

Daniela Palascakova¹, Anzhela Kyrychuk², Tatiana Rohacova³
**GLOBALISATION PROCESSES AND THEIR IMPACT
ON THE COMPETITIVENESS OF SLOVAK REPUBLIC**

The article presents the results of the evaluation of the globalization impact on the competitiveness of Slovak Republic through the Globalization Index KOF. The principle aim is an attempt to standardize the attitudes to the understanding of the globalization and its measurement. Globalization Index KOF, its construction, resources, priorities, fields, top globalised countries chart and the position of Slovakia within it are presented.

Keywords: globalization; Globalization Index KOF; transformation; Slovak Republic.

Данієла Палащакова, Анжела Киричук, Тетяна Рогачова
**ГЛОБАЛІЗАЦІЙНІ ПРОЦЕСИ ТА ЇХ ВПЛИВ
НА КОНКУРЕНТОСПРОМОЖНІСТЬ СЛОВАЧЧИНИ**

У статті сконцентровано увагу на одному із сучасних мегатрендів – глобалізації. Також представлено результати оцінювання впливу глобалізації на конкурентоспроможність Словаччини шляхом застосування індексу KOF. Головною метою стала спроба стандартизації підходів до розуміння глобалізації та критеріїв її вимірювання. Як приклад вимірювання рівня глобалізації приведено індекс KOF, розглянуто його структуру, критерії, пріоритети у сферах діяльності, рейтинг найбільш глобалізованих країн, а також позиція Словаччини в цьому рейтингу.

Ключові слова: глобалізація; індекс глобалізації KOF; трансформація; Словаччина.

Рис. 1. Табл. 2. Літ. 16.

Даниэла Палащакова, Анжела Киричук, Татьяна Рогачова
**ГЛОБАЛИЗАЦИОННЫЕ ПРОЦЕССЫ И ИХ ВЛИЯНИЕ
НА КОНКУРЕНТОСПОСОБНОСТЬ СЛОВАКИИ**

В статье сосредоточено внимание на одном из современных мегатрендов – глобализации. Представлены результаты оценки влияния глобализации на конкурентоспособность Словакии посредством использования индекса KOF. Основной целью стала попытка стандартизации подходов к пониманию глобализации и критериев её измерения. В качестве примера измерения уровня глобализации приведён индекс KOF. Рассмотрена его структура, критерии, приоритеты в сферах деятельности, рейтинг наиболее глобализованных стран, а также позиция Словакии в данном рейтинге.

Ключевые слова: глобализация; индекс глобализации KOF; трансформация; Словакия.

Introduction

The present and the future are characterized by certain trends that reflect many positives and negatives of the past. One of the main current megatrends is globalization bringing the changes of various quantity, quality and intensity in business, the process of acquiring information, shortening the innovative cycles etc. The chaos theory which basic assumption is to perceive reality non-linearly is confirmed here with reason. Marshall McLuhan's "The Gutenberg Galaxy" (1962) states that globalization sign is "the collapse" of the time and the space as well. It's claimed that immediate communication will destroy geographical balance and create a "large village"

¹ Faculty of Economics, Technical University, Kosice, Slovakia.

² Department of Psychology, Sociology and Law, Vinnytsia Trade and Economics Institute of Kyiv National Trade and Economic University, Ukraine.

³ Department of Social Sciences, Technical University, Kosice, Slovakia.

(Mesaros, 2010). Drucker (1995) named the beginning of global economics the new reality in his books and considers the period of global economics as the beginning of a turbulent period where turbulences transform the old economic reality and a new reality arises.

We can perceive globalization as a continuous transformation of worldwide community with progressive mutual dependency of individuals, nations and regions not only in economic field, but also in political, technological, ecological, cultural and social realm, whereby multinational corporations represent still higher importance. It's estimated that multinational corporations take control of 75% of the world trade and employ 20% of the world work force (Pike, Selby, 1994). Globalization makes contrasts in the form of international business cooperation but on the other hand it causes hyper-competitiveness (Antosova, 2010). Some authors talk about "Earth attractiveness" that means a specific economy overcoming national economics through the ability to generate more income and gain more production factors. Tax treatment, labor market, political situation or good geographical position also belongs to such features in addition to traditional comparative benefits (Klinec, 1996).

The term "competitiveness" has several problems in its interpretation. It has various usages and occurs in many contexts (Jezkova, 2007). However, specification of this term is always based predominantly on economic sphere. The use of the term "competitiveness" in other contexts, e.g. attractiveness of chosen spatial elements is problematic and in some cases even impossible. For instance, Krugman (1994) claims that corporations, not countries, compete with each other. The shift of the term "competitiveness" to other, broader areas appears as a necessary change resulting from the processes of economical or social transformations, that is globalization.

