The New EU Member States: Current Tendencies in Regional Differentiation[1]

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Abstract

The transformation of the economies of the Central and Eastern European states was on the Regional level, very significantly connected with differential tendencies. In all new EU Member States there has been from the beginning of the 90s to date a continuous deepening of Regional disparities on the economic level. Regional disparities result from a number of economic, social and geographical factors. This article is a contribution to the studies of regional differentiation in the New EU Member States. The goal of this study is to clear up the actual trends and major factors of regional growth and differentiation of the new EU Member States.

Keywords: *new EU Member States, regional disparities, regional development*

JEL Classification: R19

Introduction

The regional issue has become a more and more significant phenomenon in the economic development in the New EU Member States. It is caused either by a substantial increase in regional disparities throughout the transformation period and primarily by the instant process of the integration of the New Member States into the European Union.

By its membership in the European Union, the country gains significant financial means coming from the structural and Cohesion Fund but, on the other hand, there is considerable pressure from the EU to create a modern and efficient system of regional policy and planning.

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This article is a contribution to the studies of regional differentiation in the New EU Member States. The goal of this study is to clear up the actual trends and major factors of regional growth and differentiation of the new EU Member States. Depending on the declared goal, the article is divided into four parts. The first part charts the theoretical concepts of regional growth. Within the second part, the major trends in regional disparities in the territory of the New EU Member States are charted, in the third part, on the basis of the empirical statistical figures, the development of regional disparities in the selected states during the period of 1995 – 2003 is evaluated and in the final part you will find the analysis of the major factors that have been causing the economic growth as well as the regional differentiation of the New EU Member States in the last decade.

When analysing the individual problems, we work on the previously published studies (see the attached bibliography) and namely on the analysis of regional statistical figures. Eurostat and its data were used as a main database since the comparability within the whole data sample of the examined states was ensured (the latest available data from Eurostat sources are those for the year 2003, so we did not include in our analysis the period after EU enlargement). Only when evaluating the indicators, which were not available from the Eurostat database, we used national statistics (e.g. labour capital data, entrepreneurial activity data and so on).

The examined sample consists of the eight New EU Member States: the Czech Republic, Estonia, Hungary, Lithuania, Latvia, Poland, Slovakia and Slovenia (the analysis does not contain two states: Malta and Cyprus). The evaluated regional levels are the NUTS II and NUTS III units (the level NUTS is researched only in the case where the whole country represents just one NUTS II region), according to the EU classification. Specifically, in the third and fourth part we deal with a selected sample of states.

1. Contemporary Regional Growth Theories

Within the framework of regional economics a number of theoretical concepts have been developed trying to explain the conditions and factors that effect the economic growth and competitiveness of regions. Under the following a brief outline of the selected theoretical concepts is provided which is very topical from the view of the contemporary regional development. We will focus on a neoclassical theory, a centre – periphery (development economics) concept and two theoretical concepts that got in the forefront in the two last decades – a new theory on growth and new economic geography. Besides the basic assumptions of each individual concept, namely the implications for both the economic growth and regional policy will be examined.

Among the key assumptions of the neoclassical theory belong namely the orientation on the factors of the supply side, perfect competition and decreasing returns to scale. The basic statement of the neoclassical theory is summarised in the model by R. Solow. This concept is based on standard function of production which covers two basic inputs (factors) of the long economic growth. On Solow´s function of production so called method of growth accounting is based which decomposes the product rate of growth on the contribution of labour, contribution of capital and the total capital productivity (in other words progress in technology). In the process of this, the factors of labour and capital have the impact on the growth of product per capita only in the short term. In the long term the economy converges to its stable state and as a crucial determinant of the per capita growth of product the progress in technology is considered (Holub and Čihák, 2000).

More advanced concepts based on a neoclassical theory (e.g. Heckscher--Ohlin model) abandoned the condition of the closed economy. On the contrary, they assume a perfect mobility of production factors that initiates both transfer in capital and migration flows among regions which contributes to the balancing of costs of production factors and the convergence of the regions (the neoclassical balancing progress). Trades together with a working market economy are mentioned as crucial factors of growth in these models. Regional policy influenced by the neoclassical concept backs on the statement that the market economy mechanism itself assures the optimal allocation of sources and contributes to the convergence of the regions.[2] Thus the subjects of regional policy should concentrate namely on the removal of market imperfections, assurance of the availability of information, the support of the mobility of the production factors in the space and the removal of the excessive state interventions in the economy (market and price deregulation).

