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## INTRODUCTION

Institute of International Business at the Faculty of Economics of the University of Gdańsk has prepared serial number of their Working Papers. The 22<sup>nd</sup> edition of Working Papers contains the results of the research on transition processes in Central and Eastern European countries and on different aspects of globalisation process in the world economy.

This publication comprises 46 papers which are based on research work carried out by staff members and graduates of the Institute of International Business as well as researchers working in other Polish and foreign universities, co-operating with the Institute. The papers presents findings and opinions of researchers from Kussip (Moscow State Institute of International Relations – MGIMO), Lithuania (Kaunas University of Technology, Vilnius Gediminas Technical University), Germany (Hochschule Bremen), Slovakia (University of Žilina) and, of course, Poland.

- The publication consists of five parts:
- Economic Development and the Problems of Transition Processes in Central and Eastern European Countries,
  - Challenges Facing the Central and Eastern European Region in the Framework of Integration Processes in Europe. Problems of the EU Co-operation,
  - Transnational Corporations in Central and Eastern Europe. Activities of Companies Located in the Region Toward Foreign Markets,
  - Financial Markets in Central and Eastern Europe,
  - Other Aspects of Globalization in the World Economy at the Beginning of the 21 Century.

We hope that readers in Poland as well as in other countries will receive this book with interest and find the information useful.

We wish you pleasant reading.

LEONAS ŽITKUS, NERINGA CEPAITIENE  
KAUNAS UNIVERSITY OF TECHNOLOGY

## THE EU REGIONAL POLICY IN LITHUANIA: PERSPECTIVES AND LESSONS FROM PRACTICE OF THE FINANCIAL SUPPORT

### Introduction

The European Union Structural support for the economy of Lithuania is considered not only from the positive point of view. It is acknowledged that the allocations, amounting 4-5% of GDP is a significant support for economic growth, enhancement of competitiveness of the economy, it's specific branches as well as enterprises, and improvement of the living standards in the country. However at the same time there are also negative outcomes of the support observed, namely the relevant stimulant impact on increasing development rate differences between micro-regions of Lithuania.

Awareness of the problems of development inequalities and the increasing gaps between the micro-regions has been present since long ago and not in Lithuania alone. Regional development differences between the most advanced and the less developed territories are gradually increasing in most of the Western European countries as well, in spite of the much deeper traditions of national regional policies in the countries.

Recently the most significant support for the country regions is provided according to the Objective 1 programme, investments of which for separate spheres surpass the previous investment rates even a few times. On the other hand it is important to note that the whole Lithuania is considered to be a single region from the point of view of the EU Regional Policy. Therefore problems of the inner development inequalities are not addressed directly by the aims of the EU structural funds. Also preparing the Single Programming Document (2003) there remained essential problems unsolved: how could the most perspective new branches of economy, expected to become the main driving forces of Lithuania's economy in the future, be stimulated, and how could be more equal social and economic development in the whole territory of the country achieved. Another issue is that the recent substructure of economy relies on enterprises, operating in the biggest towns of Lithuania, having appropriate resources for their activities:

Regional dimension of the structural support of the recent programming period was weak also because the national regional policy of Lithuania is possibly the youngest part of the public policy, which had insufficient political attention paid and limited administrative capacity for planning and implementation.

The revealed shortcomings in no way mean that the EU financial support is by itself the cause of the increasing inequalities of Lithuania's regions. More apparently it is a catalyst of the growing regional disproportions, impact of which can be softened or eliminated by certain means of managerial character: appropriate planning and administration of distribution of the financial resources.

- The aims of the research are:
- to reveal the absorption disproportions of the EU structural allocations;
  - to indicate the distortions of natural regional development caused by the support;
  - to assess guidelines for avoiding such negative outcomes in the future.

The article relies on legal acts of the EU and Lithuania, statements of scientists, analysis of expert evaluations as well as experience of the authors, acquired assessing the potential and needs of Lithuania's economy in relation to Cohesion policy co-financing in 2007-2013, and specifically the future Convergence objective. The study provided conclusions and recommendations for Lithuania on the main dimensions of Cohesion policy strategy building.