The collision between the current global economic, social and civilization reality and fragmentary local vision of economical, social and civilization problems is today undoubtedly one of the key sources of global human crisis (Klinec, 1996).

Evaluation of the globalization impact on the Slovak economy through the Globalization Index KOF

When we look at the position of Slovak Republic within the global competitiveness chart we can see that this country has decreased in 2 positions compared to 2011 and has ended up at the 71st position in the evaluation chart of 144 countries. This is the result from "The Report on Global Competitiveness 2012–2013" published by the World Economic Forum (WEF). It is historically the worst position of Slovak Republic since 1997 when the country was ranked first. Slovakia has the position of the third the least competitive EU country, lower in the chart are only Romania (78th position) and Greece (96th). The survey proceeded from February to April 2012 and more than 14 ths managers all over the world joined it. Slovak Business Alliance (PAS) coordinated the survey in Slovakia and spoke to 220 large corporations and 220 SMEs randomly chosen according to World Economic Forum methodology.

Slovak Republic decreased in the chart for the sixth time in a row and falls behind other V4 countries more significantly. The main barriers, reducing its competitiveness, are ineffective public institutions, low law enforcement (140th position among 144), high deficit of public finance and weak public expenses effectiveness (112th), low education system quality (120th), ineffective labor market, bureaucracy,

clientelism and corruption (138th), extremely low public trust towards politicians (136th) and high administrative charges in business (132th). Slovak Republic is also experiencing the escape of talented people abroad (122th), low judiciary independence (115th) and the nature of competitive advantages built rather on cheap workforce rather than on advanced technologies (115th).

Among the most significant competitive advantages of Slovak economy are: the openness of Slovakia to foreign ownership of corporations (2nd), low customs barriers (6th), legislation supporting foreign investments (8th) and technological forwardness of investors coming to Slovakia (9th). Legislation concerning lien and bankruptcies (11th), high correlation between the level of wages and labor productivity (14th) and low terrorism risk (24th). Other advantages of Slovakia are Internet prevalence (26th), developed competition at home market (27th), capital country rating (30th), healthy bank sector (32th), forwardness of production processes (34th), cell phone and Internet coverage (35th), the usage of developed marketing tools by corporations (38th), the availability of research and practice centers (40th), access to finance (42th), high university education rate (42th) and the prevalence of broadband Internet connection (44th) (KOF, 2013).

Table 1. Selective ranks in the global competitiveness ranking by the World Economic Forum

Global Competitiveness Index (GCI)			
Country	GCI 2012 / position	GCI 2011 / position	Change 2012 - 2011
Switzerland	1	1	
Singapore	2	2	
Finland	3	4	
Sweden	4	3	
Netherlands	5	7	
Germany	6	6	
USA	7	5	
Great Britain	8	10	
Hong Kong	9	11	
Japan	10	9	
Czech Republic	39	38	
Poland	41	41	
Hungary	60	48	
Slovak Republic	71	69	

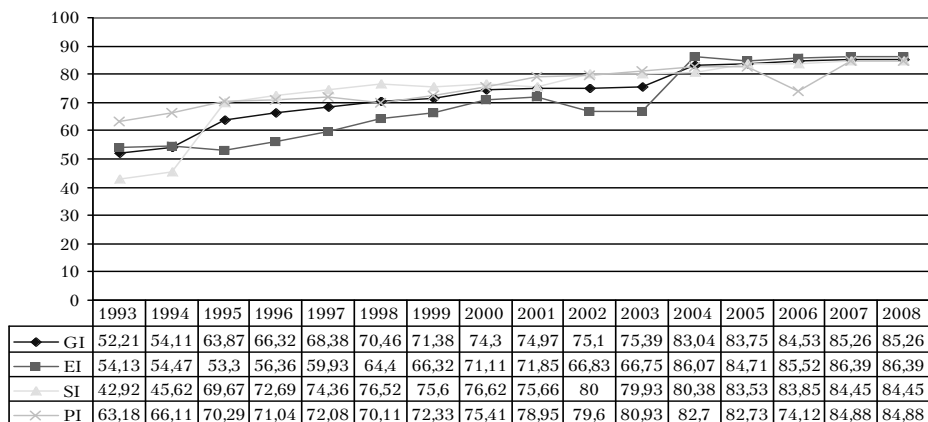
As we can see in Table 1, Switzerland is at the top of the chart for the fourth time in a row. Singapore came to stay at the second position and Finland is the third, substituting last year Sweden (4th). Northern and West European countries dominate at the first 10 positions of the chart where the list of the most competitive economics is complemented by the Netherlands (5th), Germany (6th) and Great Britain (8th). There we can find only 3 not European countries – the USA (7th), Hong Kong (9th) and Japan (10th). Czech Republic has decreased by 1 position and ended up at the 39th rank, however, still remaining the leader in the region of V4 countries. Poland came to stay its last year's 41st position and Hungary lost 12 positions and got the 60th rank.

