

**REGIONAL DEVELOPMENT AND INTERNATIONAL RELATIONS -
CHALLENGES AND OPPORTUNITIES**

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Abstract

As OECD considers, regional development is a broad term that can be seen as a general effort to reduce regional disparities by supporting, through employment and wealth-generating resources, social and economic activities in less developed regions. Although this concept started as merely an economical one, towards the end of the 20th century, regional development became rather multi-disciplinary in its approach, as law, political science, public policy and sociology became critical disciplines alongside economics focusing more on the notion of what a region might be and how a range of factors (not just economical ones) could shape the idea of a region. Alongside these basic considerations, one should pay more attention to how these concepts could interfere with the specificities of the State and the Statehood, considering that new derived (sui-generis) concepts of international law and international relations emerged with the scope of erasing disparities between nations and peoples, creating the premises for both real value development, and potential conflict management in international relations.

Keywords: *regional development, integration processes, paradiplomacy*

Regional integration is the core strategy of international integration of countries and their regions, both in Europe through the European Union and in other parts of the world, as Latin America through MERCOSUL, both constructions being similar in the sense that they have a foreign policy pillar. In addition, the concept of Euro-regions, which has been developed in Europe since the beginning of the 1990's through initiatives of the EU Member States, is now used by other States, EU members or not, that have decided through cross-border initiatives of local authorities to unite and contribute to the development of a region, such as the Lower Danube Euro-Region, created by local authorities of districts from Romania, Republic of Moldova and Ukraine.

These integration schemes have contributed to the strengthening of democratic and peaceful nature of regions, allowing also for the increase and diversification of trade, the development of productive structures and thus a greater international integration of the regions in question.

In spite of de fact that the early years of an integration process were represented only by the formation of a regional customs union and the predominance of the trade dimension, the integration strategy is moving towards a hollistic approach, incorporating new dimensions for key regions such as the emphasis on the integration of production, reducing intra-regional disparities and promotion of a social and political dimension of the integration process at the same time. It is, in short, deepening the virtuous interaction between projects of national and regional development.

The paradigm shift has resulted in concrete achievements in each of its dimensions. Regarding the reduction of asymmetries, funds or convergence initiatives were created (such the as MERCOSUL Structural Fund), having a supportive and redistributive approach. Broadening the agenda of regional public policy has crystallized in the development of new and specialized institutions, as well as academic cooperation, as factor of including in the agenda of the block some concepts that were previously ignored, such as education, development and lifelong learning as well as gender equity issues.

Nowadays, these blocks are facing new challenges. An international crisis and the reconfiguration of power relations at global scale require accurate and prompt responses and States need to see the strategic nature of integration as a hub for the strengthening of the regions, both as a whole and for the nations that form those regions.

This historic moment requires further strengtheing of the integration process, in order to respond to the dilemmas set at this stage: how to face collectively an uncertain world, and how to ensure inclusion and equity in each country and each region.

1. Regional Development through the internationalization of enterprises

The internationalization process can be, historically speaking, linked to the delocalization and internationalization of a company. Thus, this concept has been studied from different perspectives, prominent among them being two broad approaches: **economic** or **rational approach** and **sequential approach**. In the economic approach, the two most recognized theories give a lead to transaction costs arising from the mobilization of intangible assets of the company across national borders.

In one case, the internalization theory is used for explaining the foreign investment phenomenon; in another, the eclectic view is to integrate these costs into an aggregation of the various partial aspects involved in internationalizing into the final decisive considerations. Regarding the sequential model, one can distinguish two concepts: the Uppsala model¹ and the innovative approach².

The term of internationalization was largely conceptualized under its current form by C.P.Kindleberger in 1969³, in exposing his theory on the US monetary policy. His concept is based on a monopoly right over five kinds of specific assets: access to technology, know-how on joint economic resources, scale economy within production facilities, better marketing ideas and generally well-known brands.

