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POSITION OF POLISH ECONOMY IN THE INTERNATIONAL COMPETITIVENESS RANKINGS

INTRODUCTION AND GOAL OF THE PAPER

During the past twenty years, when the debate of the subject of international competitiveness increased in intensity, reports of international

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institutions that try approaching the issue in a synthetic way started emerging. They form, undoubtedly, a useful source of information for both the scientists and the entrepreneurs and even to governments of countries because they contain not only specifications for individual factors determining competitiveness but also rankings in which individual countries are ranked at specific positions. On that base it can be concluded which areas in the economy of a given country should be devoted more attention to close the gap from the leaders of the ranking effectively, i.e. where to look for the potential examples that prove helpful in creating own competitive advantage (Gorynia, Łaźniewska 2009, Lizińska, Kisiel 2011).

Competitiveness of the economy means, on one hand, the ability to adjust socio-economic targets and operational mechanisms not only to the internal conditions but also to the conditions imposed by the international environment while on the other competitiveness is the ability to undertake efficient actions that make use of changes taking place in the global economy in a creative way and allow influencing the conditions of competition in a way assuring increasing the benefits from participation in the international division of work (Przybyciński 2005).

The nature of economic competition understood as a process has been interpreted for centuries as the state of competition between different entities aimed at obtaining economic benefits (Misala 2009). The subject literature divides the competition levels into three major groups – levels of aggregation (e.g. Balcerzak, Rogalska 2008, Dołęgowski 2002): micro level, mezzo level and macro level (sometimes also the fourth aggregation level is also identifies as mega level that covers large scale associations of countries such as, e.g. the European Union). During the present times, however, competitiveness at the macro level gained on importance and as a consequence the extensive focus on surveying it has lead to development of “notional chaos”. Diversified approaches to the here considered issue of competitiveness exist. Competitiveness can be divided according to the scope of survey and the purpose of the survey, the possible approach to as well as various aspects of functioning of the entire economic systems.

We can talk about competitiveness of a given country when under conditions of global competition it is able to generate stable and at the same time higher than average rate of the gross domestic product growth and also increase labour productivity and improve living standards of its citizens continually.

The main goal of the article is to present the position of Polish economy in the international arena, including the major factors determining the status of that phenomenon and influencing changes of that status evaluated from the perspective of competitiveness. Also the selected methods of the national economies’ competitiveness measurement as well as the results of some rankings evaluated from the perspective of studies on the international competitiveness. There are relatively many rankings and



analyses of that phenomenon and although they represent interesting and important material for research their usefulness in the processes of, e.g. formulating the economic policy, could be doubtful. The authors focused on the rankings that are most frequently referenced and considering the factors of both *stricte* economic nature as well as those loosely related to the economic domain such as the widely understood institutional environment.

To achieve the intended goal the data made available by the International Institute for Management Development, World Economic Forum, *Heritage Foundation*, United Nations Organisation and the European Commission was used. Those institutions draft yearly rankings of economies from the most attractive and as a consequence the most competitive down to the least competitive ones.

Level of competitiveness of the Polish economy according to the ranking by the *International Institute for Management Development*

The position of Poland against the background of other countries considered in the international rankings is highly diversified. This is caused mainly by the character of criteria applied as well as the fact that the rankings cover different numbers of countries and apply different methodologies.

The *World Competitiveness Yearbook* – the report created by the *International Institute for Management Development* (IMD) in Lausanne is a very important and relatively commonly applied measure. The competitiveness level of each country is evaluated on the base of over 300 criteria systematised into 4 major groups: economic performance (macroeconomic results), government efficiency, business efficiency and infrastructure. In 2008, that ranking covered 55 countries including 24 out of 27 EU countries (excluding Latvia, Cyprus and Malta) and 30 out of 31 countries belonging to the Organisation for Economic Co-operation and Development (OECD) (excluding Iceland). In 2008, Poland ranked 44 in the general ranking, which represented a move upwards by 8 positions as compared to the 2007 ranking. Compared to the highest ranked country in the hierarchy of overall competitiveness, the United States that scored 100 percent points, Poland scored 47,986 points.

