COMPARISON OF THE DEVELOPMENT OF COMPETITIVENESS OF THE ECONOMY OF THE SLOVAKIA AND THE CZECH REPUBLIC

Jaroslav VYHNIČKA, Veronika ŽÁRSKA

Abstract

Nowadays, more and more attention is paid to competitiveness not only at the corporate level, but also at the international level, resp. macroeconomic. Individual countries compete with each other and want to know what their position is compared to potential competitors. Our goal is to find out the achieved values of individual indices of the development of the competitiveness of the economy of the Slovak Republic and the Czech Republic on the basis of available information and statistical data and to compare these values. In the article, we use available studies that deal with the issue of competitiveness of national economies, but also examine what criteria can be used to measure and distinguish which country is "better" and more competitive.

Key words:
competitiveness economy, Global competitiveness index, economic development, macroeconomic, market

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INTRODUCTION

Nowadays, more and more attention is paid to competitiveness not only at the corporate level, but also at the international level, respectively macroeconomic. Individual countries compete with each other and want to know what their position is compared to potential competitors. Monitoring competitiveness has brought with it the process of globalization, and governments in all countries are aware of the importance of this indicator for the progress of any economy. In recent decades, many international organizations have proposed their own criteria on which to draw up evaluations. These criteria are constantly being updated, expanded and incorporate current trends. They also try to increase the base of the countries being compared, so that the final evaluation is as meaningful as possible. The World Economic Forum and the International Institute for Management Development are currently among the most respected organizations dealing with this issue, and these two will be included in this article.

Literature overview

If we take a deeper interest in the concept of competitiveness, we will find that the definitions are not uniform. La Falce et al. (2020) are of the opinion that in most of them, however, we find productivity or the ability to compete with other entities as the main criterion for assessing competitiveness. According to Oliver Cann (2016), competitiveness is a set of institutions, policies and factors that determine a country's level of productivity. Thus, this broadly understood concept creates a number of smaller subjects and factors. Christos et al. (2014) define it as the way in which countries and entrepreneurs manage all their competencies to achieve prosperity or profit. As Klvačová and Malý (2008) state, the growth of competitiveness is one of the most important goals pursued by the governments of individual states worldwide. A country's competitiveness can be characterized as its ability to be attractive to foreign investors in accordance with their own criteria. At the same time, it should be emphasized that it is necessary to distinguish between the concepts of economic and business competitiveness, although they may be related to some extent. At the same time, however, it is not possible to separate the growth of the competitiveness of the macro-environment from the micro-environment, because together they create synergies that give high added value to the whole population (Majtán et al., 2011). At the same time, no economic entity can be competitive in the absolute sense. Because if we want to mark a state as competitive, we can do so only in comparison with other states (Slaný et al., 2006). The basic study of competitiveness at the state level is Portera (1990), which examines the four pillars of national competitiveness, the so-called "Porter's diamond", namely the equipment of production factors, domestic demand, related and supporting industries and corporate strategy, but also structure and rivalry. The competitiveness of national economies is also derived from other indicators that indicate the success of the economy in international comparison. At the same time, it is derived from the surplus of the trade balance or the competitiveness of multinational companies that are based in the economy. Dollar and Wolff (1993) reject the trade balance as an indicator of the competitiveness of the economy and recommend measuring competitiveness through productivity and per capita income. However, there are examples of definitions that look at this issue from a business perspective and refer, for example, to cost competitiveness (Neumann, 2017). At present, the introduction of innovation is considered to be the most important criterion for increasing competitiveness in most countries. At the organizational level, we can define innovation as a certain development / generation, or the use and acceptance of new ideas and behaviors (Walker, 2008). Damanpour and Wischnevsky (2006) add that the mere adoption of an innovation is a process that results in the assimilation of a product, process or practice that is new to the adoption organization. However, innovations in business conditions that are influenced by the government, such as amendments to laws, changes in the field of tax policy and others. Reforms to support or. to increase the country's competitiveness, according to Klvačová and Malý (2008), they appear to be one-off, but in reality we encounter the fact that it is a never-ending process. This is evidenced by the fact that the Lisbon Strategy is referred to as the forerunner of the Europe 2020 strategy. Its goal was to make the EU the most competitive and dynamic economy by 2010. The EU must ensure the coherence of the policies of the individual Member States, because as a whole it can only make better progress if the differences between these countries are reduced, so it could be said that the EU's goal is the convergence of the Member States. Therefore, the goal of the Lisbon Strategy was to set the same priorities for all states, which were to be met in a given period. These included measures relating to development, research and innovation, education, employment and the business environment. However, many of them failed to materialize, so the European Council approved a new, follow-up strategy called Europe 2020. It is Haipeter (2020) and Pfeiffer (2015) that are talking about a fundamental change in the current pandemic situation, which is mainly digitization. It has a major impact on the transformation of industry and services, and thus represents a new world of employment and a radical shift in the conditions under which the work itself will be carried out, and this in turn affects the very competitiveness of individual countries.

