Doctoral THESIS

The Impact of Globalization on the Sustainable Economic Development of Small Economies and their SMEs in Central and Eastern Europe 1990-2015

[Considering a Sample of Countries from Central and Eastern Europe: Lithuania; Slovenia; Macedonia; Czechia; Moldova; Georgia]

By

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A thesis submitted to the

University of Birmingham

for the degree of

DOCTOR OF PHILOSOPHY

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The University of Birmingham

July 2020

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ABSTRACT

The research considers the impact of globalization on the social, economic, environmental and political development of a selected sample of small countries of Central and Eastern Europe during the 25-year period between 1990 – 2015, the period in which increasing globalization appeared to be a permanent and inevitable phenomenon.

It looks at the extent to which globalization helped or inhibited sustainable economic development and how independence or 'association membership and alliances' facilitated or inhibited sustainable development.

Comparative panel data and published indexes are used including data about globalization, socio-economic and economic performance, happiness and wellbeing of populations and the environment for investors. The research considers the key driving and restraining forces affecting a country's economic development and the pluses and minuses of globalization for that country.

Those countries within the sample (notably Lithuania), that have taken substantial steps to address the challenges of globalization have moved towards sustainability, whereas countries (such as Moldova and Macedonia) that have lagged behind in the measures they have taken have struggled to achieve economic sustainability**.** External associations, notably European Union membership, have played a key role in this distinction.

Acknowledgements

I have been very fortunate to have Dr Adrian Campbell and Chris Collinge as my research supervisors. It has been a pleasure to discuss with them our practical experiences of working in the region and to be able to swap anecdotal experiences. Their guidance has been invaluable.

My enormous thanks to my wife, Maddie, and to all our family for their tremendous support and encouragement over the long period that it has taken for me to conduct my research - and to my wife, especially, for her invaluable assistance with data research and editing my final work.

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GLOSSARY

AC or Acquis	Acquis Communautaire
CEE	Central and Eastern Europe
CEFTA	Macedonia, Albania, Moldova, Serbia, Montenegro, Bosnia and Herzegovina and Kosovo
DCFTA	Deep and Comprehensive Free Trade Agreement
EBRD	European Bank for Reconstruction and Development
EIB	European Investment Bank
EFSE	European Fund for Southeast Europe
EFTA	Switzerland, Norway, Iceland and Liechtenstein
EU	European Union
GII	Global Innovation Index
GINI coefficient	Gini coefficient (sometimes expressed as a Gini ratio or Gini index) is a measure of statistical dispersion intended to represent the income or wealth distribution of a nation's residents, and is the most commonly used measure of inequality.

International Migrant Stock is the number of people born in a country other than that in which they live. It also includes refugees. The data used to estimate the international migrant stock at a particular time are obtained mainly from population censuses.

Gross national income (**GNI**),

Previously known as gross national product (GNP), is the total domestic and foreign output claimed by residents of a country, consisting of gross domestic product (GDP), plus factor incomes earned by foreign residents, minus income earned in the domestic economy by non-residents

KOF	The KOF Globalization Index by ETH Zurich measures the three main dimensions of globalization: economic; social and political.
MNEs/MNCs	Multinational enterprise (MNE) and multinational corporation (MNC). The term is used to describe production establishments, manufacturing or assembly factories, sales outlets and services companies located in at least two countries. The multinational enterprise (MNE) will engage in foreign direct investment (FDI) as the firm makes direct investments in host country establishments for equity ownership and managerial control to avoid some transaction cost. Examples of MNEs are Apple Inc. and Nike Inc. which maximize economies of scale through foreign direct investments in international plants to manufacture value chain stages of production

NAFTA	North American Free Trade Agreement
OECD	Organisation for Economic Co-operation and Development
SAA	Stabilisation and Association Agreement (EU)
SBA	The Small Business Act for Europe (SBA) is an overarching framework for the EU policy on Small and Medium Enterprises (SMEs).
SEE	South Eastern Europe
SFRY	Socialist Federal Republic of Yugoslavia
FSFRY	Former Socialist Federal Republic of Yugoslavia
Transdnistria	Officially the Pridnestrovian Moldavian Republic and also called Transdniester, Trans-Dniestr, Transdniestria, or Pridnestrovie
TNCs	Trans-National Corporations: A transnational corporation differs from a traditional multinational corporation in that it does not identify itself with one national home. While traditional multinational corporations are national companies with foreign subsidiaries, transnational corporations spread out their operations in many countries to sustain high levels of local responsiveness. An example of a transnational corporation (TNC) is Nestlé who employ senior executives from many countries and tries to make decisions from a global perspective rather than from one centralized headquarters. Another

	example is Royal Dutch Shell, whose headquarters are in The Hague, Netherlands, but whose registered office and main executive body are headquartered in London, United Kingdom.
UNCTAD	United Nations Conference on Trade and Development, established in 1964, as a permanent intergovernmental body.
WB	World Bank

INTRODUCTION

The imminent end of globalization has been announced as early as the aftermath of the Asian financial crisis Breman (1998) but it is since 2016 that the momentum of globalisation has most noticeably faltered Gros, (2016) and even gone into reverse, with globalization widely seen as associated with the Covid-19 pandemic Zimmerman et al, (2020).

This research focuses primarily on the earlier period between 1990 and 2015, a period that may in future be seen as the period of peak globalization, extending from Fukuyama′s End of History Fukuyama, (1989) the Syrian refugee crisis of 2015 and Brexit.

The research is confined to Eastern Europe, which is fitting in that collapse of the socialist order in Eastern Europe and its replacement by ‘market democracy′ was seen at the time as proof of ‘the onward march of globalisation′ Rutland, (1995).

By globalisation was meant greater exposure to international markets and a reduced role of the nation state − the world order that would succeed the fall of communism was later summarised by Cooper (2011) as ‘the breaking of nations.

Here was a paradox, in that for the countries of Central and Eastern Europe, the fall of communism was associated with not the breaking of nations but the recovery of national self-determination Matic (1999). How would national sovereignty fare in the context of ever greater openness to global market forces? For many states in the region, the European Union offered a supra-national compromise, a form of globalisation that offered a degree of protection for smaller nations, (see Colomer, 2007). However, the

relationship between the European Union and the nation state has proved complex − the push-pull factor identified by Weiss (1999) − and ambiguous, as in the EU′s position on Scotland and Catalonia Patrick, (2016) and the rise of nationalism, especially since the financial crisis of 2008, in Central and Eastern European countries which previously had been overwhelmingly pro-EU reflects this complexity (see for example Johnson and Barnes, 2015, Harris, 2016).

This is therefore an appropriate point to review the experience of Central and East European countries as they underwent economic, political, and social transition associated with globalization.

The research focuses on the impact of globalization on the economic development of countries that have undergone transition. It considers the roles and actions of stakeholders including central, regional, and local government, private sector investors - both foreign and domestic - and the managers of SMEs. It looks at the impact that globalization has had on the population of the countries concerned over the past 30 years.

The analysis takes account of the international relationships of the countries concerned - including associated major groupings of countries (i.e. the European Union, the Commonwealth of Independent States (CIS) and past relationships within the former Yugoslav Republic.

The Soviet Union, which, with COMECON, once formed its own trading bloc, and the Yugoslav socialist union both disintegrated in 1989-91 while the European Union expanded from a mere 12 members in 1989 to 28 by 2013, taking in six former Warsaw Pact states, three former Soviet republics, two former Yugoslav republics and three neutral states, with a queue of other former Yugoslav and former Soviet republics hoping

also to join. In this re-alignment some smaller countries have been successfully re-absorbed into a larger association while others have remained isolated or caught between what are again competing blocs.

The interaction between the collapse of the Eastern European associations, the expansion of the EW and globalization were analysed by Berend (2009) who concluded "Europe's transformation was thus determined by the dual characteristics of: the turn of the millennium in Europe and globalization/the European Union's response".

In parallel with these political developments, the technical drivers of globalisation have proceeded apace, despite a countertrend of protectionism. The rapid development of communications – especially transport, the internet and mobile phone technology – means that business can be conducted throughout the world increasingly rapidly and with few technical limitations. Waters (2001) refers to industrialised production, yielding mass production and ease of travel and telecommunication giving rise to major changes which over centuries were to lead to the phenomenon of 'space-time compression' better known as globalisation:

"The world of the 1960's is about one fiftieth the size of the world of the 16th Century precisely because jet aircraft can travel at about 50 times the speed of a sailing ship" (Waters, 2001).

Globalisation goes through stages of integration and disintegration Thomas and Thompson (2014): in the nineteenth century was powered by the British and French empires but outgrew these, hence the decolonisation of the mid twentieth century and after. Similarly, globalization in the late twentieth century saw the collapse of the Soviet Union, the Warsaw Pact and Yugoslavia, but rather than a one-off realignment in favour

of the West, but instead also led to the emergence of ‘rising powers’, notably China and India, challenging the dominance of the USA as superpower Hurrell (2014).

Thus, within this globalized arena, traditional strongholds are lost, and empires split up so that new dynamic influences and powers prosper but this does not mean that small entities necessarily thrive – often quite the contrary. Globalization make small nations vulnerable, but if they fail to connect or engage with it, their position is worse still:

“the individual nation-state is in many ways becoming weaker than ever as an arbiter of its own destiny, and this weakness is magnified the smaller is the nation-state and the less globally connected are its cities” (McCann and Acs, 2011).

This does not necessarily mean that survival in globalization is determined purely by geography. State policies are also important. In 1947 following the end of the Second World War, the then Secretary of State of the United States, George Marshall, gave a speech at Harvard University introducing what came to be known as the Marshall plan (see De Long and Eichengreen, 1991). Marshall addressed various topics which he then clarified as insights. The third of these insights stated that development assistance must provide a cure rather than a mere palliative and went on to say that any government that is willing to provide positive assistance in their country's development will find full cooperation from external institutions and governments. It is however the absence of this condition that limits the development of many nations. According to Kattel (2009) the fundamental cause of poverty is the inconsistency of governments in the development process. All too frequently, they do not show their commitment and achieve the momentum necessary to sustain the development process.

Political units that are both small and weak are potentially unstable and their vulnerability may lead to their being drawn into wider geopolitical power struggles between larger units or blocs, leading to further instability. Leaving them to 'flounder' is therefore not a politically acceptable option. This is an important reason why the wealthier nations contribute to funding organizations and donor aid is distributed to the developing nations (Steinwand, 2015). Aid-funded projects have in some cases contributed successfully to regional development but the context (and therefore the purpose) of aid has varied (Hoeffler and Outram 2011). In pre-accession countries the aim of aid was, by definition, to make them capable of accession (Bailey, and De Propris, 2004), after which they would be supported as part of the EU's cohesion policy (Hooghe, 2001). The EU made a distinction between aid for potential members and others who are not expected to become an EU member - which was the rationale of the European Neighbourhood policy (Smith, 2005).

In some cases, success has been attained - and countries such as Lithuania, Slovenia and Czechia have changed their economic situation, quality of life, and relationship with trading partners. Pre-accession funds such as Phare have achieved their aim of integrating the beneficiary countries into the European Union. However, EU aid, being multi-lateral, was often less effective than bi-lateral aid from EU member states - an example of successful bi-lateral aid being the aid to Moldova from such countries as Austria and Romania (Grigoriadis and Gaibu, 2019). According to that study, the most effective aid was bi-lateral aid which by-passed central government on the beneficiary side and set up 'transnational sovereign partnerships' with local beneficiaries (Grigoriadis and Gaibu, 2019).

A significant driving force of development is the promotion of SMEs, which is a key instrument for achieving the integration of weaker states into larger associations (Ferrara et al., 2010). Furthermore, the existence and recognition of clusters and industrial districts is considered to be an influential factor for success (see De Propris, 2007).

However, the very significance of localised phenomena such as SMEs and clusters for success indicates the fragility of the foundation for economic success and how easily it may be eroded even after a promising start.

In Central and Eastern Europe, it is the small transitional countries in particular that appear to be most vulnerable in terms of sustainable economic development. (Armstrong, 2002, Hanf and Soetendorp, 2014, Steinmetz, 2016). Some of the countries in this region have had support and have shown early success (Hungary for example) - whilst in the early stages of development – but later get into difficulties. Others have been held back from the start by disputes, for example Macedonia (which has been held back by a dispute with Greece over its name, now partially resolved through the Prespa Agreement), or Moldova, (due to the unresolved territorial dispute with the secessionist Transdniester Republic, backed by Russia).

The importance of local initiative is emphasised by the findings of (Acs et al. 2008) on the relationship between economic development and entrepreneurship. They argue that developing policies that encourage and promote entrepreneurship and new technology, economic growth can be enhanced and regions re-generated. Development policy can be used to encourage a regional university to build its research and academic programs around a new technology. In this way, partnership benefits will be created between the regional government and its local University – which, in turn, will give rise to the

possibility of foreign direct investment into the region. If this principle can be applied to developing countries, it could provide the step-change that is needed to break away from 'old-regime' thinking and old-technology. These findings confirm the observations of the author when working in the in the *Bălţi* region of the Republic of Moldova and in FYR of Macedonia (University of Skopje).

Within these economies – whether integrated into major unions or struggling to gain such a state - the ability to manufacture goods and provide services which can be marketed outside their own domestic parameters will directly determine their survival. In Macedonia in 2005 the author visited the pharmaceutical manufacturer Alkaloid which is the leading pharmaceutical company in Macedonia. In its pharmaceuticals business, it employs over 600 people in the headquarters of the company in Skopje with over 100 additional employees working in its subsidiaries abroad. It exports over 60% of its production to many countries worldwide. In 2005 the company was granted 150 new registrations of which 130 were for foreign markets. Alkaloid manufactures a wide range of pharmaceutical products under licenses from well-known multinationals, such as Pfizer.

In this context, where the removal of trade barriers and tariffs is encouraged (by the WTO and SAA), their ability to compete - both externally (as exporters) and internally (on their own domestic market) is, in many cases compromised. These smaller economies, especially if they are not in the EU, face potentially insurmountable obstacles in competing in the global market. To take a further example with which the author is familiar, factories in Moldova and Macedonia which have traditionally produced fruit juices for sale on the domestic market and export, particularly to Russia, found themselves unable to compete with the competition from the foreign manufacturers

whose products and presentation were superior and preferred by customers. Due to globalisation, competitive products and services became available in large, varied quantities and at highly competitive prices. The necessary quality and certification could not be matched by local firms without major investment. Scarce human resources will migrate - after an initial, good education - in search of better (international) opportunities. Hence, the sustainable development of these small economies - especially their SMEs and natural resources - has been difficult to achieve. For example, whilst the author was in Bosnia in 2006, his attention was drawn to the presence of Italian chicken in Bosnian supermarkets where the operating economics of a new $25m dollar chicken processing factory in Bosnia was placed in jeopardy by the permitted importation of subsidized Italian chicken into their supermarkets.

The impact of globalization on a country or regional area is not uniform but spatially determined (McCann and Acs, 2011). Capital cities are more connected to globalised networks than is the rural hinterland (this is as evident in China as it is in Moldova. People tend to migrate to, and businesses formed in, regional centres (Alperovich, 1992,Bertinelli and Strobi, 2007, Kim, 2019). Whereas urban centres may have positive gains from both internal and external forces, the rural areas are likely to suffer neglect, remain less developed and even decline. For this reason, both governments and external support organizations will emphasize the need to make arrangements within their strategic development plans to encourage and promote the improvement of the rural areas and their populations.

Whilst there is an extensive literature on globalisation, including work on countries in C.E.E., (Gurgul and Lach 2014) less is known about the comparative effect of globalisation on countries which have evolved to their current economic state by

transition in parallel from differing backgrounds. There have, however been studies of asymmetric globalization, on how globalization leads to different outcomes depending on roles and starting conditions and there has been growing attention to asymmetry between different states and regions within Europe (Telo, 2007, Jager and Springler, 2015).
This research therefore seeks to analyse the impact that globalisation has had on a sample of countries with differing backgrounds within C.E.E. and considers the possible reasons why differing rates of economic development have been achieved.

The Research Problem: The paradox of globalization and asymmetrical outcomes.
Globalisation enables countries to trade freely but this freedom may undermine or put in question their sovereignty and autonomy. The countries of Central and Eastern Europe regained their freedom as market economies precisely at a time that globalisation was seen as accelerating the erosion of the nation state. This process of erosion was even faster, it might be argued, for those states that managed to join the European Union. The EU may have reduced their vulnerability to the forces of globalization, whereas those that did not yet join may have fared worse (Yotopoulos, 2007, Becker and Jäger, 2010).

The different countries of CEE coped in different ways and have experienced different degrees of successful development. The degree of successful economic development since 1989 has varied across the small countries of CE and the countries' ability to achieve sustainable development has been influenced by various factors. (Jacoby 2010) suggests that one key factor contributing to successful development is the ability to manage globalization by managing Central and Eastern Europe: *"managed*

globalization is more than a rhetorical device and indeed has been a primary driver of major European Union (EU) policies over the past 25 years" (Jacoby, 2010).

Scope of the Research

Six countries which are small in both area and population have been selected as a sample group. The sample includes three former soviet republics one of which is geographically close to the core of the EU, and three Central European countries, one of which is more distant geographically from the core of the EU.

Lithuania which (together with Latvia and Estonia) was a Soviet republic and became independent alongside the other 14 Soviet republics when the USSR was dissolved in December 1991. Encouraged by the EU and supported by 'structural funds' they worked arduously towards achieving compliance with the Acquis Communautaire (Bailey, 2004), (Dapkus and Striemikiene, 2014). EU membership.

Georgia has been chosen for the sample because it is both geographically distant, historically aligned with Russia, but with a tradition of independence. As the Democratic Republic of Georgia (1918-1921) it briefly had a constitution, a parliamentary system with national elections, an active opposition, and a free press, before becoming a (relatively autonomous) Soviet republic for the next 70 years. Shortly before the collapse of the Soviet Union, the Supreme Council of Georgia declared independence after a referendum held on 31 March 1991 and faced with a hostile Russia it then pursued a pro-western and pro-democratic course (Jones, 2014).

Moldova is made up of two territories that were previously parts of Romania and Ukraine respectively (Woehrel, 2010). After gaining its independence from the former Soviet Union, Moldova appeared at first to seek reunion with Romania, but a war in 1992, leading to the current impasse and de facto independence of Transdniestria, protected by Russian troops. The EU does not expect Moldova to join the EU in the foreseeable future.

Two of the sample countries were part of the socialist democratic republic of former Yugoslavia. These are Slovenia which is geographically close to the West and North Macedonia, which is more distant.

Slovenia declared independence from Yugoslavia in 1991, fighting a 10-day war against the Yugoslav army. Slovenia's process of transition to a market economy has been rapid and has seen it through three stages: from socialism to a market economy, from a regional economy to a national economy, and from a part of SFR Yugoslavia to an independent state and member of the European Union (Mrak et al., 2004).

North Macedonia (formerly the Republic of Macedonia) part of the former socialist democratic republic of Yugoslavia, is keen to join the EU and submitted a membership application to join the EU in 2004, thirteen years after its independence from Yugoslavia. It was accepted as a candidate for accession in 2005. Since then, the country's accession to the European Union (EU) has remained on the current agenda for future enlargement of the EU. It has many challenges and barriers to overcome before being accepted. It is one of five current EU candidate countries, together with Albania, Montenegro, Serbia, and Turkey.

The country's internal problems, including the strong Albanian influence and its relationship with its direct neighbour, Greece because of the dispute over the name of their

country, have seriously impeded its progress to satisfy the EU's requirements for membership and remove objections by Greece. There is now an agreement with Greece – the Prespa Agreement – but matters are not fully resolved (Ventouratou 2019).

Czechia, formerly part of Czechoslovakia, is situated in the economic and industrial heart of Europe and has been better placed to take advantage of the opportunities presented by globalisation (Karlas and Kratochvil, 2004). Czechoslovakia had previously strong ties and successful commercial relationships with Western Europe and internationally until February 25, 1948 when it became the last democracy in Eastern Europe, to become a Communist country, resulting in more than 40 years of totalitarian rule. Czechia is the most westerly of the Visegrad countries that were closest to Western Europe and had been independent previously.

These countries are reviewed in the section on specific countries against a set of standard topics as shown in the table below.

TABLE 1 COUNTRY REVIEW

INDEX	TOPIC
1	**General Background and Current Situation**
2	**GDP/Economy**
3	**Population**
4	**Society**
5	**F.D.I.**
6	**Business environment**
7	**Industry - Production, Manufacturing,**
8	**Innovation and Technology**
9	**SMEs**
10	**Consumer market**
11	**Export and Import**
12	**Government**

However, the available literature is not well differentiated between countries and there is a lack of comparative country studies on this topic, discussing the cause of the asymmetrical effect of globalisation in CEE countries.

This research sets out to consider whether these background factors have contributed to or detracted from an individual country's ability to achieve sustainable economic development.

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APPROACH AND METHODOLOGY

The research considers the situation that has existed in Central and Eastern Europe (CEE) during the past 30 years - during which time the countries of CEE have been adjusting to the new circumstances created by the changes and disintegration of regimes that have affected their people and the economic development of their countries.

The research looks at the several measures of globalisation and follows the inventory of economic globalisation established by (Waters 1995) which considers the ideal typical pattern of globalisation indicated by Trade, Production, Investment, Organisational Ideology, Financial Market and Labour Market and documents the state of affairs at specific points of time over the past 25 years (Waters, 1995. Waters, 2001).

When considering country-specific information, factors are addressed such as: background on the country, the economic situation in the country today, geographical perspective and proximity to neighbouring countries, key issues and foci for the country, the social and behavioural status of the population, direct investment in the country to date, new strategies and initiatives for attracting and implementing FDI.

Research Questions

1. What has been happening to each sample country since the early 1990s and what changes can be ascribed to 'globalization'?

2. To what extent is globalization helping or inhibiting sustainable economic development in our sample portfolio of small CEE States and how well are countries coping?

3. Given the effects of Globalization, to what extent does Independence or 'Federation' membership facilitate or inhibit sustainable development in our sample countries?

4. To what extent does the geographical position of the country influence how globalisation contributes to their economic development? Are countries "prisoners of geography" (Marshall, 2016) and does this affect their experience of globalization?

Note on Data Collection

Primary Research Data: Budgetary constraints have not allowed for primary research but practical experience by the writer of working with SMEs and Government organizations in several relevant countries has helped to place existing data into perspective.

Secondary Research Data: Published Reports are utilized - especially reports by international donors, institutions, and projects. e.g. EBRD Transition Reports, World Bank Cost of doing Business Report, EU SME Development projects, local cost of doing business surveys, FDI impact surveys, FEZ contribution analyses), IFC Reports, USAID (Bizpro) reports, Governmental investigations, and Economic surveys - EIU, Economist surveys, FT surveys.

Presenting the Results

Various tables are constructed to show economic development for each country, including the key performance indicators, the globalization index, freedoms index, income levels and the disparity of income across the population, democracy ratings and sustainability index. The values in the tables are considered in the review of the data. Table 2 below shows basic statistics for each of the six sample countries.

TABLE 2 SAMPLE COUNTRIES - BASIC STATISTICS 1995

	LITHUANIA	SLOVENIA	GEORGIA	CZECHIA	MOLDOVA	NORTH MACEDONIA
Population (million)	**3.63**	**1.99**	**4.7**	**10.3**	**4.3**	**1.98**
Area	**65,300 km²**	**20,273 km²**	**153,909 km²**	**78,865 km²**	**33,846 km²**	**25,713 km²**
GDP per capita US$	**2,168.80**	**10,690.67**	**569.03**	**5,788.15**	**476.99**	**2,243.47**
Neighbours	Lithuania is bordered by Latvia to the north, Belarus on the east and south, and Poland and the Kaliningrad region of Russia on the southwest.	Slovenia is bordered by Austria, Croatia, Hungary, and Italy	Georgia is bounded to the west by the Black Sea, to the north by Russia, to the south by Turkey and Armenia, and to the southeast by Azerbaijan.	Czechia is bordered by Germany, Austria, Slovakia and Poland	Moldova is bordered on the west and southwest by Romania and on the north, south, and east by Ukraine.	North Macedonia has borders with Kosovo to the northwest, Serbia to the northeast, Bulgaria to the east, Greece to the south, and Albania to the west.
Seaboard	Lithuania has 262 km of coastline	Slovenia has only a short (46 km) coastline at the Adriatic Sea between Italy and Croatia	The coastline of Georgia is 310 km long, 57 km being the coastline of Ajaria (Ajara), and 200 km the coastline of Abkhazia.	Czechia is a landlocked country	Moldova is a landlocked country	North Macedonia is a landlocked country

Source: The World Bank

HYPOTHESES

Hypothesis One

Increasing globalization creates an environment in which flexibility and willingness to adapt are important influences for the achievement of improved economic development.

Governments and Public Agencies that provide an open and conducive business environment, which is free from barriers, are able to have more freedom of choice about their production and manufacturing capabilities and services that they offer, their trading outlets, and sources of finance - impacting and leading to potential sustainable economic development.

Hypothesis Two

Economic development of countries is influenced by their geographical location and their historico-geographical relationships with other countries. These are legacy factors beyond the control of any current government. Landlocked countries are particularly disadvantaged.

CHAPTER 1 LITERATURE REVIEW

Technology development and innovation

(Edquist and Hommen 2008) considered the problem of how small nations kept up to date with technological changes, by studying a portfolio of small states within Europe: Ireland, Norway, Sweden, Denmark, Finland, the Netherlands – and, within Asia: Hong Kong, Singapore, Taiwan and South Korea. In each case they studied the National Systems of Innovation (NSIs). They looked at the role that governments have to play in encouraging and facilitating innovation within companies and the influence that globalization has on its companies. They looked at the growth of the individual countries and the policies working in innovation support that the governments have in place. They determined that the common factor in all cases was the export ability that companies have developed and the competitiveness that they were able to achieve.

Edquist and Hommen concentrated on the activities undertaken to influence innovation - such as research and development - and the organizations, institutions, and funding mechanisms which they put in place to support innovation. They looked especially at the policies that have been put in place by a government and the degree to which these policies have been followed and exploited by companies within the country. They found, in particular, that successful, activity had been developed in cases where new firms had been encouraged and new technologies developed, and new industries created - which in turn led to rapidly expanding high-technology sectors. On the contrary, slower growth was shown in countries where established industries followed policies which they describe as neutral to innovation.

However, the success which was initially achieved in these countries as they started to apply the innovation policies of the government, has not achieved the degree of sustainability that would be desired and they refer to the example of the enormous success achieved by Ireland and Singapore in the ICT sector - due to the attraction of multi-national companies with foreign investment, encouraged by soft funding initiatives - which have subsequently been adversely affected by globalization.

They consider the need for policy intervention by examining fast growth countries and the slower countries and the results in terms of rates of progress that had been achieved. They found that the large MNCs in some other countries (for example, Norway and Sweden) had adversely influenced the development of innovation amongst smaller firms and the more general growth of high technology. The restrictive investment climate and the structural rigidity which these large firms encourage - especially in the service sector and transportation - indicate that there is a growing need for the larger firms to develop relationships more enthusiastically especially between high-tech and local organizations. Measures to develop the capabilities of small firms with regard to innovative technology are beneficial. Furthermore, there is a tendency for policies to increase and encourage the continued survival of existing further development in sectors which have had their heyday and are now declining, rather than encouraging increased levels of entrepreneurship and manufacturing by new entrants into sectors which are emerging.

In some countries, e.g. Denmark, manufacturing has traditionally been based on science-based processes and in these countries their research shows that the degree of innovation depends on whether policies would encourage the associations between existing industries and SMEs - thus new industries being neglected. Small firms and

entrepreneurs were found to be disadvantaged by policies that focus on traditionally operating MNCs - and helping them to survive as 'second timers'. They also found similarities and limitations concerning industries in Taiwan, where there was again a need for traditional industry to diversify into products which reflected the advance of technology in the outside world. Existing practice considered this to be essential, but product innovation occurs based on engineering capabilities and scientific knowledge, outside the industry. Similar traits were observed in Hong Kong, Korea, and Singapore where innovation strategy has tended to be based mainly on existing MNCs.

The authors considered the value chain within the sector and technological advances that have been targeted and exploited by the countries displaying Fast Growth. The highlight is the increasing complexity, which exists for policymakers to influence the manufacturers and encourage them to progress further up the value chain. They refer to the role which such policies should play - which should not be to support the sectors which are now in the end of the life-cycle but to develop and support new winners that can not only compete with the effects of globalization but be at the forefront as leaders and project out of the economic crisis that much of the world has been through during the first part of the 21st-century. This is the challenge that innovation policy sets. Such policy should aim to identify growth areas and innovation goals that lead the way in environmental improvement, commensurate with showing a lead in the transition to new technologies and manufacturing processes which, through the development of competitive advances can launch them out of economic crises which may arise. This is very relevant to the countries chosen for this research - especially the IT industry in Lithuania, North Macedonia, and Moldova.

Competing in global markets

Florek and Conejo consider how marketing principles can be applied to countries and show how branding is being used to advantage when promoting the image of a country and its economic development (Florek and Conejo, 2007). This is particularly important in the case of the developing and transition countries and, especially when they find themselves in a situation where they are considered to be unattractive or disadvantaged. For their research, they consider the cases of Costa Rica and Republic of Moldova.

In the highly competitive global marketplace that exists in the 21st-century, taking a marketing approach to positioning a country to give it competitive advantage can produce positive results when other resources and advantages are not available. It is often not sufficient simply to develop new products and new services if the country itself is seen as being an undesirable source for such products. The authors point out how the successful running of the country is not easy to achieve, especially if it is influenced by political instability or the short-term interests of stakeholders and the possible turnover of the leaders and decision makers.

Globalisation

Remoteness may impede a country's attempt to benefit from globalization, but it does not prevent the effects of globalization reaching the most remote localities. This compression of space and time IN GLOBALIZATION is explored by Waters (1995, 2001). Building on Robertson (1992) and Giddens (1990), Waters (1995.2001) emphasises that globalisation is multi-dimensional and multi-causal, highlighting

cultural, social and "linkages between four elements - individual self, national society, international system of societies and humanity".

However, globalization is not necessarily an omnipotent force about which governments can do nothing. Bende-Nabende (2002) demonstrates how it may be possible to overcome disadvantages and maximize the economic benefits of globalization by the application of appropriate policies. This aspect is taken up by Stiglitz (2001, 2007) who argues forcefully that 1970s expectations that globalization would have positive benefits for all have not been realised, that 'power politics' influences the vulnerability of poorer nations to global market forces. Stiglitz (2007).

Stiglitz sums this up by stating that "economic globalization has outpaced political globalization". He refers to the inter-dependence of nations and that, through the global economy, nations have become more integrated. There is therefore a need for more cooperation, with nations doing things together, where rules, specific steps and standards apply. This requires political institutions being set up, managing and over-seeing that democratic actions are taken so that fairness applies, and that actions are not affected by borders or barriers set by nations.

Economic Growth

Dreher (2008) reviews evidence from a new index of globalization (KOF), describing the component parts and the methodology. He comments that although many non-economists might expect that the costs associated with globalization would exceed the benefits that it produces, economists, mostly, believe that the opposite effect is more

likely to be found, i.e. that a positive effect is usually likely to occur over a time-period. He discusses the differences between less-developed countries and more developed countries. This is illustrated by 'openness'. There is mixed evidence regarding foreign direct investment, where he concluded that there is more likely to be positive growth in richer countries and a negative effect on those with lower income. When countries are more open to trade, there is a strong relationship with growth and economic performance. Most of the research reported by various authors indicated a confirmed positive relationship between some aspects of globalization and growth. Unfortunately, because of their historic circumstances many of the countries in C.E.E are not in this position. There may be a hidden reason or apparent disparity between expectation and reality. For example, he points to the study by Carkovic and Levine (2002), which does not find a robust influence of foreign direct investment on the economic growth of the country (Carkovic and Levine, 2002). This may be because of the sub-optimal way in which the FDI has been applied and the extent to which revenue has remained in the country. Due to the way the data had been acquired, some of this may not have been taken into account. Dreher points out that although many of the studies on globalization provide very detailed analysis of the sub-dimensions of globalization, none of the studies yield extensive consideration to the overall consequences on economic growth. The studies that existed were limited in their timelines for which data was considered and important dimensions of globalization were not taken into account. The KOF index sets out to address these limitations in Chapter 2.

We now turn to consider the different ways of measuring the positive and negative effects of globalization.

A logical starting point is the concept of sustainable development, closely but ambiguously related to globalization (see Bakari, 2013). The UN developed 17 goal indicators for sustainability development as shown in Table 3.

TABLE - 3 UN SUSTAINABILITY DEVELOPMENT GOAL INDICATORS		
SDG 1	**No poverty**	**End poverty** in all its forms everywhere
SDG 2	**Zero Hunger**	Promote **sustainable agriculture** to end hunger, achieve food security and improved nutrition
SDG 3	**Good health and well-being**	Promote **well-being for all** to ensure healthy lives at all ages
SDG 4	**Quality education**	**Lifelong learning** for all that with inclusive and quality education.
SDG 5	**Gender equality**	Achieve **gender equality** and empower all women and girls
SDG 6	**Clean water and sanitation**	Ensure **access to water and sanitation** for all
SDG 7	**Affordable and clean energy**	Ensure access to affordable, reliable, **sustainable** and **modern energy** for all
SDG 8	**Decent work and economic growth**	Promote inclusive and **sustainable economic growth**, employment and decent work for all
SDG 9	**Industry, innovation and infrastructure**	Build resilient infrastructure, promote **sustainable industrialization** and foster **innovation**
SDG 10	**Reduced inequalities**	**Reduce inequality** within and among countries
SDG 11	**Sustainable cities and communities**	Make **cities inclusive, safe, resilient and sustainable**
SDG 12	**Responsible consumption and production**	Ensure **sustainable consumption** and **production** patterns
SDG 13	**Climate action**	Take urgent action to combat **climate change** and its impacts
SDG 14	**Life below water**	Conserve and **sustainably use the oceans**, seas and marine resources 1
SDG 15	**Life on land**	**Sustainably manage forests,** combat desertification, halt and reverse land degradation, halt biodiversity loss
SDG 16	**Peace, justice and strong institutions**	Promote **just, peaceful and inclusive societies**
SDG 17	**Partnerships for the goals**	Revitalize the global **partnership for sustainable development**

Source: **The UN Global Goals for Sustainable Development (SDGs) - Bertelsmann Methodology**

However, investment needs to be correctly applied and strategically used to the mutual benefit of all (Bende-Nabende, 2002), (Boudier-Bensebaa, 2008). In Europe, especially since the enlargement of 2004, cohesion and territorial equality have been seen as central to sustainability, even as different territories compete for investment (see Lennert, and Robert (2010). Increasingly cohesion has come to be seen not only in economic terms but also in terms of quality of life or happiness (see Becchetti et al. 2010). People are believed to be happier in cohesive societies (Delhay and Dragulov, 2016), but transitional countries – in the earlier years of transition, at least - were seen as lacking such cohesion (Ritzen, J. and Woolcock, M., 2000).

'Happiness of People'

Danacica et al. (2006) reviews disparities in quality of life between countries and territorial regions. The survey used statistics provided by CIA World Fact book for 2003, World Database of Happiness (2003) and Freedom House for 2003 (see Table 4 below). See also Happiness Ranking in the World (Table 5).

TABLE 4 LIFE SATISFACTION (Danacica) 2006

	Lithuania	Macedonia	Moldova	Slovenia	Czech Republic	Georgia
Life Expectancy (years)	71.9	73.6	67	76.1	75.2	no data
Fertility rate (birth per women)	1,30	1.8	1.4	1.2	1.2	
Infant mortality rate (per 1000 live births)	8	10	26	4	3.9	
GDP per capita (US $)	12,676	7,041	1,926	19,597	16,915	
Public expenditure on education (% from GDP per capita)	5.2	4.1	4	5.4	4.4	
Public expenditure on health (% from GDP per capita)	4.2	5.8	2.8	6.3	6.7	
Literacy (% of total population)	99,6	96	99.1	99.7	99.8	
Unemployment (% of total labour force)	8	37.7	8	6.4	10.6	
Civil liberties (1-7)	5.5	3.5	4	5.5	5.5	
Corruption (0-10)	5.3	7.7	7.6	4.1	6.1	
Life - satisfaction (1-10)	4.9	4.9	3.5	6.3	6.7	

SOURCE: Danacia {Dănăcică, 2006 #586} (extract)

TABLE 5 HAPPINESS RANKING IN THE WORLD

DATA FOR 2015 (* 2014 if last available)

COUNTRY	HAPPINESS INDEX RANKING (World)	Score value	Change over previous year	GDP per capita $US ppp	Population (Millionn)	Log GDP per capita $US ppp	Social support	Healthy Life expectancy (at birth)	Freedom to make Life Choices	Generosity	Trust	Perceived Corruption	positive. effect	negative effect
CZECH REPUBLIC	27	6.596	0.126	31,549	11	10.1941	0.8779	69.4200	0.8004	(0.1685)	55.70	0.8968	0.6780	0.2350
MOLDOVA	55	5.897	0.959	4,983	3.5	8.4460	0.8049	61.1629	0.6231	(0.0651)		0.9248	0.5826	0.2596
LITHUANIA	60	5.813	(0.069)	28,359	3		0.9082	65.4070	0.5079			0.9563	0.6193	0.2869
SLOVENIA	63	5.768	(0.044)	31,007	2	10.2062	0.9083	70.3777	0.8877	0.0483		0.9091	0.6198	0.2908
MACEDONIA	95	5.121	0.627	14,000	2	9.4212	0.7929	65.4309	0.6447	0.0314		0.8605	0.6373	0.3069
GEORGIA	no data													

SOURCE:
The World Happiness Report - published by the United Nations Sustainable Development Solutions Network

NOTE: The World Happiness Report ranks 155 countries by their happiness levels, based on the following: Social support, Healthy Life expectancy, Freedom to make Life Choices, Generosity and Trust.

The happiness of people living in a country may or may not directly affect its economic growth, but it is likely to affect its stability and focus. The migration of people from rural areas to cities and, perhaps, thence to a new country has become increasingly likely over recent years. This may affect the equilibrium of regions and contribute to a progressive economic decline (Polgreen and Simpson, 2011). The following table shows the migration outflows for Czechia and Slovenia 2000 – 2014).

TABLE: 6 MIGRATION OUTFLOWS

People who were born in the country from which they are migrating - or who have the country's nationality

Year		2000	2001	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Country													
Czech		161	20566	21796	31388	18424	3821	9350	12481	2468	16674	27152	16054
Slovenia		2011	3369	6528	11046	11765	7343	15071	12032	2051	1703	719	995

SOURCE: OECD

Djankov et al. (2016) investigated the happiness gap in Europe by reviewing four major surveys:

- PEW global attitudes survey
- EUROBAROMETER – initiated in 1973 by the European commission. The survey includes face-to-face interviews in each of the member states of the European Union (samples vary in number between 500 and 1500) and is conducted several times per year.
- EUROPEAN VALUES STUDY - conducted since 1981. 47 European countries and regions. This survey uses face-to-face interview with adults aged

18 and older. Around 1500 respondents per country (numbers vary in a few exceptions) were interviewed.

- LIFE IN TRANSITION SURVEY (LiTS) - conducted by the EBRD and the World Bank, which covers 29 post-transition countries. Two surveys have been carried out in 2006 and in 2010. The 2010 survey also included for comparison purposes five Western European countries (France, Germany, Italy, Sweden and the UK) and Turkey. This survey was split into between 50 and 75 primary sampling units (depending upon the nature and size of the country) with each unit containing around 20 households. There were various modules to the survey, which included questions relating to housing and expenses. Questions were answered by randomly chosen adults over the age of 18 from the household.

  In the surveys, questions were asked to enable the assessment of satisfaction with quality of life, based on the Pew Questionnaire (Ware Jr and Sherbourne, 1992) and the Eurobarometer and European values study (see Noll, 2013).

According to Djankov et al. (2016), in the post-communist countries the variation could be explained largely by the perception that the people had of their governments. They found that in these countries, citizens were more likely to link their satisfaction with life to corruption and government performance and that despite advances that have been made over the previous 25 years with the transition from central planning that existed before perestroika and glasnost, in some aspects the transition process is still incomplete - especially the psychological thinking of its people.

Spoor et al., (2014) found wide variation between urban and rural areas, with the latter having worse access services and higher inequality. However, self-reported satisfaction and quality of life were high in rural areas, even among people who were socially excluded, suggesting greater resilience.

In Table 7 below, Wellbeing Ranking 2006-2016, with statistics from the Sustainable Society Index it can be seen that Lithuania and Macedonia have shown a decrease in their human wellbeing, whilst Slovenia and Moldova have improved. All the sample countries except Georgia have improved in environmental wellbeing. Lithuania, Macedonia, Moldova, and Czechia have all improved in economic wellbeing whilst Slovenia showed a downward trend after it was hit hard by the international financial crisis.

Table 8 below was compiled from various reports including KOF, Quality of Life, SSI, Heritage, Knoema, it showed a high quality of life satisfaction in Slovenia, Czechia and Slovakia (highlighted in green), whilst Macedonia showed low satisfaction and sustainability in most areas.

TABLE 7 WELLBEING RANKING (SSI) Portfolio and Comparisons (Time-line 2006 - 2016)

NOTE: Highest ranking equals lowest score

	Human Wellbeing						Environmental Wellbeing						Economic Wellbeing					
	2006	2008	2010	2012	2014	2016	2006	2008	2010	2012	2014	2016	2006	2008	2010	2012	2014	2016
Lithuania	23	28	25	30	27	28	125	93	111	91	94	109	19	11	11	22	13	9
Slovenia	10	6	6	8	8	7	110	107	121	101	93	82	5	5	7	10	45	43
Macedonia	47	59	53	56	58	57	72	90	82	61	66	58	128	120	121	56	75	96
Moldova	49	46	47	47	47	44	96	78	69	73	68	59	67	68	54	44	44	42
Czech Republic	13	12	13	13	12	11	146	140	134	132	132	129	11	9	6	8	7	5
Georgia	51	44	49	54	53	46	44	71	48	39	74	78	90	106	135	121	95	86
Denmark	3	3	38	9	7	9	131	133	125	126	105	97	2	2	4	6	6	7
France	12	9	11	15	15	17	124	110	117	117	111	110	30	34	57	70	69	67
Germany	9	10	2	5	4	2	128	128	124	130	130	130	26	25	38	34	25	15
United Kingdom	21	21	19	26	16	12	115	116	105	105	104	93	12	13	36	57	67	65

Source: Sustainable Society Index

TABLE 8 OVERALL LIFE SATISFACTION & SUSTAINABILITY (COMPARISON)

NOTE: COLOURED CELLS ARE: 'HIGH OR EXPECTED (green), MIDDLE-GROUND OR UNEXPECTED ANOMALIES (orange) and Low (red) ****

	LITHUANIA	SLOVENIA	MACEDONIA	MOLDOVA	CZECHIA	SLOVAKIA	GEORGIA
Globalisation Index	75.48	72.27	55.16	58.58	83.6	83.62	49.92
GDP (Millions of US$)	41,171	42,775	10,086	6,568	185,156	87,264	13,965
GDP Growth/Decline (annual %) 2015	1.6	2.3	3.7	-0.5	4.5	3.8	2.8
GDP per capita (current US$)	14,147.00	20,726.50	4,852.70	1,848.10	17,548.30	16,088.30	3,796.00
Population	2,910,199.00	2,063,768.00	2,078,453.00	3,554,150.00	10,551,219.00	5,424,050.00	3,679,000.00
Population Change (Annual %) 2015*	-0.8	0.1	0.1	-0.1	0.2	0.1	-1.3
Quality of Life Index	130.28	175.45	116.42	110.99	165.41	152.55	129.97
Life Satisfaction (Danacica)	4.9	6.3	4.9	3.5	6.7	5.6	
Happiness Score (World) 2016	5.813	5.768	5.121	5.897	6.596	6.078	4.252
Happiness Score (World) Change	-0.069	-0.044	0.627	0.959	0.126	0.814	0.561
Wellbeing Ranking	28	7	57	44	11	20	46
Wellbeing Ranking change	-5	3	-10	5	2	-4	5
Sustainability		76.6	62.8	66.6	76.7	72.7	63.3
Poverty %	22.2	14.3	22.1		9.7	12.6	
Income Gap (GINI Index)	90	145	48	129	141	138	35
FDI INWARD million US$	12,281.00	10,652.50	4,301.50	2,720.00	102,550.60	48,162.00	9,524.40
FDI OUTWARD million US$	2,234.66	5,472.54	118.84	1,656.31	18,480.79	2,562.03	1,738.40
SMEs (Number)	17,975	18,561	7,085	47,337	170,041	64,975	70,760
Technology Innovation R&D (Millions $)		1,496			6,556	1,360	
Economic Freedom	75.8	59.2	70.7	58	73.3	65.7	76
Economic Freedom change	0.6	-1.4	3.2	0.6	0.1	-0.9	3.4
Democracy Political Rights (1 free:7 not free)	1	1	4	3	1	1	3
Democracy Civil Liberties	1	1	3	3	1	1	3

SOURCES:

KOF Index of Globalization 2016

Quality of Life Index - Numbeo

World Happiness Report

Sustainabale Society Index

Heritage Foundation - Index of Economic Freedom (2016)

Knoema

National Statistical Committee of the Republic of Belarus

CHAPTER 2: GLOBALIZATION

Globalization is not a new phenomenon – and it has been happening in some form throughout history. Fischer points out that it was generally believed that with respect to migration and labour flows world systems are less globalized now than they were a century ago (Fischer, 2003). In the 1880s 14% of the Irish population emigrated and over 10% of the Italian population emigrated. During the first half of the 20th century globalization declined due to the two world wars and after the end of the Second World War flows of people, capital goods and services have steadily increased again. So, globalization refers to a dynamic condition that ebbs and flows - and affects all parts of the world and all forms of life.

The concept of globalization refers to a process interconnecting across economic, cultural, and political boundaries on a global basis. Kornecki and Rhoades (2007) defines globalization as a dynamic process of liberalization, openness, and international integration across a wide range of markets which include goods, services, human resources, technology, and capital. They refer to the increasing ability to trade with the rest of the world, capitalizing on competitive advantage and opportunity to invest capital wherever the investor wishes and highlights the importance of improved communication and technologies across the world which facilitate economic advancement and enable competitive advantage to be applied.

The Components of Globalization

Globalization is considered to affect three main components of life and many sub-components, as described in globalisation indexes by K.O.F., Prognos (Bertelsmann) and the audit by Waters (1995) and sub-classifications by Bobek and Vide (2005)

1) **Economic Globalization**

The ability of a nation to generate income and accumulate wealth and the participation of its population in the activities that create income and the benefits that it achieves.

2) **Social Globalization**

Relates to changes in the way that the people of nations interact, the lifestyles that they are able to achieve, their well-being, life expectancy and family relationships, living standards and accommodation, their happiness and the general quality of their lives - which includes health and degree of poverty, education attainment, social and other activities, and the general satisfaction with their ability to satisfy their needs and wishes.

3) **Political Globalization**

This category includes the extent to which the country's politicians and government leaders have contact with the outside world and acknowledge how other countries are managing their affairs. It includes the extent to which the country has participated in world events and enabled other countries to integrate with them. These three categories of globalization are explained further below.

Economic Globalization

Reuveny and Li (2003) looked at aspects of globalization which covered trade openness, foreign direct investment, portfolio investment and the spread of democratic ideas across the countries that they were studying. They considered the changes that have taken place between 1970 and 1996 and looked at a total of 127 countries. They found that trade openness had remained constant over the time period and that as democratic ideas became more accepted this had a tendency to promote democracy. However, when they considered investment, they found that investment flows had a negative effect on democracy and that whilst Foreign Direct Investment had a positive effect initially, the effect of this weakened over time. Portfolio investment had a negative effect, which remained negative as investment strengthened.

Gurgul and Lach looked at evidence on economic growth during 20 years of transition in central and Eastern Europe (Gurgul and Lach, 2014). They examined the various aspects of globalization for which there might have been an impact on economic growth and considered a sample of 10 countries in CEE. They used the globalization index (KOF) and found that there was a strong and robust amount of evidence to show that globalization stimulated growth especially in the two dimensions of social and economic globalization. On the contrary, however, they found that the political dimension was not statistically significant. From their research, they concluded that the internet and media - particularly newspapers and television - had a strong impact on economic development in the countries they reviewed. During the first two decades of transition, during which time the growing internationalism, evolving international trade, an increasing amount of foreign investment stimulated economic growth.

Furthermore, institutions and the need to allow foreign products to be available required a reduction of import barriers and changes to the taxation regime.

Social Globalization

Bhandari (2007) studied the social effects of FDI and found at first that income inequality was reduced by FDI, but subsequently found that the statistical evidence suggested that the opposite effect might be seen and that this would depend upon the ratio of the shareholder beneficiaries to employees and other earners from an enterprise (Bhandari, 2007).

Tsai (2007) had also indicated conflicting views and concluded that both positive and adverse effects on the quality of life could be ascribed to globalization but that although globalization could contribute to improving the quality of life, it was not in itself a determinant (Tsai, 2007).

