

COMPETITIVENESS OF CEE COUNTRIES ON THE EUROPEAN SINGLE MARKET

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Abstract

CEE countries have a higher competitiveness level after EU enlargement. After accepting EU's legal framework and institutional framework the competitiveness evaluation is more oriented on micro level. Attractiveness of a national economy can be sustained by creation of a competitive economy. The Lisbon strategy made an important bridge among competitive economy and knowledge based society. The cost competitiveness is now less important. Competitive position of Slovenian economy is different if I take into account the Lisbon's strategy objectives. IMD and WEF reports evaluate our economy differently. The Lisbon strategy can be usefully broken down into eight distinct dimensions, considered to be critical for national competitiveness: (1) creating an information society for all, (2) developing a European area for innovation, research and development, (3) liberalization, (4) building network industries, (5) creating efficient and integrated financial services, (6) improving the enterprise environment, (7) increasing social inclusion and (8) enhancing sustainable development. The Slovenian business environment lags behind EU average. In the article I will evaluate the competitiveness of CEE countries with emphasis on Slovenia. The higher importance of regional competitiveness will be shown. European regions support the specialization process and the internationalization of domestic industry. The idea of regional specialization implies that firms do not compete alone in the global marketplace but as members of networked groups of firms sharing and building on valuable regional capabilities.

Keywords: productivity and competitiveness, benchmarking, development strategy, national development

JEL classification: 011, 024, 038, 057

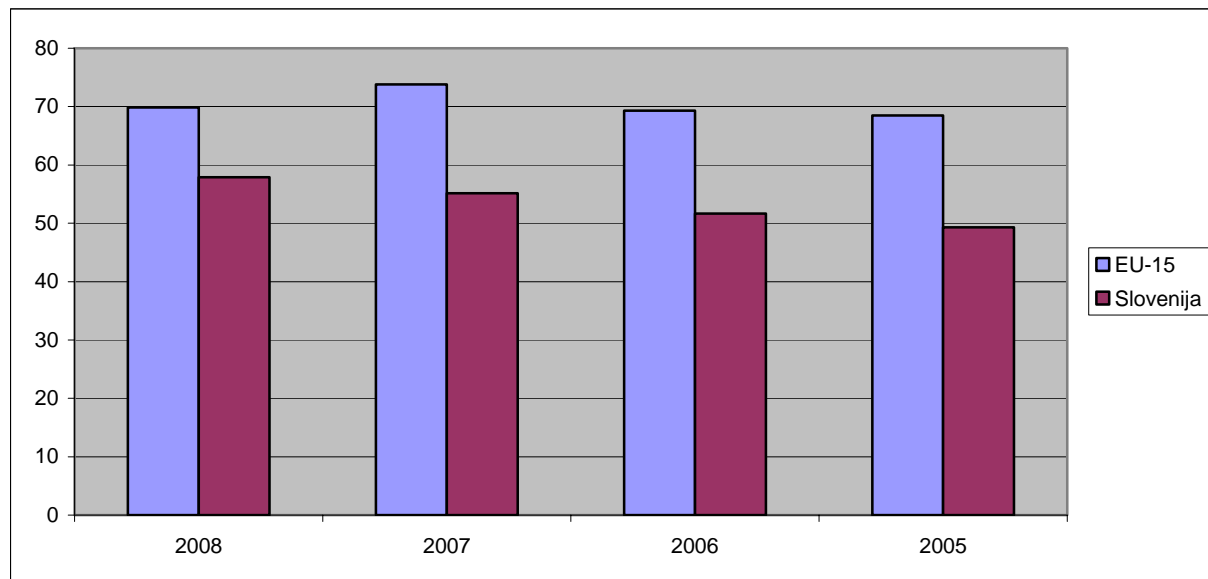
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1. Introduction

Competitiveness could be explain as creation of right policies and strategies on business and also on governmental level. For Slovenia is competitiveness a very important challenge after joining the European Union. On European internal market are competitive forces stronger and depend on qualitative segments of competition. I can observe competitiveness from different sides. European studies have focused on several different analytical levels: product, firm, industry cluster, and nation. Information technologies call for more skills, higher levels of skill, and different kinds of skill. The most successful economies are raising the skill content of their labour force. By reducing transportation and communication costs, it links economies and societies into closer, tighter webs. It facilitates the integration of production under common ownership (of transnational companies), allowing access to capital flows, world markets, skills, and technology. Slovenian catch-up with the EU countries in terms of welfare and economic growth is associated with the application of new technology and knowledge imported from the more developed EU countries. The creation of a knowledge-based economy and society, and the preparation of respective action plans presuppose that the situation of the Slovenian economy be analysed and deeper insights into the current basis of economic development gained. Only this basis can serve the planning of Slovenia's future in a way that would guarantee rapid economic development and harmonisation of the average wage level in Slovenia with that of the European Union. The development of the knowledge society was declared to be one of the key goals of the European Union at the Lisbon EU summit of 2000. This entails both economic and social objectives, according to which Europe seeks to become the most competitive and

dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs, and greater social cohesion. From the graph can be seen the convergence of Slovenian economy to European average. In the year 2008 is Slovenian competitiveness closer to EU-15 compared to EU-15.

