Competitiveness Evaluation of Slovenian Economy

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Evaluation of competitiveness became an important instrument for balancing the development process of the economy. For Slovenia it is important tool for policy creation. Benchmarking with more developed countries shows us the right directions of development process. Competitiveness can be analysed from different sides. Existed studies have focused on several different analytical levels: product, firm, industry cluster, region and nation. 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 (transnational companies), allowing access to capital flows, world markets, skills, and technology. Competitiveness evaluation of Slovenian economy shows us that the problems remain the same during the enlargement process of the European Union. Competitiveness is defined as the quality of the economic and institutional environment for the sustainable development of private productive activities and the increise in productivity. Today we focuse more on policies and strategies on institutional and also on business level that mainatain the long-term competitiveness. Competitiveness can be seen as the collection of factors, policies and institutions which determine the level of productivity of a country and that, therefore, determine the level of prosperity that can be attained by an economy. In the paper I will evaluate the Slovenian competitiveness by SWOT analysis. After European enlargement we can see that some CEE countries have benefited more than other countries. Slovenia, Czech Republic, Hungary, Slovakia have increased the locational attractiveness for business sector and also improved the institutional competitiveness. Harmonization with EU legislation and adoption of "Acquis Communautaire" have improved the institutions and the legal sys-

tem. On the other side, Croatia, Romania and Bulgaria have problems connected with the enlargement process. Because these latter countries stayed outside the first enlargement process, they have, in addition to their originally less competitive, position lower competitiveness possibilities. The integration process increased the possibilities for benchmarking. Today is more common to benchmark different countries and compare the main determinants of competitiveness. Evaluation of competitiveness is an important tool for economic policy. Slovenia as a small country can be analysed from the view of regional competitiveness. Improving competitiveness is not about driving down living standards. It is about creating a high skills, high productivity and therefore high wage economy where enterprise can flourish and where we can find opportunities rather than threats in changes we cannot avoid. Many governments seriously peruse national competitiveness rankings produced by WEF or IMD. The study of competitiveness strategy is now a very important obligation of government. All new member countries have high-level official committees to deal with competitiveness, reaching across ministerial divisions to devise international, national or regional policy.

Key words*: productivity and competitiveness, benchmarking, development strategy, national development*
JEL classification codes: *011, 024, 038, 057*

1. INTRODUCTION

The European Union's prosperity is based on its capacity to compete in the global market. 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.

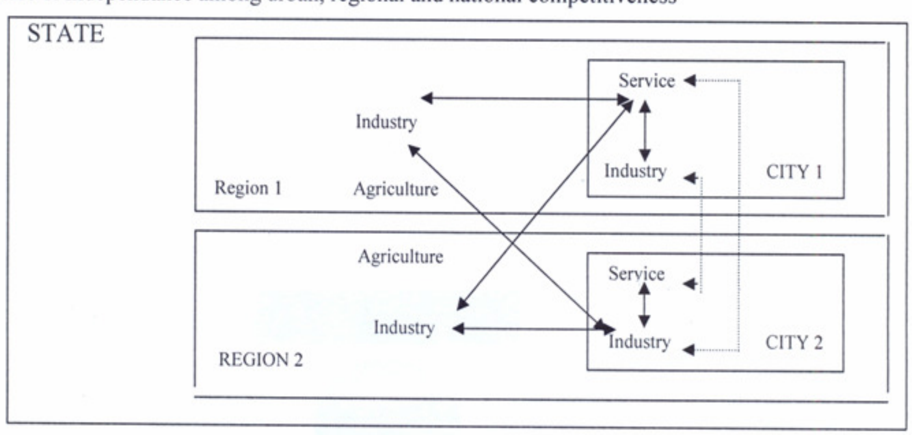
The development of the knowledge society was declared to be one of the key goals of the European Union at the Lisbon EU summit of 2000. This entails both economic and social objectives, according to which Europe seeks to become the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs, and greater social cohesion. The old methodologies for measuring national competitiveness as unit labour cost, share on foreign markets, import penetration are not so usefull today. Competitiveness is defined as the quality of the economic and institutional environment for the sustainable development of private productive activities and the increise in productivity. Today we focuse more on policies and strategies on institutional and also on business level that mainatain the long-term competitiveness. Competitiveness can be seen as the collection of factors, policies and institutions which determine the level of productivity of a country and that, therefore, determine the level of prosperity that can be attained by an economy. As put by Xavier sala-i-Martin: more competitive economies tend to be able to produce higher levels of income for their citizens. However, productivity is also the key driver of the rates of return associated with investment in an economy, wghich, in turn, unambiguously determine the aggregate growth rates of the economy. Thus, a more competitive economy is one that is likely to grow faster over the medium to long term (Lopez-Claros, et al, 2006). Set of policies and the quality of institutions still create the conditions for long term properity. Acemoglu et al. (2001) makes a compelling case for their central importance to the development process: Countries with better institutions, more secure property rights, and less distortionary policies will invest more in physical and human capital, and will use these factors more efficiently to achieve a greater level of income.

