ISSN 1822-7996
TAIKOMOJI EKONOMIKA:
SISTEMINIAI TYRIMAI: 2009.3/1

Jekaterina ROJAKA

Baltic states' competitiveness: before and after the global crisis

The aim of this article is to look more closely at international competitiveness assessment, developments and progress of the three Baltic countries, to investigate the emerging challenges on their way to enhance competitive position and evaluate the countries' perspectives.
Keywords: international competitiveness, business environment, assessment, crisis.

Straipsnyje analizuojama trijų Baltijos šalių konkurencingumo būklė ir padaryta pažanga šioje srityje, nagrinėjami naujai atsiradę iššūkiai siekiant aukštesnės konkurencingumo pozicijos tarptautinėje arenoje, įvertinamos šalių perspektyvos.
Raktiniai žodžiai: tarptautinis konkurencingumas, verslo aplinka, įvertinimas, krizė.

JEL Classification: F43/O11/O57

"The ability to learn faster than your competitors may be only sustainable competitive advantage."
Arie de Geus, head of Shell Oil Company's Strategic Planning Group

Introduction

The end of the first decade of XXI century witnessed a sharp global contraction, which affected both advanced and developing countries. In the fourth quarter of 2008 global industrial production slumped by nearly one fifth, while developed countries recorded even deeper – about 23 percent year-on-year decline. World Bank (2009) experts predict that in 2009, the global GDP will decline for the first time since World War II, and the growth rate is forecast to be at least 5 percentage points below potential. World trade volumes are also expected to contract this year – the first time since the recession in 1982. According to European Commission (2009) euro area is forecast to post negative growth of about 4 percent. Moreover, there is yet little evidence, that the situation is getting better; not least, growth prospects for most of the countries have been revised downward.

The three Baltic countries – Estonia, Latvia and Lithuania (further the Baltics, Baltic States) – initially shielded from the direct impact of dramatic subprime mortgage crisis, were hit strongly by abrupt collapse of financial capital liquidity and global economic recession afterwards. The negative effect of the global turmoil ap-

---

Jekaterina ROJAKA – PhD candidate, Quantitative Methods and Modelling Department, Faculty of Economics, Vilnius University. Address: Saulėtekio st. 9, Vilnius LT-10222, Lithuania. Phone: +370-5-2366277. Fax: +370-5-23661227. E-mail: jrojaka@gmail.com.

peared from several channels, mainly increasing risk premium and rising cost of financing, close-up of key exports markets and, further, slump in domestic demand.

The region used to stand out from the European Union by high level of openness in terms of trade, soaring financial sector integration with the foreign banks, and exceptionally vivid economic growth and convergence. Besides, since remarkable real GDP growth rates in the Baltic countries were resting on substantial investments in the region, the sharp freeze-up of lending resulted in immediate economic slowdown. Despite the magnitude of recession somewhat varies across the region, the negative effects on the economies are similar: slump in domestic demand, increasing number of foreclosures, rise in unemployment, falling industrial production and exports, shrinking official reserves and fading tax collection, etc. As a result, the Baltics faced towering pressure on national currency stability, worsening credit *ratings and climbing credit default swaps.*

The global economic downturn put a harsh test for the quality of economic policies and institutions and overall countries' international competitiveness sustainability in the Baltics. It also would challenge the countries' international competitiveness positions. Firstly, it seems that economic buffers created over the years of buoyant growth in these countries area hardly adequate to meet economies' growing needs this and upcoming years. Moreover, the major developed economies address the ongoing economic recession by discretionary fiscal stimulus packages, which rest on looser monetary policy, support for employment and household income and measures to foster both private and government long term investment. However the Baltic countries in contrast to the richer EU member, have only limited capacity to weather the crisis with a heavy financial incentives. In the meantime, Estonia, Latvia and Lithuania economies faced markedly deeper contraction than the Western countries and may need more efforts and resources to sustain international competitiveness and cushion the effects of fading global conditions.

This implies the long and painful downward adjustment in living standards that may reshuffle the international competitiveness scoreboard substantially. Thus, the crisis will definitely have an impact on the national competitiveness. At the same time, the process is reversible: cross-country competitiveness indicators are frequently taken into consideration by governmental reports and discussions of economic policy.

The paper aims at revealing the major challenges, developments and progress of the three Baltic countries on their way to higher competitiveness. It also includes the implicit analysis of the key factors behind evaluating national competitiveness by international institutions and national agents. The analysis is based mainly on the datasets of two influential publications – Doing Business (the World Bank) and Global Competitiveness Report (World Economic Forum). The study also emphasises the most problematic economic and social issues under the conditions of global economic downturn and predicts impact of economic and financial crisis on the national competitiveness of the three Baltic countries.

Evolution of the definition of competitiveness

Despite the fact, that the term competitiveness exists hundreds of years and is wide-

spread in both economic literature and the mass media, there is no common definition of what competitiveness means.

The first attempts to measure a nation's competitiveness originate in early 18th century from mercantilists, who related national competitiveness with international trade. As a result, a higher competitiveness was related with trade surplus. In classical economics, competitiveness was predominantly determined by relative costs. Later, in 1965, based on the Ricardian and the Heckscher-Ohlin theories on comparative advantage, Béla Balassa (1928-1991) introduced the so-called revealed comparative advantage index, which is broadly used nowadays to measure a country's comparative advantages globally, regionally or bilaterally.

Another embranchment of the competitiveness theory is related to M. Porter works. In his book *Competitive Advantage of Nations*, M. Porter extended the definition of competitiveness by introducing productivity as a key factor of national success. He also educed, that a nation's competitiveness is a complex concept embracing a number of factors, and articulated that competitiveness is stemming from the countries' ability to create the favourable environment stimulating innovations and upgrading at a more rapid pace compared to the other countries.

In the last two decades of 20th century, rising income has become the central issue in competitiveness analysis. The definition of competitiveness referred mainly to a country's ability to maintain and increase the real income of its citizens. Many of the researchers (Tyson, 1988; Krugman, 1994; Cohen 1994, etc.) have quoted the macroeconomic definition of a nation's competitiveness provided by the President's Commission on Industrial Competitiveness in mid-90s. The report, written for the Reagan administration in 1984, stated that "competitiveness is the degree to which a nation can, under free and fair market conditions, produce goods and services that meet the test of international markets while simultaneously maintaining or expanding the real incomes of its citizens" (OECD, 1996).

J. Farberger (1988) also defines a country's competitiveness as growth in income and employment without running into balance-of-payments difficulties, and suggests that the theory of international competitiveness should establish the links between the growth of welfare and international trade balance of an open economy and factors underpinning economic development.

D. Dollar and E. N. Wolff (1993) expressed similar ideas by emphasizing the relation of the country's competitiveness with high technology-based international trade and, simultaneously, maintenance of high incomes and high wages. I. Gough (1995) also stressed the country's ability to secure high and rising incomes for its people on the back of solid exposure of the producers to foreign competition (Gough, 1995).

In the meantime, other researchers strongly criticized the idea of measuring a nation's competitiveness. Among the most savage critics was Paul Krugman who stated that a nation's competitiveness is a myth, just a metaphor, "a poetic way of saying productivity", and has nothing in common with the actual disparities among countries. According to P. Krugman, those writing about competitiveness "engage in what may perhaps most tactfully be described as "careless arithmetic."" After the article had been published in the *Foreign Affairs* magazine, it fuelled a bunch of hot

disputes, and the economic world could shortly read the response by *Stephen S. Cohen, where he attacks the* "one-number approach" *in favour of a* "broader, more open-minded and modest approach". *In his article, S. S. Cohen concludes that there is no single question or number to answer the question how well the economy is doing, and states that* "competitiveness is reconsideration of a broad set of indicators, none of which tells the whole story but that together provide a highly legitimate focus".