Graph 1: Real growth of Slovenian competitiveness (own calculation)



Source: IMD Lausanne, own calculation

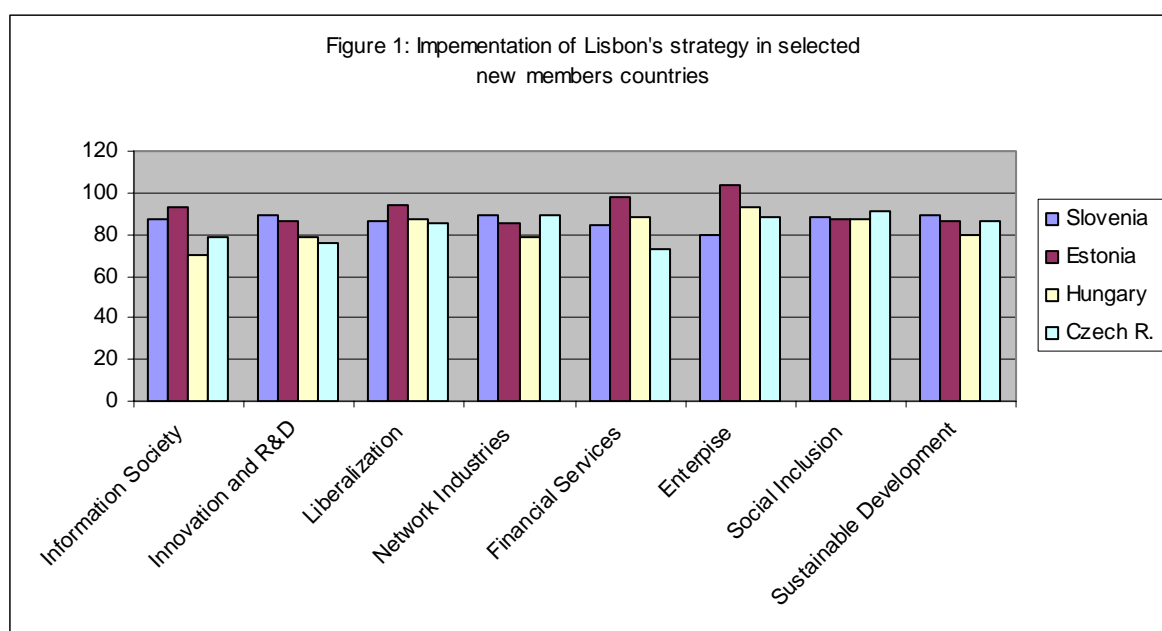
The enlargement process contributes to new economic dynamism with mutually reinforcing effects. The new Member States' growth potential is estimated at around four per cent per year, reflecting inter alia their solid progress in recent years with structural and institutional reforms. The Internal Market is expanded to 455 million citizens. With income levels of less than half of those of the EU-15 on average, the main challenges for the new Member States are to secure real convergence in the long-run, whilst at the same time achieving nominal convergence in the short to medium term (European Commission, 2004). Economic convergence has only taken place between regions and countries with a somewhat similar economic and social structure, and it thereby epitomises the detachment from Solow's (1956) original model of unlimited global convergence in per capita income. A possible reason why the convergence is confined to the industrialised open economies is given by Nelson and Wright (1994) in a two-fold argument where they claim that: the economic environment facing firms became more similar, first as a result of increasing opportunities for international trade and later because internal economic conditions became more similar. The main objective of the article is explain how competitive position of the Slovenian economy changed after EU enlargement. The new member states need to seek a strong synergy between the necessary structural reforms, investment and macroeconomic policies that underpin stability and growth. Exchange rate regimes constitute an important part of the overall economic and monetary policy framework and should be oriented towards achieving real and sustainable nominal convergence (European Commission, 2004). Thus, while acknowledging that convergence is not all-embracing, neither regarding countries within the EU, nor concerning regions within countries in the unit now most economically developed part of the world, the empirical evidence is sufficient to state as a fact the existence of an overall long-term tendency towards homogenisation of growth rates. Furthermore, this process of homogenisation also extends to the use of technology and knowledge between and within the countries and regions of the EU. In the article I will test some hypothesis, which takes into account the new European competitive environment. **The first hypothesis:** The competitiveness policy has to implement the main objectives of the Lisbon's strategy in new member states. **The second hypothesis:** European internal market will foster specialization process in all EU members in the next years. The competitive position of each EU country depends on specialization of domestic industry. The Slovenian Economy will need to foster

specialization process in regard to become more competitive. **The third hypothesis:** The European integration process gives the more power to some regions. Regions as a geographic unit can economically, culturally and trade more easily interact in an enlarged EU. The lower role of national states has created well conditions to European regions for balancing with geographic, cultural, social and economic characteristics of geographic area and with more globalized European union. Benchmark EU countries by economic and social indicators shows us where we have to act in the way of improving competitive position. By acting as if all regions and countries must follow basically the same stages on their route towards perfection, policy makers do, for instance, sometimes try to enhance the economic development of an area by producing an imitation of the local capabilities, not of the laggards, but of what they believe to be the economically most advanced regions or countries, thereby hoping to become attractive themselves to more lucrative and rewarding industries (Hallin, Malmberg 1996). Productivity growth will be further enhanced by the transition of new Member States to a knowledge-based economy, which is at the centre of the EU Lisbon strategy. Also, the European initiative for Growth underlines the importance of investments in networks and in research as crucial steps to boost growth, better integrate an enlarged Europe and improve productivity and competitiveness. For the new Member States, R&D diffusion and technology transfers are as important as R&D investment as a tool for accelerating the transition towards higher value-added activities. Sustaining a high level of foreign direct investment is essential in this endeavour, as is an increased responsiveness of the education and training systems to the changing needs of the labour market. Reforms of the education and training systems would also help to encourage the move to more innovative and knowledge intensive activities. Slovenia and other new member countries will specialize in the next years according to strengths and weaknesses on European internal market.