Theories of the group of centre – periphery (development economics)[3] are significantly different from the neoclassical concepts as far as their statements are considered. They do not consider the fluctuations within the economic system as the short failures which are balanced through the effects of market factors but as a permanent phenomenon. They define regional growth as an unbalanced process and in the long term they expect the gap in the economic level of the developed and underdeveloped regions to broaden. The causes of a differentiated regional growth can be found, according to them, predominantly on the demand side. Regional policy inspired by the concepts of development economics is

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[2] In case of Solow´s model only the conditioned convergence is mentioned i.e. the convergence of the economies with the similar characteristics of production function.

[3] As the examples of development economics models we can name e.g. growth poles theory (F. Perroux), cumulative causes theory by G. Myrdal, polarized development theory by J. Friedmann or the model of growth regional differentiation by Prebish.

based on the argument that the responsibility for the solution of market failures lies to a significant extent on the state (Blažek and Uhlíř, 2002, pp. 86 – 105). Namely foreign direct investments, reallocation of both state enterprises and institutions into the less developed regions or regional development funds are perceived to be propelling forces of the regional development (Martin, 2006, pp. 9 – 10).

New economic growth theory (endogenous growth theory) does not represent, despite of its title, a completely break-through approach. This theory which has many modifications and models[4] enriches and modifies the neoclassical growth theory. It focuses namely on the endogenization and the inclusion of the technological progress into the models of the economic growth. Furthermore it gives bigger importance to knowledge and human potential. The positive externalities of a human capital together with the transfer of knowledge enable to abandon the law of diminishing returns from the factors of production which was typical in case of Solow´s model. The regional difference in the productivity and growth are therefore explained through the differences in the technological and human capital endowment (Jones, 2002, pp. 155 – 162). As the main factors of the economic growth are being mentioned new growth theory, investments in research and development, innovation activity, the level education, investments in a human capital, efficiency of the management of knowledge and innovations etc.

New economic geography works alike new growth theory on neoclassical assumptions but it abandons the preconditions of the law of diminishing returns of scale, comparative advantages as well as the preconditions of perfect competition. According to new economic geography, for the industrial and commercial specialization of the regions the external savings, imperfect competition and increasing returns of scale are more significant. New economic geography strives to find answers to the fact that there are still significant differences among countries and regions from the view of specialization, competitiveness and industrial dynamics. The origin of the long term specializations is explained by this theory as the result of the agglomeration processes. Among the crucial factors of the competitive advantages of the regions it names predominantly the concentration of qualified workforce, sufficient industrial concentration of enterprises, developed supplier-customer relations and the accessibility to specialized infrastructure and technologies (Krugman, 1995). More advanced concepts of new economic geography name working industrial clusters[5] among the key factors of the regional economic growth.

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[4] New growth theory is connected with the thesis of P. Romer, R. Lucas, G. Grossmann, E. Helpman, etc.

[5] Cluster is perceived as geographically closed grouping of mutually interconnected firms and relating institutions in a concrete branch (e.g. universities, research and development institutions, chambers of commerce etc.) and also of firms in related branches which compete together, cooperate, prove common features and mutually complement.

2. Regional Disparities in Economic Performance: Current Situation and Trends

For the New EU Member States both the continuing regional disparities within individual states and also the global backwardness of those regions compared to the EU average are characterised (EU-25). Just two regions of the researched states achieve higher GDP/per capita than the EU average (Prague in the Czech Republic and Bratislava in Slovakia) and only four regions go beyond the level of 75% of the EU average GDP/per capita (besides the Prague and Bratislava also the region Közép-Magyarország and Slovenia), which is crucial for the classification among the most underdeveloped regions within the framework of the economic and social coherency policy of the EU. The GDP/per capita of the other regions fluctuates from 33% to 64% of the enlarged EU average. The position of the ten most and least developed regions of the New EU Member States is shown in Table 1.

