# Rural development and regional disparities of the new EU Member States

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**Abstract**: The integration of Central and Eastern Europe into both the European and the world economy was in the last decade associated with a relatively high growth of gross domestic product and with a gradual increase in the economic level. The processes of convergence at the national level, however, were accompanied by an unbalanced spatial development. The paper analyzes, on the basis of the empirical statistical data, the impacts of the first years of the membership in the European Union on the development of regional differentiation and on development disparities between rural and urban regions. The evaluation of regional development is performed in regional units at the levels NUTS 2 and NUTS 3. Rural regions are monitored at the level of regional units NUTS 3. The examination based on the NUTS 2 units would not allow identifying of such a large number of rural areas.

Key words: new EU Member States, rural development, regional disparities

The integration of Central and Eastern Europe into both the European and the world economy was in the last decade associated with a relatively high growth of gross domestic product and with a gradual increase in the economic level. The processes of convergence at the national level, however, were accompanied by an unbalanced spatial development. The divergence tendencies can be seen mainly in the direction of centre-periphery (the polarisation of a region covering the capital with the rest of the country), West-East (differences in the development of the regions located closer to or further to the developed EU countries and this may not always be the East and West of a country) and city-country (differences in the economic development of predominantly urban and predominantly rural areas).

Uneven development is not by any means a new phenomenon in the territory of the New Members. The origins of imbalances date back to the beginnings of the economic transformation. A significant milestone in the development of the economic and territorial cohesion of the New Members represents the accession to the European Union. All the EU 12 states achieved a lower economic level than Union's average and were thus able to benefit from the considerable resources of the regional policy and the Common Agricultural Policy. One can therefore expect that the EU structural instruments will contribute to the favourable development of the peripheral regions. However, it is difficult to estimate the precise effects both in the terms of the contributions and the time horizon.

The aim of the paper is to assess, based on the statistical analysis of the empirical data, the impact of the first years of the membership in the European Union on the regional differentiation as well as on the rural development in the new EU countries. The study is considered as one of the first contributions to the study of the issue in the post-enlargement period.

## THEORETICAL BASE

### Regional development: theoretical and methodological background

#### *Regional growth theories*

A significant number of theoretical concepts seeking to explain the conditions and factors of regional development have appeared. Various approaches, however, differ in their claims. The significant differences can be found in the approach to regional parity (convergence vs. divergence concepts); in the terms of determining the critical growth factors (demand and supply-oriented approaches); the perception of state influence on the regional economy (liberal and interventionist theories), etc.

In our text, we do not aspire to judge the appropriateness and accuracy of different approaches. Our

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analysis will focus on the main streams of the regional economics. The aim is to provide a theoretical playground and basic arguments for the study of regional differentiation. We will focus on a neoclassical theory, a centre – periphery (development economics) concept and two theoretical concepts that got into the forefront in the two last decades – a new theory on growth and a new economic geography.

Among the key assumptions of the neoclassical theory, there belongs 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 the standard production function which covers two basic inputs (factors) of the long-term economic growth. On the Solow's production function, the 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) (Holub and Čihák 2000). More advanced concepts based on the neoclassical theory abandoned the condition of the closed economy. On the contrary, they assume a perfect mobility of production factors that initiates both transfer of capital and migration flows among regions which contribute to the balancing of costs of production factors and the convergence of the regions (the neoclassical balancing progress). Trade together with a working market economy are mentioned as crucial factors of growth in these models (Jeníček and Krepl 2009).

The theories of the group of centre-periphery (development economics) 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 proponents of the "core-periphery" theory reject the neoclassical adjustment mechanism. They question the direction of capital movement and the positive impact of the migration flows (the argument of selective migration). Many writers are also turning to the negative impact of trade (the imbalance of barter between the developed and underdeveloped regions or states, respectively). Regional policy inspired by the concepts of development economics is based on the argument that the responsibility for the solution of market failures lies to a significant extent on the state (Blažek and Uhlíř 2003).

