

SUSTAINABLE DEVELOPMENT AS RESULT OF NEW ECONOMY

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***Abstract.** This paper provides a point of view regarding nowadays global and European context and of relevant institutions involved in providing sustainable development. The analysis of different models gives the future trends of sustainable development, from my point of view.*

The main question of the paper is to find out whether the new economy creates sustainable development in the regions.

The problems we face are complex and serious – and we can't address them in the same way we created them. But we can address them. What kind of Europe do we want – for ourselves and for future generations?

The research included a literature review of sustainable development, some interpretations of the SD and the EU instruments, the mechanism and the impact of some instruments on the sustainable development of the world.

Keywords: crisis, EU, new economy, regional policy, sustainable development.

1. Introduction

We are using the planet's resources faster than they can be replaced and the current high levels of material throughput and resource consumption are chiefly responsible for this. Economic development today depends on the complex co-ordination of different activities. The evidence is mounting that this cannot be managed efficiently from remote capitals. It requires geographical proximity among institutions, authorities, capital, research and labour. In the European Union regions have become the primary spatial units where knowledge is transferred, where local innovation systems are built and where the competition to attract investments takes place.

It may seem paradoxical but globalisation reinforces the need for subsidiarity and partnership. Global governance is trying to deal with problems which are at global scale. In the same time, the regional level is becoming increasingly important and plays an increasingly active role in reacting to global changes such as climate change, energy, the internal

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market, or the demography challenge. So there is a need to adjust regional policy to the new challenges by using new economy principles².

States, as well as other levels of governance, depend increasingly on mutual cooperation. Abilities to facilitate and engage such cooperation, and become more a partner state, are therefore a crucial requirement of capacity to govern³ or in other words leadership. For upgrading capacities to govern is therefore that states will continue to be the dominant type of governance actor, but with significant changes in their role within inter-governance architecture, and together with the strengthening of sub-state, super-state and global governance⁴.

According to economic theory, consumer demand is a key driver of economic growth. It is also strongly related to individuals' well-being, because in a growing economy people are increasingly affluent and able to purchase goods and services that enhance their quality of life. It is assumed that standards of living, narrowly or broadly conceptualised, have risen in association with economic growth, and there is evidence that when national income declines sharply, so does well-being. If this understanding is correct and current levels of material consumption are environmentally unsustainable, there seem to be only two possible outcomes: compromised well-being for future generations due to environmental degradation, or compromised well-being now due to curtailed consumption. However, careful consideration of the evidence for relationships between well-being and environmental sustainability suggests a third possibility, one that simultaneously acknowledges the well-being benefits of a strong and stable economy and the negative impacts on well-being associated with unsustainable material consumption.

The usual formulation of '*acting locally and thinking globally*' needs to be taking into consideration from the other side '*act globally and think locally*' and that can reflect the consideration of the effects of global decisions on humans in their agenda setting. A major reform, necessary from the perspective both of states and humankind, is to promote some kinds of continental supra-state governance, as exemplified by the European Union⁵.

The European Union illustrates a new successful forum of supra-state continental govern.

² James Roberson (2005), *The new economic of sustainable development*, The Old Bakehouse, p. 19

³ Dror, Yehezkel (2002), *The capacity to govern*, Frank Class Publishers, p. 173

⁴ *Ibidem*

⁵ *Idem*, p. 174

In short, a strong and stable economy is supportive of well-being. However, *in kind of* economic model, stability is structurally depending on continuing consumption growth. When this growth is material consumption it leads to problems with environmental sustainability. In considering the relationships between well-being and environmental sustainability, it is therefore essential to explore not only *direct* links between the environment and people's well-being, but also effects that are *mediated* through individuals' behaviour within the context of the current economic system.

2. Sustainable development

Sustainable development is dealing with dilemmas as: It's good to be physically healthy, but what if you are poor and don't have access to education? It's good to have a secure income, but what if the air in your part of the world is unclean? And it's good to have freedom of religious expression, but what if you can't feed your family? So, the concept of sustainable development is rooted in this sort of systems thinking. *It helps us to understand ourselves and our world on long, not just on short term.*

The problems we face are complex and serious –and we can't address them in the same way we created them. The explanation of the sustainable development offers the potential to identify and control some variables in the development process and thereby:

- involves participants who have the interest, ability, maturity and knowledge to influence the process;
- increases the predictability of the outcomes;
- increases the efficiency, professionalism and quality of the deliverable, consequently the quality of life.

The study includes a literature review of sustainable development models, European Union system and policies, governance, the instruments including: the concept of sustainable development and cohesion policy, legislation, strategies, institution, programmes and the impact of that.

The global system is composed by: different kind of regions, countries, cities, towns and rural areas. The meaning of the regions depends on their level – global: for example we know South America, EU, Caucasian region etc or for a deeper level in the EU we have – NUTS⁶ regions.

⁶ The NUTS classification is hierarchical in that it subdivides each Member State into three levels: NUTS levels 1, 2 and 3. The second and third levels are subdivisions of the first and second levels respectively. Member States may decide to go further still in terms of hierarchical levels by subdividing NUTS level 3.