This dispute, however, had a very valuable outcome: since both sides of the polemic were arguing on the same competitiveness explanation (the one provided by President's Commission in 1984), the latter finally was acknowledged as the standard definition of a nation's competitiveness. Despite many further interpretations, the key components of aforementioned definition, such as "complex concept", "international markets", and "expanding real income", are present in more or less any attempt to describe the international competitiveness of nations.

Selection of the countries for the comparative analysis

After defining the competitiveness concept, we can proceed on analysing the competitiveness developments of the three Baltic States. However, since a nation's competitiveness does not exist for a single country and our aim is to assess the Baltics' perspectives on competing internationally, we need to identify a list of the countries for Lithuania, Latvia and Estonia to be compared with. For this reason, 10 EU member states were selected: Bulgaria, the Czech Republic, Hungary, Poland, Romania, the Slovak Republic, Slovenia, Denmark, Finland and Ireland. The chosen countries will help to form a reference for evaluating the Baltic's progress and developments, as a country's competitiveness highly depends on what other competitors do.

The seven selected new member states undergone an analogous path in economic development on the back of similar initial conditions. In addition, despite there are major disparities in economic policies, the scale of economies and geographical position, the countries were challenged by the same problems, competed for the same markets. Moreover, since EU entrance the interrelationship among both, the new member states and old EU block, has increased dramatically: up to 2/3 of total foreign trade volumes in NMS is targeted to the European community market. The countries also enter in rival for foreign investments by creating attractive business conditions, not least through aggressive reduction of the tax rates, etc.

Two Nordic countries were selected as benchmark countries for the Baltics, since both Denmark and Norway proved to lead the global rankings in terms of overall competitiveness. Notwithstanding the fact, that in some areas Denmark and Finland are outweighed by the United States and Switzerland (e.g. best-known trade marks, favourable macroeconomic environments), or Asian countries, the Nordics used to take honoured positions in competitiveness rankings. Lastly, Ireland was included into the country set, as a yardstick for the momentous outbreak in productivity and competitiveness.

The Irish economy represents an extraordinary success story of what a small country with a population under six million, on the very edge of Europe can accomplish in a short period. Ireland remains

one of remarkable examples of ability to attract foreign investments. According to foreign direct investments per capita it outranges Lithuania and Latvia by nearly 7 times. Furthermore, the country was among the first to establish the National Competitiveness Council – the institution providing analysis and makes recommendations on policy actions to enhance Ireland's competitiveness. Besides, the three Baltic States, also known as "Baltic tigers", were repeatedly compared to their Celtic brother in the years of rapid economic growth.

Assessment of the Baltics' competitiveness

The concept of national competitiveness and favourable business environment is broadly linked with economic development. The countries are increasingly paying attention to their competitiveness on global markets by promoting national programs and founding institutions aimed at tackling competitiveness issues. A number of leading international organizations, research institutes and business entities carry out global comparative studies on a nations' competitiveness. Among the most famous and influential series of publications on global competitiveness – Doing Business by the World Bank and International Finance Corporation, and Global Competitiveness Report by World Economic Forum.

The first publication concentrates mainly on regulatory environment, which is vital for successful business and sustainable economic development, whereas Global Competitiveness Report captures both, the microeconomic and macroeconomic foundations of national competitiveness.

The World Economic Forum (WEF) competitiveness assessment is based on three stages of economic development and 12 pillars (see Tables 1, 2). WEF assigns individual countries to different stages of development on the basis of GDP per capita level (the income brackets USD 2,000 – 3000 and 9,000 – 17,000 stand for transition stages).

Over the last year, Lithuania and Latvia moved from stage 2 to the next transition phase (from efficiency-driven to innovation-driven stage), so that all three Baltic states are within the same income bracket. Earlier, Estonia for a number of years was ahead of the two Baltic States. This fact facilitates the interpretation of results, since changing weighting system of factors may

Table 1

Weights of three main groups of pillars at each stage of development, 2008

	Factor-driven stage (GDP per capita < USD 2,000)	**Efficiency-driven stage (GDP per capita USD 3,000-9,000)**	**Innovation-driven stage (GDP per capita > USD 17,000)**
Basic requirements	60% (50%)	40%	20% (30%)
Efficiency enhancers	35% (40%)	50%	50% (40%)
Innovation and sophistication factors	5% (10%)	10%	30%

Note: Previously used weights, if changed, are shown in parenthesis.

Source: World Economic Forum (2007, 2008).

lead to considerable alteration in ranking. For instance, sudden increase in GDP per capita, which pushes the country to the next development level, will result in a significant drop in competitiveness ranking, if the increase was not lead by any major improvement in innovation and sophistication factors group.

Five countries from the selected list – Denmark, Finland, Ireland, Czech Republic, Slovenia – are attributed to the highest level of development. Among the new member states, this group also comprises Malta and Cyprus. Latvia, Lithuania, Estonia, Poland, Hungary, and Slovak Republic fall into the transition interval (from 2 to 3 stage). The same category embraces Croatia, Russian Federation and Turkey. Finally, Bulgaria and Romania belong to efficiency-driven group of countries.

Interestingly, the higher level of development does not necessarily guarantee the higher ranking in the overall competitiveness list. Thus, Greece, Italy and Malta was ranked respectively the 67th, 49th and 52nd in 2008 – 2009 – well below Lithuania (44th) or Estonia (32nd), although countries are labelled with highest stage of development. Vice versa, Kazakhstan (66th), which belongs to transition for 1 to 2 stage, outpaced more developed Bulgaria (76th), Romania (68th) or Macedonia (89th). Whilst efficiency-driven Malaysia (21st, stage 2) may serve as a benchmark in terms of overall competitiveness performance for many innovation-driven countries.

Among the chosen country dataset, the Nordic countries traditionally obtain the highest competitiveness ranks (see Table 2). Ireland last year gained the 22nd place among the 134 countries. All three countries validated their ranks for the second year. The leadership of Denmark and Finland is obvious – both countries are among the best performers by individual subindexes. In this category United Stated was a front-runner with 16 best performer nominations, followed by Finland and Singapore, who earned 15 first places each. Denmark was placed the 4th, after Honk Kong, with 11 nominations. By the way, Lithuania was also ranked the best performer under the mobile connection penetration category, i.e. by the relative number of mobile telephone subscribers in the country. Ireland also took first prize in the category "Business impact of rules on FDI", due its sound performance in FDI per capita. None of the rest of selected countries performed best.

The Baltics' competitiveness performance, according to GCI was far from flat over a span of several last years. Since 2002, the rankings of the three Baltic countries fluctuated quite intensively, with ups and downs from +7 positions (e.g. Latvia in 2003 versus 2002, Lithuania in 2006 versus 2005) to -16 positions (Latvia, 2008 ranking versus 2007). Overall over 2002-2008, Estonia's best ranking was the 20th (in 2004 and 2005), and the worst one (32nd) was recorded last year. The 2008 was least successful for Latvia too: it was ranked 54th, i.e. 17 positions down from its best result in 2003. Lithuania's best ranking (36th) was gained in 2004 and then replicated again in 2006, while the worst ranking (44th) was recorded last year.