2. 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. 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 competitveness studies have shown that regions play an important role in European union. Regional specialization process intreise 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 competitivenss 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 tradelly 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.

Geographic area where enterprises do a business does not maintain just natural sources, but also play an important role in knowledge accomulation, 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 geting 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 proffesional 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 increised 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 openning 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 decreise 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 increising 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 increised 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. States compete for share of world trade with balancing of interest rate and exchange rates, with restrictive policies or by cooperation with other economies (Picture 1).

Picture 1: Independance among urban, regional and national competitiveness



Source: own model

The strong correlation among urban and regional competitiveness can be see 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 in common, while in the city we have financial and trade activities. If region doesn't have a strong city, is the existing industry mare 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 activites have a connection with the food industry, but that cant 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 increised the role of the cities in national and global networks. Existed studies of urban centres have ignored the unseen aspect of information technological networks, while the studies has 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 increised 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 turistical inflow is the important source of income. This regions are usually in better competitiveness position. The competitiveness have decreased in the regions that have the decreised 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 follow the needs of specific geographic area. Specialization of regions and geographic concentration of selected industries can be measured by comparition 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 geographical 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 icreising the distance to industrial and capital centres (Krugman, Livas 1996). Industrial centres have concentrated the capital and knowledge in the era of industrialization. After marcant liberalization is the access to key markets one of the reasons, while industrial and services activities often migrate to border regions.

3. LISBON STRATEGY

The Lisbon Strategy is an ongoing process where the main responsibility for the reform process lies with the Member states. Yet, even if member States had the political backing and were willing to reform, there is no simple recipe to achieve the targets. EU governments can promote and support faster growth by encouraging enterprises either directly through improving the business environment. Direct influence on investment is exerted via taxes, subsidies or legislation while the environment in which firm operate is determined by institutions such as national education and training systems, product market regulations, transport and infrastructure as well as labour and financial market regulations. Recent growth theories suggest that government policies may play a role in fostering efficiency and growth. According to endogenous growth models government intervention can raise the level of efficiency in the economy by addressing market failures, externalities and spillovers that prevent optimal allocation of resources. In particular, these models uncover the role of positive externalities associated with public investment that can generate benefits to the productive capacity of the economy (Romer, 1990, Aghion and Howitt 1998). Schumpeterian type models of creative destruction (Aghion, Howitt 1992) emphasise the innovation process leading to economic growth with implications for competition and patent policies. Governmental intervention may be justified when the socially desired level of R&D activity is higher than the level of enterprises wish to engage in. This is due to the non rival nature of technological knowledge and the trade off faced by the enterprise between the positive effects of competition on its motivation to innovate and the potentially negative effects of strong competition on its ability to appropriate adequate returns to its R&D investment. In evolutionary theories (Nelson, Winter 1982) where enterprises seek profits under non quantifiable uncertainty the aim of governmental policies is to provide conditions that support innovations by facilitating the distribution of knowledge. Competitiveness depends on many things. One vital determinant – ultimately perhaps the most important determinant – is the level and improvement of workforce skills at all levels. This paper starts with the changing nature of skill needs, and describes the role of skills and capabilities from the view of international competitiveness. Traditional models of competition, based on low costs and prices, are being replaced by competition driven by quality, reliability, and networking (Best, 1990). The ability to create and use economically viable new products depends mainly on the level of education. The socio-economic development of Slovenia and other new EU 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.