The 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, 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 a bigger importance to knowledge and human potential. The positive externalities of 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 the case of the Solow's model. The regional differences in the productivity and growth are therefore explained through the differences in the technological and human capital endowment. As regards the basic tendency of regional development, most authors are in favour of the fact that the economic level of regions gets closer in a longer term. Many studies, however, simply confirm the so-called conditional convergence, which is valid only for the groups of similar regions. Convergence is peculiar for economies with a similar shape of the production curve and in reverse, between regions with different structural parameters, the processes of divergence can be found (Siebert 2002). As the main factors of the economic growth, there are mentioned the new growth theory, investments in research and development, innovation activity, the level of education, investments into human capital, efficiency of the management of knowledge and innovations etc.

New economic geography works, alike the new growth theory, on the 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 the 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 the qualified workforce, a sufficient industrial concentration of enterprises, developed supplier-customer relations and the accessibility to specialized infrastructure and technologies (Krugman 1995). More advanced concepts of the new economic geography name working also industrial clusters among the key factors of the regional economic growth. We can mention the book of M.E. Porter: "The Competitive Advantage of Nations", a pioneering work in the area of clusters. In this work, cluster is defined as a *"geographically close grouping of mutually interlinked firms and dependent institutions in a given discipline (e.g., even universities, scientific research institutions, chambers of commerce and the like), and firms in related fields which compete together, cooperate, have joint symbols and complement each other"* (Porter 1990).

### *Definition of regional units and the method of data analysis*

The examined sample consists of the ten New EU Member States: Bulgaria, the Czech Republic, Estonia, Hungary, Lithuania, Latvia, Poland, Romania, Slovakia and Slovenia (the analysis does not contain the remaining two states - Malta and Cyprus). A substantial issue in the assessment of regional disparities represents a selection of the examined territorial units. In our analysis, we will issue, for the reasons of comparability, from the Unified Classification of the European Union (The Nomenclature of Territorial Units for Statistics), which divides the territory of all member countries into the NUTS regions. Specifically, we will follow the units at the NUTS 2 and NUTS 3 level. The current NUTS nomenclature subdivides the economic territory of the New EU Member States into 56 regions at the NUTS 2 level and 213 regions at the NUTS 3 level.

To monitor regional differences in the economic level, gross domestic product per capita expressed in the purchasing power standards (PPS) is used as an indicator which is also suitable for the international comparisons, since it addresses the issues of the effects of price levels and exchange rates. As for the research methods, we apply, in order to compare the development of regional differences, the calculation of basic statistical indicator of variability – the coefficient of variation. The coefficient of variation is defined as the sum of the absolute differences between the regional and national GDP per inhabitant (PPS), weighted on the basis of the regional share of population and expressed in percent of the national GDP per inhabitant. This indicator is calculated at the NUTS 2 and NUTS 3 levels. Regarding the results coming from the variation coefficient, it applies that the higher the values of the coefficient, the higher differences occur within the framework of the examined data file. When examining the convergence, we thus consider whether there is an increase or a drop in the value of the variation coefficient in the course of time. If the variation coefficient decreases, there is a convergence within the framework of the examined sample of regions.

## Rural development: theoretical and methodological background

### *Theoretical and conceptual background*

Rural development is an integral part of the modern economic policy. The importance of rural issues is confirmed in the theoretical concepts of regional development as well as the current strategic documents at both the national and the EU level.

Facts confirming the existence of different trends in the core and peripheral regions can be found mainly in the theoretical concepts that explore the themes associated with the poles of growth, growth centres and agglomeration benefits. These concepts do not directly deal with rural development but they quite adequately describe the socio-economic reality of the examined areas. A rural region does not create a synonym for the peripheral or backward region. However, it usually fulfils the characteristics of peripheries such as a particularly low density,a lower number of regional growth centres, a smaller concentration of industrial activities, a lower quality of infrastructure, etc. On the contrary, primarily urban areas have typically a higher spatial concentration of both population and economic activities.