The overall competitiveness ranking mostly goes in line with the proportion of advantageous and disadvantageous criteria of a country. Denmark and Finland enjoy an apparent "surplus" of competitive advantages over shortcomings (29 and 25 respectively). In Estonia and Ireland the number of advantages is higher by 1, while the rest countries bear more weaknesses than strengths. However, among the latter

Table 2

Global Competitiveness Index (GCI) rankings, 2008-2009

Rank	DK	FI	IE	EE	CZ	PL	SL	LT	SK	LV	HU	RO	BG
GCI 2008-2009	**3 (=)**	**6 (=)**	**22 (=)**	**32 (↓)**	**33 (=)**	**53 (↓)**	**42 (↓)**	**44 (↓)**	**46 (↓)**	**54 (↓)**	**62 (↓)**	**68 (↑)**	**76 (↑)**
Basic requirements	4 (↓)	1(↑)	32 (↓)	30 (↓)	45 (↓)	70 (↓)	38 (↓)	46 (↓)	52 (↓)	55 (↓)	64 (↓)	87 (↑)	82 (↓)
1. Institutions	3 (↓)	2 (↓)	17 (↑)	33 (↑)	72 (↓)	88 (↓)	49 (↓)	55 (↑)	73 (↓)	60 (↓)	64 (↓)	89 (↑)	111 (↓)
2. Infrastructure	8 (↓)	9 (↑)	53 (↓)	40 (↓)	50 (↓)	96 (↓)	36 (↑)	46 (↑)	64 (↓)	58 (↓)	57 (↓)	105 (↓)	95 (↓)
3. Macro economy	12 (↓)	8 (↑)	47 (↓)	23 (↓)	42 (↑)	50 (↑)	33 (↓)	52 (↓)	49 (↑)	71 (↓)	115 (↓)	76 (↑)	54 (↓)
4. Health and primary education	4 (↓)	1 (=)	14 (↑)	28 (↑)	29 (=)	39 (↓)	21 (↑)	52 (↓)	44 (↓)	48 (↓)	49 (↓)	66 (↓)	68 (↓)
Efficiency enhancers	3 (↑)	13 (↑)	19 (=)	26 (↑)	28 (↑)	41 (↑)	37 (↑)	43 (↓)	32 (↑)	47 (↓)	48 (↓)	54 (↑)	65 (↑)
5. Higher education and training	2 (↑)	1 (=)	20 (↑)	19 (↑)	25 (↑)	34 (↑)	22 (↑)	26 (↓)	45 (↓)	33 (↓)	40 (↓)	52 (↑)	61 (↑)
6. Goods market efficiency	4 (↓)	11 (↓)	9 (↓)	24 (↑)	33 (↑)	65 (↑)	50 (↓)	48 (↓)	35 (=)	52 (↓)	66 (↓)	67 (↑)	77 (↑)
7. Labour market efficiency	5 (=)	23 (↑)	15 (↑)	29 (↓)	28 (↑)	62 (↓)	61 (↑)	49 (↓)	36 (↓)	32 (↑)	83 (↓)	97 (↓)	60 (↑)
8. Financial market sophistication	4 (↑)	12 (↑)	7 (↓)	28 (↑)	47 (↑)	68 (↓)	46 (↓)	56 (↓)	31 (↑)	39 (↓)	61 (↓)	60 (↑)	74 (=)
9. Technological readiness	3 (↑)	14 (↓)	24 (↑)	17 (↑)	33 (↑)	46 (↑)	30 (↓)	38 (=)	36 (=)	41 (↓)	40 (↑)	48 (↑)	53 (↑)
10. Market size	46 (↓)	52 (↓)	48 (↓)	90 (↑)	38 (↑)	20 (↑)	70 (↑)	69 (↓)	56 (↑)	79 (↑)	45 (↓)	42 (↑)	58 (↑)
Innovation and sophistication factors	7 (↑)	5 (↑)	20 (↑)	40 (↓)	25 (↑)	61 (=)	33 (↓)	49 (↓)	53 (↓)	84 (↓)	55 (↓)	75 (↓)	92 (↓)
11. Business sophistication	5 (↑)	10 (↑)	19 (↑)	50 (↓)	29 (↑)	62 (↑)	34 (↓)	49 (↓)	53 (↓)	83 (↓)	68 (↓)	78 (↓)	92 (=)
12. Innovation	10 (=)	2 (↑)	21 (↓)	31 (=)	25 (↑)	64 (↓)	33 (↓)	55 (↓)	58 (↓)	93 (↓)	45 (↓)	69 (↑)	96 (↓)
Number of advantaged	**71**	**69**	**57**	**57**	**37**	**39**	**54**	**38**	**48**	**37**	**49**	**17**	**24**
Number of disadvantaged	**42**	**44**	**56**	**56**	**76**	**74**	**59**	**75**	**65**	**76**	**64**	**96**	**89**

↑	Improvement
=	No changes
↓	Deterioration

Note: The mark in parenthesis indicates ranking changes in 2008-2009 versus 2007-2008.

Source: World Economic Forum (2007, 2008)

the linkage between the relative number of advantages and overall ranking fades away due to different weights of individual subindexes. Latvia and Lithuania reported respectfully 39 and 37 more disadvantages versus advantages (respectfully 39 and 37), meaning, that about two-thirds of the total criteria are considered to be disadvantages. By this indicator Latvia and Lithuania outran only two countries Bulgaria (-65) and Romania (-79). At the same time Czech Republic that recorded the same "deficit" in number of advantages as Latvia, ended up with considerably higher competitiveness ranking. Contrarily, Hungary with only 15 excess relative disadvantages was left far behind the other competitors by overall score.

Despite a sharp fall of five places in the rankings, compared to 2007, Estonia continues to feature prominently as the most competitive economy not only among the Baltic States, but also among the all 12 countries that joined the European Union since 2004. One of the major strengths of the economy is its efficient government institutions (ranked 33rd) that succeeded to create favourable environment to adopting new technologies and enhancing productivity (17th).

In the context of the *basic requirements* pillar, Estonia scores above the selected new member states and its Baltic neighbours by all the factors. Both Estonia and Lithuania (ranked 40th and 48th respectively) gained relatively high evaluation of the quality and extensiveness of infrastructure networks: in this respect, they are well ahead of other new member states and Ireland.

Deteriorating macroeconomic environment also contributed negatively to the worsening overall competitiveness in the Baltics. In fact, this category saw the most drastic drop in ranking (in -9 positions in Estonia, -14 in Lithuania and -27 in Latvia). Within the pillar, three (government deficit, national savings and inflation) harshly deteriorated, while the other two (interest rate spread and government debt) has not changed or improved slightly. However the latest indicators prove, that the overall macroeconomic stability will challenge the three Baltic countries in the near-future.

Within the *efficiency enhancers* group, the largest drawback of the Baltic States, according to CGI, is their limited market size, which does not allow firms to exploit economies of scale. However in terms of territory, Estonia, the least populous and the smallest of the three Baltic States, is not so different from Denmark. While in regard of population, Latvia is comparable to Slovenia. Moreover, since the three economies are open to foreign trade, this disadvantage is not striking. A number of researches proved that trade openness has a strong positive impact on economic growth; especially this relationship is strong for small open economies (e.g. Salinas, Aksoy, 2006; Sachs, Warner, 1995; Chang et al, 2005). Thus, according to WEF methodology, the pillar concentrates on derivative market size measures (i.e. exports and imports of goods and services as a percentage of GDP) that gives credit to export-driven economies and broadens the concept of market size from just domestic demand to both, domestic and foreign markets. Thus, all three Baltic States have room for improvement. Noteworthy, Estonia has improved its performance in almost all the factors within the group (except for labour market efficiency), while Latvia and Lithuania faced mostly deterioration in sub-groups.

