

## Розділ 5

# МІЖНАРОДНА ЕКОНОМІКА

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### EVALUATION OF COMPETITIVENESS BY THE WORLD ECONOMIC FORUM

У статті розглядається оцінка конкурентоспроможності результатів Звіт про глобальну конкурентоспроможність 2013-2014 Всесвітнього економічного форуму (Звіт). Вона заснована на тому, що економіки конкурентноздатні, якщо мають високий рівень життя, який включає в себе більшу частину населення країни. Соціальні фактори, а також екологічні тепер є частиною критеріїв оцінки конкурентоспроможності. Стаття показує загальний рейтинг країн, передбачений у Звіті. Звертається увага на окремі країни - Словаччина та Україна, описує їх профіль та проблемні фактори у бізнес-середовищі. За даними ВЕФ, більшість країн Європи як і раніше бореться з фінансовими та структурними проблемами. Далекосяжні заходи були прийняті в Європі, щоб запобігти краху єврозони і всього регіону в динамічному шляху зростання, зокрема за допомогою макроекономічних заходів і в деякій мірі і за рахунок структурних реформ, особливо в периферійних країнах єврозони.

**Ключові слова:** конкурентоспроможність, Всесвітній економічний форум, бізнес-середовище, оцінка показників конкурентоспроможності.

### INTRODUCTION

Within the measurement and evaluation of competitiveness are used varieties of indicators. For example, the indicators of development of prices and cost, one particular are unit labour costs and real exchange rate. The next group is the indicators of business performance - quantitative and qualitative. Apart from the static point of view is used the method of description of competitiveness development in the longer term, so-called shift-share analysis. Mentioned must also be composite indicators, which are normally part of various statistical documents on competitiveness.

Currently is prevailing aggregate concept of macroeconomic competitiveness, where the emphasis is placed on increasing the population's income and rising living standards. According to the European Commission is competitiveness „the ability to produce goods and services that will stand the test of international markets while maintaining a high and sustainable level, respectively more generally, the ability to generate relatively high income and employment levels when exposed to international competition“ (EC 1999, p. 4).

According to a more modern idea is therefore such competitive economy, which has a high standard of living, which involves the majority of country's population. Especially social factors together with environmental are now part of the evaluation criteria of competitiveness.

The goal of this paper is based on the model of assessment of competitiveness by the World Economic

Forum (WEF) to identify the development of competitiveness in the world and in selected economies - with focus on Slovakia and Ukraine.

### 1 EVALUATION OF COMPETITIVENESS BY WEF

Evaluation under the responsibility of WEF is related to the quality of public institutions, government policies and other factors underlying productivity level in the country. It states the perspective of the state to achieve sustainable economic growth in the medium term.

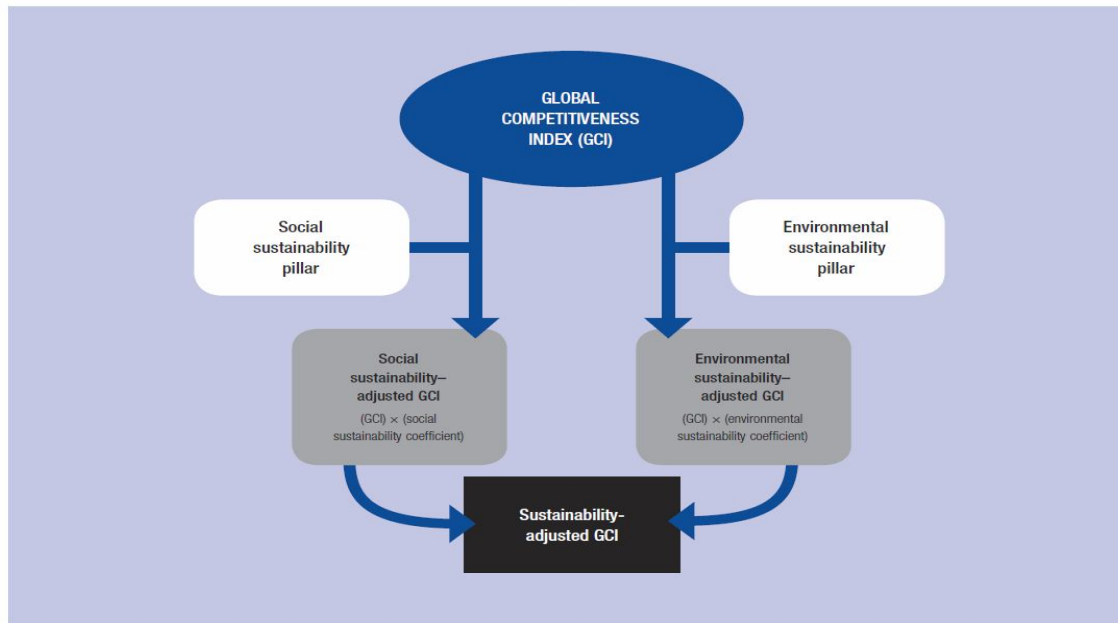
Given all these forces and interrelationships, and as already mentioned at the beginning of the chapter, we define *sustainable competitiveness* as the set of institutions, policies, and factors that make a nation remain productive over the longer term while ensuring social and environmental sustainability. Fundamental to this concept is the notion that, although competitiveness can be equated with productivity and economic performance, sustainable competitiveness can be linked to a broader concept that focuses on aspects that go beyond mere economic well-being to include other important elements that render societies sustainable prosperous by ensuring high-quality growth.