T a b l e 1

Regional GDP per capita in the New Member States
(highest and lowest GDP per capita)

Most developed NUTS II regions	As percentage of EU-25 average	Most backward NUTS II regions	As percentage of EU-25 average
Praha (CZ)	138.2	Dél-Alföld (HU)	40.3
Bratislavský (SK)	115.9	Észak-Alföld (HU)	39.0
Közép-Magyarország (HU)	94.9	Východné Slovensko	38.8
Slovenia (SI)	76.0	Észak-Magyarország (HU)	38.1
Mazowieckie (PL)	72.8	Opolskie	37.3
Moravskoslezsko (CZ)	64.9	Warminsko-Mazurskie	37.0
Nyugat-Dunántúl (HU)	64.5	Swietokrzyskie	36.7
Střední Čechy (CZ)	64.2	Podlaskie	35.7
Jihozápad (CZ)	62.0	Lubelskie	33.2
Jihovýchod (CZ)	61.5	Podkarpackie	33.2

Source: Eurostat (2006, pp. 1 – 7).

When we consider the regional differentiation within individual states, we can find some common features which are characteristic for the all the countries researched. This is primarily the so called double dichotomy:

• central and peripheral polarization of the central region compared to the rest of the country,

• differentiation between the western and eastern regions of the researched states.

The dichotomy centre – periphery is characterized by the unique dominant position of the capital city and its surroundings, compared to the rest of the country.

Capitals are the centres of modern sectors, they have high levels of the above--average research and development potential as well as the educational potential and they also show an above-average attraction for foreign investors. The economic level of central regions reaches, in extreme cases, more than 200% level of the national level e.g. the Czech Republic or Slovakia.

The most significant dominancy within the states, where we evaluate the regional structure on the level of NUTS II, is shown by the central regions of Slovakia and the Czech Republic. In case of Slovakia the economic level of Bratislava exceeds three-times (measured on the basis of GDP/per capita in PPP – Purchasing Power Parity) the value of the least developed region (Východné Slovensko) and the value of the second most developed region 2.4-times (Západné Slovensko). Prague goes beyond the level of the least developed region of the Czech Republic more than 2.5-times (Eurostat, 2006, pp. 1 – 7). The lower degree of differentiation of the central regions of Poland and Hungary is given mainly by the grater dimensions of the NUTS II regions, compared to the Czech Republic or Slovakia. Higher region, say, includes further areas besides the capital, what makes its higher heterogeneity from the point of view of economic level. The typical example of such a NUTS II region like that is the Polish region Mazowieckie, which includes a number of areas with a considerable concentration of agriculture.[6]

Estonia, Lithuania, Latvia and Slovenia represent, as a whole, the separated regions of NUTS II, but if we consider the regional level NUTS III, we can claim, that even here the central regions considerably exceed the national average in the evaluation of economic development. Less significant polarization of the central region on NUTS III level is obvious in the case of Slovenia (Central Slovenia achieves about 130% of the national average) and Lithuania (GDP/per capita of Vilnius comes to some 140% of the national average) compared to Estonia and Latvia.

Another phenomenon of the regional differentiation of the New Member States is the higher level of development of the western areas, which are situated near the markets of the developed EU Member and therefore, they can make profit from the higher inflow of FDI (Foreign Direct Investment) as well as from a better availability of the western markets compared to the peripheral eastern regions. The extreme form of this dichotomy is e.g. northwest area of Hungary, where the inflow of FDI was strongly displayed. Both western regions (Nyugat--Dunántúl and Közép-Dunántúl) represent the areas with above-average potential

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[6] A higher dimension of a Central Region can be seen in the case of Poland as a well chosen, as it ensures to the capital also in the following financial perspective (2007 – 2013) the opportunity to draw a larger volume of financial means from the structural funds of the EU

of growth. The major economic stimulus was represented in the last decade by the FDI, which contributed to the restructuralization of the industrial structure and to the development of innovation and export oriented branches (Kiss, 2001, p. 16). Another example of the west – east dichotomy is Slovakia, where this phenomenon is highlighted by the location of the capital in the western part of the country near one of the most developed centres of the EU – Vienna. The crossing of two dichotomies here causes a multiplication effect. The substantial differences in economic level between the western and eastern parts can be seen also in Poland and on the level of NUTS III also in case of Slovenia, Estonia and Latvia.

