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## IMPACT OF SPATIAL DISPARITIES ON REGIONAL COMPETITIVENESS

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*In a market economy, economic development, or more precisely generation of wealth, is linked inherently to competitiveness as a basic measure of enterprise's, region's as well as state's success. Individual regions have available a diverse potential for economic development, which had been formerly conditional on nature environment and access to raw materials. Currently, other aspects have gained ground, such as quality of business environment and development of innovations. Their formation is considered to be a crucial prerequisite to gaining of competitive advantage.*

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In a market economy, economic development, or more precisely generation of wealth, is linked inherently to competitiveness as a basic measure of enterprise's, region's as well as state's success. Individual regions have available a diverse potential for economic development, which had been formerly conditional on nature environment and access to raw materials. Quality of a business environment has a major significance for regional economies. It is due to a virtually verified fact

that an adequate supply forms a major domain of regional competition when setting up best conditions for development of entrepreneurial activities.

Business environment of high quality stimulates competition at the same time, and thus encourages growth of enterprise's productivity including development of innovations. Their formation is considered to be a crucial prerequisite to gaining of competitive advantage. Thus, innovations support consti-

tutes one of the main components of economic policies at all levels.

After 1989, when the Czech Republic had left the central planning mechanism and got back to market economies principles, differences in development potential of individual towns and regions have become evident.

Particularly regions, which had inherited strongly distorted local economy structure of the central planning period, have had problems. It concerns especially regions and towns with heavy industry (above all coal mining, metallurgy, heavy engineering, and chemistry). Uneven economic development has caused serious economic as well as social problems mainly in coal basin and several peripheral rural Czech regions. Lack of labour opportunities is its common feature, together with insufficient technical infrastructure as well as low service standards, adverse age and education structure of population.

Inaccessibility of regionally handicapped regions is another development obstacle whereas central location of a region forms an important potential. Principally, insufficient traffic connection to regional centres causes problems to peripheral regions, which brings difficulties while commuting. Remoteness contributes to higher-than-average unemployment rate, low population income level and basic services as well as total economic activity attenuation, which is not fully compensated by tourism and agriculture revenues. Peripheral regions suffer from investors' lack of interests, who are not locating new production in. Border regions have been perceived as peripheral regions for a long time taking into account their distance to development centres.

Endogenous potential development of such regions is linked to both geographical (border mountains, existence of national parks) and socio-cultural (long-term culture and nations blending and consequential specificities) given conditions, which are fundamental e. g. for tourism. Universities and research development and related human capital development is not fully utilised opportunity in border regions and their centres.

By and large, regional disparities are perceived in negative sense as a result of uneven regional economic growth. However, if they

happen to become an engine of local comparative advantage development, their positive potential will not be omitted. Generally speaking, regional disparities restoration in a period of transformation is considered to be a natural and desirable phenomenon. Disappearance of unnatural regional levelling out is happening via spatial redistribution of resources that enables efficient territorial division of labour and thus resource utilisation.

Major socio-economic indicators used for regional disparities monitoring are economic performance (GDP) per capita and unemployment rate. One of the main features of regional disparities in the Czech Republic is Prague dominance in economic performance per capita. There is a huge difference between Prague and other regions in terms of economic performance as well as in other spheres. There is only small divergence among other Czech regions in economic performance, though.