### Regional and Urban patterns of Lithuania

There average number of inhabitants in 2005 was 3.41 million whereas the population density at the beginning of 2005 was 52.5 inhabitants per 1 km<sup>2</sup> (54.4 in 1996). The citizens are unevenly distributed: rural parts of the territory as a rule are sparsely populated, whereas the areas surrounding the capital and other biggest cities as well as the coastal area part of the region have higher population densities. As the capital of the country is located far inland, priority for location of capital, reflected in actual investment and infrastructure policies, is tended to be given for the "Vilnius-Kaunas-Klaipeda corridor", and that explains the encompassing certain concentration of population. Nevertheless on an international scale differences in population concentration are not very significant and could be considered as quite balanced.

Before 1990, approximately 5% of the total population changed its place of residence annually. For a long time there was a fairly stable migration of people from the countryside to cities, and from smaller towns to larger industrial centres. This resulted in a decrease of rural, and increase in urban, populations. However, the situation has changed crucially since 1990. First, the proportion of those who changed their place of residence annually fell to approximately 2.5% of the total population. Secondly, the migration flows rural-urban and urban-urban have no longer dominated internal migration since 1992.



Moreover, in the last few years, there has been a noticeable increase in the rural population due to migration (from 48.62% in 1996 up till 50.14% in 2005). In particular, the number of young rural migrants has decreased: in 1994, almost three and a half times fewer young people moved to urban areas than in the early 1990s and the tendency remained there on. The impact of these facts was twofold. On the one hand, it may increase a proportion of youth in agricultural enterprises, and this prevents an ageing of the rural population. On the other, the young people leaving the rural areas to the level of education prevalent among farmers may contribute to the development of the rural areas.

The EU regional policy in Lithuania is implemented through the territorial reform of the territorial administrative units, and Lithuania was reorganized into ten apskritis (counties). Further reforms have resulted in the emergence of three levels of country regions, corresponding to the NUTS levels of the EU regional classification. In May 2001 Government of the Republic of Lithuania adopted the Resolution No. 569 on Introduction of the European System of national Accounts which provides for that a regional classification corresponding to the NUTS principles is introduced and applied in Lithuania. It says that that the following equivalents to the levels of the EU Territorial Statistical Units Nomenclature for international comparisons of economic and social indicators in accordance with the territorial distribution should be applied:

- NUTS I and II level - the whole country;
- NUTS III level - counties (apskritis);
- NUTS IV level - municipalities (savivaldybes);
- NUTS V level - neighbourhoods (seniunijos).

Currently, the NUTS level 3 covers 10 counties, level 4 includes 60 municipalities, and level 5 comprises 446 neighbourhoods. The formation principles of the Lithuanian statistical regions in principle comply with the EU criteria, however some of the scholars complain by now that the recent regional division of the country is inefficient and needs to be revised.

To summarize the above, we conclude that Lithuania, being a comparatively small country, is still of quite diverse urban and rural characteristics, starting from natural site features and ending with current spatial characteristics. Though the proportion of the urban-rural population in counties demonstrates comparatively even distribution of the population, there are 3 counties with an above average urban population (Vilnius, Kaunas, Klaipeda), as well as 3 counties with an above rural population and 4 counties with about average. Comparing to the other two Baltic States (Latvia and Estonia) Lithuania's urban structure is more balanced and regional differences in population concentration are less significant. Comparatively even distribution of the population is considered by the Government to be an important strength of Lithuania. It provides a sound basis for sustainability of regions and rural communities. However the anxiety is caused not by the current urban and rural characteristics, but by the main tendency of growing socioeconomic disparities.

GDP per capita growth in Lithuania, as the main indicator, reflecting the level of regional economic development, has been relatively strong since 1994, apart from a slight slowdown in 1999. The highest annual real growth rate was witnessed in 2003

EU25 average, increasing to 48% by 2004. According to different forecasts, at the current rate of catch up it would take some 20 to 25 years for Lithuania to reach the current EU15 GDP per capita average.

However internal differences in GDP per capita and growth rates in the same period have increased. In 1995-2004 Vilnius county's share of national GDP grew from 28.3% to 35.6% (see figure 1). In the same period, the GDP per capita differential between the richest (Vilnius) county and the poorest (Taurage) grew by a multiple of 4.6. As a general rule, those counties that are lagging behind also have the highest unemployment rates.