We use more methods to determine the globalization level. The best known index methods are: the Maastricht globalization index (Martens, Raza, 2008), the ATK/FP globalization index (A.T. Kearney/Foreign Policy, 2007), the G-Index (Randolph,

2001), the Globalization Index by Ernst&Young or Globalization Index KOF (GI). Further, we will focus on the last of the mentioned indices used by the Swiss institute ETH. Observed areas of general globalization are: economic (EI), social (SI) and political (PI). The index uses particular sub-indices and partial indices related to actual economic flows, commercial limitations, personal contacts data, information flow data and cultural closeness data for their sizing (Nemeckova, 2011).

The variables are usually expressed in nominal economic output or per one inhabitant in order to eliminate incommensurability of variables consequencing from various geographical factors of particular countries and the number of inhabitants. Country extent, as the isolated parameter, is an irrelevant measure factor for globalization processes. As a part of complex parameter group along with the level of economic development (GDP, retirement per one inhabitant etc.) we can think about country extent as a globalization factor. Small open economies have the tendency to overrun large economies in global interconnection having also the comparable level of economic growth.

We determine the overall globalization level (GI) by valued arithmetic average from economic (EI), social (SI) and political globalization (PI). This development in the observed period from 1993 (the establishment of Slovak Republic) to 2008 is captured in Figure 1.



Source: Developed by the authors.

Figure 1. Development of the overall KOF Index of Globalization (GI) and its sub-indices (EI, SI, PI) for Slovak Republic in the period 1993–2008

In the development of particular sub-indices (EI, SI, PI) we can note in Figure 1 the fact that the Slovak Republic had specific transfers within globalization processes. The biggest transfer noticed is between 1994 and 1995 at SI level that increased to 24,05 rate. On the contrary, the greatest decrease occurred between 2001 and 2002 when EI decreased in 5,05. Between 2003 and 2004 the EI level increased in 6,58 whereby the previous decrease was equal and EI again had an increasing tendency.

The final ranks of KOF top 10 most globalized countries belong to V4 countries and the USA with the emphasis on the position of Slovak Republic (see Table 2). It is based on the results actualized and published in April 2011 having the data on 208 countries. The indices given here are in % to GDP (KOF, 2013).

Table 2. The KOF Index of globalization for the top 10 globalized countries, USA and V4 (% of GDP)

No.	Country	GI	No.	Country	EI	No.	Country	SI	No.	Country	PI
1	Belgium	92,60	1	Singapore	96,80	1	Switzerland	92,36	1	France	98,43
2	Austria	91,67	2	Luxemburg	93,11	2	Austria	91,74	2	Italy	98,37
3	Netherlands	91,17	3	Ireland	92,93	3	Belgium	90,43	3	Belgium	98,13
4	Sweden	89,26	4	Malta	91,98	4	Canada	89,46	4	Austria	97,37
5	Switzerland	88,98	5	Belgium	90,95	5	Netherlands	88,91	5	Spain	96,62
6	Denmark	88,96	6	Netherlands	90,72	6	Denmark	87,72	6	Sweden	96,30
7	France	87,65	7	Hungary	89,83	7	Great Britain	87,16	7	Netherlands	95,11
8	Hungary	87,62	8	Estonia	89,20	8	France	86,30	8	Portugal	95,08
9	Portugal	87,28	9	Bahrain	88,49	9	Sweden	85,80	9	Poland	94,90
10	Ireland	86,45	10	Sweden	87,90	10	Slovak Rep.	85,41	10	Canada	94,64
12	Czech Rep.	86,33	14	Czech Rep.	86,56	15	Czech Rep.	83,94	15	USA	93,60
15	Slovak Rep.	85,30	19	Slovak Rep.	84,77	18	Hungary	81,94	21	Hungary	92,87
27	USA	79,84	49	Poland	72,34	25	USA	78,36	31	Czech Rep.	89,54
28	Poland	79,67	50	USA	71,64	29	Poland	76,37	46	Slovak Rep.	85,89

Source: www.globalization.kof.ethz.ch.

The table figures demonstrate that Slovakia belongs to the top 15 most globalized countries in the Globalization Index KOF. It occupies the third position among V4 countries but there is still a gap in comparison to the world power (USA). Slovakia belongs to the top 10 globalized countries within the social globalization (SI) subgroup. Slovakia occupies only 46th position on political globalization (PI) which generally is the most developed of all globalization elements.