Goal and Methodology

Nowadays, more and more attention is paid to competitiveness not only at the corporate level, but also at the international level, respectively macroeconomic. Individual countries compete with each other and want to know what their position is compared to potential competitors. Our goal is to find out the achieved values of individual indices of the development of the competitiveness of the economy of the Slovak Republic and the Czech Republic on the basis of available information and statistical data and to compare these values. In the article, we use available studies that deal with the issue of competitiveness of national economies, but also examine what criteria can be used to measure and distinguish which country is "better" and more competitive. Thanks to this, we can assess its position and work on the future improvement of lagging areas. Our findings then allowed us to shape the direction of the paper and its problems.

Findings

According to the achieved values of the Global Competitiveness Index, individual countries are divided into three stages of development and two intermediate stages. Two criteria are used to assign a country to the relevant development phase. Under the first criterion, the amount of GDP per capita is determined, within the second, what is the share of the country's export of primary products in total exports, ie. what is its share of mineral exports in total exports. Each sub-index is assigned weights that take into account the importance of a particular pillar for a given stage of development. The countries that perform best in the basic requirements sub-index are referred to as factor-driven economies. Those countries that show the highest values under the efficiency sub-index are referred to as efficiency-driven economies. Unlike countries in the first stage, wages in these countries are higher, productivity is rising. The third stage of development includes countries that show good results in the sub-index of increasing innovation and are therefore referred to as innovation-driven economies. The Slovak Republic, but also the Czech Republic, is in the third development study.

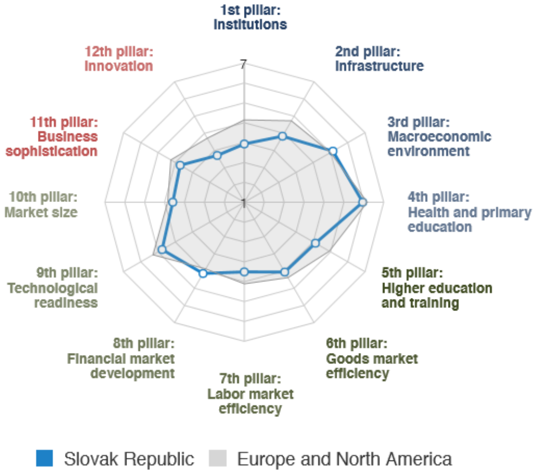
Table 1 Weights of sub-indices for the relevant stages of development

	STAGE OF DEVELOPMENT				
	Stage 1: Economies that are driven by factors of production	**Transition from stage 1 to stage 2**	**Stage 2: Economies that are driven by efficiency**	**Transition from stage 2 to stage 3**	**Stage 3: Economies that are driven by innovation**
GDP per capita in USD	< 2 000	2 000 -2 999	3 000 -8 999	9 000 -17 000	> 17 000
Scales for basic requirements	60%	40 - 60%	40%	20 - 40%	20%
Scales for increasing efficiency	35%	35 - 50%	50%	50%	50%
Scales for innovation and sophisticated factors	5%	5 - 10%	10%	10 - 30%	30%

Source: The Global Competetiveness Report (2015)