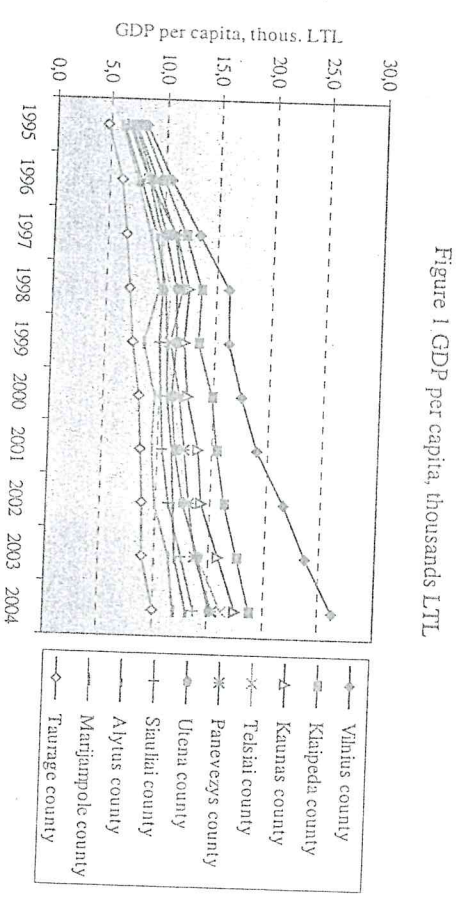


Figure 1 GDP per capita, thousands LTL

Source: Regional Database, Lithuanian Department of Statistics, 2006.

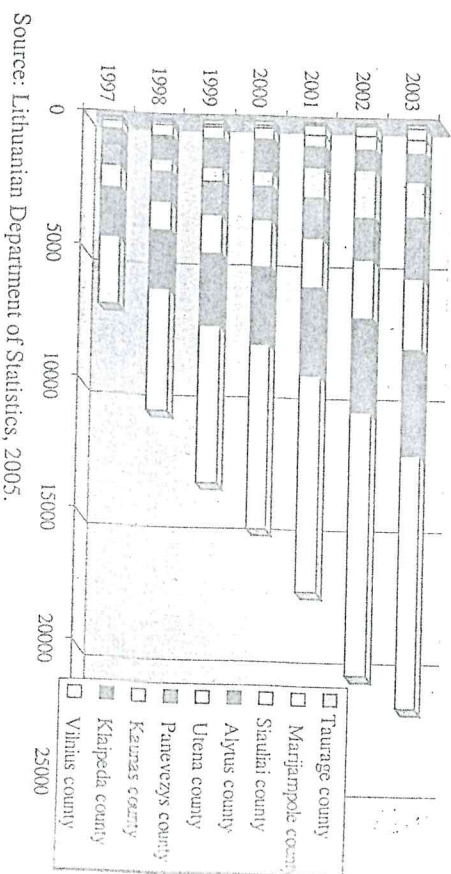
Unemployment rose between 1993 and 2000, with the exception of 1996-1997. The hardest hit areas were the industrial regions where unemployment has reached as high as 27%. The lowest unemployment rates were witnessed in the major cities (9.2%). Increased out-migration coupled with rising employment rates have put downward pressure on unemployment. At the end of 2004, unemployment was at its lowest point in recent years at 10.6%. In 2003, the unemployment rate of the 15-24 age group was 24.8%, dropping to 22.5% by 2004, mainly due to out-migration. Because of the decreased labour supply, especially among young highly educated specialists, employment opportunities for the latter have increased. This trend is mainly evident in urban regions given the better training opportunities for the jobless. This in turn increases the disparities between urban and rural areas.

With the removal of barriers to the free movement of capital and increased international cooperation, foreign direct investment has become an increasingly important source of growth for the Lithuanian economy. The greatest share of investment goes to the major cities and surrounding areas. The capital absorbed some 57.8% of total FDI in 2003, and its per capita rate was 3.6 times higher than the respective figure for the country as a whole.



ranked 5th in terms of FDI per capita), followed by the seaport city Klaipėda (the third largest city in Lithuania) with 8.1% (and the second most attractive for FDI in per capita terms) of total FDI (see figure 2). The direct benefits to the remaining areas in Lithuania has been minimal or non-existent. Thus, whilst foreign direct investment provides an important stimulus to economic growth, it also contributes to the widening of regional disparities between rural and urban areas.

Figure 2 Foreign direct investment per capita in Counties of Lithuania 1997 – 2003 (LTL)



Source: Lithuanian Department of Statistics, 2005.

