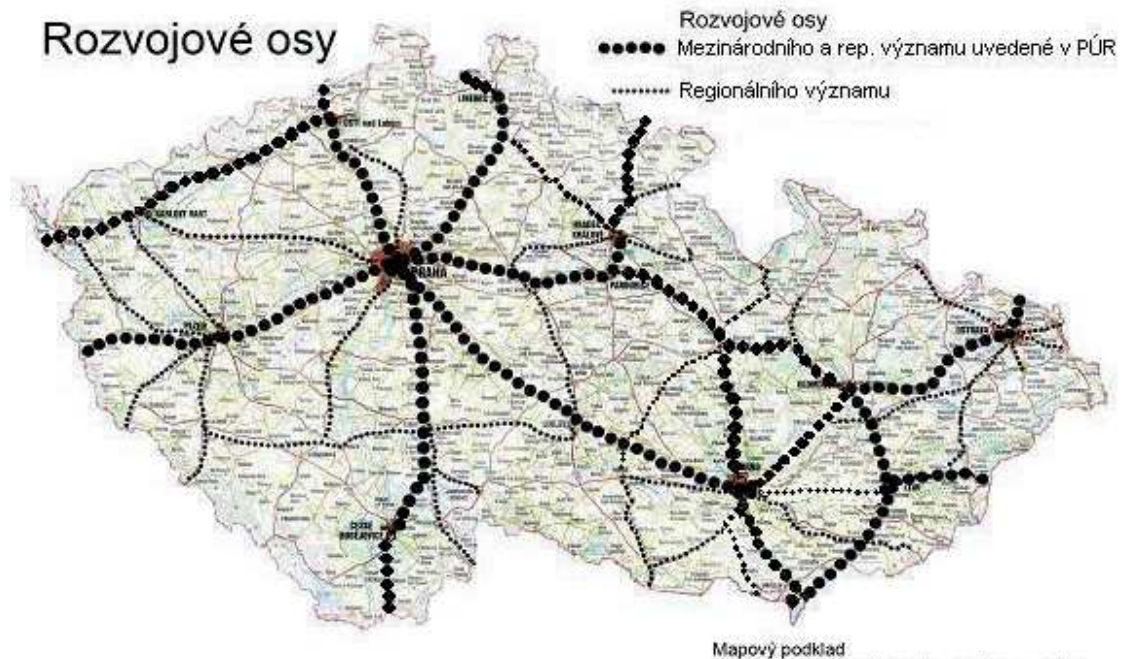


there is the European dimension (decisive role of the policy of economic and social cohesion through European funds), it is still the state who plays a vital role of the regional policy (Dostal; Hampl, 2007).

On January 1 2003, an important change in the organization of territorial administration in the Czechia took place. The offices of multipurpose state administration of 77 districts (see: 1.image) inherited from the former totalitarian regime were abolished. In the associated rescaling process of tasks and competencies, most of numerous administrative hierarchy to specialized administrative departments in selected 205 selfgovernmental municipalities, (so – called municipalities of level III) and some tasks were shifted upwards to administrative offices of 14 regional multipurpose self – governments. After the establishment of municipal multipurpose democratic self – government in 1990 (Dostal; Ilnér; Kara.1992) and multipurpose self – government of the 14 regions in 2000, the 2003 change in the Czech system of administration at the micro- regional level was the last most important reform of the system since 1989. The 205 selected multipurpose self – governmental municipalities have been given delegated administrative tasks with small population (Dostal; Hampl, 2007).

1.1. Differentiated Economic Development in Czech Regions: In Need of Macroeconomic Indicators

The regions without significant development poles or development axes have lower economic performance and face a number of development barriers (Bizek; Beneš; Lizner, 1997), like rural settlement, absence of technical (transport, communications) infrastructure, unfavourable age and education structure of the population and others. These are mainly rural areas. The common problem of rural regions is the lack of job opportunities, insufficient technical infrastructure and level of services and last but not least also the adverse age and educational structure of the population. The existing concept of rural regions reflects the settlement structure rather than the economic performance of the territory. The distance of the region from the main centres of the countries or from large markets has a decisive effect on its development potential. The inaccessibility of regionally disadvantages territories represents a barrier to their development in a similar way in which the central location of the region represents a significant potential.



