followed by a steady decrease until 2010. However, we can see a difference in the evolution of economy at two levels: although the volume of investments (percentage) increased much more nationally than in Bihor county in 2008, the evolution of the average number of employees is similar. The conclusion concerns the efficiency of investment, much higher in Bihor county than the national average. It is an evidence of how the opportunities related to the local can be identified.

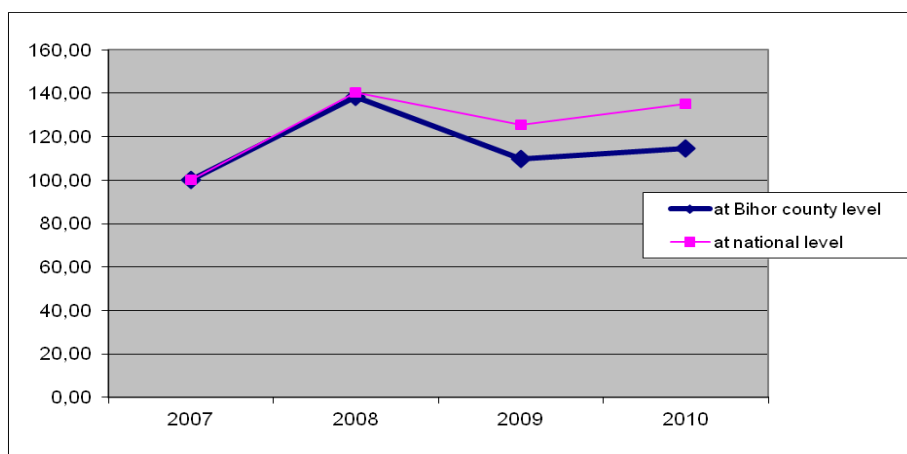
Not all industry branches are equally affected by the economic crisis. Some have followed the path of the global crisis, others have evolved in a specific way. In Bihor county, the first affected one was mechanical engineering (i.e. the parts for cars), but it has also been recovered first due to the "junk" program and the similar one in Germany that revived the domestic production of "Dacia" car. Construction followed, much later, and much less than in many other countries, probably because in Romania the construction boom occurred later. In Bihor county, even more than at national level, the number of completed dwellings increased greatly in 2008, then declined until 2010, but not below the level of 2007. The explanation could be seen on account of the return of many who work abroad and who have invested a portion of income in the construction of houses.



**Figure 5.** The evolution of the number of completed dwellings (in %)

Source: Romanian and Bihor county Statistical Yearbook

Regarding agriculture in Bihor, there are 497,167 ha of agricultural land, of which 3/4 is arable land (309,084 ha), of good quality, which favored the culture of cereals, Bihor county being ranked first in their production. Benefiting from large areas of pasture and meadows, and a tradition regarding livestock, this agricultural branch occupies an important share in the agriculture of the county. As a result, as well as at national level, the natural conditions favorable for agriculture, allowed an increase in the production of this economic sector, including a GDP growth from the results in agriculture, both in 2008 and 2010, as it can be seen in figure 6.

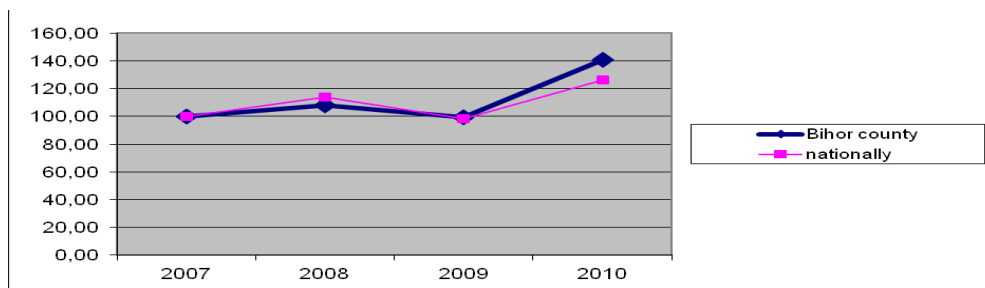


**Figure 6.** The evolution of agricultural production at national level and at the level of Bihor county

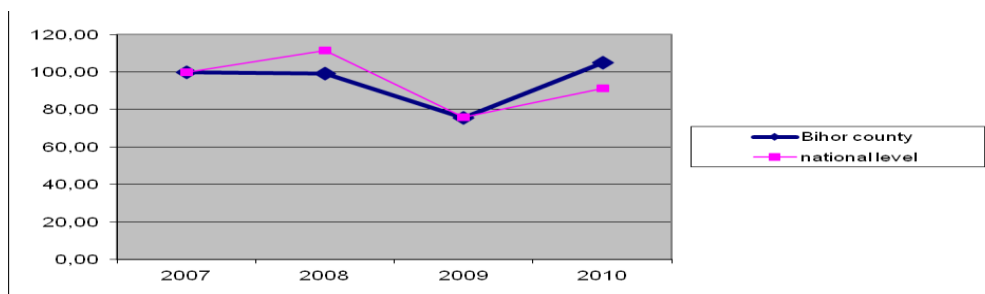
Source: Romanian and Bihor county Statistical Yearbook

The economic crisis was felt in Bihor county also as a reduction in the volume and value of exterior trade, to a similar extent to the national development, drastically reducing imports in 2009, while maintaining a certain level of export, thus making it

possible to reduce the deficit of commercial balance. However, in Bihor county, an increase in 2010 of both imports and exports above the national average shows a more rapid and broader recovery of economy in relation to the national one as a whole. This can be attributed to Bihor economic structure, and also to the measures taken by local authorities to support the local economy.