Among the other pillars of the GCI, the *innovation and sophistication factors*

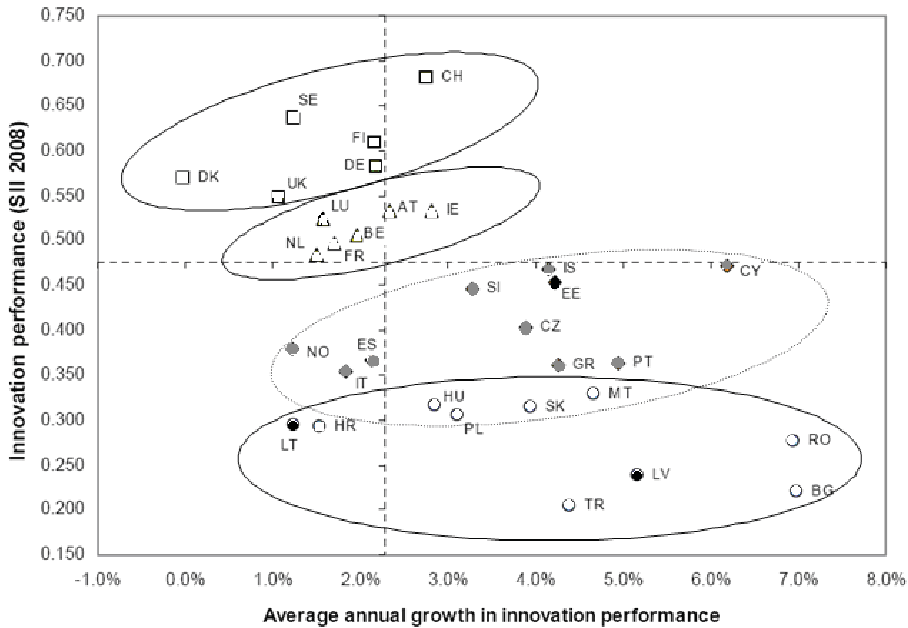

Fig. 1. **Convergence in innovation performance, 2008**

Source: EIS, 2008, author's marks.

remain the weakest aspect of the Baltics' competitiveness assessment (Latvia ranks 84th on this pillar, Lithuania and Estonia – 49th and 40th respectively). Latvia and Lithuania are lagging behind with respect of innovations, while Estonia is relatively weak on business sophistication. The unenviable Latvia's result stems from all subcategories of the pillar – none of them is considered as an advantage, and the worst performance is in state of cluster development, availability of scientists and engineers local supplier quantity country.

The importance of innovations has been growing over the years in both advanced and developing countries, since innovations enable to improve business processes by reducing costs while also improving performance and outcomes. It is broadly recognized, that in the new knowledge economy, innovation and knowledge are among the key factors driving economic growth. There is vast empirical evidence that shows that innovations are positively associated with economic growth (e.g. Cameron, 1998, Atkinson, 2003; Ulku, 2004).

Therefore, we will look more closely on the Baltics' performance in this field. According to European Innovation Scoreboard (EIS), which provides a comparative assessment of the innovation performance of EU Member States under the EU Lisbon Strategy, Estonia's convergence with more advanced EU countries is brisk and widespread in terms of key innovation indicators (see Fig. 1). It belongs to so-called moderate innovators, with relative strengths in finance and support, firm in-

vestments, linkages and entrepreneurship. Both, Denmark and Finland are among the Innovation leaders, whereas Ireland belongs to Innovation followers group.

While Latvia and Lithuania, together with the bulk of other new EU member states (Romania, Bulgaria Malta, Hungary, Slovakia, Poland) belong to the catching-up countries group with innovation performance well below the EU average. Moreover, the reports states, that all above-mentioned countries have been catching up, with the exception of Lithuania, which rate of improvement is well below the EU-27 average. Bulgaria and Romania have been improving their performance the fastest.

Other indicators also do not show significant progress: high value added products comprise only about 5 percent of total exports in Latvia and Lithuania, and about 8 percent in Estonia, while the same indicators amount for 1/5 in Hungary and almost 1/3 in Ireland. It is hardly surprising, that level of productivity in the three Baltic States is about 3-4 times lower than in Denmark or Finland. The strong relationship between innovation and competitiveness is evidenced in the Fig. 2.

Noteworthy, that more recent researchers are increasingly accentuating the role of regulatory policy choices on innovation (e.g. Gkantinis, 2006; BERR, 2008) and overall competitiveness position of a nation. Doing business report, prepared by the World bank group, provides nations' competitiveness assessment in the regula-

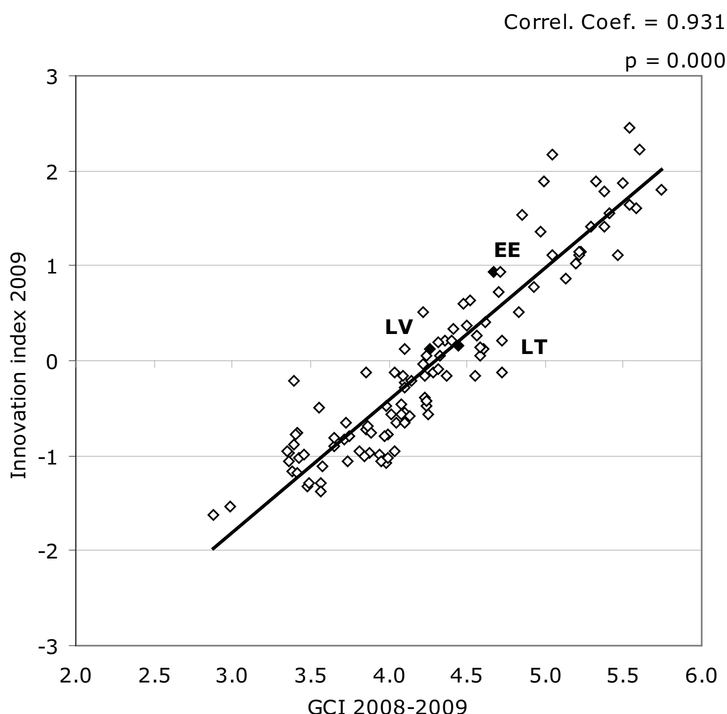

Fig. 2. **Relationship between innovation and global competitiveness indexes**

Source: EIS (2008), WEF (2008), author's calculations.

Table 3

Rankings by ease of doing business in 2009

	DK	IE	FI	EE	LT	LV	SK	HU	BG	RO	SL	CZ	PL
Ease of Doing Business	**5 (=)**	**7 (↑)**	**14 (↓)**	**22 (↓)**	**28 (↓)**	**29 (↓)**	**36 (↓)**	**41 (↑)**	**45 (↑)**	**47 (=)**	**54 (↑)**	**75 (↓)**	**76 (↓)**
1. Starting a business	16 (↑)	5 (=)	18 (↓)	23 (↓)	74 (↓)	35 (↓)	48 (↑)	27 (↑)	81 (↑)	26 (↓)	41 (↑)	86 (↑)	145 (↓)
2. Dealing with licenses	7 (↓)	30 (↓)	43 (↓)	19 (↓)	63 (↓)	78 (↑)	53 (↓)	89 (↓)	117 (↓)	88 (↑)	69 (↓)	86 (↓)	158 (↓)
3. Employing workers	10 (=)	38 (↓)	129 (↓)	163 (↓)	131 (↓)	103 (↓)	83 (↓)	84 (↓)	60 (↓)	143 (↑)	158 (↑)	59 (↓)	82 (↓)
4. Registering property	43 (↓)	82 (↓)	21 (↓)	24 (↓)	4 (=)	77 (↑)	7 (↓)	57 (↑)	59 (↑)	114 (↓)	104 (↓)	65 (↓)	84 (↓)
5. Getting Credit	12 (↑)	12 (↓)	28 (↓)	43 (↑)	43 (↓)	12 (↑)	12 (↓)	28 (↓)	5 (↑)	12 (↑)	84 (↓)	43 (↓)	28 (↑)
6. Protecting investors	24 (↑)	5 (=)	53 (↓)	53 (↓)	88 (↓)	53 (↓)	104 (↓)	113 (↓)	38 (↓)	38 (↓)	18 (↑)	88 (↓)	38 (↓)
7. Paying taxes	13 (↑)	6 (=)	97 (↓)	34 (↓)	57 (↑)	36 (↓)	126 (↓)	111 (↑)	94 (↓)	146 (↓)	78 (↓)	118 (↓)	142 (↓)
8. Trading across borders	3 (↓)	18 (↑)	4 (↑)	5 (↑)	26 (↓)	25 (↓)	116 (↓)	68 (↓)	102 (↓)	40 (=)	78 (↓)	49 (↓)	41 (↓)
9. Enforcing contracts	29 (↑)	39 (=)	5 (↑)	30 (↓)	16 (↑)	4 (↓)	47 (↑)	12 (=)	86 (↑)	31 (↑)	79 (=)	95 (↑)	68 (=)
10. Closing a business	7 (=)	6 (=)	5 (=)	58 (↓)	34 (↓)	86 (↓)	37 (↓)	55 (↓)	75 (↓)	85 (↓)	38 (↓)	113 (↓)	82 (↑)