Low scores for individual partial factors result in low synthetic position of the entire economy. IMD classified, among others the: economic legislation (rank 60), labour productivity (rank 60), employment (rank 58), infrastructure (rank 58), social values (rank 57; it is worth mentioning here that alcoholism and drugs are still considered important social problems, larger than in the other EU countries), condition of the domestic economy (rank 56) as well as technical infrastructure (rank 56) as important destimulants of Polish competitiveness development. In the category of macroeconomic results that presented favourably the inflow of direct foreign investments where Poland ranked 15, which is a relatively high position, as well as prices (rank 32) and international trade (rank 33) were presented as positive results.



Growth Competitiveness Index according to the World Economic Forum

The indicator generated on the base of the surveys conducted by the *World Economic Forum* (WEF) is highly complex but at the same time it represents a highly important and commonly applied methodology for evaluation of the competitive position of the country. In difference from the from the IMD indicator, it has been differentiated internally into the current, resultant competitiveness based on the *ex post* surveys and the competitive ability that the GCR authors call the growth competitiveness. From the very beginning of its formulation, i.e. 1979, the WEF report covered 80 countries, then in 2003 was expanded to 101 countries and as of 2006 it has covered 125 domestic economies. As of 2006, the methodology of index construction also changed as it takes into account both the increased number of countries subjected to the survey and a highly diversified level of development of the individual countries and multitude of factors determining their growth in the international scale. Currently the index encompasses 12 major categories such as: institutions, infrastructure, macroeconomic stability, health and elementary education, higher and permanent education, goods market effectiveness, labour market effectiveness, technological readiness, market size, business complexity and innovation. In 2009, Poland ranked 46th among 133 surveyed countries and was surrounded by countries such as Barbados, India and Azerbejdjan and at the same time ahead of, e.g. Italy. Although as of 2004 the ranking of Poland has improved significantly, it is still below the aspirations resulting from the civilisation and economic level achieved. For various reasons Poland remains behind many countries that are more efficient and faster in improving the enterprise operational conditions, reforming political institutions and improving the macroeconomic environment.

According to the WEF survey, Poland was included in the group of countries that are between the growth stage 2 and 3, i.e. intermediate between effectiveness driven economy and innovation driven economy, which reflects the progress achieved by Poland as of 2007 when it was still included among stage 2 countries (driven by effectiveness).

Economic freedom evaluation according to the Index of Economic Freedom

As of 1995, the *Heritage Foundation* has developed the *Index of Economic Freedom*. It covers evaluation of economic freedom and quality of institutions, analyses factors with the largest influence on freedom and welfare. The index contains a set of diversified institutional factors influencing economic freedom composed in a way allowing comparison of economies that are so different as, e.g. Ireland and North Korea. The economic freedom according to the HF means absence of forces and excessive (extending beyond the level necessary to support it) limitation of production activity as well as consumption of goods and services. The HF



aims at defining the limits of state intervention in the market mechanism and answering the question of whether it can intervene in the market for a purpose other than protection of individuals and property. 50 independent variables grouped according to 10 categories are used for economic freedom measurement in the individual countries and relative evaluation of it. Each category is equally important. That approach allows evaluating the influence of freedom and institutional environment quality on the activities of the private sector in a given country.

Out of 157 countries classified by the HF in 2008 only seven scored above 80 percent points, which allows considering them economically entirely free. The next 23 countries (14,6% of 157 surveyed) were included in the category exceeding 70%, i.e. considered rather free.