Stearns (2016), refers to the impact that globalization has produced on the social habits of people through the advent of global businesses as McDonalds, Starbucks that have become international institutions and exist virtually universally. I remember being in Belarus in the mid 1990's when the first McDonalds Burger bar appeared in the main street of Minsk and the excitement that was generated, amongst the younger generation especially, who soon began to realize that they too could now participate in the same exciting social activity that was happening in Western countries. Shortly after opening, I visited the branch and I remember the manager discussing with me the way that the price of a Big Mac in Minsk had been carefully established at a level affordable by young people. This was the same in Moscow's Pushkin square, where people would

gather to chat and shelter from the snow and sub-zero temperatures outside. The price here, too, had been calculated and set at a level affordable by the target population. The same occurred also in Budapest, Prague and in most other CEE countries. The product is deliberately standardized, but the price of a Big Mac varies from country to country, set at a level affordable by the population and gives an indication of the relative economic status. It can, therefore, be used for economic comparison purposes. 'The Economist' created a new index called 'The Big Mac Index' which it publishes regularly enabling a comparison to be made between countries and provides an informal (light-hearted) means of comparing comparative purchasing power (PPP) between countries.

Friedman (1996) famously argued that countries with a McDonalds were unlikely to fight wars as the presence of McDonalds implied openness and integration into the world economy – although he noted Fukuyama's scepticism about possession of a McDonalds being such a 'tipping point' as the level of per capita income necessary for McDonalds to survive was quite low. In the event, the conflicts involving Russian, Georgia and Ukraine and current tensions between China and India, disproved this popular idea and demonstrated importance of considering globalization in political terms as well as economic.

Political Globalization

In the early days of the transition process in the early 1990s the governments of several CEE countries attempted to build up their own capital base but without success, so that by the end of the decade the main emphasis – particularly in the Visegrad countries, was on attraction of FDI (Drahokoupil, 2009), leading to what Drahokoupil (2008) called the 'competition state' in openness was emphasised and levels, central, regional

and local authorities manoeuvred to attract as much FDI as possible. Alongside openness and competition came pressure to reduce the social obligations and infrastructure of enterprises, which loaded social costs on to state budgets which were themselves already under pressure.

Thus, governments in CEE countries were not only managing the legacy of problems inherited from the central planning and command era, but also having to cope with new burdens generated by liberalization. I well remember the early days when, as a management consultant I was discussing income and expenditure with CEOs of production companies, and discovering that the manpower establishment of engineering companies and manufacturers frequently included many non-related employment positions and it was common practice to find that their stock levels included a wide variety of live-stock and agricultural produce. These were of course for the social provisions which were part of the portfolio of most major employers and not for the material resource needs of the manufacturing process. From an economic perspective, they were not directly related to profitability and seriously affected competitiveness. Enterprises had been part of Communism's defective but vital system of social guarantees The drive for competitiveness this had major social costs which the transitional countries were not capable of coping with (Deacon, 2000), as they implemented the shock therapy of the 'Washington consensus' which did not, however appear to lead, in CEE countries, to the industrial development associated with the East Asian approach (Birdsall and Fukuyama, 2011).

Faced with the need to cope with the strictures of the real economy in their country, governments needed to address the legacy of social problems and began to develop social policies that facilitated the requirements of the move towards marketization. In the early 1990s many countries scaled back the generous unemployment benefits that had existed. Without anticipating the consequences, subsidies on many goods and services were removed. Privatization had a limited compensation for the government removal of facilities in health and social care, but these did not initially fill the gap left by the withdrawal of government support.

CEE governments thus faced dual conflicting pressures – for openness to the global economy and for meeting the social needs of their populations. It was not surprising that in some cases an inward-outward 'paternalist-market' hybrid emerged (Ksiezopolski, 2013). Political globalization – the integration of a country into international structures supporting market openness, may thus be seen as having a trade-off in terms of internal political stability.

Measuring Globalization

Many writers have written about measuring Globalization most of whom acknowledge that it is extremely difficult to achieve a realistic value (Dreher et al., 2008). Ahamer and Zinkina (2013) proposed a new methodology and suggested that a possible solution lies in the analysis of country to country flows. Various globalization indexes have been produced to indicate the effect globalization has on individual countries. The main such indexes are considered below.

Inventory of Globalisation - Malcolm Waters

Malcolm Waters proposed a means of assessing the overall extent of globalisation in a country in his "Inventory of Globalisation" (Waters, 1995) which considers six key indicators (Trade, Production, Investment, Organisational Ideology, Financial Markets and the Labour Market) – see Table 9 below. Waters describes a suggested 'Ideal' pattern for these under an ideal Globalisation situation and proposes that by describing the 'current state of affairs' and comparing with the 'ideal' state, the extent to which the country has been affected by Globalisation can be assessed.

Table 9 Inventory of Economic Globalization WATERS (General)		
DIMENSION	**IDEAL TYPICAL PATTERN OF GLOBALIZATION**	**STATE OF AFFAIRS AT A SPECIFIED TIME**
		YEAR
TRADE	Absolute freedom of exchange between localities	
PRODUCTION	Determined only by Physical or Geographical advantages	
INVESTMENT	Minimal F.D.I. or Alliances for trade and Production	
ORGANIZA-TIONAL APPROACH	Responses to Global markets are flexible	
FINANCIAL MARKET	Decentralised, Stateless, Easy access	
LABOUR MARKET	Free movement of Labour independent of locality	
Source: Based on Waters Inventory of Globalization {Waters, 1995 #1171}, {Waters, 2001 #1161}		

Indicators for Measuring Globalization

Andersen and Herbertsson (2005) studied ways of measuring the degree of globalization displayed by a country and reviewed the OECD countries. The countries and variables selected were based on the criteria that the data should be published regularly over long periods of time.

They proposed nine variables as indicators of globalization:

1. Freedom to Use Alternative Currencies (FreeCurr)

2. Freedom of Exchange in Capital and Financial Markets (FreeExchange)

3. Freedom to Trade with Foreigners (FreeTrade)

4. Gross Private Capital Flows as a Ratio of GDP (CapFlows)

5. Export + Import of Goods and Services as a Ratio of GDP (Openness)

6. Factor Income Received as a Ratio of GDP (FactorReceived)

7. Factor Income Paid as a Ratio of GNP (FactorPaid)

8. Changes in Terms of Trade (ChangesTermsTrade)

9. Inflow of Direct Investment as a Ratio of GDP (InDirInv)

SOURCE: Andersen, T.M. and T.T. Herbertsson (2005).

Indexes and Reports on Globalization

The following tables 10a and 10b (Globalization Index KOF timeline) set out the global index results for the six portfolio countries in this research. Not surprisingly, the global index rankings for the three that are EU members states are much higher than those for the three that are not. Less expected is the fact that the three EU members states are on a downward trend in globalization terms, albeit from a higher position, whereas two of the others are stable. The degree of variation, even between countries with similar status and history, is striking, suggesting both the influence of geography and of local political factors. It is also noticeable that progress in one area of globalization does not automatically mean progress in another, as there are some striking variations between scores on the different measures of globalization for individual countries.

TABLE 10(a) GLOBALIZATION INDEX (KOF) (time-line)

												PROGRESSIVE DECLINE OR MAJOR STEP	TREND
			CZECHIA										
	1995	2000	2005	2010	2011	2012	2013	2014	2015	2016			
overall Globalization Index						13	15	16	13	17		**PROGRESSIVE**	**WORSE**
						85.76	84.86	83.97	84.1	83.6			
Economic globalization						12	14	18	12	15		**PROGRESSIVE**	**WORSE**
						86.32	85.08	83.71	84.59	82.89			
Social globalization						13	13	19	20	21		**PROGRESSIVE**	**WORSE**
						83.33	83.21	82.22	81.9	82.4			
Political globalization						34	37	36	38	42		**PROGRESSIVE**	**WORSE**
						88.44	86.9	86.87	86.59	86.16			
			LITHUANIA										
	1995	2000	2005	2010	2011	2012	2013	2014	2015	2016			
overall Globalization Index						48	36	34	35	29		**PROGRESSIVE, 2013**	**BETTER**
						66.56	72.79	73.27	72.71	77.26			
Economic globalization						47	30	28	29	37		**MIXED 2013, 2016**	**UNSTABLE**
						70.83	77.03	78.13	77.28	75.48			
Social globalization						49	48	53	52	22		**SUDDEN, 2016**	**BETTER**
						65.55	67.01	67.01	67.17	80.89			
Political globalization						116	72	71	72	71		**2013**	**MUCH BETTER**
						62.07	75.15	75.62	74.4	74.6			
			SLOVENIA										
	1995	2000	2005	2010	2011	2012	2013	2014	2015	2016			
overall Globalization Index						28	30	29	30	32		**STEADY**	**PAR**
						77.67	76.85	76.86	76.34	76.24			
Economic globalization						**27**	**33**	33	38	40		**PROGRESSIVE**	**WORSE**
						77.47	75.84	76.24	74.45	74.37			
Social globalization						32	33	39	40	42		**PROGRESSIVE**	**WORSE**
						73.77	73.31	72.67	72.81	72.27			
Political globalization						53	53	51	51	50		**STEADY**	**PAR**
						83.6	83.28	83.81	84.06	84.08			

SOURCE: Based on ETH (Swiss Economic Institute) KOF Globalization Index

	Rank		Value		Significant change

TABLE 10(b) GLOBALIZATION INDEX (KOF) (time-line)

			GEORGIA									
	1995	2000	2005	2010	2011	2012	2013	2014	2015	2016		
overall Globalization Index						69	64	64	63	64	**STABLE**	**STEADY**
						60.57	61.56	62.86	63.84	64.27		
Economic globalization						29	23	25	19	16	**STEP UP, 2015**	**UP**
						76.72	79.08	80.05	81.04	82.56		
Social globalization						88	78	82	77	74	**PROGRESSIVE, 2013**	**UP**
						50.79	51.96	54.51	56.9	57.39		
Political globalization						139	139	140	142	143	**STABLE**	**DOWN**
						52.05	50.9	51.08	50.15	49.92		
			MOLDOVA									
	1995	2000	2005	2010	2011	2012	2013	2014	2015	2016		
overall Globalization Index						67	58	62	65	65	**STABLE, 2013**	**STEADY**
						60.94	63.49	64.12	62.45	63.14		
Economic globalization						66	70	63	80	75	**UNEVEN, 2015**	**WORSE**
						65.51	64.05	64.81	60.62	62.81		
Social globalization						65	65	69	71	70	**PROGRESSIVE**	**DOWN**
						59.43	58.56	60.16	59.15	58.58		
Political globalization						130	94	93	92	92	**STABLE, 2013**	**STABLE**
						56.74	69.72	68.93	69.75	69.78		
			MACEDONIA									
	1995	2000	2005	2010	2011	2012	2013	2014	2015	2016		
overall Globalization Index						71	70	74	74	93	**SUDDEN, 2016**	**MUCH WORSE**
						59.72	60.1	59.9	60.34	55.16		
Economic globalization						71	74	72	57	64	**2015**	**WORSE**
						62.23	63.16	63.85	67.16	66.19		
Social globalization						55	53	62	67	101	**SUDDEN, 2016**	**MUCH WORSE**
						63.58	64.22	63.07	60.9	48.64		
Political globalization						142	143	142	143	144	**2016**	**STEADY**
						50.72	50	49.81	50.09	49.75		

SOURCE: Based on ETH (Swiss Economic Institute) KOF Globalization Index

	Rank		Value		Significant change

Each of the above globalization indexes considers a selection of aspects and survey results, which are combined to give their rank in their particular Globalization Index. When looking at the index produced by Ernst & Young it is interesting to note that it consists of the top 60 most globalized countries and that certain countries are conspicuous by their absence - notably nine of the current 28 countries in the European Union do not appear in the top 60 e.g. Lithuania, Slovenia. However, several of the more recent members of the EU – which took longer to comply with the nominated criteria specified in the Acquis Communautaire and satisfy the European Commissioner that they were eligible for membership - nonetheless DO appear in the top listed countries. e.g. Romania, Bulgaria, and Croatia.

The KOF index of globalization (table 10a and 10b) which was conceived by Dreher (2002) was first published in 2002 at the Economic Institute in Zürich (ETH), Switzerland (Dreher et al., 2008). It was designed to be an index showing the degree of globalization that countries exhibited and compared 122 countries in its initial publication. Researchers for the Institute looked at three principal criteria: economic, political, and social (see below). It does not however take into account environmental factors. The index was first updated in 2008 and is updated and published regularly. The current index 2016 ranks a total of 207 countries (ETH, 2016).

Economic Globalization

The economic component includes data on trade, FDI and portfolio investment (which includes stocks of FDI). Data is derived from World Bank, UNCTAD and the IMF. The trade figures are taken from the sum of the countries' exports and imports. The results are modified to take account of restrictions on trade and capital by the use of import barriers and restricted tariff rates.

Social Globalization

For this category, the KOF index uses three data sub-groups covering **personal contacts** - which is designed to capture the population's personal interaction with the populations of other countries and includes such information on telecommunications traffic, incoming and outgoing tourism. **Communications** are also assessed; the contribution of internet usage and a measure of the availability of television sets and newspapers in households is assessed. Another factor used to determine social globalization is the degree of **cultural proximity**. Assessment of this is seen as being

difficult and the main measures are imported books, movies, and television programs. It is interesting to note that cultural globalization is seen as being mostly referring to the domination of cultural products from the USA – and these are seen as the greatest contributor to the social aspect. Besides the media, the influence of fast food in such retail outlets as the number of McDonald's which exist and also the number of IKEA stores is a relevant indicator.

Political Globalization

To determine the values of this component, the index determines the number of embassies/high commissions in the country and the number of international organizations to which the country is a member. It also includes the number of peacekeeping missions in which the country participates and the number of international institutions with which it has dealings including the many components of the UN Treaties Collection to which it subscribes.

Prognos Report

Prognos AG was founded as a company in 1959 at the University of Basel in Switzerland. The company is now decentralized whilst its roots remain in Switzerland and operates through offices in Germany and Brussels. They are independent and interdisciplinary and produce a wide range of reports. They produced a globalization index comparison (table 11 below) which interestingly shows Czechia, Georgia, and Slovenia ahead of the UK and Denmark.

TABLE 11 GLOBALIZATION INDEX COMPARISON PROGNOS AND KOF

COUNTRY	PROGNOS GLOBALIZATION INDEX			KOF GLOBALIZATION INDEX		
	Index	Index	Index	Index	Index	
	2012	2013	2014	2012	2013	2016
United Kingdom			*74.59*			*87.26*
Denmark			*75.83*			*88.37*
SLOVENIA	73.87	73.55	77.89	73.87	73.55	76.91
LITHUANIA	76.97	74.57	75.54	72.83	77.26	77.47
CZECH REPUBLIC	83.86	82.28	86.9	84.09	83.6	84.88
MACEDONIA	66.07	65.96	67.53	60.2	55.16	55.39
MOLDOVA	61.16	61.53	61.96	63.16	63.14	61.39
GEORGIA	81.36	82.2	83.01	63.68	64.27	64.13

Sources:

1. Prognos (Bertelsmann):

Bertelsmann states that along with indicators of economic globalization (e.g., data on transnational trade in goods and services, trade barriers and capital controls), it includes data on social globalization (e.g., international tourism, information flows and the percentage of the total population that was foreign-born) and political globalization (e.g., membership in international organizations, the number of foreign embassies in the country and international contracts).

The globalization index was developed with values ranging between 0 and 100 where higher index values signal a stronger interconnection of that country with the rest of the w

2 The KOF Globalization Index (which measures the three main dimensions of globalization: Economic, Social and Political).

TABLE 12 GLOBALIZATION TRENDS

RANKING	2012	2013	2014	2015	2016
MACEDONIA					
Overall Globalisation	59	55			55
Economic	62	66			66
Social	63	48			49
Political	50	49			50
LITHUANIA					
Overall Globalisation	72	77			77
Social	67	80			81
Political	74	74			75
SLOVENIA					
Overall Globalisation	76	76			76
Economic	74	74			74
Social	72	72			72
Political	84	84			84
MOLDOVA					
Overall Globalisation	62	63			63
Economic	60	62			63
Social	59	58			59
Political	69	69			70
GEORGIA					
Overall Globalisation	63	64			64
Economic	81	82			83
Social	56	57			57
Political	50	49			50
CZECHIA					
Overall Globalisation	84	83			84
Economic	84	82			83
Social	81	82			82
Political	86	86			86

Source: The KOF Globalization Index over the period

Bertelsmann Stiftung Globalization Report

The Globalization Report of 2014 and 2016 is published by Bertelsmann Stiftung and compiled by Bohmer who addresses the question "who benefits most from globalization?"(Böhmer. 2016).

The report is divided into two parts and shows the growth effect of globalization on 42 economies. The selected countries represent countries which are considered to be highly developed economies and the most important emerging countries. The report does not cover all the countries in our portfolio, but it adds a helpful perspective. The report covers the period 1990 to 2016 and looks at the extent to which the countries have benefited from globalization over the period.

The overall index looks at the three main aspects of globalization i.e. economic, social, and political and produces sub-indices for these.

By comparing the historical value of GDP for each country with the overall growth trajectory, the survey tabulates the increases and decreases in growth which are indicated as being induced by globalization.

It is interesting to note that Ireland, the Netherlands, and Belgium fall at the top of the ranking table and the authors of the survey conclude that it is the smaller economies which tend to display especially high levels of globalization. The authors also point out that these three countries have very high values in the economic globalization set sub category and the social subcategory whereas the highly developed economies which rank in the middle of the table have top rankings in the political sub-index and this is particularly the case for Italy, France Spain and United Kingdom. In comparison the larger, highly developed economies - for example United Kingdom, France, Spain,

Germany, and Italy - rank in the middle of the table. Also, towards the middle of the table appear some of the transition countries which had an early start in the post-1989 development journey. The rankings in the 2014 Survey were: Czechia (ranked 16), Slovenia (24), Lithuania (31). At the other extreme, towards the bottom of the table, they find countries such as China, Brazil, Argentina, and India – which are classed as the major emerging countries. For such countries, size appears to play a part.

Although the index does not cover Moldova and North Macedonia, it is perhaps helpful in explaining how globalization may have affected these countries.

Immediately after the fall of the former Soviet Union and the beginning of the transition process in the early 1990s most of the Eastern European countries had relatively little connection with the world outside the FSU. When countries were surveyed to assess the extent to which countries had contact with other countries, those which had been formally members of the Soviet Union showed relatively low interconnectivity. For example, when the first globalization report was published by Bertelsmann and Prognos, surveying a portfolio of 42 countries, the index value attributed to Bulgaria was 28.6 in 1990 and that of Romania was only 21.4. During the next 15 years all countries established better relationships with other countries and the index values - especially those of the FSU - increased. By 2007 Romania had reached an index of 60 and Bulgaria had reached an index of 66 – showing strongly that both countries could be considered as having become much more "globalized". Their report showed that this was also the case for most other Eastern European countries. However, when the financial crisis hit, globalization declined for a period. Bertelsmann reported that after Lehman collapsed, almost all the countries in its portfolio of 42 showed a decline in their index values. However, due to the especially high increase of the globalization

effect during the previous years, Eastern European countries maintained their rank in the index. The outcome is that during the 25-year period between 1990 and 2014 some of the East European countries in the portfolio achieved the largest increase in globalization. Whilst not amongst the leaders in their ranking, Slovenia (rank 24) was in the top 25.

Ernst and Young Index

The Ernst and Young annual globalization index was first developed in 2009 in collaboration with the Economist Intelligence Unit. Ernst & Young describe it as being: "Based on a comprehensive understanding of the underlying drivers of globalization across five main pillars, which are openness to trade, capital flows, exchange of technology and ideas, labour movements, and cultural integration". With these key categories, the index incorporates a broad range of sub-indicators for 60 countries and spans a 20-year time horizon from 1995 to 2016".

Measuring democracy

TABLE 13 DEMOCRACY RATINGS 2013 (Freedom House)			
*(PR=Political Rights. CL= Civil Liberties)		(1=Free, 7= not free)	
COUNTRY	FREEDOM STATUS	*PR	*CL
Belarus	Not free	7	6
Czech Republic	**free**	1	1
France	free	1	2
Georgia	partly free	3	3
Germany	free	1	1
Greece	free	2	2
Hungary	free	3	2
Lithuania	**free**	1	1
Macedonia	partly free	4	3
Moldova	partly free	3	3
Mongolia	free	1	2
Romania	free	2	2
Russia	not free	7	6
Serbia	free	3	2
Slovakia	free	1	1
Slovenia	**free**	1	1
Turkey	partly free	4	5
Ukraine	partly free	3	3
United Kingdom	free	1	1
United States	free	1	1
For the sake of completeness and comparison we have included other countriesthat are not in our selected portfolio for research			
SOURCE: FREEDOM HOUSE			

Freedom House Index of Democracy

If we refer to the most recent democracy ratings (Freedom House Ratings 2013) (Table 13) - which reviews the status of Political Rights and Civil Liberties in each country, it can be seen that Belarus is classified as being 'not free', with the poorest level of

political rights and very poor civil rights. Georgia, Macedonia, and Moldova are reported as having a 'partly free' democratic status, whereas Czechia, Lithuania and Slovenia are considered to be completely free democracies. There are, however, 'rumblings' amongst the population of Czechia that the media has recently shown a movement towards bias and censorship with occasional protests taking place. We have looked at the progress towards democracy which has been made over the research period.

TABLE 14 ECONOMIC FREEDOM INDEX 2017 - HERITAGE ORGANISATION (SCORES)

NAME	index year	overall score	property rights	government integrity	judicial effectiveness	tax burden	government spending	fiscal health	business freedom	labor freedom	monetary freedom	trade freedom	investment freedom	financial freedom
Czech Republic	2017	73.3	70.3	55.9	55.9	82.9	45.3	92	67.2	77.7	85.8	87	80	80
Georgia	2017	76	55.1	65	66.5	87.3	74.4	93.5	87.2	75.9	78.2	88.6	80	60
Lithuania	2017	75.8	73	69.7	62.4	86.9	64.1	93.6	79.1	63.6	90	87	70	70
Macedonia	2017	70.7	67	52	61.4	91.9	68.9	72.6	81.5	66.7	80.8	86.1	60	60
Moldova	2017	58	49.6	28.6	23.9	86.1	54.8	90.6	65.9	38.9	72	80	55	50
Slovenia	2017	59.2	75	53.6	55.1	58.7	28.6	6.1	80.6	60.2	85.3	87	70	50

>70 High | <20-40 Low | 40-70 Middle of road

Each of the twelve economic freedoms within these categories is graded on a scale of 0 to 100. A country's overall score is derived by averaging these twelve economic freedoms, with equal weight being given to each.

Economic freedom in this index is based on 12 quantitative and qualitative factors, grouped into four broad categories, or pillars, of economic freedom:

1. Rule of Law (property rights, government integrity, judicial effectiveness)

2. Government Size (government spending, tax burden, fiscal health)

3. Regulatory Efficiency (business freedom, labor freedom, monetary freedom)

4. Open Markets (trade freedom, investment freedom, financial freedom)

Each of the twelve economic freedoms within these categories is graded on a scale of 0 to 100. A country's overall score is derived by averaging these twelve economic freedoms, with equal weight being given to each.

Source: Heritage Organization

Economic Freedoms (Index of Economic Freedom - Heritage Foundation)

There are many factors that contribute to economic freedom. The Index of Economic Freedom (table 14 above), published annually by the Heritage foundation, bases its index on 12 individual factors and measures the economic freedom of 186 countries based on trade freedom, business freedom, investment freedom, and property rights. These will be referred to in the review to see how the countries have progressed under globalization.

Traditionally, the absence of economic growth has been taken to imply that hardship and poverty are significant in the country concerned and that they continue to exist with little or no change for the better. In 2001 the IMF reported that the prospect for global economic growth was relatively weak (Berggren, 2003).

As an increase in economic freedom happens, many changes may be seen, such as foreign-made goods and services appearing on the domestic markets. These may become "wants" by consumers and these foreign-made goods may be more attractive to consumers than those domestically produced. These products and services may be more expensive than domestic ones – or may be competitively priced - often due to artificial pricing, aided by subsidies. This may result in changes in the demand for domestic products and services. People will communicate more easily, both internally in the country and globally. Movement of people, goods and services will increase – internally across regions and externally across borders. The population may change due to migration (inward and outward). Technologically improved products and intellectually enhanced services will be observed in the global world – and desired in the home country and due to change in demand, domestic suppliers may struggle to be

competitive - affecting survival and growth. With changing demand and supply opportunities, some people will become richer and others poorer. People's ability to satisfy their basic needs may decline - leading to social instability. The well-being of people and their happiness will influence growth and sustainability.

CHAPTER 3 GLOBALIZATION - INFLUENCE ON THE NATION STATE IN CENTRAL AND EASTERN EUROPE

What changes within a country may be attributed to Globalization? When we consider countries in transition at their specific stage of development, some of the incentives which might be indicated to encourage and facilitate the economic development of the country are likely to be mollified by the wide-spread impact of globalization.

Within the geographical area of our research, there are many areas of life on which globalization may have an effect. The social aspects of the population (cultural, ethnic, and regional groups), social costs and benefits, democracy may all be influenced. The health, well-being, quality of life and happiness of the population may be affected.

Globalisation is likely to enhance freedom of mobility, information transfer and communication and comparisons will be made by populations with the world outside.

Movement of people may give rise to cultural diversification. The economic environment and the economy of the nation may change, and sustainable growth may be enhanced or limited. Consumers may benefit from increased choice whilst producers and manufacturers are required to manage competitive constraints, opportunities, benefits, and costs that may arise. Trade may be assisted or depressed by globalisation and material resources - their availability, usage, and conservation - become of paramount importance.

People resources - their availability, education, training, and maintenance - are driving forces in responding to the effects of globalisation. Population movement - immigration, migration, diaspora - are likely to be consequences and the remittances from a country's diaspora, depending on their use, may provide personal benefit or fuel corruption and give false benefits for the economy.

Looking at changes in diaspora in particular, as a consequence of globalization, whilst every country is likely to have a significant diaspora, the diaspora of our sample countries is likely to be particularly significant due to the diaspora's proportion relative to the country's small size. The following table shows the preferred country destinations of the sample countries:

TABLE 15 MIGRATION DESTINATIONS

Destination country (across)	Australia	Austria	Canada	Croatia	Cyprus	Czech Republic	Germany	Greece	Italy	Kazakhstan	Latvia	Norway	Poland	Portugal
Source country														
Czech Republi	13,710	39,630	25,393	923	794	0	93,000	4,349	10,130	0	135	2,233	4,836	257
Georgia	670	3,467	1,923	0	17,994	1,908	18,000	81,876	14,010	3,356	1,321	315	350	1,106
Lithuania	3,290	1,329	7,514	25	109	945	44,000	535	5,830	4,495	16,095	37,422	54,057	377
Macedonia, FY	49,880	24,247	11,173	20,677	23	4,181	98,000	3,390	71,239	0	0	2,583	284	283
Moldova	1,210	2,426	14,178	110	1,107	10,740	27,000	9,866	176,241	12,348	1,699	913	595	20,377
Slovenia	7,730	22,218	10,815	47,768	17	584	31,000	478	4,578	0	7	392	164	59
TOTALS	76,490	93,317	70,996	69,503	20,044	18,358	311,000	100,494	282,028	20,199	19,257	43,858	60,286	22,459

Destination country (across)	Romania	Russian Federation	Serbia	Slovenia	Spain	Switzerland	Turkey	Ukraine	United Kingdom	United States	Uzbekistan	World
Source country												
Czech Republi	583	11,264	1,041	649	7,611	14,708	1,518	7,473	40,000	74,639	375	484,685
Georgia	75	450,539	47	33	12,115	860	9,512	67,875	2,777	26,688	23,175	875,753
Lithuania	15	71,128	27	79	14,395	1,773	386	25,097	190,000	33,640	18,776	652,985
Macedonia, FY	538	255	42,568	19,072	683	61,448	43,400	0	2,598	26,171	0	564,949
Moldova	151,249	294,522	280	368	18,806	1,814	5,000	157,826	2,801	42,403	18,850	1,024,551
Slovenia	88	350	13,762	0	1,249	5,330	217	130	1,883	9,510	0	171,202
TOTALS	152,548	828,058	57,725	20,201	54,859	85,933	60,033	258,401	240,059	213,051	61,176	

Source: World Bank

Table 16 POPULATION and MIGRATION STOCK

POPULATION	1985	1990	1995	2 000	2005	2 010	2015
Czechia	10 337 118		10 333 355		10 211 216		10 546 059
Lithuania	3 544 543		3 629 102		3 322 528		2 904 910
North Macedonia	1 981 534		1 983 252		2 060 273		2 079 328
Slovenia	1 941 641		1 989 872		2 000 474		2 063 531
Republic of Moldova	3 570 000		3 675 099		3 595 187		3 554 108
Georgia	4 662 900		4 657 722		3 902 469		3 725 276
COUNTRY		Migrant stock as a percentage of the total population (both sexes)					
		1990	1995	2000	2005	2010	2015
MIGRATION (as percentage of population)							
Czechia		1.1	1.6	2.1	3.1	3.8	3.9
Lithuania		9.4	7.5	6.1	6.0	5.1	4.6
North Macedonia		4.8	5.5	6.2	6.2	6.3	6.3
Slovenia		8.9	8.8	10.8	10.9	12.4	11.5
Republic of Moldova		12.5	8.5	5.9	4.1	3.2	2.6
Georgia		6.1	5.5	4.6	4.5	4.3	4.22

Sources: (1) World Bank,
(2) United Nations, Population Division, Department of Economic and Social Affairs

Many of the countries in Central and Eastern Europe have a large diaspora (Newland and Patrick, 2004). The people in the diaspora may be either permanent migrants who have taken up their residence, workplace and homes in another country or they may be seasonal workers temporally employed to fulfil roles in which they are seasonally employed. Differing views exist as to the extent of the contribution that they may make to the economy of their home country. In most cases they will make remittances to their

home country, but these may be to fulfil a variety of needs including supporting family members, building assets for their future use or generation of a local income. Newland's work for DFID on poverty reduction looked at remittances made by diaspora to their home country and considered opportunities for policymaking to encourage the contribution that could be made towards poverty reduction. Newland and Patrick (2004) discuss the increasing interest being shown in diaspora and how the power and resources which they are able to mount could be better used in their home countries. Donors can also be encouraged to find ways to focus the attention of the diaspora on assisting poverty reduction in their home country. It is not only the remittances aspect of their influence that could be made available, but the diaspora is often involved in bringing foreign direct investment to their country and by assisting with outsourcing of production and identifying potential opportunities for technology transfer. They can also influence marketing initiatives, tourism, make political contributions and provide knowledge to institutions, service providers and SMEs in the home country. These potential benefits are under-utilized, and her research recommends that institutional assistance be focused on capacity building in governments to develop policies.

From my own experience of working on projects in these countries, I have often reflected on how donor funds might be better focused to harness this overlooked resource. I refer elsewhere to the investment made by an entrepreneur in Bosnia and Herzegovina by building a new chicken processing factory which is primarily intended to manufacture the chicken sausage that is so enjoyed in their country and in demand by the diaspora in their foreign residences. I have also known senior lawyers who have emigrated to Europe and taken up prominent roles in the European Commission who could contribute their experience and contacts to assist donor institutions. However,

any contributions which they are able to supply are likely to have little benefit - other than to themselves and their families - unless they can be supported by policies and strategic planning by their home governments.

The Distributive and Control consequences of Globalization

Because globalization is seen to integrate international markets for products whether they are goods, services or capital, the consequence is seen by many to be manifested in four key areas as follows:

a. the income gap that exists between countries. (Förster et al., 2005)

b. the income inequality which exists within a nation (Mahutga and Bandelj, 2008)

c. fluctuations in economic activity leading to insecurity among the people of the country

d. a reduction in the capacity of the state government and institutions to redistribute wealth and limit the risks for business

Garrett (2001) referred to the decreased supply of redistribution by national states and the populist unrest encouraged by activities of nationalist politicians that might ensue. It has become frequently recognized that there is a growing gap between the North and South in countries which may reflect adversely on the business environment viewed by potential collaborative partner countries and organizations. Various writers in the literature about income inequality point to the dependence of a country on foreign investment and research indicates that the percentage of national economy which is

owned by foreign investors influences inequality - with a high level of foreign ownership in the domestic economy increasing the level of inequality for the country as a whole.

Doubt is expressed by some writers (Apergis, 2006, Choe, 2003) about the relationship between domestic investment and F.D.I. Whilst there is a need to encourage F.D.I., arguments exist as to the benefits of high proportions of F.D.I. Some research has shown, with robust data, that **FDI** has a marked positive effect on income **inequality** due to fluctuations in economic activity - leading to insecurity among the people of the country - and a reduction in the capacity of the state government and institutions to redistribute wealth and limit the risks for business.as a means of reducing income inequality. The proportion of Domestic investment to F.D.I. is indicative of the extent of globalisation in a country (Waters, 1995).

Easier Movement of Goods, People, Services and Unrestricted Imports

'Free Trade' is the notion that the fewer economic barriers which are complied with around the world, and the less that countries protect their own goods and trade with special policies, the richer we all end up. The opposite notion is 'Protectionism' - making foreign goods more expensive by putting taxes on their imports and tariffs - in order to make home-grown products cheaper by comparison. (Nollen and Quinn, 1994).

As long ago as the 19th Century, in 1884, during a speech denouncing Free Trade, Lord Randolph Churchill commented on a growing mood at that time.....

"Your iron industry is dead, dead as mutton. Your coal industries, which depend greatly on the iron industries, are languishing. Your silk industry is dead, assassinated by the foreigner. Your wool industry is in articulo mortis, gasping, struggling. Your cotton industry is seriously sick. Your shipbuilding industry, which held out longest, is come to a standstill" (Cooke, 1939).

Different views about globalization are expressed and, at one pole Friedman agues in the "The world being flat" (Friedman, 2005), (Aronica and Ramdoo, 2006) whilst at the other pole Birdsall argues that "The world is NOT flat" (Birdsall et al., 2006).

While many people eschew the word protectionism, growing numbers of politicians are openly embracing the principle behind it. Bernie Sanders, in USA, made it very clear that he was opposed to NAFTA, the free trade bloc with Mexico and Canada, and the planned Asia Pacific Agreement (TPP):

"Let's be clear: one of the major reasons that the middle class in America is disappearing, poverty is increasing and the gap between the rich and everyone else is growing wider and wider, is due to our disastrous unfettered free trade policy" (Tasini, 2015).

Nollen goes on to say that now, in the 21st Century, the system which Sanders prefers - "Fair Trade" - is coming back into fashion today - and not only in the USA. Heavy interest is being placed on this during the EU Brexit negotiations - which entail the withdrawal from the 'single market' and the 'customs union' which exist inside the EU. The need to protect the UK manufacturing base and encourage consumers to buy

'home-grown' products will require suitable tariffs unless new Trade agreements are negotiated.

The way in which globalization has affected countries in general can perhaps be characterized and lead back to the increased mobility and availability of goods, services, and information. This is being driven to a very large extent by the multinational corporations (MNCs) which have the resources to infiltrate all countries with their products and marketing information. In many cases they have been aided and abetted and supported by legislation, especially trade agreements written under their influence and being heavily weighted in their favour.

The WTO, formally established on 1 January 1995, deals with regulation of trade between participating countries (signed by 123 nations on 15 April 1994). The WTO was formally established under the Marrakesh Agreement to replace the GATT which had been initially established in 1948. It coordinates the various negotiating 'rounds' of GATT (international trade agreements) which have been concluded between 1946 and 1994 providing wide-ranging international trade agreements designed to reduce trade barriers. Membership applies to and affects the small states that our research considers, especially in their compliance with the EU SAA. The last successful negotiating round was in Uruguay in between 1986 and 1994.

Recent attempts to conclude further amendments to its agreements have not been successful - including the 'Doha Round', launched in 2001 with a specific focus on developing nations.

FDI - Enhanced Investment Opportunities

Usually, for development to take place, investment capital is necessary. This can be from various sources including retained funds, increased shareholder issues, local new investors, foreign investment. Most of the countries that we are studying have historically had capital invested in them to enable their ability to grow, produce and manufacture goods or services that can either be utilized domestically or can be exported. However, investment is not a static activity. Materials are consumed and need to be replaced, factories and their equipment and manufacturing processes need maintaining and upgrading as technology allows and where exports are concerned, in particular, produce and products must be constantly upgraded to ensure that they are competitive offerings to the market. At the change of the communist regimes, producers and manufacturers found that they were no longer automatically provided with the resources they needed - or the funds they needed to acquire the resources - and these had to be raised by their own initiative (Pavlínek, 2015), (Bhandari, 2007), (Paliwoda et al., 2007).

Unfortunately, this was frequently not achieved, leading to restricted supplies and frequently to the decay of production facilities. Ultimately, this resulted in total closure of factories, manufacturing, and production facilities.

Globalization and the consecutive strengthening of competitive forces and open boundaries have led global manufacturers and investors to seek pastures new and to this end the small neglected nations of Central and Eastern Europe have presented an

available opportunity. The attraction of these countries for FDI has been a tempting challenge for both potential investors and recipient nations.

In general, the Globalization Process in a country is facilitated by FDI (Kornecki and Rhoades, 2007). FDI has had a beneficial effect in assisting CEE countries to integrate into European competitive marketplaces. This has led to increasing interdependence amongst countries and has increased the international flow of goods, services, and labour. It has also fostered the growth of travel and the increased use of communications.

TABLE 17: MULTINATIONAL OUTWARD ACTIVITY

(Euros Millions)

Industry	MANUFACTURING					
	2008	2009	2010	2011	2012	2013
ORIGIN COUNTRY						
Czech Republic	8893	8203	7483	8621	8884	8148
Slovenia	165	218	..	..	..	..
Moldova	0	..	..	..	..	..
Macedonia	0	..	..	..	..	..

Industry	TOTAL SERVICES					
	2008	2009	2010	2011	2012	2013
Czech Republic	3903	4205	..	5366	5809	5592
Slovenia	354	343	..	..	323	..
Lithuania	11072	10343	9763	9332	9099	10952
Moldova	0	..	..	..	..	..
Macedonia	0	..	..	..	..	..

Industry	TOTAL BUSINESS SECTOR					
	2008	2009	2010	2011	2012	2013
Czech Republic	18594	17843	17856	18230	18658	..
Slovenia	519	561	834	..	..	..
Lithuania	13335	12602	12041	12383	12557	14035
Moldova	0	..	..	..	..	..
Macedonia	0	..	..	..	..	..

Source: OECD

FDI, however, is far from simple and is accompanied by dangers to both donor and recipient parties which must be carefully managed if development is to be sustainable, beneficial, and indeed worthwhile.

Tables 18 and 19 show the FDI Inward and Outward Stocks over the research period. Czechia has performed particularly well in both tables.

TABLE 18 FDI Stocks (Inward Investment)

Historical - (US$ mn) Current Prices at Fixed 2015 Exchange Rates

COUNTRIES	Date joined EU	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Czech Republic	01-May-04	-	-	-	-	4,056.80	5,320.50	7,930.20	9,459.60	11,898.60	18,864.20	24,665.90	33,960.90	41,890.00
Georgia		-	0	0	0	0	8	19.3	37.7	140.8	313.4	562.9	663.7	802.4
Lithuania	01-May-04	-	-	86.7	91.3	129.8	299.3	298.5	611.7	1,017.70	1,607.90	2,147.40	2,809.40	3,302.90
Macedonia		-	-	-	0	0	60.1	59.1	70.5	140.4	309.6	370.7	640.7	1,122.80
Moldova		-	-	-	0.1	0.6	4.2	19	29.9	48	72.4	178.4	296.6	375.4
Slovenia	01-May-04	-	1,430.90	1,528.50	1,554.00	1,829.30	1,239.50	1,533.30	1,763.80	2,159.60	2,735.00	2,797.20	3,482.60	3,125.20

COUNTRIES	Date joined EU	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Czech Republic	01-May-04	51,464.10	51,932.30	59,820.70	59,079.70	73,338.00	92,733.60	78,541.70	97,520.50	99,763.80	86,733.60	108,629.50	106,676.20	102,550.60 -
Georgia		1,014.80	1,319.40	1,612.10	1,895.90	2,786.40	3,954.30	4,456.70	5,496.10	6,558.30	7,097.00	7,559.80	8,369.00	9,524.40 -
Lithuania	01-May-04	4,687.70	4,872.60	5,704.80	7,327.30	9,721.10	12,205.00	9,812.80	10,547.40	11,113.40	11,378.90	13,838.70	14,617.00	12,281.00 -
Macedonia		1,420.70	1,597.60	1,952.90	1,853.30	2,430.60	3,020.10	3,117.20	3,596.50	3,641.90	3,728.30	4,196.60	4,588.90	4,301.50 -
Moldova		459.1	529	552.9	683	891.8	1,210.50	1,433.10	1,637.00	1,948.50	2,034.20	2,231.10	2,417.60	2,720.00 -
Slovenia	01-May-04	4,677.30	6,042.30	6,440.50	6,296.30	7,829.40	8,863.90	9,068.00	8,999.80	8,932.80	9,164.90	10,532.80	10,282.50	10,652.50 -

Source: Euromonitor International (Passport)

TABLE 19 FDI STOCKS (Outward Investment) -

Values in US$ millions - at fixed 2015 Exchange Rates

Location Name	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Czech Republic		181.37	300.43	345.47	497.92	548.26	804.00	698.04	737.82	1135.61	1472.98	2283.52
Georgia	0.00	0.00	0.00	0.00	0.00	0.00	0.00	114.53	117.87	121.76	125.85	133.72
Lithuania	0.00	0.00	.18	1.10	2.81	25.97	16.48	25.95	29.32	47.86	59.50	119.66
Slovenia	558.30	559.60	354.99	502.43	464.36	459.57	633.31	627.57	771.63	986.24	1509.32	2366.90
TFYR of Macedonia	0.00	0.00	0.00	0.00	0.00	0.00	5.73	11.88	16.11	16.20	39.43	42.42
Republic of Moldova	0.00	0.00	17.79	18.31	23.05	23.50	22.78	22.88	22.96	23.08	23.53	23.64

Values in US$ millions - at fixed 2015 Exchange Rates

Location Name	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Czech Republic	3759.78	3610.41	5017.40	8557.41	12531.19	14804.52	14922.55	13214.36	17367.94	20626.53	18235.45	18480.79
Georgia	207.59	148.05	135.79	428.11	612.30	638.19	847.85	957.96	1276.73	1394.13	1738.40	1656.31
Lithuania	422.83	721.11	1041.37	1570.46	1990.15	2299.85	2085.92	2079.15	2577.21	3270.99	2828.84	2234.66
Slovenia	3018.90	3276.01	4518.28	7492.25	8468.69	8850.06	8147.29	7826.57	7533.68	7141.71	6452.81	5472.54
TFYR of Macedonia	54.28	62.05	38.39	67.71	84.71	96.10	99.83	121.99	95.38	154.60	146.80	118.84
Republic of Moldova	23.88	25.07	24.14	41.50	57.58	64.34	67.85	88.42	108.20	137.08	179.50	196.24

Source: United Nations Conference on Trade and Development - Knoema

In general, our results show that FDI has increased over the period. However, FDI has been declining in some of the transition countries. Although not one of the sample countries being specifically studied, a significant example of how circumstances may dramatically change is Hungary, which from a high point of a positive inflow of US$2.7 billion in 2000, FDI inflows have declined and in the year 2009 there was a $2.9 billion negative inflow. Inflows then recovered to some extent for the next two years and then declined again to nearly $4 billion negative inflow in 2013 before picking up again to a positive inflow of $12.6 billion in 2014**.**

So, what is affecting the varying interest in FDI - and to what extent does FDI stimulate economic growth? Kornecki emphasizes the move towards specialization and international exchange - which increase the international trade of goods and services, the movement of labour and capital and the growth of travel and communications.

Poverty and Income Inequality

In Table 20 below, Poverty Headcount Ratio – it is interesting to note that Moldova has made considerable progress, followed by some improvement for both Macedonia and Georgia.

TABLE: 20 POVERTY HEADCOUNT RATIO - AT NATIONAL POVERTY LINES (% of population)

	2004	2010	2014
Czech Rep	10.4	9.8	9.7
Lithuania	20.5	19.2	22.2
FYR Macedonia		26.8	22.1
Slovenia	12.2	13.6	14.3
Moldova	26.5	26.3	11.4
Georgia	20.1	17.4	14.8

Source: The World Bank

Despite the advances made during the last twenty years, much poverty still exists in several of the sample countries. The situation is exacerbated by the income gap that exists and the migration of the people across the country to the urban areas. However, even in the urban areas – and perhaps in terms of relative poverty – the level may even have increased in some of the countries. Governments are criticized for not focusing sufficiently on the reduction of poverty, allocating resources to other priorities, frequently based on corruption and vote support. If we look at Table 40 which show the specific country GDP statistics, we can see that there remain very large differences in GDP per capita across the countries of Central and Eastern Europe. In approximate figures Czechia and Slovenia are the highest entries at between US$16,000 and US$ 20,000 (Slovenia US$20,000) per annum. The lowest country is Moldova at US$ 1800 with North Macedonia and Georgia being less than US$ 6000. In all of these countries, GDP has been growing with the exception of Moldova where it has been falling. Mainstream economic theory suggests that international convergence in income levels is promoted by globalization which should encourage greater equality between different nations. Observations however show that in developed countries it generally holds true, but the practical reality does not substantiate this in the transition countries.

Globalization has caused producers and manufacturers to realize that the accumulation of physical and human capital in their own country gives rise to diminishing marginal returns. They now see that they can share modern technologies and develop new ones with less-developed countries - where labour and space is cheaper - and they can transport component parts then assemble and finish in another country or totally manufacture and produce goods in these countries and simply employ marketing

logistics to distribute to global markets. Thus, products can be created, researched, developed, and designed in one country and simply produced more cheaply and efficiently in another. Developing countries should be able to acquire technologies that have been developed by companies in developed countries and then through collaborative arrangements transfer these technologies to their country.

FDI and partial ownership should result in sustainable development within the small economies as they are able to sell at cheaper prices. Hence in this way globalization should give rise to positive effect, increase productivity growth, and reduce income inequalities across countries. Garrett points out that globalization in principle can be expected to make substantial changes (Garrett, 2001).

However, protectionism is very difficult to put aside as there may be a reluctance to remove trade barriers - principles that are strongly encouraged by the international institutions. Protectionism is likely to have greater negative effect in the smaller transition economies than in the highly developed world where it is easier for competition to manoeuvre but for such countries, integration into international markets presents difficulties and comes at a cost. Strong disciplines are imposed on the produce from developing countries (such as quality, certification, guaranteed and consistent minimum quantities), which may be very difficult both politically and economically for developing countries to acquire.

When looking at poverty and the income gap between rich and the poor people, it is interesting to see the results indicated by the World Bank Gini Index (Table 21) see below.

TABLE 21 GINI INDEX (Income gap) PORTFOLIO COUNTRIES (and Selected Compar				
Index 0 = Perfect equality, 100 = Perfect inequality	RANK	COUNTRY	INDEX	YEAR OF SURVEY (Same year not always available)
MOST UN-EQUAL (Large Gap)	10	HONG KONG	53.7	2011
	28	CHINA	46.9	2014 EST.
	35	GEORGIA	46	2011
	37	SAUDI ARABIA	45.9	2013 EST.
	43	UNITED STATES	45	2007
	48	N. MACEDONIA	43.6	2013
	54	RUSSIA	42	2014
	61	TURKEY	40.2	2010
	81	GREECE	36.7	2012 EST.
	83	MONGOLIA	36.5	2008
	86	BOSNIA AND HERZEGOVINA	36.2	2007
	90	LITHUANIA	35.5	2009
	107	UNITED KINGDOM	32.4	2012
	108	POLAND	32.4	2012
	114	IRELAND	31.3	2013 EST.
	115	EUROPEAN UNION	30.9	2014 EST.
	117	HUNGARY	30.6	2013 EST.
	122	FRANCE	30.1	2013
	129	MOLDOVA	28.5	2013
	133	GERMANY	27	2006
	134	NORWAY	26.8	2010
	136	BELARUS	26.5	2011
	138	SLOVAKIA	26	2013
	139	BELGIUM	25.9	2013 EST.
	140	NETHERLANDS	25.1	2013 EST.
	141	CZECHIA	24.9	2012
	142	SWEDEN	24.9	2013
	143	DENMARK	24.8	2011 EST.
	144	UKRAINE	24.6	2013
MOST EQUAL (Small Gap)	145	SLOVENIA	23.7	2012

SOURCE: World Bank Gini Index (extract)

NOTES:

(1) The **Gini coefficient** (sometimes expressed as a **Gini** ratio or a normalized **Gini** index) is a measure of statistical dispersion intended to represent the income distribution of a nation's residents, and is the most commonly used measure of inequality.

(2) Years quoted for statistics may vary and hence the table gives an indication only

Although in the information that is available to us, available survey years are not consistent across all countries, three of the countries that we have been looking at in CEE – Georgia, North Macedonia and Lithuania rank in the top half of the table -

showing a relatively smaller gap and are, notably, above the ranking of the European Union average. Moldova, Czechia, and Slovenia all rank in the lower half of the table and below the EU average. Furthermore, Slovenia in 2012, ranked as the bottom country - showing the least equal in income with a very large gap between the rich and the poor. These results lead us to ask to what extent the income gap, poverty, happiness, and welfare relate to each other– and in what ways, if any, has globalization influenced the situation over the years in these countries.