The emergence of the theory of growth poles is associated with the studies of F. Perrouxe. In the original Perrouxe version (Perrouxe 1950), the field growth is understood from a branch perspective. The author differentiates between the so-called "driving" and "driven" branches. "He defined driving branches as rapidly developing branches, which are dominated by the big, constantly innovating firms, sending strong development impulses to their surroundings, that is, to the firms in the driven branches, so that they grow even faster than other, comparable firms" (Blažek and Uhlíř 2003).

The original growing fields theory underwent many modifications in the course of its development. The most important "interventions" which significantly enriched the theoretical framework are the theories of the centres of growth and the axes of growth (J.R. Boudeville). Boudeville, like Perroux, considers the motor of growth to be the developed (driving) branches, which contribute to the development of the connected (driven) branches. Perroux, however, does not include the effects of expansion with certain areas. Conversely, Boudeville presumes a faster development of those regions which there are localised the driven branches, because it is calculated from the significant multiple effects of these branches on the rest of the economy of the region (Boudeville 1966).

We can put R. Baldwin and Ch. Wyplozse's publications among the modern approaches to the study of the aglomeration and economic geography; in which the motives for the existence of aglomerative power are analysed. They argue that aglomerations get stronger "*when the spatial concentration of economic activities form the motives which support further spatial concentrations*" (Baldwin and Wyplozs 2008). They define the main cause of the aglomerative power as the so-called 'demand and cost connection'. The demand connection is formed by the presence of a large market, which lowers trading costs. The cost connection is the availability of inputs (raw materials, plant and machinery, specialised services); in other words, the proximity to the supply chain. There exist, of course, opposing forces, the so-called, "dispersal forces" (e.g., the price of land and real estates, labour costs, strong competition), which work against the strengthening of the aglomerate. Spatial placement of economic activities, then, depends on the mutual interaction of the aglomerative and dispersal forces (Baldwin and Wyplozs 2008).

A counterweight to the "core-periphery" theory is the so-called polycentrism concept, to which some contemporary authors tend to. This concept does not perceive a rural area as a periphery. On the contrary, mutual relations and similar features in the development of urban and rural areas are emphasized. Polycentric development is regarded as a more suitable for the efficient and sustainable utilization of the potential of a given region. Under this approach, it is necessary to view differently the development of rural areas connected to the regional development axis, and the regions with low population density and infrastructure endowment (Pělucha et al. 2009).

A very important starting point for rural development in the New Member States is represented by the strategic directions of the EU agricultural and rural development policies. The views of the European Union regarding the rural area significantly changed in the last decade. With regard to the extension of the EU agricultural policy objectives, which are associated with the requirements for improving the competitiveness and sustainability of European agriculture, it is no longer possible to perceive country areas as a base for only the agrarian sector. The current agricultural policy aims to define the conditions for the development of rural areas in a more complex way and more focused on the directions as multi functionalism or diversification of activities (Zemanová 2010).

Since 2007, the issue of rural development has been gradually shifted from the policy of economic and social cohesion under the competence of the Common Agricultural Policy of the European Union (EU CAP). Thus the so-called second pillar of the EU Common Agricultural Policy, which is defined as the rural development policy, has been created. This policy aims in the 2007–2013 perspective at improving the competitiveness of both agriculture and forestry as well as at the environmental and economic development and creating jobs outside the agricultural production. The aim is to accelerate the potential of rural land and promoting sustainable development of the European Union (European Council 2006). The exact form of the rural development policy after 2013 is not yet known, however, with regard to the ongoing reform process of the Common Agricultural Policy, a further strengthening of the importance of this area (an increase of funds earmarked specifically for rural development) is expected. As promising directions for the future sustainability of rural development, the issues such as tourism, combating climate change, renewable energy, biodiversity, etc. are mentioned (Bič 2010).