During the entire period of preparing the ranking, Poland has always ranked slightly below a half of the countries surveyed. In the comparison of the rankings for the recent years Polish economy achieved the most favourable result in 2005 (ranked 56) when evident improvement of that position as compared to the preceding years could be noticed. The following years, however, up to 2008 (rank 82) brought worsening of the rankings for Poland. Despite the decreasing trend, Poland still holds within the group of countries with moderately high level of economic freedom but this is more due to the expansion of that group than the internal transformations in the quality of public institutions.

The major problems in the domain of economic freedom in Poland according to the HF (results in those sectors significantly below the world average) are the activity of the black market and legal regulations, including also those concerning ownership, wages and prices. The values of those indexes for Poland are definitely below the world indexes and actually form a barrier in the process of increasing competitiveness of our economy. On the other hand the trade and monetary policies have been appreciated. In those cases Poland achieves competitive advantage and values of those indexes exceed the average world levels.

SYNTHETIC HUMAN DEVELOPMENT INDEX

The *Human Development Index (HDI)* is a synthetic measure introduced by the United Nations Organisation to facilitate international comparisons of countries. Currently it is used by the (*United Nations Development Programme*). Its task is to measure the level of socio-economic development of the country, the living standards and welfare depending not only on the level of incomes but also health and education included in the index in the arbitrary way. The index can assume the values from 1 to 0 and the closer it is to 1 the higher level of social development is achieved by the given country.

In the HDI report of 2009, Poland ranked 42 among 182 classified countries. The HDI value for the Polish economy shows a clear increasing



trend, which is caused by the dynamic increase of the GDP *per capita* and extended average longevity recorded as of 2000. Although the changes are not big, year after year Poland comes closer to the group of countries with a very high level of social development. Nordic and other countries of Western Europe ranked top in that ranking. The same group also included countries of the Central and Eastern Europe, some countries of Asia and Latin America and the majority of the Arab countries. The group of countries with the medium level of social development (HDI value of 0,5 to 0,8) encompasses countries of Eastern Europe (Georgia, Moldova, Ukraine), Asia (China, Mongolia) and Latin America (Bolivia) as well as some African countries (e.g. Botswana, Egypt, RSA). The ranking was closed by 23 countries with the lowest HDI values, among them 22 countries of Sahel

The group representing the medium level of the social development index was the most populous group according to the HDI classification covering as many as 76 countries. The less populous groups are those of the countries with high HDI level that also included Poland (45 countries) and the group with the highest values of the index (38 countries). The last group encompassing the countries in which the index level was the lowest was least populous group with just 23 countries belonging to it.

CONCLUSION

Reasonability of creating international competitiveness rankings is an issue equally controversial as creating a single, generally acceptable definition of the phenomenon of competitiveness. Lack of that definition is raised against authors of those reports on competitiveness as absence of specific and clearly defined object of surveys. Despite all the weaknesses of which they are accused (fragmentary evaluation, focus on the chosen aspects only and not on the entire issue, etc.) the size of the sets of data published in the discussed reports allows comparisons between countries, even those representing different levels of development. Additionally, the fact that on the base of the picture created by the international competitiveness rankings noticing the gaps between the given country and the ranking leader as well as identification of the key areas that require taking actions improving them are facilitated represents a very important issue. The position of the Polish economy in the individual rankings was diversified: according to *The World Competitiveness Yearbook* – rank 52 among 55 countries evaluated, *Human Development Index* – rank 37 among 177 countries evaluated, *Index of Economic Freedom* – rank 87 among 157 countries evaluated and *The Global Competitiveness Report* – rank 51 among 131 countries evaluated.

Consequently, Polish economy holds generally low ranks in the international rankings. The major areas diagnosed as those of key importance include, among others, the increasing budgetary problems, low and decreasing level of population's savings, obsolete infrastructure, low



level of innovation in the economy, low quality of economic law, lack of clarity and transparency, corruption and other. On the base of the rankings and analysis of the current situation a concise and real plan of actions thanks to which Poland would succeed in retaining and develop the opportunities for growth that it obtained thanks to its accession to the European Union.

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