Lisbon strategy can be seen as a tool for fostering structural reforms. The immediate impact of reforms is on allocative efficiency. In a given market, increased competition reduces monopoly rents, which translates into low prices. Even with unchanged nominal incomes, the outcome is higher demand and output in real terms. At a more aggregate level, when all markets are more competitive, production and employment increase as does income. However, allocative efficiency gains are neither the only nor the most important outcome of reforms. Pelkman (1984) and Jacquemin (1985) argue that productive and dynamic efficiency effects are far more important than allocative ones. The shed light on the impact of reforms on productive and dynamic efficiency, the developments in the new growth theory and their relation to market functioning provide a very useful framework. 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 importance of regional or national receiving system which can identify and utilise international technological innovations is especially important. When some countries continue to have a lower growth rate than others, or when some regions are consistently lagging behind the rest of the regions in a country, this can, at least in par, be attributed to deficiencies in certain aspects of the region's or country's localised capabilities. Such deficiencies make the region or country unable to take full advantage of improvements otherwise available (Hall, Johnson, 1970). This implies that the process of uneven economic development does in fact have an endogenous component where physical and human assets or cultural factors, deeply embedded in the social fabric of a region or country, might play an important role. Empirical examples of such phenomena include Dore's (1973) observation that the convergence in economic performance between Britain and Japan is closely related to dissimilar institutional configurations, or Hirschman's (1970) application of such institutions as trust and loyalty in untangling the causes behind uneven economic development at a regional and national level. 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. 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).

4. EUROPEAN COMPETITIVENESS

The European Union's prosperity is based on its capacity to compete in the global market. For this reason, we need to measure and study our economy position in terms of competitiveness. Competitiveness creates the necessary conditions for sustainable development, for the creation of new production activities and new jobs, and for a better quality of life (Stajano, 2006). Competitiveness is a concept that connect the macroeconomic and microeconomic view of social-economic development. By comparison of European countries I recognized the main differencies on micro level (labour market, entrepreneurship, knowledge creation). The microeconomic view is becoming more important for Slovenian economy after EU enlargement. The macroeconomic view of competitiveness originates from Ricardo's (1817) comparative advantage theory and Heckscher-Ohlin's (1933) factor proportions theory. Here, the classic postulation is, comparative advantage in price determines the success of a nation in trade. A country produces and exports those goods and services in which it has comparative advantage over others in terms of price. However, price is not the only factor that explains the flow of trade. There are many other variables that affect the flow of trade or competitiveness of a country. These include levels of technology (Fagerberg 1988, Rosenthal 1993), capital (Young, 1981, Ray 1995), skill differences of labour (Reich 1990, Strange 1998), entrepreneurship (Lee, Peterson 2000) differences in productive capabilities (Cohen, Zysman 1987, Fagerberg 1988), factor conditions and industry competition (Ohmae 1985, Porter 1990), government policy and expenditure (Nelson, Winter 1985) and globalization and the influence of multinationals (Dunning 1993, Krugman 1994).

During the 1980s, competitiveness emerged as a major problematic issue for EU public policy support, and for corporate behaviour in the market place. For horizontal policies (such as the Single market programme), as well as for vertical policies, such as Research and Development (R&D) support, strengthening the competitiveness of participating organisations is ever more clearly emphasised as the ultimate goal to be achieved. For corporate behaviour itself, the main question debated by researchers, analysts and managers is related to the source of value creation and growth (Bounfour, 2000). The economics of competitiveness has been described as a new paradigm, that is, a new general concept of the economic dimension of human activity. At the core of this new paradigm is knowledge based production and a communications revolution stemming from falling costs and rising efficiency in the transmission, retrieval and analysis of data. The paradigm is said to accommodate the globalization of production and consumption on the basis of acquired comparative advantage. It is thought to assert, contrary to the old paradigm, that technological change is endogenous to the economic process. That is, maximization of profits in the market is not constrained by the limits of a given technology, but, rather, is pursued by removing the limits of a given technology. In the economic of competitiveness, according to this definition, economic growth theory has absorbed key elements in the theory of economic development (Lipsey 1991). Some authors view firm's competitiveness with the competency approach. They emphasise the role of factors internal to the firms such as firm strategy, structures, competencies, capabilities to innovate, and other tangible and intangible resources for their competitive success (Bartlett, Ghoshal, 1989). This view is particularly among the resource-based approach towards competitiveness (Grant, 1991; Barney 2001; Peteraf, 1993; Ulrich, 1993). Ability to develop and deploy capabilities and talents far more effectively than competitors can help in achieving world-class competitiveness (Smith, 1995). 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.