Based on our definition of sustainable competitiveness, we have developed a framework that aims to create a common ground to develop policies that balance economic prosperity with social inclusion and environmental stewardship. This conceptual model is represented in Fig. 1, which presents a framework where the Forum's index for measuring competitiveness, the Global Competitiveness Index (GCI), is adjusted by factors that encompass social and

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environmental sustainability. This framework highlights the central position of competitiveness as the key driver of

prosperity in society. High levels of competitiveness are crucial to sustained prosperity.



**Fig. 1 The Structure of the sustainability-adjusted GCI**

Source: <http://www.weforum.org/content/pages/sustainable-competitiveness/>

- |   |
|---|
| <p>Access to basic necessities</p> <ul style="list-style-type: none"> <li>• Access to sanitation</li> <li>• Access to improved drinking water</li> <li>• Access to healthcare</li> </ul> <p>Vulnerability to shocks</p> <ul style="list-style-type: none"> <li>• Vulnerable employment</li> <li>• Extent of informal economy</li> <li>• Social safety net protection</li> </ul> <p>Social cohesion</p> <ul style="list-style-type: none"> <li>• Income Gini index</li> <li>• Social mobility</li> <li>• Youth unemployment</li> </ul> |
|---|

**Fig. 2 Indicators for social sustainability**

Source: <http://www.weforum.org/content/pages/sustainable-competitiveness/>

- |   |
|---|
| <p>Environmental policy</p> <ul style="list-style-type: none"> <li>• Environmental regulators (stringency and enforcement)</li> <li>• Number of ratified international environmental treaties</li> <li>• Terrestrial biome protection</li> </ul> <p>Use of renewable resources</p> <ul style="list-style-type: none"> <li>• Agricultural water intensity</li> <li>• Forest cover change</li> <li>• Fish stocks' overexploitation</li> </ul> <p>Degradation of the environment</p> <ul style="list-style-type: none"> <li>• Level of particulate matter Concentration</li> <li>• CO<sub>2</sub> intensity</li> <li>• Quality of the natural environment</li> </ul> |
|---|

**Fig. 3 Indicators for environmental sustainability**

Source: <http://www.weforum.org/content/pages/sustainable-competitiveness/>

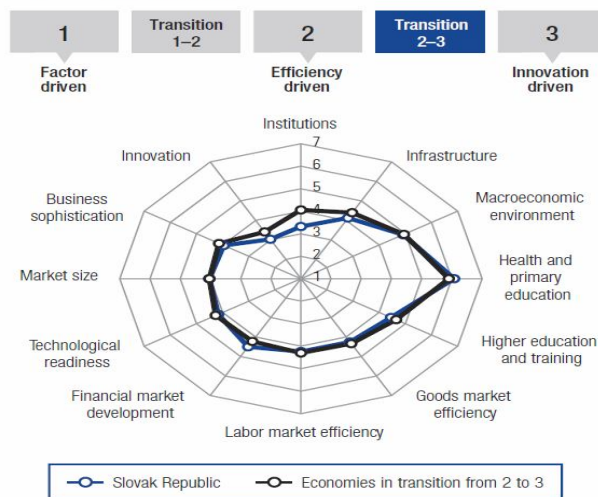
**Table 1 The Global Competitiveness Index 2013–2014 rankings and 2012–2013 comparisons (selected countries)**