2. figure. **Development axes of international and national significance shown in the Territorial Development Policy of regional significance (Ministry of Regional development of Czechia, 2010)**

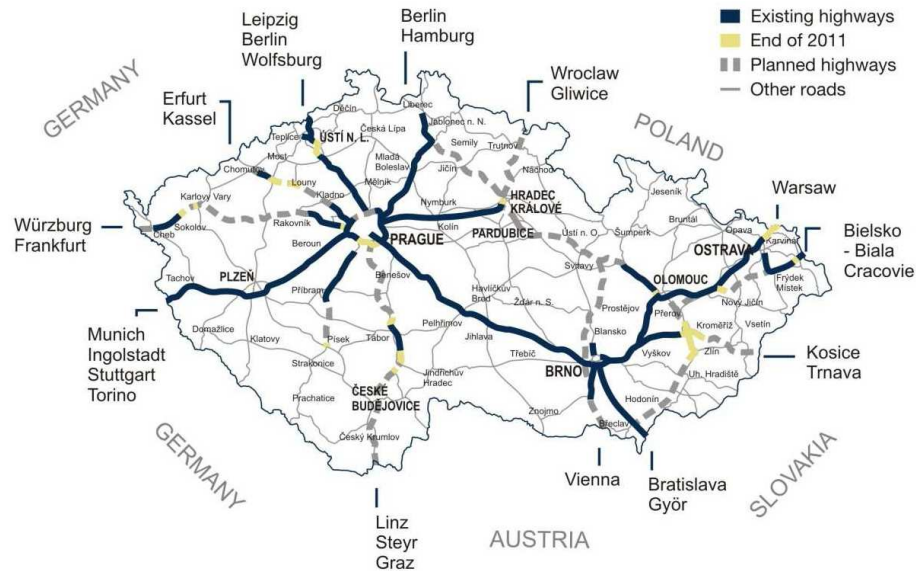
Within the EU, the regional level of NUTS 2 is predominantly used for regional policies (see: 2.image). As the generation process of regional structures in the Czechia, implemented in 1997, was not fully coinciding with the recommendations of the European Commission, it was the Regions that became the basis for regional policy, as such not entirely corresponding to European standards. Especially the regional macroeconomic indicators are highly exigent today (Postranecky, 2010).

1.2. Structure and Industry in Czechia

About 90% of Czech industry is manufacturing, in the more detailed classification the largest share of industry is accounted for by the manufacture of motor vehicles (approximately 20%) (see: 2.figure). It is followed by the manufacture of food and metal products, electrical equipment, and electric power industry. The classification is somewhat misleading as the manufacture of computers, which has achieved almost a magic 1000% since the beginning of the millennium. The share of this segment is small, in the order of this segment is small, in the order of units of per cent, but has been steadily increasing. The year 2009 brought a 13,4% fall in industry. The car industry fell from the (Brožka 2010,) beginning of 2008 to its bottom by some 40%, but now finds itself about 10% below the peak. The highly cyclic character of car industry development is well known, and thus also a risk for the Czech economy. Of course, such a quick return to “mere” 10% below the peak would be puzzling if the demand for cars was not boosted by the effect of the scrap page premium