↑	Improvement
=	No changes
↓	Deterioration

Note: The mark in parenthesis indicates ranking changes in 2008-2009 versus 2007-2008.

Source: World Bank, IFC (2008, 2009), author's marks.

tion policies framework. According to the last year's report, individual ratings for the ease of doing business deteriorated in all three Baltic economies, albeit the countries remained among the top-30 in the overall ranking (see Table 3).

Lithuania broke the list of top-10 reformers in 2005 and top 20 economies by ease of doing business suffered a drastic deterioration in business conditions (the country's ranking dropped from 16th position in 2006 to 26th in 2007 and fell further by 2 positions last year). The last year's result was mainly triggered by a vast worsening in starting a business procedure. Surprisingly enough, is in the midst of a credit crunch, only Lithuania showed evident worsening in getting a credit, while Estonia and Latvia even improved their positions. On the brighter side is clearly registering property, which is expected to take up to three days.

Latvia's ranking, stemming from a striking decline in closing a business (-22 positions) and paying taxes (-16 positions), slipped down from 22nd in 2007 to 29th last year. Despite Latvia went for increasing flexibility in working contracts – the regulations allow more flexible overtime arrangements, with working hours to be balanced out within 4 months, and fixed term contracts duration were extended, in order to adapt work arrangements to their needs – it was not enough to compensate for difficulties of firing and hiring index. Latvia also lags behind most of selected EU countries (except for Czech Republic) by closing a business, albeit it joined Poland and Czech Republic in streamlining bankruptcy procedures. According to new insolvency law, financially distressed companies in Latvia can choose to continue operating by pursuing reorganization, also, the qualification standards for bankruptcy administrators were tightened. Estonia (ranked 58th) allows debt recovery to carry on even when there is an appeal, to avoid possible disruption of the process, while Lithuania (34th – leader among selected new EU member states) restricted procedural time limits. Interestingly, that the best category in doing business in Latvia is enforcing contracts, where it outweighs most of advanced economies.

However in Estonia's business environment deteriorated by 5 positions, mainly due to a slump in investors protection (down by 20 ranks), closure of business (down by 8 ranks), employing workers (down by 7 ranks). In regard of the latter category, all three Baltic States are among EU outsiders with very low ranks. However, developed economies labour regulation is tough, e.g. Finland holds similar rating (129th), while Germany stands next to Romania (142nd and 143rd respectively). On the other hand, some of the advanced economies prefer rigid labour regulations to higher labour market flexibility. For instance, in Denmark (10th) Employers face no regulations against laying off workers for economic reasons but only required to provide an advance notice. Since the majority of working force are insured within voluntary unemployment insurance scheme, it gives an advantage to switch the jobs easily, while providing high benefits for the unemployed – so called "flexicurity". Labour regulations attained a lot of attention among the new EU member states: 8 of the 10 countries have reformed their labour laws. Lithuania, together with Romania brought their labour laws under harmonization with EU legislation. Nevertheless, employing workers category is rarely seen in the selected economies as a comparative advantage (except for Denmark and Ireland). On the positive side,

Estonia leads the Baltic region in respect of starting up a business; its success rests on electronic registration, which is generally viewed as the most effective ways to speed company formation. Moreover, the report states, that electronic registration, which enables to substantially reduce administrative costs, is offered in more than 80 percent of advanced economies but only about 30 percent of developing ones. In addition, the country gained a competitive advantage in trading across boarders.

Evaluating the Baltics' progress over the last decade it is clear that the most rigorous measures to enhance competitiveness have been implemented during the EU accession period, whereas the progress retarded markedly over the years of buoyant economic growth.

However, it is important to note, that the indexes in the period of economic uncertainty the importance of aforementioned indexes is fading away – they literally are lagging behind the rapid changes in business environment. For example, the WEF (2008) report states, that the drop in the Estonia's ranking is mainly attributable to a lower government budget surplus and increasing inflation, while at the time of the publication was issued, the Estonian economy deteriorated harshly and inflationary pressure eased out. There are more examples of somewhat contentions assessments, which echo certain limitation of the methodology. Iceland, which faced severe economic challenges after the fall of three largest banks and was literally balancing on the verge of bankruptcy, was still included in the top-20 countries. Furthermore, strikingly, the efficiency of financial system in Latvia, despite a default of the largest local Parex bank and a number of shortcomings in credit risk control, is reported better compared to that in Lithuania. It seems that at least this category does not go in line with current sentiments about the market values. Therefore, one should be careful in designing reforms on the basis of international competitiveness indexes.

We will not stop implicitly on the methodology limitation for measuring the individual categories of WEF or Doing business indicators, since the issue has been scrutinized by a number of researches (Davis et al, 2007; Berg and Cazes, 2007; Arruada, 2008; etc.). Among the major shortcomings worth mentioning are countries weighting system, crucial for dynamic transition and emerging economies. Secondly, the definition of agents, eligible to answer international questionnaires may provide a substantial bias in measuring competitiveness level of individual country: the typical respondents usually are from the most populous city, mainly large and very large firms with international perspective and/or foreign capital. Therefore, it leaves aside the bulk of small and medium sized national companies. However creating favourable business environment does not necessarily means to ensure exclusive conditions for foreign capital to enter the economy, but also to stimulate local companies to increase productivity and, hence, improve competitiveness on international markets.

Effect of the global crisis on the Baltics' competitiveness

Over the past decade, the Baltics has seen a period of brisk economic growth. GDP per capita (in purchasing power parity) increased more than in the other EU member states, the countries have undergone profound shifts in structure of economy, and took advantages of EU accession.

Yet despite this growth trend, the Baltics' ranking by the GCI dropped significantly last year proving an exceptional vulnerability of the three Baltic countries to the subversive powers of the global crisis. The economic downturn had major adverse consequences on the Baltic economies. On the other hand, the crisis only unveiled the insidious problems of the countries.

A brief comparison of the GCI and Doing business results show that Estonia has a critic mass of competitive advantages, compared to other Baltic states, whereas Lithuania pursues relatively balanced positions in most of the criteria. However, the country's overall competitiveness performance is dragged down by some structural weaknesses in the economy. Moreover, international comparison makes it clear that compared to other countries of interest Lithuania has no obvious advantages that could attract foreign investments and ensure a robust economic development in the future. Latvia is an apparent outsider in the Baltic triplet. On the other hand, Latvia takes the second place, after Estonia in regard of competition policies, with business friendly procedures to start-up a business, which might be crucial to pull through the economic crisis.