TABLE 22 OVERALL STATISTICS COMPARISON FOR SAMPLE COUNTRIES 2015

	LITHUANIA	SLOVENIA	MACEDONIA	MOLDOVA	CZECHIA	GEORGIA
1. GDP (Millions of US$)	41,171	42,775	10,086	6,568	185,156	13,965
2. GDP per capita (current US$)	14,147.00	20,726.50	4,852.70	1,848.10	17,548.30	3,796.00
3. GDP Growth/Decline (annual %) 2015	1.6	2.3	3.7	-0.5	4.5	2.8
4. Population	2,910,199.00	2,063,768.00	2,078,453.00	3,554,150.00	10,551,219.00	3,679,000.00
5. Annual Population Growth % 2015*	-0.8	0.1	0.1	-0.1	0.2	-1.3
6. Globalisation Index	75.48	72.27	55.16	58.58	83.6	49.92
7. Quality of Life Index	130.28	175.45	116.42	110.99	165.41	129.97
8. World Happiness Score 2016	5.813	5.768	5.121	5.897	6.596	4.252
9. World Happiness - Increase/Decrease 2015 - 2016	-0.069	-0.044	0.627	0.959	0.126	0.561

*Population growth (annual %)

Derived from total population. Population source: (1) United Nations Population Division. World Population Prospects (2) United Nations Statistical Division. Population and Vital Statistics Report (various years) (3) Census reports and other statistical

1. World Development Indicators database, World Bank, 1 February 2017
2. World Development Indicators database, World Bank, 1 February 2017
3. World Development Indicators database, World Bank, 1 February 2017
4. World Development Indicators database, World Bank, 1 February 2017
5. The World Bank (http://data.worldbank.org/indicator/SP.POP.GROW)
6. 2016 KOF Index of Globalization
7. Quality of Life Index - Numbeo
8. World Happiness Report
9. World Happiness Report

In Table 22 above, the World Bank data on GDP per capita shows that the ratio between the highest level GDP and the lowest level GDP decreased from a ratio of 15 in 1985 to 10 in 1998 which seems to suggest that the gap between highest levels and lowest levels had decreased at that time. If we consider separately the countries with highest and lowest levels of GDP per capita, over the same period, the rate of economic growth per capita was 4.7% in the low-income countries compared with only 2% in the higher countries. So relatively speaking, the gap for lower income countries appeared to be decreasing faster than the higher income countries. However, the rate of economic growth amongst the upper to middle income countries was 1.9% and the same figure for the lower to middle income group was negative at -1.4%. Referring to the gap in GDP per capita as shown by the Penn World Tables (PWT) from OECD and World Bank Data surveys (Heston et al., 1998), in this analysis, Garrett pointed out that many countries in the middle-income group were made up of countries in transition i.e. the group of countries that we are considering for our research. (Garrett, 2001) For these countries, the average annual per capita growth during the period of 1985 to 1998 was extremely poor at -3.1 percent.

It is with this conflicting picture that we have viewed what has actually been happening in our small portfolio of countries during the period 2000 and 2015 and we try to analyse the reasons and implications for any changes that happened.

Professor Mihaly Simai from the Hungarian Academy of Science, in 2006 addressed the issue of the sources and consequences of poverty and inequality in Eastern Europe and CIS countries at the beginning of the 21st century. (Simai, 2006) referred to the changes in distribution of income and wealth associated with globalization and

operation under the market economy. He refers to the ongoing process of change, from the socio-economic system under the centralized command economy of the Socialist and Communist systems and transition through to operation in today's globalized market economy and refers to the possible humanization of the globalization process. He refers to a certain level of inequality as being a necessary condition of sustainable capital accumulation which in turn leads to economic growth but emphasizes the problems associated with ethnic, religious and political conflicts together with cultural traditions which in previous eras had led to two world wars which started in the region.

Simai points out that in the early days in the 1990s of the transition process a simplified approach had been taken and it had been assumed that due to the comparatively low level of poverty and inequality that existed during the communist regimes and the safety nets which existed under the socialist system it was assumed that the social consequences of transition would be comparatively small and tolerable. It was generally assumed that global markets would be relatively easy to penetrate, and economic modernization would result in positive wealth effects. It was assumed that irrespective of the internal structures, export markets would open for the countries. Whilst it was recognized that import competition would result in inefficient domestic sectors disappearing, due to the cost differences between industrialized countries and the countries of the FSU the losing aspects would be compensated for by the increased growth prospects. Expectations regarding external assistance which would be provided and the quick development results that would ensue, unfortunately, were unfounded and by the mid-1990s the reality of the situation was beginning to dawn.

In 2011, Aidukaite looked at the portfolio of New Member States in the EU (Aidukaite, 2011) to consider any similarities that may exist and whether they might be considered

as a 'distinctive grouping' by themselves - with similar problems, difficulties and special conditions, which might be different from the other EU countries. He looked especially at the socio-economic changes that had occurred over the recent post-communist period. He concluded that whilst some differences existed between the various states, generally speaking they had lower socio-economic indicators, especially requirements for minimum wage, compared to the rest of the EU 15 countries (as membership was at the time) - a factor which of course gives them a big advantage and incentive when it comes to migration, and employment either temporary or permanent, especially under the relaxed conditions that apply under the EU. The degree of material deprivation is higher compared with the other EU 15 countries. However, when considering the risk of poverty in these countries some countries in the group, especially the Czech Republic and Slovenia, have improved their socio-economic conditions more than other new members such as Bulgaria and Romania. The Baltic states, together with Poland, Romania and Bulgaria did not show such substantial positive changes in their social indicators and the general performance showed similar tendencies. The improvements shown by these countries never exceeded that of the other EU 15 countries. The evidence showed that they continued to use the institutions and features that supported the post-Communist welfare-regime especially the social protection systems based on insurance programs and the continued use of the government's social security programs – even though the benefits were comparatively low. He noted that this residual behaviour continued in common amongst the people of each of the countries and hence tended to continue the bonding of the old regime.

Income inequality is affected by the presence of FDI in a country. The extent to which a link exists for the transition countries in EEC was tested by Bhandari in 2007. He

looked at the period from 1990 to 2002 and proposed that inward FDI reduces income inequality for economies where wage earners outnumbered capital owners (Bhandari, 2007). Thus, the number of SMEs and entrepreneurs in addition to major organizations might influence the degree of potential poverty. When viewing the fixed assets of these enterprises he found that there was no evidence that inward FDI stocks affected overall income inequality, but statistical evidence did suggest that besides changing the equity relationships, variances did exacerbate the inequality that arose in wage incomes. Birdsall (2006) wrote about rising inequality and injustice in our global economy, suggesting that there were at least three reasons why rising inequality especially in developing countries is more rather than less likely (referred to as 'dis-equalizing'). The following table, Inequality-Adjusted Human Development Index, shows inequality statistics for 2015.

Table 23 Inequality-adjusted Human Development Index

HDI rank	Country	Human Development Index (HDI) Value	Inequality in life expectancy (%)	Inequality in education (%)	Inequality in income (%)
		2015	2015	2015	2015
	VERY HIGH HUMAN DEVELOPMENT				
25	Slovenia	0.890	3.6	2.6	11.3
28	Czech Republic	0.878	3.5	1.4	11.1
37	Lithuania	0.848	5.5	5.6	19.6
	HIGH HUMAN DEVELOPMENT				
70	Georgia	0.769	10.3	2.2	24.1
82	FYR of Macedonia	0.748	7.6	10.6	30.1
	MEDIUM HUMAN DEVELOPMENT				
107	Moldova (Republic of)	0.699	9.0	7.3	14.0

Notes

Based on countries for which an Inequality-adjusted Human Development Index is calculated.

Data refer to 2015 or the most recent year available.

Source: **United Nations Development Programme**

The very substantial economic gains associated with penetration of global markets and their ever-increasing efficiency are not equally shared amongst the various enterprises in such countries. Competition dominates in enterprises with greater financial capital, human resources and entrepreneurial skills of the winners. Higher education is an essential asset for the achievement of market competitivity as university graduates are

increasingly benefiting from this increased global opportunity. Countries with internationally recognizable universities and education qualifications such as the Czech Republic, Slovenia and Lithuania are more likely to find themselves attractive to global markets and collaborators than such countries as Moldova and North Macedonia which are placed at a disadvantage in what they can attract as investors or achieve even if the people migrate. Bhandari refers to this situation of 'dis-equalizing' as a continuing situation as long as wage earners outnumbered capital owners.

CHAPTER 4 EXTENT OF GLOBALIZATION

The extent to which a country may be considered globalized was considered by Waters (Waters, 2001; Waters, 1995). Waters refers to Tasmania where he lives, and emphasises that even in this very, very remote place, the population is influenced by many of the modern aspects of life in the same way that other countries are. For example, they talk about management techniques and strategy in the universities, television heroes of the world have reached them and many more areas where they are influenced. They are not isolated despite the geographic location as discussed previously for which he established an 'Inventory of Economic Globalisation' utilising six key dimensions.

Waters refers to three types of exchange which relate to economic development theories and proposes a theorem that links these together. He identifies firstly **material exchanges** which include trade, tenancy, labour and the associated wages, the cost of services, and the accumulation of capital. Secondly, he refers to **power exchanges** which relate to political memberships, elections, leadership and executive direction, legislation and social control and international relations. The third category which he refers to as **symbolic exchanges** which include the influence of communication and publications, didactic aspects of development and teaching, entertainment, advertising, public demonstrations, media, and data dissemination. These involve global decisions and exchanges which are actioned locally, and this effects local economics. They are all affected by changes which are brought about by globalisation. He points out that material

changes are likely to involve localised markets, manufacturing, and administration because they need face to face supervision. Encouraged and facilitated by globalisation, long distance trade can then be carried out by specialist intermediaries. Waters refers to a theorem that describes the effect of globalisation as: ‘material exchanges localise; whilst political exchanges internationalise; and symbolic exchanges globalise’. He refers to the effect of industrialisation which is aided by F.D.I and draws attention to the importance of the way in which countries adapt to the changes which globalisation causes. This covers all levels - from the general population and labour power through to professional managerial and technical development. It covers all sizes of organisation from large companies to small businesses.

The degree of globalisation in a country can also be illustrated by referring to one of the indexes of globalization that have been created for this purpose, see KOF Index Table 8 in Chapter 2). However, the rank allocated to a country is likely to be of little interest to the individual members of the country's population. People are mainly concerned with their own well-being, happiness, and the general quality of their lives. This may be satisfied by the sustainability of the simple things that they are used to, especially in rural regions, or they may wish to achieve other things that are outside their current reach. Thus, providing that their needs, wishes or expectations can be satisfied, many people will choose to remain in their current location which is familiar to them and they will continue in their existence, wherever in the country that may be. The spread of information which globalization has facilitated through migration of people and the dissemination of information by the internet is likely to increase their expectations and wishes. The availability of competitive products in the marketplace may give rise to a

reduction in demand for domestic products leading to loss of income for local factories or individuals.

They may take actions - to a greater or lesser extent - to make possible personal change for the better. Globalization may help or exacerbate this status.

This action can vary from starting a business as an entrepreneur (Woods, 2013; Hristova, 2013) and developing it into an SME, moving from their current location to work for an employer or become self-employed in another region of the country or the capital city - or gaining work outside the country as a temporary guest worker. Or, if opportunities can be found, they may migrate on a permanent basis to seek a quality of life that they consider to be potentially capable of improvement. Their ability to make these changes will vary according to their personal abilities, contacts, environment, and international processes. The intention of their actions is to improve the well-being of themselves and their family, quality of life and ultimately their happiness (Lijphart, 2012). Concern about the likelihood that their elected government will take action to improve the well-being of the nation and indeed succeed, will be determined by the attitude of the politicians, the level of corruption and compliance with the rule of law and the general stability and continuity of the politicians. Pacek (2008) contends that when governments are generous in their welfare provisions it is more likely to have a positive effect on life satisfaction and happiness of the population. In cases where the population do not see leaving the country either temporarily or permanently as the way ahead for them, this will continue their dissatisfaction and may lead them to express their views and make demands of the government through social unrest and demonstration (Ačevska, 2002).

The Positive and the Negative Views on Globalization

Supporters of globalization believe that it promotes productivity and improves living standards around the world. Kornecki and Rhoades (2007) describe how high shares of FDI stocks as a percentage of GDP in a country indicate that foreign capital plays a vital role. In the economies of the CEE countries they conclude that FDI is a particularly important facilitator of the globalization process in the CEE countries and serves as an indicator of how advanced they are in terms of globalization.

When considering the privatization process, FDI is considered an essential factor for sustained economic growth consisting of improved employment, innovation, and technology transfer. The automotive industry is a very visible example of this, especially in the Czech Republic, where German FDI from Volkswagen who, commencing with the privatization process in the early 1990s, invested very heavily in the uncompetitive Skoda manufacturing company, radically transformed its profitability and international reputation with the 'Skoda Fabia'. The Fabia soon became European car of the year - an accolade which it has maintained for many years since.

During the early years of post-communist transition (1990 onwards) CEE countries showed a downturn in economic growth. But by 1993 economies started to grow again and an increase in FDI stock is also observed. By 2005, the amount of foreign stock held in one of our portfolio countries (Czech Republic) at 44.6% was particularly high (and in its previous partner country (Slovakia) 60.3%. However, in Slovenia the share of foreign stock as a percentage of GDP was much lower at 19.4%. This might lead us to conclude that in Slovenia, domestic investors are more confident in their country's economy and its position in relation to the globalized world. Kornecki and Rhoades'

study concludes that there is a strong link between FDI stock and economic growth (see table 18, 19 in chapter 3).

CHAPTER 5: ECONOMIC DEVELOPMENT

Theories

The research considers how the theories of economic development relate to the sample countries and how globalisation may have modified outcomes.

The Heckscher-Ohlin theory suggested that patterns of international trade are determined by the relative resources of individual nations (Balassa, 1986). He considered that "Nations with relatively high levels of capital in relation to labour would be expected to produce capital-intensive goods while those with an abundance of labour relative to capital would be expected to produce labour intensive goods. This is particularly seen in mass wine production in Moldova and Georgia and the clothing manufacture industry in Moldova. However, the success and sustainability of these industries is radically influenced and affected by globalisation which provides competition in the domestic and global marketplace.

The Leontief theory, (Leamer, 1980) counters the Heckscher-Ohlin theory. His studies showed that the United States (the nation with the highest level of capital available at that time) exported primarily labour-intensive goods. (In the 21st century, we might consider this to be inefficient with the manufacture of such goods being outsourced to such countries as China, Bangladesh, India, etc. where labour is plentiful, and costs are cheaper. Indeed, some outsourcing is carried out in Macedonia and Moldova - especially clothing).

Linder (1967) agreed with Leontief's findings presenting a demand-based theory of trade in contrast to the usual supply-based theories which exploited the plentiful resources that

the nation had available. Linder further suggested that nations with similar demands would develop similar industries, which could then trade with each other in similar but differentiated goods. This could be applied to Macedonia and Moldova's initiatives in the I.T industry. Also, the FDI invested in CEE automobile industries is, another example of this – with various automotive-based industries and component parts manufacturers being modernized utilizing F.D.I. and thriving, e.g. Czechia.

Sarkar (1992) proposed **The Progressive Utilization Theory,** suggesting that traditional capitalism is a system that treats humanity as an input (labour) and cost as (wages) - with the result being the accumulation of capital. But modern **Transformative economics** Tobias (2013) takes the reverse view and considers humanity to be the primary focus - placing environmental and local community needs as a priority - where the output of the economic system benefits them above the accumulation of capital. The latter view is more in the ascendant but perhaps less congruent with globalization than the former.

. The ability of nations to confront and influence commercial decisions that may be damaging to the environment of community interests, however, is largely the preserve of larger countries. In the smaller countries that we are researching, such behaviour is more difficult to contest and the less controlled exploitation of the small country's resources by the big MNCs often has an adverse effect on the sustainable economic development of the countries, with environmental pollution and depletion of natural resources, particularly deforestation, pollution of local rivers by discharge of inadequately treated effluent and dumping of waste products. (Pavlínek, 2002). Several of the countries that we are researching have suffered in this way – where the

benefits of FDI by multi-national companies in terms of employment creation are at the cost of irresponsible pollution of the environment (Gray, 2002).

Globalization has enabled the availability of information and harnessed the power of the people. This shows up in politics with environmental parties and gives rise to major resistance to commercial decisions which are being made (e.g. fracking in UK, global plastics pollution, carbon emissions and global warming). The small countries in Europe will suffer in this way and may have little ability to control matters.

Environmental economics has become a major issue and forms an important part of economics and is concerned with environmental issues. It uses the standard methods of neo-classical economics. The National Bureau of Economic Research (USA) states in its Environmental Economics program that "Environmental economics undertakes theoretical or empirical studies of the economic effects of national or local environmental policies around the world" (Brock and Taylor, 2010). The program includes the costs and benefits of alternative environmental policies to deal with air pollution, water quality, toxic substances, solid waste, and global warming.

In Macedonia in 2005, I worked with government officials to prepare a draft strategy for the government for sustainable economic development. The authors paid strong consideration to forestry, power production and tourism and policies were structured to accommodate these key sectors. SMEs associated with forestry and agriculture were particularly supported by the government.

Rostow's (1990) stage model of growth has been influential. He defined various conditions that are likely to occur at each stage related to the growth of investment, changes in consumption patterns and social activities. Each of the stages may not have

all the conditions applying, and the progress made through the stages may be different from country to country or between regions. Growth will occur initially in one or two sectors which will lead the movement for others.

List (2016) challenged this model arguing that countries reliant on exporting raw materials may get “locked in” and will not be able to diversify or add value to the raw materials. However, it may be necessary for a country to export a few raw materials to finance the development of manufacturing sectors where products are not of sufficient quality, or quantity to achieve competitiveness in the country's early stage of economic development. The danger is, however, that such countries will find it easier to export their raw materials rather than develop manufacturing facilities that add value. For example, from my observations in Georgia in 2001 this tendency was exacerbated by the presence of corruption. I witnessed large amounts of state-owned forestry which were being felled and sold abroad for profit by unscrupulous and self-interested individuals/groups which denied benefit to the country or the creation of sustainable industries and the further embarrassment was that Georgia would re-import the processed wood as furniture, with the value-added being for the benefit of the foreign country (China). Macedonia - with its previous iron smelting, steel manufacture and cobalt manufacture – also provides an example of this. In this way, Rostow's model does not deny John Keynes - in that it allows for a degree of government control over domestic development, which is not generally accepted by some ardent free trade advocates. In Macedonia's case, this economic growth comes at a great price – pollution of the environment. Although empirical at times, Rostow is, perhaps, too simplistic. As a basic assumption, he believes that countries basically want to

'modernize' - but he suggests that the society will find and settle in a level applicable to the materialistic norms of economic growth.

Linder's (1967) demand-based theory of Economic development in a country requires the country to be able to produce revenue in sufficient quantity to meet the needs of its manufacturing, production and its people and pay for any services that it needs to provide or obtain from other suppliers.

However, sustainable economic development requires the country to be able to continue to meet these needs irrespective of any competitive forces or changes that may be applied to it and overcome any shortfalls successfully within its own means or in association with external partners. This is highly sensitive to globalisation as globalisation may impact the resources of a country. It enables competitive organisations to access international resources. The constraints of international organisations such as World Bank - requiring the removal of trade barriers, quotas, and export subsidies present problems for some small developing nations.

National Sustainable Development Strategies

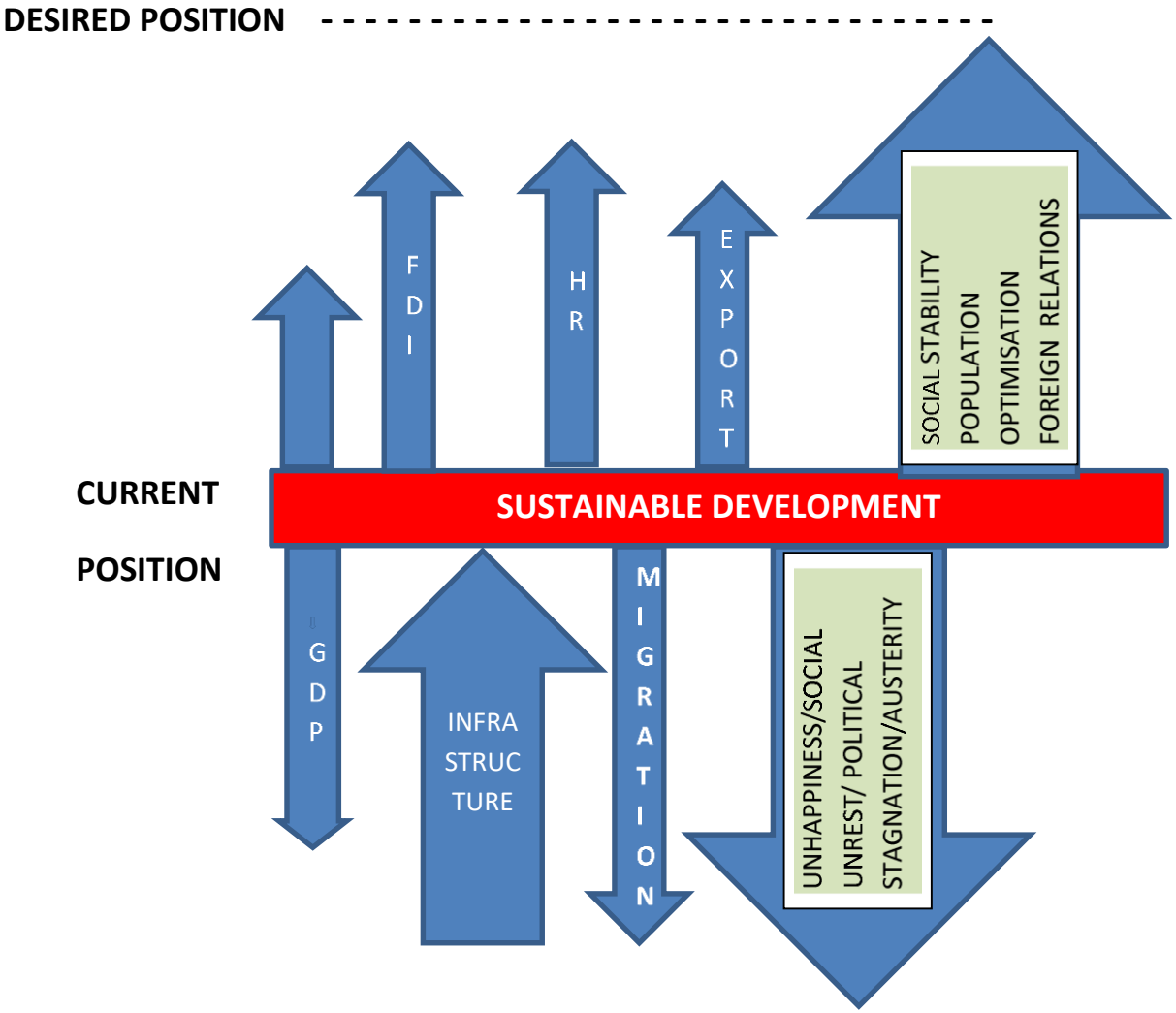
For the sustainable development of a country to take place and be achieved, the country must have satisfied certain key conditions. These are likely to include a stable supply of human resources which is consistent with the needs of life in the country in which they live. For these people, the quality of life will influence their happiness and the degree to which they are motivated to work within the country and contribute to its sustainable development. Conversely if the quality of life is poor and the population is not happy, they are likely to migrate to other countries or they may participate in - and promote – corruption. The business environment is, thus, likely to be poor and

consequently people will not invest in the country. The results are likely to be manifested in a reduction in population, a lack of qualified skilled people and social and welfare conditions that will adversely affect life expectancy (Balkyte, 2010).

A simple way to illustrate factors and how they can influence positively or negatively is by using a force-field diagram as shown below.

DIAGRAM 1: FORCE-FIELD ANALYSIS

RELATED TO SUSTAINABLE DEVELOPMENT OF A COUNTRY



When sustainable development in countries is considered, it is important to specify the size of the country and identify what is necessary to ensure its sustainability. This will include the quality of life of the people that inhabit the country, their social harmony, the environment in which they live and the resources that they have at their disposal.

What critical factors do countries need to have in place (i.e. which exist and are readily available to the country) for sustainable development to be achieved?

The people must have their personal needs and comforts met. Only when these are satisfied will the population be stable and available to fulfil their personal aspirations and contribute to the stability of the nation (Herzberg, 1966).

The country needs to have available and maintain adequate resources. This may require upgrading education facilities to enable re qualification of the population and re-enforcing the knowledge and skills-base of the workforce. Organisations will need support to harvest raw materials and products, manufacture these or trade them. To achieve this, they may be able to utilize renewable indigenous resources or negotiate and trade with international suppliers.

Indigenous raw resources may not be renewable and may cause problems with the environment or health of the population. A country's resources may be attractive to organizations outside the country which may invade the country and access the resources. This particularly applies to the mining of minerals and the manufacture of relevant materials, which may produce pollution or interfere with the equilibrium of other resources. Workers require accommodation, desirable food sources, social services, utilities and although they may provide short-term benefit to the population, this may not be ongoing, or the associated investment not used to the best effect for the

nation's sustainability. For the good of the nation these activities need to be managed and controlled – and appropriate regulations put in place. Compliance with these should be monitored and enforced. To summarize, these will include (but not be limited to) adequate resources of all contributing types, including: financial, human, material, mechanisms for renewing or replacing each category as its availability reduces (i.e. growing agricultural products, educating and recruiting people, automating manufacturing activities). A means of generating income (i.e. GDP) to enable acquisitions and replace financial reserves, a stable society, a stable environment, a stable government, stable and secure borders, and stable external relations.

Most of the countries in Central and Eastern Europe have embarked on discussing and drafting national strategies for sustainable development (NSDS). Cherp et al. (2004) proposed a methodology for assessing national sustainable development strategies. They quoted the five key principles of sustainable development and proposed a set of assessment criteria for testing their implementation. They looked at two countries in particular, Slovakia and Belarus, and found that the assessment methodology demonstrated its potential as a tool for strengthening their processes when governments are planning and implementing NSDS for their countries. Cherp et al. stressed the need for greater transparency and accountability in government practice if progress is to be made in improving the quality of sustainable development and the inclusion of institution building and governance reform.

Daly et al. (1994) express concerns about the way that industry with its blinkered growth-oriented strategies and the conventional economics to which they ascribe success, was blighting the world. Daly (2006) suggests two competing definitions of sustainability - one based on utility, which he rejects, and one based on through-put,

which he accepts. He describes the case for utility being sustained as the need for future generations to be able to access the same amount of utility as is enjoyed by the current generation i.e. the future should be at least as well off as the present. He particularly refers to per capita utility of the population and the happiness that they enjoy.

The Sustainable Society Foundation was established in The Hague, Netherlands, in 2006 by its founder and chairman, Geurt van de Kerk (Van de Kerk, 2008) with the aim of stimulating societies in their development towards sustainability. The society has created a sustainable society index (SSI) which they publish and disseminate every two years. The foundation's researchers gather information on a total of 154 countries at a national level from which they have created an index. As we write they are developing it further to provide rankings at regional and local levels.

The SSI list rankings refer to the three principal categories of well-being, i.e. human well-being, environmental well-being, and economic well-being (see Table 5 on page 44). We have inspected the index to enable us to compare rankings across our portfolio countries together with four major developed countries for comparison.

The Institute for Sustainable Development and International Relations (IDDRI) is an independent research institute dedicated to fostering the transition to sustainable development and prosperity for all. The institute identifies the necessary conditions for the integration of sustainable development into public policies and proposes tools for their implementation.

Horton and Lo (2015) referring to the proposed 17 Sustainable Development Goals (SDGs) which had been published by the working group said:

"Sustainable development? No. Try utopia instead. The SDGs are fairy tales, dressed in the bureaucratese of intergovernmental narcissism, adorned with the robes of multilateral paralysis, and poisoned by the acid of nation-state failure".

Globalisation's effect on Economic Development

Economic development frequently relies on policies that promote the principle of "free markets" and emphasizes a prominent role for large corporations, typically MNCs/TNCs. Cowling and Sugden discussed the numerous development paths that economies could follow including encouraging FDI through the presence of TNCs and policies to attract them, which many economies were following at the end of the 20th century (Cowling and Sugden, 1999). However, they pointed out that records showed that TNCs showed mixed successes in their open market's dealings. If the weight of government support for TNCs was wrongly balanced, it might detract from innovation, depress the abilities and aspirations of the local population and any strategies to develop the best interests of the people.

Cowling & Tomlinson have shown that an incorrect strategic approach by governments can lead to "strategic failures" (Cowling and Tomlinson, 2005); (Cowling and Tomlinson 1999), as corporations sometimes governed in narrow self-interest with adverse consequences for localities and public interest.

The host country anticipates that good, long-lasting benefits will ensue from FDI but, in virtually all aspects we are likely to observe a failure to meet the understandably high expectations from 'development' that exist. There is severe disillusionment with the very concept of 'development'.

The Washington Consensus took a specific approach to economic development i.e. Fiscal Discipline, Financial Liberalization, Trade Liberalization, Privatization and Deregulation.

Held (2013) argues that there are alternatives to traditional western or neoclassical views which refer to demographic changes and the way that labour is utilized .Weintraub (1999) determines that neoclassical economics rests on three assumptions, although he accepts that some variations may apply: "(i) People have rational preferences among outcomes that can be identified and associated with a value (ii) individuals maximize utility and firms maximize profits. (iii) People act independently, based on full and relevant information".

Jevons (2001) presented the basic problem of economics as follows:

*'**Given** a certain population, with certain needs and powers of production, in possession of certain lands and other sources of material: **required** - the mode of employing their labour which will maximize the utility of their produce.*

From the basic assumptions of neoclassical economics comes a wide range of theories about various areas of economic activity. For example, profit maximization lies behind the neoclassical theory of the firm, while the derivation of demand curves leads to an understanding of consumer goods, and the supply curve allows an analysis of the factors of production. Utility maximization is the source for the neoclassical theory of consumption, the derivation of demand curves for consumer goods, and the derivation of factor supply curves and reservation demand.'

Alcott (2005) confronted this theory and – referring to Jevons' work on the coal industry – raised the issue of the Jevons' paradox whereby although technology provided more efficient methods of providing coal, thus facilitating its conservation, this in turn lead to greater use of coal and did not lead to development of new alternative utility. So, bearing these theories in mind, we ask the question "how is globalization

influencing economic development? Might it be assisting economic development or is there a conflict? For example, population levels are changing due to migration and with this, in some cases there is a limiting brain-drain? Also, there is an increasing trend for MNCs to poach resources, which may be material resources or human resources and this will influence the ability of a country to sustain its development (i.e. Moldova where a large proportion of the population has been attracted away) and similarly for other countries. People are drawn to more developed countries where their earnings prospects and better social care attract large numbers of the population - which would otherwise be contributing to the economic development of their own country.

Capacity

When considering economic development of a country we need to consider several factors that will certainly influence the ability of the country to undertake and sustain economic development. These are such factors as production capacity, manufacturing capacity, educational capacity, availability of resources (human and material), access ability to resources and a stable government with the ability to take actions and capacity and will to see them through. We need to discover whether there is any correlation between these influencing factors and whether there is, perhaps, "a secret or essential factor" that must be present if progress is to be achieved (Kornecki, and Rhoades (2007).

For example, if none of the resources are present in a country and yet, the country has a strong progressive government with strong leadership, then it is possible for that country, in some cases, to go out into the world and attract the necessary facilitators so that such factors as resources can be obtained. Alternatively, if the country has enjoyed

a strong tradition of a high level of educational development, and a large potential workforce of highly skilled or highly intellectual people exists, then this will be attractive to potential investors and the extremely important process of innovation can take place (e.g. Ireland, supported by the EU). This ability leads to the accolade of Celtic Tiger as noted by Edquist and Hommen (2009). However, these factors by themselves may not be sufficient to encourage potential international investors – who have freedom of choice as to where they utilize their financial resources and executive time, and also, how they control any FDI that they apply.

Another essential ingredient is the political, social, and economic environment which is present in the country. Potential investors are unlikely to be attracted to a country where there is instability amongst these environmental factors.

From the perspective of the country, certain discerning factors also apply. The most positive consideration is to assess the cost to the country of facilitating a new investor. Short-term gain at the expense of long-term loss may be a simple and attractive proposition for a country - but is unlikely to be a good way forward. Environmental pollution is an example of the legacy of poorly controlled historic decisions in some countries as discussed by Nicola Gruevski regarding Macedonia and pollution of its environment due to the processing of its resources (Gruevski, 1992). A search for synergy is desirable - where the resulting outcome is greater than the sum of the inputs.

In our research, we look at these factors and any observed correlation. We also look at the factors in countries were considerable success in economic development on a sustainable basis can be recognized (e.g. the Czech Republic) and try to identify the key success factors.

Regional Sustainable Development - Geographical Factors

One of the major problems that has always beset the leaders of countries is the disparity between the capital cities and the rural regions. Any wealth that exists or can be created is usually more often achieved in the capital city or is channelled into the capital city. It is less likely to remain in – or be distributed to – the regions. Shankar and Shah attempted to assess this situation with a 'scorecard' 'Bridging the economic divide within nations: A scorecard on the performance of regional development policies in reducing regional income disparities' (Shankar and Shah, 2003).

Consequently, good leadership and support for a country will take proactive steps to encourage economic development and wealth generation in the regions. Many development projects have been designed around this subject and donor funds have been allocated to design and implement such projects in the regions - and to support the entrepreneurs and SMEs that exist or can be created. Many difficulties exist and factors which restrain the development of such change. The phenomenon of globalization in the 21st-century will have a positive effect in some cases and will adversely affect economic development in other situations.

Regional development exists, for the countries of our research, at several levels:

1. Traditional Regions - such as parts of the previous Tito Empire or the Soviet Bloc – subdivided and re-grouped (perhaps, including some of the Caucasus

countries) into separate Nation States such as FYR of Macedonia (North Macedonia) and Republic of Moldova and Bosnia & Herzegovina.

2. Regions within a nation state, such as the development regions of Moldova (with Gagauzia and Transdniestria).

An EU project based in Moldova had Terms of Reference that specifically focused on the development of three regions (Gagauzia, Soroca and Causeni). With increased communication and the awareness of the rural population of what is happening in the world outside globalization and especially the freedom of movement of people is attracting regional population firstly to the countries' cities, i.e. Chisinau and Skopje and then further afield to Western Europe. This is depleting the resources in the rural regions. Governments of the countries are not able to supply creative investment to the regions and, in limited cases an attempt is being made to address this situation by external institutions and projects. It is, however, extremely difficult to find investment either in size, duration, and quality, to change this situation. Even in the developed western countries, this situation may exist, and the governments find it difficult to prioritize resources without external support (i.e. Support from the EU).

In the case of our research, there is a need to consider the sustainable development of our countries in the light of their geographical position, as ‘Prisoners of Geography’ (Marshall, 2016).

What factors may account for small nation 'success stories' in recent history, such as Ireland, Singapore and Malaysia and to what extent is it sustainable? We have already

seen the life cycle of the Irish economic development under the auspices and support of the EU, which after major and rapid growth (the era referred to as the 'Celtic Tiger') peaked and then went into decline (Haughton et al., 2008). In contrast, Singapore, with very limited economic status, achieved remarkable growth and development which has been sustained.

The research considers the benefits, challenges, and difficulties that our sample countries have experienced over the period which have been due to globalisation and how significant has their relationship with other countries and associations been. (Aidukaite, 2014). In reality, are there overriding considerations in CEE which are fundamentally different and likely to limit successful economic development in the small economies of our portfolio?

Economic Situation in the Transition Era post FSU & FYR

When we look at the economic development of the former Soviet Union from around the late 1920's, there was major economic development with substantial growth happening in industrialization, with associated enormous increase in economic growth and the GDP per capita grew more than five times. By 1955, the economy had increased to more than 40% of that of the United States. Ten years later it had reached 50% and by the mid-1970s it had passed 60%. However, towards the end of the 1970s the economy began to decline, and the growth rates of the communist bloc substantially slowed in all communist countries. Although the reasons for this are still debated, it was considered that the situation was exacerbated by the reluctance of the central

economy to develop their ability in intensive production. Before the central economy had established collectivization, Russia had been known as "the breadbasket of Europe" and at the beginning of the 20th century had supplied 40% of the needs of the world in grain. Despite this impressive situation there was a radical change over the period and by the 1970s, they could not supply enough for their own needs. Supplies of raw materials, i.e. oil, gas and coal were abundant, energy was plentiful and, but these resources were inefficiently used. Social welfare was generous, with subsidized food and clothing, general healthcare, childcare and education being freely available for all. Employment was, in theory, guaranteed (Hanson, 2003). All this put a substantial strain on the state resources although many of these services were supplied and administered by state-owned enterprises, primarily established to produce goods and services. The communist regime also liberally supported the employment and status of women and this was particularly noticeable in the Islamic regions of the Soviet Union and the level of literacy in the countries of the communist bloc was high in comparison to many advanced countries. But, as history has shown, the Command Economy was not sustainable, and funding of resources declined and eventually failed.

For the general population, life became very difficult although despite general shortages, the nomenklatura had little problem living comfortably. Most of the accommodation was in government owned high-rise apartments, which were provided for the population. However, a typical working-class family of four was only allocated one room and it often meant that a family could be living in this for an accepted period of eight years before being allowed something larger. Although the accommodation was usually heated by radiators supplied from centralized steam, which was delivered

through the streets in large pipes, government maintenance of the properties was sparse and many of the households had no hot water and often no running water at all. The extended family was a common occurrence, which meant that a two-roomed apartment was likely to contain mother, father, and married children, with possibly their offspring as well. Many of the hospitals had no running water and basic provisions for patients such as blankets were only available by bribery. Provision of nursing attention and doctors needed to be routinely encouraged by bribery. Tertiary education was available, but supply limited as low wages of teachers lead to apathy and low productivity. Many of the rural Soviet youth were unable to attend higher education. Unlike previous times, family welfare provision had become very low. Life expectancy had declined, and the trend was continuing, especially amongst males – exacerbated by alcohol consumption, smoking and lack of medical care. This trend in the quality of life was opposite to western Europe, where all these factors were generally improving and the decline, which had been developing in the FSU since the 1960's had shown a substantial gap between Eastern and Western Europe by the end of the 1980's.

This was the historic background experience that Moldova and Georgia had been used to and North Macedonia, Czech Republic, Lithuania, and Slovenia had experienced to a lesser extent.

After the collapse of the FSU, during the 1990s the freeing-off of the central controls and the commencement of a market economy approach, economies continued to decline in many parts of the FSU, some improvements began to occur in the Baltic

States, although they were much slower in many parts of the Former Soviet Union, especially life expectancy, which continued to decline before a reversal occurred.

In the 1990s, as they emerged from the comforts and constraints of the Communist regime, the smaller states were faced with the freedoms that existed - but having to face the need to provide their own resources to enable fulfilment of their National Strategies. Commentators, e.g. Milovan Djilas, observed that in the Former Yugoslavia, a new powerful class of bureaucrats were emerging, which included many of the previous communist party leaders who began to exploit the rest of the population. Milovan Djilas, who had been one of the most powerful leaders in communist Yugoslavia described this in his book of 1998 (Djilas, 1998). The same situation was occurring in other countries throughout the FSU and these people are referred to as the Nomenklatura and life for them often changed very little, with them simply substituting their key roles for similar roles in government and commerce under the transition economy. Globalisation provided opportunities for them to travel, make international contacts and seek finial support.

During the 1990s, 'privatisation' occurred with the assets of the S.O. E.s being transferred to private ownership. Within the newly formed privatised companies, the previous communist 'Generalne Direktor' became the Chief executive and major share-holder of a much smaller privatized SME – which was using raw materials and resources appropriated from or liquidated from the previous SOEs by the erstwhile boss

who had been in a knowledgeable – and powerful – position during the transition stage of privatization.

During the days of the FSU, the communist regime and planned economy had concentrated its resources on developing heavy industry, armament manufacture and the defence capability of the communist bloc. Food production and factories for the manufacture of consumer products, even if they existed, were low technology and largely neglected. This was the inheritance that the newly independent countries had to work with and utilise. As a result, the standard of living in most of the FSU and communist bloc countries did not improve in the same way as the western world, but declined, poverty of the masses increased, eventually becoming intolerable, and this led to the dramatic crisis and changes that occurred from 1985 onwards.

The Role of Government

The pro-activity of governments and the factors that enable governments to be a driving force, taking the initiative to promote - and even enable - the development of SMEs within their countries are essential drivers - i.e. the need for champions.

If we look at the rate of development of SMEs in the different countries of our sample and compare the driving forces which governments have put in place to achieve change, we can get an assessment of where the countries' governance could improve. The champions which exist in the countries are extremely important, for example in Czechoslovakia in the early 1990s Havel and Klaus were the major driving forces behind the rapid conversion of Czechoslovakia into the early post-communist state. Subsequently, Havel and Klaus found it difficult to relate the needs and the businesses

of the Czech region to those of the Slovak region, through Mecia, who was the champion of the Slovak regions, and this led to the 'velvet divorce'.

How successful are the governments of the other countries in our portfolio?

The Republic of Moldova is torn between the two major political parties and the struggle for 'federal support' continues. North Macedonia, as yet still independent, debates the extent of its democracy and its ability to gain FDI, as Gruevski (1992) noted, although the country has seen substantial improvements in FDI, 'the way out may still be illusive'. All progress towards gaining acceptance of the country's strategic aim to join the EU has been thwarted for many years due to the demand by Greece that the name of the country must be changed in order to recognise that the name Macedonia refers to a district that remains part of Greece. In 2019 a compromise was found, and the Republic's name changed to 'North Macedonia'. This small change in name was a very big step for the government to take and was resisted for many years. With the acceptance of this name change, it is hoped by many that economic development of the Republic of North Macedonia will improve and be easier to sustain.

The Role of External Investors, Institutions and MNCs in Facilitating Economic Growth

Globalisation has increased the awareness of the populations of our sample countries to opportunities in the 'outside world' and has encouraged MNCs and foreign investors to consider the potential and needs of the countries. If we look at the effect that external Donor Aid and Foreign Direct Investment has had on the rate of progress and development, in the various countries, the related Governments' initiatives to create a

conducive business environment and the incentives for external foreign aid and donor aid have met with varied success. Joint domestic and foreign ownership is considered attractive and enables investors to achieve lower costs when seeking local suppliers of intermediates (services, components, and agents). Thus, they may be more likely to engage in local sourcing than if they were wholly owned foreign subsidiaries. However, there are many disadvantages. Samistra Pal pointed to the corruption that may be present from both host and investor sides (Pal, 2015). MNCs tend to transfer less sophisticated technologies to their partially owned affiliates than to wholly owned subsidiaries. The improved access to knowledge from a local shareholder, through his participation in jointly owned projects, is also likely to facilitate the transfer of such knowledge to other local firms in the same sector. Also, any local resentment that may be felt by local companies because of negative competition due to FDI inflows, is likely to be lower in the case of partially owned foreign investments, as it is countered by the increase of knowledge which the sector gains. Table 24 (below) shows the partnerships which have been developed by companies from the portfolio countries in activities with foreign companies.

TABLE 24 INTERNATIONAL COMPANIES INVESTING IN SELECTED COUNTRIES AS AT 2016

COUNTRY	INVESTORS	ACTIVITY (Example)	OUTWARD INVESTMENT	PLANS/OPPORTUNITIES
Lithuania	Barclays, Citco, SED, Swedbank, Danske Bank, Callcredit, Western Union, Nasdaq, Intermedix	Major development in IT		
Czechia	Honeywell - USA ; GE Aviation - USA; Latecoere - France ; UGMK - Russia	AEROSPACE		
	Volkswagen - Germany ; Bosch - Germany ; Toyota - Japan ; Hyundai - South Korea ; Lear - USA	AUTOMOTIVE		
	DHL - Germany ; IBM - USA ;	BUSINESS SUPPORT SERVICES		
	Daikin - Japan ; Siemens - Germany	HIGH-TECH MECHANICAL ENGINEERING		
	Microsoft - USA : Redhat, USA ; Oracle USA ; Solarwinds ; USA ; Tieto - Finland	ICT		
Macedonia	Johnson Controls, Delfi, Key Safety Systems, Lear	Of current top 10 investors - 7 American (Euros 115m) and 2 German and 1 Italian		
Moldova	Sudzucker Moldova (Moldovan/German joint venture.	*Note Südzucker AG, the largest sugar producer in Europe. The company entered the market in 2001.		
	Mercando Green Technology	Energy - potential		Plans to launch the first biogas production plant in Moldova for a total estimated investment of EUR 25 million.
	Customers	Various outsourcing contracts		Opportunities in automotive, IT, medical, textiles and green energy.
		Companies from Italy, Germany, Netherlands, France, Austria, Belgium, and Great Britain source and produce textiles in Moldova		
Slovenia	Manufacturing: BSH Bosch und Siemens Hausgeräte, Brigl&Bergmeister, Carthago, Danfoss, E.G.O. Elektro Geräte, Ecolab, Geberit, GKN Italia, Goodyear Dunlop Tires Europe		BIGGEST SLOVENIAN INVESTORS ABROAD	
	Retail: Aldi Süd, E. Leclerc, Eurospin Italia, Lidl Internacional. MOL, Ömv, Rutar, Spar		Manufacturing: ETI, Gorenje, Helios, Iskraemeco, Iskratel, Kolektor, Krka, Lek, Prevent, Sava, Istrabenz Group, Unior, Iskra Avtoelektrika	
	Other Services: AC Nielsen, Debitel, Deloitte, DHL, Ernst & Young, GfK, Grishaber Logistik, KPMG, IBM	Other services including financial, courier, IT	Service sectors: Mercator, Nova Ljubljanska banka, Intereuropa, Merkur, Petrol, Terme Čatež, Triglav Insurance Company, HIT Casinos, Studio Moderna, Trimo, Feršped	
Georgia	Socar, Toyota, BP, Rompetrol (Romanian), Lukoil Azerbaijan companies.	In 2015, Azerbaijan invested $542 million (58.9 percent growth) in Georgia and is the largest investor in the country.		

SOURCES: UNCTAD World Investment Report

Resource Needs for Sustainable Development

What products and services does a country need for its sustainable survival and growth and can these be provided from its own resources? Globalisation necessitates consideration be given to how satisfactorily the home-grown products and services compare with products and services provided from external sources. External sources and products may be cheaper or represent better value to the customer. If the country allows freedom of trade across its borders there is likely to be a flurry of products from global sources. The inability of a country to meet quality and pricing standards of competitive products may be a limiting f actor in the development of the country.

Frequently, there is a disconnect between macro policy and micro policy. One example of this is the sale of chicken in the supermarkets of Bosnia with Italian companies (in the EU Federation) benefiting from export subsidies and Bosnia suffering from the restrictions and limitations of certification and packaging. Also, the disadvantages which they must cope with in the light of the WTO's demands for tariff barrier removal.

The challenge for these small countries is to examine how - if at all - they can become sustainable like Singapore set out to do in 1960s. (Huff, 1995).

CHAPTER 6 SMALL ECONOMIES and their SME's

The EU focuses heavily on small and medium sized firms (SMEs). (see Dannreither, 1999). Much of the funding which they make available is based on their definition of the SME classification which depends upon two main factors: (a) the staff headcount and (b) either the balance sheet or turnover of the company. Eligibility for funding and technical assistance projects are focused on companies that qualify under this status. Companies having a total staff more than 50 and less than 250 and a balance sheet which shows less than or equal to EUR43 million or a turnover of less than or equal to EUR50 million - are referred to as medium size companies. Those with 10 or more and less than 50 employees and a turnover of less than or equal to EUR2 million or balance sheet less than or equal to EUR2 million, are considered small enterprises and less than 10 employees are micro or entrepreneurs. However, if the SME is part of a larger group, then the similar figures that apply to the larger group may also be taken into account.

Small and Medium Enterprises (SMEs) have long been recognized as being the engine of economic development (Taiwo et al. 2012). They have played an extremely important role in the way the countries in our portfolio have grown and a great deal of attention has been focused on them by governments, institutions, and international organizations (see Bateman, 2000). The increased access and arena presented by globalisation has meant that SMEs have had to take note, cope with, and exploit the challenges and opportunities presented. This is particularly concerned with the product-market balance as customer needs change and competition intensifies. The European Union recognized the importance and in 2008 the commission of the

European communities issued a communication which stated, "think small first", and they set in motion legislation which resulted in the "Small business act" for Europe (2008) referred to as the SBA.

Small Economies – Dynamics & Constraints

In the 21st Century, 'small economies' are more accurately referred to as 'Small Open Economies' (SOEs). An open economy is an economy in which there are economic activities between a domestic community (e.g. people, or businesses) and outside which can trade in goods and services with other people and businesses in the international community and a flow of funds or investment occurs across the border. This contrasts with a closed economy in which international trade and finance cannot take place – which was the case in the FSU and the communist bloc prior to 1989. **A small open economy** is an economy that participates in international trade but is small enough compared to its trading partners that its policies do not alter world prices, interest rates, or incomes. Thus, the countries with small open economies are price takers. This is unlike a large open economy, the actions of which do affect world prices and income (Deardorff, 2014).