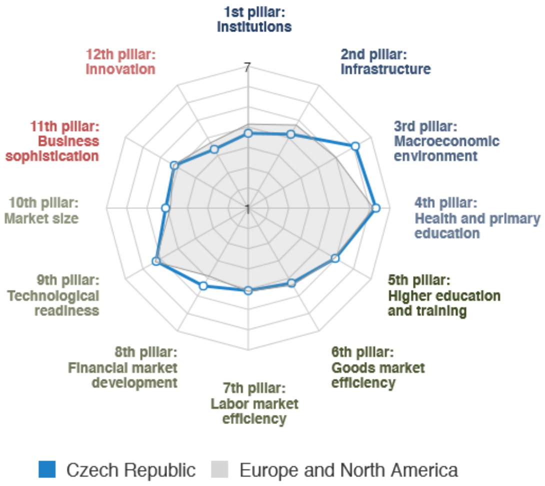
The following two schemes show the position of the Slovakia and the Czech Republic in relation to the average of Europe and North America. The blue lines are the connected values that the country has achieved in the respective pillar. The diameter of Europe and North America is marked in gray. The WEF offers this clear treatment to make it clear at a glance which areas the country is better than average and, conversely, where it lags behind the average. According to the WEF, in 2017 the Slovak Republic lags the most in the implemented innovations, the quality of public institutions, infrastructure, but also in higher education and training, or the efficiency of the labor market. On the contrary, slightly better than the average of Europe and North America, the Slovak Republic passed the assessment of the macroeconomic environment and the maturity of the financial market. The WEF cites high levels of corruption, inefficient government bureaucracy, tax levels, tax regulations and an insufficiently educated workforce as the most problematic factors for the functioning of the Slovak economy. The Czech Republic lags only slightly behind the average in the introduction of innovations, the quality of public institutions and the development of infrastructure. Even in these weaker areas, however, it shows better results than the Slovak Republic. In particular, the macroeconomic environment and the maturity of the financial market are at a high level and the other pillars assessed are roughly around the average of Europe and North America. According to the WEF, the most problematic factors in the Czech Republic also include tax regulations, excessive bureaucracy, the level of taxation, but also political instability. The Business Alliance of Slovakia (PAS), a partner organization of WEF, positively evaluates the shift of the Slovak Republic in the GCI ranking, as since 2014 the Slovak Republic has been improving its position every year. However, it is emphasized that the Slovak Republic should have ambitions to penetrate until the first thirty. According to the PAS, this shift could be accelerated by the government by introducing reforms in the business environment. In the Czech Republic, the WEF CMC Graduate School of Business is a partner organization. In terms of competitiveness, it emphasizes Industry 4.0 and the associated building of cities according to the SMART CITY concept, in which technologies play the most important role. He believes that this is the way in which the Czech Republic can continue to improve its position in the GCI.

Scheme 1: GCI values in the Slovak Republic in 2017



Source: The Global Competetiveness Report (2017-2018)

Scheme 2: GCI values in the Czech Republic in 2017



Source: The Global Competetiveness Report (2017-2018)

Despite the fact that the GCI values achieved by the two countries do not reach such large differences (maximum difference of 0.5 points in 2015 and 2017), they significantly affect the country's ranking in the competitiveness rankings. E.g. in 2015, another 36 countries were placed between the Slovak Republic and the Czech Republic, in 2017 it was 28 countries. In 2013, both countries fell to an all-time low - the Slovak Republic ranked 78th, the Czech Republic 46th. As for the specific achieved values of both countries, they are in the range of 4.1 - 4.8 throughout the monitored period, which, given the set scale from 1 to 7, cannot be considered a completely negative position.

Table 2: Achieved index value

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
SR	4,4	4,3	4,2	4,2	4,1	4,1	4,1	4,2	4,3	4,3
CR	4,6	4,7	4,6	4,5	4,5	4,4	4,5	4,7	4,7	4,8

Source: World Economic Forum (2008-2017)