From the point of view of Dror Y.⁷ there are ten relevant characteristics of global change:

1. Rapid non-linear change.
2. Increasing uncertainty and inconceivability.
3. Globalization.
4. Multiplying complexity.
5. Powerful global actors.
6. Growing prosperity coexisting with increasing inequality.
7. Intense frustrations, trauma, despondency and unrest.
8. The likelihood of harm and evil.
9. A lot of conflict and violence.
10. All the changes are leading to mutations.

So, it is still difficult to behave at global level because of lack of the abilities to crystallise and concentrate the will and the power needed to cope with the opportunities, because a lack of real global governance.

3. The EU in global context

In a constantly changing international context, the single market of the EU presents many advantages in terms of innovation, competitiveness and choice, whilst respecting labour, health, safety and environmental standards. Through its nature, it has attracted foreign investments and firms.

The EU continues this process to cope with globalisation, concentrating on the pillars identified in the Communication “Global Europe competing in the world”.

- the trade and competition policy instruments which guarantee a competitive space by responding to foreign subsidies and other unfair practices;
- promotion of cooperation on multilateral and bilateral norms. The EU must take inspiration from international standards and its own standards must serve as a world reference, ensuring it a leading role, especially if it speaks with one voice;
- ensuring that the benefits of market openness reach European citizens, especially in terms of choice and price, but also by following up on trade agreements.

⁷ Dror Y. p. 39

The internal market is one of the pillars of the European Union. Completed in 1992, the single market is an area without internal frontiers in which persons, goods, services and capital can move freely, in accordance with the Treaty establishing the European Community. The internal market is essential for prosperity, growth and employment in the EU, contributing to the achievement of its objectives under the Lisbon strategy. As an integrated, open and competitive area, it in fact promotes mobility, competitiveness and innovation, interacting in particular with the EU sectoral policies. To ensure that everyone, citizen or business, can make the most of the advantages of the single market, the EU concentrates on dismantling barriers still impeding its operation.

It seeks to harmonise legislation in order to improve its response to the challenges of globalisation and to adapt to advances, such as the new technologies. The European Union is working towards further simplification of the regulations which still prevent citizens and businesses from making the most of the advantages of the single market⁸.

4. Regional policy and new economy

A central objective of European regional planning and policy is a balanced socio-economic development of the regions. Regional planning influences both sector policies and local governments, but planning varies from country to country. Coordination and implementation in sector policies for regional planning purposes tends to be problematic as it complicates decision-making. Complexity in regional planning implementation is a major obstacle as it presumes very good administrative capacity, cooperation ability as well motivation (to work harder). In the case of redistributing regional planning administration will act as a redistributor of finances, but for the effective arrangement of regional development policy local willingness and ability of development the region are required: to initiate and carry out projects, especially in cooperation with the private sector.

If regional statistics are to be comparable, the geographical areas need to be of comparable size in population terms. Their political, administrative and institutional arrangements should also be specified. Where applicable, the non-administrative units must reflect economic, social, historical, cultural, geographical and environmental considerations.

⁸ http://europa.eu/legislation_summaries/internal_market/index_en.htm

Territorial units⁹ are defined in terms of the existing administrative units in the Member States. An 'administrative unit' marks out a geographical area for which an administrative authority has power to take administrative or policy decisions in accordance with the legal and institutional framework of the Member State.

The NUTS level to which an administrative unit belongs is determined on the basis of population thresholds as follows table nr. 1.

Level	Minimum population	Maximum population
NUTS 1	3 million	7 million
NUTS 2	800 000	3 million
NUTS 3	150 000	800 000

Where the population of a Member State as a whole is below the minimum threshold for a given NUTS level, the Member State itself constitutes a NUTS territorial unit of that level. If, for a given level in the classification, there are no administrative units of an adequate size in a Member State, that level is to be established by aggregating an adequate number of smaller neighbouring administrative units. The resulting aggregated units are to be known as "non-administrative units".

To strengthen the consistency of the criteria for identifying European regions set to benefit from the Structural Funds and regional state aid in the interests of more targeted and more consistent Community action in granting the financial support available.

According to the definition of regional policy, in the EU, one of the objectives is to reduce regional differences. As far as regional differences do not disappear within the market economy, many countries have implemented regional policies to a larger or a smaller extent. Main causes of regional problems are changes in economic structure: a new industry tends avoid old industrial area¹⁰. Regional policy assists economy restructuring of the region: it has an impact on market regulation by either

⁹ The NUTS classification divides up the economic territory of the Member States, including their territory outside regions as such. The latter comprises parts of the economic territory that cannot be assigned to a given region such as air space, territorial waters and the continental shelf, territorial enclaves (embassies, consulates and military bases), or resource deposits located in international waters and exploited by units residing in their territory.

¹⁰ Hall, P. (1988), *The geography of the fifth Kondratieff*. In: D. Massey, J. Allen. *Restructuring Britain. Uneven Re-development: Cities and Regions in Transition*. London: Hodder and Stoughton, pp. 6-47

offering direct (tax) incentives to new companies or creating indirect prerequisites such as infrastructure (educational system, roads etc.).

