

Slovakia in the Whirl of Globalization

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Abstract

In the institutional frame of international relations fundamental changes are caused by globalization, where transnational corporations have an important and decisive point. States open their economies, liberate the international trade and capital market in order to spread their international economics relations. At the moment the Slovak economy is to a great extend depended on transnational corporations, so it is a part of globalization processes and is facing the necessity to be prepared for it. An arm in arm globalization is accompanied by regionalization. From this point of view has Slovakia notable disparity and restraints that will have to be solved.

Keywords: Globalization, Transnational corporations, Comparative advantage, Synergy Effect, Regionalization, Regions` politics, Competition, Competitive ability, Effectivity

1. Introduction

The world economy due to evolution tendency faces many dynamic and significant changes that are not possible to be ignored. On the other way round it is essential to monitor these changes and most of all react on them quickly on a national and company level.

The basic evolution tendencies could be nowadays define by the terminology such as globalization, regionalization, internationalization, liberalization and world trade.

A term „globalization,, has a very frequent but also ambivalent use. It presents a reaction to oversaturated domestic market and economic subjects have an interest to establish themselves on new business markets, to search and use more cost effective materials and labour. Basically it means capital allocation to the areas with higher valorisation (Kislingerova 2005).

The globalization process is specified by distribution of labour on an international scale, monitoring and using comparative advantages (mainly regarding materials, cheap labour cost, as well as qualified people, effective demand etc.) from the areas with the most appropriate conditions.

The main three aspirations of global political economy were indentified by Kenichi Ohmae as:

1. increasing influence of transnational corporations,
2. decreasing influence of national state,
3. regions creating such as new areas for economic activities.

Globalization has been infiltrated into all society domains – politics, culture, sport, travelling, deliquescence but also into economics, environmentalist etc.

2. Factors of globalization advancement and its opportunities for companies

The basic and determining meaning of globalization advancement that is expressed directly or indirectly in all life aspects has two dimensions:

- changes in manufacturing and exchange of a technology process; development of information flow, that is formed by material premises and globalization means,
- diversification of socioeconomic forms by means of globalization processes is realized.

Lately the globalization trends were raised by:

- tendencies that narrow the mission of national areas, nationalism, protectionism and fuel the idea of „world without boundaries“,
- development of logistic chains and communication systems that have shrink outstanding distances,

- political priorities development of national governments – transmission from social state into the liberal orientated politics,
- implementation of investment offers for foreign investors through duty free zones, tax allowances, profitable land offers, grants for job creating and etc. (on one hand these activities mean positive advantages in many areas of economy but on the other hand unequal conditions for other entrepreneur units are created – mainly domestic businesses – and there are some problems with transparent rent justifying that is provided to the foreign investors), (Chlebíková, 2009)

The development of globalization has caused also the establishment of three basic economic centres:

- North America (NAFTA agreement)
- European Union
- Southeaster Asia (Japan and the East „Asian Tigers“).

This triad that could be called “mega markets” of today’s global economy captures 80% of world export and 60% of world production.

In the socioeconomic development in the areas of entrepreneurship, economics and management are applied these basic changes:

- dynamically developing branch of businesses characterised by a high level of knowledge, investment and qualified jobs (high – technologies),
- dynamical changes in economic development,
- step by step the supply and demand are equalled and also there is a tendency that supply will be exceeded by demand,
- production is orientated on end-users and focused on their specified requirements,
- factors of prosperity is knowledge, investment, innovations abilities (high intention),
- environmental protection is noticed and respected ,
- traditional material flow is linked to finance and information flow accompanied by positive and negative effects,
- a production process is featured by more stronger national character, that is the basics root of transnational companies,
- establishment of global infrastructure,
- establishment of continual global financial transactions (New York, London and Tokyo).