Country/Economy	Rank (out of 148)	Score (1–7)	GCI 2012–2013
Switzerland	1	5,67	1
Singapore	2	5,61	2
Finland	3	5,54	3
Germany	4	5,51	6
United States	5	5,48	7
Sweden	6	5,48	4
Hong Kong SAR	7	5,47	9
Netherlands	8	5,42	5
Japan	9	5,40	10
United Kingdom	10	5,37	8
Poland	42	4,46	41
Czech Republic	46	4,43	39
Hungary	63	4,25	60
Slovak Republic	78	4,10	71
Ukraine	84	4,05	73

Source: [http://alianciapas.sk/wp-content/uploads/2013/09/WEF\\_GlobalCompetitivenessReport\\_2013-14.pdf](http://alianciapas.sk/wp-content/uploads/2013/09/WEF_GlobalCompetitivenessReport_2013-14.pdf)

## 2 COUNTRY/ECONOMY PROFILES

**Stage of development**



**Fig. 4 Stage of development - Slovak Republic**

Source: [http://alianciapas.sk/wp-content/uploads/2013/09/WEF\\_GlobalCompetitivenessReport\\_2013-14.pdf](http://alianciapas.sk/wp-content/uploads/2013/09/WEF_GlobalCompetitivenessReport_2013-14.pdf)

**Table 2 Slovak Republic - The most problematic factors for doing business**

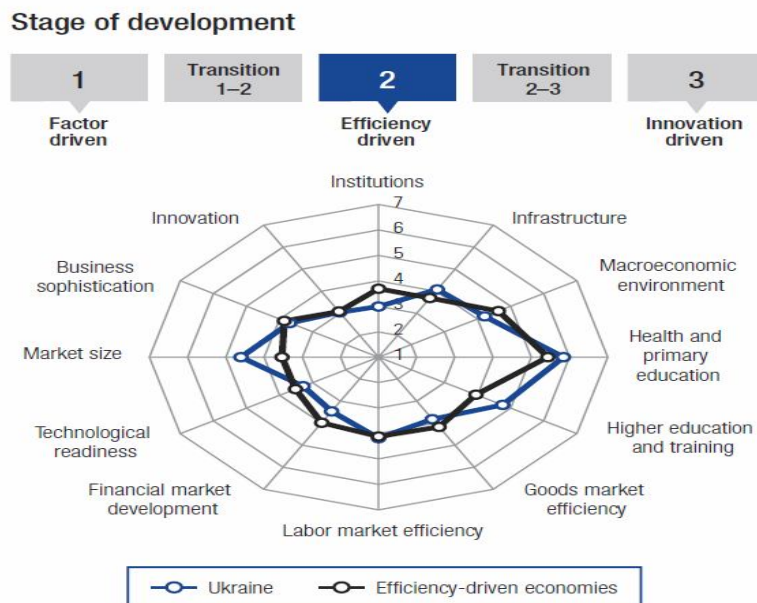
Factors	Per cent of responses
Inefficient government bureaucracy	19.7
Corruption	18.7
Restrictive labour regulations	13.6
Policy instability	9.9
Tax rates	8.4
Inadequate supply of infrastructure	7.4
Tax regulations	5.9
Access to financing	4.8
Insufficient capacity to innovate	4.0
Poor work ethic in national labour force	2.3
Inadequately educated workforce	2.0
Crime and theft	1.5
Government instability/coups	1.1
Inflation	0.4
Foreign currency regulations	0.3
Poor public health	0.1

Source: [http://alianciapas.sk/wp-content/uploads/2013/09/WEF\\_GlobalCompetitivenessReport\\_2013-14.pdf](http://alianciapas.sk/wp-content/uploads/2013/09/WEF_GlobalCompetitivenessReport_2013-14.pdf)

**Slovakia.** Among the most significant competitive advantages of Slovak economy are openness to foreign ownership of companies (4), low-custom barriers (4), openness to foreign investment which brings new technologies to Slovakia (6), low interest rate spread (12), high correlation between the level of wages and labour productivity (14), the prevalence of the Internet (16), low risk of terrorism (20) and healthy banking sector (31). In the area of infrastructure is positively perceived rail transportation (21) and energy infrastructure (28).