However, freedom to operate in an 'open economy' is not enough, by itself, to allow business success and sustainability. A fundamental condition of the market economy is that successful players must have comparative advantage over their competitors. However, there are times when even the existence of comparative advantage is not enough as described by Winters and Martins (2004) who state that there are likely to

be some economies where this is definitely not the case because small and remote economies are inherently uncompetitive. In such an environment, the producers of products or service-providers face the dis-economies of small scale and high transaction costs. Moldova, Georgia, and North Macedonia have faced this problem, especially. Although, in theory, such economies can overcome their small size by specializing in carefully chosen products and clever trading, this may not be enough to generate acceptable revenue streams for economic sustainability. For example, when asked to find buyers for good quality acacia honey from the mountains of the small economy of Kyrgyzstan - there was not enough quantity to interest and satisfy European commodity importers.

SMEs - Successful Development in a Globalized World

Table 25 below categorizes SMEs according to size across the sample countries between 2008 and 2014, according to data compiled by the OECD.

TABLE 25 SME ENTERPRISES TIMELINE 2008 - 2014

0-9 employees							
Selected Country	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**
Czech Republic	137 563	142 936	154 650	160 900	161 421	155 485	157 909
FYR of Macedonia				5 559	5 673	5 611	5 598
Lithuania	12 284	9 885	9 748	10 982	12 313	13 232	15 006
Slovenia	14 952	14 953	14 998	14 906	15 080	16 053	16 452
{A} 10 - 19 employees							
Czech Republic	5 341	5 297	4 927	4 867	4 674	4 518	4 427
FYR of Macedonia				639	657	641	603
Lithuania	1 341	1 202	1 068	1 039	1 086	1 124	1 182
Slovenia	974	920	883	889	931	911	947
{B} Employees 20-49							
Czech Republic	4 496	4 063	3 946	3 950	3 963	3 880	3 866
Former Yugoslav Republic of Macedonia				496	467	466	468
Lithuania	1 180	963	891	900	927	955	956
Slovenia	685	633	587	592	563	588	578
{C} Employees 50 - 249							
Czech Republic	3 475	3 174	3 080	3 023	3 052	3 025	3 045
Former Yugoslav Republic of Macedonia				349	349	357	346
Lithuania	824	697	676	701	693	688	699
Slovenia	583	540	528	512	497	489	477
Large Enterprises: Employees 250 or more							
Czech Republic	878	739	741	779	779	780	794
Former Yugoslav Republic of Macedonia				57	63	60	70
Lithuania	139	102	102	107	114	121	132
Slovenia	150	126	117	113	111	107	107

SOURCE: OECD Data

For their sustainable existence, SMEs need to operate a twofold strategy to achieve an adequate share of market potential and to grow. They will need to maintain an optimum share of their domestic market and expand their market outside national boundaries. Globalisation has provided opportunities and demands - both of which come at a cost

and S.M.E.s will need to overcome the qualifications for acceptable export - i.e. Certification, Certificate of Origin, quality standards on a continuing basis. Acevska refers to this in his work and points out that these are often difficult to achieve and, in some cases, prohibitive (Ačevska, 2002). On the other hand, they must cope with competitive imports, which may be more attractive than their local products on the local market and competitively priced - often achieved through export subsidies by their home governments. In this respect, the international influences regarding trade barriers are likely to control such things as tariffs and quotas.

Effect on SMEs and influence of TNCs

In the more developed transition countries (e.g. Czechia) SMEs may be able to harness the local heroes - which have been created by large amounts of Foreign Investment i.e. Skoda by Volkswagen, Germany, Tesco supermarkets and the tourist industry (international hotel chains) and they are able to build their credibility by satisfying the needs of this international - and very visible - market. They can use their enhanced skills for more independent exploitation. The heroes, however, are often very demanding masters – and may be 'all-consuming'. The less developed nations such as Moldova and North Macedonia may have no such advantage on which to piggy-back their development. (During the mid-1990's such an advantage did develop through Ford Europe in Belarus – but unfortunately unexpected political factors between Russia and Belarus meant that it was short-lived due to a change in taxation). Is piggy backing on TNCs the only way forward for SMEs and potential entrepreneurs in such countries?

The manufacture of pharmaceuticals, IT equipment/software and medical equipment has been utilized to advantage by some countries. In these countries, the necessary FDI has been attracted by the availability of well-educated people or strategic geographical advantage or very attractive resources or funding facilities by governments. If these are absent, how can such countries harness innovation? The absence of resources, political or social instability, or a poor business environment make them unattractive for investors. North Macedonia may succeed as the restraining forces are comparatively small and neighbouring states have already made successful progress – but what can Moldova and Georgia do to make 'economic change for the better' happen? For these countries, environmental detractors, political influences, business environment, location factors and resource limitations make attracting investors and potential customers much more difficult. Quality standards and certification requirements make competitive advantage elusive and the removal of trade barriers make even domestic markets difficult to hold on to. In such countries, is federation and a prolonged 'passenger-status' the only way forward and how can alliances best be achieved? There is also the sensitive matter of 'political agendas'. What freedom of choice exists in such countries and how much encouragement can potential alliances give to candidate countries without incurring political resistance (i.e. the initiatives by the EU in 2014 with Association Agreements for Georgia and Moldova).

Beating the Odds

The potential options for S.M.E.s might be summarized as:

1. A delicate balancing act: satisfying dominant 'heroes' such as VW/Skoda in Czechia and the needs of local loyal citizens in the domestic market – whilst retaining the freedom and resources to build production credibility to successfully access new global markets and develop sustainable independence.

2. Acquiring and harnessing new technology, building credibility, and achieving competitive advantage - from a position of comparative weakness.

3. The innovative use of scarce resources and building global credibility, whilst finessing competitive advantage.

4. Harnessing globalisation to optimize benefits, counter-balancing their weaknesses and seeking productive alliances - is perhaps an ideal way of 'squaring the circle' - although this might be a case of chasing rainbows.

CHAPTER 7 THE NATION WITHIN A GLOBALIZATION

Nations & Nationality

Colomer (2008) argued that small nations have to cope with the need to reconcile nationality and preserve sovereignty whilst recognizing the critical mass and economic advantages if their country is closely associated with other nations.

Thus, the countries of CEE that we are considering have to deal with their own national identity and status as nation-states whilst recognizing the limitations that they have as independent states in practice. Hence the need to belong to some form of association. History saw the formation of the federation of Yugoslavia. Subsequently, after declaring their independence from the communist bloc in 1989/90 some of the component countries have become members of the EU or are negotiating to join the Union. Various writers examine the subject, including Slaboch (2008) who refers to the 'myth of self-determination'.

Van Schendal concludes that Globalization both facilitates and exacerbates the situation (Van Schendel and Abraham, 2005).

As we progress towards the end of the second decade of the 21st century, the world as it has existed for many years, is going through a metamorphosis. There are many independent nation states and small economies. China is playing a major role in global commerce, the Arab countries continue in turmoil, Russia has been restless following a period of abstinence whilst it re-established itself as a prominent market-orientated economy and re-asserted its powerful position in the political arena.

Some nation states strive for independence, achieve it, and appear to successfully maintain it - but go on to seek favourable alliances which require them to sacrifice some aspects of independence e.g. Lithuania, Czechia, and Slovenia. However, if the direction and policies of such an alliance ('one set of rules for all') do not suit them or are too confining and they wish again for ability to control their own direction, they may wish to subsequently leave the association. Georgia joined the CIS and then left, remaining independent. This raises the subject of sustainable independence.

In the 20th century, the development of globalization brought about the availability of consumables in the most remote locations, having been manufactured in far distant places (e.g. Coca Cola and associated soft drinks, Mars bars and other confectionery items). More recently technology and mobile telephones have even become available in the most remote areas of the world. In the case of Coca Cola, for logistics and economic practicality, they created a syrup which can be easily and cheaply transported anywhere in the world, which in turn had the added advantage of creating businesses for local SMEs as bottling plants. The direct effect of this on the local geographical region was that the consumer had a much wider product knowledge and choice. Domestic manufactured products struggled for existence, influenced by quality, performance, and competitiveness (not only price competitiveness, but quality, availability, and dependability of supply).

The desire for national independence is understandable and it is encouraged by pride, cultural customs, loyalty, familiarity, and power. The wish to have the ability to control one's own destiny, with freedom of choice is natural, but we ask the question "in reality, is sustainability achievable as an independent state – and if so, under what circumstances?"

With migration being possible both inwards and outwards and people taking their nationality and culture with them to their new country of residence - often wanting to preserve their way of life - this has a significant impact on both the indigenous and chosen nation.

In terms of regional development, several associated country groupings can be considered. Firstly, the major players such as the grouping of the United States of America, the Commonwealth, various empires, a growing and expanding Europe, the former Soviet Union, Tito's Socialist Republic of Yugoslavia, the Arab nations and so on – all of these associations have been developed and have succeeded, at least for a period of time, based on "big brother" principles, where the power of the mass has carried passengers with it. However, whether the countries retained any independence depended on the degree and type of formal relationship and dominance of control. For example, members of the C.I.S. have come and gone.

Many of the sovereign states that we have become used to dealing with internationally have been smaller entities in past years and these 'local regions' have been combined in previous history. Regions of Hungary, for example, previously were included in the portfolio of other countries and in Moldova the regions of Transdnistria, Soroca, Causeni, Gagauzia have historic roots elsewhere. Such previous relationships and national origins cause frustration amongst people and in Georgia, there is on-going resentment in the autonomous republics of South Ossetia, Adjara, and Abkhazia.

In the 20th century, we saw the disintegration of the Socialist Federal Republic of Yugoslavia (SFRY), instability and collapse of the Soviet Union and communist bloc, whilst on the other hand we see the integration of Europe.

In some respects, globalization has helped the association of nations which may have assisted economic development. However, in other aspects, globalization has, in some cases, inhibited economic development in the regions of countries as advancement tends to benefit the urban areas. However, where regions may have been successful in past years, the sustainability of regions may have been lost long ago when the critical success factors were based on different supply sources and communication networks - local management, face-to-face negotiations and the region's ability to satisfy the market demand at the time.(e.g. traditional success being based on slower methods of trade which has been superseded by air transport and internet - time-space compression as referred to by Waters, (1995).

CHAPTER 8: INVESTMENT: F.D.I., COMPETITION AND REPUTATION

Foreign Direct Investment

FDI has a major influence on development progress and GDP. The research looks at the extent to which FDI has been applied in the countries concerned. In their research Hansen and Rand determined that FDI has a lasting effect and impact on GDP (Hansen and Rand, 2006). However, the statistics show that this rate is not a linear function of the amount of FDI employed - as many other factors influence progress. Where levels of FDI are low, this research considers the reasons and how levels are influenced.

As general background, the research looked at (a) one of the small Baltic States (Lithuania) - formerly associated with the FSU but which is now a member of the EU (b) the different aspects of two of the six component parts of the Former Yugoslav Republic (Slovenia and Macedonia) and (c) certain countries, which were previously members of the FSU (Moldova and Georgia). The latter countries are now referred to as 'Association Agreement' countries, having a potential relationship with the EU. So, we include Georgia into some of the analysis. As a means of comparison, we consider more specifically Lithuania, Macedonia, and Moldova to be of particular interest because of their relative status of economic development.

It is interesting to note the extent of changes to FDI input that have occurred since the fall of the FSU and the beginning of 'openness'. During the period 1996 – 2002, there has been a big increase (comparatively) in the F.D.I input into Georgia and an increase for most of the other countries including, perhaps surprisingly, Moldova. There has been a large increase for the Czech Republic and North Macedonia whilst there has been a smaller increase for Lithuania and Slovenia, and we question to what extent the

changes have been influenced by globalization. This may be a reflection of the closeness that the countries had with the FSU or Europe and the freedom which they have gained since the early 1990s.

TABLE 26 The Global Competitiveness Index 2016–2017 Rankings

Economy	Position 2016-2017	Score	Previous Position 2015-2016	
United Kingdom	*7*	*5.49*	*10*	
Czech Republic	31	4.72	31	
Lithuania	35	4.6	36	
Slovenia	56	4.39	59	
Georgia	59	4.32	66	
Macedonia, FYR	68	4.23	60	
Moldova	100	3.86	84	

Source: World Economic Forum (Editor: Professor Klaus Schwab)

(1) The Global Competitiveness Index captures the determinants of long-term growth. Recent developments (such as Brexit, commodity price changes, and market volatility) are reflected only in-so-far as they have an impact on data measuring these determinants. The score ranges on a scale ranges from 1 to 7 (7 = best)

(2) The index is based on 12 indicators: institution, infrastructure, macroeconomic environment, health and primary education, higher education and training, goods market efficiency, labor market efficiency, financial market development, technological readiness, market size, business sophistication and innovation. Ranking out of 140 economies (1 = best)

Competition and Reputation

In the highly competitive global marketplace that exists in the 21st-century, when limited resources will be in demand by competing organisations on a global scale, if companies take a marketing approach to position their country as well as their

company, they can produce positive results and give the competitive advantage that they need. It is not sufficient simply to develop new products or services if the country itself is seen as being an undesirable source for such products.

CHAPTER 9: TRADE, PRODUCTION AND CONSUMPTION

Production and Consumption

Some writers will date the beginning of globalization to ancient times, others to the Middle Ages or the industrial revolution era or the post-World War II period. However, in the past few decades, globalization has had a particularly profound impact on business, finance, politics, and culture (O'Rourke and Williamson, 2002). The requirements of consumers in both the developed and developing countries have changed. Competition has demanded that creative locations and methods of resourcing, new production processes, manufacturing sources and delivery networks have had to be established. All this makes it increasingly difficult to understand where all the consumer goods are being made, who are the investors, which forces shape their final price and which countries bear the environmental costs associated with their production.

When considering the impact of Globalization, on production and consumption, we take account of the following:

1. How many global companies mislead their customers by actual country of origin of sub units, and country of origin for assembly? For example, internationally badged and designed electronic goods can consist of components made or assembled in various countries, but they appear to the consumer to be an American or European product. When the EU is specifying the terms of reference for their projects, they go to considerable lengths to require that any items of equipment purchased from the project funds, for a project itself or for their clients, have certificates of origin which state that they have been manufactured in the EU. I have had to comply with this requirement myself when managing projects.

2. The positive and negative aspects of outsourcing manufacture in relation to consumer goods. The increasing trend is for western design products to be totally manufactured in Asia. With adequate quality control, this may not be a problem and the goods will be cheaper, but quality monitoring and assurance is essential.

3. Increasing trends in the global food industry for world products to be available all year round, sometimes resulting in locally produced products being challenged by price and availability competition.

4. Questioning whether we will have enough food to eat in the years to come? Consumer response to the seemingly plentiful supply can lead to exploitation of

terrains to provide immediate requirements at the expense of a balanced environment (e.g. soya, shellfish, wine, avocados). For example, Moldova's traditional large wine growing industry, supplying its long-established major market in Russia. Russia now buys competitive, better quality wines from the widely available stocks of the new world (California, South Africa, Australia, Chile) which has become possible as a result of freedoms of globalization and mobility, technology, and transport. The result of the freedoms as part of globalization mean that even if state of the art technology could be applied to Moldova's wine industry - requiring necessary investment - customers such as Russia would still have the freedom of choice available because of the effects of globalization. This effectively means that traditional production and manufacture become extinct and this means that countries such as Moldova, which have relied heavily on historic resources and trade, are likely to need to re-invent themselves. A major problem when considering production from these small economies, is that when potential foreign investors consider the small economies for investment, they have to take account of the ability to guarantee quantities and quality of products. In my own experience in Moldova, a potential Israeli investor considering establishing a tomato juice factory did not pursue the initial interest because they were not able to guarantee adequate supplies in Moldova. Similar problems associated with guaranteed supplies occur in other countries and this is the conflict between the global market place and the small country, where investment is essential, but an adequate return may not be possible.

It is no longer adequate to match production with domestic consumption, which must be made available to the global market because of the porous borders. For example,

traditionally Moldovan suppliers and manufacturers have been satisfied by supplying the domestic markets and associated federal markets, which have been easy to supply. However, due to globalization, the domestic consumers and consumers from federated allies are tempted by imports due to open borders and may shun locally produced goods as tastes and purchasing abilities become more sophisticated. This leaves producers and manufacturers with the problem of replacing their traditional buyers and the need to make themselves more competitive domestically and able to compete internationally.

Thus, globalization has increased quality requirements, availability requirements, presentation and preservation and product development and innovation which must be matched on a competitive basis and this is extremely difficult for the small developing economies.

Consideration also needs to be given to new technologies such as 3D printing. How might globalization influence the development and use of these? For example, a major international construction company is now able to provide, with the help of 3D printing, unique purpose-designed and prefabricated concrete components which would have previously required the design of shuttering and the slow process of pouring and setting. This is more efficient but requires less manpower resources. 3D printing has much greater applications than this and is leading to pushing the frontiers of medical, scientific, and geographical boundaries. However, there are negative aspects as well, insomuch as these will to a large extent be driven by the large companies and small and less advanced states will be rapidly left behind. There are however some modern developments, which do not need major resources or investment, simply intellectual skills and this is an area that countries such as Lithuania and Moldova are exploiting.

So, our research considers the implications of these topics for Small Transition Economies and their SMEs. The challenges could be expressed as the ability that global companies have to present their products to all types of marketplace - and how their potential customers can be influenced by alliances with local companies. With the increased reach available to global companies, managing the positive and negative aspects become extremely important. Given the ability of the global food industry to participate, manage, compete - through exploiting new technologies – SMEs in small economies need to find ways to harness the large companies to use their local products and capabilities to be competitive in the global arena - or participate as partnerships with other organisations. For example, I observed a case where an Eastern European fruit producer who was able to grow very large raspberries, cheaply and plentifully - and also had a legacy of very large freezing and storage capacity - made an association with an international high-class frozen fruit label to achieve great success. Perceptions, prejudice and resource limitations play a major part in the face of competition.

Import and Export

Although today, over twenty years after the sample countries started their transition process, imports and exports are now well recognized and practiced – although for some countries, success is still limited. Nonetheless, the balance of trade and the ease of movement of goods for some countries in our sample group is dependent on trade barriers and tariffs, restrictions that may exist, whether it is brand acceptance or commercial restraints. In this way, the EU is seen as a big advantage, which has been well used by Lithuania for example, but remains a much desired and distant prospect by countries such as North Macedonia, Georgia, and Moldova.

CHAPTER 10: TECHNOLOGY DEVELOPMENT AND INNOVATION

Technology Development

One of the major economic challenges in today's world is to keep up with the development of technology – and to aim to be at the leading edge, if at all possible. This applies to companies, both big and small, and to the government under which they operate. The problem is particularly significant for small companies or small states where resources are more likely to be in short supply. There is also an enormous problem that exists due to the rapid rate at which new technology and new products are developed and introduced to the market place. A 'must have' culture has developed on a global scale. This makes for rapid turnover in customer demand. The machinery and tooling up costs are great, and this is a particularly difficult challenge for small countries and their S.M.E.s. This effectively means that these countries are unlikely to be able to participate in the manufacture of such goods. Production and processing operations, high-tech development and service industries are more likely to be viable and sustainable than manufacture.

Edquist and Hommen (2009) looked at this problem by studying a portfolio of small states within Europe: Ireland, Norway, Sweden, Denmark, Finland, the Netherlands – and, within Asia: Hong Kong, Singapore, Taiwan, and South Korea. In each case they studied the National Systems of Innovation (NSIs). They looked at the role that governments have to play in encouraging and facilitating innovation within companies and the influence that globalization has on its companies. They looked at the growth

of the individual countries and the policies for innovation support that the governments have in place. They determined that the common factor in all cases was the export ability that companies have developed and the competitiveness that they were able to achieve.

Edquist and Hommen (2009) concentrated on the activities undertaken to influence innovation - such as research and development - and the organizations, institutions and funding mechanisms which need to be put in place to support innovation. They looked especially at the policies that have been put in place by governments and the degree to which these policies have been followed and exploited by companies within the country. They found, in particular, that successful activity had been developed in cases where new firms had been encouraged and new technologies developed, and new industries created - which in turn led to rapidly expanding high-technology sectors. Exploitation of the IT industry by software developers and programmers is also likely to be successful. On the other hand, slower growth was shown in countries where established industries followed policies which they describe as neutral to innovation. Opinions vary on supporting old heavy industries, such as coal and steel, where the benefits of improved technology may only make marginal improvements and although these can satisfy employment needs, labour costs may cause the product to be uncompetitive and the adverse effects on climate change may remain.

However, the success which was initially achieved through the support of innovation in some countries, as they started to apply the innovation policies of the government, has not achieved the degree of sustainability that would be desired. Examples are the enormous initial success achieved by Ireland and Singapore in the ICT sector - due to the attraction of multi-national companies with foreign investment which is encouraged

by soft funding initiatives – which have subsequently been adversely affected by globalization. (Huff, 1995; Vu 2013)

Edquist and Hommen (2009) considered the need for policy intervention by examining fast growth countries and the slower countries and the results, in terms of rates of progress, which had been achieved. They found that the large MNCs in some other countries (for example, Norway and Sweden) had adversely influenced the development of innovation amongst smaller firms and the more general growth of high technology. The restrictive investment climate and the structural rigidity which these large firms encourage - especially in the service sector and transportation - indicate that there is a growing need for the larger firms to develop relationships more enthusiastically, especially between high-tech and local organizations. Measures to develop the capabilities of small firms regarding innovative technology are beneficial. Furthermore, there is a tendency for government policies to increase and encourage the continued survival of existing low-tech sectors which have had their heyday and are now declining, rather than encouraging increased levels of entrepreneurship and manufacturing by new entrants into sectors which are emerging.

In some countries, e.g. Denmark, manufacturing has traditionally been based on science-based processes and in these countries their research shows that the degree of innovation depends on whether policies would encourage the associations between existing industries and SMEs - thus new industries being neglected. Small firms and entrepreneurs were found to be disadvantaged by policies that focus on traditionally operating MNCs – and helping them to survive as 'second timers'. They also found similar limitations concerning industries in Taiwan, where there was again a need for traditional industry to diversify into products which reflected the advance of

technology. Product innovation often occurs based on engineering capabilities and scientific knowledge from outside the industry. Similar traits were observed in Hong Kong, Korea, and Singapore where innovation strategy has tended to be based mainly on existing MNCs.

Edquist and Hommen considered the value chain within the sector and technological advances that have been targeted and exploited by the countries displaying 'fast growth'. The challenge is the increasing complexity which exists for policymakers to influence the manufacturers and encourage them to progress further up the value chain. They refer to the role which such policies should play - which should not be to support the sectors which are now in the end of the life-cycle but to develop and support new winners that can not only compete with the effects of globalization but be at the forefront as leaders and project out of the economic crisis which much of the world has been through during the first part of the 21st-century. This is the challenge that innovation policy sets. Policies should aim to identify growth areas and innovation goals that lead the way in environmental improvement and take the lead in the transition to new technologies and manufacturing processes.

There have been many failures of new technology and the unsuccessful deployment of products manufactured using technology - because although modern techniques may have been used, marketing failures or administrative regimes have made continuation of the business unviable. Here we have seen Ford Europe's experience in Belarus (Liagouras, 2010), when changes to the taxation regime in a key export market (Russia) radically changed the export price for Ford's new Transit and Escort vehicles. I saw the building of the state-of-the art plant and witnessed the CEO's proud day when the first vehicles rolled off the line and departed by transporter for Moscow. Not many

months elapsed before the transporters remained fully laden at the border - unable to cross the border because large import tariffs had been applied by Russia. Production ceased and the plant was closed down.

Innovation

It is generally recognized that "doing nothing" does not lead to sustainability. Maintaining the status quo may be one option – although not always easy to accomplish – but the world does not exist in a vacuum and neither do the countries. Globalization and the freedom that is associated with it will challenge the status quo and often give rise to change. Thus, it is likely to be impossible to maintain the status quo and the change may not always be for the better. The existence of competitive forces can best be countered by innovation and the evidence is that the greater the innovation, the more success that is achieved.

Global Innovation Index (GII)

The Global Innovation Index (G.I.I.) (Table 27 below), was created to provide a tool to be used for evaluating the innovation factors which exist in economies across the world.

TABLE 27 GLOBAL INNOVATION INDEX

The Global Innovation Index ranks the innovation performance of 128 countries and economies around the world, based on 82 indicators.

COUNTRY	SCORE 1-100	RANK
Switzerland	*66.28*	*1*
United Kingdom	*61.93*	*3*
United States	*61.4*	*4*
Denmark	*58.45*	*8*
Czech Republic	49.4	27
Slovenia	45.97	32
Lithuania	41.76	36
Republic of Moldova	38.39	46
North Macedonia	35.4	58
Georgia	33.86	64

Source: Global Innovation Index: Cornell University, INSEAD, and the World Intellectual Property Organization (WIPO, a specialized agency of the United Nations

The 2016 survey covered 128 economies which represented 92.8% of the world's population and 97.9% of the world's GDP. The survey produces four measures of innovation: the **overall** global innovation index (GII), the innovation **input**, the innovation **output** and the **efficiency ratio**. Each of these is further divided into three sub-categories – each being composed of individual indicators. This gives a total of 82 indicators for this year's report.

Considering 'input', the survey looks firstly at the environments that affect innovation: political, regulatory and the business environment. Secondly, it looks at human capital and research, which covers education, and research and development. Thirdly, it looks at infrastructure, covering the area of ICT, general infrastructure, and ecological sustainability. The fourth category assesses market sophistication and includes credit, investment, trade competition and market scale. Input also covers business sophistication and includes knowledge workers, innovation linkages and knowledge absorption.

Considering innovation output, the survey deals with knowledge and technology outputs covering knowledge creation, impact, and transmission. Creative output is also covered and includes creative goods and services and online creativity.

Further perspectives calculate the innovation efficiency ratio and compare outputs to inputs showing how much innovation output a country is getting for the input it gives.

It is interesting to see where our portfolio countries lie in this index. To give a comparison, the first five countries in the index order are: Switzerland (score 66.28), Sweden (score 63.57), United Kingdom (score 61.93), United States of America (Score 61.40), and Finland (Score 59.90). Denmark (Score 58.45) ranks eighth. There is then quite a gap until the Czech Republic (49.40) comes in at number 27 Slovenia (45.97) 32 and Lithuania (41.76) at 36. Perhaps surprisingly, in the light of other information we have considered, Moldova (with a score of 38.39) ranks 46th. North Macedonia (35.40) ranks 58th and Georgia (33.86) 64th. Again, for comparison purposes, we note that the countries towards the bottom of the rank include the countries Zambia and Yemen with scores of 19.92 and 14.55 ranking 125 and 128 respectively.

We suggest that there is much scope for further comparative analysis between these countries, with a view to attempting to analyse the rationale behind their positions in this innovation index. Some factors may have made a more significant contribution than others and some of the areas or sub-categories and combinations of categories may make a greater contribution towards sustainability than others.

CHAPTER 11: CORRUPTION AND THE BUSINESS ENVIRONMENT

The Business Environment

A key challenge faced by our portfolio countries is how to deal with corruption. Most countries of the world have to deal with corruption issues from time to time, but it is an over-riding and overbearing problem in many countries of CEE. Apart from the moral aspect, the cost that it takes on the population and the economics of companies and organizations is a very serious consideration when potential investors and commercial administrators are reviewing the business environment in the country prior to making decisions on whether they will invest or how they might trade. As a consequence, the presence of a high level of corruption is likely to be a serious disincentive for potential partners. When choices have to be made concerning how and whether to deal with a particular country, this factor may lead to a total veto. It is for this reason that institutions such as the World Bank place such importance on assessing and improving the business environment in transition countries. Table 28 below shows the Corruption Perceptions Index for 2016.

Table 28: CORRUPTION PERCEPTIONS INDEX (TI) - Transparency International 2016		
Country	Score	Rank
	(100 = very clean ; 0 = Highly corrupt)	(out of 176)
Denmark	90	1
UK	81	10
Germany	81	10
USA	74	18
France	69	23
Slovenia	**61**	**31**
Lithuania	**59**	**38**
Georgia	**57**	**44**
Czechia	**55**	**47**
Slovakia	**51**	**54**
mid-point (50)		
Hungary	**48**	**57**
Belarus	**40**	**79**
Macedonia	**37**	**90**
Moldova	**30**	**123**
(1) High scores are best performance ; Lowest rank numbers are best relative status		
(2) Sample of 176 Countries and Territories		
(3) Included for comparison		
Source: Transparency International		

In C.E.E. it is found to exist - and thrive - in many areas of life e.g. when coming into contact with public services, the road police, public agencies issuing official documents, the civil courts, public education (primary or secondary), public education (vocational), public medical care, public agencies in charge of unemployment benefits and public agencies in charge of other social security benefits.

In early January 2013 the independent anti-corruption commission in Slovenia released a report critical of the prime minister and the leader of the opposition that found they had "systematically and repeatedly violated the law by failing to properly report their assets to the commission", and for not reporting a private real-estate deal with a company that has government contracts. The news sparked a public outcry with calls for their resignations and shone a spotlight on the role of asset declarations in preventing corruption in politics. Prime Minister Janez Janša was ousted in a parliamentary vote of no confidence.

Transparency International Survey on Corruption

The NGO, Transparency International, conducts a survey each year and the report for the year 2016 is not good news for several of our portfolio countries. The survey uses a base on five simple questions as follows:

QUESTIONS

1.Is corruption a major problem in your country?

2.How well do you consider your government is doing in the fight against corruption?

3.To what extent do you consider the institutions of your country are corrupt?

4.Have you ever bribed an official?

5.Is it easy to denounce acts of corruption?

The survey reported that Lithuania has occupied the top position in the EU for corruption for many years and in 2016 24% of respondents reported having bribed an official. In Lithuania, Slovenia, and Moldova more than 70% of the population believed that the government actions to remove corruption were ineffective. According to the

survey for the Czech Republic, 9% of respondents admitted to resorting to bribes whilst 67% believed that the government is not acting actively against corruption.

Looking at our sample countries, the results are as follows:

1. Corruption is one of the three biggest problems facing the country

1. Moldova 67% agree
2. Slovenia 59% agree
3. Lithuania 54% agree
4. Czechia 41% agree
5. North Macedonia 34% agree

2. Perceptions of corruption levels for members of parliament

1. Moldova 76%
2. Slovenia 25%
3. Czechia 25%

3. Percentage who rate their government "badly" at fighting corruption

1. Moldova 84%
2. Slovenia 77%
3. Lithuania 71%
4. Czechia 67%
5. North Macedonia 47%
6. Georgia 41%

4. Experiences of Bribery in the past 12 months

1. Lithuania 24%
2. Czechia 9%
3. Slovenia 3%
4. North Macedonia 12%
5. Moldova 42%

Referring to Table 28 – Corruption Index for 2016 by Transparency International - we can see the relative states of our portfolio countries and it is interesting to consider how this reflects on our other observations. Transparency International report that in their 2016 survey, two thirds of the total of 176 countries fall below the midpoint of the scale (i.e. 50). As the global average is 43, Transparency International suggest that this indicates that there is endemic corruption in the public sector of countries.

CHAPTER 12 - COPING WITH GLOBALIZATION IN C.E.E.

In highly competitive global marketplaces that exist in the 21st-century, taking a marketing approach to position their country and give it competitive advantage can produce positive results when other resources and advantages are not available. It is often not sufficient simply to develop new products and new designs if the country itself is seen as being an undesirable source for such products. Ahamer (2013) points out how the successful running of the country is not easy to achieve, especially as it is influenced by the political instability of short-term interests of stakeholders and the possible turnover of the leaders and decision makers.

Florek and Conejo (Florek and Conejo, 2007) consider how marketing principles can be applied to countries and show how branding is being used to advantage when promoting the image of a country and its economic development. This is particularly important in the case of the developing and transition countries and especially when they find themselves in a situation where they are considered to be unattractive or disadvantaged. For their research, they consider the cases of Costa Rica and Republic of Moldova.

Referring to the major advances made in China and India in recent years (China has been growing at over 9% p.a. and India at over 5% p.a.), they point out that this has been achieved by the high focus of these countries on technology development and education. To their credit, this has been managed in ways that have achieved hundreds of millions of people moving out of poverty, even though there has been a widening of the gap between the rich and the poor with a large number of rich people being created. This is not the case in some countries which do not have the resources to either take

advantage of the new technologies developed by China and India or to develop their own. The result is that these countries are left behind and the gap between their economies and other nations is, in fact, increasing (Garrett, 2001).

CHAPTER 13 FEDERATION, UNION, AND ALLIANCES

The attitude of countries towards alliances, union and federation is unsure and unstable. This is particularly the case in the European Union at the present time. With regard to the independent states in Europe, some countries have desperately wanted to join the European Union and benefit by the economic security and opportunities provided - but after membership for some time, for some the 'honeymoon' may wear off when the down-side and limitations become clear. Indeed, in this case, the composition of the Union is dynamic, and the effect of increasing membership stretches resources and homogeneity becomes more difficult to achieve and maintain as global circumstances change. The whole debate about how large a federation can practically be managed, and resources collected and allocated becomes a serious problem. Krugman referred to this, questioning the rationale and justification of multinational political entities (Krugman, 2014).

In his book "Approaching the European Union federation?" Dosenrode refers to the proposed treaty for establishing a European constitution, which was signed as long ago as 2004, but has proved extremely difficult to move forward due to the reluctance of many of the member states and their concerns about what the implications would be for them (Dosenrode, 2016).

To what extent do a nation's federal relationships influence its ability to attract foreign investment? For example, will an investor from Western Europe be attracted to a nation which has a strong federal relationship with Russia?

TABLE 29 MEMBERSHIP or potential MEMBERSHIP OF EU or other ASSOCIATION

MEMBERSHIP	COUNTRY	DATE OF ACCESSION
EU MEMBER	Czech Republic	2004
EU MEMBER	Lithuania	2004
EU MEMBER	Slovenia	2004
EU candidate	Republic of North Macedonia	2005
EU Association Agreement	Republic of Moldova	2014
EU Association Agreement	Republic of Georgia	2014
[CIS Founding Member]	*[Belarus]*	*[1991]*
CIS Member	Moldova	1994

Source: Europa.eu/countries

'Membership or Not-membership, that is the question'. For the countries of Central Europe there have been various possibilities of existence. Some have been through restrictive memberships as dependent countries within the former Soviet Union or the Yugoslav Federation and may currently be members of the European Union. They may also have spent periods of independence. Some are - or have been - members of the Commonwealth of Independent States set up by the FSU. The various forms of association have advantages and disadvantages and demand greater or lesser amounts of control. In all cases the strength of the prominent political drivers and the policies laid down will have influenced and probably even determined the development of the individual states. In all cases, there are costs and benefits. When such alliances have been formed, they may have been voluntarily entered into or coerced.

It is under this global environment that we look at the sample countries in our portfolio. Countries such as the Republic of Moldova are split between advocates of EU membership and those who prefer debating whether their courtship of the European Union is indeed the right way forward, or does the Eurasian Economic Union Commonwealth of Independent States and alignment with Russia offer a better option, if it can be controlled and enhanced. Macedonia has also been considered for membership by the European Union and EU funds applied to prepare the Republic for compliance with the assessment of compatibility (Acquis Communautaire) but has not been able to comply with the entry requirements. The country and its people are now receiving mixed messages about the benefits. Unlike Moldova, however, the same alternative options are more elusive. Other countries which are currently established members of the European Union are questioning whether the costs and restrictions involved are justified by the benefits offered.

It is not the task of this research to examine the merits of a Federation or draw comparisons with Unions and Commonwealths. Our research deals only with the phenomenon of globalization and the impact that it is having on the economic development of specific countries. We do, however, argue and recognize that membership or non-membership of a federation is an influencing factor. Hence, we are interested in comparing the situations that exist in Lithuania (EU member), Macedonia (Independent and EU Candidate), Moldova (Independent, CIS member and holding EU Association Agreement status), Czech Republic (EU member, but 'restless') Georgia (currently independent and holding EU Association Agreement status).

There are likely to be many changes in Europe over the next 10 years, and ways to manage the phenomenon of globalization will be sought. New alliances are likely to be made. These will no doubt take advantage of opportunities to maximize relationships with America, China, and the rest of the world – relationships which may have not been possible under the governance which existed prior to the emergence of new political champions and restrictions of existing Unions or Federations.

So, what part, if any, does federation play for our sample countries as they strive for successful economic development in the face of globalisation. Is it easier, if they were a member of a federation, for the countries to cope with competition applying in their domestic markets, access opportunities and export national products and services because of federated relationships? What are the cost benefits of federation in this respect?

Lithuania, Slovenia and Czech already have federated status as full members of the EU. How satisfactory is their relationship and can it be developed further?

North Macedonia has been existing as an independent state, but with the closer formal relationship with the EU now being easier and with progress desired membership now being possible since the acceptance of the Name change in 2019, will significant changes follow? Moldova straddles a line between favouring EU and Russia and Georgia remains independent but closely associated to Russia. How will globalisation continue to affect them?

CHAPTER 14: SPECIFIC COUNTRY CONSIDERATIONS

In the early days of the transition process (early 1990s) the governments in power, in addition to managing the legacy of problems which had been inherited from the central planning and command era, had also to manage new problems which liberalization generated. This was particularly evident in the social costs of the transition process. Many writers have written about the social consequences of reform in transitional economies. (Kumssa, 1999). Ellman (1994) writes about the early days of the East European transformation and focusses on the situation of the state-owned enterprises, the decline in the effective labour supply and the social costs of transformation. Offe (1993) looks at the politics of social policy in East European transitions and highlights three priorities that political economies face in the early days of transformation: property must be privatized; prices must be liberalized or "marketized;" and the state budget must be stabilized in order to relieve strong inflationary pressures.

Major Technical Assistance programmes, (e.g. EU Tacis and Phare) were applied to countries in the F.S.U., some of which would be considered as candidate countries for EU membership. When analysing income and expenditure with CEOs of production companies, the programme consultants frequently discovered that the manpower establishment of engineering companies and manufacturers included many non-related employment positions and it was common practice to find that their stock levels included a wide variety of live-stock and agricultural produce. Evidence of this phenomenon was

witnessed by the author in Russia and other C.E.E countries in the early 1990s. These were of course for the social provisions which were part of the portfolio of most major employers and not for the material resource needs of the manufacturing process. From an economic perspective, they were not directly related to profitability and seriously affected competitivity. Some of the countries across the communist world were comfortable such as Hungary and Czechoslovakia, whilst Romania and Albania were very poor.

At the collapse of communism in 1989, all this began to change. Food shortages which had been occurring during the 1980s quickly worsened, and shops regularly had very few provisions to sell. Even bread was in great shortage and queues formed every day. Basic provisions such as sugar, soap and cigarettes were absent and became welcome presents from western visitors. Great hardship existed for many people (although this was not the case for the party and government leaders, i.e. the nomenklatura, who, with exception of Czechoslovakia where they were forced out of their jobs and subject to a process of lustration, managed to protect their access to resources and their standards of living did not suffer noticeably).

At the start of our period of research, immediately after the fall of communism and the countries gaining their independence, although some countries were in a much better condition than others, the GDPs of the countries varied considerably. Over the time-period, the GDP in all of the countries has increased, but the rate and extent of growth has been different across the countries. The progress of each country has depended on many factors as we will describe throughout this research, but it is largely influenced by the freedoms which exist in each country to react to the changes which have been determined by globalization.

The large international institutions such as the World Bank had influenced relevant policies through their encouragement of the privatization process. It was also affected by the need for candidate members of the European Union to work towards competitivity.

The full benefits of transition from centralised control of the communist regime, in terms of EU membership and integration into the EU single market, were not experienced equally by all the states as analysis of the individual countries will show.

In the early 1990s many countries scaled back the generous unemployment benefits that had existed. Without anticipating the consequences, subsidies and many goods and services were removed. (Afford, 2006: Kumssa, 1999). Privatization had a limited compensation for the government removal of facilities in health and social care, but these did not fill the gap left by the withdrawal of government support. Many of the health and recreational facilities that State-owned enterprises had provided for their employees were abolished and the premises quickly fell into disrepair. In a very few cases private investors were found to create alternative use for these. Despite the encouragement of the World Bank and other institutions to provide replacement facilities under privatization, there was little consistency in achievement of the reforms that were needed. This is the background that our sample countries had to cope with.

What has been happening to the countries since early 1990s and what can be ascribed to 'globalization'?

Immediately after the fall of the former Soviet Union and the beginning of the transition process in the early 1990s most of the Eastern European countries had relatively little

connection with the world outside the Communist bloc. When countries were surveyed to assess the extent to which they had contact with other countries, those which had been formerly members of the Soviet Union or COMECON showed relatively low interconnectivity. For example, when the first globalization report was published by Bertelsmann and Prognos, (Bertelsmann, 2014) surveying a portfolio of 42 countries, the index value attributed to Bulgaria was 28.6 in 1990 and that of Romania was only 21.4. As a comparison, during the next 15 years all countries established better relationships with other countries and the index values − especially those of the former Communist bloc had increased. By 2007 Romania had reached an index value of 60 and Bulgaria had reached an index value of 66 − showing strongly that both countries could be considered as having become much more "globalized". Their report showed that this was also the case for most other eastern European countries.

However, when the financial crisis hit the international banking system, the pace of globalization declined and enthusiasm for globalization slackened. Bertelsmann reported that after Lehman collapsed, almost all the countries in its portfolio of 42 showed a decline in their index values. However, due to the especially high increase of the globalization effect during the previous years, Eastern European countries maintained their rank in the index. The outcome is that during the 25-year period between 1990 and 2015 some of the East European countries in their portfolio achieved the largest increase in globalization. Whilst not amongst the leaders in its ranking, Slovenia (rank 24) was in the top 25.

One of the sample countries which we are considering (i.e. Czechia) is a member of the Visegrad Group and representatives still meet and remain very much committed to the original rationale and terms of formation of the group.

The 15th International Scientific Conference on 'Globalization and its Socio-economic Consequences', was held at the University of Zelina (Slovakia) in October 2015. Many aspects of globalization and its effect on the Visegrad countries were discussed (Kliestik T and Gresova, 2015). A fundamental aspect of the group has always been to help each member country to build the competitiveness of the national economy - and this has remained prominent as they moved towards and gained membership of the EU and integrate into the market economy. During the first 10 years of its existence the Visegrad group concentrated mainly on the implementation of socio-economic reforms and in general much success has been achieved. The conference reported that regional cooperation of the V4 is growing both in sectoral and cross sectoral areas and cross-border cooperation has been strengthened as the infrastructure and communication systems have developed. This is sometimes referred to as a move from the periphery towards the core of the EU. At the beginning of the transformation process, in the early 1990s, all of the countries struggled to cope with the economic liberalization of prices and foreign trade which reflected in very considerable competitive pressure. To help them to cope, each of the countries devalued their currencies in order to improve their trading position and the resulting balance of payments - which they have maintained as a deficit.

During the period of transition unemployment in these countries increased and has become an increasingly chronic problem for some of the members. Czechia has fared better than most. Their unemployment rate has decreased over the period and is currently under 2%.

How well is Macedonia working? Referring to Table 8, the KOF Globalization index, which ranks the relative position of countries out of 207 countries, shows that in 2012 Macedonia's rank was 71 and in 2016 it was 93. This indicates that Macedonia had become less globalized whereas in 2012 Lithuania's rank had been 48 and in 2016 ranked at 29.

This indicated that Lithuania had become more globalized. Thus, a very considerable increase in globalization was indicated in Lithuania, while globalization in Macedonia decreased.

Over the same time period the Czech Republic rank moved from 13 in 2012 to 17 in 2016. This result is perhaps surprising in view of the high degree of publicity that we regularly see about the beauty of tourism in Prague and the cultural events that it has to offer particularly in terms of music, theatre, and social life. Moldova however had moved from 67 in 2012 to 65 in 2016 – indicating that Moldova had become slightly more globalized.

Macedonia has made valiant efforts to integrate with its peers to be able to establish itself as a global player. It has been accepted as a candidate for membership of the EU and due to its historical background and traditional links with other countries should be well placed to do so. However, it is has had mixed fortunes and proving its ability to comply with the EU standards has remained difficult. The country has many advantages to offer and has enjoyed good trading and tourism links with other countries. Recognizing the need for FDI, the government through its investment organization MacInvest, has taken positive steps to recruit young national representatives who will be based in a wide variety of embassies and they will promote the opportunities for investment in Macedonia. Under the guidance of an international project to draft a revised National Sustainable Development Strategy, a diverse team of senior professionals, academics, civil servants and administrators the government has formulated a strategy aimed at driving the country forward and successfully competing in the globalized world.

Despite the efforts which the country has taken to date, its advancement remains restrained. There have been many restraining forces including fallout from the migration

from Syria and Africa and the need to protect borders from transient migrants. There is also, the continuing dispute with Greece over the naming of the country, despite a willingness of both countries to trade with each other and their nationals to live in each other's country. In recognition of the Albanian population, which is resident in the country, there is a mandated composition of the government to include adequate representation, which also slows progress, builds resentment, and has to deal with conflicting attitudes regarding corruption. For these reasons, it is largely the social aspects of globalization which are holding the country back. Although, in other aspects, the country is very capable of compatibility with its peer countries, despite the investment promotion and achievements, take-up of investment facilities in the economic zones remain frustrated by the comparative risk factors, including security, for potential investors.

REPUBLIC OF LITHUANIA

General Background

The President of Lithuania, Gallia Grybauskaite, was elected as the first woman president in May 2009 and subsequently reconfirmed in May 2014 – ceasing to be president in 2019. She is a strong free marketeer. By 2016, the government of Lithuania had promoted their understanding of the challenges which lie ahead for the country and had indicated their intention to take active measures to meet and satisfy these challenges. The Prime Minister, Salius Skvemelis, who was elected, is an ex-police chief and is firmly against corruption. The government is concerned about the activities of Russia and he has indicated that he believes Russia may take action to re-incorporate Lithuania under the Russian mantle. Lithuania was one of the very few Soviet Republics

where independence was preceded by a violent clash with the Soviet army in January 1991 which together with the experience of repression under Stalinism left a legacy of mistrust. On the other hand, the percentage of Russians in the population (13%) is much lower than in Latvia or Estonia and there is therefore less inter-communal tension. Lithuania is afraid of Russia but has less difficult relations with Russia than her neighbours and more interest in keeping trade with Russia – hence the ambiguity in the remarks by Skvemelis – criticising Putin but afraid that Russia might be provoked by too strong a NATO response. He has stressed that Lithuania would resist this with military force and as such the government has increased their defence spending and reinstituted conscription, telling the people to prepare for an invasion from Russia. During an interview by BBC television in 2017, the Lithuanian Foreign Minister has been openly critical of Russia, saying that President Putin represents a serious threat to the country. He has also indicated his concern that NATO is being provocative by their exercises near to the Russian border. The government realizes the negative aspects of the migration of the population and has undertaken to take steps towards limiting the emigration of the population to Western Europe. The government also has undertaken to boost the economy and to curb social inequality.

Following the country's acceptance as a member of the EU, by 2015 Lithuania had made enormous strides in its effort to cope with globalization and become a leader in the European countries (Mačiulis, 2013). In addition to Lithuania's successful EU integration, the country has maintained a strong association with Russia – partly for commercial reasons due to oil refining and partly for political/security reasons. However, the government is less than happy with the way that the relationship with Russia is proceeding. Despite the clashes between Lithuania and Russia, Lithuania is

still partly in the East and although it now has strong ties with the European Union countries and the west, it also still maintains strong ties with Russia. Fintech is an important part of modern society and Lithuania is currently hoping to attract investment in this way (especially from the UK since Brexit).

In July 2017, during a visit to Estonia, US vice president Mike Pence reaffirmed the US government's commitment to the security of the Baltic States and said that Russia was the biggest threat to Estonia, Latvia, and Lithuania. The country is reliant on its membership of NATO to protect it from such but is criticized for its shortfall in compliance with the need for members to make their full financial contribution. Lithuania lags behind in this regard, because it does not make the full financial contribution that is required from its members.

During the 25 years since the fall of communism in 1990 and the country's break away from the Soviet Union, Lithuania lost one fifth of its population which declined from 3.7 million down to its current level of approximately 2.9 million, where it has now stabilised. And in some regions the country lost more than 50% of their residents. (Ubarevičienė, 2017). Such a sharp population decline poses major challenges to politicians, policymakers, and planners. Population increase has been limited due to the fact that migrants are having their families outside the country. Migration has been further encouraged by the ease of travel enabled since the country joined the EU in 2004. The UK was the most popular destination. Since 1991, there had also been a significant fall in the birth rate which had fallen by 50% by the time the country joined the EU in 2004. This decline in population is particularly noticeable in the lack of 19 and 20-year-old people needing to make career choices, and this is having a serious impact on the universities with their strategic plans to build a knowledge economy

being seriously affected (Melnikas, 2010). Student enrolments have been dropping by over 5% a year and higher education planners have predicted that the number of graduates will have fallen by 40% by the year 2023 compared to the level of 2009 if the trend is allowed to continue. The situation is further exacerbated by the brain drain of the young talent. UNESCO has reported that over 12,000 Lithuanian students from a total student population of 160,000 have opted to study abroad (Lamanauskas, 2012) with over 5000 students opting for UK as their preferred location. (Valiulis, 2006). Over 1500 students are attracted to Danish universities because of free tuition fees even for non-nationals. Globalization is having a major influence on the way that Lithuania develops and is a serious challenge for the strategic planners.