In the globalization process the companies could participate:

- passively, it means that the globalization process is monitored only. A company is adapted to this process considering the fact that it does not disposed of sufficient amount

of funds, qualified employees, innovations and it could not actively participate in the process of internationalization,

- actively, it means that a company perceives the globalization process as an opportunity to rise and expand and participate strongly in the internationalism process of internationalization.

3. Transnational companies

A determinative accelerator of national economy is internationalisation and is defined by activities focused on international business. Some of economic, especially business activities are known for their steady international character (e.g. coffee and spices production and etc.) contrariwise production of some goods (production processes) has the national character only. At the presence the infiltration of globalization has influence even on products with national character and these products are controlled and realised by transnational organizations.

Transnational cooperations are large global companies recognized by few specific facts:

- operate in many countries,
- utilize the advantage of geographical differences among countries,
- have the ability of transferring their activities among all different areas all around the world,
- reinforce their interfunctional integration with economic subject from their own cooperation net,
- form their own strategies that influence the international diversification of labour,
- their motivation tool is a decrease of cost, a strategic advantages use, market segments spreading etc.,
- they do not use only their own comparative advantages but also advantages of all potential host countries,
- first of all the main strength sparks from their sources and the time frame they operate in and make decisions.

The development of transnational corporations is enabled by liberalization - a formal and transparent way based on multilateral agreements. There is also an official form called a hidden penetration“ meaning an interference of global, players” through restrains, various restrictions into individual state entities.

Transnational corporations are also corporate entities or people without legal personality that consists of parent companies and their subsidiary corporations. The entrance into the multinational business activities may have several forms:

- cooperation,
- licence, franchise, joint venture, outsourcing,

- strategic alliances, merger,
- business activities – import, export etc.

The globalization consequences have an impact on relationships inside the companies and among them. These relations must be perceived through production chain where each element of the chain is linked by transaction package. The transactions are:

- externalized – each function of the chain is executed by individual self – sustaining companies,
- internalised – the functions of the chain are executed within one company and transactions are organized by the means of organization chart.

The decision making regarding transaction is dependent on transaction expenses that should have a decreasing tendency.

The main aim of all globalization activities is to join all perspective benefits and gain an acquisition of a competitive advantage. The companies may get this by the use of a strategic concept C-Q-T (C – low production cost, Q – quality, T – specific target adaptation to the customers needs). Many competitive issues are often transformed from transnational corporations to the suppliers. For a corporation is common to find new final supplier in the host countries and implement there new business strategies. This approach is closely linked to the use of outsourcing and off shoring and is recognized by transferring some activities to the external companies. This results in transnational corporation shrinking recognized by labour reducing, a core business orientation and fast profit growth. All social implications (jobs availability in the first place) are transferred to the national governments.

4. Positives and negatives of globalization

The concept and nature of comparative advantages is changed by overall influence of transnational corporations as the key factors and administrator of international labour diversification. The main change is understood as the fact that comparative advantages are not defined on a long term, static scale characterised by quantity and quality of manufacturing inputs of individual countries. There is a need to be generated deliberately and in case that they are already formed, be utilized in order to prevent an ageing process. Each strength of a company, a merger of companies, countries or regions might be a potential comparative advantage. There is a potential for a dispute between an ongoing prospective comparative advantage and an ambition to have a control over some strategic movements of business processes. In this case a strategic control is preferred to comparative advantages. If the comparative advantages forming subjects are matching the synergic effect is stronger.

Within the frame of multinational corporations the leaders is pointed the subject contributing greatly to the increase of competitiveness of the whole production chain of multinational company (irretrievable subject of the parent company a competitive battle with multinational companies).