Regarding the first approach of the theory of internalization, one can refer to the advantages of property, based on the fact that the possession of assets of intangible or incorporeal nature and the existing imperfections in the market for these assets can cause high transaction costs. These costs are caused, among other reasons, by the need to establish mechanisms for coordination and control by the seller as well as the

¹ Jan Johanson, Jan-Erik Vahlne - The Uppsala internationalization process model revisited: From liability of foreignness to liability of outsidership, in *Journal of International Business Studies* (2009) 40, 1411-1431; doi:10.1057/jibs.2009.24

² Gary A Knight, S Tamar Cavusgil - Innovation, organizational capabilities, and the born-global firm, in *Journal of International Business Studies* (2004) 35, 124-141. doi:10.1057/palgrave.jibs.8400071

³ C.P.Kindleberger - The euro-dollar and the internationalization of United States monetary policy, in *PSL Quarterly Review* (ISSN 2037-3643) - Vol 22, No 88 (1969)

uncertainty in the fulfillment or not of the terms agreed in the cross-border license agreement. The company is aware of such dangers and seeks to integrate under its hierarchy and organization all activities needed to be able to control the flow, given both the limited resources it is subject to in case of cross-border transactions and the opportunities and threats that the internationalized environment will provide. Therefore, companies can just outsource part of their activities if any of the following conditions are met: the costs of internalization are noticeably higher than the transaction costs; the advantages related to property are almost equal to none, the level of interaction existing between activities; the stability, competitiveness and size of the market aimed at accessing¹.

The second attempt to build a general theory of internationalization comes from a more pragmatic option, namely an option that gives added value to the various elements considered in the previously existing partial approaches.

Specifically, there are three factors that were considered necessary to explain the ability and willingness of the company to internationalize²:

- The company should have an advantage over its competitors in the host country, in order to counter the disadvantages of producing in an unfamiliar environment. These benefits, called "ownership advantages", can be given the existence of economies of scale and technological expertise, by a type of leadership and business management systems of commercialization and distribution of goods and services, by organizational and managerial capabilities or by the ability to create new technologies and the possession of resources and assets, which are considered, in general, as revenue generators;
- It must be more beneficial for the company to internalize the above advantages through foreign direct investment instead of outsourcing through the sale of patents or licenses to other national companies. This type of advantage is called "internalization advantage" and can be

¹ González Gurriarán, J. Cabanelas Omil, J. y Figueroa Dorrego, P. (2000): La internacionalización de la pequeña y mediana empresa gallega: Análisis, diagnóstico y posibles estrategias, Universidad de Vigo, p. 35

² Ibid. p. 36

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generated either by imperfections in some markets, which can hinder the pricing process or by the desire to hide specific information about a particular product, in order to both protect initial quality and/or avoid public intervention in the form of tariffs and taxes.

- The target market must have an investment location factor, advantage known as "locatic advantages", which, associated with other specific advantage, would make the investor prefer rather to invest than export towards a specific market. These factors may be based on cost elements or factors relating to demand. In the first case, both the cost and the availability and abundance of natural resources and production factors are the variables to consider. With respect to the factors relating to the market, the level of current and potential demand, government policies, the degree of rivalry, the existence of trade barriers or political instability, were, among other, elements taken into consideration within decisions to internationalize.

The eclectic approach, on the other hand, integrates in a single proposal the specific advantages of the property, the company advantages on internalization and characteristics of internationalization location in terms of market. Each of these three concepts should be considered as a whole, as they encompass theories about the factors that motivate a company to internationalize that, independently, are considered only theoretical or incomplete. Furthermore, the interaction of these advantages may work differently for each individual company, market and region.

Despite the undeniable usefulness of those concepts, it is impossible to suggest which one is the best, as there are limitations in both approaches that hinder their direct use. However, they can be considered useful theoretical tools for analyzing the complexity of the process of internationalization. In general we can say that these approaches were preferred by large companies, which have an acceptable presence in international markets. Hence, in order to study the sequence adopted by small or medium sized companies and their impact on regional development, it is convenient to notice the contribution made to the analysis of the internationalization process from a different approach, by analyzing the stages of development and integration in local and regional markets.

Thus, from the study of a series of specific internationalization processes, particularly Nordic European multinational companies, led some authors, grouped around the Uppsala school, to attribute to the internationalization process a fundamentally evolutionary nature, as a company amounts to higher levels of international commitment after settling in and gaining previous experience in specific sections. One should now try and see how this process of corporate internationalization can contribute to or hinder the process of regional cross-border development.

2. The concept of paradiplomacy

With the acceleration of the globalization process, certain international contacts started to be part of everyday life and generated new relationships, new businesses and new forms of cooperation that may not be fully assumed by national governments. A multitude of international actions points to a significant increase of international relations between local authorities of different States. This concept is known under the name of 'paradiplomacy' (Aldecoa, Keating, 1999).

The advancement of global processes, as well as the increasingly bigger flow of international trade and the universal process of democratization have allowed for the growth of practical diplomacy of subnational governments and local authorities, thus contradicting sometimes the official policies, which in some cases recognize informally the existence of such practices, without the corresponding legal support in the respective national legislations.