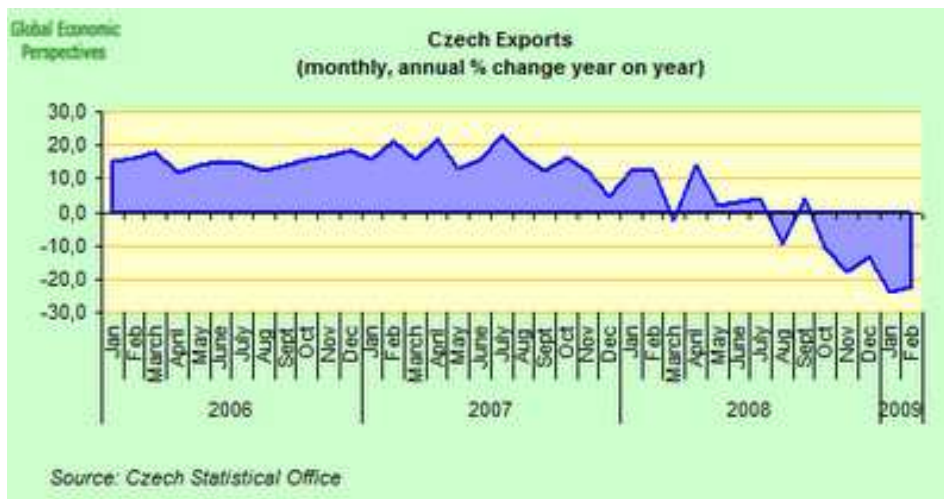
for the purchase of a new car while scrapping an old one in countries of the area, especially Germany (Brožka, 2010, 8).

1.3.Changes in Transportation Linkages and the Impact on Transportation Infrastructure



3.figure. Road and Motorway Directorate of the Czech Republic, 2009; CzechInvest 2009 (Ministry of Regional development of Czechia, 2010)

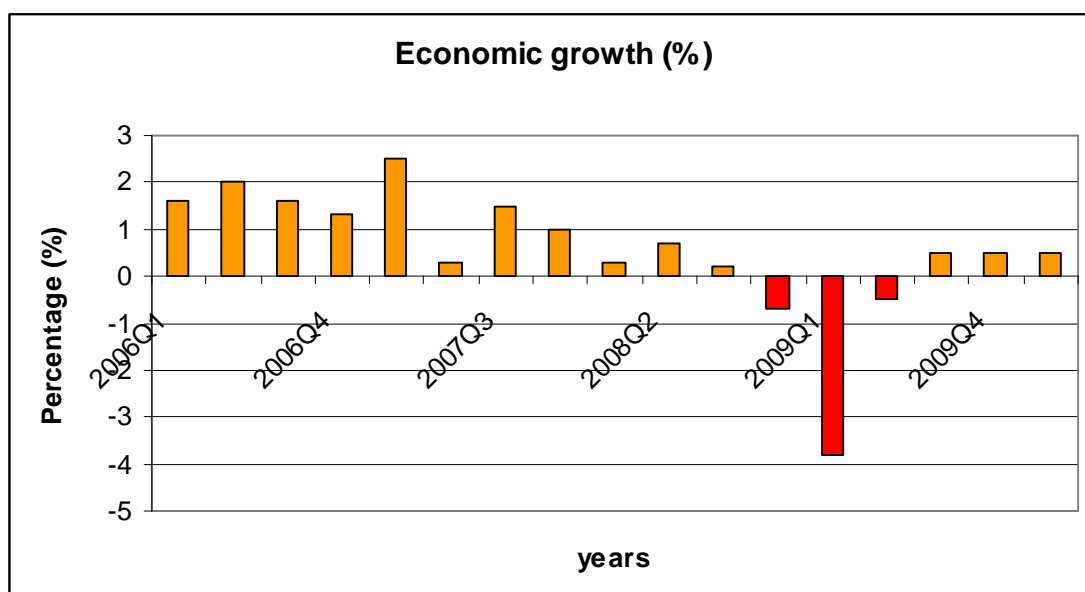
The social and economic changes after 1990 have had significant impact on the development of the structures of transportation. Administrative obstacles have been removed and border crossing is almost unlimited but by the quality of the infrastructure or, in some places, environmental aspects (see: 3.image). Economic structures have also been heavily changed, with increasing orientation on services. Many a production branch has disappeared, being redundant or not competitive. A substantial part of the transportation business is generated by consumption. The subject of this contribution is mainly the changes in the infrastructure and its development as related to Czechia neighboring countries.