The peripheral regions of the New EU Member States are represented by the areas on the eastern boundaries of Russia, Byelorussia, Ukraine, Romania, Serbia, and Croatia, which are significantly less attractive from the view of foreign investors. A typical examples of non-developed eastern regions are the regions of East Slovakia (Východné Slovensko) and Hungary (Észak-Magyarország) and primarily the areas of East Poland (Podkarpatskie, Podlaskie, Lubelskie and Warminsko-Mazurskie), where the proportion of employment in agriculture exceeds 30% and, moreover, there is only a low development of economic activities in industry and services, which supports the over-employment in the agricultural sector as well as its low productivity. The added value expressed by an employee in the mentioned Polish regions reaches some EUR 1.500 (Römisch and Ward, 2004, p. 96).

The exceptions in term of east – west differentiation are represented only by two of the researched states – the Czech Republic and Lithuania. The Czech Republic is characterized, besides the polarization of the central region, by a relatively homogenous structure in term of the economic level. The regions Moravskoslezsko and Severozápad are stricken by the change of the structure of the productive base that reflects itself in the increase in unemployment. Despite the relative homogeneity in the economic level of the Czech regions, with the exception of Prague, we can claim, that better development opportunities are shown uniformly by the regions located on borders with the developed regions of Germany and Austria (e.g. Jihozápad or Jihovýchod) rather than with the peripheral areas (e.g. Moravskoslezsko). The regional structure of Lithuania is characterized by a greater balance than in the case of Estonia and Latvia, thus we can distinguish the more developed (the outskirts of the capital or the Klajpeda Region) as well as the peripheral areas (e.g. the Altyus Region on the borders of Byelorussia). The economic differentiation, however, does not correspond to the spatial distribution to the eastern and western part of the state (Vošta, 2005, pp. 122 – 124).

3. Development of Regional Disparities of Selected States between 1995 and 2003

In the following text, we will take up previous part and on the basis of empirical statistical figures we will evaluate the development of regional disparities in the economic performance (GDP per capita) within the selected New EU Member States. The territory of the other New Member States creates, as a whole, the NUTS II regions, according to the Eurostat classification and therefore it is impossible to judge regional disparities on that level.

We will evaluate the development of the regional differences in GDP/per capita during the period 1995 – 2003. We start from the Eurostat database in order to keep the comparability of the data both throughout the period and the states. The figure GDP is evaluated in PPP, which is more suitable in view of the elimination of the exchange rate influence.

As a research method we used the basic statistical indices of variability – variation coefficient and variation span. The variation coefficient represents the proportion of standard deviation (numerator) to arithmetic average (denominator); in the case of the percentage formulation, it is multiplied by 100 (in our evaluation we use percentage formulation see Table 2). The standard deviation can be simply interpreted as the average deviation from the arithmetic average. In our case, it is from the arithmetic average of GDP/per capita. The variation coefficient thus represents the average deviation from the average in relative (percentage) formulation to the mean. The reason for choosing a more complicated variation coefficient than using standard deviation was the fact, that when we use the average deviation in relative formulation, we eliminate deformations caused by a significant change of the surveyed variable throughout the evaluated period. The variation span represents the difference between the highest and the lowest value in the surveyed sample of states. In our case, we used the variation span as a proportion so that we could eliminate possible distortions arising from the increase in the value of the figures during that period.

To make some findings more precise, both indices were applied either on all regions or only on the regions without a central one, so that the impact of a capital on regional differentiation was discovered. In the case of the variation span, the span was then calculated as the proportion between the region with the second highest and lowest value of GDP/per capita. When interpreting the results, we chose from the nature of particular indices for which it is true, that the higher value they reach, the greater disparities occur within the surveyed assemblage. We can conclude the following from the analysis and calculations done:

All the values of the calculated indices of variation indicate, on the level of NUTS II regions, *deepening of disparities on the economic level of all four*

analysed states. The variation coefficient calculated for GDP/per capita went up within the Polish regions between 1995 and 2001 from 15% to 24%, in the case of the Hungarian regions from 25% to 35%, for the Czech Republic from 31% to 38% and in the case of Slovakia from 42% to 51%. The similar results are obvious when we compare the proportion of the most developed regions and the least developed ones in each country.