There is some optimism amongst government that growth in investment will be achieved and a deeper integration with the West and thus, the economic situation will see the reversal of the flow of human resources and more international students can be attracted to study in the Lithuanian universities. However, the competition for international students is very high, the students have been attracted particularly by financial incentives benefiting costs of their attendance at university, but there is also a problem of retaining graduates when they achieve their qualifications and the Lithuanian government is working on benefits packages and a relaxing of visa regulations for non-Lithuanians to allow time for post-graduates to find work in Lithuania. There is an increase in enrolment of foreign students particularly from Belarus and Russia and to some extent Georgia. The most popular subjects are medicine and engineering and Lithuanian universities are now offering degree studies in the English language in the hope that they can take advantage of opportunities being facilitated by globalization. It is recognized that Lithuania's labour market needs

international students who have studied in Lithuanian universities and learned the Lithuanian language and then are attracted to remain in the country to pursue careers. However, to achieve this, universities acknowledge that they need to strengthen their faculties, particularly in science and engineering. Also, the fragmentation of Lithuanian universities, is a disincentive and there is a need to consolidate the 14 state universities. The term "brain **gain**" is being promoted and efforts made particularly to encourage Lithuanians who are currently working abroad to return initially on a short-term basis to teach at university. There's a strong hope that with Lithuania now integrated into the Eurozone and having implemented the euro as its currency, Lithuanian graduates will be encouraged to find jobs and start businesses 'back home' where the anticipated growing economy is likely to offer better opportunities than they might be able to expect in other countries due to the competitive advantages that they will have in their own country.

Economy

Unlike other countries in CE Europe, the agricultural sector in Lithuania is very small. It employs only 9% of the workforce and contributes only a small proportion of the GDP. The economy has strengthened in recent years, the GDP grew by 2.2% in 2016 and both public and private investment has been rising and is expected to continue. There has recently been a marked decrease in Russian investment, but investment has increased from other sources and there has been a revival of business confidence which has led to increased demand for investment and FDI has increased, which mainly comes from Germany.

Lithuania has a fairly well diversified economy. During the period, Lithuania showed one of the highest average annual real GDP growth rates (3.3% over the period 2010 to 2015) in the European Union. IT skills are particularly high, and this attracts interest from international bodies in two directions – firstly potential FDI and outsourcing services, but additionally, for recruitment and overseas employment.

Lithuania aggressively promotes itself as a country that desires to be the best. Since 2008 the country has been ranked amongst the top five fastest growing economies in the EU and forecasts indicate that it is likely to grow above the EU average. The country's attitude towards doing business is also very positive and it is keen to promote itself as a country with a 'can-do-approach' which has enabled it to improve its ranking in the World Bank's doing business report for starting a business. The companies investing in Lithuanian promotion activities stress that the country has developed infrastructure, improved taxation and legal framework as well as creating plentiful talent with the aim of providing a "perfect environment" and sees its mission as giving investment providers all they need to make their businesses successful.

In this way, the country is trying hard to achieve the perception - by outsiders and its own population - that it is a good place to live work and invest. These are the driving forces that the country can control.

Production, Manufacturing, and Industry

The manufacturing sector has been increasing over the period of our research and the sector's share of GDP amounted to 18% by 2017. The sector employs 15% of the workforce, with over one fifth of the country's total industrial output coming from a large refinery - which accounts for almost a quarter of the total exports of the

country. The other major industries are from the forestry sector, especially the production of furniture and the manufacture of other wood products. Globalisation has led to an increased interest in the country and the real value of tourism rose by nearly 3% in 2016. Similar gains are forecast for 2017. The banking sector is mainly owned by Swedish lenders and capital availability has improved but lending to SMEs remains very limited. The retail trade has been growing steadily.

In 2009 Lithuania experienced a sharp contraction in GDP which fell by nearly 15% but began to strengthen again in 2010 after the government had imposed severe cuts in public spending. By 2011 investment was improving again and the country was fortunate in having a large harvest. Both domestic demand and exports increased. However, the Russian economy adversely affected Lithuania in 2015 and consumption fell. Despite the progress being made in the economy, productivity has remained weak which has resulted in Lithuanian GDP per capita remaining relatively low. Growth of wages exceeds productivity gains - which raises concerns about competitiveness (Baležentis, 2010).

Lithuania is a transit and refining country for Russian oil, with over 16% of exports from Lithuania consisting of petroleum and petroleum products. However, Lithuania's dependence on its oil trade with Russia - and the large re-export nature - has continued to raise concerns, as in 2016 over 60% of its total exports went to EU member states. But it is hoped that the countries increased involvement with the EU and the broadening demand facilitated by globalization will lessen the country's dependence on Russia.

Manufacturing continues to be the most prominent economic sector for the country, but the sector chiefly comprises low and medium technology manufacturers. This provides a major challenge of satisfying the need for upgrading the facilities, skills and processes of domestic companies in order to improve competitiveness and develop products and services which will depend upon an increasingly higher level of technical knowledge and enable domestic companies to keep abreast with foreign competition.

Investment and FDI

Foreign direct investment inflows remain low compared with regional EU member countries. During the period 2010 to 2015 inward flows fluctuated but had an overall tendency to decline. This was due to the instabilities in the Eurozone which increased the cautionary attitude of potential international investors. Conflict in the Russian/Ukrainian geographic region also contributed to investor caution. Furthermore, Lithuania had been slow to adopt the Euro and investors held back until this happened at the beginning of 2015 when inflows accelerated once more. The intensity of investment also increased from almost nil in 2014 to over 2% of GDP in 2015.

Despite the positive steps being taken to attract investment, there are restraining forces which are not so easy to control. These include concerns about political stability and the influence of neighbouring countries. They also include the very important reason that attracts investors to develop products and manufacture in the country which is the ability to provide such products at a competitive price due to being able to use low labour costs. Like North Macedonia, this factor is a double-edged sword for Lithuania, as these bright young human resources are able to offer the skills that they have developed to employers

in other countries for higher reward. This creates a problem for the government – how to persuade the trained resources to remain at home in their country where they can enjoy a good quality of life and at the same time contribute to the sustainable development of the country.

Lithuania also benefits from its geographical position (Marshall, 2016) and its ability to take advantage of the international rail network which allows transport from Scandinavian countries through to central Europe which in turn provides mobility to bridge the countries of Eastern Europe through to Western Europe. This advantage has been encouraged by the EU funding which has enhanced the capacity. This strategic position also benefited the energy segment from investments to enhance capacity and encouraged the funding and development of the Klaipeda-Kiemenai gas pipeline during the period 2012 to 2015.

Investors are also encouraged to invest in Lithuania due to its competitive corporate tax regime with a rate of 15% (2016) and the many economic zones (SEZs) that offer additional tax incentives to businesses including a zero rate of tax on profits for the first six years after set-up. However, in common with other developing countries, despite the existence of these SEZs, administrative red tape discourages investors as well as the lack of any effective national investment strategy. Similar problems exist which limit interest in other CE countries, for example, in Moldova and North Macedonia. The biggest attraction for foreign investors, is the highly qualified workforce which exists in Lithuania and the well-developed information and communications technology infrastructure.

Technology and Innovation

Lithuania has focused its attention on the ICT sector and the government encouraged the businesses and people to provide a business-friendly mind set. The country provided efficient and affordable internet connections and promoted the development of a tech-savvy population. Lithuania has evolved as an attractive place to invest and do business, with its favourable infrastructure and people (Gatautis, 2008). It has become recognized as one of the most attractive places to resource IT skills and has achieved the rank of 16 in the world for ICT skills. This has attracted multinational giants such as NASDAQ, AIG and Google. It now hosts 13 of the largest 20 IT companies in the Baltic States with the ICT sector providing 25% of the country's GDP in 2015 - providing 80% of the country's exports. The government has taken up the mantle of the EU's SMART initiative (Gemma, 2017). With the help of EU Structural Funds, it has pursued the EU's Smart Specialization Strategy (RIS3) which is a regional strategic approach to economic development through targeted support to Research and Innovation (Reimeris, 2013). Investment has spread into laser technologies, biotechnology, nanotechnology, and materials science. Like other countries, the government established an investment agency charged with the remit to attract foreign investment. Between the period 2008 and 2013, the ICT sector grew by 70% with the number of businesses growing by over 10%. In recent years, the country has become strongly attractive both for technology companies and other businesses that need a high level of technical expertise and services. For example, the health care emergency response systems provider Intermedix has established a key office employing 200 IT staff in Lithuania's second city Kaunas. Other IT hungry companies such as Bentley Systems, AIG, and financial services company Western Union highly rate Lithuania.

Lithuania has become recognized for its high level of technically savvy people and the investment agency states that there are more than 25,000 residents employed in the ICT industry with further future graduates under training and more than 1500 graduating every year. For this reason, Lithuania is achieving a very high proportion of companies wishing to invest if they have a high IT skill requirement.

Lithuania has risen to the challenge of creating new training facilities for young people and has developed cooperation programs with universities, colleges, schools, and major companies operating in Lithuania. These are designed to develop the country's own national students with up-to-date skills and knowledge to provide the resources needed by the country's existing businesses and encourage the development of new businesses capable of competing with the provision of products for the global marketplace. Examples of this include new degree programs in collaboration with companies which will provide practical training in-company, with scholarships and attractive internships being made available, an IT Academy (called '1ClickFactory Academy') which runs short programs for IT students providing skills on state-of-the-art IT technology, scholarships provided by modern technology companies such as ThermoFisher Scientific, Visma, aviation mechanics training programs in collaboration with Ryanair at Kaunas International airport, and the provision of visiting lecturers from industry into school to stimulate the interest of pupils at a young age. Various other partnerships are being developed by universities and education staff with businesses, to promote especially IT careers and changing IT industry's image in conjunction with on-line education (Lace 2020). In this way Lithuania is rising to the challenges that globalization presents and in recent years has developed many beneficial initiatives which are establishing strong competitive advantage for the country.

The countries foreign investment is further encouraged by the low level of salaries which they are expected to pay (amongst the lowest in the EU) which enables companies to be highly competitive - especially for software specialists and mid-level technical support. However, this is also a danger for the country if they don't provide a sufficiently good quality of life to retain their trained technical workforce and also, despite the opportunities for work being provided in the country, they may prefer higher salaries and life interests offered by the world employment market for their skills.

Technology and innovation must also be accompanied by research and development. Lithuania is not performing well in this regard. While the innovation expenditure in the Government and higher education sectors correspond to the EU average, it remains low in the business sector (Streimikiene, 2014).

Export, Import

With regard to exports, the traditional main products from the farms are meat, fish, and dairy products. The country relies excessively on Europe for its export channels and more than four fifths of the total exports go to other European countries. The dairy industry is very important and employs a large number of people adding considerable value to the GDP (Glinskienė, 2006).

The main exports by Lithuania include mineral products including mineral fuels, mineral oils (and products made from their distillation), bituminous substances and mineral waxes. Exports also include machinery and mechanical appliances, electrical equipment, and chemicals. Some foodstuffs are also exported. Most of the exports are to Poland, Germany, Russia, and their neighbour Latvia. Lithuania has seen good economic

progress over recent years. The economy experienced a down-turn during the years 2012-13 but has since been recovering again due to increasing domestic demand.

Lithuania is very reliant on imports. Due to the high level of private consumption in the country, total goods imported increased by 20.4% over the period and the ratio of imports to GDP was 68.4% in 2015. Lithuania has a high capacity for oil refining, and this gives rise to a high import level of raw products which it is then able to re-export. Over 90% of Lithuania's total goods imports in 2015 were from Europe which makes the country highly vulnerable to supply disruptions and again the changed relationship between the EU and Russia that is causing tension at this current time, exacerbates this vulnerable situation (Purlys, 2007). During 2015 the total imports value contracted sharply (by 18%) due to low global oil prices affecting the value of imports.

Globalization may however be the instrument to improve the situation. The major changes which are taking place in 2017 with regard to the relationship of the USA with the UK and the rest of Europe – especially with regard to trade agreements – could radically improve this situation by enabling a spread of export channels for Lithuania.

The retail market in Lithuania has made substantial progress over the years as disposable income per capita had reached US$8932 by 2015. The Lithuanian retail market for consumer products is dominated by large hypermarkets. Grocery retail has seen particular growth and outlets flourish (see Table 30).

TABLE 30 RETAIL FOOD OUTLETS (LITHUANIA) (By type) - Time-line 2010-2015

Outlets	2010	2011	2012	2013	2014	2015
Modern Grocery Retailers	2377	2446	2450	2529	2570	2670
- Convenience Stores	1398	1470	1475	1549	1569	1725
- Discounters	103	104	106	92	90	-
- Forecourt Retailers	435	422	413	418	421	419
- Chained Forecourts	360	349	343	350	355	353
- Independent Forecourts	75	73	70	68	66	66
- Hypermarkets	41	42	46	52	60	63
- Supermarkets	400	408	410	418	430	443
Traditional Grocery Retailers	3412	3366	3325	3251	3238	3237
- Food/Drink/Tobacco Specialists	465	521	531	545	555	567
- Independent Small Grocers	2288	2242	2200	2176	2159	2144
- Other Grocery Retailers	659	603	594	530	524	526
Grocery Retailers	5789	5812	5775	5780	5808	5887

Source: Euromonitor International from official statistics, trade associations, trade press

Globalisation has contributed to the success of retail outlets with more disposable income being available to the population, in general, and the introduction of international products. The GAIN report (USDA, 2016) shows that in 2016 the Maxima Stores group held nearly 50% of the market share. The company operates 234 stores, categorized into three formats - the Maxima X, the Maxima XX and the Maximum XXX. The next largest of volume sales is taken by the store group IKI with slightly more stores of 243, followed by Norfa with 136 stores, RIMI with 52 stores and Prisma with 4 stores. There are also

over 700 independent Lithuanian store owners which belong to the Aibe group - which is proving successful and growing in the small cities and rural areas.

The Lithuanian population has shown increasing interest, particularly over the last 10 years, in international products. The balance in the retail market is about to change with the entry of the Lidl discount chain in 2016 into the market place establishing 20 to 25 stores with planned sites acquired for future use. Thus, globalization is having a considerable effect in Lithuania with increased employment, and a wider variety of products being available to the population at highly competitive prices. This will affect the existing stores with major competitive challenges and, for those able to rise to the challenge, new opportunities will be generated by the increased demand that the population will show.

Like other countries in the world, internet retailing is becoming increasingly popular in Lithuania providing enormous challenges and opportunities. It will be interesting to see how this new and changed orientation for consumer demand is managed. The Maxima chain has been the first to introduce this concept in sales of food products, having created a separate enterprise, which they own, called Barbora Company.

Eurostat forecast that the GDP of Lithuania will grow by 2.6% by 2016 - with GDP per capita reaching 73% of the EU average. As a benefit of these expanding conditions, unemployment has been decreasing, recorded as 9.1% in 2015 and forecast to fall to 8.4 % in 2016. The employment situation continues to be favourable and the number of vacancies is high, with skill shortages being reported. This will generate a problem for the companies (which some people might view as a negative aspect of globalization).

SMEs

In the years before Lithuania joined the EU there were several barriers to SME development (taxes, frequent changes to and ambiguity of tax policies) and environmental barriers (Aidis, 2002). Since joining the EU, the EU Small Business Act for Europe (SBA) has been implemented well and in general is producing successful results. (Korsakiene, 2014). During the period 2010 to 2015 Lithuania has been above the EU average for several of the 10 policy dimensions specified by the SBA, including entrepreneurship, the government's response to administration, environment, access to finance and the EU's single market. It is, however, lower than most EU countries in the category "second chance" skills and innovation, as well as internationalization - which have been deteriorating over the period. Rural areas form a significant part of Lithuania. According to the European Commission report of 2008 farmland comprises 60% of the area of Lithuania and 42% of the population lives there. Agriculture, hunting, forestry, and fisheries are principal activities of the economic sector in the rural areas. The main problems of developing SMEs in rural areas is emigration of young people, decreasing birth rate, ageing of population, poor development of business skills which leads to lack of human capital. People are less prepared to undertake business activities than people in city areas (Greblikaite, 2018).

In 2016 the government introduced several measures to improve policy towards supporting several of the SBA principles. In 2015 there were 156,821 SMEs in the country, and these employed almost 700,000 employees. However, over the period 2010 to 2015 there had been quite a large turnover in the starting and closing of SMEs. In 2015, there were 8,274 new SMEs registered. This was 32% less than in

2014. During the same period 5,598 were removed from the register. This was an increase of 13% from the previous year. During the period 2010 - 2015, SME value increased by more than 50% and unemployment increased by almost 20%. SMEs in the transportation sector made the most significant contribution at 12% of the value added. The construction sector also fared well during the same period, with employment increasing by 40%. The residential housing built by the sector was supported by the government facilitating improvement of energy consumption in the houses. European 'structural funds' also were applied. The manufacturing sector has also prospered with value added increasing by almost a third and the employment increasing by nearly 20%. This is largely due to an increase in exports and this has boosted the confidence of manufacturers.

The outlook for SMEs is thus considered to be mixed, and although production is expected to show a 5% increase in annual value added, the employment level is predicted to remain static. The largest gains are expected to be in micro companies. This situation encourages the population - especially the younger people - to consider starting a business to take advantage of opportunities presented by globalization.

Business Environment

The business climate has been improving. The government has taken steps to encourage investment and the requirements necessary for starting a business have been streamlined. Income tax has been reduced to low earners, but the degree of tax compliance is still not good. In order to address difficulties associated with labour availability and competitivity, improvements still need to be made.

In 2015 Lithuania ranked third in Europe and 24th globally in the World Bank "Doing business index" and 15th in the world on the Heritage Foundation's index of economic freedom. Three companies in Lithuania were included in the Deloitte technology 'Fast 50 report' which surveys the fastest growing technology companies in central Europe. Other surveys and rankings by consultancies placed Lithuania at a high level. Thus, in many ways Lithuania is riding high and is in good shape, coping well with globalization and making the most of the opportunities which it provides. However, it must not be forgotten that globalization contributes to the dynamic nature of sustainable development. The impact which it has on a country - and the outcomes - can change.

Privatization of the natural gas and power companies has been successfully completed and roughly 80% of the total power generated is now in the private sector.

However, the World Bank "Doing business index" survey also reported that Lithuania has occupied the top position in the EU for corruption for many years. This year 24% of respondents reported having bribed an official. In Lithuania (and in Slovenia) more than 70% of the population believed that the government actions to remove corruption were ineffective.

Society

The population of Lithuania has been falling since the early 1990s and its small population had fallen by over half a million people to 2.9 million in 2016. In common with many other countries, the distribution of the population has moved from the rural areas to the urban areas. Since the country gained independence, the major commercial centres have become extremely important, attracting the population, as they are able to enjoy a much higher standard of living. The internal

migration is being further exacerbated the by the demise of state-owned collective farms which has occurred since independence. The employment rates are lower in cities than in the rural areas. In the main centres, it is easier for people to take advantage of the benefits resulting from globalization, such as international food products, communication networks, foreign travel, and communications with the outside world. The Lithuanian population are expected to spend increasingly on communications, private education (which is becoming popular) and on miscellaneous goods and services. In 2016 consumer expenditure per capita was US$ 9613 - and this is expected to grow by nearly 6% in 2017. Disposable income and consumer expenditure have steadily increased over the period 2011 – 2017 but the savings ratio as a percentage of disposable income has distinctly fallen.

Despite the advances that have been made over the past decade and the generally high quality of the workforce, unemployment among young people is high and particular concern is being expressed that there is a shortage of practical skills.

Although there has been an increase in investment, including FDI, sufficient employment opportunities are not being created. This gives an impetus to young Lithuanians to migrate elsewhere in Europe where opportunities are better and the freedom of movement which is allowed under the terms of EU membership enable it. The U.K. is a particularly popular place to live and work, due to the English language and its international acceptability. Migration creates a brain-drain in Lithuania itself. The threat of emigration for the socioeconomic development of Lithuania is discussed by Rakauskiene (2013). In particular, there has been a steady decrease in skilled workers due to the outward migration as the levels of skill development have not been able to keep pace with the increasing need for companies

to upgrade to cope with the technological advances. The government is concerned about the problems of labour shortages and the introduction of a new labour code is planned. Wage levels have increased but have not been matched by productivity. There is concern that this will lead to a decline in the competitivity that the country has enjoyed.

The ageing population is not being adequately 'renewed' and the population equilibrium is not optimal (Rakauskienė, 2014). The sustainable development of the country is therefore jeopardized by the globalization process providing international opportunities which attract the young, when the environment and government policies are not sufficiently attractive to retain them. Lithuania has a serious problem with regard to poverty and it is one of the highest in the EU.

A large number of the Lithuanian population have migrated to the United Kingdom either on a permanent or seasonal level and the U.K.'s decision in 2016 to terminate its membership of the EU has implications for the country's population, not only because of their possible need to return to Lithuania but because the remittances which they are currently able to send back home may cease. In addition, Lithuania has a high external debt burden and the country's dependence on trade with the EU makes the country vulnerable if trade levels fall.

Highly educated people however, present a different challenge. They are needed for the high-tech industries and the universities are producing them. Lithuania turns out extremely well qualified graduates from the universities and the country ranks first in the European Union for mathematics, science, and technology per capita of students. The universities are reacting to the demand by increasing the capacity by

over 30%. The focus on this sector has resulted in the country having the highest proportion of university graduates and additionally a high number of people who study online programs.

In this way Lithuania is successfully producing high numbers of appropriately qualified technical people and the business environment and salary levels make the country attractive for foreign investment. However, the outcome is not totally satisfactory in every way. Despite the University opportunities that exist for students, there is also much attraction to study abroad and because of their undergraduate assets of the strong English language and pre-university skills, they are able to gain access on international programs. Once they have left their homeland of Lithuania, the low level of salaries which they might expect on return, are unattractive and the temptation is to remain abroad. With the aim of trying to overcome this, a variety of support mechanisms, financial and taxation incentives have been put in place to facilitate companies in recruiting and training and retaining young graduates - whilst maintaining their competitiveness.

Migration, both inward and outward, has been a challenge for Lithuania for many years. In 2013 OECD published a major work on the subject written by Audra Sipavičienė and Vlada Stankūnienė studying the social and economic impact of emigration on Lithuania. Sipavičienė (2013) considers the various significant stages in history and the changes that had occurred in global development over the past 25-year period (1990 to 2015). He discusses the changing economic situation in Lithuania and the impact on migration. The distinction between 'declared' and 'undeclared' migration is also discussed.

Government

Lithuania has an executive president who is elected directly for a five-year term. The president appoints the prime minister. There is a 141-seat parliament. The 71 members being elected in single-seat constituencies and 70 members elected by proportional representation. All members serve a four-year term. The president Dalia Grybauskaite was elected in 2009 and re-elected in 2014. In 2019 President Gitanas Nauseda took over pledging to work for creating a welfare state and the well-being of the nation. Commentators present at the swearing in of the new president announced that a new era in Lithuania's politics had just started (Eriksonas, 2019). Commentators highlighted not only the lack of exposure to a certain ideology from the past but also the lack of linkages to the social structures associated with the former Communist Party members. President Nauseda represents the first truly independent non-partisan person void of any political linkages to the former or the existing political structures or networks in Lithuania.

Government policies are focused on measures to increase the level of the disposable income for the population and a continued rise in the minimum wage indicates that this will improve. Pensions have also been increased. Some concern is noted by the government that the ageing population is likely to impose increasing pressure on government finances. Lithuania is concerned about the continuing conflict between Russia and Ukraine and the implications that this may have for Lithuania's exports. Russia is Lithuania's major trading partner for oil and gas and Russia's clash with the Ukraine gives the country some cause for concern.

SUMMARY

SUMMARY - REPUBLIC OF LITHUANIA	
POSITIVE SIDE	**NEGATIVE SIDE**
Lithuania promotes itself as a good place to live and work and Lituanian government recognises the need to create a good quality of life and job opportunities and is actioning incentives.	Supressed wages of highly skilled workforce for competitiveness attraction leads to disatisfaction and migration to seek more attractive offers in other countries, facilitated by freedom of movement under globalization.
By 2016, the government of Lithuania had promoted their understanding of the challenges which lie ahead for the country and had indicated their intention to take active measures to meet and satisfy these challenges.	Excessive migration
The government is taking positive steps to crack-down on corruption.	Significant fall in birthrate - as a result of globalization young people attracted away from the country.
Successful EU integration	The ageing population is not being adequately 'renewed'
Good retail sector and growing	Foreign direct investment inflows remain low compared with regional EU member countries
Since 2008 the country has been ranked amongst the top five fastest growing economies in the EU and forecasts indicate that it is likely to grow above the EU average.	Lithuania had been slow to adopt the Euro and investors held back.
Competitive corporate tax	Although attractive place to invest and do business, productivity is low. Additonally wages remain low reducing ability to rely on sustainable workforce.
	GDP per capita remains low
The companies investing in Lithuanian promotion activities stress that the country has developed infrastructure, improved taxation and legal framework as well as creating plentiful talent with the aim of providing a "perfect environment" and sees its mission as giving international investment providers all they need to make their businesses successful.	Limited assurance of longterm workforce hinders investor confidence for longterm projects.
Free enterprise zones and very attractive tax incentives to encourage investors.	Dependence on Russia for Oil
Highly qualified workforce and well developed infrastructure for IT	Need to upgrade manufacture to higher level of technology.
Lithuania has become recognized as one of the most attractive places to resource IT skills.	The degree of tax compliance is still not good. In order to address difficulties associated with labour availability and competitivity, improvements still need to be made.
Lithuania also benefits from its geographical position and its ability to take advantage of the international rail network which allows transport from Scandinavian countries through to central Europe.	Limited lending to SMEs
Investors are also encouraged to invest in Lithuania due to its competitive corporate tax regime with a rate of 15% (2016) and the many economic zones (SEZs) that offer additional tax incentives to businesses including a zero rate of tax on profits for the first six years after set-up.	
Lithuania has focused its attention on the ICT sector and the government encouraged the businesses and people to provide a business-friendly mind set.	
Lithuania has risen to the challenge of creating new training facilities for young people and has developed cooperation programs with universities.	
In 2016 the government introduced several measures to improve policy towards supporting several of the SBA principles, established by the EU.	
The business climate has been improving. The government has taken steps to encourage investment and the requirements necessary for starting a business have been streamlined. Income tax has been reduced to low earners.	
Commentators present at the swearing in of the new president announced that a new era in Lithuania's politics had just started. Commentators highlighted not only the lack of exposure to the ideology from the past but also the lack of linkages to the social structures associated with the former Communist Party members.	

REPUBLIC OF SLOVENIA

General Background

Slovenia is one of the safest countries in the world. It has a favourable environment and exceptionally low crime rates. For business activities it is at the crossroads of all main European countries and trade routes. Traditionally, Slovenia had exploited its reserves of iron ore and been a major producer of steel. With the availability of global markets, Slovenia found itself to be uncompetitive and took the major decision to end its steel industry. This was actioned in dramatic style by blowing up the chimneys and smelter complex. With the EU deciding to welcome Slovenia's application for membership as a candidate country and subsequent acceptance in 2004, major funding programs were applied which included the country on EU Phare and Tacis programs.

In recent years, many international organisations have considered Slovenia to be a champion amongst the countries of Central Europe in terms of its reforms since gaining independence from Former Socialist Federal Republic of Yugoslavia and its move towards democracy (see table 19 Freedom house). However, despite the progress that has been made by the country in managing their reforms, by 2010 this situation was declining, and corruption was prominent in many areas of life in the country and the economy was stagnating (Krasovec, 2017). Minorities within the population were suffering, the media was considered to be biased and questions were being raised about the independence of the media. The government was being accused of corruption (Haček, 2019).

Economy

The main industries have been forestry, metallurgical and textile. The agricultural sector has declined since the 1980s and almost halved since 1995. Mechanical industries of automotive and tool machinery have been dominant. Increasingly important are the rising industries of pharmaceuticals, chemicals, and electronics. The most significant sector in the Slovenian economy is the services sector, representing over fifty percent of the G.D.P. and has grown strongly over the period, particularly in ITC, financial, commercial, and retail services with the tourist sector growing particularly strongly.

Now the Slovenian economy is perhaps the most developed among the CEE transition economies that have joined the EU. By 2010 the GDP had grown to 89% of the average GDP in the EU and Slovenia had become a 'benchmark' for other post-communist economies in CEE being an illustration of a successful transition process and the practice of corporate governance. Referring to the stakeholders in the privatised businesses, Lahovnic (2010) pointed out that the required rate of return on equity investments was actively determined by the stakeholders in Slovenian companies who are often external to the company. Furthermore, Lahovnic's research showed that companies which had external owners performed better than companies which only had internal owners.

Slovenian companies took positive action to internationalise and to diversify with nearly half the companies doing so through external financing and ownership with joint ventures being important in addition to internal growth of the companies. This was recognised as being crucial for developing competitive advantages. Indeed, companies with international owners as part of their structure performed better than those with no foreign influence (Lahovnic, 2011).

However, despite the Slovenian transition model being hailed as a success throughout the 1990s, by the 2000s the country's economy was suffering even more than other comparable post-transition economies and the corporate governance system and its gradual approach to transition was being criticised. When the cracks began to show in the companies, Slovenia's corporate governance was criticised as not only slow but inefficient. The various privatisation programmes that had taken place had not achieved ownership being concentrated in the hands of the strategic owners, who were able to provide the financial resources which were needed for the diversification and achievement of the sustainable development of the companies (Lahovnic, 2019).

Production, Manufacturing, and Industry

Slovenia benefits from its geographical position at the crossroads of trade routes from East to West. This makes it a good place for manufacturing of internationally desirable consumables such as the automobile industry, electronic equipment, pharmaceuticals, and fuels. Additionally, its well-educated and qualified workforce and the well-developed infrastructure of the country help to make the country a desirable location for these and associated products.

In 2017 living standard in Slovenia measured in GDP per capita were 20% below the EU 15 average. Most of this gap is caused by differences in labour productivity. These are particularly the casein agriculture, mining, and the country's utilities. However, information and communication activities, financial insurance services and professional services also show uncompetitive levels of productivity. Businesses in Slovenia have recognised the importance of manufacturing using high and medium-high technology and their share in total manufacturing value added is relatively high (Sila, 2017).

Investment and FDI

Taxes are considered to be relatively high and the labour market is viewed as inflexible and this has led to a lack of interest for FDI and investors. As a result of this traditional manufacturing is losing sales to China, India, and similar more competitive countries. The level of FDI per capita in Slovenia is one of the lowest in the EU. However, towards the end of the period of our research, things are beginning to change in Slovenia with the millennials going to the rescue of the country's economy. Young technology entrepreneurs are raising large amounts of investment with new technology and innovation. They are assisted by globalisation which is enabling them to do business around the world. This is significantly affecting traditional industries which have not changed over many years and in a similar way to the dramatic change from the iron industry, Slovenia is in the process of step-change.

Compared to other similar sized countries in central Europe and especially the Visegrad countries, the inward FDI is considerably less as a proportion of the country's GDP. The IFDI stock in 2016 in Slovenia was just over 30% compared, much lower than the other Visegrad countries and especially Czechia with 60% and it is unlikely that the difference in the level in IFDI in Slovenia and the other Visegrad countries will change. The research by Vaupot (2018) shows that this situation must be attributed to specific

differences in Slovenia and not just cross-cultural differences which might cause variances in other countries.

Technology and Innovation

In the mid-2000s, Slovenia had a relatively high proportion of employees in the high technology sector and was showing a significant level of value added in high technology manufacturing companies compared with similar activity in other EU countries. However, innovation amongst its SMEs was relatively low. The government had put in place some policies to assist transfer of knowledge from higher education institutions to SMEs but this had been mainly achieved by the larger firms and the promotion of spin-offs from university programmes and the creation of technology parks were less than had been expected (Bartlett, 2006).

There is a lack of companies in Slovenia with in-house R&D activities, which limits companies' abilities to provide competitive manufacturing (Bucar, 2014).

The country recognises the need to move towards science-industry co-operation enabling strengthening of R&D departments and their staff resources and has instigated in 2013 a university programme called 'Young Researchers Training Programme' with over 6000 young people participating (Arzenšek, 2014). Slovenia has become recognised as a strong innovator and especially since joining the EU, Slovenia has become increasingly interested in developing high technology businesses. A technology park in Ljubljiana has been established with 'innovation process entrepreneurs' and start-up eco-systems as its focus. However, the country lacks an effective government structure for research and innovation and encouragement for collaboration between institutions and companies.

Despite its membership of the EU, the government has been slow to take up policy and funding instruments prescribed by the EU and it has been slow to cope with frequent changes which have occurred.

Despite the limitations, the start-up environment in Ljubljiana is showing growth in new initiatives which have been stimulated by young entrepreneurs themselves and other organisations aimed at providing support from peer groups and networking with sympathetic technical groups which are developing even without the support of formal institutions and government backing (Bucar, 2018).

Export, Import

Productivity in Slovenia's industry and manufacturing is low, leading to the countries poor performance in terms of competitivity. However, despite this, statistics for exports of goods and services during the period 2005 - 2015 show a large increase (Table 44, chapter 15) and, encouraged by demand in larger European markets, export growth was predicted to increase.

In the past Slovenia has been able to exercise a dominant role in its retail activity in Europe. However, by the second decade of this century consumer behaviour has been changing, benefiting from its exposure as a member of the EU and the freedom that globalisation is giving, which is forcing retailers to change direction as international competitive retailers have aggressively set up outlets in the marketplace dislodging Slovenia's initial pole position.

SMEs

At the beginning of the 1990s Slovenian enterprises were opening new SMEs at a fast pace which continued to around 1995 when it slowed down. However, the contribution of SMEs to GDP and employment remained strong. Production and the service sector recorded the fastest growth of employment with growth being mainly in the micro to small sector. Medium sized enterprises were less active. Before 1990 the manufacturing sector used to employ almost 60% of the total workforce and produced over half of the GDP. The manufacturing sector continued to grow. However, the service sector was increasing and began to dominate the economy. In 1998 there were nearly 20,000 enterprises in manufacturing and a further 25,000 in trade and motor vehicles. There were 10,000 in transport and warehousing. Together with other sectors, including construction, communication services, real estate, the total number of SMEs was over 100,000.

Agriculture, hunting, forestry, and fishing are only of minor importance in the SME sector. SMEs have been slow to address international markets and there is a lack of managerial skills particularly with international experience and language skills. The business infrastructure has been slow to modernise, and the quality of business premises and quantity is limited. Highly skilled personnel are in short supply and the remuneration they can expect is unattractive. Bureaucracy is a limiting factor for business expansion and there is a high level of 'grey economy'. The pre-admission support by the EU and their technical assistance programmes were aimed at improving the situation. The situation improved during the 2000s. An early problem which needed addressing was the need to close the gap between Slovenian companies and those in the EU. The short supply

of new ventures held the country back and began to be improved by groups of women entrepreneurs, young entrepreneurs, and entrepreneurs in the rural regions (Kirby, 2017 1468).

Other key barriers which were identified included factors related to the institutional environment and bureaucracy. Also, there were external financial constraints which included the high cost of capital (Bartlett, 2001). Whilst economic progress was uneven throughout the 2000s, between 2014-2018 the value added by Slovenian SMEs rose by33.5% which is higher than the growth of large firms at 30.8%. By 2018 SMEs accounted for almost 65% of the value added and 72% of employment – figures which exceed the averages of the EU and this trend of the SME value added is projected to grow, with the SME employment growth of 3.6% predicted to create around 16,000 new jobs.

Business Environment

Starting a business in Slovenia is not easy. Rigid labour regulations limit the development of employment growth and this was made more complicated by new government legislation in 2018. However, land registry reforms have improved the process of property registration and virtually all land can show clear title. The judiciary, although inefficient and overburdened, is in good shape and considered to be independent and transparent. At least half of Slovenia's economy is still state owned or controlled by the state and in 2019 the IMF raised the problem of state-owned businesses with the government and urged them to accelerate efforts to actively address the issue (Heritage – Index of Economic Freedom). Corruption in Slovenia is publicly perceived as a growing

problem in society and there is a deepening public distrust in most of the significant political and administrative institutions.

Society

According to the OECD, the factors which contribute to happiness levels of the people in Slovenia are mixed. The country's population consider it to be a safe country to live in and education attainment is high. However, the disposable income for households is comparatively low at around two thirds of the OECD average. Long-term unemployment rate was twice the OECD average in 2016.

Population statistics for 2017 showed the country had a population of 2,066,880. However, there is an increasingly aged population with life expectancy increasing, and over 50% of the population is rural. Only 5% of the population still makes a living from agriculture. The capital city Ljubljiana has the largest population at 100,000. Migration has occurred from the rural districts but mainly to suburban towns. In the mid-1960s, the country experienced rapid industrialization and this was accompanied by increased migration from other parts of the former socialist republic of Yugoslavia.

Since the early 2000s, there has been a strong increase in creative professions and service professions dominate the employment structure in the country.

Ethnic Slovenians account for more than four fifths of the population, which is quite homogenous, both ethnically and religiously.

Referring to the country's demographics and especially the ageing population, and the growing proportion of immigrants, Total Slovenia News in 2019 reported that

they envisage the population declining by close to 25% in the next 30 years, mainly due to falling birth-rate and migration.

Government

In 2014 the election of the new Prime Minister Cera's government undertook to press forward with privatisation of state-owned industries and the banking sector.

In 2016 the independent anti-corruption commission in Slovenia released a report which was critical of the prime minister and the leader of the opposition. It found they had "systematically and repeatedly violated the law by failing to properly report their assets to the commission", and for not reporting a private real-estate deal with a company that has government contracts. The ensuing public outcry led to the resignation of the Prime Minister Janez Janša in January 2017.

Politically, Slovenian voters are increasingly distrustful of the political institutions and additionally they are concerned by the new political faces and instant political parties. The leading place that the country had in the democracy ratings has declined.

SUMMARY

SUMMARY - REPUBLIC OF SLOVENIA	
POSITIVE SIDE	**NEGATIVE SIDE**
Homogenous ethnically and religiously	
One of the most developed economies in CEE	**Slow to make changes - 'will do in our time and our way' attitude**
One of the safest countries in the world	**Corruption**
Until 2010 regarded as champion amongst the countries of Central Europe in terms of its reforms since gaining independence from Former Socialist Federal Republic of Yugoslavia	**Population ageing rapidly**
Significant Services sector	**Disposable income for households low**
Slovenia benefits from its geographical position at the crossroads of trade routes	**Lack of innovation or effective government structure and encouragement for collaboration**
A well-educated and qualified workforce and the well-developed infrastructure of the country help to make the country a desirable location for investors.	**Taxes are considered to be relatively high and the labour market is viewed as inflexible and this has led to a lack of interest for FDI and investors**
In the mid-2000s, Slovenia had a relatively high proportion of employees in the high technology sector and was showing a significant level of value added in high technology manufacturing companies compared with similar activity in other EU countries.	**As a result of this traditional manufacturing is losing sales to China, India and similar more competitive countries.**
Innovation amongst its SMEs was relatively low but the government put in place policies to assist transfer of knowledge from higher education institutions to SMEs.	**Compared to other similar sized countries in central Europe and especially the Visigrad countries, the inward FDI is considerably less as a proportion of the country's GDP.**
	Take-up of the policies to assist knowledge transfer has been mainly achieved by the larger firms and the promotion of spin-offs from university programmes and the creation of technology parks has been less than had been expected.
	There is a lack of companies in Slovenia with in-house R&D activities, which limits companies' abilities to provide competitive manufacturing.
	Slovenia lacks an effective government structure for research and innovation and encouragement for collaboration between institutions and companies.
	Starting a business in Slovenia is not easy.
	Slovenian voters are increasingly distrustful of the political institutions and additionally they are concerned by the new political faces and instant political parties.

CZECHIA

General Background

The Czech Republic shares borders with Austria, Poland, Germany, and Slovakia. The population is just over 10.6 million. Much of the land is mountainous with hills and rivers. In 1992 Czechoslovakia still existed. Havel and Mecia, were seriously considering splitting into two republics, for which the velvet revolution took place, forming the Czech Republic - which, since 2016, has been increasingly referred to as Czechia - and the Slovak Republic - more commonly referred to as Slovakia. International sales of products and services were still made through 'Comecon'. Privatisation was occurring in both countries through a Voucher Privatisation scheme (Stark, 1991). In Czechia, the state-owned enterprise Aero (Aerospace Industries) - the national aircraft manufacturer - was privatized under this scheme, to form several S.M.E.s. Similarly, the break-up of other state-owned enterprises under the voucher scheme occurred creating SMEs. Many investment companies (Rao, 2003) were formed which were able to take advantage of the naivety of the population who were allocated books of vouchers but were confused by the process and in many cases sold their vouchers for nominal amounts to the investment companies. People were still living in the shadow of communism – remembering well the control demanded by the business leaders, with the streets being policed by Special Forces and food was still very scarce. Although a few so-called 'supermarkets' existed, they were very poor quality and limited in products. Furthermore, the young people were learning about management within the market economy and the freedom, potentially, which it gave rise to, was beginning to be enjoyed. The older people were remembering what life was like prior to 1967 when the Russians and communism invaded. The quality of life was changing, potentially for the

better, but secrecy and caution still existed. New appointments were being made as general directors of privatized SMEs - frequently by the same managers that existed in the state-owned organization. In many cases they had raided the assets of - and stripped materials from - the old SOEs to fund the new SMEs and enrich their pockets as major shareholders. In an effort to show transparency, potential general directors had to go through the process of lustration (David, 2003; Williams, 2005).

Commenting on information, communications, democracy, and freedom, Klvana drew people's attention to the Czech media in 2004, stating that two limiting factors were impeding democracy. Firstly, much of the media were beginning to focus on 'infotainment' and dissemination of current news was being neglected. Furthermore, they also harked back to the days of communism, which frequently occupied their attention. As a consequence, he believed that democratic progress was being held back (Klvaňa, 2004).

Globalisation has brought great advantage to Czechia - benefiting from high levels of F.D.I., much of it from Germany, and related international customer demand. The economy and well-being of its population has come a long way since the early days of the 1990s. After the Velvet Revolution and subsequent Velvet divorce the country has steadily progressed with aggressive investment and particularly FDI following the implementation of the privatization process, which created many potential successes but also had to cope with opportunistic corruption, notably the burgeoning of investment companies – and even banks - that took advantage of being able to acquire the all-important vouchers from ill-advised members of the population, with various scandals ensuing. Major state-owned enterprises such as Czech Aerospace (Aero) and the motor manufacturer, Skoda, are two leading examples of privatization and these

industrial giants have provided great opportunities for local SMEs and service companies. There are also many examples from the extremely important tourist industry. But to be able to achieve contracts with the resultant privatized giants, the local SMEs had to learn how to comply with quality standards and certification and improve their performance to enable them to achieve competitivity with offerings from global manufacturers.

The quality of education has always been high in the Czech Republic and in the universities in particular. Charles University in Prague was offering medical school education for the qualification of doctors and dentists in English in the early days of transition and the courses were in high demand by international students who recognized the Czech Republic not only for its high standards of education but as a very pleasant place to live and study with easy communications, internationally respected culture and internationally facing social standards and language. In addition, the country had only had a comparatively short period of time under communist rule and, as a consequence, was very quick to readjust back to its Austro-Hungarian, Bohemian and Slavic cultures. Although it was necessary for the younger generation to gain the understanding and business practices of the modern-day market economy, traditional values, culture and experience of Western trade was very easy to exhume. The author was involved in developing capacity amongst key executives of Czech companies during the 1990s, who were keen to participate in the business services programs which were run by international consultancies, who established local offices to promote business skills and strategic planning. Renaissance, renewal, refurbishment, and replacement of nationalization by private enterprise were the key driving forces.

In many ways, the impact of globalization on the sustainable development of Czechia has been mixed and the result depends upon which aspect of globalization we are considering and for which part of the population. Life satisfaction, human wellbeing, environmental wellbeing, and economic wellbeing all showed a gradual upward trend over the period (see table 7). However, for many, life under the surface is difficult due to high costs and very low wages.

Economy

The country has shown mixed economic growth from 1995 until 2019, from a record low of -3.50 percent in the first quarter of 2009 to an all-time high of 2.40 percent in the second quarter of 2017 (OECD) and public spending has been maintained at a satisfactory and controlled level by the country. The country has one of the lowest unemployment rates of Europe.

The economic transformations that occurred in the Czech Republic post 1989 found the Czech Republic had to make changes and adapt to deal with the market economy. They were able to move comparatively easily to being able to satisfy the requirements of the EU for membership and began to benefit from all that it had to offer. However, whilst the attractions that the country had for the tourist industry were easily exploited, their own manufacturing and industrial production did not achieve international competitiveness, and they found difficulty in competing in some areas where their capabilities remained behind those of the well-advanced countries. The banking sector and the development of small businesses, which had evolved during transition, were particularly slow to show

competitiveness. Although government policies supported inward investment, much of it was associated with low-skilled levels of labour and the businesses had minimal innovation. Exceptions were the motor vehicle sector, but in general multinational companies did not favour matching productivity levels of advanced countries (Myant, 2007).

It is easy to view the Czech Republic through the highly visible tourism sector, which appears to be highly successful, with thriving hospitality and leisure venues. However, the economic development outside its capital Prague has enjoyed very mixed success and over the years since 1990 the economy has been erratic and not universal. In the early years of transition, the adjustment to the market economy saw businesses being over-stretched and bankruptcies ensued (Šimon, 2016; Tagai, 2018).

Production, Manufacturing, and Industry

The Czech Republic has been slow to pursue advanced manufacturing technology (AMT) and this has included a limited approach to identifying capital projects and seeking investment. Current levels of investment in the Czech Republic are relatively low in this area and the criteria for assessing the need for investment tends to favour short-term investment (not investment for AMT). More generous incentives and stronger management motivation is needed to correct this (Lefley, 2004).

The regions of Czechia have been neglected in terms of investment and foreign investors have favoured production over manufacturing (Spilkova, 2007).

Czechia has one of the strongest manufacturing sectors in Europe relative to the size of its economy, but it suffers from low productivity. It also has an increasing labour

shortage. In 2018 the unemployment rate in the country had fallen to 2.2%, which is the lowest unemployment rate throughout the European Union (according to Eurostat and the Czech Statistical Office). In order to address the need to improve productivity and cope with the low availability of skilled labour there is a critical need for technologies that can substitute labour by automation and improve the productivity using the existing workforce (Aridi, 2019).

The Czech Republic is promoting new technology (including big data analytics, cloud computing, advanced robotics) through the EU's Industry 4.0 initiative and also their Work 4.0 Programme and these hold great promise for increasing the competitiveness of the country.

Over the last two decades there has also been growing investment in Czechia from China. Globalization has produced a fragmentation in world production, resulting in a greater flow of Chinese components to have value added in Czechia for onward export to other countries in the EU and western markets (De Castro, 2017).

TABLE 31: Industrial Production and Manufacturing Comparative figures based on year 2010=100

COUNTRY	2010	2011	2012	2013	2014	2015
Czech Republic	100	107.54	106.8	107.6	114.78	121.68
Slovenia	100	101.07	98.72	97.19	101.35	107.47
United Kingdom	*100*	*102.17*	*100.71*	*99.72*	*102.63*	*102.52*
Euro area (19 countries)	*100*	*104.65*	*102.06*	*101.38*	*103.13*	*105.53*

Source: OECD

Investment and FDI

Apart from tourism, the focus of FDI in Czechia is the service sector, accounting for more than 70% of inward flows and has been particularly directed towards financial services. FDI alone would not have enabled the success stories that have emanated from Czechia since the beginning of transition, but globalization has played an enormous part in the country's success. The ability of the major international FDI investors and the growth which has been achieved in commerce, services, tourism, and some industry would not have been possible without the freedom of movement and technical advances enabled across global boundaries. During the global recession of 2008, inflows of FDI to the Czech Republic declined but returned once the global economy began recovery. However, the focus of investment changed as major privatisation projects were concluded and the associated FDI projects were fulfilled. The original traditional investors reinvested these earnings in other projects.

Taking advantage of this, China is investing in Czechia and using the country as a gateway to the EU (Szunomár, 2018). Since the mid-2000s, Chinese companies have increasingly targeted Czechia for investment opportunities. Czechia has been targeted by China as part of their 16+ initiative to promote business and investment in countries of the CEE (De Castro, 2017) This has been the natural result of developments in the Chinese economy and Czechia in common with other CEE countries has become more open to Chinese investment.

Czechia is the second largest recipient of FDI inflows in central Europe and EU member states are the most important foreign investors. The Netherlands is the largest investor in the country, followed by Germany, Austria, and Luxembourg. Manufacturing receives more than half of all FDI, with the automobile industry and metals industry being the largest recipients. The Czech Republic has more FDI stockholdings than any other central European country. The introduction of investment incentives and the availability of inexpensive skilled labour and the country's geographical position, being at the centre of Europe, are reasons for the interest by foreign investors (UNCTAD, 2019).

Czechia has a long history of industrial production and the sector is considered to have good potential depending upon radical modernization to take into account the need for advanced technology and innovation.

Czechia is able to attract foreign investors because it is a member of the EU and although it doesn't follow the Euro zone, its own currency is held stable by the Central Bank, which is strong and independent and regulates the Czech currency. However, the country does

have disadvantages for investors because the economy is highly dependent on the level of exports and the need to maintain the high level of FDI, which make the country vulnerable if for any reason such as world crises, FDI were to be withdrawn. Also, there is growing scepticism about the benefits of Europe and for this reason it has shown no interest in adopting the EU as its currency. The government has been slow with legislative and judicial reforms and there has been some unrest in government circles. This does have disadvantages concerning competitivity. Whilst the low unemployment levels are attractive and contribute to harmony in the population, the reality is that there is a shortage of skilled labour.

The government is concerned about its over dependence on its European trading partners, especially Germany and is making structural changes to develop new export markets, which are shown in it strategy for 2012-2020 which targets fast growing emerging markets and has designed special initiatives which aim to make immigration as easy as possible for foreign investors, including residence and work permits (Pavlínek, 2009)}.