L. Barseghyan and R. DeCecio (2009) provides evidence, that countries with low entry costs result in significantly higher productivity, since countries with high entry barriers have lower business density and, hence, lower competition. Moreover, the countries with higher obstacles to entry the market usually end up with higher variance of employment distribution across firms, which damp the productivity down. Forbes (2009) also claims that the countries with more favourable business environment and easier entry are better equipped to bounce back from the current malaise, caused by global crush in financial markets. According the Forbes's an-

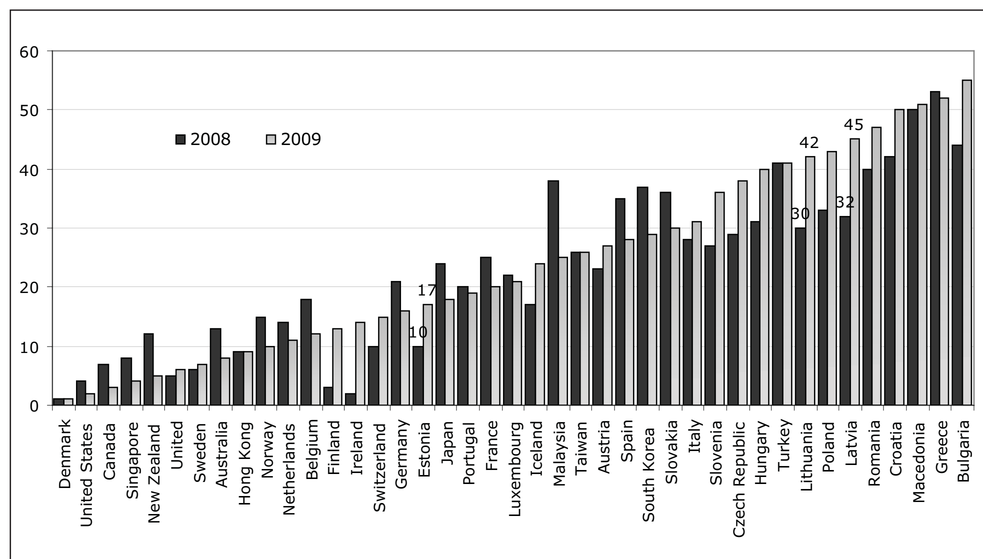

Fig. 3. **Best Countries for Business in 2008-2009**

Source: Forbes (2009).

nual Best Countries for Business ranking, Latvia and Lithuania were among the losers, while Estonia stood firmly above the average (see Fig. 3).

There are more factors impeding competitiveness improvement for individual countries: in Lithuania, unfortunate bankruptcy of national airlines flyLAL, will definitely undermine the performance in infrastructure assessment in the near-term.

But the key challenges are stemming from rapidly deteriorating macroeconomic conditions. Weakening macroeconomic environment has already contributed to the worsening assessment of the Baltics last year. Apparently, all the sub categories (except, maybe, inflation, which is easing rapidly on the back of diminishing domestic demand) are expected to aggravate further. Despite the commitment to tighter fiscal policy over the next several years, the countries are likely to report deficits, although the European Commission was forced to launch an excessive general government deficit procedure for Latvia and Lithuania, who breached the Maastricht threshold last year by the margin of 1.9 and 0.2 percentage points, respectively. However, many EU countries have faced a strong deterioration in general government deficits, since the economic downturn brings about declining tax revenue and rising social benefit expenditure. The excessive deficit procedures were also initiated for Poland, Romania, Malta and, earlier, for France, Greece, Ireland and Spain.

Interest rate spread have widened substantially in the Baltics, in line with increasing pressure on national currency sustainability and is forecast to stay elevated over the short to medium term. The deteriorating macroeconomic environment and worsening external outlook negatively affected countries' ratings: Latvia became the second EU member state (after Romania) with junk BB+ credit rating with a negative outlook; Lithuania's and Estonia's ratings were also cut down. As a result, the Baltics' credit default swaps (CDS) spread soared to record highs in early 2009. Compared to more advanced economies, the Baltics are less leveraged, which is reflected by considerably lower debt to GDP ratios. On the other hand, their access to finance is restricted by higher overall risks, as evidenced by elevated CDS. However, some minor signs of stabilization on the financial market are in place, e.g. in May 2009, CDS nearly halved: Latvia's spread down from 1176.3 to 580.3, Lithuania's – from 850 to 390, Estonia's – from 727.5 to 260). Nevertheless, the overall perspectives remain bleak, and since the bulk of indicators for the GCI are collected in spring, we expect a sizable deterioration in competitiveness ranking for all three Baltic States.

Furthermore, the Estonian government's efforts to manage public finances became a crucial asset in the years of economic slowdown. In contrast to Estonia, Lithuania and Latvia used to have excessive general government deficit even in the years of brisk development, therefore their position to run pro-cyclical measures are comparatively weak. As a result, the Baltics were forced to raise taxes and tighten expenditure. Regarding the taxes, Lithuania, after amending the tax rates, has become less competitive in the range of selected economies. The corporate income tax – one of the key attractions was risen from 15 to 20 percent, which does not look attractive even compared to 21 percent in Estonia with its zero tax rate for reinvested profit, while in Bulgaria tax on corporate profits is flat at 10 percent. Furthermore, the future revisions of the tax system are not likely to ease tax burden.

Alongside the Baltics are facing higher risks and challenges, compared to other central European competitors, since a currency peg ties the hands of fiscal policymakers. In addition, Latvia is tied with IMF stabilisation programme. Painful measures on the fiscal side are highly pro-cyclical and supporting the deeper downturn. Until now, the governments' stimulus plans are not effective and their positive impact has not been compensative for the disruptive powers of economic meltdown.

It is apparent, that cutting of budget expenditure will play a limited role during the downturn throughout the region. Firstly, it is finite and secondly, it unfortunately does not resolve the countries' problems. The situation can be stabilised through structural reforms only. Therefore, it is important to balance short-term measures for tackling the crisis and long-term instruments for restoring competitiveness.

One of the key aspects is increasing the role of innovations in the countries, not necessarily through creating sophisticated labs and R&S hubs, etc. Relatively low initial level of productivity and innovation activities opens the floodgates for importing and implementing the best practices. The benefits for the small and flexible Baltic economies are likely to be higher, compared to the more rigid competitors. This, however, could be done only alongside with substantial easing in regulations for businesses.

Ironically, the current crisis is expected to be deep enough for not leaving an alternative, rather than to implement radical reforms. Moreover, the years of retardation in reforms may even play an a*dvantage of backwardness* trump-card. However, it is crucial not to miss the opportunity.

Conclusions

On the back of hastening globalization higher international competitiveness becomes a core element of economic development. It also hedges economies against temporal economic culprits and downs. Therefore, the importance of competitiveness has risen in the midst of global recession. As for the Baltics, challenged by a severe economic slowdown, measures aimed at improving productivity, promoting investments and exports are of a central magnitude.

The direct effect of financial crisis on the Baltics has been moderate, to some extent due to immature markets. Nevertheless, the impact of global economic turmoil on the Baltics is sufficiently higher, than on the western counterparts and even other central European countries. The Baltic economies remain vulnerable due to high reliance on foreign credit and external demand, the risks stem from policy framework fundamentals (e.g. exchange rate regimes) and retarded reforms.

Amongst the three Baltic States, Estonia pursues relatively better competitiveness position (in particular in regulations and institutions), which empowers for somewhat faster recovery. Latvia's and Lithuania's position relative to its peers has deteriorated over time and both, microeconomic and macroeconomic competitiveness has remained sluggish that weighs heavily on business investment.