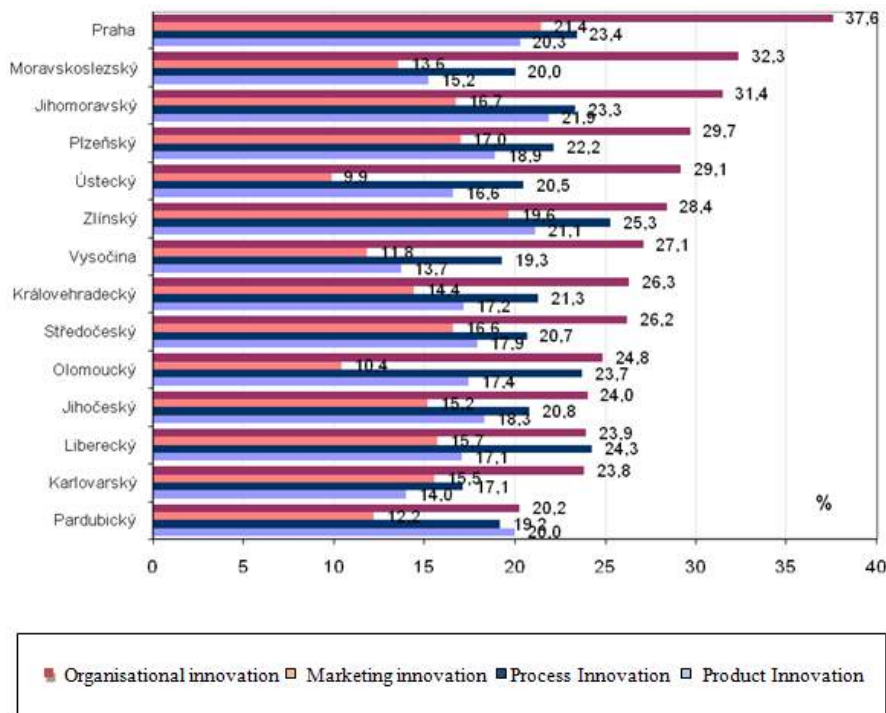
On the contrary, there is an essential diversity among regions as for the rate of unemployment. Thus, solution to this problem appears to be crucial in terms of regional disparities solution. It is given by gravity of consequences of unemployment on individuals' life. There are also noteworthy inequalities in other specific spheres immediately linked to unemployment. Interregional differences in number of job opportunities per a registered job applicant may serve as an example. Long-term unemployment together with youth unemployment is extremely risky phenomenon in terms of economic and social cohesion as well. There is higher potential for social-pathological phenomena (such as criminality, drug use etc.) in regions with higher both long-term unemployment and unemployment of youth up to 25 years in comparison to other regions. In such regions, extremely popular are populist parties and movements, many of which are inconsistent with democratic principles and constitute a threat for political stability. All mentioned factors only reinforce further backwardness of given region. Problems on labour market are caused especially by inadequate capability of workers to respond to labour market changes. There are many causes of inflexibility, e.g. regulated

rents or, high regional adherence, which is typical for the Czech Republic. At the same time, there is a sort of institutional incompetence that does not reflect industries in decline and thus cannot ensure sufficient level of workforce for expanding industries. This trend can be noted in regions that had gone through attenuation of mining, heavy, textile and shoe manufacturing, glass and bijouterie industry. Nevertheless, these regions (Karlovy Vary Region, Ústí nad Labem Region and Moravian Silesian Region) used to be favoured in the past, which implies higher initial economic performance per capita. Currently, they attain fundamentally worse results in terms of economic growth dynamics whereas regions with lower initial level of economic performance per capita have already overtaken them (Hradec Králové, Vysočina, Central Bohemian Region). Prague, South Moravian, Plzeň and Central Bohemian Regions are considered as stable regions in terms of economic performance.

Labour productivity is an important indicator of regional competitiveness as well. It

may be captured via GDP per employee. When evaluating regions according to labour productivity, we may discover fundamental differences not only in its level within given time period, but also in terms of labour productivity growth.

Regions with missing research platform are usually noted for economic backwardness and minimum innovative activity. Yet, development of research institutions in a region does not have to be a guarantee of innovative potential utilization. An incorrect approach to R&D role may be considered as one of the major causes of insufficient involvement of some regions in the realm of innovative activity in the Czech Republic. A model based on exclusivity of research, separating research results from practice has been promoted for a long time. Consequently, only low ratio of R&D results has been usable in practice. Following figure shows interesting dates of innovative activities of enterprises in individual Czech regions (Picture 1).



Picture 1. Fraction of innovating enterprises according to type of innovation and regions (2007).  
Resource: ČSÚ, www.czso.cz

To conclude, not only interregional disparities have been a consequence of a diverse

regional development, but they have arisen from concrete historical, territorial and demo-

graphical conditions. It is obvious that problems do not usually spring up nor end up on the border of a region in question, but they have mostly interregional interaction.

State/government plays an important role in this process when researching regional disparities development in a broader sense, pointing at potential perils, providing information and setting-up eligible legislative framework and conditions for regional government operation and business activities of enterprises.

In a market economy, there is only one lawful reason for direct intervention in favour of economic activities, such as real threat and/or even existence of unacceptable regional social-economic disparities. Knowledge of regions, regional disparities and its development potential is a starting point for a preparation of programme documents relating to regional development and innovative policy.

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