

Five criteria for a sustainable industrial development in Romania

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Beyond the obvious negative effects, the Covid-19 pandemic emphasized several opportunities for Romania, not only to rebuild the economy, but also to valorize our national production potential and the existent capacity toward sustainable recovery. We must take advantage of the possibility to develop a new industrial policy based on the understanding of modern technology, sustainability, and social cohesion, as solutions to the climate change, the economic crisis, and post pandemic recovery.

A national strategy focused on the industrial policy must build upon the identification of specific local resources (material, but also human) and the governmental tools that would revitalize the internal production capacities. The government may guide the industrial policy toward the industries identified as strategic and generating competitive advantages, with the purpose to boost investments toward a sustainable industrialization. At regional level, more cities may become hubs of economic growth, increasing the number of development poles already in place, reducing the economic and social disparities between different areas, and diminishing the concentration of added value creation solely around consecrated economic centers.

The sectors will continue to represent an essential direction for the enforcement of the industrial strategy, but, at the same time, each region should be distinctively encouraged to identify its specific comparative advantages and subsequently be supported to valorize and develop them.

The state (through the central administration) is in a convenient position (having a general, ensemble view and the capacity to act) to make an important difference in the valorization of the national development potential by redirecting resources to sustain new activities at regional

level, rather than trying to revitalize declining sectors. This is more likely to sustain long term growth.

From this perspective, the industrial policy must not only be multisectoral calibrated, but should answer the need for equilibrium in regional development, reducing the existent disparities and increasing social cohesion.

A bidirectional communication must be attained both from the government to the local administration and regional business sector, emphasizing the priorities and opportunities of the global environment (evolutions of the external trade, access to European and international financing, strategic investors' interest, etc.), as well as the other way around, starting from the identification of local investment opportunities, local comparative advantages and efficient and competitive ways to encourage business environment solutions.

In this context, beside the existent state or European and international institutions financing programs, I believe it would be a good opportunity to allocate funds (perhaps from public-private partnerships) to cover the investment necessities at national level. This may focus for instance on financing manufacturing businesses as well as on the development of (new) regional industrial poles.

An important challenge we are facing now is that the economic recovery is unequal not only as far as the activity sectors are concerned but also at regional level reflecting preexisting disparities. We risk that the pre-crisis development lags accentuate if actual measures targeting these vulnerabilities are not implemented. Public investment projects might contribute to the economic development of areas that lag behind because there is potential to increase the added value if the local specificity is superiorly valorized.

The entrepreneurs will most definitely be interested to start and develop new businesses in these areas that would reduce the gaps if there is an opportunity generating impulse, as it could be for instance, the development of the infrastructure in these areas. I am not referring only to transports and communication but also to public health, access to education and lifelong learning, as well as electricity, water, plumbing, and other public utilities, where the state is involved, directly or indirectly. Numerous studies show that the multiplying effect of public investment is particularly high during recessions or at the beginning of the recovery phase. At the same time, studies show a positive effect on new jobs creation as well. Therefore, the investments not only improve the living conditions, but also generate an economic impulse that will most definitely determine the private sector to follow up. This has been the case in several occasions, most recently proved by the decisive contribution of the private sector to the economic resilience and recovery that exceeded expectations.

It is the time of a national effort that should take the center stage of public concerns, in order to develop Romania through an adequate industrial policy, starting from the following criteria:

1. Using the solutions involving modern technology as a driving force and the innovative ideas generated by the intellectual capital within the society;
2. Identifying the industrial sectors with a rapid growth and development potential (for instance, agriculture and food industry, IT industry, pharmaceutical industry, manufacturing of goods for new ecological technologies use, etc.);
3. Setting industrial development objectives at both sectoral and local administrative levels, using dedicated financing;
4. Identifying partners within the private sector;
5. Setting clear, simple, and precise rules for the interaction between the state and private companies.

The crisis we hope to leave behind has shown once more that many evolutions within the economy and society are interconnected and mutually conditioned. Similarly, the development opportunities brought by the end of the pandemic are interrelated and connected to the existing vulnerabilities they should address. Romania's industrial strategy cannot be but closely related to the acute priority to reduce regional development disparities and to increase social cohesion.