2. Competitiveness as a new paradigm for development strategies

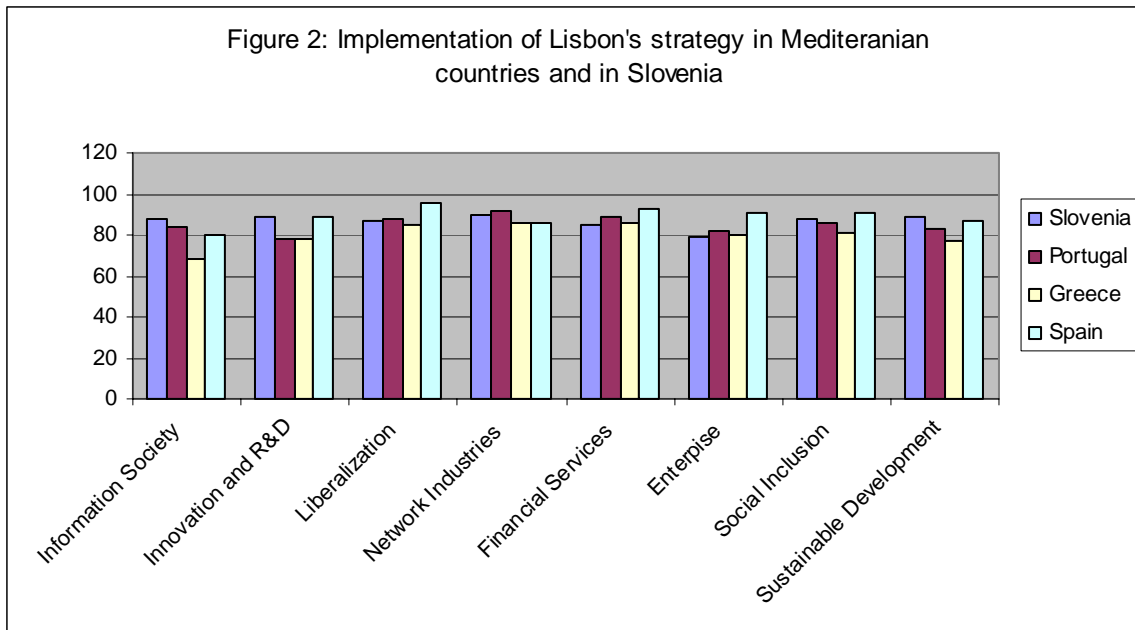
Competitiveness is a concept which connects the macroeconomic and microeconomic view of social-economic development. By comparison of European countries I recognized the main differences on micro level (labour market, entrepreneurship, knowledge creation). European governments have traditionally been ambivalent about competitive sub national initiatives because of their uncertain net contribution to the national economy. Some have become more supportive over time, hoping to shape them to serve national purposes and for political expedience when macro economic policies have been more constrained. Indeed local development has increasingly replaced traditional equity based regional policies in some countries (Anyadike-Danes et al, 2001). These sought to reduce spatial disparities by guiding investment away from congested areas to lagging regions with underused resources. Such carrot and stick policies have been scaled back because of concerns about their cost effectiveness and fears about firms being diverted out of the country through growth restrictions in buoyant areas (Turok, 2003). There is in fact an increasing tendency to explain regional growth and development in terms of soft externalities. In particular, considerable emphasis is given to local knowledge, learning and creativity. The argument is that in a globalized economy, the key resources for regional and urban competitiveness depend on localized processes of knowledge creation, in which people and firms learn about new technology, learn to trust each other and share and exchange information (Malecki, 2004). At its simplest, regional competitiveness might be defined as the success with which regions and cities compete with one another in some way. This might be over shares of (national and especially international) export markets. Or it might be over attracting capital or workers. Such notions would seem to underpin Michael Storper's definition of place competitiveness as The ability of an urban economy to attract and maintain firms with stable or rising market shares in an activity while maintaining or increasing standards of living for those who participate in it. Similarly in recent work on regional competitiveness (Porter 2001) has emphasized the key role of the export oriented clusters as the basis for a high regional standard of living. Economic geographers have been eager to embrace the regional competitiveness concept because it promised to bring back the relevance of geography into economics. Concepts like industrial districts (Becattini, 1990) innovative milieus (Camagni, 1991), learning regions (Asheim, 1996) and regional innovation systems (Cooke, 2001) have described crucial importance of externalities in maintaining competitiveness that extend or cross the boundaries of individual firms but which operate within the boundaries of a territory. In the European union can be seen the increasing importance of regional competitiveness. While there are many theories about competitiveness and related interdisciplinary fields of strategy, operations,

policies, organizations, they are not used widely by practitioners in their decisions for enhancing or sustaining competitiveness. Research efforts have brought many interesting perspectives and frameworks at the country, industry, and firm level. The popularity of the competitiveness benchmarking at the country level such as Global Competitiveness Reports (WEF), World Competitiveness Yearbooks (IMD), and National Competitiveness Reports is an indicator of growing interest in comprehensive frameworks and data for competitiveness related decision-making. We can measure the competitive position of countries in the context of the Lisbon's goals, and to shed light on where attention should be focused. The Lisbon strategy can be usefully broken down into eight distinct dimensions, considered to be critical for national competitiveness: (1) creating an information society for all, (2) developing a European area for innovation, research and development, (3) liberalization, (4) building network industries, (5) creating efficient and integrated financial services, (6) improving the enterprise environment, (7) increasing social inclusion and (8) enhancing sustainable development. WEF indicators allow us to calculate eight indexes. I calculated the distance from the EU average for each country by formula: distance from the EU average = $100(\text{actual value}/\text{mean value})$.