The greatest dominance of the region of the capital can be seen in Slovakia, where the value of GDP/per capita of Bratislava region is 3-times higher than the value of the least developed region Východné Slovensko and 2,5-times higher than the value of the second most developed region of Slovakia. The lowest difference in the deviation of the central region is seen Poland (see Table 2).

T a b l e 2
Regional Disparities in GDP per capita (PPS), NUTS II Regions

Indicator	Year	Czech Republic	Hungary	Poland	Slovakia
Coefficient of variation in %	1995	31.6	25.3	15.4	42.8
	2003	38.5	35.9	22.4	51.1
Coefficient of variation in % (excluded central region)	1995	6.9	12.2	13.2	6.8
	2003	6.5	21.1	13.7	9.4
Proportion of the most developed and the least developed region	1995	2.4	2.0	1.6	2.5
	2003	2.6	2.5	2.2	3.0
Proportion of the most developed and the second most developed region	1995	1.9	1.4	1.1	2.1
	2003	2.2	1.7	1.4	2.4
Proportion of the second most developed and the least developed region	1995	1.2	1.4	1.6	1.2
	2003	1.2	1.7	1.5	1.3

Source: Eurostat (2006); own calculations.

The calculations of the variation coefficient, while omitting the region with the highest GDP/per capita (central regions), of the proportion of the region with the highest GDP/per capita within the given sample to the region with the second highest GDP/per capita and the proportion of the regions with the second highest and lowest GDP/per capita indicate that the growth of regional disparities is in case of Polish and Czech regions is caused by more significant growth of GDP/per capita in the central region compared to the other regions. The regional differences of the Slovak and mainly of Hungarian regions between 1995 and 2001 were supported also by more rapid growth of the western regions (Západné Slovensko in Slowakia and Közép-Dunántúl and Nyugat-Dunántúl in Hungary).

Should we observe the difference at the level of NUTS III regions, we can find out that alike in case of NUTS II regions, there can be seen deepening of disparities (the value of the variation coefficient is increasing) in all the monitored countries. When comparing the dimension of disparities among four examined

countries, we can come to completely different conclusions. The biggest regional differences among NUTS III regions are recorded in Poland and Hungary and, on the other hand, the lowest ones in Slovakia. In case of NUTS II regions the situation was opposite. From the results of statistical measuring of variabilities we can therefore deduce, that one of the decisive factors for the final characteristics is the choice of regional units. Great statistical differences among the NUTS II regions are besides others determined through the administrative division of NUTS regions which is arranged in such a way, that it corresponds in a best possible way to the system of drawing the subsidies from the structural funds of the EU. For instance, the regions Prague and Bratislava at the NUTS II level represent, in principle only urban agglomerations and thus it is necessary to count with a substantially higher economic level compared to the rest of a country. The position of Bratislava is further enhanced by its geographical position within the triangle of Vídeň – Bratislava – Budapešť. Furthermore, the number of NUTS II regions in the examined countries plays its role (Slovakia is dividend into four regions; Poland is dividend into 16 regions).[7]

T a b l e 3

Regional Disparities in GDP per capita (PPS), NUTS III Regions

Indicator	Year	Czech Republic	Hungary	Poland	Slovakia
Coefficient of variation in %	1995	16.6	31.4	26.4	16.3
	2003	24.9	37.6	29.7	18.8

Source: Eurostat (2006); own calculations.

4. Factors of Economic Growth and Regional Disparities

The analysis of economic growth of countries and regions is, in this part, based on growth accounting i.e. on determining the contributions of individual factors of growth. To be particular, it will be focused on the contributions of capital, labour and the total productivity of factors (progress in technology) to the economic growth and also on the determinants influencing the values of these factors. As the main data sources we used: Eurostat database (for the evaluation of countries as a whole) and the data of national statistical offices as well as Eurostat data (in case of the factors of regional growth).

Consequently, after overcoming the initial transformation slump in the first half of the 90s the growth rate of real GDP in all the New EU Member States as well as in the most of their regions consistently exceeded the level in the Old EU

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[7] To similar conclusions tend also some other authors (see for example: Korec, 2005, or Blažek, 2001).

Member States (EU-15). The main factors of the economic growth of the New EU Member States (EU-8) throughout 1995 – 2004 were deepening of capital and the growth of the total productivity of factors. These components stimulated a significant growth of labour productivity and caused satisfactory dynamics of the economic growth. A considerably higher contribution of capital versus the growth of progress in technology was recorded only in Slovenia and Hungary. For the rest of the countries a combination of both factors was peculiar.