Membership in the EU has provided Lithuania with new perspectives for economic and social development to faster achieve the living standards of the recent EU member countries; however it also demands additional efforts from the side of authorities in order to ensure favourable political and legal environment for economic acceleration means. Lithuanian Government believes that the rational national planning process and its continuous improvement is one of the most important factors determining successful economic development of the country. In addition to the multi-annual budgetary planning implemented in Lithuania, these processes will give the experience essential in future when managing wide scale support from the Structural Funds and ensuring that the latter is absorbed properly to guarantee maximum positive effect on further and more rapid development of Lithuanian economy.

### Deepening Regional Development Inequalities in 2004-2006

The Regional Development Law of the Republic of Lithuania<sup>1</sup> presently in force regards the policy of national regional development as its regulation object. In the primary edition of this Law the statements and instruments of the EU regional policy (the structural funds) were subjected to very strict regulation framework. This provision resulting from insufficient knowledge of the support receivers and frequent variations in the attitudes of the European Commission was changed in the late 2002. With the adoption of the amendments in the Regional Development Law the very conception of the Lithuanian regional development has dramatically changed.

According to the present edition of the Regional Development Law, the object of the Lithuanian regional policy is to minimize social and economic differences between and within the region as well as to promote the consistent and sustainable growth. The main document, on the contents of which the allocation of investment funds depend, is the Single Programming Document (SPD). This is a medium-term document approved by the European Commission. Prior to the approval of this document, the plan presented by Lithuania was reviewed with the strategy of funds and state activities as well as priorities, specific tasks, contribution of funds and other financial means. This document is divided into priorities and is to be implemented through the annex of the programme which contains comprehensive information about the implementation measures.<sup>2</sup>

The Lithuanian SDP contains the national strategic plan for social and economic development for 2004 – 2006. The document facilitates implementation of the priorities of distributing EU structural funds (table 1).

Table 1 EU Structural Funds Allocated for Lithuania

Priority	Total EUR millions	Including
Priority 1 – Development of social and economic infrastructure	458.2	EUR 347.0 million from ERDF
Priority 2 – Development of human resources	216.7	EUR 163.8 million from ECF
Priority 3 – Development of production sector	319.5	EUR 222.4 million from ERDF
Priority 4 – Development of Rural Areas and Fishery	195.9	EUR 122.9 million from EAGGF and EUR 1.2 million from FIFG
Priority 5 – Technical support	35.8	EUR 14.4 million from ERDF and EUR 12.4 million from ECF

Source: The Ministry of Finance of the Republic of Lithuania.

<sup>1</sup>The Law on Regional Development of the Republic of Lithuania (2002). Valstybes Zinios, 123–5558.



In the level of Lithuanian regions the "Regional Development of the Lithuania Republic Programme" designed according to the Government's resolution "On the Regional Development Programme of the Lithuanian Republic and its Implementation measures for 2003 – 2005"<sup>3</sup> was the basic document managing the support. In realizing the provisions of the above-mentioned programme the development plans for all 10 countries were prepared and updated. Based on the fixed criteria, the priority for financial support should be provided for the countries which meet the criteria of problematic territories<sup>4</sup>.

Table 2 The Number of the Prepared Applications Consistent with the LR Regional Development Programme, According to the Lithuanian SPD Measures of 2004 – 2006

COUNTY	Alytus	Kaunas	Klaipeda	Marijampole	Panevezy	Siauliai	Taurage	Telsiai	Utena	Vilnius	Subtotal
Measure 1.1. Availability of transport infrastructure and improvement of service quality	3	5	2	4	4	1	3	5	1	5	33
Measure 1.2. Ensuring power supply stability, availability and higher efficiency of power	4	7	4	6	8	8	4	3	2	7	53
Measure 1.3. Improving environment quality and prevention of environment damage					2	4				1	11
Measure 1.4. Restructuring and modernization of health care institutions		1				1				1	3
Measure 1.5. Development of infrastructure of labour market, education, vocational training, research and tuition institutions and social services (in addition to the measures promoted by the ESP)	1		2		1	1	1		2	1	9
Measure 3.2. Improvement of business environment										1	1
Measure 3.3. Development of IT services and infrastructure						2				1	3
Measure 3.4. Public infrastructure of tourism industry and services	6	1	5	3	4	1	3	1	4	2	30
Measure 4.4. Promotion of rural adaptation and development	2										2
Total	16	14	13	13	19	18	11	10	10	21	145

Source: The Ministry of the Interior of the Republic of Lithuania.