If we ignore the economic globalization level of Switzerland and Singapore that are the highest ranked global competitive countries (GCI), the rates of all other top 10 countries would be ranked out of the top 10 most politically globalized countries. Numerical data on particular sub-indices show that Slovakia belongs to the most balanced globalized countries in all the monitored sections.

Conclusion

From the worldwide point of view, an effort to monitor and analyze the development of globalization brought the standardization of the processes for measuring globalization. Despite the explicit focus in exactness and correctness, it's still necessary to pay regard to the way how standardized indicator (Globalization Index) is constructed, which variables are included and how priorities are determined. This would enable correcting the analysis and conclusions.

The aim of the article was to evaluate the impact of globalization processes on the competitiveness of Slovakia as well as the comparison of the present level with other globalized countries upon the comparison of the chosen sub-indices in a particular time period and to describe the perspective trends and adequate adaptation strategies. Another objective was to present a space for the study on globalization risks and coexistence with them as a time phenomenon that the world, the EU, Slovakia and its inhabitants will have to cope with in the near future (Palasckova et al., 2011).

As the Slovak economy is open, closely connected with the EU, serious world economic problems have their impact on Slovakia. The main group of risks is related to the life in debt, as the EU competitiveness decreases and the world economy moves from Atlantic to Pacific area. It can be said that Lisbon strategy was just a wishful thinking (WEF, 2011). The problem of the EU is its high dependency on external

energy sources, speaking nothing of demographical impacts. State debt (see for instance Greece and PIIGS) within the Eurozone is another risk (Stanek, 2010).

Basing on the comparison of particular sub-indices of Globalization Index KOF for Slovakia with 10 most globalized countries completed with V4 countries and USA we come to the conclusion about the globalization impact on the Slovak economy. Globalization Index KOF shows that Slovakia is a strongly globalized country among the top 15 most globalized countries. Slovakia is also the third within the V4 group but still in better position than the world power USA.

It means that it's worth to follow the changes in the impact of globalization in Slovakia. However, we can use other known index methods presented in the article in order to objectively consider the globalization levels.

References:

Antosova, M. (2010). *Manazment v teorii a praxi*. Vydanie prve. Kosice: Dekanat – Edicne pracovisko F BERG, TU.

Drucker, P.F. (1995). *Nove reality*. Praha: Management Press, 1995.

Gajdos, J., Urblikova, D. (2007). *Meranie globalizacie*. In: *Teoreticke aspekty prierezovych ekonomik IV*. Zbornik vedeckych prac. Vydanie prve. Bratislava: Vydavatelstvo Ekonom, 2007.

Jezkova, R. (2007). *Regiony, mesta a konkurencieschopnost*. In: *Klimova, V.* ed. *Sbornik prispevku – X. Medzinarodni kolokvium o regionalnich vedach*, Brno, pp. 65–68.

Klinec, I. (1996). *Globalna ekonomika, globalne myslenie*. Globalizacia svetovej ekonomiky a zakladne charakteristiky novej civilizacnej etapy. Bratislava: Prognosticky ustav SAV, 1996.

KOF Index of Globalization. www.globalization.kof.ethz.ch.

Krugman, P. (1994). *Competitiveness: A Dangerous Obsession*. *Foreign Affairs* 73, March/April.

Mc Luhan, M. (1962). *The Gutenberg galaxy*. University of Toronto Press, 1962.

Mesaros, M. (2010). *Bezpecnost, bezpecnostna veda a vzdelavanie v procese globalizacie*. Monografia 2010. Kosice: Multiprint, s.r.o.

Nemeckova, S. (2011). *Analiza urovne globalizacie na Slovensku a v Cechach na zaklade indexu KOF*. In *International workshop for PhD students November 25th 2011*. Dostupne na: www.konference.fbm.vutbr.cz/workshop/papers.

Palascakova, D. a kol. (2011). *Krizovy manazment v ekonomike*. Vydanie prve. Kosice: Elfa, 2011. 194 s.

Pike, G., Selby, D. (1994). *Globalni vychova*. Praha: Grada.

Sprava o globalnej konkurencieschopnosti za rok 2012–2013. Dostupne na: <http://www.weforum.org/gcr>.

Sprava o konkurencieschopnosti inovacii v Europe (2011). Dostupne na: ec.europa.eu/iuc2011.

Stanek, P. (2010). *Globalna kriza – hrozba, alebo vyzva?* 219 s. Bratislava: Ekonomicky ustav SAV, 2010.

World Economic Forum: Global risks 2011 Sixth Edition. January 2011. Dostupne na : <http://riskreport.weforum.org>.

Стаття надійшла до редакції 29.04.2013.