Globalization is defined by positive but also negative aspects. Negative aspects are:

- an abuse of transnational corporation position on the market,
- a threat of political party leadership control over public authorities regarding economy,
- national culture and identity restrictions,
- an uneven living standard growth is deepen,
- there is an increase of poverty in less developed countries,
- environment protection disagreements,
- profits are privatized and costs is spread within a corporation ,
- low labour cost is used by multinational companies in certain areas and after some time the companies move on towards areas with more cheaper cost,
- the government contributes to the development of industrial parks but the profit is divided among private companies,
- gained advantages of a globalization process are not distributed equally (Chlebíková, 2009)

5. Regionalisation and reigns` development

Regionalisation is a world wide trend hand in hand with globalisation. It is a process of decentralisation and regions forming as individual three dimensional units on a wider geographical territory. It presents some kind of independents relating to the central power. An effective global system could be created only by economically powerful and vital territorial units. The main aim of regionalization is based on an external dependence independence reduction and a maximal use of inner sources of the region. The mission of regionalisation is to divide the economic space into some economic regions that run the function of national economy as well as the inner needs of the state.

From the geographical point of view a region is understood through its individual geographic criteria but the regional economy understands a region as a subsystem of the country characterized not only by three dimension parameters but also by its social and economic component. Therefore it is appropriated in this context to define the region as a three dimension, economic and social unit, that could be call geographically terminated area“ disposed of the set of quantitative and qualitative conditions suitable for forming a diversified, territorial economic and social system. There is a high intensity of economic and social inner relations that develops optimal relations with other areas and is able to reduce growth needs mainly sponsored by own capital and revenues (Hrašková, 2009).

One of the goals of regional development is to spark a long term process of establishing a competitive ability of the region by the help of local potential and territorial speciality. Comparative advantages of individual regions are used by product manufacturing and services providing on the demanded national and international markets. The development of a region is recognized by inequality coming out of geographical variety that does not enable all

economic activities development. The existence of slow and less developed regions is the result of unequal regions' development.

It is considerable to identify the conditions that enlarge the business activities of regions:

1. The presence of qualified people is one of the main factors for optimal run of perspective and dynamically developing business subjects. Education and the quality of human resources are closely linked to the existence of high schools and universities in the region as well as to professional specialisation and profiling.
2. The familiarity of relevant institutions is also one of the relevant factors for optimal run of perspective and dynamically developing business subjects and it means savings relating the time and money matter.
3. Demand presence. The necessity of a perspective run of any business subject means an essentials presence of demand that is presented in areas with strong purchasing power.
4. Competition. Entrepreneurs are located in the areas with lower competition environment.
5. Innovations support by all different tools of regional politics (research and technological centres).

Each country, even its degree of openness is mainly depended on the character and size of domestic economy, sets its aims and economic strategies towards the development of external economic environment.

6. Slovak republic in the process of globalization and regionalization

The dynamical development of the world economy is under a pressure of growing globalization force although these changes are a major challenge for Slovakia in order to have a chance to situate many local and marketing centres of European and European wide companies in the middle Europe mainly. From this point of view there is an advantage for Slovakia in a geographical location as well as positives of globalization.

At the presence Slovakia is depended on several transnational corporations that have facilitated a huge expansion of production and services. In average 90% of the export orientated production is in automotive and electro technical industry. There has been a notice of economic growth and employment rate. The main pillars have been divided among automotive, electro technical, electrical industry and logistics. It seems sufficient, but nobody has assumed that the economic crisis might have also a global character and will endanger all our pillars in once. For Slovakia it is important, on deeper scale for the development and participation on the world economy, to shape strategies that will effectively carry out structural politics and move its basics from the secondary sector of the economy (product manufacturing) into the terminal economy – innovation and science.

Slovakia is still active for transnational corporations due to relatively cheap infrastructure, government support and low cost labour.

Slovak republic is characterized by tremendous regional disparity – differences among particular regions. A notable difference is present in geographical, historical, cultural and economical development, ethical structure, religion, ancient culture and centres of administration. It is also influenced by extreme cultural behaviour, extend of urbanization and industrialization. A big difference is in a population rate e.g. the north and east of Slovakia is known for its dynamic population movement compare to the south and southwest Slovakia. Other differences are in education level, economic activity and also in social welfare.