Technology and Innovation

Despite its historically successful manufacturing sector, Czechia does not have the workforce, productivity, economies of scale and market access of its neighbouring countries – Germany and Austria – and the difficulty which is increasingly presented to potential foreign investors is whether it is able to successfully tackle the challenges of the new digital era.

The Czech Republic has long been associated with research and development, especially in view of its historic activities in the aircraft industry. Whilst working in the Czech

Republic with Aero (Czech Aerospace Industries) in the early 1990s, the author saw at first hand the laboratories and workshops in which they developed the various parts for the planes that they manufactured, from shock absorbers, suspension systems, aircraft seats through to engines and main-frame parts and the general director at the time was at pains to stress the importance that the industry associated with R and D, on account of the jet trainers, military aircraft and several passenger aircraft that they successfully manufactured. This director subsequently joined the Skoda car industries and played a major role in the renaissance of the Czech Automotive industry, with major investment by the German multinational, Volkswagen. (Dyba, 1991; Kupka, 1992). See the table 32 below for an example of R&D in the Czech Republic in subsequent years.

Recognising the need for innovation amongst the industries of Czechia, multinational enterprises (MNEs) have a significant share in business R&D which entails special challenges for the government's national innovation policy and this requires good collaboration between universities and business and industry and foreign investors (Lengyel and Cadil, 2009).

TABLE 32 RESEARCH AND DEVELOPMENT in CZECHIA (TIMELINE 2000 - 2014)

Gross domestic expenditure on R-D by sector of performance and source of funds

CZECHIA

	2000	2005	2010	2012	2013
Total (funding sector)	1 864.081	2 664.509	3 799.031	5 406.113	6 031.925
Business enterprise	954.589	1 284.168	1 548.832	1 966.999	2 267.706
Sub-total government	829.642	1 204.805	1 688.104	1 988.543	2 095.415
Higher education	8.952	31.684	32.383	49.001	27.407
Private non-profit	12.274	0.15	0.709	0.123	3.613
Funds from abroad	58.624	143.702	529.003	1 401.447	1 637.784
Foreign Business Enterprises	..	97.206	370.081	533.154	663.445

Source: OECD

Export, Import

Exports have flourished as a consequence of investment and associated competitivity. (Benáček, 2004; Çetintaş, 2009), (see Table 38 in Chapter 15 page 293). The Observatory of Economic Complexity (OEC) is a tool produced by the MIT media lab, USA, to assess and compare economic data. According to OEC the Czech Republic is the 28th largest export economy in the world and the ninth most complex economy. In 2017, Czechia exported $164 billion and imported $160 billion, showing a positive trade balance of over $4 billion. In the same year, the GDP was $215 billion and the GDP per capita was $36.3 thousand.

The top exports of Czechia are cars $20.5 billion, vehicle parts $13.8 billion, computers $6.9 billion, broadcasting equipment $3.6 billion and office machine parts $3.3 billion. Destinations for exports are principally Germany at $52 billion, Slovakia at $11.1 billion, Poland $8.7 billion, the UK AT $7.8 billion and France $8.4 billion.

Imports by Czechia were vehicle parts $9.7 billion, office machine parts $6.3 billion, broadcasting equipment $6 billion, computers $4.6 billion and cars $4.6 billion.

SMEs

SMEs contribute significantly to the non-financial business economy in Czechia, which is in line with the average in the whole of the EU. They account for 67% of the total employment which is slightly more than the EU average (66%). However, the productivity of the Czech SMEs is low, generating slightly more than half of the EU average. Some of the problems that SMEs face are related to the regulatory and legal system and its improper functioning and weak protection of property rights. The

government has taken measures to assist SMEs burdensome administration, but it is still onerous. Further support is also needed from the government to help SMEs to expand their international trade – both to the EU member countries and outside the EU. The Czech government does consult SME stakeholders when they are formulating new legislative proposals and has put in various e-government services to help carry out administration procedures online. However, the take up by SMEs has been slow. There is a further need for the government to support access to financing for SMEs to provide venture funds and 'business angel' funds to back their access to additional financing for their businesses. Additionally, there is a lack of support for 'second chance' businesses and entrepreneurs to restart and the EU SBA initiatives require further encouragement from the government (European commission SBA fact sheet 2018).

Business Environment

Data published in 2017 showed that Czechia's unemployment rate was 2.9%. This compared with unemployment rates in Germany of 3.8% and the average in the EU of 7.7%. The research considered why this was the case. Because the established cost of unskilled workers is so low in Czechia (equivalent to Euros 10.20 in 2016), compared to the average in the EU of Euros 25.40, it makes Czechia an attractive place for businesses. However, this is not the only explanation for low level of unemployment, as potential employers can also find cheap low-skilled staff in other Central European countries such as Hungary, Poland, and Bulgaria. Also, this category of low skilled labour is not available in plentiful supply, and wages have been increasing since 2017.

Czechia's manufacturing industry accounts for the largest proportion of the country's economy and provides more than a third of all employment, which is much larger than

other countries in the EU. This is particularly accounted for by the auto manufacturing sector and includes, besides Skoda manufacturing, plants by Citroen, Hyundai, Peugeot, and Toyota. This sector represents a crucial contribution to Czechia's economy.

However, corruption is a serious problem in Czechia. The country has experienced problems related to corruption and organized crime since its transition to democracy in 1990. Also, severe economic disparities between the majority community and the Romani minority are persistent (House, 2017).

The scale of the problem was revealed during the Panama Papers scandal that emerged in April 2016, when the media revealed that a large number of documents had been leaked from a Panama-based law firm. Of the eleven million documents released, over 250,000 had a connection to the Czech Republic, with nearly 300 Czech business figures appearing in the files. Many of the cases involved alleged tax evasion or money laundering. In October 2016, the ANO political party (Movement of Dissatisfied Citizens), led by Deputy Prime Minister Andrej Babiš, won regional elections. Observers suggested that the victory may lead to a strong showing for the ANO party in parliamentary elections scheduled for 2017 (Hanley, 2016).

Society

There is a low level of national pride amongst the Czechian population, which is in strong contrast to those of other nations of Europe. Many reasons contribute to this. Despite the positive features of Czechia, especially its beauty and historic buildings in the cities and culture, national pride is significantly influenced by political interest, confidence in the government, wage levels and purchasing power and satisfaction with the development of democracy, all of which contribute to happiness, wellbeing, social trust which determine

the quality of life Vlachová, 2019). To the outside world, life in Czechia may seem good and the economy seem to be thriving. But, for many the quality of life is not good. This is especially the case for low skilled workers who occupy manual and low-skilled employment. People often ask: “if the Czech economy is thriving, why are many so poor?”

The Czech transformation from state socialism to capitalism is often considered to be a success, and today the economic indicators suggest the country is thriving. But when the situation of individual members of the population is examined, reality is very different. The achievements of the welfare state are often seen as being a total move away from life under communism. The transformation of the economy was based on cheap labour and incentives for foreign direct investment. However, there has been an unwillingness to address the growing number of problems this brings. The Czech media frequently comments that people should take care of themselves – and not rely on someone else to help them. It matters little whether the lower waged Czech population work in agriculture, industry, manufacture, the service sector, public transport, government, supermarket assistants, low skilled people are finding it difficult to live.

Whilst wages are so very low, (the minimum wage in 2018 is 11,000 Czech korunas, i.e. about £385 a month), housing and food are not significantly cheaper compared with the west. The impact of globalization makes this very visible. The working poor often cannot get by on the wages they receive and consider that they have been left behind by the advances of globalization – resulting in being consumed by a deep feeling of injustice.

In most regions across Czechia, it is not difficult to find work. The problem is that many people cannot make a living from what they can earn from that work. Social housing is practically non-existent, and the state contributes only a little towards housing costs.

According to Social Watch, in 2018 there were 750,000 people in long-term debt, and the bailiffs – private individuals with a licence for debt collection – take so much from their monthly earnings that they cannot afford to pay rent. Debt collection affects 2.5 million people, almost a quarter of the country's population. The state does not compensate for any loss of wages, nor does it pay the debts. To make matters worse, market rents are rising rapidly.

The greatest stress factor for many is the fear of losing their home. For those with children, this also means fearing that the state will take them away, given the parents' situation. Many poor people live in unhygienic temporary accommodation. (Source: Saša Uhlová who is a Czech journalist who has written extensively about the real situation in Czechia).

There is wide disparity between the higher educated population, many of whom are able to achieve good jobs and become entrepreneurs or leave the country for other international roles, and the lower skilled population who fare differently. If the lower skilled population obtain jobs, they are generally lowly paid. A survey carried out by Inna Čábelková (2015), found high levels of job satisfaction for both men and women, although there was a preference by men to undertake entrepreneurial roles. Their responses showed that education was an important factor in job satisfaction and that there was a danger that well-educated people might find less satisfaction in the country under the market economy due to its competitive demands.

Issues related to the acceptance and integration of refugee and immigrant communities persisted throughout 2016. Several provocative demonstrations were held, including one at which a Koran was burned.

There are an estimated 250,000 Roma living in the country, but the Romany minority lacks meaningful political representation. None of the parties representing them have reached the five percent parliamentary threshold, and Romany candidates lack adequate representation in the major parliamentary parties. Roma face discrimination in the job market and significantly poorer housing conditions, as well as occasional threats and violence from right-wing groups.

Uncontrolled immigration is a high concern for many people. According to the 2018 Bertelsmann Stiftung report (Gütersloh, 2018), surveys indicate that the number of negative attitudes toward refugees grew from 50% in September 2015 to 64% in December 2016. These attitudes mainly refer to Muslim refugees from the Middle East and North Africa, not to Ukrainian refugees who have come to the Czech Republic in much larger numbers. The Czech public, driven by Czech elite opposition and growing anti-Islam rhetoric, is strongly opposed to any form of refugee resettlement quotas. In January 2017, President Milos Zeman became the only EU leader to openly welcome both the proposed wall on the U.S.-Mexican border and the U.S. ban on Muslim refugees.

Government

Since 1990, government incentives, which include tax breaks for new companies and cash contributions, proved very successful in attracting foreign investment, which has been further encouraged since Czechia joined the EU in 2004. The reasons for this are twofold,

according to David Marek who is Chief Economist at Deloitte in Prague. Firstly, jobs in assembly plants have been relatively easy to create because of their low wage rates and the incentives which the government have provided make Czechia an attractive place to establish global manufacturing facilities. The second reason is due to Czechia's membership of the EU with the Czech business cycle being closely related to the economic health of the EU – if Europe does well, Czechia does well.

However, Marek (2010) points out that this situation may be about to change. Shortage of low skilled labour means that wage rates can rise as employers need to compete for the scarce manpower resources. This is exacerbated by ageing population and non-renewal of these skills together with bureaucracy in government administration, which makes it difficult to hire foreign workers to fill these low skilled positions.

Productivity is low, which limit competitivity and paying increased wage cost is a difficult option. The country has an increasing demand for low cost, low skilled jobs, but the country is not developing the skills and knowledge to enable businesses to increase productivity by introducing more sophisticated processes. The reality is that the government needs to change the incentives and support that it provides by enabling the education establishments to provide workers with more modern and advanced technical skills. However, there is a risk that assembly line jobs will be substituted with advanced equipment and automation.

As is the case in other C.E.E. countries, corruption has continued to be a serious problem and the personal interests of politicians have interfered with transparency. In the period from 2015 to January 2017, tensions within the centre-right coalition government grew. Prime Minister Bohuslav Sobotka criticized the biased reporting of the MAFRA group

comprising two major newspapers and a popular radio station owned by Vice-Prime Minister Andrej Babiš. In January 2017, Sobotka's party, Czech Social Democratic Party (ČSSD), together with opposition party deputies adopted an amendment to the law on conflict of interest, also called Lex Babiš, to render media ownership incompatible with government positions and to exclude companies owned by members of government from participation in public procurement.

SUMMARY

SUMMARY - CZECHIA	
POSITIVE SIDE	**NEGATIVE SIDE**
Strong tourism sector encouraged by globalization	**Wages too low - shortage of skilled low wage workers**
Important automotive industry - enabled by the ability of investors	**Great hardships amongst low paid, unskilled workers inside Prague - and regions**
Education globalization enabled greater international and attracts	**Insufficient low-cost housing - with the greatest fear being losing home and children to social care.**
Czechia has one of the strongest manufacturing sectors in Europe relative to the size of its economy, but it suffers from low productivity. Globalization has increased demand.	**The Czechia has been slow to pursue advanced manufacturing technology. Globalization emphasises the need to remain competitive.**
Over the last two decades there has also been growing investment in Czechia from China. Globalization has provided China with an entry to European markets through Czechia.	**The regions of Czechia have been neglected in terms of investment and foreign investors have favoured production over manufacturing.**
	Burdensome admin for SMEs
	Corruption serious problem
	There is a low level of national pride amongst the Czechian population
	Despite surface appearance, for many the quality of life is not good. This is especially the case for low skilled workers who occupy manual and low-skilled employment. People often ask: "if the Czech economy is thriving, why are many so poor?" This emphasised by globalization providing greater demand whilst competitivity keeps wages low.
	Ageing population not replenished due to international mobility of the young.

REPUBLIC OF NORTH MACEDONIA

General Background

The Republic of North Macedonia (as the republic was renamed in 2019) is in South-eastern Europe in the Balkan Peninsula, and the country shares borders with Serbia, Greece, Kosovo, Albania, and Bulgaria. It has a population of just over two million. The border regions of much of the country are mountainous and the main river is the Vardar. It has one of the oldest lakes in the world, Lake Ohrid. The country became an independent democratic social state in 1992 under its previous, contested, name (The Former Yugoslav Republic of Macedonia).

Macedonia mainly escaped the inter-ethnic violence that occurred elsewhere in the Balkans following the breakup of Yugoslavia in the early 1990s (c.f. Serbia, Croatia and Bosnia and Herzegovina). However, the mixed ethnicity of the population with 25% being Albanian, has led to a constant state of friction in the country and the Albanian sector has been struggling for greater rights - especially representation in Parliament. After months of skirmishes amongst the population both the EU and NATO agreed to support the president of the time, Boris Trajkovski, which led to the Ohrid agreement under which the Albanian fighters laid down their arms in return for a promise of greater ethnic Albanian recognition and appropriate recognition in parliament . There has been a long struggle by the Social Democratic party under its Albanian leader Zoran Zaev who attempted to form a coalition representing

Macedonia's ethnic Albanians directly, but this was strongly resisted by the President who considers that it might lead to a threat to Macedonia's sovereignty.

A major issue that North Macedonia has had to face has been the question of the name which they have given to the republic, which has resulted in a long dispute with Greece because they view the name Macedonia as being a region in their country (Ivanovski, 2013). Because of this dispute, the European Union referred to the separate republic as the Former Yugoslav Republic of Macedonia. All parties concerned recognise that a compromise solution has to be found. (NB. Since the research was commenced a compromise name which is acceptable to all parties has been found. In June 2018, after 27 years of negotiations, the governments of Macedonia and Greece signed an agreement to resolve the so-called 'name dispute' over the use of the term 'Macedonia'. The agreement put an end to what had been a very long dispute and had limited the country’s progress (Koneska, 2019).

Besides manufacturing and trade, encouragement is being given for some services to be transferred to the private sector and the government has been taking measures to decentralize public services delivery, including social protection, health, education, and infrastructure with the aim of reducing some of the inequalities in service provision and inefficiencies present within the former centrally controlled system (Menon, 2006) .

The provision of social services including welfare, medical, leisure etc. are continuing, in the main, to be provided by the state. With a perimeter of about 900 kilometres it can be traversed from top to bottom and from eastern to western borders in no more than three hours each direction. Its present status owes a great deal to its membership of the previous Tito regime - when it worked as one of the regions of the Yugoslavia Socialist Republic

and could, as a consequence, draw on local export markets in both directions and market access within the, then, Yugoslav socialist union. However, since independence, it has suffered greatly. The legacy of Tito was very substantial and enjoyed by many. Macedonia now finds itself part of the same geographical area – but where its 'brothers' have greater power of access. This has many consequences for economic development related to Macedonia in the context of policy and strategic failure. In this respect, it is necessary to consider the major MNCs that have been established in the Republic.

Economy

The Government of Macedonia considers that the country has certain advantages that enable it to make the necessary reforms of transition much easier than other eastern European countries, but this is proving more difficult than had been expected. During the former Yugoslav Republic, there were differences between the social democratic political system of Macedonia and the communist political systems of Eastern European countries of the FSU and Macedonia therefore claims to have been ready to enter and achieve the transition process for much longer, as was the case with other early entrants to the EU. It had adopted many elements of a market economy where profit was a main interest even whilst private ownership was not formally achieved. Most of the arable land was already in private hands. Small factories, workshops, services, and restaurant facilities had been privately owned for many years. The profit motive for business operation had long been accepted and new legislation led to the growth of SMEs. Whilst these are, generally trading companies, private initiative manufacturing has also developed and there are many profit-oriented companies operating with their own production capacities. Kostoska (2015) looked at the case of Macedonia and particularly

at the ability of the country to show competitive advantage in its trade development. He determined that it is not possible for a country to increase its production and improve the welfare of its people if it continues to operate in the industries in which price is the only factor by which it can show competitive advantage. He tried to determine what qualities of competitiveness Macedonia could show.

Macedonia's transition process started at the end of 1994, although other countries in Eastern Europe had commenced the process several years earlier.

The political and economic situation in Macedonia today is the result of a series of factors during the last 25 years that had very large economic consequences. Firstly, the disintegration of the former Soviet Union had an associated effect on the former Social Democratic Republic of Yugoslavia. Secondly, from 1990 to the late 1990's, sanctions were imposed on Macedonia and other countries of the Former Yugoslav Republic by the UN, EU and USA related to the wars between the former Yugoslav states. These started to be lifted in October 2000 following the overthrow of Slobodan Milosevic. These sanctions had a major impact on the economy and society (specifically, Spring 1994 to autumn 1995) during which time Macedonia lost a great proportion of its traditional markets - with losses topping 3 billion US dollars (Garfield, 2007). Thirdly, the Greek embargo stemming from disputes over territory and the name of the country claimed by the republic. Thus, Macedonia suffered severe limitations with the dissolution of the Yugoslav market (i.e. the internal combined market with all the former component regions of Yugoslavia), the Greek embargo which blocked the main traffic artery toward Europe (along which 90% of Macedonia's exports were conducted). The result is that the sanctions, coupled with the blockade, increased the prices of the Macedonian product by

about 80% on average. During this period, almost all economic indicators show a downward trend. Through careful government policy, the situation was contained. In the year 2000 GDP was US$ billions 3.77.and by 2010 it had risen to 9.41 US$ billions. The annual inflation rate reduced from 94% in 1990 to just 2% in 2010. Exports in 1990, as a percentage of GDP were 25% which had risen to 40% in 2010. However, other aspects of development, including infrastructure and manufacture were slow (see Table 33). Real GDP in the first half of 2011 increased by 5.2%. This robust growth was mainly driven by 23.6% growth in the construction sector; 13.2% in mining, quarrying, and manufacturing; 12.4% in wholesale and retail trade; and 4.2% in transport and communication services. Industrial output in the first 8 months of 2011 was 7.5% higher than in the same period of 2010.

In Macedonia, monetary independence was declared in April 1992 and, since then, the National bank has managed to keep inflation stable. Macedonia has a relationship with the IMF and has concluded a number of arrangements with the institution. Macedonia also has a relationship with the World Bank, and during the period 1993 to 2001, credits were approved by the bank totalling more than 613 million US dollars. The main spheres of World Bank support for Macedonia are social protection and health, agriculture, infrastructure, and the power-supply/energy sector. In pursuit of the potential integration of the Republic of Macedonia into the European Union (which is a clear objective for its government and the ministries to achieve) Macedonia has signed the Stabilization Pact and the South-Eastern Europe Agreements. The government also signed bilateral stabilization and association agreements in April 2001 as part of the overall European negotiations and in this regard, Macedonia was the first country to do so in South-Eastern

Europe. Macedonia is a beneficiary under the European Union 'Phare and Cards programs' and IPA, the Instrument for Pre-Accession (Pickering, 2010; Loisi, 2014; Gligorov, 2009).

Production, Manufacturing, and Industry

The main industries of Macedonia are food processing, beverages, textiles, chemicals, iron, steel, cement, energy, pharmaceuticals, and automotive parts. Many of the problems which are normally associated with the economic development of ‘countries in transition' apply to Macedonia. One example is the tobacco and cigarette companies – supported by the government and supplying a large market for Macedonia but holding a controversial future for its products. Also, the telecommunications giant T-Mobile, has bought into the country and Johnson Controls has started a new venture. However, this is more likely to be very much to achieve the company's own strategic goals and will not relate to the strategic needs of the country. Exploring the current major international players and any FDI which has been applied, it is highly likely that the classical 'international division of labour' rationale and 'access to markets' theories of economic development are true of Macedonia. The research considered the situation of Macedonia and the aspects of local development to determine how globalization, was affecting domestic competitiveness, international comparative advantage, and the potential role of the government's public policy.

Investment and FDI

Unfortunately, government attempts at improving investment into the country continue to be frustrated, as potential investors are wary about the possibility of further political instability and social unrest. Some of the initiatives which had been previously discussed as potential projects, to increase technical investment into Macedonia have unfortunately been disappointing. A survey published in early 2017 showed that although the government had taken several initiatives, such as a major reduction in taxes and administrative red tape, foreign investment targets have not been achieved. Although some progress had been made it had not been at the levels initially forecast and although the major activities undertaken by MacInvest in 2006-7 had shown some increase in interest of potential investors considering Macedonia, confirmation of commitment had not occurred. The niche where Macedonia was proving most successful was in the smaller businesses (Ramadani, 2013). Larger EU countries such as Romania had shown success in hosting offshore programming contracts for large technical companies such as Microsoft. But the smaller scale investments, for example the UK insurance software development company 'S4i', had successfully established operations in Macedonia with a team of 25 software developers working in the newly established office in Skopje. Incentives for potential investors include generous subsidies and special economic zones with targeted support for greenfield projects.

One of the incentives for investors promoted by Macedonia emphasizes cheap labour-costs as a major selling point - with Macedonian wage levels averaging around €500 gross per month in 2017. However, as is the case for other countries, this is likely to be like the proverbial 'double edged sword' - being of great benefit to the employer, but the employee is very aware that in today's globalized marketplace, attractive

opportunities exist elsewhere in other countries at a much higher earnings level. The result is a loss of educated and skilled resources and post-experience retention problems for potential employers.

Deregulation initiatives and attractive taxation regimes achieved for Macedonia a ranking of 10th in the 2016 World Bank Annual Ease of Doing Business Report; but sceptical readers observe that the rating system was based on recording of formal regulatory changes that had been made by the country – and not on the actual experiences of companies in the real-world setting.

The government business officials know that the need is to broaden the base of its exports. However, textiles and automotive parts remain the country's main exports. Although there are large manufacturing investors such as Johnson Matthey (which is well established and employs a large workforce in the production of emission catalysers for the automotive manufacturers) new technical investment that has been achieved in Macedonia has been modest. The Bulgarian software company, Musala Soft, had enthusiastically predicted when production was established by the company in Macedonia, that they had a target of €20 million investment and around 300 jobs. However, by the end of 2016 they had only invested less than €150,000 and hired 88 people. Aleksandar Janev one of the authors of BIRN's report on investment commented on the country's performance in achieving foreign investment, in the Financial Times in 2016 "for years the government has been trying to show Macedonia as an investor's paradise but it's very easy for them to brag and announce millions of euros of potential investment projects but the reality is that achievement is much smaller".

As far as achieving investment is concerned, the challenge for the government is to restore confidence following the political crisis that prompted international mediation and unsettled potential investors.

Technology and Innovation

Macedonia's infant IT industry has shown some interesting developments in recent years on account of global initiatives and attempts to exploit opportunities that have been seen by some of the country's young people (Bitzenis, 2007). The election of the new president of USA, Donald Trump in 2016, has given rise to many international media stories and allegations of Fake News have been made. A small group of tech-savvy Macedonian teenagers created an extremely successful online Fake News business - and rumours soon spread that this was associated with Macedonians developing IT capability. The country's officials stress that the fake news phenomena has not been officially used as a marketing tool. However, the Agency for Foreign Investments and Export Promotion of the Republic of Macedonia (MacInvest) has indicated that they would like to attract investors who can offer such teenagers who are keen to develop their potential, legitimate opportunities to do so (Ramadani, 2013).

Export, Import

Macedonia exports only a few products and most of those have been hit hard by the downturn in its economy – metals and raw materials. Other exporting goods, such as textiles, are also having a hard time on the European and regional markets (Gligorov, 2009).

Gutierrez (2006) reviewed the export performance and external competitiveness of Macedonia in 2006 and found that structural factors in the country are impeding

competitiveness. The currency exchange rate was a problem which may fluctuate and improve, but this would only provide a short-term improvement. For the longer term, sustained changes are needed to enhance productivity, allocation of resources, quality of product and the business environment.

The country is a heavy importer of energy products. All crude oil and oil products are *imported* and constitute 12 percent of total *imports* making it the country's largest single *import* item. All the natural gas is *imported* and starting in 2000, North *Macedonia* has been *importing* electricity.

The trade balance in 2018 highlighted the problem of a high trade deficit. Lacking competitive goods and services for the global market, the country failed to reduce its trade deficit (Selimi, 2012). The causes of this situation are various. To correct this situation, a change in its economic structure is required and production of goods that are in greater demand in the global market and which are seen as satisfying its domestic market in order to be able to improve its balance of foreign trade (Selimi, 2019).

SMEs

In common with other small countries in CEE, the micro and small enterprises in Macedonia face problems gaining access to funding. The banks are not adequate providers of regular finance and alternative non-banking facilities are needed. Basic business skills within Macedonia are still inadequate despite support initiatives that have been applied in the country over the years. This limits competitiveness and productivity. Because of this, the SMEs have difficulty in growing and, as a consequence, new employment opportunities are limited. Although some IT business services are being provided by companies, the development of greater

capacity for upgrading ICT training and innovation skills are noticeably absent compared with some of the countries in the region e.g. Slovenia, Czechia, Lithuania.

Notwithstanding these limitations, the number of persons employed during the period 2008 to 2013 rose steadily and was above the European average for SMEs. However, 2014 saw a downturn in numbers. Value added by the SMEs fluctuated considerably over the period, which would have been influenced by productivity issues.

Government policies are being put in place to provide stimulation for SMEs – with the recognition that profit is the main incentive.

Business Environment

The business environment had been improving in recent years and is now accepted as a realistically attractive environment in which to do business. Whilst Macedonia has been endeavouring to join the EU and finding it so difficult to proceed, American companies have been investing substantially, mainly in the automotive industry and associated parts manufacture.

The government's initiative through its investment promotion organization, MacInvest - and their team of internationally located young national investment ambassadors – was showing good results and the year 2016 was forecast to be a good one (Petrevska, 2018). The siting of these investments - developing relatively

large, modern companies in eight regional centres - also helps with the government's strategy for regional development (Ristovska, 2017).

The automobile industry provided a development in the **Burnardzik** industrial zone in 2016. This would be built by the US company Delfi and create 500 new jobs. The manufacturing process would be using the latest technology to produce car models for installation in Europe. The first phase of the investment was budgeted at EUR15 million. A further development in the automobile industry would be carried out by Johnson Controls using an existing factory in **Strumica**. The initial phase would create 1500 new jobs and subsequently new plant would be built for a planned 3000 new jobs.

Another industrial zone in **Kicevo** would be the location for the American company HSS Systems (HSS) which were undertaking the construction of a new building and creating 1000 new jobs. Again, they are part of the automobile industry and will manufacture airbags, safety belts and electronic systems. 1000 new jobs will be created. The cost of the investment is EUR20 million.

The new factory for automobile parts under construction in **Prilep** by the American company, Gentherm was planned to be completed and manufacturing commenced in 2016 with a planned manpower establishment of 2000 new jobs.

German companies are also providing FDI including the commencement of new construction by the company Kostal in the industrial zone in **Struga-Ohrid**. The company will also produce electronic components for the automobile industry. The initial investment is already operating in the former factory used by EMO and the new investment is planned for EUR50 million and will initially employ a thousand

people. The German company ODV Electric is also building a new factory in the industrial zone in Struga-Ohrid at the cost of EUR15 million, which will employ 1000 people.

Another investment related to the automobile industry is to be made in **Tetovo** with the American corporation Lear, who will invest EUR15 million to produce components for the car seats for several major automobile companies. It will initially employ 800 people. But this is envisaged to expand to 3000.

The high technology focused zone (TIDZ) in **Stip** is the location of several new developments. The Italian company, Kondevo is constructing the factory to manufacture condensation boilers at a cost of EUR30 million, which will employ 280 people. Two domestic investors, High-Tech and the company TT Plus, together will create another 500 jobs.

So whilst these large investments by international companies have been welcomed and proved beneficial in the locations where they have established themselves, the small local enterprises have not enjoyed the investment that they need to enable the creation of innovative attractive quality goods products for the domestic and export markets.

Whilst the focus of Macedonia has for many been its comparative position in Europe and its struggles to join the EU, interest has been growing from bilateral relations with an increasing number of countries. Besides America and Germany, China has been showing increasing interest. However, as is always the case, the nature of foreign investment and the mutual benefit has to be considered and in some of these

initiatives, this may not be the case, leaving the country open to exploitation. Natural resources offer high potential interest.

Whilst Macedonia's traditional industries have relied on food processing beverage and tobacco, it has a significant metallurgical and textile industry, as well as chemicals and pharmaceuticals. Macedonia has a solid industrial base but if faces the challenge of reliance on labour intensive production and the lack of investment in advanced technologies (Vangeli, 2019).

Society

The country has suffered from many scandals, corruption, spending public money in non-productive ways, the phone tapping issue and there has also been dissatisfaction with the government about delays in joining EU and NATO, leading to civil unrest and these factors have been the source of constant conflict.

The long-standing ethnic tensions remain manifest amongst the population and the deterioration of the already unfavourable international view of the country is influencing the future of the state (Gurra, 2020).

The indication is that the general condition of the society is one of a slow decline - notably, the demographic discord within the population and ethno-national resentment is contributing to the weakening of social stability. Living conditions are unsustainable for many with the poverty level in 2018 being 22%. This may lead to new destabilization or be gradually diffused. (Trajkovski, 2013; Lyon, 2015).

Since the late 1990s, according to Eurostat, more than 10% of the country's population has migrated. Approaching 200,000 have been granted temporary status in the EU, mostly in Italy, Germany, Austria, and Slovenia. This has been encouraged by globalisation and the main reasons are poverty and high unemployment at almost 30%.

Government

One of the problems affecting the country is the conflict of political instability which leads to agendas by the governments of a very self-orientated nature – which is votes-focused. This means that there are long delays in the build-up before elections (Farimah, 2008) and after elections when very little activity happens. In addition, delegation of authority to the regions is frequently not good and although the local mayor and municipality officials may wish to show that they are contributing to the development of the area, there is often a dichotomy between what their needs are, on the one hand, compared with what the government plans for attracting FDI.

The government has pursued a policy of establishing good relationships with all countries and especially the objective of becoming a full member of the EU. They see this as being an important objective and believe that this would have a beneficial effect on the ethnic tensions in the area and reduce any potential conflicts.

In 2015, Macedonia lost its functioning government when a scandal broke out over exposure of wire-tapping activities that were being carried out. Macedonia's main opposition party obtained a large quantity of secretly recorded phone conversations. It alleged that the government had sought to tighten its control over the country by eavesdropping on the phone calls of more than 20,000 people. Public exposure of the tapes appeared to show direct involvement of high-ranking politicians and officials. This was an abuse of power and charges of electoral fraud, criminal damage and brutality were made. Many thousands of outraged citizens took to the streets to protest (Besimi, 2015).

In view of the country's status as a candidate for membership of the EU, the European Commission became involved to defuse the situation. A report by the European Commission concluded that the wiretaps had been conducted by the security services acting on orders from the Prime Minister at the time, Nicola Gruevski. It was decided that Nikolai Gruevski would step down; assistance would be given to hold free and fair elections and a new Prime Minister elected. It was also agreed by all parties to establish an independent special prosecutor's office which would investigate claims of the wiretapping. It is interesting to note that the pressure for this investigation has been spearheaded by a mixed ethnicity group of young female lawyers, referred to as 'Macedonia's Charlie's Angels' - and they are enjoying a high profile in the people's fight against corruption. A young medical student wearing a PR designed T-shirt with the initials C.J.O (the initials of the Special Prosecutor's Office in Macedonian) promoting the initiatives of this group, was reported as commenting that this was "the first real glimmer of hope that justice can happen in this country. The group's message is that the law is the law, and nobody can go above it and beyond it". The group represents a powerful symbol of unity in the country that is rife with ethnic tension.

In addition to these protests from the public, violence erupted in Parliament which was seen as threatening Macedonia's democracy. Eventually in May 2017 after written guarantees were given, the president Gjorge Ivanov consented to the formation of the coalition which had been demanded by Zoran Zaev and in June 2017 Zoran Zaev became Prime Minister which, people hope, promises to end the months of political deadlock in the country and that political stability can be established and a reduction in conflict with the Albanian ethnic migrants can be achieved.

Since the start of the transition process, the Republic of Macedonia made uneven progress in restructuring its political and economic system. For such countries as Macedonia there are major challenges which include the restructuring of industry, agriculture, and services in order to diversify and re-invigorate the economic base (Rondinelli, 1994). This needs the improvement of the infrastructure in the regions surrounding the cities – most of which are still dominated by heavy manufacturing industries (which are, in the main, obsolete).

(Policy of Republic of Macedonia Government in the early 21st Century)
(Reference: UNDP Development Program for Former Yugoslav Republic of Macedonia 2016)

The international community and private investors are increasingly aware of the momentum of reform that has built up in Macedonia. Activities of the government, underpinned by the Ministry of Economy (MoE), have included the following:

- The formal implementation of a strategy for undertaking the privatization process (public auction) through the Macedonian Stock Exchange.

- Transparency in the process of issuing licenses e.g. for import, export and re-export, which is required to be on a "first come, first served" principle - an important development in the attempt to reduce corruption.

- Initiation of a program for the development of SMEs, including a new implementation agency designed to stimulate start-ups and early growth companies.

- A National Program for Stimulating Investment by the Ministry of Economy

- 10 principles that constitute the Macedonian framework for investment promotion.

In their publicity, the Government of Macedonia claims to be committed to generating a modern, open and competitive economy - in line with the principles of (1) the Stabilization and Association Agreement (SAA), signed with the European Union and (2) the EU's framework of the Acquis Communautaire – as a pre-requisite for candidature for potential membership (UNDP).

In the mid-2000s, the government of Macedonia set about creating a National Sustainable Development Strategy. In order to ensure that as many stakeholders as possible were involved, a team was set up which included representatives from all the relevant ministries (including forestry, tourism, SMEs) universities and institutions and members of the private sector. With the aim of encouraging investment and growth - and especially the attraction of FDI - the government was at pains to emphasize that they are actively pursuing a carefully designed framework to ensure the provision of certain essential criteria. The framework included the principle that "national treatment" or "non-discrimination" is declared as being of paramount importance to the government of Macedonia. This means that the same rights and protections as are afforded to domestic firms, apply to international enterprises. The generation and achievement of a stable democratic and macroeconomic environment is top priority of the government - which recognizes that this is of utmost importance to all investors and the countries' citizens equally. Investment promotion activities, aimed at attracting investment which are based on a regional, European-wide, and global perspective were implemented. 'MacInvest' the State Investment institution, in the mid-2000s, were recruiting, training, and preparing

young Macedonian 'ambassadors' to travel to many countries to join the commercial departments of their embassies - tasked with promoting Macedonia as a potential opportunity for foreign investment. The recognition that the right to free transfers related to investment - and protection from arbitrary expropriation - was seen as a prerequisite for stimulating investment as potential investors considered this to be a primary determinant for participation. The government recognised that a predictable and transparent regulatory environment, free of administrative impediments, is essential in firms' investment assessments and location decisions and that provision of an impartial, effective and transparent judicial system and other state institutions, law enforcement and dispute resolution is essential to investors' safeguard. The government acknowledged the need to fight against corruption, bribery, and favouritism, which represent a corrosive influence on society and inhibit the conduct of business. They also recognised the need for creation of a tax environment that promotes and encourages investment which is capable of raising a fair share on host country profits, which is equitable from the perspective of both business and government Kala Dauti, 2019). The development of investment incentives consistent with the EU Stabilization and Association Agreement (SAA), as well as WTO and other international rules and regulations governing trade relations was also accepted.

SUMMARY

SUMMARY - REPUBLIC OF NORTH MACEDONIA	
POSITIVE SIDE	**NEGATIVE SIDE**
Independent democratic social state since 1992	**Macedonia's transition process started at the end of 1994. From 1990 to the late 1990's, sanctions were imposed on Macedonia and other countries of the Former Yugoslav Republic by the UN, EU and USA related to the wars between the former Yugoslav states.**
The country mainly escaped the inter-ethnic violence that occurred elsewhere in the Balkans	**The indication is that the general condition of the society is one of a slow decline - notably, the demographic discord within the population and ethno-national resentment is contributing to the weakening of social stability. Living conditions are unsustainable for many with the poverty level in 2018 being 22%.**
One of the incentives for investors promoted by Macedonia emphasizes cheap labour-costs as a major selling point - with Macedonian wage levels averaging around €500 gross per month in 2017.	**Macedonia exports only a few products and most of those have been hit hard by the downturn in its economy – metals and raw materials. Other exporting goods, such as textiles, are also having a hard time on the European and regional markets due to quality and lack of competitiveness.**
In their publicity, the Government of Macedonia claims to be committed to generating a modern, open and competitive economy - in line with the principles of (1) the Stabilization and Association Agreement (SAA), signed with the European Union and (2) the EU's framework of the Acquis Communautaire – as a pre-requisite for candidature for potential membership (UNDP)	**The Government of Macedonia is finding implementation of reforms more difficult than it had hoped due to the country's internal instability and frustration with ability to gain membership of the EU.**
The government acknowledged the need to fight against corruption, bribery and favouritism, which represent a corrosive influence on society and inhibit the conduct of business.	**In common with other small countries in CEE, the micro and small enterprises in Macedonia face problems gaining access to funding.**
The government recognised that a predictable and transparent regulatory environment, free of administrative impediments, is essential in firms' investment assessments and location decisions and that provision of an impartial, effective and transparent judicial system and other state institutions, law enforcement and dispute resolution is essential to investors' safeguard	**Corruption - wire tapping. In 2015, North Macedonia lost its functioning government when a scandal broke out over exposure of wire-tapping activities.**
In the mid-2000s, the government of Macedonia set about creating a National Sustainable Development Strategy	**Unfortunately, government attempts at improving investment into the country continue to be frustrated, as potential investors are wary about the possibility of further political instability and social unrest.**
The government has pursued a policy of establishing good relationships with all countries and especially the objective of becoming a full member of the EU.	**Early 2017 showed that although the government had taken several initiatives, such as a major reduction in taxes and administrative red tape, foreign investment targets have not been achieved.**
Macedonia's infant IT industry has shown some interesting developments in recent years on account of global initiatives and attempts to exploit opportunities that have been seen by some of the country's young people.	**The trade balance in 2018 highlighted the problem of a high trade deficit. The causes of this situation are various.**
In Macedonia, monetary independence was declared in April 1992 and, since then, the National bank has managed to keep inflation stable. Macedonia has a relationship with the IMF. Macedonia also has a relationship with the World Bank, and during the period 1993 to 2001, credits were approved by the bank totalling more than 613 million US dollars.	**In today's globalized world, attractive employment opportunities exist elsewhere in other countries at a much higher earnings level. The result is a loss of educated and skilled resources and post-experience retention problems for potential employers.**
	Mixed ethnicity of the population with 25% being Albanian, has led to a constant state of friction in the country.
	A major issue that North Macedonia has had to face has been the question of the name.
	The Greek embargo stemming from disputes over territory and the name of the country claimed by the republic has been a major distraction and has limited economic development.

Table 33 NORTH MACEDONIA Country Statistical Profile

	1990	2000	2010	2018
World view				
Population, total (millions)	2	2.03	2.07	2.08
Population growth (annual %)	0	0.5	0.1	0
Surface area (sq. km) (thousands)	25.7	25.7	25.7	25.7
Population density (people per sq. km of land area)	78.5	80	82.1	82.6
Poverty headcount ratio at national poverty lines (% of pop)	..	..	27	22.2
Poverty headcount ratio at $1.90 a day (2011 PPP) (% of pop)	..	..	10.4	5.2
GNI per capita, Atlas method (current US$)	1,750	1,910	4,700	5,450
GNI, PPP (current international $) (billions)	10.91	12.24	23.02	32.64
GNI per capita, PPP (current international $)	5,460	6,010	11,120	15,670
People				
Income share held by lowest 20%	..	..	3.7	5.6
Life expectancy at birth, total (years)	71	73	75	76
Fertility rate, total (births per woman)	2.2	1.7	1.5	1.5
Births attended by skilled health staff (% of total)	89	98	100	100
Mortality rate, under-5 (per 1,000 live births)	37	16	10	10
Immunization, measles (% of children ages 12-23 months)	98	97	98	83
Primary completion rate, total (% of relevant age group)	95	96	92	91
School enrollment, primary (% gross)	95.3	96.8	87.4	93.9
School enrollment, secondary (% gross)	75	81	82	82
School enrollment, primary and secondary (gross), gender parity index (GPI)	1	1	1	1
Environment				
Forest area (sq. km) (thousands)	9.1	9.6	10	10
Terrestrial and marine protected areas (% of total territorial area)	..	..	..	9.7
Annual freshwater withdrawals, total (% of internal resources)	..	11.7	10.2	..
Urban population growth (annual %)	0.7	0.2	0	0.4
Energy use (kg of oil equivalent per capita)	1,241	1,311	1,391	..
CO2 emissions (metric tons per capita)	5.42	5.93	4.15	..
Electric power consumption (kWh per capita)	2,668	2,896	3,574	..
Economy				
GDP (current US$) (billions)	4.7	3.77	9.41	12.67
GDP growth (annual %)	-6.2	4.5	3.4	2.7
Inflation, GDP deflator (annual %)	93.9	8.2	2	4.3
Agriculture, forestry, and fishing, value added (% of GDP)	7	10	10	7
Industry (including construction), value added (% of GDP)	37	21	21	24
Exports of goods and services (% of GDP)	25	33	40	60
Imports of goods and services (% of GDP)	34	47	58	73
Gross capital formation (% of GDP)	18	22	24	33
Revenue, excluding grants (% of GDP)	..	..	28.9	26.5
Net lending (+) / net borrowing (-) (% of GDP)	..	..	-2.5	-2.8
States and markets				
Time required to start a business (days)	..	60	16	15
Domestic credit provided by financial sector (% of GDP)	141.2	13.7	47.8	50.4
Tax revenue (% of GDP)	..	..	16.9	17.2
Military expenditure (% of GDP)	..	1.9	1.4	1
Mobile cellular subscriptions (per 100 people)	0	5.7	104	98.5
Individuals using the Internet (% of population)	0	2.5	51.9	79.2
High-technology exports (% of manufactured exports)	..	..	4	4
Global links				
Merchandise trade (% of GDP)	99	91	94	126
Net barter terms of trade index (2000 = 100)	..	100	93	95
External debt stocks, total (DOD, current US$) (millions)	0	1,480	5,159	8,744
Total debt service (% of exports of goods, services and primary income)	..	11.8	16.4	16.6
Net migration (thousands)	-100	-15	-9	-5
Personal remittances, received (current US$) (millions)	..	81	388	344
Foreign direct investment, net inflows (BoP, current US$) (millions)	..	218	301	675
Net official development assistance received (current US$) (millions)	3.3	250.9	194.3	150

Source: World Development Indicators database

REPUBLIC OF MOLDOVA

General Background

The Republic of Moldova, formerly known as Moldavia, is a landlocked country, bordered by Romania to the west and Ukraine to the north, east, and south. The capital city is Chisinau. Moldova declared independence on 27 August 1991, as part of the dissolution of the Soviet Union. A controversial region is created by a strip of Moldovan territory on the east bank of the river Dniester, previously part of Ukraine (while the main part of the country formed part of Romania in 1918-39) which has been under the de facto control of the breakaway government of Transdnistria since 1990. Support for the breakaway region comes from the Russian Federation, which serves as Transdniestria's protector. Sanchez evaluates how a Russia-backed separatist region in Moldova, accused of human rights violations and weapons trafficking, fits into the wider discussion of European geo-security and NATO/West-Russian relations for the immediate future (Sanchez, 2009).

Moldova is a parliamentary republic with a president as head of state and a prime minister as head of government. The current Constitution of Moldova was adopted in 1994. It is a member state of the United Nations, the Council of Europe, the World Trade Organization (WTO), the Organization for Security and Cooperation in Europe (OSCE), the GUAM Organization for Democracy (see Table 28) and Economic Development, the Commonwealth of Independent States (CIS) and the Organization of the Black Sea Economic Cooperation (BSEC) and the country aspires to join the European Union – being granted Association Agreement status in 2014.

TABLE 34 DEMOCRACY & DEVELOPMENT - MOLDOVA (Trend over 20 year period) 1997-2016			
KEY:: 7-POINT SCALE WHERE 1-= GOOD, 7= VERY POOR	CHANGE	DIRECTION	REASON
Civil Society rating	3.75 TO 3.25	IMPROVED	Civil society organizations (CSOs) continued to play an important role in the public life of Moldova in 2015. The number of CSOs is growing, with 10,074 at last count, but the number of organizations functioning properly is much smaller and only 24 percent of the population expressed trust in civil society in Moldova.
National Democratic Governance rating	5.50 to 5.75	DECLINED	Due to political infighting and unremitting political turmoil resulting in constant government instability
Electoral Process rating	3.75.to 4.00	DECLINED	Improved elections, diverse choice. The declared pro-European incumbent parties won the most seats and mayoralties in the elections, although Euroskeptic center-left parties also secured significant support.
Independent Media rating	5.25 to 5.00	IMPROVED	Steady for several years but very strongly controlled by the oligarchs and politicians with extensive delays made to appointment of supervisaty board and 'excuses' made for the non-suitability of potentially independent nominations.
Local Democratic Governance rating	5.75 to 5.50	IMPROVED	due to the implementation of a law on public finances that significantly reduced the ability of national authorities to pressure local authorities.
Judicial Framework and Independence rating	4.50 to 4.75	DECLINED	Moldova has adopted a largely adequate legal framework, but implementation is still lacking. lack of transparency in the appointment of judges, poor selection and structure. Situation unlikely to improve due to disinterest of politicians.
Corruption rating	5.75 to 6.00	DECLINED	Continues to be relatively high at both political and population levels. Due to the state's inability to investigate and take action against the theft of $1 billion from the banking sector and other
			As a result, Moldova's Democracy Score declined from 4.86 to 4.89.
SOURCE: Freedomhouse.org			

Many people from Moldova have travelled abroad to find employment over the last 20 years, with an estimated third of the economically active population working abroad. Most of these people send money back home to Moldova as remittances. It is interesting to consider what happens to these remittances. In many cases they are used by family members to reduce what would otherwise be part of the poverty statistics. In some cases, it may be used to build or invest in property. If the business environment improved, more FDI could be attracted which would also facilitate the allocation into productive use of larger portions of migrants' remittances, which today are predominantly used to finance household consumption and residential construction

(Cuc, 2006) Newland(2004) analyses the impact that remittances from the diaspora are having on the reduction of poverty and identifies some of the ways in which policy interventions, especially by some of the donors who specify technical assistance projects – are having, and he reflects on how globalization relates to this. However, how remittances are actually used is difficult to identify and this limits how effective donor funded projects can be designed by such organizations as the UK's DFID (Newland, 2004). It interesting to note that Moldova is listed within the top 15 countries with the highest total remittances received from diaspora as a percentage of the GDP in 2001 at, 15.1% of GDP, has the second highest remittance level (behind Bosnia at 18%) of the CEE countries (Cuc, 2006;Luecke, 2009).

In many cases Moldova's temporary migrants are only casual seasonal workers abroad, such as fruit and vegetable pickers, so their visa permissions will be limited, and they should return home after the seasonal work ends. In most cases they will return. (Görlich, 2008) suggests that the decision to work abroad is purely financially driven and is regardless of marital status and family. This gives rise to high social and emotional costs of emigration as well as implications for the welfare of the elderly population left behind (Waidler, 2017. Gorlich, referring to existing networks of seasonal migrants does not find evidence of a relationship between seasonal absence and permanent migration choice. Others may gain more permanent work or even career jobs. They may also, eventually, return home to their country of origin and use their wealth to establish a higher quality of life than they would otherwise have had. However, in some cases they will not return to their country of origin and if they have grown a family whilst they have been overseas the family members are almost certainly

unlikely to return to the country where their parents were born. Moldova is a particularly interesting case because the country's future prosperity, for many, is difficult to envisage. Additionally, many of the population that migrated to Europe are of Romanian ancestry and as Romania is now a full member of the EU, they are likely to be able to show Romanian passports. These people are particularly likely to become fully established in the new country where they will be able to grow and prosper (Marcu, 2013). This is further facilitated by the existing successful emigres who are most likely to help future migrants from their birth-country - all of whom are likely never to return. Over the course of time parents and family members that remain in Moldova will die off and the population will not be renewed (Mosneaga, 2007). As a consequence, the properties that have been built and maintained by the diaspora will be left empty and will eventually deteriorate through lack of maintenance - thus, detracting from the impact of remittances from diaspora on poverty reduction.