Source: WEF 2004, own calculation

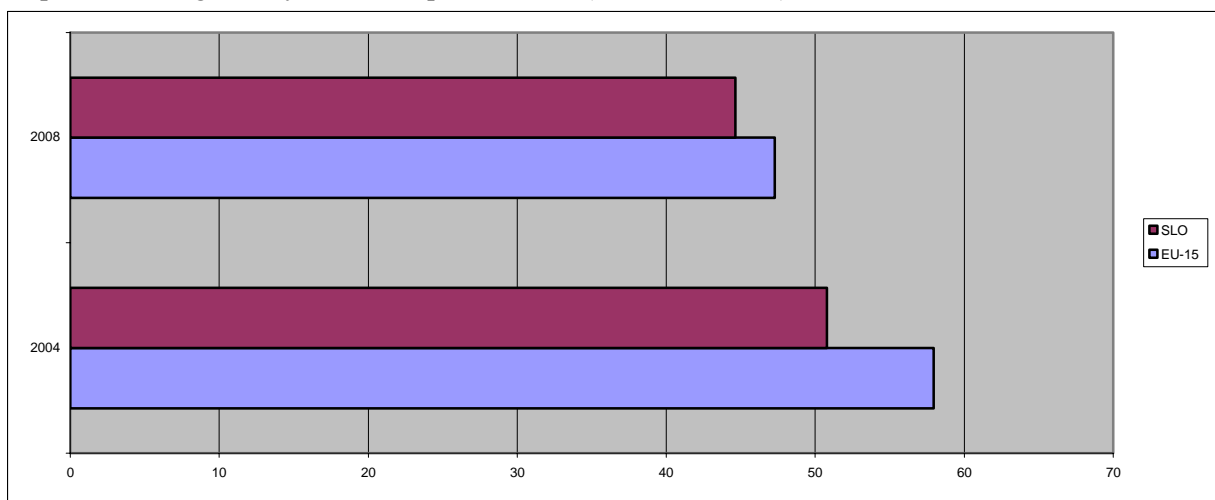
By comparing Slovenian economy to Estonia, Czech R and Hungary I recognized that our economy has a good position in information society development. Lisbon gave an important weight to information society elements. For each country is important to improve the legal framework for e-commerce and e-money, and regulate the competitive forces in telecommunication sector. Slovenian position is relatively well in R&D environment. The Lisbon Strategy also acknowledged the desirability of improving the environment for R&D partnerships and high-tech starts-ups, and removing obstacles to the mobility of scientists and researchers across the EU. Slovenia also ranks well in sustainable development. Compared to other countries Slovenia lags in providing a good entrepreneurship environment. Considerable emphasis on the removal of bureaucratic barriers to business activity and creation of free environment for private sector activity is the important goal. Liberalization process is also very slow. Speeding up the liberalization of the gas, electricity, postal services and transport markets is the priority of internal market. From both figures I can see that financial services are not competitive enough in Slovenia. In the future we will need to eliminate cross border barriers to the investment of pension funds and to integrate the operations of government bond markets, and to adopt measures to ease the comparability of company financial statement.



Source: WEF 2004, own calculation

By comparing Slovenian economy with Mediteranian countries (Portugal, Greece and Spain) I recognized a satisfied position in information society development and in sustainable development. Slovenia has a well environment, which foster the development of European area for innovation, research and development. The only comparative advantage a company will enjoy will be its process of innovation – combining market and technology know-how with the creative talents of knowledge workers to solve a constant stream of competitive problems and its ability to derive value from information. The socio-economic development of Slovenia and other new member countries is in direct relation to their ability to raise the level of knowledge required in the competitive economy to the level of that of the countries with higher income, as well as on the ability to produce and implement strategically correct decisions. The Lisbon’s strategy shows the strong correlation between creation of the knowledge society and competitive economy. In Slovenia we have to take into account the new determinants of competitiveness that are important in European internal market

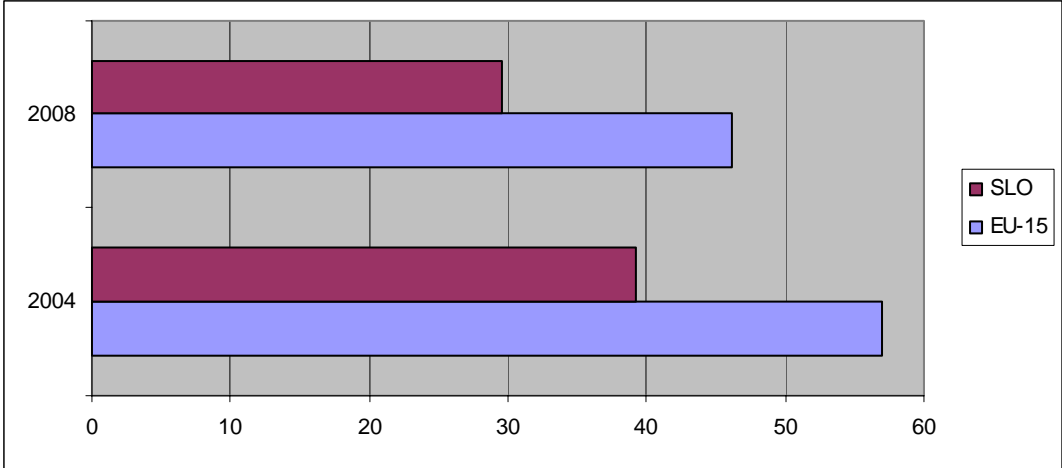
Graph 2: Convergence by economic performance (own calculation)



Source: IMD Lausanne, own calculation

Convergence calculation show us that Slovenia have improved the economic performance against EU-15. So in the next years can be seen that Slovenian economic performance will be higher than European average.