It was here that the lack of integrity of Lithuanian and EU regional policies became evident. As can be seen from the information of the table 1, the direct objects of the Lithuanian regional policy among the priorities of SPD are non-existent. It was and still

<sup>3</sup> Government of the Republic of Lithuania, *The Decision on Regional Development Programme and the Implementing Measures for 2003 – 2005*. *Valstybes Zinios*, No: 117-5385, Vilnius 2002.

<sup>4</sup> Government of the Republic of Lithuania, *The Decision on Regional Development Programme and the Implementing Measures for 2003 – 2005*. *Valstybes Zinios*, No: 117-5385, Vilnius 2002.

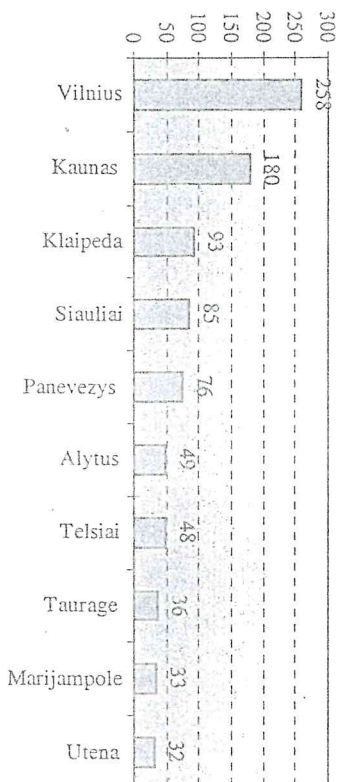
is believed that they will be implemented through the measures of the established priorities. The funds, therefore, were allocated and directed not to the regions that meet the criteria of the Problematic territories. The municipalities and counties have submitted to the Regional Policy Department of the Ministry of Interior the summaries of 375 projects for the preparation of project documentation to obtain financial support from the EU structural and accession funds.

The main priority projects according to the measures highlighted in the regional development plans were submitted to the experts for preparation of the draft documentation. 145 proposals out of the ones presented for further consideration were selected (table 2).

The information in table 2 shows that the majority of projects is implemented in the regions of large cities rather than in the counties of Utena, Telsiai or Taurage with the greatest number of problematic territories. The reasons of this situation are considered to be the lack of potential in the relatively backward regions and corruption<sup>5</sup>.

The concentration of funds in the regions of large cities has been observed at other angles, in analysing the allocation of EU financial support. For example, the Lithuanian Business Development Agency is administering the projects in the framework of measures 1.2. (Ensuring power supply stability, availability and higher efficiency of power), 3.1. (Direct business support), 3.2. (Tourism public infrastructure and services). According to the Agency's data, the businessmen of Vilnius and Kaunas demonstrated the greatest activity (figure 3).

Figure 3 Number of applications for draft measures administered by the Lithuanian Business Development Agency until 01.06.2005



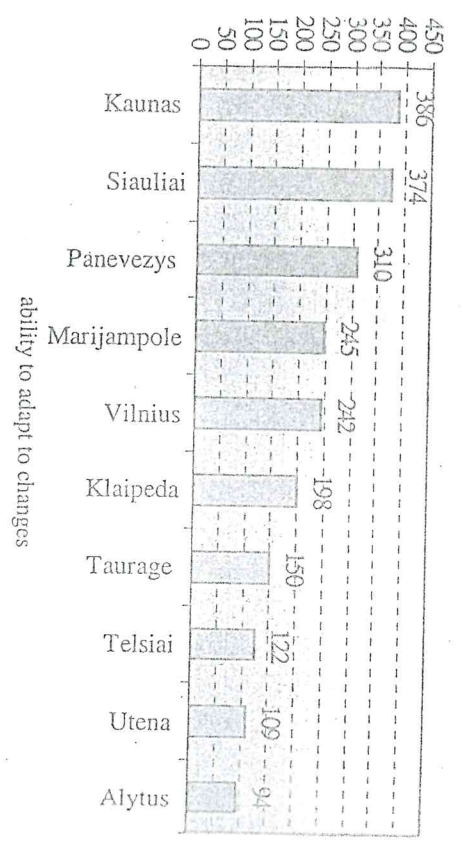
Source: The Ministry of Finance of the Republic of Lithuania.

Distribution of projects related to the priority of human resources development has been observed as inadequate (figure 4). The number of submitted applications in the region of the capital exceeds the number of those in the remaining regions.