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Economy

There has been a decrease in industrial and agricultural output following the break-up of the Soviet Union. Over the period, Moldova's economy has gone through significant structural changes. The main drivers of growth have been retail, and wholesale trade and other services, including the financial sector. The migrant's remittances have become one of major sources of funds.

Agriculture still remains a fundamentally important part of Moldova's economy and is in critical need of investment (Millns, 2013). At the end of 2015 external financial assistance for the Republic was suspended as a result of the lack of reforms that the country had succeeded in making and corruption. This was a devastating blow for the

economy of the country. In addition, the Russian Federation placed an embargo on Moldovan food products. Investment in agriculture is essential to replace and modernize agricultural equipment in its enterprises (Certan, 2012). To compensate for this, the service sector has grown to dominate Moldova's economy and in 2016 accounted for more than 60% of the nation's GDP (Moroz, 2015). Despite this, Moldova remains the poorest country in Europe. A major blow to the economy and the reputation of the country occurred in 2014 when a massive bank heist was carried out. Moldova found it difficult to recover financially from this event which saw $1 billion dollars (15% of the country's GDP) disappear from the country's three banks (Knott, 2016).

Production, Manufacturing, and Industry

The traditional manufacturing and production sectors are agriculture (especially food production) textile materials, vegetal products, machinery, and appliances and alcoholic drinks (especially wine production), metal extraction and derivatives. Moldova responded to the EU initiatives in 2010, described as the 'Deep and Comprehensive Free Trade Area', and with support from the EU has been able to boost exports to the single market, especially with the wine industry, which derived benefit from the free trade regime and the elimination of quotas from the beginning of 2014. However, the country is aware that the attraction of improving trade with the EU needs to be balanced with its historic local trading partners (Sandu, 2014).

With regard to Moldova's traditional textile industry, the ability to manufacture textiles to their own fashionable designs and to an acceptable globally competitive level remains elusive. The clothing factories have benefited from globalization, as they are able to offer

low-cost outward processing to international retail firms based on CMT (cut, make up and trim) production, which is also known by its German name of 'Lohn Arbeit'. The Textile/Apparel cluster employs over 21,000 workers and it has become one of the leading export sectors in Moldova. (Gribincea, 2014). The Moldovan government is committed to the development of this key industrial sector which they believe possesses largely untapped export potential. For this purpose, Moldova's proximity to the EU is seen as being a strategic advantage and facilitates competition with alternative CMT contractors. The group includes all types of knitted and woven apparel, lingerie, nightwear, and protective clothing. More than 250 enterprises are active in the sector. Many companies are working for famous European brands across the countries of Italy, Germany, Romania, and the UK (Gribincea, 2014). The present situation may not continue, as the CMT offers from other countries gain a competitive edge. Unfortunately, this kind of export orientated production is likely to be short lived as the customer organizations have little if any loyalty and only offer short term contracts so that their buying arrangements can easily be transferred to other competitive producers. Moldova now sees the Russian Federation as an increasing developing consumer market, as Russian demand is increasing every year. The cultural and historical background is considered to give Moldova an edge in enabling them to exploit the market share. The country recognizes the need to develop new markets and increase the range of products which they can handle as well as strengthening their skills to enable them to operate internationally, providing production capacity is improved.

The other traditional industry which remains active is the wine industry, with most of its production exported to Russia and previous Communist bloc countries. Exports to Russia

have been dogged by several import bans imposed by the Russian government, which has been very disruptive to the wine industry (Tsereteli, 2014). The quality of wine limits attractiveness for international markets and major investment is needed to develop new and more efficient technologies. The abundance of high-quality competitive wines from the international wine producers presents a challenge to expand the export markets for Moldovan wine. However, there needs to be development in viticulture to compete with global competitors.

Investment and FDI

The investment climate in the Republic of Moldova remains unattractive even though some progress has been made in recent years. In the World Bank's report "Doing Business 2015 - Beyond Efficiency", the Republic of Moldova is rated 63rd, out of 189 countries - which is an improvement of 19 places on the previous year. This is being achieved through administration amendments - including making it easier for business start-ups by cancelling the minimum capital required and the implementation of an electronic system for completing the administration and for paying social security contributions. A negative factor has been the reduction of the minimum wage used to calculate 'environmental tax' contributions, resulting in more people on low incomes having to pay tax.

When carrying out investment promotion activities Moldova emphasizes its central position between Western Europe and Eastern Europe. The fertile soils which it has (80% of the territory is rich in black, fertile soils) and the willingness of the skilled labour force which is available at much lower wage rates than in many other European

countries is a competitive selling point. These factors, however, are not a major influence when foreign investors are considering where foreign investments are to be made. A very large consideration - and probably the most important - is the ease of doing business, which is strongly related to the business environment.

It is difficult to find ways in which globalization has had a positive effect on the sustainable development of Moldova. Moldova suffers economically from the condition of the Russian economy and this is a major problem for Moldova. Besides the many other disadvantages which affect the country, Moldova has badly suffered from drought in recent years and this has particularly affected agriculture on which approximately 50% of the population depends for an income. The business environment remains extremely poor. In 2016 a large-scale bank fraud (Pilkington, 2015) caused substantial problems (resulting in Veaceslav Platon, a former Member of Parliament of Moldova, being extradited to Chisinau from Ukraine) and the long-term problem of political uncertainty emphasises investment risk. Moldova is sandwiched between Romania and Russia and ever since independence, there has been a long running dispute with the ethnic Russians of the province of Moldova, which is known as Transdniestria, which borders Ukraine and is made up of over 50% ethnic Russians. Its economy depends heavily on smuggling and contraband and many of the population have a substantial criminal record. For international visitors, it is usually regarded as an area to be avoided.

The need for funding of the Agricultural sector is particularly prominent with an awareness of the need for efficiency and improved quality to achieve competitive exports. Some consolidation of land has occurred, and heavy investments have been made by landowners in input-materials (quality of seeds, fertilizers, animal varieties

and breeds). These have to be purchased at world prices and thus exacerbate the need for funding. The management of the limited funding options available, however, remains inefficient - which poses constraints for the farmers. Since the EU announced the Association Agreement with Moldova, Russia has been operating import restrictions on agricultural produce.

When the Moldovan banks suffered in 2015 with three of the banks falling victim to the very large fraud involving the disappearance of over US$1 billion, there was even further reluctance to invest. Furthermore, conflicts in neighbouring Ukraine raise tensions in Moldova, as the belief is that Russia clearly sees Moldova as being part of its sphere of influence. Hence, the unstable political situation is not improving and only serves to maintain the reluctance that the population and investors have, to commit their funds to the development of the country. For many years Moldova has relied on donor funds from the EU and USAID and bilateral agreements with other countries and the EU in 2017 is debating what their attitude and decisions will be regarding future funding for Moldova.

In research carried out by Andarov and Havlik in 2016 in cooperation with Bertelsmann Stiftung, concern is shown as being expressed about the practical arrangements associated with the DCFTA (Deep and Comprehensive Free Trade Area) proposed by the EU for Moldova, Georgia and Ukraine. Concerns relate to the costs and benefits that will apply (Adarov and Havlik, 2016) to the countries and calls are being made to the EU to give further thought to the terms of the agreement if it is to achieve realistic support by the countries concerned, as the benefits are only achieved in the long-run and the early-stage costs are high - especially in the regions of the countries - and to

social costs. Thus, the political and social impact of globalization is not encouraging the development of Moldova and the country is viewed with little enthusiasm either internally or externally.

It is interesting to see the difference in wages between the various countries in the region and the Moldova Investment and Export Promotion Organization (MIEPO) provides good resources and comparative information. The report by Crudu and Pilkington (2016) gives a detailed summary.

Moldova's international marketing investment organization (MIEPO) promotes the country on the basis of its low-cost wages, low taxation and low payroll costs. It also highlights the country's location as being well positioned between customers from the EU and customers from the CIS and the very good facilities of the seven free enterprise zones (FEZ) and eight industrial parks (IPs) and strong support and incentives offered to companies which establish themselves in these areas. MIEPO works hard to form relationships with companies wishing to establish businesses in Moldova and provides business services to help them and facilitate their export activities. Success stories in recent years are illustrated by quotations from key executives which include such companies as:

LEAR – *"Ungheni and its free economic zone, where Lear Moldova has been operating since 2010, confirmed itself as a well performing and competitive plant. The geographical position (30 km from EU border), the proximity to the European customer base and suppliers, as well as the dedicated labour force are the right ingredients for a success story." (Sven DAMM, VP of Trim Operations for Europe & Africa).*

GEBAUER & GRILLER - *"The international growth of G&G requires a good choice of regions for our plants. We look for availability of motivated staff, safety, and good cooperation with authorities. All of these factors made Moldova a strong match. We are very satisfied with the conditions in Balti and are happy to increase our foot print soon." (Nikolaus Griller Managing Director, Sales, and Innovation Management).*

FUJIKURA AUTOMOTIVE` - *"Moldova has a competitive country profile, providing good opportunities for business development. These are multiplied by the willingness of Authorities and such Institutions as MIEPO and GIZ of collaboration with the foreign investors, in order to contribute to the economy growth. This makes a solid foundation for a long-term partnership between the Foreign Investor and the Country Society." (Angela Ploughing, Business Expansion Director, Fujikura Automotive Europe & Administrator of Fujikura Automotive MLD).*

Moldova, at present, relies on being a member of the CIS and other international organizations (Moldova is a member state of the United Nations, Council of Europe, WTO, OSCE, GUAM, CIS, BSEC). Some of the population have maintained a strong affinity for Russia and maintain the Russian language and culture. Whilst Romanian is the predominant administrative language, the pro-Russian part of the population wants to strengthen the country's relationship with Russia. Most of the population of Moldova are Romanian oriented but a significant number of Russian orientated people are integrated into the main population, especially in the capital city of Chisinau. The main concentration of Russian origin people however is in the breakaway and autonomous region of Transdnistria. Some of the population of Moldova are not satisfied with the benefits which the country receives as an independent state with only limited benefit

from Russia and aspire to be a member of the European Union – which, for political and security motives, is happy to encourage this, providing the common standards of other member countries can be approached. Moldova has implemented the first three-year Action Plan within the framework of the European Neighbourhood Policy (ENP). Traditionally Moldova's GDP has been based on agriculture and associated industrial products (the fertile soil supports extensive well-developed vineyards, wheat, corn, barley, tobacco, sugar beet, and soybeans). However, since the collapse of the Soviet Union, and the need to trade on competitive international markets, domestic agricultural and associated industrial products have struggled to compete with international supplies as neither production nor industrial processes have been sufficiently upgraded and product demand has fallen – with the main economic indicators contracting dramatically. In efforts to compensate for the impact of the drastic decline in demand and the decrease in industry and agriculture activity, attention has been re-focused on service businesses. Thus, the relative weight of the service sector in the economy has grown and now dominates the GDP (now about 75%).

Technology and Innovation

In recent years Moldova, has prioritized the need to enter new product and market segments and the country has developed expertise in the information, communications, and technology industry (ICT). The number of economic enterprises is growing with the promotion of ICT services - including mobile communications, internet provision and data services - and the expertise of Moldovan technicians/engineers is increasing. The Education Institute is providing technical education in this field and there is a growing supply of competent workers. Software development has the biggest export-oriented potential in the ICT sector

and approximately 70% of the output from software companies is exported. Collaboration arrangements have been established between Moldova software and countries, Romania, Ukraine, Germany, UK, Russia, USA. This sector is providing much-needed production and export results and is providing a significant contribution to GDP.

The government recognizes the potential of the ICT sector and has declared its commitment through its national strategy on building an information society (Dragomirescu, 2012). IT specialists in Moldova are bilingual, well-educated, and qualified. They usually speak fluent English and in addition one other European language. The salaries in the IT sector in Moldova are higher than other sectors but they are still very competitive internationally and much lower than other European countries. The communications industry in Moldova has become an attractive career option compared with other opportunities and contributes 10% of GDP.

At the present time, there are approximately 5000 IT specialists in Moldova and around 1500 graduate from the country's three universities each year. Expansion is limited by shortages in consultancy and training services to develop the potential IT talent. There are only two companies offering certified training for Microsoft and Cisco systems and international companies and investors are still reluctant to invest in the country due to the continuing poor business environment. The problem that the country faces, however, is that these IT specialists recognize the opportunities that exist internationally, where they can command much higher salaries than they can at home and, providing their personal circumstances allow, with the opportunity to travel and gain international experience and quality of life, they find working

abroad hard to resist. The challenge for the government is therefore not only how to produce such capability, but also how to maintain the (Alic, 2016).

The sub-sector of microelectronics is not new to Moldova as it was important and well developed during the Soviet era, being a key location for microelectronics production (Smith, 2002). However, most facilities went out of business when the FSU collapsed. During the Soviet period, the microelectronics industry in the former Soviet Union was necessary for political and military objectives of the Communist Party and investment in the industry was prioritised to meet the security needs of the Cold War. Over the subsequent years, the electronics industry in Moldova and other F.S.U. countries has slowly been re-created to meet the demands of globalization with potential for innovation in the microelectronics sector for modern competitive products.

Moldovan communications and IT companies, especially software companies, are now doing well on the international market because of the competitivity that they offer in terms of costs. They provide services both locally and to international clients and mainly offer development outsourcing rather than develop their own products. The EBRD is strengthening competition in the telecommunications market by providing a combined equity and loan finance to the private cable TV and internet operator, Sun Communications Ltd - which had been operating in Moldova for many years having been established early in the 1990s. It will undertake a major upgrade program of the cable TV networks in Moldova.

Through the telecommunications and IT sector, Moldova has found an area that it can exploit internationally, especially in Europe - and this offers a potentially

encouraging opportunity for the country. Many issues remain, however, if sustainable development is to be secured.

Export, Import

For many years, Moldova has been making some progress in the administration and compliance with export regulations and EU standards with regard to non-tariff barriers, quality standards and accreditation being recognized by EU (Sandu, 2014). The country has implemented some elements of the Acquis Communautaire but reference to them is still largely being described as 'priorities', rather than action that has been taken and results achieved.

Imports have grown substantially from just over from just over 1 billion in 2002 2 nearly four and a half million in 2015 whilst exports although improved, have not matched the growth leading to a trade deficit amounted to around 3.05 billion U.S. dollars.in 2018. (see table 22). One of the reasons for this is ironically as a result of the high level of remittances which enables family members in Moldova more purchasing power and to purchase preferred brands of international products. Also, this is likely to be facilitated by access on the internet.

SMEs

In 2016 there were around 52,000 existing SMEs in Moldova - although they were not necessarily all formally registered and there was a reluctance to do so - and these represent over 95% of all enterprises of all sizes. They account for 56% of employment and 33% of revenues for the economy as a whole (Grinciuc, 2015). During the period 2010 - 2014 there was an increase of 13% in value added by SMEs in Moldova. However, SMEs did not register any employment growth during this period and SME employment actually fell by 5%, remaining at its 2010 level. In

2015, the number of newly registered businesses fell to 5985, which was a decrease by 278 on the previous year. Notably, in the same year the number of de-registrations increased significantly to a total of 3905 - compared to 2770 the previous year. Hence, the number of registered SMEs in Moldova had actually declined. This is not an encouraging sign - although the overall real GDP grew over the period and forecasters predict that this is expected to continue (Taranenco, 2013).

The government has continued to make attempts to implement the SBA, but progress has been only moderate and only on three of its principles: i.e. there has been a little progress on the "second chance" but a gap still remains to support honest entrepreneurs, who had simply failed in their businesses, and there is a lack of sufficient support to coach the population's attitude and improve the culture within the country to limit the stigma of failure. Also, the country falls short on internationalization and only barely reaches the average for the EU on environmental issues. There has not been any specific strategy for implementation of the SBA or action by the government - although the government's strategy for development of SMEs for 2012 - 2020 does demonstrate commitment to strengthening SME development and growth along the lines of the SBA principles. The amount of information required by government bodies has made little progress in terms of simplification and repeat information frequently needs to be supplied to several different bodies. There remains the absence of a one-stop-shop structure which could simplify this - which is very disappointing as efforts have been made to encourage this since the early 2000's. Technical assistance projects in the country at that time were written to include development of one-stop-shops (e.g. USAID).

Public procurement procedures remain complicated and access to finance remains difficult for SMEs. Again, this problem has been recognized and substantial efforts made to correct it for many years by the donor agencies through SME development projects. A new SME strategy was put in place by the government in 2012, which aims to support the SMEs by reducing and simplifying administrative procedures. It also provides for the lowering of taxes, development of e-government services, provision of training and consultancy services to SMEs and the creation of clusters of companies and innovation hubs.

There is currently a lack of umbrella organizations that support SMEs on behalf of international organizations. This is perhaps surprising - but more realistically, concerning - as all these issues were a focus of attention for various donor-funded projects during the early 2000's. In comparison to other transitional countries in the region, progress remains extremely slow and radical reform remains elusive.

Over the 25 years from the mid-1990s many technical assistance projects and considerable amounts of money have been allocated to the country to help improve the business climate. The EU funded over Euros three million to the Ministry of Economy in 2002 for a project focused on the development of SMEs, on which the author was involved. The project developed business centres in three regions of Moldova, which were chosen as Sorocca, Causeni and the autonomous region of Gagauzia. A key focus of the project was to build capacity amongst local business consultants and support SME focused activities within the ministry itself. Other projects, especially USAID-funded, also focused on developing capacity for the provision and delivery of business services.

Business Environment

Of major importance to businesses are the administrative procedures, the degree of corruption, rule of law, property ownership, legislative procedures, tax regimes, movement and security of money, infrastructure, availability of resources and people as a starting point before any of the "attractions" can be justified. To many potential investors the business environment in Moldova (Litvin, 2016) - despite improvements that have been made - remains a prohibitive disincentive.

There is large-scale corruption in the banking sector and there was a massive raid on the banks which was linked to corruption and this is currently being investigated by Interpol and the USA. Links to Russia are being claimed. In recent years, the government of Moldova has taken several steps towards fighting corruption, including strengthening law-enforcement and institutional operations. However, the Transparency International index of corruption shows Moldova remaining at a very low position and has lost 20 positions over the last years (see Table 28 in Chapter 11).

Some improvement has certainly been seen over the last 10 years. This is indicated by the World Bank "Ease of Doing Business 2015" report which shows that Moldova has improved its position from 78th to 52nd. Also, the country has moved up five places in the Global Competitiveness Report 2015-16, where it now ranks in 84th place out of a total of 140 countries. It is, however, difficult to see what resources – especially human – can be applied to bring the country in line with its peers to make the business environment competitively attractive for investors and cope positively with the influence of globalization.

Society

Moldova suffers greatly from migration outwards – but, not inwards. The comment often heard from people in the country is that anyone who wants more than a simple life or who are not prepared to live by the standards of corruption will arrange to get out of the country if they have the means or contacts to do so (Morozan, 2019). This presents an enormous problem for people and organisations who are involved in improving the situation – be it institutions, politicians, or individuals.

Although the level of poverty has improved in recent years it still remains one of the poorest countries in Europe and 55% of the population was recorded as being "poor" in 2012. There is a situation of tension over the allegiance of Moldova between Russia and the West, with Moscow wanting to bring the country firmly within reach - while the EU and the USA are resisting this by encouraging Moldova to move in the opposite direction (Knott, 2016). A trade agreement was signed with the EU in November 2013 and in April 2014 the EU signed a treaty with Moldova, together with Georgia and Ukraine, referred to as the 'Association Agreement' that creates a framework for cooperation.

Many of the people of Moldova can take little encouragement from any improvements which they may see in the country. The government is still unstable, corruption – at all possible levels – is remaining a way of life and any way of changing the quality of their life requires disposable income - which is in very short supply. Globalization has enabled a large proportion of the population to have insight into the way other countries and their populations live. Even if they are prepared to contribute to the way that their country operates and endeavour to make

change for the better happen, they can see little point in doing so. For many, the ceiling for improvement is very low. Many believe that their energies are best applied to promoting their own ambitions by using their attributes and skills in any way possible - and this fuels corruption.

With much of the population migrating - especially after qualifying - and foreign investment remaining restricted due to the continuing unfavourable business environment, extremely low GDP per capita continues. With no expectation of improvements and only the distant prospects of any significant benefits of the EU, the outlook for the population is very gloomy.

For many of the people of Moldova, 'hope' for an improved life in their country of birth appears to be in limited supply. Unless they are prepared to settle for the status quo (and, possibly, worse), the alternative for them is to find a way to leave the country. This might be as temporary seasonal workers, largely for the lower skilled people - remitting funds to maintain family and home - but for technically trained people who are fortunate to possess a Romanian passport this is more likely to be permanent. The author has personally worked with Moldovan people who have stated quite openly that they were only waiting for an appropriate opportunity to do so (politicians, lawyers, IT specialists) or, simply, by marriage - and within two years have done so.

Whilst membership of the EU remains a distant target for some of the population and the uncertain relationship with Russia continues, it is difficult to see how any significant change for the better can be initiated. For any "benefactor" - institution or country - the situation is exacerbated by the costs involved and associated risks. Many Moldovans grow increasingly disillusioned with protests being organised

against the corrupt, pro-European elite. The view is expressed that the real danger is that Moldova will slide into greater authoritarianism.

At the time of the presidential elections in November 2016, when Moldovan President Igor Dodon was elected, there were renewed calls for the country to denounce the Association Agreement with the EU. In May 2017, Moldova's pro-EU government announced the expulsions of five Russian diplomats, without giving a reason. Russia has condemned Moldova's decision, calling it a move against the country's pro-Russian president. President Igor Dodon called the action "outrageous" and the Russian ambassador called the move "a deliberate blow against the intensification of Chisinau-Moscow relations, including against President Dodon's position". Russian and Romanian media reported mixed views on allegiance. Accusations have been made against a former Moldovan MP that he has been spying for Russia and it is likely that he is one of the five to be deported.

Government

The government of Moldova has suffered greatly from instability and the politicians, as is the case in other countries, have been put in their position due to promises that they make on potential reforms. Many of the proposals which they make have a substantial personal involvement for the politicians who stand to benefit from the policies which the government may make and promote (Nizhnikau, 2016). For example, the President of the country, Veronin, owned a major construction company. Tudoroiu (2015) refers to cynical elites who have engaged in fierce competition for the capture of state institutions and for the control of policy making so that they can promote their own private economic interests. He argues that the main cause of Moldova’s problems is state capture and the

resultant delegitimation of state institutions and of the Moldovan states itself, which is highly damaging to the country's democracy and sovereignty. A further example of state capture is the powerful position occupied by one of the most prominent oligarchs in Moldova, Vlad Plahotniuc, who is very pro-EU and the US. In July 2016, a $600,000 contract was signed between Moldova's Democratic Party, of which Plahotniuc is vice president, and Podesta, a US lobbying firm.

This instability and the personalities involved have led to the existence of large degrees of corruption which have resulted in the population finding methods of coping themselves which again involve corruption. In general, the population live by the standards of corruption having to conform to the demands that corruption makes on them.

Many of the real problems which exist in terms of infrastructure, regulations and facilities are the result of poor or non-existent government policies and it is difficult for any form of proactivity towards change to be initiated by the internal population or people from outside the country. This all means that FDI is not attractive for potential investors. Some efforts have been made by the government to improve the business environment, with the creation of free enterprise zones and taxation improvements. Stability and good quality of life are hard to find and survival at all costs is very much the norm. (Carasciuc, 2001; Roman, 2014). With this as background innovation is the province of very few people.

SUMMARY

SUMMARY - REPUBLIC OF MOLDOVA	
POSITIVE SIDE	**NEGATIVE SIDE**
The service sector has grown to dominate Moldova's economy and in 2016 accounted for more than 60% of the nation's GDP	Moldova suffers economically from the condition of the Russian economy and this is a major problem for Moldova
With support from the EU has been able to boost exports to the EU single market	The business environment remains extremely poor. In 2016 there was a large-scale bank fraud.
CMT (cut, make and trim) - Moldova's proximity to the EU is seen as being a strategic advantage and facilitates competition with alternative CMT contractors.	Moldova has suffered the negative influence of globalization with many Moldovans travelling abroad to find employment. Whilst some of this is for seasonal work, many don't return.
The number of economic enterprises is growing with the promotion of ICT services - including mobile communications, internet provision and data services	At the end of 2015 external financial assistance for the Republic was suspended as a result of the lack of reforms that the country had succeeded in making and corruption. This was a devastating blow for the economy of the country.
The Education Institute is providing technical education in this field and there is a growing supply of competent workers	Globalization has left a legacy of high social and emotional costs of emigration as well as implications for the welfare of the elderly population left behind.
Software development has the biggest export-oriented potential in the ICT sector and approximately 70% of the output from software companies is exported, thus globalization has played a strong part in this sector.	Of major importance to businesses are the administrative procedures, the degree of corruption, rule of law, property ownership, legislative procedures, tax regimes, movement and security of money, infrastructure, availability of resources and people as a starting point before any of the "attractions" can be justified.
IT specialists in Moldova are bilingual, well-educated and qualified.	The need for funding of the agricultural sector is particularly prominent
	Russian Federation placed an embargo on Moldovan food products.
	Conflicts in neighbouring Ukraine raise tensions
	Unstable political situation
	IT talent tends to migrate to take up high paid jobs abroad.
	Very high level of corruption in banking sector, politics and in society.
	High level of poverty - especially in Regions.
	Remittances only reduce poverty statistics - not used to develop economy
	Landlocked
	Ethnic tensions

Table 35 MOLDOVA Country Statistical Profile

	1990	2000	2010	2018
World view				
Population, total (millions)	3.7	3.64	3.56	3.55
Population growth (annual %)	0.4	-0.2	-0.1	-0.1
Surface area (sq. km) (thousands)	33.8	33.8	33.9	33.9
Population density (people per sq. km of land area)	128.7	126.7	124.2	123.5
Poverty headcount ratio at national poverty lines (% of pop)	..	54.6	21.9	9.6
Poverty headcount ratio at $1.90 a day (2011 PPP) (% of pop)	..	35.7	0.5	0.1
GNI per capita, Atlas method (current US$)	..	380	1,910	2,990
GNI, PPP (current international $) (billions)	..	8.27	17.72	27.24
GNI per capita, PPP (current international $)	..	2,270	4,970	7,680
People				
Income share held by lowest 20%	..	6.9	8.1	10
Life expectancy at birth, total (years)	68	67	70	72
Fertility rate, total (births per woman)	2.4	1.4	1.3	1.3
Births attended by skilled health staff (% of total)	100	98	99	..
Mortality rate, under-5 (per 1,000 live births)	33	31	17	16
Immunization, measles (% of children ages 12-23 months)	73	89	97	93
Primary completion rate, total (% of relevant age group)	..	98	92	89
School enrollment, primary (% gross)	90	101.4	93.5	90.6
School enrollment, secondary (% gross)	94	82	88	87
School enrollment, primary and secondary (gross), gender parity index (GPI)	1	1	1	1
Environment				
Forest area (sq. km) (thousands)	3.2	3.2	3.9	4.1
Terrestrial and marine protected areas (% of total territorial area)	..	..	..	4.2
Urban population growth (annual %)	0.2	-1.1	-0.2	0.1
Energy use (kg of oil equivalent per capita)	2,677	792	985	..
CO2 emissions (metric tons per capita)	5.66	0.97	1.38	..
Electric power consumption (kWh per capita)	3,235	1,638	1,723	..
Economy				
GDP (current US$) (billions)	..	1.29	6.97	11.31
GDP growth (annual %)	..	2.1	7.1	4
Inflation, GDP deflator (annual %)	..	27.3	33.3	2.1
Agriculture, forestry, and fishing, value added (% of GDP)	..	25	11	10
Industry (including construction), value added (% of GDP)	..	19	20	23
Exports of goods and services (% of GDP)	..	50	28	30
Imports of goods and services (% of GDP)	..	77	60	56
Gross capital formation (% of GDP)	..	24	24	25
Revenue, excluding grants (% of GDP)	..	24.5	26.3	27.1
Net lending (+) / net borrowing (-) (% of GDP)	..	-1.5	-2.1	-0.7
States and markets				
Time required to start a business (days)	..	42	10	4
Domestic credit provided by financial sector (% of GDP)	..	25.2	31.2	20.9
Tax revenue (% of GDP)	..	14.7	15.2	17.4
Military expenditure (% of GDP)	0.5	0.4	0.3	0.3
Mobile cellular subscriptions (per 100 people)	0	3.3	62.4	88
Individuals using the Internet (% of population)	0	1.3	32.3	76.1
High-technology exports (% of manufactured exports)	..	..	10	3
Global links				
Merchandise trade (% of GDP)	..	97	77	75
Net barter terms of trade index (2000 = 100)	..	100	78	74
External debt stocks, total (DOD, current US$) (millions)	0	1,842	4,725	7,296
Total debt service (% of exports of goods, services and primary income)	..	22.5	14.5	12.9
Net migration (thousands)	-132	-12	-7	-7
Personal remittances, received (current US$) (millions)	..	178	1,753	1,837
Foreign direct investment, net inflows (BoP, current US$) (millions)	17	128	286	232
Net official development assistance received (current US$) (millions)	..	122.7	473	241

Source: World Development Indicators database

REPUBLIC OF GEORGIA

General Background

The Democratic Republic of Georgia was established following the Russian Revolution of 1917 and proclaimed an act of independence on 26 May 1918 but became part of the USSR in 1922 until Georgia seceded from the Soviet Union in the act of re-establishing its independence on 9 April 1991.

Since independence, life has not been easy for the Georgian people. The country has been through political instability and it has had to cope with a difficult situation for a large part of its population, particularly in the two breakaway regions of South Ossetia and Abkhazia to which Russia grants its residents Russian citizenship (Gerrits, 2016;German, 2006). Relations between Moscow and Tbilisi have been difficult particularly since 2014 when Russia threatened to annex the two breakaway statelets which effectively operate independently.

The energy situation in Georgia has improved since the early 2000's when the author spent time working in the country. On a regular daily basis, there was only two hours of electricity - one hour in the morning and one in the evening and any company or individual that was able to do so, had to survive on their own generators. This, in itself, was a problem as fuel was in short supply. Much corruption abounded and it was not unusual for the more influential houses and organizations to find a way of connecting themselves to several electricity supplies. This could even mean illegal connection to supplies to priority users such as the hospital, public buildings, and street lighting. (Didebulidze, 2000, 2001)

Violent crime was a major problem and security issues had to be carefully addressed by any international business organizations as muggings occurred and kidnappings (the Pankisi Gorge was a notorious stronghold for criminals to hide themselves and captives) (Shelley, 2007). The situation was so bad in 2001 that the international aid project on which the author was working was cancelled due to the insecure situation.

Throughout the decade, there continued to be considerable political uncertainty and unease amongst the population particularly in 2008 and 2009 when large opposition rallies were held in central Tblisi. Until this time Georgia had been a member of the CIS but it withdrew from membership in 2008 and then in 2011 further public unrest led to fatalities. Since then the situation has improved, with Georgia building its relationships with America and Europe. It is a member of the World Trade Organization and in the year 2000 was granted normal access to the United States markets. Currently, it hopes for membership of NATO which will offset Russian influence (Coffey, 2018). Its infant, newly formalized relationship with the European Union under the Association agreement also gives the basis for future hope. The EU has also granted Georgian tourists visa free access to the Schengen area of Europe. Thus, globalization is assisting Georgia to gain a greater degree of freedom.

Table 36 GEORGIA Country Statistical Profile					
	1990	2000	2010	2018	
World view					
Population, total (millions)	4.8	4.08	3.79	3.73	
Population growth (annual %)	0	-1.9	-0.7	0.1	
Surface area (sq. km) (thousands)	69.7	69.7	69.7	69.7	
Population density (people per sq. km of land area)	84	71.3	66.2	65.3	
Poverty headcount ratio at national poverty lines (% of population)	..	..	37.3	20.1	
GNI per capita, Atlas method (current US$)	750	810	3,110	4,130	
GNI, PPP (current international $) (billions)	24.88	11.88	25.1	40.67	
GNI per capita, PPP (current international $)	5,180	2,910	6,630	10,900	
People					
Income share held by lowest 20%	..	5.4	5.7	6.3	
Life expectancy at birth, total (years)	70	70	71	73	
Fertility rate, total (births per woman)	2.2	1.6	1.9	2.1	
Births attended by skilled health staff (% of total)	97	96	100	100	
Mortality rate, under-5 (per 1,000 live births)	48	37	14	10	
Immunization, measles (% of children ages 12-23 months)	16	73	94	98	
Primary completion rate, total (% of relevant age group)	..	118	106	96	
School enrollment, primary (% gross)	97.3	118.2	103.3	98.6	
School enrollment, secondary (% gross)	96	87	95	106	
School enrollment, primary and secondary (gross), gender parity index (GPI)	1	1	1	1	
Environment					
Forest area (sq. km) (thousands)	27.5	27.6	28.2	28.2	
Terrestrial and marine protected areas (% of total territorial area)	..	..	..	6.4	
Urban population growth (annual %)	-0.5	-2.4	0	0.8	
Energy use (kg of oil equivalent per capita)	2,585	704	825	..	
CO2 emissions (metric tons per capita)	3.15	1.11	1.67	..	
Electric power consumption (kWh per capita)	3,039	1,574	2,050	..	
Economy					
GDP (current US$) (billions)	7.75	3.06	11.64	16.21	
GDP growth (annual %)	-14.8	1.8	6.2	4.7	
Inflation, GDP deflator (annual %)	22.2	4.7	8.5	3.6	
Agriculture, forestry, and fishing, value added (% of GDP)	30	21	7	7	
Industry (including construction), value added (% of GDP)	31	21	19	23	
Exports of goods and services (% of GDP)	40	23	35	55	
Imports of goods and services (% of GDP)	45	40	53	67	
Gross capital formation (% of GDP)	31	27	22	33	
Revenue, excluding grants (% of GDP)	..	10.4	23.9	25	
Net lending (+) / net borrowing (-) (% of GDP)	..	-1.6	-4.4	-1.8	
States and markets					
Time required to start a business (days)	..	25	3	2	
Domestic credit provided by financial sector (% of GDP)	..	21.5	33.4	68.6	
Tax revenue (% of GDP)	..	7.7	22.1	23.6	
Military expenditure (% of GDP)	..	0.6	3.9	1.9	
Mobile cellular subscriptions (per 100 people)	0	4.5	97.1	133.4	
Individuals using the Internet (% of population)	0	0.5	26.9	64	
High-technology exports (% of manufactured exports)	..	..	2	3	
Global links					
Merchandise trade (% of GDP)	8	34	60	77	
Net barter terms of trade index (2000 = 100)	..	100	142	146	
External debt stocks, total (DOD, current US$) (millions)	0	1,826	8,790	17,118	
Total debt service (% of exports of goods, services and primary income)	..	12.7	17.5	23.7	
Net migration (thousands)	-592	-148	-95	-50	
Personal remittances, received (current US$) (millions)	..	206	1,184	2,034	
Foreign direct investment, net inflows (BoP, current US$) (millions)	..	131	900	1,184	
Net official development assistance received (current US$) (millions)	0.2	172	627.1	446.3	
Source: **Data from database:World Development Indicators**					

Economy

Economically, the country is still highly dependent upon Russia which the country sees as a limiting factor in terms of its economic stability and sustainable development. It is encouraging to note that tourism is increasing. In 2016 it made up more than 6% of Georgia's GDP and employed 10% of the workforce. The industrial sector in Georgia provides around 12% of the GDP but to meet competitive forces, ways of making technology advances still fall short (Schueth, 2011).

The main problem limiting economic progress is that Georgia suffers badly from corruption which has grown amongst the elite members of society who influence resistance against the European Model which has been held up by the west as a desirable way to proceed and the leadership of the country has officially declared the intention to follow the way that Singapore reformed as one of the goals of Georgia's reformed economy. To this end the government has been artificially resisting attempts to establish free trade with the EU and following the 2008 war the country has maintained its economic ties with Russia including trade networks. Also, despite the reforms the judicial system is strongly influenced by the government and the country has tended to eschew democratic reforms subject to authoritarianism of the politicians (Papava, 2013). The EU has continued to encourage moves towards Europe and to this end included Georgia in its Association Agreement of 2014.

Production, Manufacturing, and Industry

Georgia has a fertile agricultural sector and over 50% of the workforce is employed in the sector, which accounts for a major part of the country's GDP. In the regions, subsistence farming accounts for a major part of this. There is a wide range of crops which is produced. These include grape, citrus fruits, flowers, tea and tobacco. Productivity however is low and there is competition from the neighbouring countries of Azerbaijan and Armenia (Rukhaia-Mosemgvdlishvili, 2017).

Prior to independence, Georgia's economy was very closely integrated with that of the Soviet Union. Whilst agriculture was the major production sector, especially grapes and wine production, the industrial sector was also large and accounted for almost one third of the economy. Despite its own lack of energy resources, by using natural gas which was supplied from Turkmenistan who charged Georgia artificially low prices the industrial sector produced steel products including steel pipes, locomotives, and other energy intensive products. This enabled Georgia to have the capability of producing the products cheaply and exporting them at high prices. This situation changed when it regained its independence in 1991after the civil war. However, the price they paid when the Soviet Union collapsed was that Georgia lost its preferential natural gas supplies and preferred access to the FSU markets. This upheaval resulted in imports falling drastically by 70% and its exports fell by 90% and the country was unable to recover economically. The outcome of the dissolution of the FSU for Georgia was that its economy suffered drastically, and the industrial sector was paralysed throwing large numbers of qualified engineers and scientists out of work leaving them faced with the radical change of ways of earning income. Some entered the agricultural sector or public sector/government posts or migrated. It also fuelled corruption.

In addition to the demise of industry, demand for agricultural produce also suffered. Previously Georgia had competitive advantage for its agricultural products.

The economy hit a low in 1994 and since then some progress has been slowly achieved. However, by the mid-2000s it was still less than the 1990 level. Recovery was slower than other CIS countries.

Investment and FDI

Recognizing the need for investment to improve competitivity and generate ability to retain flexibility and independence of operation, the country is taking steps to encourage FDI and the government operates a US$6 billion state-run fund for investment in energy, manufacturing, tourism, logistics and agriculture. The strategy is partly financed through the World Bank - in particular, through its support of the development of the East-West Highway which runs from Tblisi across the country to Batumi, via Poti. Also, the 'Deep and Comprehensive Free Trade Area Agreement' (DCFTA), assures that the country will have access to European funds. Georgia is also scheduled to be one of the first beneficiaries of loans from the new Asian Infrastructure Investment Bank (AIIB).

Georgia has virtually no oil or gas resources although some exploration is taking place by international companies. Due to its position between the greater Caucasus and Lesser Caucasus mountain ranges, Georgia's invaluable natural resource is flowing water and the country has been able to harness this energy to produce hydroelectric power. The proposed new Khudoni Hydro Power Plant has been strongly opposed for many years on environmental grounds (Mgaloblishvili, 2015). The proposed *Khudoni* HPP would resettle around 2000 people and flood some of the villages threatening to corrode

traditional lifestyles of the Svans region and destroy pristine nature. Despite many changed decisions and false starts it still remained 'on hold' in 2019 (Dundua, 2019). Although established power stations had been neglected, in recent years funding has become available to provide modern power stations and hydropower now provides most of the country's energy needs. This must be a welcome relief from the situation in the early 2000s when power supply was so limited and unreliable.

The country has created a pipeline corridor extending from Baku in Azerbaijan to Turkey which passes through 150 miles of its territory (Sovacool, 2011). Both the Baku-Tblisi-Ceyhan oil pipeline and the Baku-Tbilisi-Erzurum natural gas pipeline pass through the corridor. The country benefits from revenue derived from the transit tariffs that it charges to the pipeline operators. It also negotiated to receive a small percentage of the fuel passing through the republic. Since the mid-2000s, other sources of energy have also been improved or harnessed including geothermal energy, solar, wind, waste materials and biofuels. The international relations and resources which have been provided as globalization has increased, has contributed to these benefits.

F.D.I:

The major obstacles which limit the attraction of Georgia for potential FDI remain human resources and corruption. Although some improvement has been made by the government's efforts related to regulatory burden and improvement of infrastructure, after the successful reforms of Saakashvili, the limitations which still deter FDI. Although difficulties still exist, they are exceeded by the corruption and HR limitations (Gürsoy, 2008).

Technology and Innovation

There is a dearth of skilled people and, associated with this, new entrepreneurs who are willing to create jobs are held back. In particular, Georgia has struggled to overcome a high-tech deficit and institutional bureaucratic limitations that hamper entrepreneurial activity. The education has not provided graduates who have the skills needed to fill high-tech, well-paying jobs. In 2015, the country ranked 73rd among 141 countries surveyed in the Global Innovation Index. Some entrepreneurs are striving to develop digital technology but complain that it is very difficult to find potentially suitable new graduates and even when they do, there is a gap before the recruited person can contribute to the business. One proposal made by a Georgian entrepreneur is to lobby students in their first or second year and mentor them by representatives from a technical company. The student could join the company on graduating. A 2013 World Bank study of Georgia's labour force, entitled "Georgia: Skills Mismatch and Unemployment Labour Market Changes," confirmed the situation.

The World Bank is facilitating building Georgia's technological capability and for this purpose has established a new organisation called 'Georgian National Innovative System Project' (GENIE). The project will be overseen by a newly created Georgian Innovation and Technology Agency (GITA) which will be under the auspices of the Ministry of Economy. The Agency has set the ambitious goal of 40,000 export oriented IT experts to be working in Georgia by 2020 and that an export value of $1.1 billion of IT products to be achieved, which would place Georgia amongst the world's top ten countries for information and communication technologies. The focus will be placed on supporting

and financing the creation and development of SME businesses and establishing a network of 'innovation centres' which will support digital literacy.

Georgia faces competition from its southern neighbour Armenia. The Armenian government has heavily supported technical reform in the country based on Armenia's soviet era legacy of producing microelectronics and early entry into the computer world and large American companies such as the American microchip designer Synopsys Inc. and the software firm National Instruments have established operations in the country. The World Bank have indicated that they will provide support, especially by providing targeted assistance to firms that wish to develop their companies based on innovation. However, Georgia's response to encourage similar foreign investment and establish evidence of a new skilled workforce from training establishments has been slow. Further initiatives by the World Bank and the European Union to promote job creation through state funded technical incubators in Eastern Europe have been successfully initiated in Armenia. This has not been the situation in Georgia. (Shaburishvili, 2011).

Export, Import

Georgia is a net importer of agricultural products (including primary commodities and processed food products). The country has run a net agricultural trade deficit in each of the last 10 years. However, many analyses have shown that Georgia has a comparative advantage in agricultural production. This suggests there is a large potential for expanding agricultural exports from Georgia.

The current structure of Georgia's agricultural exports is highly limited in range (four product categories - nuts; alcohol - spirits and liqueurs; wine; mineral waters) and between 2009 and 2014, these accounted for 75% of all agricultural exports from Georgia.

Over this period, 65% of Georgia's agricultural exports were destined to CIS countries, a share which would have been even higher if Russia had not banned imports from Georgia between 2006 and 2012 (von Cramon-Taubadel, 2014). In addition to food products, chemicals accounted for another 14% in 2016.

Exports to Russia still account for a major part of export business although Georgia's income has suffered due to the instability of the Russian economy and competition due to the availability of most consumer products from international markets. The indications are however that the Russian market is improving.

Reinforcing the country's wish to spread its export trade, a 'deep and comprehensive free trade agreement (DCFTA)' with the EU was signed in 2014 and a Free Trade Agreement with the European Free Trade Association (EFTA) was agreed in 2016. The predictions are that these agreements will encourage and support the efforts of Georgia's exporters and also give encouragement for increased investment and investors in the longer term (Taralashvili, 2014).

Since 2011 imports to Georgia have risen from around US$7 billion to 9 billion US dollars in 2017 but the exports have remained fairly constant at the low level of around 2 billion where they remain in 2017.

SMEs

Despite the political sensitivity which has continued throughout the decade, the SME situation has steadily improved (Rzepka, 2016). By 2014 the number of active enterprises in Georgia, according to the state's national statistics office (Papiashvili, 2015) consisted of 70,760. This total included 6,170 medium-sized enterprises (9%)

and 60,640 small enterprises (85%). The regional distribution in the country showed approximately half of the SMEs being located in the capital city (Tbilisi) and the rest distributed throughout the country but mainly between the two largest regions which are Imereti – main town Kutaisi, where the author directed a USAID funded Business Centre to support the development of local business consultants providing business services to SMEs (mainly in the timber and building products sector). Although SMEs have improved over the decade and now account for a large part of the economy - amounting to over 20% of the value added in 2013 and providing over 40% of employment - the development of SMEs lags behind other comparative economies according to OECD average figures, and the largest employer in the country is still the state through the large enterprises. It is perhaps concerning that despite the development of the SMEs the relative weight of medium-sized enterprises has fallen, and this suggests that the small businesses are finding it difficult to achieve growth and develop their enterprises by investing in improving performance. The country's SMEs tend to concentrate in low value-added activities and records show that the distribution of SMEs across the sectors is as follows:

1. Trade and household services (38.2%)
2. Real estate and business services (12.1%)
3. Manufacturing (10.4%)
4. Construction (6.4%)
5. Transport and communications (4.1%)

World Bank and EU initiatives are endeavouring to provide support for this sector through assistance to entrepreneurs to develop companies in modern technologies, especially in information technology.

The progress which has been made towards economic development has been largely due to the country developing a more favourable regulatory business environment, but ongoing corruption is a greater deterrent of investment and FDI. Positive and encouraging results are shown for the country with aggregate turnover of existing SMEs between the period of 2006 to 2014 increasing by a large 26% and the SME sector contributing 18% of the GDP in 2014. Support for the development of new technology SMEs is being provided by the World Bank and the European Union to promote job creation through state funded technical incubators (Papiashvili, 2014).

Business Environment

It is notable that in the recent years the government has made strong efforts supported by international institutions towards fighting corruption and crime, liberalizing trade and privatizing the SOEs.

The country is now in a very different place to what it was when the author spent nearly two years in the country at the beginning of the millennium when the business environment was extremely difficult and resources, especially energy, were in short supply. In 2016 the World Bank, in its annual report 'Doing Business', ranked Georgia in 24th place out of 189 economies. Georgia now has one of the most liberal foreign trade policies in the world. This facilitates foreign trade and efficient customs procedures, low import tariffs and minimal non-tariff regulations making it an attractive place to do

business. Much of this change has been due to the encouragement and positive facilities supported by the international institutions especially the EBRD, the EIB, EFSE, the OECD and the World Bank which put in place various initiatives to improve the access to finance for the SMEs in Georgia. In addition, the EU is providing its support under the terms of the "Deep and Comprehensive Free Trade Agreement". The objectives of the EU include improved access to finance for S.M.E.s and to address the shortage of long-term finance and encourage lenders to make it available. They aim to provide assistance to SMEs to enable them to identify capital investment projects of high quality and then assist them to successfully implement the projects. There is a need to improve the quality of governance of SMEs including advice on structure and to facilitate the provision of technical assistance to identify best practices and build their capacity to achieve them. There is also a need to help to strengthen the ability of financial intermediaries and build their capacity to finance SMEs where appropriate developing co-financing arrangements and to support the developments of local financial markets with sustainable development being the underlying principle. Despite these initiatives, corruption and lack of qualified human resources are still inhibitors to investment and FDI.

Society

Following the country's independence, the net migration remained negative until 2004 when the people started to migrate rapidly, peaking at 76,000 in 2005 and then falling again and remaining low until 2008 when it peaked again at 34,000 and then a year later began to recover. Since then, migration has been low, falling to a negative level since 2012, with figures for immigrants and emigrants being fairly balanced. The statistics show a higher level of women for both immigrants and emigrants. The main reason for emigration for both male and female is for work

with 10% being students. The main countries of destination for emigrants are Russia, Greece, Turkey, and some going to Europe and the USA.

The society is ageing steadily, and greater mobility has contributed to the younger generation migrating and the fertility rate has fallen, currently standing at 1.8, where it is expected to remain.

The population is torn between leaning towards Russia or Europe and this, from time to time, provokes social unrest.

Most of the country has strong pro-Western aspirations and the government claims it has delivered on promised reforms to bring Georgia into line with European and international standards of governance. However, the European Commission remains unsatisfied and says that more needs to be done if approval is to proceed beyond the concession already granted of the Association Agreement with the EU. Georgia's political leadership needs to demonstrate to the population that becoming part of the European Union is more than just a dream and is likely to be achieved within the foreseeable future. However, the government is finding it hard to convince the population, leading to a slide in its popularity. Georgia has participated in the European Neighbourhood Policy and Eastern Partnership and has made positive progress within these initiatives. However, any prospect of achieving EU membership remains very distant. The main efforts of Georgia, within Eastern Partnership were directed to signing the Association Agreement, to obtain the Deep and Comprehensive Free Trade Area Agreement and visa liberalization. This has been achieved but there are many obstacles to membership of the EU outside this (Morari, 2014).

Despite the gains which have been made in the economy, the economy has been slowing and there is a sense of dissatisfaction about the potential merits of the EU which is causing people to reconsider the merits of association with Russia. This trend for more Georgians to consider their ties with Russia is understandable as many of the Georgian businesses and families depend economically on their relationships with Russia. Russia remains one of the top destinations for Georgia's agricultural production including wine and mineral water. Russia is also the main country for Georgians to work abroad. The Georgian population is thus torn between Russia and Europe, concerned about the territorial intentions of Russia and the controls that may ensue but also doubtful about the potential gains to be had in the foreseeable future from potential strong ties with Europe.