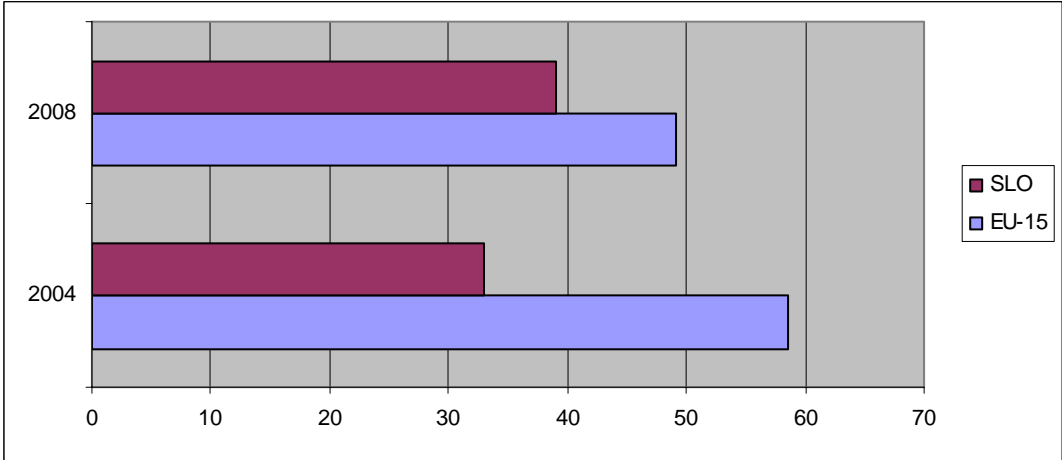
Graph 3: Convergence by governmental efficiency (own calculation)



Source: IMD Lausanne, own calculation

Governmental efficiency is on the same level in last four years. I can say that Slovenian government will need to increase the efficiency in the next years.

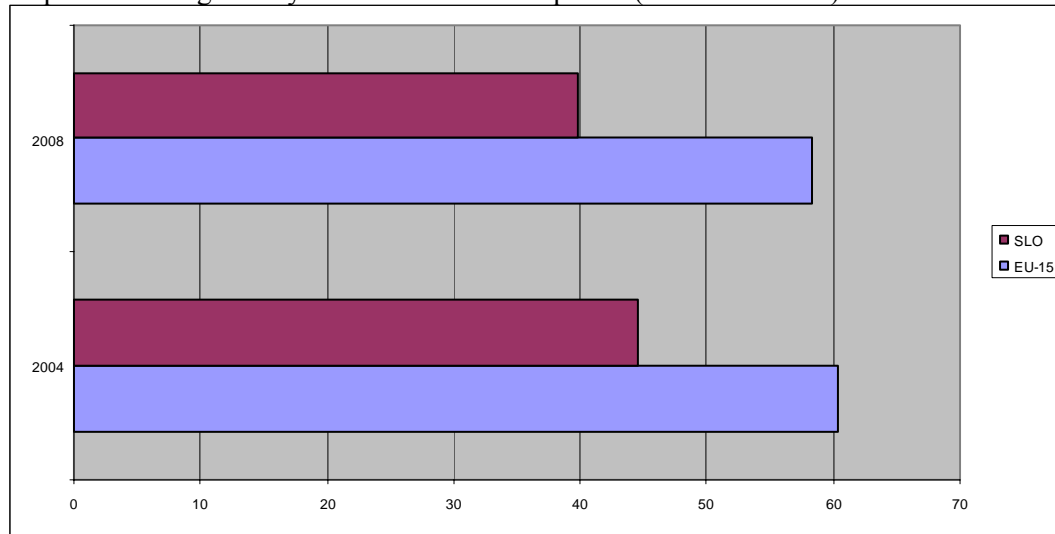
Graph 4: Convergence by management efficiency (own calculation)



Source: IMD Lausanne, own calculation

From the graph can be seen that management efficiency has improved in the last years. So the business sector has made a progress compared to EU-15. It is normal that European internal market has improved the competitive conditions.

Graph 5: Convergence by infrastructure development (own calculation)



Source: IMD Lausanne, own calculation

From the graph can be seen that infrastructure development is on the same level for last years. Slovenian investments in infrastructure will be seen in the next years.

3. Location and the importance of specialization process

Over the last decade, Slovenia has achieved clear and positive macro-economic results that have placed the country among the most successful transitional countries. The basic indicators reveal it has been integrating and catching up with the European Union member countries at an ever increasing pace. Despite this, the challenges of a global economy, where only innovation and entrepreneurship can compete successfully, and the relative lag in the competitive capacity of our economy behind numerous other countries in the world rankings, require drastic changes to be made to Slovenia's economical structure to adopt as much as possible to the demands of the knowledge-based economy. That means the transformation from an economy with low-added value whose competitiveness is based on low-operative costs into an economy based on production and service activities whose competitive advantages are high-added value, quality, innovation, and entrepreneurship. The Ireland has a more than 40 percent high-tech in manufactured export. The world competition has become especially fierce in high-tech sectors like microelectronics, biotechnology, new materials, telecommunications, robotics, computers and aerospace. Hungary ranks highest in terms of high-tech. The reason for such a high ranking is the presence of a large amount of foreign capital and multinational companies. Slovenia's weakness from the view of competitiveness is high-tech position. No advanced economy can maintain high wages and living standards, and hold its own in global markets, by producing standard products using standard methods. In addition to human resources, a strong national innovation infrastructure includes the ability of funding for innovation-related investments. There are some reasons why small countries as Slovenia do not display the same thrust towards high-tech industries as do larger countries. High-tech industries are closely associated with high risk. Losers as well as winners are to be expected, as the selection of superior products is essentially based on trial and error (Carter 1994). The differences are presumably not due to disparities in the supply of entrepreneurial talent, but are certainly affected by the obstacles experienced in small countries in obtaining a sufficient market for a specialised and proficient venture capital sector (DeBresson, Lampel 1985). The lack of venture capital will constrain the economic ability of entrepreneurial efforts in small countries. The firms which are operating with close proximity to a set of related firms and supporting institutions are often more competitive than firms which operate in an isolated manner. This is due to both competition and co-operation. Competition at a local level is usually much less abstract, and often involves personified rivalries, thus creating a stronger pressure than the anonymous mechanism of the invisible hand. Co-operation does not necessarily mean formal

alliances, even though even competitors have shown an increasing tendency to enter into arrangements such as strategic technology alliances. Co-operation at the local level often involves activities like informal communication between firms along the value chain, or information about innovation being exchanged over or through employees, which move from one firm to another. Over time this tends to lead to the evolution of strong business associations. In Slovenia we expect the stronger specialisation of industry after EU enlargement.