The global economic downturn put a harsh test on governments that will need to balance between macroeconomic stability in the short-term and long term development goals. Unfortunately, the international competitiveness indexes not necessarily provide fair advice to policy-

makers. Notwithstanding this is a useful tool for comparative analysis, the attempts to produce objective results in the rapidly changing environment fail, since the indexes are unable to capture the up-to-date changes. Thus, to address the limitation of the methodologies it is important go beyond the frameworks of the international institutions and concentrate on the need of small and medium enterprises.

References

1. Arruada, B. (2008). How doing business jeopardizes institutional reform // Economics Working Papers. RePEc:upf:upfgen:108. – Department of Economics and Business, Universitat Pompeu Fabra.
2. Atkinson, R. D. (2003). The Innovation Economy: A New Vision for Economic Growth in the 21st Century. Internet Access: http://www.ppionline.org/documents/Growth_Econ_1003.pdf. [Accessed on 02 May 2009].
3. Axe, E. W., Flinn, H. M. (1925). An Index of General Business Conditions for Germany, 1898-1914 // The Review of Economic Statistics.
4. Barseghyan, L., DiCecio, R. (2009). Entry Costs, Misallocation, and Cross-Country Income and TFP Differences // Federal Reserve Bank of St. Louis Working Paper 2009-005A. Internet Access: http://research.stlouisfed.org/wp/2009/2009-005.pdf [Accessed on 26 April 2009].
5. Berg, J., Cazes, S. (2007). The Doing Business Indicators: Measurement Issues and Political Implications. – Employment Analysis and Research Unit, Economic and Labour Market Analysis Department, International Labour Office, Geneva, June.
6. BERR (2008). Regulation and innovation: evidence and policy implications // BERR economics paper no. 4. Internet Access: http://www.berr.gov.uk/files/file49519.pdf. [Accessed on 10 April 2009].
7. Cameron, G. (1998). Innovation and Growth: a survey of the empirical evidence. Internet Access: http://www.nuff.ox.ac.uk/users/cameron/papers/empiric.pdf. [Accessed on 17 January 2009].
8. Chang, R., Kaltani, L., Loayza, N. (2005). Openness can be good for Growth: The Role of Policy Complementarities // World Bank Policy Research Working Paper # 3763.
9. Cohen, S.S. (1994). Speaking Freely // Foreign Affairs, July – August.
10. Cohen, S.S., Zysman, J. (1987). Manufacturing Matters // The Myth of the Post Industrial Economy. – Basic Books, Inc.
11. Davis, K., Blomstrom, I. (1996). Business and its Environment. – NY, McCraw-Hill.
12. Dollar, D., Wolff, E. N. (1993). Competitiveness, Convergence, and International Specialisation. – Cambridge, Massachusetts: The MIT Press.
13. European Innovation Scoreboard (2007). Inno-metrics Europe.
14. Facing the Challenge: The Lisbon Strategy for Growth and Employment (2004). Report from the High Level Group chaired by Wim Kok. November.
15. Fagerberg, J. (1988). International competitiveness // The Economic Journal, Vol. 98, Issue 391, pp. 355-374.
16. Fagerberg, J., Srholec, M. (2005). Catching up: what are the critical factors for success? // Background paper for the UNIDO World Industrial Development Report 2005. – Centre for Technology, Innovation and Culture, University of Oslo.
17. Fagerberg, J., Srholec, M., Knell, M. (2005). The competitiveness of nations // 10th year anniversary druid summer conference proceedings. – Aalborg, Denmark.
18. Fagerberg, J. (1996). Technology and competitiveness // Oxford Review of Economic Policy, Vol. 12, Issue 3, Autumn, pp. 39 – 51.
19. Forbes (2009) The Best Countries For Business. Internet Access: http://www.forbes.com/2009/03/18/best-countries-for-business-bizcountries09-business-washington-best-countries.html [Accessed on 12 April 2009].
20. Gough, I (1995). Social Welfare and Competitiveness // Centre for Social Integration and Differentiation, Studies No 15. – Copenhagen Business School.
21. Gkantinis, S. (2006). Regulation and innovation: comparing the U.S. and European Stock Trading Markets // Harvard Law school working paper.
22. Hugo, S., Squalli, J., Wilson, K. (2006). How competitive are European economies? // EPRU, Working Paper No. 06-03, February.

23. International Labour Organisation (2007). The promotion of sustainable enterprises. – International Labour Organisation Conference, 96th Session, Geneva.
24. Kovacic, A. (2008) The Competitiveness Evaluation of CEE Countries // The Romanian Economic Journal, No. 29, Issue 3, p.3-26.
25. Krugman, P. (1994) Competitiveness: a dangerous obsession // Foreign Affairs, March / April.
26. Lietuvos Respublikos ūkio ministerija (2006a). Investicijų skatinimo 2007-2013 m. programa.
27. Lietuvos Respublikos ūkio ministerija (2006b). Lietuvos ekonomikos augimo ir konkurencingumo šaltinių (veiksnių) kompleksinė studija. – KTU Verslo strategijos institutas, VŠĮ Žinių visuomenės institutes.
28. Lietuvos Respublikos ūkio ministerija (2006c). Pagrindinių veiksnių, įtakojančių Lietuvos eksporto plėtrą, poveikio analizė ir jų efektyvumo didinimas. – KTU Verslo strategijos institutas. VŠĮ Žinių visuomenės institutes.
29. Lisbon Council Policy Brief I. (2007). The European Human Capital Index: The Challenge of Central and Eastern Europe.
30. Lisbon Council Policy Brief II. (2007). The European Human Capital Index: Innovation at Work: The European Human Capital Index.
31. Lopez-Claros, A., Porter, M. E., Schwab, K. (eds.) (2005). World Economic Forum, The Global Competitiveness Report 2005 – 2006.
32. OECD (1996). Industrial Competitiveness – Paris: OECD.
33. Persons, W. (1919). Interpretation of the Index of General Business Conditions // The Review of Economic Statistics. – Harvard University Committee on Economic Research.
34. Persons, W. M., Silberling, N. J.; Berridge, W. A. (1922). An index of British economic conditions: 1903-14 // The Review of Economic Statistics.
35. Porter, M. E. (1992). Competitive Advantage of Nations – London: Macmillan Press Ltd.
36. Reiljan, J., Hinrikus, M., Ivanov, A. (2000). Key issues in defining and analyzing competitiveness // Tartu University Working Paper. – Tartu University Press.
37. Sachs, J. D., Warner, A. (1995). Economic convergence and economic policies / In William Brainard and George Perry (eds.) Brooking Papers on Economic Activity 1: 108–118.
38. Sala-I-Martin, X., Blanke, J., Hanouz, M. D, Geiger, T., Mia, I., Paua, F. (eds.) (2007). The Global Competitiveness Index: measuring the productive potential of nations. World Economic Forum, The Global Competitiveness Report 2007 – 2008.
39. Salinas, G., Aksoy, A. (2006). Growth before and after trade liberalization // World Bank Policy Research Working Paper 4062. Internet Access: http://www-wds.worldbank.org/servlet/WDSContentServer/WDSP/IB/2006/11/08/000016406_20061108094655/Rendered/PDF/wps4062.pdf
40. Squalli, J., Wilson, K., Hugo, S. (2006). An Analysis of Growth Competitiveness // Working Paper No. 06-01. – EPRU, Zayed University January.
41. Taner, B., Öncü, S., Çivi, E. (1999). The relationship between international trade and national competitiveness. Internet Access [http://www.opf.slu.cz/vvr/akce/turecko/pdf/Taner.pdf]
42. Tyson, L. (1988). Competitiveness: An analysis of the problem and perspective on future policy / In Global Competitiveness, Martin K. Starr, ed. – New York: W. W. Norton & Company.
43. Ulku, H. (2004). R&D, Innovation, and Economic Growth: An Empirical Analysis // IMF Working Paper WP/04/185
44. UNCTAD (2006). World Investment Report 2006. FDI from Developing and Transition Economies: Implications for Development. – United Nations New York and Geneva.
45. United Nations (2006). Human Development Report 2006. Beyond Scarcity: Power, Poverty and the Global Water Crisis. – UNDP, Palgrave Macmillan, New York, USA.
46. United Nations (2007). Human Development Report 2007/2008. Fighting Climate change: Human Solidarity in a Divided World. – UNDP, Palgrave Macmillan, New York, USA.
47. World Bank (2003). Lithuania: Aiming for a Knowledge Economy.
48. World Bank (2004). Lithuanian Investment Climate Assessment. Draft report.
49. World Bank (2009). Swimming against the Tide: How Developing Countries are Coping with the Global Crisis. – Background Paper prepared by World Bank Staff for the G20 Finance Ministers and Central Bank Governors Meeting. – Horsham, United Kingdom, March 13-14, 2009. Internet Access: http://siteresources.worldbank.org/NEWS/Resources/swimmingagainstthetide-march2009.pdf [Accessed on 03 May 2009].
50. World Bank, IFC (2003). Doing Business 2004: Understanding Regulation – The International Bank for Reconstruction and Development. –