4.figure. Czech Exports – change year on year (Czech Republic economy watch, 2009)

Czech external trade was down again in February, with exports and imports falling by 22.2% and 21.5% year-on-year respectively. The trade balance was in surplus (by CZK 8.7 bn), down by CZK 4.3 bn (or around a third) year-on-year. The trade balance was negatively affected by a fall of CZK 5.8 bn in the machinery and transport equipment surplus. Seasonally adjusted exports were down by 0.9% and imports by 2.9%, month-on-month (see: 5.image). Due to the depreciation of the koruna against the two major currencies, external trade decreased at a more rapid pace when measured in euros (exports -30.6%, imports -30.0%) and in US dollars (exports -39.8%, imports -39.3%), although it should be remembered that February 2008 had one working day more than February 2009.

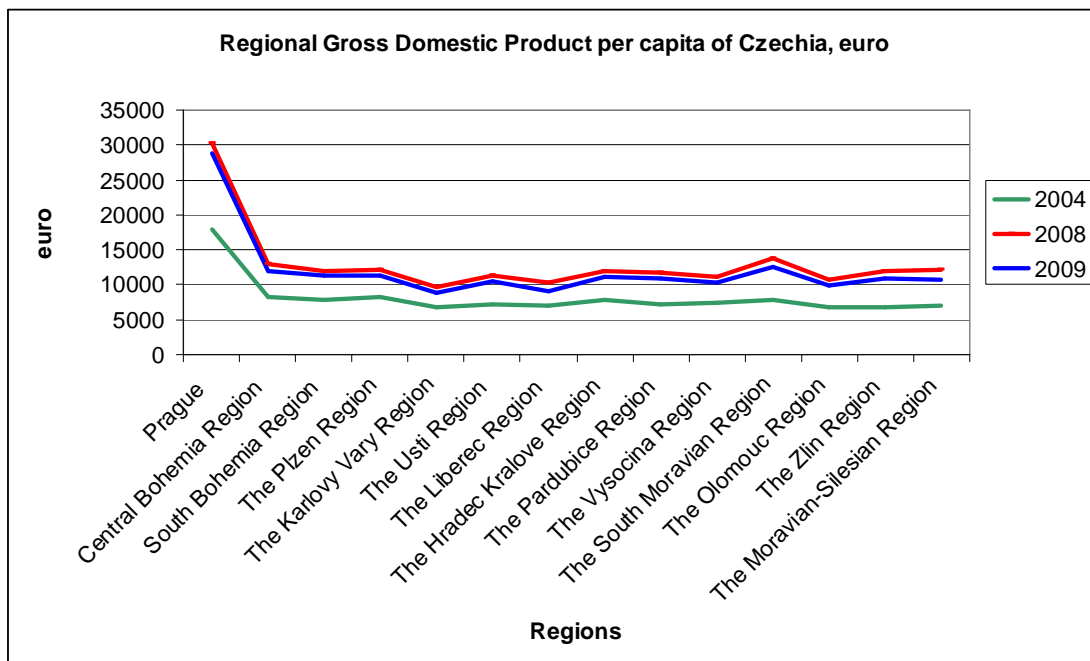
2. Global economical crisis – changes and condition in Czechia



8.figure. Economic growth in Czechia (Dufek 2010, 23)