Herfindahl index of specialisation of manufacturing is calculated:

$$HI = \sum_{i=1}^n S_i^2$$

where:

S = share of the industry in manufacturing

n = number of industries

Globalization process and European integration process have changed the competitive environment for manufacturing activities. Foreign direct investment flows in new EU countries have fostered the specialization process. If foreign investors have invested in car industry, in electro, and chemical industry then we can see the higher specialisation of industrial sector.

Table I: Industrial specialization of new EU countries

Herfindahl index	1993	1998	2002	2005
Hungary	0,131679	0,124759	0,157162	0,209965
Czech R.	0,109993	0,110084	0,101873	0,107449
Slovakia	0,108632	0,103052	0,110916	0,113589
Slovenia	0,091609	0,093109	0,095783	0,103212

Source: Eurostat, own calculation

According on herfindahl index ranks Hungary well in all period 1993-2005. Reason is the high concentration of FDIs in some industrial sectors. Slovakian industry has increased the tare of specialization in period 1993-2005, while the rate of specialization stated on the same level by Chech R. Slovenian industry have reached higher specialization after joining EU. In Slovenian case is hard to differ between local, regional and national economy, because country has only two million people. In the literature the clusters are usually connected with regional economy. Clusters and networks provide the context and the spillovers. Free riders do not exist, nor do free lunches, in the sense of complete knowledge transfers. Certain items of knowledge may flow relatively freely, but other types need to be more localised in their transfer, and these spillovers can raise the innovation of localised partner firms (Cantwell, 1999). Business enterprises operate within a regional production system which is constituted by principles of production and organization. Regions that enjoy a high per capita income are generally regions with a critical mass of business enterprises with the capacity to add value to the resources they use. The idea of regional specialization implies that firms do not compete alone in the global marketplace but as members of networked groups of firms sharing and building on distinctive regional capabilities. A region's capacity to initiate and sustain high value added production depends upon its capability to foster and reproduce entrepreneurial firms (Best, 2001). Specialization process is very important for new EU member states. European internal market will foster specialization process in all EU members in the next years. The competitive position of each EU country depends on specialization of domestic industry. In an open economy, the competitiveness of firms will be enhanced by the feedback loops with the localised capabilities. Firms of a certain kind find some localised capabilities more valuable than others. The originally chosen location of an industry might have been basically accidental. But once in place, the specialised locational demands from the firm will influence the future development of the localised capabilities, making it advantageous for the industry to remain in the area, and for outlying firms to relocate (Enright, 1994). Some firms deliberately incorporate specific parts of the localised capabilities in constructing a consolidated strategy, by acquiring resources primarily from the local factor market and by

subsequently building unique competencies on these resources (Collins, 1991). This makes good sense. From while the firm specific strategies might be imitated by a clever competitor located elsewhere, it is a lot more difficult for even the best competitors to confront the abstruseness of the combined strategy, and to disentangle the ambiguity created when integrating various elements of the localised capabilities (Reed, DeFillippi, 1990).