Discussions regarding on sustainable development

The concept of sustainable development implies a dialogue about the future in the next 20-50 years. In this regard an active participation of citizens in the debate for necessity and usefulness of sustainable development was encouraged. After an intensive public discussion an interesting bridge between citizens and decision makers, helping to identify critical branch points for sustainable future was settled literature¹¹ based on the debate and the conclusions of the debate. Sustainable development has been defined in many ways, but the most frequently quoted definition is from *Our Common Future*, also known as the Brundtland Report¹².

“Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs. It contains within it two key concepts:

- *the concept of **needs**, in particular the essential needs of the world's poor, to which overriding priority should be given; and*
- *the idea of **limitations** imposed by the state of technology and social organization on the environment's ability to meet present and future needs”.*

In this extensive discussion and use of the concept since then, there has generally been recognition of three aspects of *sustainable development*¹³:

1. **Economic:** An economically sustainable system must be able to produce goods and services on a continuing basis, to maintain manageable levels of government and external debt, and to avoid extreme sectoral imbalances which damage agricultural or Industrial production.
2. **Environmental:** An environmentally sustainable system must maintain a stable resource base, avoiding over-exploitation of renewable resource system or environmental sink functions, and depleting non-renewable resources only to the extent that investment is made in adequate substitutes. This includes maintenance of biodiversity, atmospheric stability, and other ecosystem functions not ordinary classed as economic resources.

¹¹ the Brundtland report.

¹² World Commission on Environment and Development (1987), *Our Common Future*.

¹³ Holmberg ed. (1992), *Making Development Sustainable*, Chapter 1; Reed ed. (1997), *Structural Adjustment, the Environmental and Sustainable Development*, Chapter 2.

3. **Social:** A socially sustainable system must achieve distributional equity, adequate provision of social services including health and education, gender equity, and political accountability and participation.

These three elements of sustainability introduce many potential complications to the original simple definition. The goals expressed or implied are multidimensional, raising the issue of how to balance objectives and how to judge success or failure. For example, what if “green” sources of energy are more expensive than others and the consumers are poor, which goal will take precedence?

The definition of sustainable development as will be used: *‘sustainable development is the human capacity to obtain social and economic development in harmony with the nature’*.

The definition above is based on the previous models as: the Brundtland report, the three pillars approach, the four capitals approach, the integrative approach, the resources maintenance approach, the Agenda 21, the sustainable development principles, the ecological modernisation, the strong and weak interpretation, and the two and three corridors models.

If people can use their knowledge and capacity to satisfy their needs by taking into consideration all the limitations and innovations that they can benefit, they can become more responsible and more human; people can work for people and be united into complexity made by diversity.

In this new context they can try to use all achievements to develop the community social and economic by acting in harmony with the nature. Also the EU SDS sets out an approach to better policy-making based on better regulations and on the principle that sustainable development is to be integrated into policy-making at all levels. This requires all levels of government to support, and to cooperate with each other, taking into account the different institutional settings, cultures and specific circumstances in Member States.

Understanding sustainable development linkages and achieving the required policy trade-offs across the environmental, economic and social spheres requires novel methodologies based on new types of statistical approaches.

The challenge in measuring sustainable development lies in developing new indicators and combining these through accounting frameworks, decoupling methods, global approaches and composite indices.

5. Conclusion

The European Union may be one of the richest parts of the world; however there are big internal disparities of income and opportunity between its regions. Through its regional policy, the EU transfers resources from affluent to poorer areas. The aim is to modernize backward regions so that they can catch up with the rest of the Union. The cohesion policy for the programming period 2007-2013 is targeted on the EU's strategic priorities¹⁴, especially the Growth and Jobs Strategy, and funding is focused on areas such as innovation. But, the need to promote balanced development by reducing the gap between the different regions and helping the most backward to catch up was recognized, for the first time, it was mentioned in the preamble to the Treaty of Rome as early as 1957. The Treaty already provided for the ESF, to promote employment and improve the mobility of workers within the Community and the **European Investment Bank** (EIB). The other instruments designed to assist development in the Member States were introduced as the building of Europe progressed and new Member States joined.

The enlargement of the EU to 27 Member States increased geographical disparities within the Union, with many more of our fellow citizens living in disadvantaged regions. Bridging these gaps will inevitably be a long-term process, which is why the least-developed regions are the top priority for cohesion policy. At the same time, however, virtually all regions are confronted with the need to restructure, modernise and foster continuous knowledge-based innovation in order to meet the challenge of globalisation. Cohesion policy is, therefore, based on a broad vision, recognising the need to reinforce the competitiveness of all regions in the Union so that they can contribute to the Lisbon strategy of growth and jobs.

For the 2007-2013 programming period of regional policy, a more strategic approach based on European priorities frames the process of implementation at EU level of cohesion policy at the national level and from there down to the regional¹⁵ and local level. This should contribute to increased economic effectiveness, as well as increasing transparency and facilitating political accountability.

¹⁴ www.inforegio.ro

¹⁵ www.regioadrbi.ro

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