<sup>5</sup> Tjunnaitiene, *Regional Sustainable Development in the Context of European Development*, Vilnius 2002.



Figure 4 Distribution of applications for the project of development of labour competence and ability to adapt to changes



Source: The Ministry of Finance of the Republic of Lithuania.

Even the projects designed for the implementation of measures of priority 4 (Rural and fishery development) have been submitted by the economy subjects of the counties of larger cities (figure 5).

Figure 5 Distribution of project applications designed for the measures of rural and fishery development until 31.12.2005



Source: The Ministry of Finance of the Republic of Lithuania.

### Criticism of financial support as a measure for regional policy realization

The data presented in the second part of the article reveal only a portion of the problems resulting from the realization of regional policy (both of EU and national), apart from ongoing irregular regional development, the distortion of economic functioning is also related to the regional policy.

Supply support. Some experts clearly state that financial support from the EU structural funds is not a panacea for Lithuania<sup>6</sup>, because businesses which are funded are forced to allot much capital for the preparation and administration of projects or adaptation of business to the requirements. As a matter of fact, the efforts made to obtain EU financial support lead to breaking away from the consumers' needs, both quantitatively and qualitatively. The author mentioned gives the example of the construction of water park in Druskininkai which is granted 50 mln. Lt from the EU structural funds. Taking into consideration the demand for this object (from the users' point of view) several points not in favour of this object can be made.

1. Druskininkai is not a big city, therefore, even the patients coming to the sanatoria and nursing homes together with the local people will not ensure full functioning of such a big object.
2. The flow of visitors from Vilnius is not likely to be sufficient because of a similar building under construction in the capital.
3. Residents of Kaunas city are likely to make a choice in favour of Vilnius due to smaller distance and better communication service.
4. For Byelorussian inhabitants this entertainment object is actually not accessible because of visas and relatively high prices.
5. Polish citizens might not be willing to come because of cross-border procedures or the need to exchange currency. Besides, the borderline regions (Polish and Byelorussian) are not densely populated.

This is certainly a "black" scenario but possible, in which case the new water park might bring not only new entertainment, but also the demand for new subsidies to maintain it. This anticipation is backed by the fact that the consortium engaged in the construction of the entertainment centre in Vilnius after assessing its needs analysis found it necessary to ensure subsidizing from the city's budget.

At the moment the effects of unreasonable support of the demand are cautiously showing. For example, meat packing plants constructed by using the funds of pre-accession support SAPARD are operating at the capacity of only 45%. The main reason is that the market conjuncture was underestimated and that the focus was on how to get financing rather than its efficiency. The expenditure of the project preparation, therefore, could have been directed to search the ways how to better meet the consumers' needs.

<sup>6</sup> Simasius, Less money from the European Union - Perspectives, p. 11.



**Distortion of Competition.** It is argued that the financial support granted in the framework of the EU regional policy does not distort competition in the same way as in a single market. However, a certain double-dealing of opinions has been observed: on the one hand, the actions of the Commission are directed to avoid competition with the regions "beyond your neighbour" by applying various measures of financial support; on the other hand, such measures are permitted as long as they help to tackle major social problems.

In the old member-states of the EU, regional financial aid both within the ERF and nationally is of a horizontal character, i.e., it is directed towards the creation of innovations, research, environment and consumer safety, usage of local power sources, development of human resources, etc. The portion of the whole regional aid amounts to 70% in Belgium, 90% in Denmark, 82% in the Netherlands, 70% in Portugal<sup>7</sup>.

Measure 3.1. (Direct support to business) of the Lithuanian General Programming Document is designed to promote vitality and competitiveness of businesses, to enhance productivity and adjust the structure of production and export of goods and services to the EU structure. Actually this means a direct investment into business to promote the establishment of new businesses and ensure their survival. Here, such situations can be considered as natural: suppose, a person is planning to start a small business of selling tourism near a beautiful lake. Suddenly a huge tourism complex emerges in the vicinity partly financed by the EU structural funds. With such balance of forces, the end of the competition is clear. The same applies to other investments in the agriculture sector.

Over those getting no funding. The bankruptcies of meat packing plants today are a result of such funding. What is more, this anticompetitive funding comes not only from the EU. Local budget which gets its revenue not from Britain or Germany, but, rather, from Lithuanian taxpayers also contributes its portion to this, though indirectly<sup>8</sup>.