As the most competitive disadvantage of Slovakia has World Economic Forum identified poor law enforcement (ranked 139 out of 142 in local ranking). Next is a high level of clientelism in the country (135),

extremely low public confidence in politicians (132) and lack of transparency in public procurement (113). Aviation infrastructure lags behind (128). Competitive disadvantage of Slovakia is also high deficit of public finance (130), inefficient agricultural policy (120), low quality of the education system (117), including economic schools (106). Among other drawbacks can be mentioned too much customer orientation on price rather than quality (122), escape of talented people abroad (111), lack of cooperation between educational institutions and enterprises (104), and lack of support for the introduction of technological innovation through public procurement (129).



**Fig. 5 Stage of development – Ukraine**

Source: [http://alianciapas.sk/wp-content/uploads/2013/09/WEF\\_GlobalCompetitivenessReport\\_2013-14.pdf](http://alianciapas.sk/wp-content/uploads/2013/09/WEF_GlobalCompetitivenessReport_2013-14.pdf)

**Table 3 Ukraine - The most problematic factors for doing business**

Factors	Per cent of responses
Access to financing	16,7
Corruption	15,5
Inefficient government bureaucracy	13,4
Tax regulations	11,0
Policy instability	10,1
Tax rates	8,4
Foreign currency regulations	4,2
Insufficient capacity to innovate	4,1
Inflation	3,7
Government instability/coups	3,5
Crime and theft	2,5
Inadequate supply of infrastructure	2,2
Restrictive labour regulations	1,9
Poor public health	1,3
Inadequately educated workforce	0,8
Poor work ethic in national labour force	0,6

Source: [http://alianciapas.sk/wp-content/uploads/2013/09/WEF\\_GlobalCompetitivenessReport\\_2013-14.pdf](http://alianciapas.sk/wp-content/uploads/2013/09/WEF_GlobalCompetitivenessReport_2013-14.pdf)

**Ukraine.** After improving somewhat last year, Ukraine falls back by 11 places to 84th position in this year's GCI. Overall, Ukraine maintains its competitive strengths. These result from its large market size (38th) and a solid educational system that provides easy access to all levels of education (ranked 43rd on higher education and training and 57th on primary education). Putting economic growth on a more stable footing in future will require Ukraine to address important challenges. Arguably, the country's most important challenge is the needed overhaul of its institutional framework, which suffers from red tape, a lack of transparency, and favouritism. Ukraine could realize further efficiency gains from instilling more competition into its goods and services markets (124th) and continuing the reform of its financial and banking sector (117th).

## CONCLUSION

a) *The Global Competitiveness Report's* competitiveness ranking is based on the GCI, which was introduced by the World Economic Forum in 2004. Defining competitiveness as *the set of institutions, policies and factors that determine the level of productivity of a country*, GCI scores are calculated by drawing together country-level data covering 12 categories – the pillars of competitiveness – that together make up a comprehensive picture of a country's competitiveness. The 12 pillars are: institutions, innovation, macroeconomic environment, health and primary education, higher education and training, goods market efficiency, labour market efficiency, financial market development, technological readiness, market size, business sophistication and innovation

b) WEF define *sustainable competitiveness* as *the set of institutions, policies, and factors that make a nation*

*remain productive over the longer term while ensuring social and environmental sustainability.*

c) According to the WEF North America, Europe, and Eurasia throughout the past year, much of Europe has continued to struggle with financial and structural challenges. Far-reaching actions were taken in Europe to avoid the breakup of the euro zone and bring the region onto a more dynamic growth path, mainly through macroeconomic measures and, to some extent, through structural reforms especially in peripheral euro zone countries. Although measures to improve competitiveness in some countries seem to have started bearing fruit, low global and regional demand continues to constrain growth, and several core countries still must reform their own economies in order to once again become engines of growth.

d) According to K. Schwab, Founder and Executive Chairman of the World Economic Forum "Innovation becomes even more critical in terms of an economy's ability to foster future prosperity....I predict that the traditional distinction between countries being 'developed' or 'less developed' will gradually disappear and we will instead refer to them much more in terms of being 'innovation rich' vs. 'innovation poor' countries. It is therefore vital that leaders from business, government and civil society work collaboratively to create education systems and enable environments which foster innovation." Xavier Sala-i-Martin, Professor of Economics, Columbia University, USA, said: "The report highlights a shift in the narrative of the global economy from one year ago, when fire-fighting still characterized much of global and regional economic policy. This has now given way to an increasing urgency for leaders to make wide-ranging structural reforms to their economies."

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