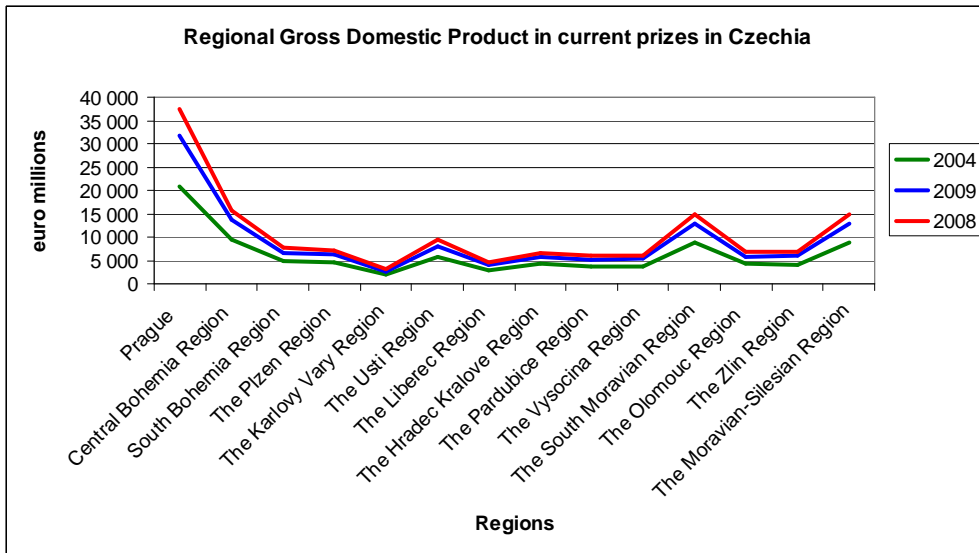
As in most of the EU countries, the Czech economy experienced a strong recession in 2009. GDP declined by 4,1% over the year, but economic indicators showed a turn for the better from the third quarter. In the quarter – on – quarter comparison, GDP began a continual rise of 0,5%, which continued at the restored economic growth was the export – oriented industry, which initially benefited from the car scrappage incentive introduced in several EU countries. The Czech economy thus returned to the trend of growth, which will not be rapid at first, but will most likely be higher in comparison with the „old” EU countries (see: 8.figure).

The growth of the Czech economy remained at 0,5% at the beginning of 2010, ceased to be in the red and rose by 1,1% in the year – on – year comparison. In real terms, the export of goods and services showed a year on year rise almost 13%, and imports to the Czechia only 10,7% (Dufek 2010, 32). Exports profited primarily from the increasing demand for automobiles on the European market, which was confirmed by a rise of almost 27% in automobile exports. There was, of course, the effect of the low statistical basis at the beginning of 2009 which improved the year – on – year comparison, but even so the export of road vehicles was above the average.



9.figure. Regional Gross Domestic Product per capita of Czechia in euros (ČSU,2009)

Regional GDP per capita is highest in Prague. GDP is highest in Prague traditionally because Prague is capital city and in Prague have many investments. If we compare GDP of 2004 and 2008 we can see great difference between these years. In 2004 was 20758 euros, but in 2008 was 37176 euros. The difference is approximately 17 000 euros. The lowest GDP per capita in Czechia was in Liberec region 2969 euros in 2004 but in 2008 was 4501 euros (see: 9.figure).

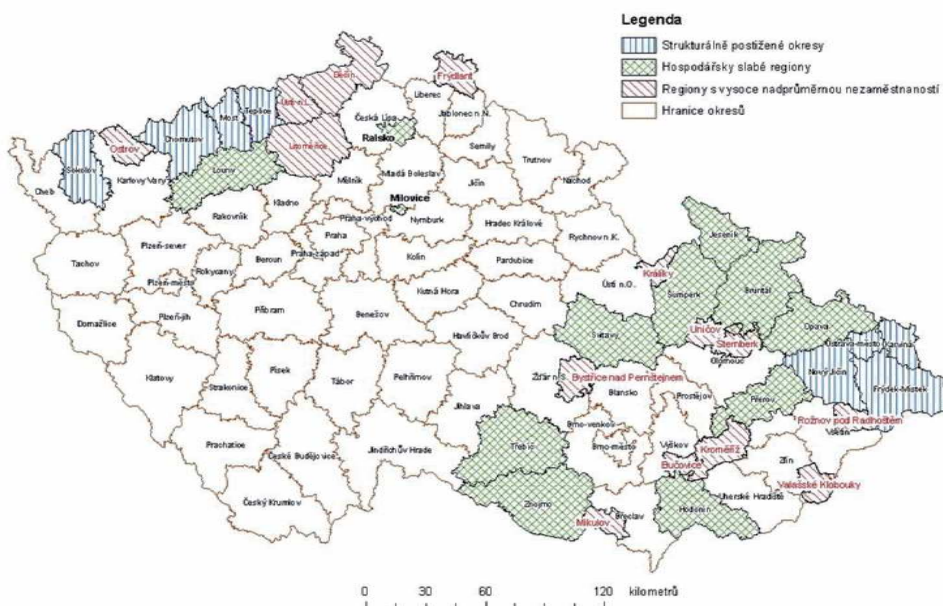


10.figure. Regional Gross Domestic Product in current prizes of Czechia in euros (ČSU,2009)