Competitiveness is a broad concept, which can be observed from different perspectives: through products, companies, branches of the economy, the short-run or the long-run. The most complex of these is the concept of the competitiveness of the national economy. Some authors even negate its importance, particularly in a system of floating exchange rates. For example, Krugman (1994) sees the competitiveness of the national economy as a dangerous obsession, and similarly, Porter claims that national productivity is the only meaningful concept of competitiveness at the state level. States and companies should be viewed equally, as international trade is not a zero sum game and because states cannot be competitive in all branches of economic activity (Porter, 1990). The concept of competitiveness is somewhat elusive particularly at the national level. There is an on-going academic debate over the merits of emphasising price (i.e., exchange rates and wages) and non-price factors (i.e., technology, design, productivity, human capital etc.) in such a definition. Following the OECD define competitiveness as:" the degree to which, under open market conditions, a country can produce goods and services that *meet the test of foreign competition* while simultaneously maintaining and expanding domestic real income (OECD, 1992. The first Competitiveness Advisory Group appointed by the European Commission argued that competitiveness implies elements of productivity, efficiency and profitability and is a powerful means of achieving rising standards of living and increasing social welfare. The critical determinants of competitiveness are productivity improvements, and technological innovation. Similarly, Scott and lodge argue that since World War II, the shift of industrial activity towards science-based enterprises such as electronics or chemicals means that national competitiveness is increasingly dependent on technology, capital investment, and labour skills. Unlike previous determinants of national competitive advantage, these factors are not naturally dependent on any particular region or nation state. These resources are internationally mobile and can be attracted and shaped by any state which has a suitable enterprise culture, liberal trade and investment laws, a strong scientific and technical infrastructure, and a good educational system (Lawton, 1999). Competitiveness is more and more a matter of strategies and structures, and less and less a product of natural endowments. Competitiveness development is based on an understanding of the nature of technological change in the business enterprise sector. As discussed below, it focuses on the issue of learning costs to absorb technological and other manufacturing capabilities in enterprises in industrial latecomers. The pace at which enterprises acquire these capabilities is reflected in shifts in comparative advantage at the country-level. Thus, national competitiveness can be proxied by manufactured export performance relative to competitor economies. A more competitive economy is characterized by *rapid manufactured export growth combined with sustained technological upgrading and diversification*. This is a measurable notion, which emphasizes both growth performance and structural change over time in the manufacturing sectors of individual open economies. Moreover, it emphasizes efficiency considerations and gives rise to policy suggestions. Similarly, competitiveness policy can be viewed as the sum of policy instruments, which may induce more rapid export growth and technological upgrading in a country's enterprises. The need to improve our competitiveness is not imposed by Government, but by changes in the world economy. Improving competitiveness is not about driving down living standards. It is about creating a high skills, high productivity and therefore high wage economy where enterprise can flourish and where we can find opportunities rather than threats in changes we cannot avoid. Many governments seriously peruse national competitiveness rankings produced by WEF or IMD. The study of competitiveness strategy is now a very important obligation of government. All new member countries have high-level official committees to deal with competitiveness, reaching across ministerial divisions to devise international, national or regional policy. The concept of competitiveness and competitive strategy comes from the business school literature. Companies compete for markets and resources, measure competitiveness by looking at relative market shares, innovation or growth and use competitiveness strategy to improve their market performance. The competitive society, in sociological terms, is the society which can achieve a dynamic balance between wealth creation and social cohesion. The available literature on national competitiveness increasingly views competitiveness strategy in holistic terms, involving the use of several related policies (Fagerberg 1996). This literature typically rejects the view found in popular discourses that a single instrument can achieve a major improvement in national competitiveness. Following this literature, this paper emphasizes a holistic approach to national competitiveness policies, which has two elements: a three-way national partnership (involving complementary actions by government, the private sector and labour organization) for national competitiveness.