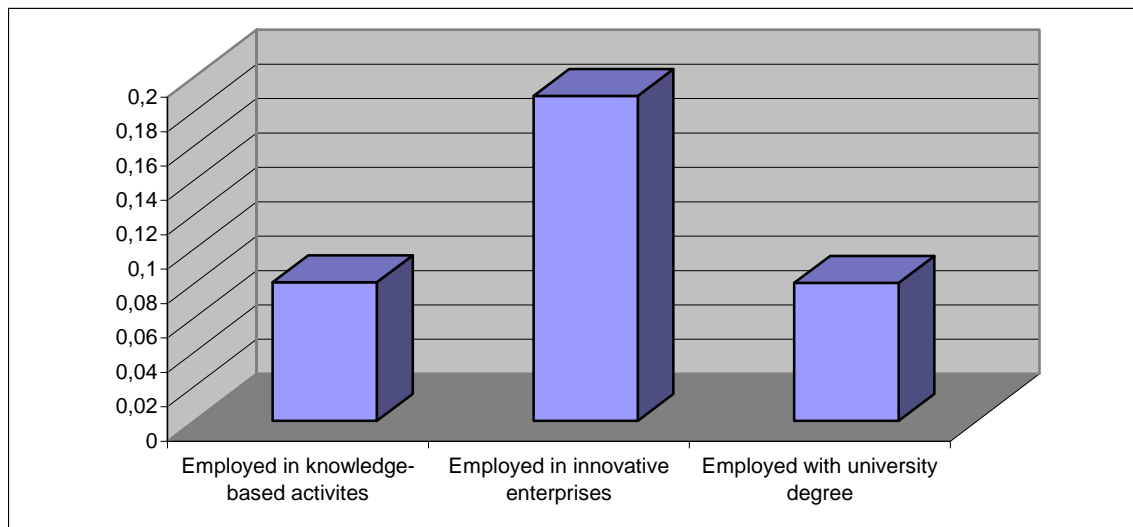
4. Regional competitiveness

Because the Slovenia is a small country with two million habitants, it is regional competitiveness also useful for explaining the economic position. The regional factors influence the competitiveness of firm or industry. In a competitive economy, valuable localised capabilities will primarily be those which increase the ability of firms to create; acquire; accumulate; and utilise knowledge a little faster than their competitors. No firm can create the strategies that entirely disregard the quality and character of the capabilities in the region. In Slovenian case is hard to differ between local, regional and national economy, because country has only two millions people. The modern industry is strong connected with local supplies, with regional universities, with technological institutes and service providers, and also by competitors. Enterprises operate within a regional production system which is constituted by principles of production and organization. Regions that enjoy a high per capita income are generally regions with a critical mass of enterprises with the capacity to add value to the resources they use. As there exists no superior or optimal model one has to think over the consequences for policy making. This is especially relevant because regions pursue to an increasing extent a collective policy strategy to enhance the competitiveness of local firms (Begg, 2002). As noticed above, in advanced countries, sources of territorial competitiveness are constantly undermined, and regions have to cope with this. We have to make a difference among strong and weak competition (Storper, 1997). This partly represents a distinction among competition on hard factors (through the means of relative wages or tax levels) and competition on soft factors (identity, culture, institutions). Weak competition means static price competition. Regions can pursue a strategy that concentrates on relative low labour costs, or they may exploit institutional differences between regions (such as differences in subsidies or labour regulation systems) that affect price competition among firm directly. However, a strategy of strong competition based primarily on exploiting the soft intangible, region specific assets described above is likely to be more effective in the long run (Foss, 1996). The creation of European regions in Slovenia will foster the competitiveness of enterprises. European regions support the specialization process and the internationalization of domestic industry. The idea of regional specialization implies that firms do not compete alone in the global marketplace but as members of networked groups of firms sharing and building on valuable regional capabilities. Today is competitiveness evaluated by different methodologies. Government want to have right answers about policy directions. Different competitiveness studies have shown that regions play an important role in European union. Regional specialization process increises the national competitiveness. If the regions in the country are competitive then is also the country competitive. While Slovenia lags in creation of european regions it has also the negative impact on competitiveness of economy. In European Union can be national competitiveness seen as a sum of the success of different regions. While the regional factors are now more important we can search for the reasons in the view of differences in GDP, productivity and in employment. Differences are the consequences of structural differences in key determinants as physical, human capital, infrastructure, research capacities, quality of business environment. The european integration process give the more power to some regions. Regions as a geographic units can economically, culturally and and tradedly easier interact in enlarged EU. The lower role of national states has created well conditions to european regions for balancing with geographic, cultural, social and economical characteristics of geographic area and with more globalized European union.

There is a serious risk that the ideal circumstances for regional policy-making are accompanied with a situation of institutional lock-in, with adverse impacts on regional competitiveness in the long run. Or, as Cheshire and Godron (1996) have put it: a relatively specialized urban economy, with a high degree of integration among long established businesses may be the most promising economic base for the organisation of competitive activity, but the activity will tend to reflect the perceptions and interests of those particular businesses rather than a strategic view of current competitive prospects. One could

also argue that since the local environment exercises only a minor influence on the location of new industries subject to increasing returns, there is room for human agency to act effectively and to contribute to the build up of a favourable environment. According on Camagni (2002), in such a world of increasing returns, regional competitiveness should reside in dynamic factors that are all artificial or created advantages, open to the proactive, voluntary action of local communities and their governments. Geographic area where enterprises do a business does not maintain just natural sources, but also play an important role in knowledge accumulation, in models of cooperation and decisions that support the innovative progress of local enterprise. Process and collective learning are connected with characteristics and capacities on specific geographic area. Local labour market, internal culture in enterprises and past experiences have an influence on progress (Camagni, 2002). The success of enterprises on specific geographic area does not depend just on public sector and social capital, but also on specific external capital and specific sources, that are difficult to find on market. Enterprises are in interaction with other enterprises and with public administration for getting an important external object as building infrastructure. Process of learning calls for non-material and nonformal exchange inside the enterprises. The collective process of learning include the local labour market, chain of professional upgrading, mobility of educated labour force, and density of interaction with local suppliers and buyers (Capello, 1999). Geographical areas compete with each others by creation of competitive advantages. This is good for all economy. Regional studies have shown that competitiveness have increased the regions with capital city and regions with the border on old european member countries. Globalization process gave cities the key role in world economy. European integration process forced the cities to change according o new challenges and opportunities, that came from the european integration. In non integrated Europe was the competition among two cities from the side of the state unlogical. After in new circumstances I can see the strong competition among regions and cities, in the field of opening new jobs, FDIs and tourism. Regions with capital cities usually have a strong concentration of high educated experts, high level of investments, good infrastructure. Cities are competitive if they can o flexible and efficient way decrease the negative impact of economic growth, that can be seen in high prices of land and business spaces, in density of city traffic, in environmental damage and in increasing the social differences. Important is the competition with services, that must achieve the higher quality compared to other cities. Urban regions in new EU member countries have increased competitiveness in the last years. Ljubljana as a capital with sourauding is such a case. The movement of employment from industrial to service sector give to Ljubljana a specific place. Cities compete differently with each other, compared to states. Some policy responses have been overtly competitive in a defensive sense, including attempts to protect vulnerable industries or to discourage business relocation by offering subsidies in some form (Cheshire, Gordon 1996). Others have been proactive, including place marketing and incentives to attract mobile private investment. City boosterism reflects more aggressive competition to promote flagship events, build iconic projects and attract tourism, skilled mobile population and public investment, using both price and the quality of environment. It follows a tradition of policies that were less explicitly competitive, including increasing the business formation rate and strengthening the managerial and technical capabilities of local firms to help them enhance their market position and grow. Resent initiatives seek to exploit novel “urban assets” such as specialized labour pools, university research, institutional networks and even the lifestyle, cultural amenities and tolerant social milieu of cities (Landry, 2000).