On the other hand, the contribution of workforce was, within the examined sample of countries (EU-8), minimal or even the negative one. The cause can be found namely in a low participation as well as the employment. Labour markets in the New EU Member States (EU-10) were in the last decade characterised by a low level of the participation in the labour market and a permanently high level of structural unemployment. The rate of employment was recently in all the New EU Member States (EU-8) below 70% frontier quoted in the Lisbon Strategy and, with the exception of the Czech Republic, also below the average of the Old EU Member States (EU-15).

Should we examine the causes of favourable dynamics of the capital accumulation and deepening of technological progress, we find out that there was made an improvement in the investment environment in the New EU Member States. The interest rates have reflected since 1990s the nominal convergence to the Euro zone countries and, moreover the competition in the area of banking sector has strengthened due to the privatization which has supported the investment activity (Arratibel and Martin, 2007, pp. 36 – 37). However, the key role in the capital accumulation and, namely from the view of the growth of the total productivity of factors, was played by foreign direct investments (the reserves of FDI in the EU-8 countries nearly doubled in 1995 – 2005). Investments were significant not only from capital viewpoint but also with respect to the transfer of technologies, knowledge and the efficient management system.

The contribution of technological progress to the economic growth in the New EU Member States (EU-8) was obvious despite the fact, that in the most qualitative factors of the economic growth (such as the research and development potential, innovation potential, education infrastructure, the level of education of the workforce) substantially lacks behind when compared to the Old EU Member States. From the above mentioned characteristics it is not, however, possible to deduce any doubts about the setting of the Lisbon Strategy neither to downgrade the arguments of modern growth theories about the significance of the mentioned factors but rather to deduce, that the New EU Member States are on a different technological level and, at the same time, they profit from lower production costs. The mentioned characteristics lead thus to a statement that

within the framework of the member base of the EU, it is not possible to apply one unified model of economic policy. Each country has to choose the optimal combination of both extensive and intensive factors while it is necessary to take into account namely the phase of the development of a given economy. In a future prospect the New EU Member States should more markedly focus, within their structural policies, on the increase in the proportion of labour input as well as the increase in the qualitative indicators, the importance of which will grow alongside with the growth of the economic level and the cost characteristics of these countries.

Should we come from the national level to the regional level, we particularly focus on the territory of four countries of Central Europe: the Czech Republic, Poland, Hungary and Slovakia. When analysing the factors of regional growth, there are not available the exact data of the growth accounting thus we will chart the selected indicators affecting the components of growth such as employment, investment expenditures, productivity etc.

As already mentioned in the previous text, the most rapid growth dynamics in the last decade was reached by the central regions or regions close to the capitals respectively and the above average growth dynamics was achieved also by the regions located in western parts of the countries. On the contrary, the below average growth was recorded in the other areas. A similar distribution can be also seen from the view of the regional growing factors endowment. The level of the participation and employment was unambiguously highest in the capitals of all the examined countries. In the regions Prague and Bratislava it has fluctuated in the last years around the key frontier of 70%. The western regions of the examined countries have reached in the last five years approximately 60% share in the employment and the regions in the eastern parts made only 50% of it (we work on Eurostat data). A similar situation is visible also from the view of the total investment expenditures realized in the individual cohesion regions of NUTS II. The only exception here is the region of Východné Slovensko which achieved the above average level of investment activity in the national comparison. The regional difference can be also seen from the view of the labour productivity (we consider the GDP/per employed capita); the highest values are once again reached by the central regions of all countries. The difference in the direction of the western and eastern parts of a country can be seen also in case of Hungary and Poland. In the Czech Republic and in Slovakia the other regions with the exception of the capital reached relatively balanced values.

The causes of the different endowment of the regions of the New EU Member States by regional factors of growth can be found namely in the differentiated inflow of foreign direct investments and the development of entrepreneurial activities

in the last fifteen years. The capitals and the surroundings in all the examined countries represent the centres with a developed industrial structure of the economy, concentration of both research and development and training potential and qualified workforce, to which directed the decisive part of FDIs (e.g. 65% in Hungary in the 1990s of the total investments directed to the region of Közép--Magyarország, in Slovakia 60% of foreign direct investments was located in the region of Bratislavský, 24% of the total number of foreign businesses in Poland are settled in the central region of Mazowieckie and so on).