***Definition of rural regions***

At the EU level, there is no uniform definition rural areas. The national typology of 27 Member States varies according to the chosen criteria, size of the analyzed units and other factors. Some countries have not even yet created their own methodology (e.g. Luxembourg). For this reason, a majority of professional documents at the EU level uses the internationally recognized methodology, which was published in 1994 and subsequently revised in 1996 and 2007 by the Organization for Economic Cooperation and Development (OECD 2009). The OECD defines rural areas according to the population density and the presence of urban centres. According to the percentage of the population that lives in rural communities with a low population density, the regions are divided into three groups:

– Predominantly rural (PR) – if more than 50% of its population lives in rural communities (rural community has a population density less than 150 inhabitants per 1 square km).
– Intermediate (IN) – if between 15% and 50% of its population lives in rural communities.
– Predominantly urban (PU) – if less than 15% of its population lives in rural communities.

This classification is further clarified by the presence of large urban centres, as follows:

– In the presence of an urban centre that has more than 200 000 inhabitants, a predominantly rural region is classified as intermediate.

– In the presence of an urban centre that has more than 500 000 inhabitants, the intermediate region is classified as predominantly urban.

In our analysis we, stem from the OECD methodology that will be applied with respect to the territorial classification of the European Union. The examined sample consists of twelve New EU Member States (EU 12): Bulgaria, the Czech Republic, Cyprus, Estonia, Hungary, Lithuania, Latvia, Malta, Poland, Romania, Slovakia and Slovenia (the analysis does not include two remaining states – Malta and Cyprus). Rural and urban regions will be monitored at the level of the regional entities NUTS 3. The analysis based on the NUTS 2 regions would be substantially less accurate. Rural areas within the NUTS 2 regions, where also major urban centres are located, could not be identified.

## APPLICATION STUDY OF THE NEW EU COUNTRIES

### Regional differentiation

It is now a fairly well known fact that the regional structure of the new EU Member States during the transition period was characterized by a blending of the convergence and divergence tendencies. First, there was a convergence of the majority of regions to the EU average, but at the same time, an increase in inequalities within the countries occurred. This was not due to the lagging behind of the peripheral regions, but rather to an abnormally rapid growth of the developed areas.

Despite the ongoing catching-up process, the economic level of the EU 15 regions in the Union's comparison remains relatively low. Just four regions of the researched states achieve a higher GDP/per capita than the EU average (Prague in the Czech Republic, Bratislava in Slovakia, Zachodna Slovenia and Közép-Magyarország in Hungary) and only seven regions go above the level of 75% of the EU average GDP/per capita (besides the mentioned regions, also Bucuresti in Romania, Mazowieckie in Poland and Střední Čechy in the Czech Republic), which is crucial for the classification of 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 26% to 73% of the enlarged EU average.

If we examine the impact of the integration within the European Union on the regional difference, we find that in most surveyed countries, no major changes in the recent trends have taken place so far. From Table 1, we can see that with an exception of the NUTS 3 regions in Latvia, there was in 2003–2007 no decline in the regional disparities in the examined countries. The slowdown in growth compared to a comparably long period prior to the EU accession (1999–2003) is seen only in Estonia. The size of disparities is logically different according to the individual countries. In the case of the NUTS 2 regions, significant differences are observed in Romania and a significantly lower ones in the Czech Republic and Poland. The relatively low regional disparities at the NUTS 2 level

Table 1. New EU MemberStates – development of regional disparities in the GDP per capita (PPS), 1995–2007

| Country | Coefficient of variation in % | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | NUTS 2 Regions | | | | NUTS 3 Regions | | | |
| | 1995 | 1999 | 2003 | 2007 | 1995 | 1999 | 2003 | 2007 |
| Bulgaria | 19.4 | 21.4 | 23.7 | 35.4 | 17.8 | 26.1 | 29.1 | 41.9 |
| Czech Republic | 19.6 | 22.1 | 24.9 | 26.5 | 16.8 | 22.2 | 24.9 | 26.5 |
| Estonia | – | – | – | – | 29.4 | 34.6 | 41.5 | 41.6 |
| Lithuania | – | – | – | – | 12.3 | 18.1 | 24.2 | 28.9 |
| Latvia | – | – | – | – | 31.6 | 46.0 | 49.0 | 45.6 |
| Hungary | 25.7 | 32.1 | 34.2 | 36.9 | 29.4 | 36.5 | 37.6 | 41.3 |
| Poland | 13.3 | 17.7 | 18.3 | 19.9 | 12.0 | 31.7 | 32.4 | 34.5 |
| Romania | 13.0 | 20.5 | 23.7 | 28.5 | 12.8 | 26.1 | 29.3 | 35.3 |
| Slovakia | 26.0 | 26.0 | 27.7 | 30.8 | 28.2 | 27.2 | 28.6 | 35.3 |
| Slovenia | – | – | – | – | 19.3 | 19.7 | 22.2 | 22.3 |