**Figure 7.** The evolution of export FOB nationally and in Bihor County  
Source: Romanian and Bihor county Statistical Yearbook



**Figure 8.** The evolution of imports CIF (in%) at national level and in Bihor county  
Source: Romanian and Bihor county Statistical Yearbook

It can be said, based on the mentioned developments that, in the economy in Bihor, the economic crisis has some similarities with the general characteristics present at national or global level, but also some features embodied in a specific response, both of entrepreneurs and of local authorities.

### **Local anti-crisis measures**

The decrease of public confidence in state institutions, the more vivid presence in debates of ideas about "policy drift" (slip of public policy) as well as the increasing distance between political elites and citizens transfer to some extent the task of finding viable solutions to local administrations, which are closer to citizens, to their needs and possibilities.

Faced with manifestations of a profound, long and extremely complex economic crisis, local authorities were forced to assess the local impact of the crisis and to identify specific measures to overcome the difficulties yielded by this.



An EU survey on the responses of local administrations to the economic crisis (Anti-Crisis Policies in Regions and Cities Two Years On: public authorities working in partnership July 2011 Final Report) highlighted the concerns of public authorities and the solutions found by them to alleviate the impact of the crisis locally. Thus:

- A fifth of respondents said that the facilitation of attracting structural funds can be a useful measure in the crisis period (Anti-Crisis Policies..., 2011: 13)
- Half of them considered important to join efforts and information between local authorities and the private sector, especially SMEs (idem: 15)
- More than half rejected the assertion that "during the crisis it would have been a more active coordination of measures and exchange of information between cities/home regions and other cities/regions in the country or other countries (idem: 17)
- Concerning the attitude of local authorities in relation to the economic crisis, almost half of respondents said that the impact of the crisis on the local economy was evaluated, 71% said they had developed anti-crisis plans or local crisis monitoring (idem: 20-21)
- Only a third of respondents considered that local / regional needs can be found in the EU 2020 program (idem: 22)
- out of the anti-crisis measures adopted locally we can mention the following: financial support for SMEs, investments in research and development, measures to preserve existing jobs, measures to ensure the rapid (re) insertion in the labor market, measures to support the most vulnerable persons, measures to strengthen social protection and investments in social infrastructure and health, green investment, physical infrastructure, energy efficiency and the use of renewable energy, competitiveness of industrial base (idem: 23-26)

Taking into account the economic and demographic particularities of Bihor county, the local authorities have developed strategies that enabled a superior utilization of local potential and the reduction of vulnerabilities.

Thus, in order to attract local and foreign investors, a network of industrial parks has been developed, along with providing facilities to potential investors.

Located in the border area, Bihor county benefited from European funding opportunities specific to these areas, in this case HU-RO, which involved joint projects with the Hungarian areas bordering Romania, which were heavily accessed with visible results especially in the plan of SMEs, infrastructure, culture, education and health.

Special attention was paid to energetic strategy as Bihor County has significant geothermal resources.

Being a multi-ethnic and multi-religious county, a cultural strategy was considered appropriate, having as main objective the increase of quality, diversity, attractiveness of cultural life, intercultural support, stimulation of cultural performance, and the maintenance and restoration of cultural sites.

Another strategy was developed in tourism marketing, as the tourism potential of the county is high, but poorly capitalized because of road, rail and air infrastructure, which is more precarious than in most areas of the country.

(<http://www.oradea.ro/politici-si-strategii-ale-municipiului-oradea>, [www.cjb.ro](http://www.cjb.ro))

### **Conclusions and discussions**

The analysis of socio-economic indicators in the period 2008-2011 for Bihor county reveals a specific response of Bihor economy to the economic crisis, deriving from the particular conditions that characterize this area. The geographical position (of border county), the economic structure of Bihor (diversified, well represented in all three sectors: agriculture, light industry, food industry, energy and construction machinery industry, non-ferrous metallurgy - including mining, chemical industry, construction material industry and services), strategies on activity fields (industrial, agricultural, energetic, cultural, touristic) have determined, along with similar developments at national or global level, specific developments, resulting in a better adaptation and restructuring of activity according to the conditions imposed by the economic and financial crisis.

Even if there are elements of convergence with the general features of the global crisis, there are a number of features that require a rethinking of the role of the local, of communities in future economic developments.

The anti-crisis measures taken locally and, especially, the chances of supporting them with desirable results for local economies, favor the idea of encouraging decentralization, thus enabling a greater flexibility and adaptation to "new times", especially in terms of the policies and strategies that can be defined and implemented.

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