A better position of the regions in western parts of a country bordering the developed states of the EU (namely Közép-Dunántúl and Nyugat-Dunántúl in Hungary, Dolnoslaskie, Slaskie, Zachodniopomorskie, Pomorskie in Poland, etc.) is mostly given by the above average inflow of foreign direct investments which supported the restructuralization of the economies as well as the transfer of new technologies. The reason for this phenomenon can be found in the focus as well as in the motivation of foreign investors. The majority of investments in the New EU States flew into a processing industry, business and financial services. With the exception of the privatization investments, the entries of foreign subjects were motivated predominantly by lower labour costs, availability of qualified workforce and the proximity of potential markets in the EU countries. The proximity of potential market must also be judged by the view of the processing industry where a good accessibility through road transport was considered as a key factor for the allocation of investments. A low level of the accessibility is in the majority of periphery regions strengthened by a low quality of their infrastructure.

As a significant factor of regional disparities in the new EU Member States we can also name the structural characteristics of the economy of a given region. This factor shows itself in a significant way in the following prospect, as the restructuralization of the economies of the New EU Member States is very slow and still not finished. The rate of employment in agriculture and industry reaches in the regions of the New EU Member States still substantially higher values than that one in the regions of the Old EU Member States (EU-15). As handicapped areas in the territory of the New EU Member States we can label namely the old industrial regions together with the agricultural regions. Those so called old industrial regions, among which we count Slazskie in Poland, Észak-Magyarország in Hungary, Moravskoslezsko in the Czech Republic a Východné Slovensko in Slovakia are characterised by the location of mining and heavy industries that have dramatically dropped in production leading to a great reduction in job opportunities. Other such stricken areas are the agricultural regions among which are: Dél-Alföld in Hungary and the Lubelskie, Podkarpackie, Podlaskie and Swietokrzyskie regions in East Poland.

The evaluation of the significance of endogenous factors such as the level of human capital, research and development potential for the development of the regions of the given countries, is very difficult as, with the exception of the central regions, it is not possible to find in the regional structure of the observed countries the regions with the above average level of these factors with, at the same time, the above average economic level. Since, we can say that the significance of these factors for the regional development is large but only in the connection with the dynamics factors (investment activity and entrepreneurial activity) which shows itself in all the central regions of all examined countries.

From the analysis of the factors of growth it can be deduced, that like in case of the economic growth at the national level it is regarded also in case the regional growth that a kind of unified strategy focused only on qualitative components of growth is not applicable. The significance of those components will take on a weight in the future prospect, namely as a consequence of the shift on the technological frontier. In the strategies of the regional development there should be a high priority given also to traditional areas which have been solved in the majority of the developed countries of Western Europe. Among those priorities we classify namely the development of the infrastructure both in transport and environment as well as the support of working entrepreneurial environment (e.g. the support of clusters and some further supporting infrastructure). When financing the development of the stated sectors, the subsidies from the structural funds as well as from the Cohesion Fund of the European Union should play a very important role.

Conclusions

The transformation of the economies of the states of Central Europe was, at the regional level, very significantly connected with differential tendencies. In all the New EU Member States there has been, from the beginning of the 90s to date, continuous deepening of regional disparities at the economic level which show themselves in two basic trends. In part, there is obviously a substantially more positive development of the central regions (regions, where capitals are situated) compared to other areas and partly a faster development of the regions in the Western parts of the New EU Member States bordering on other developed Member States of the European Union.

Regional disparities in the New EU Member States result from a number of economic, social and geographical factors. In the last decades after 1989 the significance of the individual differential factors, however, changed. The effects of globalization as well as the integration into both the European and world

economy assert themselves in a larger scale. The New EU Member States (EU-8) still do not rank among so called core areas of the world economy but they represent typical follow-up areas which are characterised by relatively low costs of inputs, an offer of qualified workforce, a more favourable tax environment and the stability of political and economic environment. Thus the globalization shows itself namely through the increased inflow of foreign direct investments and the shift of production from the neighbouring developed countries of the European Union. The flows of capital and the transfers of knowledge and technologies, however, prove in the territory of the New EU Member States substantially differently which leads to different dynamics of the economic growth of the regions. The regions of the capitals together with the areas with a more favourable position relating to the core areas of Europe have a better competitive position.