This dynamic picture of reality tends to collide more often with the existing legal provisions that limit the actions of cities and municipalities within the international context. As a result, there is a need to intensify studies in order to make proposals for adapting to a new legal setting, that would take into account the intense action of new actors at international level.

The increasing institutionalization of international relations at the municipal level is a new and concrete fact, but it has the characteristic to be irreversible due to the transformation brought about by globalization, approaching and integrating different parts of the planet. Shares of

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paradiplomacy, though legitimated by the events and their consequences, are largely of no legal and concrete base, and cannot be organized thoroughly in light of the current legislation.

International relations occur today in a very intense way, made possible by the ease of communication, use of new technologies and reduced cost of international travel among other reasons. New forms of municipal interaction continually arise and new procedures corresponding to those which exist within the diplomacy between States are created. However, the officers in charge of these negotiations are not diplomats, in the traditional sense, but other types of employees who often work in the same way the diplomats, without having the statute and privileges of the latter ones. Among these, one may find international relations staff, experts and delegates to specific conferences, but also large numbers of people who are also responsible for some aspect of international relations, and who do not exercise diplomacy as a profession, as special envoys (who appear in events representing a national authority), experts in specific areas (representatives of municipal governments who attend international conferences), those in charge of permanent or temporary offices in a foreign country (missions of municipalities abroad to attract tourists or investors) and special missions, moving to other countries for a time, to negotiate an agreement, or to treat subjects of common interest. Unfortunately, international relations performed under this concept of paradiplomacy have not been subject to any international convention or treaty so far.

There is a wide variety of possible ways for local governments to exercise their participation in international relations. In general, local governments rely on several initiatives to establish links with other similar communities and international organizations to develop different key activities, in order to promote common interests, attracting investments, promoting trade and publicizing the tourism potential of their respective regions. At the same time, by promoting multilateral interregional cooperation and transnational interregional associations and through the participation in international fairs and other events aimed at promoting business products, services, technology, tourism in the municipalities, new forms of cross-border cooperation between adjacent regions of different national States can arise, with clear advantages for those regions.

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Although the phenomenon is widespread and although paradiplomacy has truly become a global phenomenon, the disparate nature and certainly undramatic of the vast majority of paradiplomatic activities help to keep this phenomenon in the shadow of the media, but also in the academic literature. However, despite the fact that paradiplomacy remains unknown, the phenomenon it represents has become almost commonplace, as there are concrete examples of such new approaches of international relations, mainly within the EU, where many Member States represent the position of regions within their countries to the European Union, not to mention cases in which municipalities sanction traditional subjects of international law, based on their international acknowledgement¹, which, although were not so successful, confirmed the rising of a new concept within international relations.

However, within international relations, due to the fact that these interactions are originally and traditionally under the State ownership, sub-State entities are often down-played just because they do not have the qualifications to be considered as "true international law subject." Several authors described the phenomenon of paradiplomacy as a pale imitation of diplomacy, which was the only and the real one, made by sovereign States. Paradiplomacy is thus presented as a secondary phenomenon of international law or foreign policy of a second order, but one can consider the fact that, as international law evolves at a different pace, the concept of paradiplomacy could become part of a soft law, which still needs to be matured.

The questions to be asked are: where does the concept of paradiplomacy stand and what does this concept mean exactly, as one must stress out the fact that the concept *per se* is rather disputed. Some prefer to talk about microdiplomacy, others mention the diplomacy of federated States, while other mention the concept of multi-track diplomacy and some consider it a multi-level diplomacy.

As a concept, the neologism "*paradiplomacy*" appeared in the scientific literature in the 1980, through the ideas and writings of professors Panatyotos Soldatos and Ivo Duchacek. Afterwards it was used in the revival of the study of federalism and comparative policies in order to

¹ See US cities that sanctioned Burma for the non-respect of human rights.

describe the international activities of Canadian and American states in the context of globalization. The concept may be classified under several types, going from classic paradiplomacy (international relations between municipalities), to protodiplomacy (whose goal is to grant its players with the status of a sovereign State) and to identity paradiplomacy (whose goal is to strengthen or to construct a minority nation within a multinational country). The latter is different from the protodiplomacy in the sense that the goal is not the achievement of independence but the confirmation of a specific status within a multi-national context.

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In conclusion, we could state that the intensification of international relations must take into consideration the appearance of new subjects of these relations, in order to create a global system articulated under new and more adapted bases that would go beyond the limitations set by the classical international community, which should analyse how new actors can be recognized and act together with the traditional subjects of international law, as they can, to a certain extent, become potential partners of these traditional subjects, originary or derived ones.

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