The World Bank, 160 p.
51. World Bank, IFC (2004). Doing Business in 2005: Removing Obstacles to Growth – The International Bank for Reconstruction and Development. – The World Bank, 160 p.
52. World Bank, IFC (2005). Doing Business 2006: Creating Jobs – The International Bank for Reconstruction and Development. – The World Bank, 190 p.
53. World Bank, IFC (2006). Doing Business 2007: How to Reform – The International Bank for Reconstruction and Development. – The World Bank, 185 p.
54. World Bank, IFC (2007). Doing Business 2008: Comparing regulations. The International Bank for Reconstruction and Development. – The World Bank, 204 p.
55. World Bank, IFC (2008). Doing Business 2009: Comparing regulations in 181 countries – The International Bank for Reconstruction and Development. – The World Bank, 198 p.
56. World Economic Forum (2000). The Competitiveness Report 2000 – Geneva: World Economic Forum.
57. World Economic Forum (2006). The Global Competitiveness Report 2006 – 2007. Creating and Improving Business Environment – Palgarve Macmillan, NY, USA.
58. World Economic Forum (2007). The Global Competitiveness Report 2007 – 2008. Creating and Improving Business Environment – Palgarve Macmillan, NY, USA.
59. World Economic Forum (2008). The Global Competitiveness Report 2008 – 2009. Creating and Improving Business Environment – Palgarve Macmillan, NY, USA.
60. Worthington J., Britton C. (2006). The business environment. – Pearson Education Limited, UK.

The paper submitted: May 18, 2009
Prepared for publication: June 01, 2009

Jekaterina ROJAKA

BALTIJOS ŠALIŲ KONKURENCINGUMAS: SITUACIJOS ANALIZĖ IKI GLOBALINĖS KRIZĖS IR PO JOS

S a n t r a u k a

Šalies konkurencingumas yra viena svarbiausių sėkmingos ūkio raidos sudedamųjų dalių. Aukštas šalies konkurencingumo lygis rodo, kad šalis sugeba siekti sparčių ūkio augimo tempų ir juos išlaikyti, užtikrindama aukštus gyvenimo standartus ir kartu konkuruodama tarptautinėje rinkoje. Dažniausiai ūkio konkurencingumo sąvoka yra siejama su šalies patrauklumu tiesioginėms užsienio investicijoms, eksporto galimybėmis užsienio rinkose ir mokesčių tarifais. Tačiau šalies konkurencingumas yra itin plati sąvoka, apimanti daugybę skirtingų rodiklių – nuo bendros ekonomikos augimo tempų, infrastruktūros kokybės ir pakankamumo iki teismų sistemos efektyvumo bei procedūrų, reikalingų verslui pradėti, skaičiaus.

Pastaruoju metu valstybės skiria vis daugiau dėmesio šalies konkurencingumui užsienio rinkose didinti ir verslo sąlygoms gerinti. Bendrajam šalies konkurencingumui vertinti yra atliekami įvairūs tarptautiniai lyginamieji tyrimai. Šiame straipsnyje analizuojama trijų Baltijos šalių konkurencingumo būklė ir padaryta pažanga, remiantis dviem plačiai ekonominėje literatūroje cituojamais tarptautiniais šaltiniais – Pasaulio banko verslo klimato vertinimo apžvalga "Verslo sąlygos" (*angl. "Doing Business"*) ir Pasaulio ekonomikos forumo „Globalaus konkurencingumo ataskaita" (*angl. "Global Competitiveness Report"*). Taip pat yra nagrinėjamos pagrindinės šalių stipriosios ir silpnosios pusės, naujai atsiradę iššūkiai, įvertinamos šalių perspektyvos. Palyginimui buvo pasirinktos naujosios ES narės (išskyrus Kiprą ir Maltą) bei kelios išsivysčiusios ES senbuvės (Danija, Suomija ir Airija).

Baltijos šalys padarė didžiulę pažangą konkurencingumo gerinimo srityje, per mažiau nei du dešimtmečius šalių ekonomikoje įvyko fundamentalių permainų: centralizuotą planinį valdymą pakeitė laisvos rinkos principais grįsti santykiai, daugumą ūkio sektorių užvaldė privatus kapitalas, buvo įgyvendintos būtiniausios reformos patrauklios verslo sąlygų terpės formavimui. Pereinamuoju laikotarpiu konkurencingumas ir verslo sąlygos Lietuvoje, Latvijoje ir Estijoje pastebimai gerėjo. Tačiau ūkiui įžengus į pakilimo stadiją, pažanga šioje srityje pradėjo

lėtėti (ypač Lietuvoje ir Latvijoje), o pastaraisiais metais atskirų konkurencingumo kategorijų vertinimas smarkiai pablogėjo.

Be to, Baltijos šalys turi palyginti mažai erdvės verslui ir ekonomikai skatinti pasaulio recesijos laikotarpiu. Neigiamų pokyčių mastas buvo didesnis nei tikėtasi, o prasidėjus pasaulio ekonomikos sąstingiui smuko pagrindinės eksporto rinkos. Delsiamos reformos situacijos taip pat nepagerino ir Baltijos šalių ekonomikos gavo dvigubą smūgį. Dėl trumparegiškos fiskalinės politikos šalims iškilo gilios recesijos ir netgi bankroto grėsmė.

Tyrimas parodė, kad Lietuva ir Latvija turi mažai išskirtinių savybių, galinčių pritraukti investuotojų dėmesį. Šios šalys taip pat pasižymi gana aukštomis sąnaudomis verslui pradėti ir nutraukti, kas dar labiau sumažina ekonominį aktyvumą. Todėl Baltijos šalims nereikia puoselėti vilčių, kad ekonomikos atsigaus be didesnių pastangų. Siekiant atstatyti tarptautinį konkurencingumą teks neatidėliojant šalinti susikaupusias biurokratines kliūtis ir gerinti makroekonominę aplinką.

Tačiau reikėtų pažymėti, kad dėl metodikos trūkumų (subjektyvi atranka, smulkaus ir vidutinio verslo eliminavimas ir t.t.), verslo sąlygų ir konkurencingumo indeksų rezultatai bei šalies reitingas turi būti naudojami tik kaip reformos orientyras, rodantis ūkio pokyčius bei pasiektą pažangą, o jų taikymas projektuojant ir vykdant ekonominę politiką yra ribotas.