Relatively big differences in the economic level among the central regions and the peripheries still remain in a number of the developed countries of the European Union, despite of the effects of national regional policies and the EU economic and social cohesion policy. The great statistical differences among the regions at the NUT II level are also strongly affected by the administrative division of NUTS regions which is arranged in such a way that it corresponds in a best way possible to the system of drawing the subsidies from the structural funds of the EU. For instance, the regions Prague and Bratislava represent in principle only urban agglomerations and thus it is necessary to count with a substantially higher economic level compared to the rest of a country. The position of Bratislava is further enhanced by its geographical position within the triangle of Vídeň – Bratislava – Budapešť.

The statistical value of the regional GDP/per capita of the central regions is also slightly overestimated since it includes e.g. persons commuting for work from the surrounding areas to the central regions or the firms which have their places of business in the central region but they affect their business also in other areas. With respect to the above mentioned facts we can tend to the statement, that big regional differences are, to a significant scale, the result of the changed both external and internal conditions of the regional development in last years and their importance must not be overrated.[8]

The importance of the regional development and the competitiveness of the regions, however, do not even drop in the current globalising environment. Increasing the competitiveness of the countries and regions, the real convergence to the level of the Old EU Member States EU-15 together with the balanced regional

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[8] To similar conclusions tend also some other authors. See for example: Korec (2005), or Kozáková (2007), or Hnát and Cihelková (2006).

development belongs among the main midterm and long-term objectives of the economic and regional policies of just all the New EU Member States. It is, however, necessary to invent new, efficient tools of the economic governance at both the national and regional level. In this sense, the so called Lisbon Strategy represents the challenge emphasizing in its recommendations namely the sustainability of both the employment and production of the economies when using knowledge economy, innovation potential and sophisticated entrepreneurial environment.

The New EU Member States achieve different technological and price level than the core countries of the EU. The recommendations of the Lisbon Strategy thus cannot be applied fully without any reservation. The importance of the qualitative components of growth will definitely gain more weight in the upcoming prospect. In the strategies of regional development, the high priority should be given, besides the development of the qualitative factors (research and development, innovation and education potential), to the traditional sources of growth which nowadays lose their importance in the most core countries of the EU. Among those areas belong predominantly the development of the infrastructure of transport and environment as well as the support of the working entrepreneurial environment (e.g. the support of clusters and some further supporting infrastructure). When financing the development of the stated sectors, the subsidies from the structural funds as well as from the Cohesion Fund of the EU should play a very important role.

The effects of the EU transfers on the economic growth cannot be overestimated. Probably, they will not be of such importance as capital flows or trade effects. Despite that, it is necessary to consider the fact, that the average annual allocation of finance from the EU funds for the New EU Member States will increase in the programming period 2007 – 2013 by five times compared to the previous one in 2004 – 2006 and when using these finance efficiently and in accord with the national and regional growth strategy, it will be possible to accelerate the regional economic growth as well as the balanced regional development.

In a midterm run, we estimate, that the development of the regional structure of the New EU Member States will be thus probably characterised by the changeover of convergent and divergent trends. We can expect either the convergence of the economic level of the regions of the observed states to the standard of the developed EU Member States. And this is quite logically the main goal of the contemporary pro-growth policies of the New EU Member States (most regions of these countries are classified within the European Union as underdeveloped areas under the level of the EU average). This process, however, will be long-term and especially unbalanced in term of single regions. Furthermore,

it can be predicted in continuing of differential trends at a regional level but with lower dynamics of those disparities. In the period after the accession to the EU, there will be a faster economic growth of economic development and competitiveness of the regions with favourable development conditions on the assumptions that they can better utilize the advantages of the functioning of the single market. The mentioned predictions are our estimations based on the analysis both the previous developments and regional development conditions. Some other research studies incline to similar scenarios.[9]

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[9] The mentioned predictions are our estimation based on the analysis both of the previous development and Regional developing assumption. Also other research studies do incline to the similar scenarios. See for example: Römisch and Ward (2004, pp. 85 – 119), or Blažek (2001, pp. 98 – 122).

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