"Battle without a winner" effect. It has been recently discovered that regional policy in general and financial support especially hinders natural regional development reflecting human needs. Regional policy is that it becomes a stimulating block for people willing to move to other places in the hope of better living conditions. This is how the illusion of the right and the possibility to live anywhere and enjoy the best living conditions is created. This, if it happened, could destroy regional advantages as the main factor of development. The experts say that if comparative advantages in regions are prevented from becoming evident, the short-term, artificial centres are likely to be set up which will eventually be ruined or will have to be rescued at a high cost<sup>9</sup>.

<sup>7</sup> K. Gawlikowska-Hueckel, *Procesy rozwoju regionalnego w Unii Europejskiej. Konwergencja czy polaryzacja*, Wydawnictwo Uniwersytetu Gdańskiego, Gdańsk 2002.

<sup>8</sup> Ibidem.

<sup>9</sup> R. Sinastius, *What is the Regional Policy Needed For?*, Commentary of the vicepresident of Lithuanian Free Market Institute Delfi News, 22/03/2004. Version current [http://www.delfi.lt/ArchivVeAntricia\\_nhs?id=20040322004](http://www.delfi.lt/ArchivVeAntricia_nhs?id=20040322004).

## The ways to solve the problem of even regional development

The problems mentioned in the 2nd and 3rd chapter lead to the re-consideration or implementation principles of the EU regional policy measures. Currently, the preparation for the new programming period of 2007 – 2013 is in progress. According to the landmarks outlined by the EU Council, every country is obliged to prepare the National Strategic Reference Framework document which should provide strategic areas through provided priorities, the mechanical lists of operational programmes for structural funds management with the funds demand from every structural fund.

The National Strategic document is worked out with reference to the landmarks of Community Strategy which highlight the aim to ensure the transfer of Community priorities to national programmes and their consistency with the national needs. The strategic landmarks of the Community clearly indicate the aim to balance development and cohesion. The transfer of the latter provision to the level of the Lithuanian national regional policy would ensure the elimination of disproportions in the regional development by making use of the financial aid from the EU structural funds.

The move started in 2004. The Government of the Lithuanian Republic requested the evaluation of the effect of the EU structural funds projects in 2007–2013 which alongside with other aspects analysed the effect of the EU funds on the realization of the Lithuanian regional policy. This analysis highlighted the hazardous effect of growing uneven development on general development of the country at large<sup>10</sup>.

The main statements of the study in the context of the analysed problem are the following:

- Greater attention should be devoted to the involvement of regional administration into the management process of EU structural funds. This is very important for the implementation of national regional policy in using EU funds and decentralization of this support.
- Currently there might emerge the need to decentralize the structure of the fund programmes. For example, the possibility to create a single integrated regional programme of actions could be taken for consideration. The regulation projects provide that the factors of interregional cooperation and urban development earlier financed from INTERREG and URBAN initiatives will have to be integrated into the action programmes. In addition, the constituent part of this programme could be diverse regional infrastructure (transport, health care, tourism, energy, etc.) funded by the European Regional Support Funds.
- Greater attention should be attached to the availability of information and consultation services. Between 2004 and 2006 the Lithuanian Business Development Agency alone through the network of its regional subdivisions provided similar services about projects funded by the European Regional



- Development Fund. Counselling and consultations within the regions are easier accessible to the consumers, nevertheless, the problem of quality arises.
- In selecting the projects to be funded by EU funds, the priority should be attached to those of greater positive effect on the backward regions. The provision that such projects should not be ranked as of lower significance should be retained.
  - The programming of the EU aid between 2007 – 2013 should be related to clear national regional development, to definite interventions based on which the projects to get financial aid from the EU structural funds could be prepared. Currently there appear doubts whether a horizontal way of the implementation of regional policy can contribute to the minimization of development differences among the regions. The second part of the article points that the number of projects to be realized in the problematic areas remains relatively low. For example, out of 111 projects registered in the Lithuanian Business Development Agency until 31.10.2004 only 19 projects are going to be brought to life in the problematic areas.
  - The following opportunities given to the Lithuanian regional development policy by the EU structural funds in the evaluation mentioned above are named as the main ones between 2007 – 2013: greater financial aid ensuring long-term funding of additional regional development measures; decentralization of the national management of the support; simplification of the management to ensure more favourable conditions for the regional users with lower administration skills.
  - The main threats are indicated as follows: the priority given to Lisbon and other EU strategies rather than the needs of problematic regions; the possible insufficiency of regional funding due to great "tension" in funding (especially during 2007 – 2008); rural development, though significant for the regional development of backward regions will not be a constituent part of EU structural funds, so this issue will not be tackled by horizontal means.
  - Alongside with the provisions mentioned which are more related to the contents of the support from the EU funds, the choice of the management structure of the support is very important. In principle, during the programming period of 2004 – 2006, a centralized management structure is used, i.e. the Lithuanian programmes funded by the EU funds (except INTERREG programmes) are centralized and to implement them central management institutions and centralized decision making are used. This is explained by the fact that currently the greatest attention has been used for the creation of EU funds administering system with a view to make a good use of the finances of the EU funds. The first programming period for Lithuania and a comparatively big scope of the support in part justifies a high degree of centralization of the support management.