Source: EUROSTAT Database (available at http://epp.eurostat.ec.europa.eu/portal/page/portal/region_cities/regional_statistics/data/database); own calculations in Poland are compensated by the large sub-regional disparities. The NUTS 3 regions showing the greatest differences can be found in Poland, Hungary and Estonia. On the contrary, the smallest differences are seen in Slovenia and the Czech Republic.

The hypothesis about the positive impact of the European integration process connected with drawing from the EU funds is therefore impossible to confirm. However, in this regard, it should be noted that for the time being, only data for a short period of the first three years after joining the EU can be analyzed, when, moreover, the New Member States had relatively small amounts of funding from the Structural Funds and the Cohesion Fund of the EU at their disposal. The annual allocation for the period 2007–2013 was increased almost five times. Most regions (with the exception of the central regions of Prague, Bratislava and Közép Magyarorszák) of the New Member States are also included among the areas with the highest rates of entitlement to aid in the economic and social cohesion, thus the level of subsidies is not differentiated in the individual countries. The allocation from the Structural Funds has proved more logical to the reduction in the differentiation within the EU as a whole than at the level of the less developed member countries. Only the following budget after 2013 will also reflect more the diversity within countries, because several other regions are probably not going to be included among the most lagging behind areas of the EU (e.g. in Bucurest in Romania, Mozowieckie in Poland or Central Bohemia in the Czech Republic).

Not only the development disparities, but also their characteristics remain unchanged even after joining the European Union. Still, the highest level of the economic development is reached in the major cities and the regions bordering with developed areas of the Old Member States of the European Union.

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% of the national level (Vošta 2004). Another phenomenon of the regional differentiation of the New Member States is the higher level of development of the Western areas. They can make profit from the higher inflow of FDI (Foreign Direct Investment) as well as from a better availability of theWwestern markets compared to the peripheral Eastern regions (Vošta 2005).

The peripheral regions of the New Member States are, conversely, to be found in the geographically advantaged areas (this is from the point of view of the proximity to the core areas of the EU). The nine least developed regions of the current EU are in only two countries - Bulgaria and Romania (e.g., Severozapaden, Severen Tzentralen a Yuzen Tzentralen in Bulgaria; or Nord-Est, Sud-Muntenia a Sud-Vest Olstenia in Romania). We can also find other backward areas in the Eastern borderlands of the New Member States, which are significantly less attractive from the view of foreign investors. Typical examples of the non-developed Eastern regions are the regions of East Slovakia (Východné Slovensko) and Hungary (Észak-Alfföld and Észak-Magyarország) and primarily the areas of East Poland (Podkarpatskie, Podlaskie, Lubelskie and Warminsko-Mazurskie).

**Rural development**

Despite of the long underway urbanization trends in the territory of the New EU Member States, rural areas represent a significant portion of both the landscape and population in these countries. In the EU 12, rural areas (predominantly rural and intermediate regions) represented 96% of the territory and 83% of the population in 2006. The corresponding shares of the predominantly rural regions were 51% of the territory and 36% of the population (European Commission 2009: 50–71). The significance of rural areas, however, is different according to the examined countries. The highest proportion of urban population is reported from Malta, while the largest proportion of the predominantly urban regions can be found in Slovenia. Intermediate regions play an important role in other New Member States (mainly in Cyprus, the Czech Republic, Slovak Republic, Bulgaria and Estonia).