Conversely, in Czech Republic, where Prague is a separate autonomous region, the city has been designated as the NUTS 2 region, which among other things related to the fact that the overall average size of NUTS 2 regions is in the Czech Rep. at the lower limit of compulsory framework in the EU and vice versa at the NUTS 3 regional units size is close to the upper limit of appropriate framework for NUTS 3. From the above, the Czech regions NUTS 2 are in the size more similar to European NUTS 3 regions, which is one of the causes of the extraordinary position of Prague in the EU comparison of NUTS 2 regions (see: 10.image).

3. Development processes in Czechia

Vymezení regionů se soustředěnou podporou státu



11.figure. Regions with concentrated state support (Ministry of Regional development of Czechia, 2010)

LEGEND: Structurally affected, economically weak, high unemployment

Looking to the third cartogram we can deduce, that structurally affected districts are Sokolov, Chomutov, Most, Teplice. These districts are bordered with Germany. These districts are included in Ustecky region and Karlovarsky region. Other districts are in Moravsko-Slezsky region. These districts are Frydek-Mistek, Karvina, Novy – Jičín and Ostrava-mešto (see: 11.figure).

Like in the period prior to 2006, the defined regions include territorial areas of 21 districts and of municipalities with extended powers with the total area equal to 29.4% of the territory of the Czechia and with 31.9% of the total population of the Czechia. Based on the evaluation of the current situation of the regions in the Czechia, on the objectives of the EU and the Czechia for the programming period of 2007 – 2013 and on the availability of indicators: the regions on which the concentrated state aid will be focused have been defined on the basis of the above indicators only in a single form, i.e. the data regarding structurally affected regions and regions with excessively high unemployment rate were not calculated separately, because the impacts of the basic structural changes in the regions and the high unemployment rate are sufficiently taken care of in the current algorithm used in the calculation and can be affected significantly by weight.

3.1. Inflation in Czechia

2010 year was for Czechia retaining its reputation of a low – inflation economy. The rate of inflation remained below 1% in the first quarter in spite of „price deregulation” and increase in some excises. The demand inflation has vanished, and so consumer prices are influenced only by cost factors such as the raw material prices on world market, and, last but not least, the exchange rate. Due to the low inflation, which is markedly below the target of the central bank, the official interest rates of the Czech National Bank are at historical minimums. The main interest rates of the Czech National Bank is one quarter of a percentage point below the main rate of the Central European Central Bank. Inflation prospects are already indicating that the period of low interest rates will last at least to the end 2010. And so, low interest rates will continue to help a more rapid revival of the economy.

3.2. Investment process of Czechia in 2009

Investment also remains low. No revival followed the decline of 9,2% in 2009 and investment dropped by 6,6% in the first quarter of 2010. Investment into the construction of commercial real estate is now joining machinery, transport equipment, and residential real

estate in the red. Low investment is also connected with the recession, which caused an increase in the share of unused manufacturing, storage, and other capacities. And so it was largely a matter of cyclic development rather than „a burst of a bubble” as was the case of the US real estate market (Sochor 2010, 234). Nevertheless, an increase in the use of manufacturing capacities is becoming apparent. The manufacturing industry in particular indicates that most branches of the imaginary bottom. Thanks to foreign and domestic demand, industrial enterprises are gradually adding orders to their lists. The most evident examples are the results of the electrical engineering and automobile industries. The improvement also applies to the manufacture of the electrical engineering and automobile industries. The improvement also applies to the manufacture of basic metals, which is still feeling the reduction in domestic and foreign investment.

Economic indicators are showing that a large part of the Czech economy is gradually making up for last year's losses in production. Despite this, the beginning of the next wave of investment will

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