The authors of the mentioned evaluation recommend a further use of the similar system for the period of 2007 – 2013. However, it should evolve eventually, i.e. the scope of centralization should change. With time, decentralization of the contents of the programmes (the mentioned integrated regional operational programme) and of the process (involving local administration and regional social and economic processes)

development. It comes without saying that the changes should not reduce the capacity to make the most of the EU structural funds.

## Conclusions

1. Growing regional disparities in 1998 – 1999 could be interpreted as consequences of economic restructuring, when regions former oriented towards the Eastern markets and having narrow economic structure diversification suffered the most, however the disproportions in terms of GDP per capita tend to grow constantly. The process is further fostered by foreign direct investments that have been attracted by economic centres with good infrastructure and sufficient factors of production, but not to the peripheral regions. The EU structural support, being another source of considerable investments, plays an important role in this context as well.
2. The Appendix of the Lithuanian General Programming Document provides that in considering the applications for investment support, additional points will be added to the projects from problematic regions. However, this system is based on the presumption that such projects will come and meet at least minimal administrative and quality requirements. However, the material of Section 2 shows that this presumption does not actually prove correct.
3. Uneven distribution of the funds in Lithuanian regions is presently not the only evil related to the receipt of the support. Scientists and experts maintain that such funding promotes supply rather than consumption. If the supply in future exceeds demand due to huge capacity, it is likely to pose additional problems for the regions in which the businesses, which were given the support, are based. Besides, financial support for such small-size countries as Lithuania distorts competition in such areas as services or food production. All this can make a negative effect on the development of individual regions (through bankruptcies).
4. The preliminary results of the period of 2004 – 2006 financial support show that evenness in the regional development is impossible to be reached. It is evident that in pursuing such evenness, the programming of the support for the years 2007 – 2013 must be linked with clearly defined national development strategy and investment based on which the projects for support could be prepared. The provision for additional points assigned to the most prospective projects should be implemented. In addition, a single central integrated regional programme also could be worked out. The centralized support management model currently used should in future evolve, i.e. the degree of centralization is supposed to change.

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### Polityka regionalna UE na Litvii: praktične došviedzenia i perspektiva pomocy finansowej

W pracy zostały przedstawione dane statystyczne odnośnie do regionów Litwy, dane o absorpcji pomocy finansowej UE przez kraj i inne informacje, pokazujące nierównomierność rozwoju jego regionów. Pomoc strukturalna jest rozpatrywana w pracy jako katalizator wzrostu dysproporcji regionalnych, ponieważ stymuluje podaż i nie popyt i wywołuje szereg problemów: deformację konkurencji oraz naturalnego rozwoju ekonomicznego i społecznego regionów.

Autor podkreśla, że narodowa polityka regionalna musi być zorientowana na zmniejszanie rozbieżności rozwoju regionów. Jednak, jak pokazują doświadczenia państw Europy Zachodniej, różnice pomiędzy najbardziej i najmniej rozwiniętymi regionami ciągle rosną. Główną ideą autora jest postulat, że złagodzenie i nawet eliminowanie ujemnego oddziaływania pomocy strukturalnej może być osiągnięte przez odpowiednie planowanie i zarządzanie środkami finansowymi. Przedstawione zostały argumenty i konkretne propozycje dla zapewnienia bardziej zbilansowanego wpływu pomocy strukturalnej na rozwój regionów kraju w następnym okresie.

### TRANSNATIONAL CORPORATIONS IN CENTRAL AND EASTERN EUROPE. ACTIVITIES OF COMPANIES LOCATED IN THE REGION TOWARD FOREIGN MARKETS