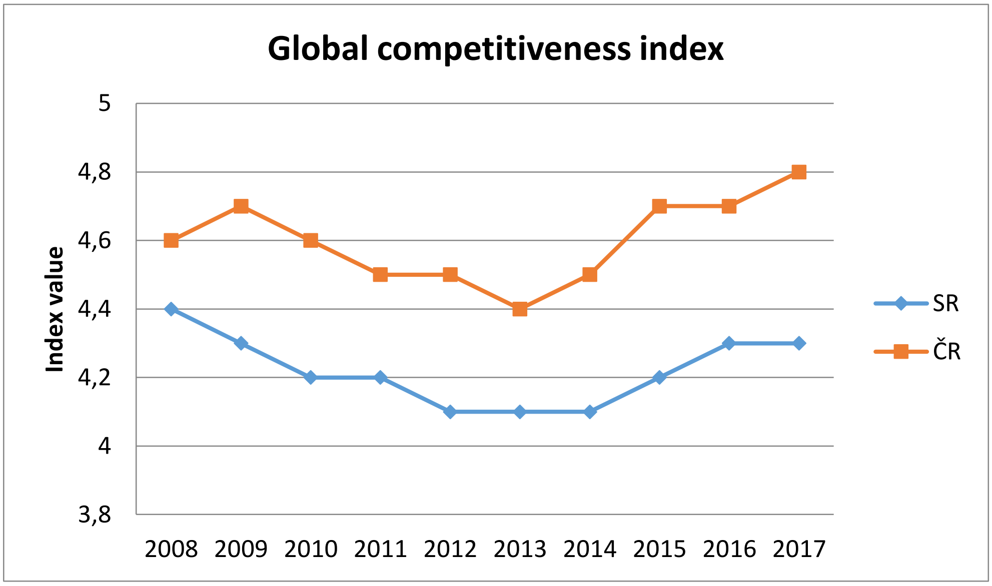
Table 3: Ranking in evaluation

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
SR	46	47	60	69	71	78	75	67	65	59
CR	33	31	36	38	39	46	37	31	31	31

Source: World Economic Forum (2008-2017)

When comparing the competitiveness of the Slovak Republic and the Czech Republic in the years 2008-2017 on the basis of the results achieved in the renaming of the global competitiveness index, we found that the Czech Republic achieved higher competitiveness for all monitored years, i. higher ability to assert itself in the global environment. As the base index proves, although the competitiveness of the Czech Republic decreased during the period under review, in recent years it has been able to rise again, even to higher values than at the beginning of the period under review. We recorded the lowest value of the basic index in 2013, when it fell to 95.65%, the highest in 2017, when it rose to 104.35%. The chain index, which expresses the year-on-year change, also reached its lowest value in 2013, but its highest in 2015, when it rose to 104.44%. The competitiveness of the Slovak Republic also decreased in the middle of the observed period, at the end it started to increase, but it did not increase to the value reached in 2008. The values of the basic index fell below 100% for all monitored years, with a minimum recorded in 2012-2014 - value 93.18%. The chain index developed more positively and the highest year-on-year growth occurred in 2015, when it rose to 102.44%.

Graph 1: Global competitiveness index



Source: Own source (years 2008-2017)

Table 4 Chain index

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
SR	-	97,73	97,67	100,00	97,62	100,00	100,00	102,44	102,38	100,00
CR	-	102,17	97,87	97,83	100,00	97,78	102,27	104,44	100,00	102,13

Source: Own source

Table 5 Basic index

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
SR	-	97,73	95,45	95,45	93,18	93,18	93,18	95,45	97,73	97,73
CR	-	102,17	100,00	97,83	97,83	95,65	97,83	102,17	102,17	104,35

Source: Own source

Conclusion

Macroeconomic competitiveness is a very important indicator of the progress of the overall development in a given country. Since it cannot be understood in absolute terms, it is necessary to compare at least two countries in its assessment, which was also the aim of this article. We compared the Slovak Republic and the Czech Republic on the basis of the Global Competitiveness Index. For a better overview, the work includes an analysis of the time series, i. compilation of chain and base index. In the article, we identified with the ideas of several authors. For example, Christos et al. (2014) define competitiveness as the way in which countries and entrepreneurs manage all their competencies to achieve prosperity or profit. At the same time, Klvačová and Malý (2008) say that the growth of competitiveness is one of the most important goals pursued by national governments worldwide. Based on this, the development of many factors that play a significant role in competitiveness is moving in a negative direction in Slovakia. At the same time, however, it must be stated that a change in the trend of these factors is possible, but mostly by gradual steps over a longer period. This future development depends primarily on the activities of the government and its decisions, which are largely influenced by individual factors of competitiveness.

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Contact

Veronika Žárska, Ing.
Faculty of Social and Economic Relation
Alexander Dubček University of Trenčín
Študentská 3
911 50 Trenčín
veronica.zarska@tnuni.sk

Jaroslav Vyhnička, Ing.
Faculty of Social and Economic Relation
Alexander Dubček University of Trenčín
Študentská 3
911 50 Trenčín
jaroslav.vyhnicka@tnuni.sk