The socio-economic structure of the rural areas of the EU 12 has characteristic features of the peripheral regions (lower concentration of economic activities, lower levels of per capita GDP, higher unemployment rates, lower population density, etc.). Specifically, we find that one third of the population living in the predominantly rural regions of the EU 12 generates only one quarter of the related gross domestic product. It is also true that the economic level of regions grows in line with a higher degree of urbanization. GDP per capita in rural regions of the New Member States in 2004–2006 ranged significantly below the EU average (mainly rural regions at 38% of the average of the EU 27, in case of central regions, at 48% of the EU average). In contrast, predominantly urban areas are almost approaching the Union's average.

From Table 2, we can observe that significant differences in the economic level of the urban and rural

Table 2. New EU MemberSates: GDP per capita in rural and urban regions

| Country | GDP per capita in PPS (EU 27 = 100) – NUTS 3 Regions, average of the years 2004–2006 | | |
|---|---|---|---|
| | PR | IR | PU |
| Bulgaria | 31 | 32 | 52 |
| Cyprus | – | 90 | – |
| Czech Republic | 65 | 66 | 159 |
| Estonia | 39 | 69 | 38 |
| Lithuania | 35 | 47 | 79 |
| Latvia | 31 | 31 | 88 |
| Hungary | 44 | 54 | 135 |
| Malta | – | – | 77 |
| Poland | 39 | 44 | 86 |
| Romania | 27 | 36 | 79 |
| Slovakia | 49 | 50 | 142 |
| Slovenia | 74 | 105 | – |
| EU 12 | 38 | 48 | 93 |

PR = Predominantly rural regions, IR = Intermediate regions, PU = Predominantly urban regions

Source: EUROSTAT Database (Available at http://epp.eurostat.ec.europa.eu/portal/page/portal/region_cities/regional_statistics/data/database); own calculations

regions are typical for the vast majority of the examined countries (notably the Czech Republic, Slovakia, Hungary, Latvia and Lithuania). The only exception in this regard is Estonia, where the GDP per capita of the predominantly rural and predominantly urban regions is comparable. This is due to the relatively low population density of the whole country and to the inclusion of the most advanced central region (Northern Estonia) into intermediate regions.

Let us now turn to whether the instruments of the EU Common Agricultural Policy stimulated , in the first years after the accession to the EU, a faster economic growth in rural areas and contributed thus to the reduction in the urban-rural dichotomy. When comparing the GDP per capita ranges of the predominantly urban and predominantly rural regions in the period before and after joining the European Union, we see that there were, in analogy to the regional differentiation, no major shifts. Table 3 illustrates that, with the exception of Estonia, there are still great differences in the economic levels of the monitored regions. The economic level of the predominantly urban regions gets two times and in some countries (Romania, Slovak Republic and Hungary) even three times higher than the GDP per capita of the predominantly rural areas. Moreover, in the comparison of the figures for the period 2000–2002 with an average of 2004–2006, we can observe that the gap between the GDP per capita of urban and predominantly rural regions has in most countries increased (in Hungary, Poland, Romania and Slovak). On the other hand, the decline was evident only in the Czech Republic and Bulgaria, where, however, it was true already for the period before joining the European Union. The Baltic States in that period show an ambiguous development.

Table 3. New EU Member States: the difference in GDP per capita between predominantly urban and predominantly rural regions

| | Average of the years | |
|---|---|---|
| | 2000–2002 | 2004–2006 |
| Bulgaria | 2.2 | 1.7 |
| Czech Republic | 2.8 | 2.4 |
| Estonia | 0.9 | 1.0 |
| Lithuania | – | 2.3 |
| Latvia | 2.8 | 2.8 |
| Hungary | 2.9 | 3.0 |
| Poland | 2.0 | 2.2 |
| Romania | 2.7 | 2.9 |
| Slovakia | 2.7 | 2.9 |

Source: EUROSTAT Database (Available at http://epp.eurostat.ec.europa.eu/portal/page/portal/region_cities/regional_statistics/data/database); own calculations