Graph 6: Specialization of Slovenian regions (Herindahl index)



Source: own calculation

Regional competitiveness can increase in the way that regions specialize in important activities. Herindahl's index allows us to calculate the specialization in Slovenian regions. Specialization of Slovenian regions can be measured by structure of employment. From the graph can be seen that employed in knowledge-based activities and employed with university degree have a low Herindahl index. I can say that these activities are not concentrated in some regions. On the other side can be seen, that employed in innovative enterprises are more concentrated. Innovative enterprises are concentrated around Ljubljana. The strong correlation among urban and regional competitiveness can be seen in European Union. Regions with rich cities usually rank high in regional competitiveness. In urban centres we have strong service sector that make a business with the industry. Industrial production outside the city is common, while in the city we have financial and trade activities. If region doesn't have a strong city, the existing industry makes a connection with services outside the region that can be seen in the model. It is normal that service activities exist also outside the cities, but it doesn't have so strong weight as in urban centres. The agriculture activities have a connection with the food industry, but that can't be seen from the model. Globalization progress gives cities the main role in world economy. This is the reason why is the city competitiveness the important challenge not only for local but also for regional competitiveness. The quality of life is the important determinant of city competitiveness, while cities are also a living area. The progress of information connections has increased the role of the cities in national and global networks. Existing studies of urban centres have ignored the unseen aspect of information technological networks, while the studies have focused on physical and unseen aspect of urban development 'market of houses, social research, differences in employment, transport.... In new member countries can be seen that competitiveness have increased the urban regions and also the border regions. Border regions that are close to old EU countries have scored the fast integration into EU, while the investments in infrastructure are lower, important markets are closer, foreign direct investments are higher and touristic inflow is the important source of income. These regions are usually in better competitiveness position. The competitiveness have decreased in the regions that have the decreased industry and regions with high agriculture share. The development of specific competitiveness determinants as infrastructure, human capital, health, regional institutional framework have to follow the needs of regional population and less the needs of national states. The higher possibilities of regional specialization allow the higher competitiveness and easier integration in European area. The interest of European regionalisation is not just in lowering the differences, but also in the fact that institutional frameworks have to follow the needs of specific geographic area. Specialization of regions and geographic concentration of selected industries can be measured by comparison of production structures (Aiginger et al, 1999). Analysed region is specialised in the case, that just some industries have an important share of production on regional level. Analysed industry (car industry): is geographically concentrated, while the important share of production is seen in just some regions. Theoretical and empirical studies have shown that nominal

and relative wages became lower by increasing the distance to industrial and capital centres (Krugman, Livas 1996). Industrial centres have concentrated the capital and knowledge in the era of industrialization. After merchant liberalization is the access to key markets one of the reasons, while industrial and services activities often migrate to border regions.

5. Conclusion

CEE countries have increased the competitiveness level in recent years. The Lisbon strategy was implemented in new member countries. CEE countries still lag to EU-15 from the view of the Lisbon's goals. Hungary, Czech R and Slovenia have achieved around 90 per cent of European average. The specialization of CEE countries have increased in last years. Hungary has the highest specialization index. Finally, history shows that there is no single recipe for competitiveness. However, despite globalisation, several recent studies continue to underline the key role of nations in shaping the environment in which enterprises operate. Firstly, a significant part of the competitive advantage of nations stems from far-reaching incentive policies emphasizing tax breaks subsidies, which are designed to attract foreign investments. Ireland is an excellent example of such policies. Secondly, knowledge is the most critical factor of competitiveness. Lately, technological changes impacted education systems; Sweden and Finland are the finest examples of countries, which exploited the advent of Internet in providing distance learning and thus remedying geographic barriers (IMD, 2002). Despite structural changes, Slovenian economy remains disproportionately dependent on traditional industries like textiles, clothing, metals, and transport equipment. The relatively low share of labour and capital deployed in industries considered to be the 21st century vehicle of economic growth—computer and office equipment, communication equipment, semiconductors, and biotechnology – hinders long-term development and weakens the long-term competitive prospects for the economy. Simultaneously, new private enterprises are not growing, and the share of small enterprises in the new technology industries remains insignificant. In the last years the competitiveness can be measured by achieving Lisbon's strategy goals. We can measure the competitive position of countries in the context of the Lisbon's goals, and to shed light on where attention should be focused. The Lisbon strategy can be usefully broken down into eight distinct dimensions, considered to be critical for national competitiveness: (1) creating an information society for all, (2) developing a European area for innovation, research and development, (3) liberalization, (4) building network industries, (5) creating efficient and integrated financial services, (6) improving the enterprise environment, (7) increasing social inclusion and (8) enhancing sustainable development. WEF indicators allow us to calculate eight indexes. Slovenia has a well position by information society development, by innovation and R&R, by sustainable development and by social inclusion. On the other side Slovenia lags by entrepreneurship development. After enlargement of EU can be seen the growing importance of regional competitiveness. Regional competitiveness can increase in the way that regions specialize in important activities. Herindahl's index allow us to calculate the specialization in Slovenian regions. Specialization of Slovenian regions can be measured by structure of employment. From the graph can be seen that employed in knowledge-based activities and employed with university degree have a low Herindahl index. I can say that these activities are not concentrated in some regions. On the other side can be seen, that employed in innovative enterprises are more concentrated. Innovative enterprises are concentrated around Ljubljana. Like in the case of Slovenia, the competitive advantage of the some new member countries lies mainly in the labour-intensive and resource-intensive industries. The conclusion to be drawn here is that an open economy and foreign investment do not lead to an automatic change of the structure of the industry towards greater knowledge and skill intensity: rather than that, it is the other way round. After joining the EU it is more important to build a competitive business environment. If we want to attract foreign companies, we must do more for business environment in the near future. Enterprise reforms are also part of these processes. The Lisbon's strategy has changed the competitiveness evaluation in Slovenia. The microeconomic progress is now more important like ten years ago.

6. Literature

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