5. EVALUATION OF SLOVENIAN COMPETITIVENESS

After European enlargement we can see that some CEE countries have benefited more than other countries. Slovenia, Czech Republic, Hungary, Slovakia have increased the locational attractiveness for business sector and also improved the institutional competitiveness. Harmonization with EU legislation and adoption of "Acquis Communautaire" have improved the institutions and the legal system. On the other side, Croatia, Romania and Bulgaria have problems connected with the enlargement process. Because these latter countries stayed outside the first enlargement process, they have, in addition to their originally less competitive, position lower competitiveness possibilities. The integration process increased the possibilities for benchmarking. Today is more common to benchmark different countries and compare the main determinants of competitiveness. Evaluation of competitiveness is an important tool for economic policy. In the paper we intend to create an own framework for competitiveness evaluation which will be based on the clear analysis of the economic position and situation of transition countries[1]. Because the national competitiveness and productivity are results of many policies and strategies, we can measure the efficiency of these policies and strategies. Naturally these countries can't have achievements as e.g. Denmark and Finland; but we expect similar level as Portugal or in Greece.

The competitive position of Central European Countries changed after EU enlargement. CEE countries are now divided into two groups. Czech R, Slovenia, Hungary, Poland and Slovakia are part of the European Union. Romania, Croatia, Bulgaria and other Balkan countries are waiting for the next enlargement. The CEE countries are

[1] We consider as transition economies the 8 New Member States of the EU (Czech R., Slovakia, Poland, Hungary, Slovenia and the 3 Baltic States), the Accession States Romania and Bulgaria, as well as the Balkan countries.

rather different in the GDP per capita levels, level of employment, FDI attractiveness, success of economic reforms and legal and institutional development.

An evaluation of qualitative competitiveness of the CEE countries can give important insights to the most important development steps in the near future. This is especially important in view of the next steps in the enlargement process of the EU. Today there are many methodologies for competitiveness evaluation. The European integration process and the Lisbon strategy place less emphasis on macroeconomic policies. The role of government is increasingly focused on political and economic stability, high quality educational and research systems, the provision of an innovative and entrepreneurial environment, and regulatory institutions. The Lisbon strategy put more weight on the social development, especially labour market. Approximately 50 different methodologies can be put into four groups:

- *trade and investment flows*
- *statistical indicators (macro-economic indicators, labour market indicators, educational indicators, infrastructure indicators, science and technology indicators)*
- *indicators derived from questionnaires and the interviews of managers*
- *a combination of statistical and indicators from questionnaires*

The evaluation of competitiveness is done by SWOT analysis. The indicators are taken from Global Competitiveness Report and also by World Competitiveness Yearbook. The first evaluation is done for year 2003. (Table 1)

Table 1: SWOT EVALUATION OF SLOVENIAN COMPETITIVENESS 2003

ADVANTAGES	***OPPORTUNITIES***
Low living costs in Ljubljana High share of export in GDP High employment share of population Expenditures of health Expenditures for education Interest of youth for science and technology Ratio among teachers and pupils in basic and secondary schools	Employment of women on key positions in industry and in society Entrepreneurship and internationalization of companies Stability of exchange rate Increise the productivity in industry and also in service sector Increise the competitiveness of financial sector Stock exchange index Low cost of labour force in industry
WEAKNESSES	***THREATS***
High inflation rate Low inflow of FDI Interest spread Available knowledge on IT Financing of technological and sustainable development Education on the finance does not meet the needs of the business sector Low transfer of knowledge among enterprises and universities	Access on foreign capital market Access on domestic capital market Transparency of financial transaction Regulation of banking sector Low investment incentives Competent managers are not available on labour market National culture is not open for foreign ideas

Source: IMD, WEF, own evaluation

Advantages of Slovenian economy are openness of the economy, expenditures for health, interest of youth for sience and technology, employment of woman on high positions, stability of exchange rate and low labour cost in industry. Weaknesses of Slovenian economy are low inflow of FDI's, availability of IT knowledge, education on the financial fields, low transfer of knowledge among enterprises and universities, regulation of financial sector, and national culture is not open for foreign ideas.