At this point, it should be noted that the increase in the differences of the economic growth of urban and rural regions is not too surprising in the context of the functioning of the financial mechanisms of the EU, too. As mentioned above, the predominantly rural regions show a number of weaknesses, such as a lower concentration of economic activities, a weaker interconnection with the regional development axes, a greater share of employment and value added in agriculture, etc. The potential for rural areas is therefore quite limited. The instruments can only contribute to meeting the demanding challenges that these regions have to face. Even in the following years, no one can expect a more dynamic development of the rural areas compared to that in urban agglomeration. The continuing liberalization of the world markets with agricultural products and the gradual structural adjustment of the European agriculture will adversely affect the decline in economic activities and employment in the regions with intensive agricultural sector. Rural regions will be forced to increasingly diversify their economic activities. A bigger utilization of the potential of services, especially in terms of tourism, seems to be a key to the successful development of rural regions. Many rural areas already show that the agricultural sector may have a relatively low weight of the added value. Other promising development directions could be based on the newly forming demand for modern agricultural and non-agricultural products (Taušer et al. 2009). Based on the experience of the developed EU 15 countries, we can mention in particular high-quality agricultural and food products or products related to sustainable economic development (biofuels, renewable energy, etc.). Last but not leas,t we can name the option to use the links to urban regions. When building up the necessary infrastructure, rural regions constitute an attractive place to live and spend leisure time in (Mohelská and Hedvičáková 2009). High specialization in the agricultural sector will keep, in the long term, only those types of rural regions in which there will be a well-developed food sector or those that will to be able to participate in the competitive agro-food chain, respectively.

## CONCLUSIONS

Based on the analysis, we can be summarize that the unbalanced regional development is for the New Member States still the principal technical characteristics even after joining the European Union. In all countries except Latvia, an increase or a slump in the interregional disparities has been reported. Also in the case of rural areas, there were no major changes compared to the period prior to the enlargement. The vast majority of the examined states showed a significant lagging behind of rural areas. The economic level of the predominantly urban regions gets two times and in some countries even three times higher than the GDP per capita of the predominantly rural areas. In the first years after the enlargement, there was, with the exception of the Czech Republic, no reduction of the gap between rural and urban regions.

The above mentioned findings, however, cannot be seen as an argument against the existing mechanisms of the European Union. It should be noted that for the time being, only the data for the first three to four years after joining the European Union (in case of Bulgaria and Romania, this period is totally irrelevant) can be analyzed. Moreover, during that period, the New Member States had a relatively low amount of money from the EU funds. The annual allocation from the Structural Funds and the Cohesion fund has been increased for the current programming period (2007–2013) almost five times. The subsidies under the Common Agricultural Policy also increase annually. A more precise analysis will therefore be possible only after a longer interval.

It should also be noted that the financial instruments represent only one of the factors in the regional and rural development after the accession to the European Union. Trade and capital flows significantly exceed the importance of the transfers from the EU budget.

The New EU Member States still do not rank among the 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 is reflected namely through the increased inflow of foreign direct investments and the shift of production from the neighbouring developed countries of the European Union (Cihelková and Hnát 2008). 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.

To be more specific, in the case of the development of rural regions, we need to take into account the prevailing, long-standing limits of their socio-economic as well as demographic potential. Even in the following years, we cannot expect a more dynamic development of the rural areas compared to the one reached in the agglomeration in the New EU Member States. The continuing liberalization of the world markets with agricultural products and the gradual structural adjustment of the European agriculture will adversely affect the decline in economic activities and the employment in regions with intensive agricultural sector. The EU instruments can, in this respect, play only a supporting role in the stimulation of promising activities such as: the development potential of rural services (especially tourism), an increasing specialization in high-quality agricultural and food products; sectors related to sustainable economic development (biofuels, renewable energy, etc.). High specialization in the agricultural sector will sustain, in the long term, only those types of rural regions in which there will be a well-developed food sector or those that will to be able to participate in the competitive agro-food chain, respectively.

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