To its elimination and reduction are used the tools of cohesion politics (structural funds) and the European Agricultural Fund for Rural Development. Other boosts up tools are government funds and a support of international and domestic investors who investment into production, mainly in the areas with high unemployment rate. The main aim of the regional politics of the EU is to decrease the differences in the development level in particular regions and to moderate backward going regions.

Regional politics is conceptual and executive power of the state, regional autonomy and other concerned subjects. Their main goals are:

- to contribute to harmonic and balanced regions development,
- to decrease the differences between the development level of particular regions,
- to support an economic and social development of individual regions in order to achieve the use of nature and natural sources included environment protection – i.e. support the sustainable development of the region.

To the basic principles of regional politics of the EU exercised in Slovakia belong:

1) A principle of concentration

A principle of concentration is characterised by the need to allocate all endeavour and Slovakia`s sources into the support of regions development, mainly the regions with a low economic efficiency and living standards from a longer period of time.

2) A principle of partnership

This principle is based on the fact that there is a close cooperation among particular government authorities, municipalities, regional autonomies, other bodies and organizations (e.g. business environment, third sector) in the area of preparation and realization of program documents, and it is on a horizontal level (e.g. cooperation among municipalities and regions) as well as on a vertical level (e.g. cooperation among ministries, regions and municipalities).

3) A principle of programming

This principle is based on the need to use a cooperative approach while assuring the development of particular regions included the program cooperative activities of various subjects focused on the development of specific area.

4) A supplementary principle

The main base of this principle is the fact that the government found are not the majority but only supplementary sources used to boost the new developed region's activities. As the supplementary sources of financing the region's development are used the resources from funds as PHARE, ISPA and SAPARD, and from structural funds of EU and the cohesive fund of the EU.

The structure of program documents of the regional politics of Slovakia is based on:

1. A strategic plan of regional development
2. Regional programs of development
3. A country development concept

7. Supportive tools for regional politics of Slovak Republic

To assure a basic aim of regional politics in Slovak Republic it is possible to use standard economic and finance tools that do not interrupt the economic competition and do not conserve former regional economic structure. Mainly these basic tools are used: budget grants, interest's payment or partly interest payment from the loan provided to a businessman, a payment of loan, government or bank guarantee, return financial assistance and tax breaks.

Following the situation analysis and development strategy the tools of regional politics are targeted toward a wide spectrum of problem closely linked to the regions development and the support of:

- the business development aimed towards the improvement of economy structure and creation of new or stabilized endangered jobs,
- the development of human resources and other actions on the labour market, e.g. qualification increasing, education providing and retraining, it is important to harmonized the gained education and qualification in cooperation with the market needs and an economic – social development of the region,
- the travelling industry development,
- the development of region's transportation facilities and technical infrastructure and the assurance of better transport services,
- the development of amenities and services aimed towards the satisfaction of citizens in an average available distance.
- the development of social care and social help,
- the pursuance of land consolidation and other region's goals achievement.

By the 1. of January the act No. 539/2008 came into the force and is about the support of regional development in Slovakia. This bill draft law is focused not only on a regional but also on a municipal area. Therefore there is a possibility to establish communication among

government authorities, bodies of regional autonomies and municipalities while searching for effective steps when using public resources located into the regions' development.

8. Summary

The strategy of a development program for Slovakia is elaborated in a document with the effect until 2030 called: Slovakia21“and The vision of a long-term development of the Slovak society“. Considering the fact that Slovakia is a small country, Slovak economy will have to face globalization risks and might compete and survived all factors only as the member state of European Union and Euro zone.

The support of regional development is considered as the key factor of economic and social policy and territorial cohesion within the European Union. At the present time the main obstacle to maintain competitive European economic area are many regional differences. To decrease this obstacle the main power is found in science and research development, informatization in the region, economic and business area.

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