Table 2: SWOT EVALUATION OF SLOVENIAN COMPETITIVENESS 2004

ADVANTAGES	***OPPORTUNITIES***
High share of export in GDP Outflow investments (yearly growth) High share of trade in GDP Favourable living costs in Ljubljana Low unemployment rate Mobitel subscribers Ration among teachers and pupils in promary and secundary schools Share of expenditures for education (% v GDP) Cost of international telephone call	Stability of exchange rate State aids does not make a problems for economic development Balance among population incomes Share of womens in total employment Managers have a sense for entrepreneurship Low tax on profits Low incomes of managers Enterprises can received a good credits from the banks
WEAKNESSES	***THREATS***
Technological collaboration among enterprises The programmes of university	Low investment incentives Birocratic barriers for business (red tape)

does not meet the needs of the business sector Educational system on the field of finance does not meet the needs of competitive economy Low transfer of knowledge among enterprises and universities Low share of high tech export Economic literacy is low	Closed of the national culture Legislation of competition regulation is not efficient Inside trade on stock exchange Foreign experts are not employed from the Slovenian economy Low action of politics on economic changies

Source: IMD, WEF, own evaluation

If I compare both SWOT analysis of the Slovenian competitiveness (Table 2) than I can see that in 2004 the banking sector is not problematic any more. Slovenian capital market is now more open in both sides. Slovenian inflation is lower and more closed to other European economies. The SWOT analysis of Slovenian economy for year 2005 shows the same problems (Table 3).

Table 3: SWOT EVALUATION OF SLOVENIAN COMPETITIVENESS 2005

ADVANTAGES	***OPPORTUNITIES***
High share of export in GDP Outflow investments (yearly growth) High share of trade in GDP Favourable living costs in Ljubljana Low unemployment rate Mobitel subscribers Ration among teachers and pupils in primary and secondary schools Share of expenditures for education	Stability of exchange rate State aids does not make a problems for economic development Balance among population incomes Share of womens in total employment Managers have a sense for entrepreneurship

(% v GDP) Cost of international telephone call Patent productivity	Low tax on profits Low incomes of managers Enterprises can received a good credits from the banks
WEAKNESSES Low inflow of FDIs Technological collaboration among enterprises The programmes of university does not meet the needs of the business sector Educational system on the field of finance does not meet the needs of competitive economy Low transfer of knowledge among enterprises and universities Low share of high tech export Economic literacy is low	***THREATS*** Low investment incentives Birocratic barriers for business (red tape) Closed of the national culture Opennes of new companies are not supported by legislation Legislation of competition regulation is not efficient Inside trade on stock exchange Foreign experts are not employed from the Slovenian economy Low action of politics on economic changes Flexibility of population is low

Source: IMD, WEF, own evaluation

6. CONCLUSION

In the time of EU enlargement I can see improvement in Slovenian institutional quality. The European integration process and the Lisbon strategy place less emphasis on macroeconomic policies: The role of government is increasingly focused on political and economic stability, high quality educational and research systems, the provision of an innovative and entrepreneurial environment, and regulation institutions. 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.

For small country as a Slovenia is regional competitiveness concept also useful on national level. Benchmarking with competitiveness of other EU countries is now more simple. When we compare our competitiveness base with other countries we have to take into account the characteristics of the domestic economy. Slovenia as a small country can be analysed from the view of regional competitiveness. Improving competitiveness is not about driving down living standards. It is about creating a high skills, high productivity and therefore high wage economy where enterprise can flourish and where we can find opportunities rather than threats in changes we cannot avoid. Many governments seriously peruse national competitiveness rankings produced by WEF or IMD. The study of competitiveness strategy is now a very important obligation of government. All new member countries have high-level official committees to deal with competitiveness, reaching across ministerial divisions to devise international, national or regional policy. The evaluation of competitiveness is done by SWOT analysis. The indicators are taken from Global Competitiveness Report and also by World Competitiveness Yearbook. The first evaluation is done for year 2003. Advantages of Slovenian economy are openness of the economy, expenditures for health, interest of youth for science and technology, employment of woman on high positions, stability of exchange rate and low labour cost in industry. Weaknesses of Slovenian economy are low inflow of FDI's, availability of IT knowledge, education on the financial fields, low transfer of knowledge among enterprises and universities, regulation of financial sector, and national culture is not open for foreign ideas. If I compare both SWOT analysis of the Slovenian competitiveness than I can see that in 2004 the banking sector is not problematic any more. Slovenian capital market is now more open in both sides. Slovenian inflation is lower and more closed to other European economies. The SWOT analysis of Slovenian economy for year 2005 shows the same problems. I can say that the problems of Slovenian competitiveness remain the same in the time of the integration process.

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