Government

The internal conflicts within the government give rise to shaky confidence in the State by the external and international community. At the people's level, there is still widespread poverty, yet, despite this, it is recognized that significant progress has been made in recent years by the government under the reforms of Saakashvili. However, his reforms were not universally popular or accepted (George, 2009). Georgia, under Saakashvili, who became President in 2003, implemented a major programme of police reforms, including the mass dismissal of corrupt officers, the restructuring of police agencies, and significant changes in recruitment, training, and compensation. The reforms eliminated many forms of corruption and have transformed what was a criminalised and dysfunctional police force into the most disciplined and service-oriented law enforcement agency in the post-

Soviet region (Light, 2014). These reforms were part of a broader agenda for the country to re-assert control of its territory and strengthen its independence from Russia.

There has been strong movement away from the old autocratic rule of Soviet times, the media is plural and relatively free, and Georgia's attitude has become more globalized, being recognized as a working democracy. Benefiting from the reforms since 2003 and with the liberal policy of international trade, improvements in the regulatory environment and with the liberalization of tax legislation and it has been easier to seek opportunities for foreign capital (Khorguashvili, 2016).

SUMMARY

SUMMARY - REPUBLIC OF GEORGIA	
POSITIVE SIDE	**NEGATIVE SIDE**
Independent since 1991, Georgia is building its relationships with America and Europe. It is a member of the World Trade Organization and in the year 2000 was granted normal access to the United States' markets. Currently, designated as an "aspirant country", it hopes for membership of NATO which will offset the influence that Russia has on the state. Its infant, newly formalized relationship with the European Union under the Association agreement also gives additional potential. Globaization is encourageing greater desire for international movement and relationships.	**The outcome of the dissolution of the FSU for Georgia was that its economy suffered drastically, and the industrial sector was paralysed throwing large numbers of qualified engineers and scientists out of work leaving them faced with the radical change of ways of earning income. Some entered the agricultural sector or public sector/government posts or migrated. It also fuelled corruption.**
In recent years funding has become available to provide modern power stations and hydropower now provides most of the country's energy needs	**There is a dearth of skilled people in technology and innovation although this is being rectified.**
The EU has also granted Georgian tourists visa free access to the Schengen area of Europe. Thus, globalization is assisting Georgia to gain a greater degree of freedom.	**Poor innovation and technology skills - although situation is improving through education.**
Investment support by World Bank	**Georgia suffers badly from corruption**
The government operates a US$6 billion state-run fund for investment in energy, manufacturing, tourism, logistics and agriculture. The strategy is partly financed through the World Bank	**Previous lack of energy supplies - now resolved**
Georgia's invaluable natural resource is flowing water - providing an incentive for investment.	**Relations between Moscow and Tbilisi have been difficult.**
The World Bank is facilitating building Georgia's technological capability and for this purpose has established a new organisation called 'Georgian National Innovative System Project' (GENIE). The project will be overseen by a newly created Georgian Innovation and Technology Agency (GITA) which will be under the auspices of the Ministry of Economy. The Agency has set the ambitious goal of 40,000 export oriented IT experts to be working in Georgia by 2020 and that an export value of $1.1 billion of IT products to be achieved, which would place Georgia amongst the world's top ten countries for information and communication technologies, thus Georgia is rising to the opportunity created by globalization.	**Despite the reforms the judicial system is strongly influenced by the government and the country has tended to eschew democratic reforms subject to authoritarianism of the politicians.**
	Economically, the country is still highly dependent upon Russia
	Violent crime and security issues continue.
	Georgia has virtually no oil or gas resources.
	Russian ban on exports 2006-2012.
	Migration has been a problem but situation has become more stable.

PART [B]: SUMMARY OF RESEARCH FINDINGS

CHAPTER 15 REVIEW OF DATA AND ANALYSIS of the SAMPLE PORTFOLIO

Key Tables

In this chapter the research reviews the key tables which have been created. The research looks at the goal indicators for sustainability development as proposed by the UN and reviews the findings of the research against each of the goals, indicating the progress that each country has made over the research period and considers the impact that globalization has had. The relevant indicators are noted in Table 30 (see below).

TABLE	TABLE 37 UN SUSTAINABILITY DEVELOPMENT GOAL INDICATORS - REVIEW		
11, 37	SDG 1	**No poverty**	**End poverty** in all its forms everywhere
31	SDG 2	**Zero Hunger**	Promote **sustainable agriculture** to end hunger, achieve food security and improved nutrition
8,9, 10,37	SDG 3	**Good health and well-being**	Promote **well-being for all** to ensure healthy lives at all ages
10	SDG 4	**Quality education**	**Lifelong learning** for all that with inclusive and qualityeducation.
37	SDG 5	**Gender equality**	Achieve **gender equality** and empower all women and girls
37	SDG 6	**Clean water and sanitation**	Ensure **access to water and sanitation** for all
37	SDG 7	**Affordable and clean energy**	Ensure access to affordable, reliable, **sustainable** and **modern energy** for all
36, 47, 49	SDG 8	**Decent work and economic growth**	Promote inclusive and sustainable economic growth, employment and decent work for all
27, 29, 48,30	SDG 9	**Industry, innovation and infrastructure**	Build resilient infrastructure, promote **sustainable industrialization** and foster **innovation**
12, 13	SDG 10	**Reduced inequalities**	Reduce **inequality** within and among countries
17	SDG 11	**Sustainable cities and communities**	Make **cities inclusive, safe, resilient and sustainable**
28, 32	SDG 12	**Responsible consumption and production**	Ensure **sustainable consumption** and **production** patterns
	SDG 13	**Climate action**	Take urgent action to combat **climate change** and its impacts
	SDG 14	**Life below water**	Conserve and **sustainably use the oceans**, seas and marine resources 1
	SDG 15	**Life on land**	**Sustainably manage forests,** combat desertification, halt and reverse land degradation, halt biodiversity loss
19, 20,21,22	SDG 16	**Peace, justice and strong institutions**	Promote **just, peaceful and inclusive societies**
34a, 34b, 35	SDG 17	**Partnerships for the goals**	Revitalize the global **partnership for sustainable development**

Source: All Tables

The overall impact of globalisation is summarised in Tabl**e** 33. As an overview of all key factors likely to influence the sustainable development of the portfolio countries, a variety of published indicators and rankings has been assembled and this enables identification of apparent anomalies and indications of unexpected results - which allow us to question why the situation exists. Summary tables are grouped below and will be discussed.

TABLE 38 EXPORTS AND IMPORTS SELECTED COUNTRIES TIMELINE (1990 - 2016)

EXPORTS

EXPORTS OF GOODS AND SERVICES

COUNTRY		US$	US$	US$	US$	US$	US$
	Joined EU	1990	2002	2008	2012	2014	2015
Czechia	2004	25,250,000,000	37,183,000	150,091,000,000	158,361,000,000	171,696,000,000	153,764,000,000
Slovenia	2004	7,033,000,000	12,739,000,000	36,999,000,000	33,875,000,000	37,853,000,000	33,337,000,000
Lithuania	2004	2,224,000,000	6,303,000,000	27,566,000,000	34,960,000,000	39,260,000,000	31,393,000,000
Macedonia	2005(1)	1,764,000,000	2,084,000,000	4,257,000,000	4,332,000,000	5,417,000,000	4,891,000,000
Georgia	2014(2)	n/a	n/a	n/a	4,068,000	7,038,000	6,176,000,000
Moldova	2014(2)	n/a	1,094,000,000	n/a	2,709,000,000	2,954,000,000	2,475,000,000

IMPORTS

IMPORTS OF GOODS AND SERVICES

COUNTRY		US$	US$	US$	US$	US$	US$
	Joined EU	1990	2002	2008	2012	2014	2015
Czechia	2004	17,163,000,000	38,780,000,000	144,871,000,000	148.052,000,000	158,280,000,000	142,147,000,000
Slovenia	2004	n/a	12,403,000,000	38,011,000,000	32,049.000,000	34,033,000,000	29,439,000,000
Lithuania	2004	2.433,000,000	7,069,000,000	33,209,000,000	34,600,000,000	38,341,000,000	31,667,000,000
Macedonia	2005(1)	n/a	1,813,000,000	6,820,000,000	6.523,000,000	7.380,000,000	6,533,000,000
Georgia	2014(2)	n/a	1,436,000,000	7.471,000,000	9,133,000,000	10,016,000,000	9,095,000
Moldova	2014(2)	n/a	1,173,000,000	5.369,000,000	5,668,000,000	5,873,000,000	4,432,000,000

Source: World Bank NB. (1) Candidate (2) Association Agreement

TABLE 39 BROADBAND INTERNET ACCESS & DEVICES

		2010	2011	2012	2013	2014	2015
Czech Republic	Percentage of Households with Access to Broadband Internet	53.60	63.40	63.00	69.00	76.00	78.00
	Possession of Mobile Telephone	89.70	90.30	90.90	91.40	91.90	92.30
	Possession of Personal Computer	64.10	69.90	67.30	73.90	78.50	80.80
	Possession of Laptop	29.60	35.90	42.50	47.50	54.10	59.00
	Possession of Smart Phone	15.80	23.70	36.90	48.70	56.10	61.40
	Possession of Tablet	1.70	3.10	6.00	9.10	13.40	17.70
Lithuania	Percentage of Households with Access to Broadband Internet	52.00	55.40	59.10	63.40	65.00	67.30
	Possession of Mobile Telephone	92.20	93.80	95.00	96.00	96.70	97.30
	Possession of Personal Computer	59.20	61.80	63.60	65.90	68.10	69.90
	Possession of Laptop	23.80	28.00	32.40	36.50	40.40	44.00
	Possession of Smart Phone	14.50	21.70	33.30	42.60	51.30	58.00
	Possession of Tablet	1.80	3.70	6.50	8.90	11.40	13.80
Macedonia	Percentage of Households with Access to Broadband Internet	37.00	42.10	58.10	65.00	67.70	71.70
	Possession of Mobile Telephone	81.90	82.00	84.00	85.90	87.70	89.00
	Possession of Personal Computer	53.60	57.00	64.20	68.30	70.10	72.70
	Possession of Laptop	15.60	18.90	22.20	24.90	27.80	30.80
	Possession of Smart Phone	11.50	17.30	26.80	34.70	43.10	50.00
	Possession of Tablet	0.80	1.50	2.40	3.30	4.60	6.20
Slovenia	Percentage of Households with Access to Broadband Internet	62.00	67.00	73.00	74.00	75.00	77.30
	Possession of Mobile Telephone	92.60	93.00	93.30	93.70	94.00	94.20
	Possession of Personal Computer	70.50	74.40	76.10	76.40	79.80	80.90
	Possession of Laptop	41.70	47.80	51.70	55.60	60.20	62.90
	Possession of Smart Phone	16.00	23.70	36.30	48.20	55.90	61.30
	Possession of Tablet	2.80	5.10	8.80	13.80	17.30	19.80
Georgia							
	Mobile subscriptions (per 100 people)						129.00
	Individuals using the internet %						45.20
Moldova							
	Mobile subscriptions (per 100 people)						108.00
	Individuals using the internet %						49.80

SOURCE: Based on Euromonitor International (Passport) Database

TABLE 40 GDP FOR SELECTED COUNTRIES Time-line 2007 - 2015

	2007	2008	2009	2010
GDP Current US$				
Slovenia	48,114,688,201.50	55,589,849,128.50	50,244,793,831.60	48,016,465,430.50
Moldova	4,401,154,128.10	6,054,806,100.80	5,439,422,031.40	5,811,604,052.00
Macedonia, FYR	8,336,478,142.10	9,909,548,410.80	9,401,731,495.70	9,407,168,702.40
Czech Republic	188,818,155,388.10	235,204,812,643.10	205,729,790,694.00	207,015,860,050.40
Lithuania	39,738,180,076.60	47,850,551,148.80	37,440,673,477.90	37,132,564,255.40
Georgia	10,172,869,679.70	12,795,044,472.80	10,766,809,099.10	11,638,536,890.50

	2011	2012	2013	2014	2015
GDP Current US$					
Slovenia	51,287,601,751.50	46,258,247,574.80	47,688,566,993.10	49,530,147,015.90	42,774,769,768.20
Moldova	7,015,206,498.20	7,284,686,576.30	7,985,349,731.50	7,983,271,110.60	6,568,288,861.80
Macedonia, FYR	10,494,632,699.40	9,745,251,126.00	10,817,712,138.90	11,318,966,946.70	10,086,021,261.50
Czech Republic	227,948,564,356.70	207,376,427,020.80	209,402,444,996.10	207,818,330,723.80	185,156,359,500.00
Lithuania	43,505,562,065.10	42,852,204,396.50	46,412,093,986.50	48,353,937,110.30	41,170,728,956.40
Georgia	14,434,619,982.20	15,846,474,595.80	16,140,047,072.30	16,509,305,827.70	13,965,385,801

SOURCE: The World Bank

Table 41 OVERVIEW State of Globalisation and Sustainability (1995 - 2015) ALL COUNTRIES

STATE OF AFFAIRS 2015	CZECHIA		SLOVENIA		LITHUANIA		MOLDOVA		N. MACEDONIA		GEORGIA	
	2015	TREND over period (1995-2015)	2015	TREND over period (1995-2015)	2015	TREND over period (1995-2015)	2015	TREND over period (1995-2015)		TREND over period (1995-2015)		TREND over period (1995-2015)
TRADE Exports (US$ million) **IMPORTS (US$ million)**	157194 140716	Stable Stable	26587 25870	Increase Increase	25411 28176	Increase Stable	1967 3987	Increase Increase	4490 6400	Increase Increase	2205 7730	Increase Increase
PRODUCTION Manufacturing, value added (current US$) million	45077	Stable	8596	Stable	7202	Increase	768	Increase	1148	Increase	1528	Stable
INVESTMENT FDI: US$ million	1729	Decrease	1729	Stable	970	Stable	216	Stable	297	Stable	1659	Stable
ORGANIZATION Freedom House democracy rating: (Table 19)* **	**Free** Political Rights (level 1) and Civil Liberties (Level 1)	No change	**Free** Political Rights (level 1) and Civil Liberties (Level 1)	No change	**Free** Political Rights (level 1) and Civil Liberties (Level 1)	No change	**Partly Free** Political Rights (Level 3) Partly Free Civil Liberties (Level 3)	No change	**Partly Free** Political Rights (Level 4) Partly Free Civil Liberties (Level 3)	No change	**Partly Free** Political Rights (Level 3) Partly Free Civil Liberties (Level 3)	No change
FINANCIAL MARKET World Ranking (Worldbank) Table 47)	31	Stable	48	Slight dip	38	Improve ment	89	Improve ment	68	Improvem ent	67	Improve ment
LABOUR MARKET Unemployed (%)	5	Better	9	Worse	9.1	Worse	5	Better	26	Better	14	Steady
STATE OF GLOBALIZATION (KOF Index) RANK OVERALL VALUE (Small number - Most Globalized) Table 05	13	Worse	30	Steady	35	Better	65	Steady	74	Worse	63	Steady
ECONOMIC GLOBALIZATION	12	Worse	38	Worse	29	Unstable	80	Worse	57	Better	19	Better
SOCIAL GLOBALIZATION	20	Worse	40	Worse	52	Better	71	Worse	67	Worse	77	Better
POLITICAL GLOBALIZATION	38	Worse	51	Steady	72	Much better	92	Steady	143	Steady	142	Steady
SUSTAINABLE DEVELOPMENT INDICATOR** (Bertelsmann SDG index score (table 36) (**High Score = best)**	Rank 15 Score 77		Rank 17 Score 76		Rank 32 Score 72		Rank 44 Score 67		Rank 58 Score 63		Rank 57 Score 62	

***Level 1 = Free, Level 7 = Not Free

** **NOTE FOR COMPARISON Denmark SDGI Rank 2 SDGI = 83.88** Afghanistan SDGI Rank 139 SDGI SCORE 36.5

Sources: Based on Waters Inventory of Globalization (Waters, 1995 #1171), (Waters, 2001 #1161)
Source: Manufacturing data: Indexmundi facts
Source Trade: World Bank
Source: Globalization: KOF Index
Source: Sustainability : Bertelsmann SDG Index

Table 42 Inventory of Economic Globalization - CZECHIA

DIMENSION	IDEAL TYPICAL PATTERN OF GLOBALIZATION	STATE OF AFFAIRS AT A SPECIFIED TIME	STATE OF AFFAIRS AT A SPECIFIED TIME	STATE OF AFFAIRS AT A SPECIFIED TIME
		1995	**2005**	**2015**
TRADE	Absolute freedom of exchange between localities	**Exports:** US$ 21,686 million **Imports:** US$ 25,303 million	**Exports:** US$78,209 million **Imports:** US$ 76,527 million	**Exports:** US$ 157,194 million **Imports:** US$ 140,716 million
PRODUCTION	Determined only by Physical or Geographical Advantages	**Manufacturing, value added (current US$) million:** 12,869	**Manufacturing, value added (current US$) million:** 31,395	**Manufacturing, value added (current US$) million:** 45,077
INVESTMENT	Minimal F.D.I. or Alliances for trade and Productn	**FDI:** US$ million	**FDI:** US$ million 971	**FDI:** US$ million 1,729
ORGANIZA-TIONAL APPROACH	Responses to Global Markets are flexible			**Freedom House democracy rating: Free political Rights and Civil Liberties**
FINANCIAL MARKET	Decentralised, Stateless, and Easy access	World Ranking (Worldbank): (not avail)	World Ranking (Worldbank): 33	World Ranking (Worldbank): 31
LABOUR MARKET	Free movement of Labour independent of locality	Unemployment: 4%	Unemployment:7.9%	Unemployment:5%

Source: Based on Waters Inventory of Globalization {Waters, 1995 #1171}, {Waters, 2001 #1161} Manufacturing Data and Trade :World Bank

Table 43 Inventory of Economic Globalization - GEORGIA

DIMENSION	IDEAL TYPICAL PATTERN OF GLOBALIZATION	STATE OF AFFAIRS AT A SPECIFIED TIME	STATE OF AFFAIRS AT A SPECIFIED TIME	STATE OF AFFAIRS AT A SPECIFIED TIME
		1995	**2005**	**2015**
TRADE	Absolute freedom of exchange between localities	**Exports:** US$ 199 million **Imports:** US$ 687 million	**Exports:** US$ 865 million **Imports:** US$ 2,490 million	**Exports:** US$ 2,205 million **Imports:** US$ 7,730 million
Gh PRODUCTION	Determined only by p	**Manufacturing, value added (current US$) million: 334**	**Manufacturing, value added (current US$) million: 775**	**Manufacturing, value added (current US$) million: 1,528**
INVESTMENT	Minimal F.D.I. or Allian for trade and Productn	**FDI:** US$ million	**FDI:** US$ million 145	**FDI:** US$ million 1,659
ORGANIZA-TIONAL APPROACH	Responses to Global Markets are flexible			**Freedom House democracy rating: partly free political Rights/Civil liberties**
FINANCIAL MARKET	Decentralised, Stateless, and Easy access	World Ranking (Worldbank): **(not avail**)	World Ranking (Worldbank): **90**	World Ranking (Worldbank): **67**
LABOUR MARKET	Free movement of labour independent of locality	Unemployment: 14.4%	Unemployment:15.1%	Unemployment:14.1%

Source: Based on Waters Inventory of Globalization {Waters, 1995 #1171}, {Waters, 2001 #1161}
Manufacturing Indexmundi: **Trade:** World Bank

Table 44 INVENTORY OF ECONOMIC GLOBALIZATION - LITHUANIA

DIMENSION	IDEAL TYPICAL PATTERN OF GLOBALIZATION	STATE OF AFFAIRS AT A SPECIFIED TIME	STATE OF AFFAIRS AT A SPECIFIED TIME	STATE OF AFFAIRS A SPECIFIED TIME
		1995	**2005**	**2015**
TRADE	Absolute freedom of exchange between localities	**Exports:** US$2706 million **Imports:** US$ 3649 million	**Exports:** S$12,070 million **Imports:** US$ 15,705 million	**Exports:** US$ 25,411 **Imports:** US$ 28,176 million
PRODUCTION	Determined only by Physical or Geographical advantages	**Manufacturing, value added (current US$) million:** 1,316	**Manufacturing, value added (current US$) million:** 4,766	**Manufacturing, valu (current US$) millio**
INVESTMENT	Minimal F.D.I. or Alliances for trade and Production	**FDI:** US$ million 72	**FDI:** US$ million 845	**FDI:** US$ million 97
ORGANIZA-TIONAL APPROACH	Responses to Global Markets are flexible			**Freedom House democracy rating: Free political Rights and Civil Liberties**
FINANCIAL MARKET	Decentralised, Stateless, Easy access	World Ranking (Worldbank):(not avail)	World Ranking (Worldbank): 41	World Ranking (Worldbank): 38
LABOUR MARKET	Free movement of Labour independent of locality	Unemployment: 14.4%	Unemployment: 8.3%	Unemployment:9.1%

Source: Based on Waters Inventory of Globalization {Waters, 1995 #1171}, {Waters, 2001 #1161}

Manufacturing data: Indexmundi Trade:World Bank

Table 45 Inventory of Economic Globalization - MOLDOVA

DIMENSION	IDEAL TYPICAL PATTERN OF GLOBALIZATION	STATE OF AFFAIRS AT A SPECIFIED TIME	STATE OF AFFAIRS AT A SPECIFIED TIME	STATE OF AFFAIRS AT A SPECIFIED TIME
		1995	**2005**	**2015**
TRADE	Absolute freedom of exchange between localities	Abandoned, dwindling Russian market, money for purchase very scarce -at personal business and government level **Exports:** US$746 million **Imports:** US$ 841 million	Very limited customers due to quality and corruption issues, traditional Russian trade limited by the availability of competitive products **Exports:** US$1091 million **Imports:** US$ 2292 million	Corruption persists, and quality continues to constrain attractiveness or any potential customers **Exports:** US$ 1967 million **Imports:** US$ 3987 million
PRODUCTION	Determined only by Physical or Geographic advantages	**Manufacturing, value added (current US$) million:** 399	**Manufacturing, value added (current US$) million:** 398	**Manufacturing, value added (current US$) million:** 768
INVESTMENT	Minimal F.D.I. or Alliances for trade and Production	**FDI:** US$ million 25	**FDI:** US$ million 190	**FDI:** US$ million 216
ORGANIZA-TIONAL APPROACH	Responses to Global Markets are flexible			**Freedom House democracy rating: Partly Free**
FINANCIAL MARKET	Decentralised, Stateless Easy access	World Ranking (Worldbank): (not avail)	World Ranking (Worldbank): 94	World Ranking (Worldbank): 89

Table 46 Inventory of Economic Globalization – NORTH MACEDONIA (after Waters)

DIMENSION	IDEAL TYPICAL PATTERN OF GLOBALIZATION	STATE OF AFFAIRS AT A SPECIFIED TIME	STATE OF AFFAIRS AT A SPECIFIED TIME	STATE OF AFFAIRS AT A SPECIFIED TIME
		1995	**2005**	**2015**
TRADE	Absolute freedom of exchange between localities	**Exports:** US$ 1,205 million **Imports:** US$ 1,719 million	**Exports:** US$ 2,041million **Imports:** US$ 3,228 million	**Exports:** US$ 4,490 million **Imports:** US$ 6,400 million
PRODUCTION	Determined only by Physical or Geographical Advantages	**Manufacturing, value added (current US$) million:** 873	**Manufacturing, value added (current US$) million:** 606	**Manufacturing, value added (current US$) million:** 1,148
INVESTMENT	Minimal F.D.I. or Alliances for trade and Production	**FDI:** US$ million 9	**FDI:** US$ million 145	**FDI:** US$ million 297
ORGANIZA-TIONAL APPROACH	Responses to Global Markets are flexible			**Freedom House democracy rating: partly free political Rights and Civil Liberties**
FINANCIAL MARKET	Decentralised, Stateless, and Easy access	World Ranking (Worldbank):(not avail)	World Ranking (Worldbank): 94	World Ranking (Worldbank): 68
LABOUR MARKET	Free movement of labour independent of locality	Unemployment: 14.4% 32%	Unemployment: 37.3%	Unemployment: 26.1%

Source: Based on Waters Inventory of Globalization {Waters, 1995 #1171}, {Waters, 2001 #1161}Source Manufacturing: Index Mundi. Source Trade: World Bank

Table 47 Inventory of Economic Globalization - SLOVENIA

DIMENSION	IDEAL TYPICAL PATTERN OF GLOBALIZATION	STATE OF AFFAIRS 1995	STATE OF AFFAIRS 2005	STATE OF AFFAIRS 2015
TRADE **Exports** (US$ million) **Imports:** (US$ million)	Absolute freedom of exchange between localities	8316 9492	17,896 19,626	26,587 25,870
PRODUCTION **Manufacturing, value added (current US$) million:**	Determined only by Physical or Geographical Advantages	4,619	7,526	8,596
INVESTMENT **FDI: US$ million**	Minimal F.D.I. or Alliances for trade and Productn	150	971	1,729
ORGANIZA-TIONAL APPROACH **Freedom House democracy rating:(Table 19) *****	Responses to Global Markets are flexible			Free political Rights (Level 1) and Civil Liberties (Level 1)
FINANCIAL MARKET World Ranking (Worldbank):	Decentralised, Stateless, and Easy access	(not avail)	42	48
LABOUR MARKET Unemployment %	Free movement of labour independent of locality	7%	6.5%	9%

Source: Based on Waters Inventory of Globalization {Waters, 1995 #1171}, {Waters, 2001 #1161} Source manufacturing data: Indexmundi facts Source Trade: World Bank

TABLE 48 SUSTAINABILITY INDEX (SDG) - BERTELSMANN (Portfolio countries and selected comparisons)

2	Denmark	83.9
6	Germany	80.5
10	United Kingdom	78.1
11	France	77.9
14	Ireland	76.7
15	**Czech Republic**	**76.7**
17	**Slovenia**	**76.6**
23	Belarus	73.5
24	Hungary	73.4
25	United States	72.7
26	Slovak Republic	72.7
32	**Lithuania**	**72.1**
37	Greece	69.9
38	Poland	69.8
41	Romania	67.5
44	**Moldova**	**66.6**
46	Ukraine	66.4
47	Russian Federation	66.4
55	United Arab Emirates	63.6
57	**Georgia**	**63.3**
58	**Macedonia, FYR**	**62.8**
73	Bosnia and Herzegovina	59.9
85	Saudi Arabia	58
95	Philippines	55.5
##	Kuwait	52.5
##	Pakistan	45.7
##	Afghanistan	36.5

SOURCE: Bertelsmann Stifler SDG Index 2016

TABLE 49 THEORETICAL INCOME GAINS PER CAPITA DUE TO GLOBALIZATION 1990-2014

GAIN PER CAPITA INCOME (ABSOLUTE)

Ranking	Country	Average annual per capita income gain from 1990 in euros	Cumulative per capita income gain from 1990 in euros
4	Denmark	1,210	29,100
15	Slovenia	710	17,000
18	United Kingdom	680	16,200
23	United States	490	11,700
27	Lithuania	310	7,500
32	Czech Republic	260	6,300

GAIN PER CAPITA INCOME (PURCHASING POWER)

Ranking	Country	Average annual per capita income gain in euros	Cumulative per capita income gain in euros
7	Slovenia	1.240	29.700
10	Denmark	1.170	28.000
20	Lithuania	830	19.800
24	Czech Republic	710	17.100
25	United Kingdom	700	16.900
33	United States	490	11.700

Source: Prognos 2016: Bertelsmann Stiftung

TABLE 50 DEMOCRACY & DEVELOPMENT - MACEDONIA (Trend over 20year period) 1997-2016			
KEY:: 7-POINT SCALE WHERE 1- = GOOD, 7= VERY POOR	CHANGE	DIRECTION	REASON
Civil Society rating	3.50 to 3.25	improved	due to the increased mobilization of civic actors before and during the governmental crisis.
National Democratic Governance rating	4.25 to 4.75	declined	deterioration of the political crisis, indications of large-scale illegal surveillance of citizens, and indications of massive abuse of power by high-ranking government officials.
Electoral Process rating	3.50 to 3.75	declined	due to indications of electoral fraud that cast doubt on the credibility of previous national elections.
Independent Media rating	5.00 to 5.25	declined	due to indications of illegal surveillance of journalists, alleged government control over the editorial policies of some media outlets, and rising intimidation of and attacks on journalists.
Local Democratic Governance rating	3.75 to 4.00	declined	due to indications of electoral fraud that cast doubt on the credibility of the 2013 local elections, and indications of abuse of the central government's power over local
Judicial Framework and Independence rating	4.25 to 4.50	declined	due to indications of political interference in the work of the judiciary.
Corruption rating	4.25 to 4.50	declined	due to indications of high-ranking government officials' involvement in a number of corruption schemes.
SOURCE: Freedomhouse.org			

REASON

TABLE 51 ECONOMIC FREEDOM INDEX PROGRESS (Timeline)

	2016			2015			2014		
	Rank	Score: (1 - 100)	Change	Rank	Score: (1 - 100)	Change	Rank	Score: (1 - 100)	Change
Czech Republic	24	72.5	0.3	26	72.2	1.3	29	70.9	1
Georgia	22	73	0.4	22	72.6	0.4	21	72.2	2.8
Lithuania	13	75.2	0.5	15	74.7	1.7	21	73	0.9
Macedonia	53	67.1	-1.5	43	68.6	0.4	43	68.2	-0.3
Moldova	111	57.5	0.2	110	57.3	1.8	115	55.5	1.1
Slovenia	88	60.3	-2.4	74	62.7	1	76	61.7	-1.2

Key: Free (80–100) Mostly Free (70.0–79.9) Moderately Free (60.0–69.9) Mostly Unfree (50.0–59.9) Repressed (0–49.9)

Source: www.heritage.org/index

TABLE 52 INDEX OF ECONOMIC FREEDOM - PROGRESS 2016-2017 (Heritage Foundation)				
SELECTED COUNTRIES RANKED FROM TOTAL OF 180 COUNTRIES				
RANK	COUNTRY	OVERALL SCORE (1 - 100)	CHANGE	INCREASE OR DECREASE
28	Czech Republic	73.3	0.10	Increase
31	Macedonia	70.7	3.20	Increase
110	Moldova	58	0.60	Increase
13	Georgia	76	3.40	Increase
16	Lithuania	75.8	0.6	Increase
97	Slovenia	59.2	-1.4	decrease

Source: www.heritage.org/index

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Table 48 enables a review of the quotation "Getting to Denmark" and to see how well each of the sample countries is faring. In 2016 Denmark ranked second in the Bertelsmann SDG Index, indicating that its economy was strongly considered to be sustainable. Czechia and Slovenia were fairly close in the rank at 15 and 17 indicating that they were both also considered to be sustainable. Lithuania ranks 32 and Moldova ranks 44, both occupying positions in the middle of the ranking. Georgia at 57 and

North Macedonia at 58 indicated that they were not considered to be strongly economically sustainable.

Table 49 shows the theoretical income gains per capita during the period 1990-2014 for each of the countries and it is interesting to note that the highest income gain over the period was Slovenia, ranked 7th with an average annual per capita income gain of Euros 1240 and cumulative gain per capita over the period of Euros 29,700 with Denmark ranking only tenth with annual income gain per capita of Euros 1170 and cumulative gain per capita of Euros 28,000. Lithuania and Czechia fared well, being ranked at 20 and 24. For comparison purposes, the United States is ranked at 33.

The Gini Index (Table 21 in chapter 3) shows the income gap in each country. At the time of writing data is only available for certain years (between 2009 and 2013). It is interesting that Georgia shows the largest income gap of the sample countries, being ranked at 35 in the world in 2011. North Macedonia is the next largest income gap, ranked at 48 world position in 2013. The next sample country is Lithuania, ranked at 90 in 2009. Moldova was ranked at 129 in 2013 and towards the bottom of the list, showing a very small income gap, are Czechia, ranked 141 in 2012 and Slovenia ranked 145 in 2012. This suggests that Czechia and Slovenia have benefited particularly well from globalisation and a large proportion of the population have taken advantage of opportunities presented which has resulted in the least disparity between high and low earners in these countries.

Table 53 (a) Economic Development Statistics 1985 - 2015

	LITHUANIA					SLOVENIA				
	1985	1990	1995	2005	2015	1985	1990	1995	2005	2015
POPULATION - Millions	3.56	3.69	3.63	3.34	2.93	1.94	2	1.99	1.99	2.1
GDP (ppp) Current US$ Billions				26,125	41,516				36,346	43,072
GDP per capital US$ Thousands				$10,469	$15,240				$22,076	$23,602
TRADE*										
Exports US$ million			2,706	12,070	25,411			8,316	17,896	26,587
Imports US$ million			3,649	15,704	28,176			9,492	19,626	25,870
PRODUCTION										
Manufacturing US$ billion			2	7.7				6	10.2	
INVESTMENT										
FDI US$ million			72	845	970			150	971	1,729
FINANCIAL MARKET										
World Ranking				41	38				42	48
LABOUR MARKET										
Unemployment %			…	8.3	9.1			7	6.5	9
POPULATION AGE (Total): 15 - 64			2,393,447	2,234,116	1,938,118			1,382,647	1,410,080	1,387,842
Percentage of population			66%	67%	67%			69%	70%	67%
Significant Events	1989- 91 Lithuania struggles for independence					1991 Declaration of Independence				
	1993 Joins Council of Europe:									
	1994 Joins NATO									
	2004 Lithuania joins EU					Slovenia joins EU				

Source: Population -
Trade: World Bank
Financial: World Databank

Table 52 (b) Economic Development Statistics 1985 - 2015

	CZECHIA					NORTH MACEDONIA				
	1985	1990	1995	2005	2015	1985	1990	1995	2005	2015
POPULATION - Millions	1.03	1.03	1.03	1.02	1.06	1.98	1.99	1.98	2.06	2.07
GDP (ppp) Current US$ Billions			59,775	136,280	186,829			4,680	6,258	10,064
GDP per capital US$ Thousands			$13,422	$17,929	$21,265			$3,057	$3,755	$5,105
TRADE*										
Exports US$ million			21,686	78,209	157,194			1,204	2,041	4,490
Imports US$ million			25,303	76,527	140,716			1,719	3,228	6,400
PRODUCTION										
Manufacturing US$ billion			19	41.5						
INVESTMENT										
FDI US$ million			2,567	13,730	1,700			9	145	297
FINANCIAL MARKET										
World Ranking				33	31				94	68
LABOUR MARKET										
Unemployment %			4	7.9	5			32	37.3	26.1
POPULATION AGE (Total): 15 - 64			7,036,464	7,155,550	7,052,649			1,312,788	1,417,259	1,468,725
Percentage of population			68%	71%	66%			66%	68%	71%
Significant Events	In 1960, the country officially became a					1992 Declaration of Independence				
	1989 Velvet Revolution, which peacefully ended									
	1993 Velvet Divorce: Split into two Republics									
	1999 Full member of NATO									
	2016 Additional 'short-form' name of CZECHIA									
	2004 Czechia joins EU									

Table 53 (c) Economic Development Statistics 1985 - 2015

	MOLDOVA					GEORGIA				
	1985	1990	1995	2005	2015	1985	1990	1995	2005	2015
POPULATION - Millions	4.21	4.3	4.3	4.1	3.9	5.2	5.4	5	4.5	3.9
GDP (ppp) Current US$ Billions				2,988	6,512			2,693	6,410	13,993
GDP per capital US$ Thousands				$1,193	$1,731			$950	$2,009	$3,738
TRADE*										
Exports US$ million			746	1,091	1,967			199	865	2,205
Imports US$ million			841	2,292	3,987			687	2,490	7,730
PRODUCTION										
Manufacturing US$ billion			499	597				419	1.56	
INVESTMENT										
FDI US$ million			25	190	216			…	453	1659
FINANCIAL MARKET										
World Ranking				94	89				90	67
LABOUR MARKET										
Unemployment %			14.4	7.3	5			12.7	15.1	14.1
POPULATION AGE (Total): 15 - 64			2,366,322	2,572,633	2,641,937			2,987,694	2,583,211	2,483,669
Percentage of population			64%	71%	74%			64%	66%	67%
Significant Events	1991 Independence. Full member of CIS									
	July 2016 Association Agreement					2014 June - Association Agreement signed with EU				

TABLE 54 DEMOCRACY PROGRESS Scores (Freedom House)

The ratings are based on a scale of 1 to 7, with 1 representing the highest level of democratic progress and 7 the lowest. The Democracy Score is an average of ratings for the categories tracked in a given year.

Macedonia	Levels of Democratic Progress									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
National Democratic Governance	3.75	4	4	4	4	4.25	4.25	4.25	4.25	4.75
Electoral Process	3.25	3.25	3.5	3.25	3.25	3.25	3.25	3.25	3.5	3.75
Civil Society	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.5	3.25
Independent Media	4.25	4.25	4.25	4.25	4.5	4.75	4.75	5	5	5.25
Local Democratic Governance	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75	4
Judicial Framework and Independence	3.75	4	4	4	4	4	4.25	4.25	4.25	4.5
Corruption	4.75	4.5	4.25	4	4	4	4	4.25	4.25	4.5
Democracy Score	**3.82**	**3.86**	**3.86**	**3.79**	**3.82**	**3.89**	**3.93**	**4**	**4.07**	**4.29**

Lithuania	Levels of Democratic Progress									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
National Democratic Governance	2.5	2.5	2.75	2.75	2.75	2.75	2.75	2.75	2.75	2.75
Electoral Process	1.75	1.75	1.75	1.75	1.75	1.75	2	2	2	2
Civil Society	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75
Independent Media	1.75	1.75	1.75	1.75	1.75	2	2	2.25	2.25	2.25
Local Democratic Governance	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.25
Judicial Framework and Independence	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75
Corruption	4	3.75	3.75	3.5	3.5	3.5	3.5	3.5	3.5	3.5
Democracy Score	**2.29**	**2.25**	**2.29**	**2.25**	**2.25**	**2.29**	**2.32**	**2.36**	**2.36**	**2.32**

SLOVENIA	Levels of Democratic Progress									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
National Democratic Governance	2	2	2	2	2	2	2	2	2	2
Electoral Process	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Civil Society	2	2	2	2	2	2	2	2	2	2
Independent Media	2	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.5
Local Democratic Governance	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Judicial Framework and Independence	1.5	1.5	1.75	1.75	1.75	1.75	1.75	1.75	1.75	2
Corruption	2.25	2.25	2.5	2.5	2.5	2.25	2.25	2.5	2.5	2.5
Democracy Score	**1.82**	**1.86**	**1.93**	**1.93**	**1.93**	**1.89**	**1.89**	**1.93**	**1.93**	**2**

GEORGIA	Levels of Democratic Progress									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
National Democratic Governance	5.5	5.75	6	6	5.75	5.75	5.5	5.5	5.5	5.5
Electoral Process	4.5	4.75	5.25	5.25	5	5	4.75	4.5	4.5	4.5
Civil Society	3.5	3.5	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75
Independent Media	4	4.25	4.25	4.25	4.25	4.25	4.25	4	4	4
Local Democratic Governance	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.25	5.25
Judicial Framework and Independence	4.75	4.75	4.75	4.75	5	5	5	5	5	4.75
Corruption	5	5	5	5	4.75	4.5	4.5	4.5	4.5	4.5
Democracy Score	**4.68**	**4.79**	**4.93**	**4.93**	**4.86**	**4.82**	**4.75**	**4.68**	**4.64**	**4.61**

MOLDOVA	Levels of Democratic Progress									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
National Democratic Governance	5.75	5.75	5.75	6	5.75	5.75	5.5	5.5	5.5	5.75
Electoral Process	3.75	3.75	4	4.25	4	4	4	4	4	4
Civil Society	3.75	3.75	3.75	3.5	3.25	3.25	3.25	3.25	3.25	3.25
Independent Media	5.25	5.5	5.75	5.75	5.5	5	5	5	5	5
Local Democratic Governance	5.75	5.75	5.75	5.75	5.75	5.75	5.75	5.75	5.75	5.5
Judicial Framework and Independence	4.5	4.5	4.5	4.75	4.5	4.5	4.5	4.75	4.75	4.75
Corruption	6	6	6	6	6	6	5.75	5.75	5.75	6
Democracy Score	**4.96**	**5**	**5.07**	**5.14**	**4.96**	**4.89**	**4.82**	**4.86**	**4.86**	**4.89**

SOURCE: FREEDOM HOUSE

	Consolidated Democracy
	Semi-Consolidated Democracy
	Transitional Government or Hybrid Regime
	Semi-Consolidated Authoritarian Regime

In chapter 14, within the specific country sections, reference is made to tables 42-47 which are based on Waters Inventory of Globalisation, showing trends for the other sample countries. By sorting the tables and indexes, and populating the Waters Globalisation Inventory, the research attempts to find how change has occurred over the period of the research. These tables show economic progress using the inventory dimensions utilised by Malcolm Waters. Table 44 (Lithuania) shows large growth for production during the period 1995 to 2015 from US$ million 1316 to 7202. F.D.I. shows high growth from US$ million 72 in 1995 to US$ million 970 in 2015 with its financial market ranking by the World Bank standing at 38. Globalisation has enabled a significant benefit to Lithuania's economy. In contrast, Table 45 (Moldova) shows only small growth in production over the same period, even though there has been an increase in FDI from US$ million 25 in 1995 to US$ million 216 in 2015. There has been only a slight increase in world ranking from position 94 in 2005 to 89 in 2015. This may be a reflection of investment decisions due to the business environment.

Looking at the data in the tables, because the different indexes do not focus on exactly the same countries, some of the indexes, i.e. Prognos and Ernst, may not have data available for all the sample countries. The indexes are included, however, to give comparative information where they are available.

The research looks at the significant changes that have taken place in the sample countries, using the categories utilised by Waters and other Key Performance Indicators: GDP, Trade, Production and Manufacture, Investment, Finance, Organization, Labour.

Slovenia, (Table 47) started at a higher level on most counts, and its progress has also been positive, production growing from US$ million 4619 to 8596 over the period 1995

to 2015. There was a major increase in F.D.I. from US$ million 150 in 1995 to 1729 in 2015. However, there was a period of instability from 2009 to 2013, during the global financial crisis before picking up again - largely driven by the new generation of entrepreneurs.

Czechia (Table 42) has also performed well over the period with its exports overtaking imports around 2005, reflecting benefits of joining the EU and major increases in F.D.I. from US$ million 971 in 2005 to US$ 1729 in 2015. This was largely due to German investment, especially by Volkswagen in the automobile industry, changing the fortunes of Skoda. Large modern factories were built with state-of-the art technology and robotics and automation enabling high levels of productivity. This investment resulted in the newly designed Skoda becoming European car of the year. This was largely enabled by ease of trade across borders especially with Czechia's membership of the EU. In 2015, the World Bank ranked Czechia at 31 in the global Financial Market. Investment also enabled the development of the increasingly successful tourist industry.

North Macedonia (Table 46) has made much slower progress with its imports being greater than its exports. In 1995 exports stood at US$ million 1205 whilst in 2015 they were US$ million 4490. Imports have been consistently more than exports, standing at US$ million 6400 in 2015. F.D.I. has grown from US$ million 9 in 1995 to US$ million 297 in 2015. Its ranking by the World Bank has shown considerable improvement from its ranking of 94 in 2005 to 68 in 2015.

Moldova (Table 45) shows some improvement, however, imports are considerably more than exports. Exports have increased from US$ million 746 in 1995 to US$ million 1967 in 2015. Imports in 2015 stood at US$ million 3987. There has been an

increase in F.D.I. from US$ million 25 in 1995 to US$ million 216 in 2015. Corruption remains a major issue and the business environment is still unfavourable for potential investors. Some progress has, however been made with World Bank improving the ranking from 94 in 2005 to 89 in 2015.

Georgia (Table 43) shows substantial growth from US$ million 199 in 1995 to US$ million 2205 in 2015. However, imports in 2015 stood at US$ 7730. The level of F.D.I has increased from US$ million 145 in 2005, to US$ million 1659 in 2015. There has been considerable improvement in the World Bank financial ranking from 90 in 2005 to 67 in 2015. Despite an improvement in manufacturing, unemployment remains high, consistent at 14% approximately across the period.

The time line shows Czechia with a very high increase for industrial production. Slovenia shows some increase but not so steep and the overall EU zone countries in general fluctuate along a fairly flat line. In this aspect, Czechia has benefited greatly from globalisation - partly because of the very significant investments made in F.D.I. into the automobile industry and the tourism industry.

When migration data is considered (Tables15 and 16), Lithuania's migration has decreased whilst North Macedonia has increased. However, the migration trend for Czechia and Slovenia is, perhaps, surprising - both having increased. This is interesting to note as Slovenia also has the lowest income gap as indicated by the Gini index (table 21) and it fares very well in most of the K.P.I. areas.

TABLE 55 INDICATIVE OVERALL IMPACT OF GLOBALIZATION (at 2016) - FROM REVIEW OF INDEXES

			LITHUANIA	SLOVENIA	CZECHIA	NORTH MACEDONIA	GEORGIA	MOLDOVA
TABLE	CATEGORY	KEY AREA OF IMPACT (RANKINGS)	Absolute Value	Absolute Value	Absolute Value	Absolute Value	Absolute Value	Absolute Value
40	SOC	HUMAN DEVELOPMENT INDEX (HDI)	0.85	0.89	0.88	0.74	0.76	0.69
24	SOC	INNOVATION INDEX - New products and manufacturing competitiveness	41.76	45.97	49.40	35.40	33.86	38.39
17	ECON	GINI INDEX	35.50	23.70	24.90	43.60	46.00	28.50
8	ECON	KOF GLOBALIZATION INDEX	29.00	32.00	17.00	93.00	64.00	65.00
21	ECON	COMPETITION INDEX - Ability to be internationally competitive with imports and	35.00	56.00	31.00	68.00	59.00	100.00
39	ECON	SUSTAINABILITY INDEX (SDG)	72.10	76.60	76.70	62.80	63.30	66.60
12	ECON	ECONOMIC FREEDOM INDEX (HERITAGE) (rounded	75.80	59.20	73.30	70.70	76.00	58.00
3	SOC	QUALITY OF LIFE INDEX (Life satisfaction) (rounded)	4.90	6.30	6.70	4.90	6.70	3.50
4	SOC	HAPPINESS INDEX	5.81	5.76	6.60	5.12	4.28	5.89
5	SOC	WELLBEING INDEX (HUMAN)	28.00	7.00	11.00	57.00	46.00	44.00
5	SOC	WELLBEING INDEX (ENVIRONMENTAL)	109.00	82.00	129.00	58.00	78.00	59.00
5	SOC	WELLBEING INDEX (ECONOMIC)	9.00	43.00	5.00	96.00	86.00	42.00
16	SOC	POVERTY TO GDP RATIO (Head-count -Rounded up)	22.20	14.30	9.70	22.10	14.80	11.40
	REVIEW	TOTAL OF INDEX SCORES	**469**	**453**	**441**	**617**	**579**	**523**

NOTE: Lowest total score indicates greatest positive impact of Globalization

Source: Various - collected tables

.

With reference to the Table 13 (chapter 2) on Freedom House Democracy ratings, which reviews the status of Political Rights and Civil Liberties in each country, looking at the most recent democracy scores we see that Belarus is classified as being 'not free', with the poorest level of political rights and very poor civil rights. Georgia, Macedonia, and Moldova are reported as having a 'partly free' democratic status. The trend of development of democracy in Moldova and Macedonia over the 20-year period from 1997 to 2016 is shown in tables 34 and 50 in chapter 14. Macedonia shows a decline in all areas over the period except the civil society rating, which has improved. On the other hand, Moldova has shown an improvement in some areas whilst there has been a decline in national democratic governance, electoral process rating, judicial framework, independence rating and corruption rating.

Czechia, Lithuania, and Slovenia are considered to be completely free democracies. There are, however, 'rumblings' amongst the population of Czechia that the media has recently shown a movement towards bias and censorship with occasional protests taking place. The status quo is dynamic and can be influenced by international activity.

In Table 4 in chapter 1 which shows a selection of countries in the portfolio, the data shows that the Czech Republic ranks as 27 in the 'World Happiness Report', whereas Macedonia ranks as 95th. If the GDP per capita figures for the same countries are considered, it is interesting to note how the countries rank - with Lithuania and Slovenia being high values but with Moldova and Macedonia being at the bottom. Even Belarus figures well, as a middle rank. Purchasing Power Parity values are interesting to note

and to consider to what extent this value contributes to happiness. Quality of life, Well-being, Life expectancy at birth, (table 4) in Chapter 1) all show the Czech Republic and Slovenia ranking higher than Macedonia, Lithuania, and Moldova. Social support shows Slovenia and Lithuania as being high compared with Moldova and Macedonia which rank at the bottom of the table. Freedom to make life choices appears to be greater in Slovenia and the Czech Republic with Lithuania ranking especially low.

By sorting the tables, focusing on each of the topics in turn which are related to 'population' and looking especially at life-satisfaction and sustainability comparison, (Table 6, green = best case and pink = worst case), it can be seen that Slovenia fares very well in all of these areas and has the lowest position in terms of income gap as indicated by the Gini index, which may be a significant and inevitable factor.

Economic Freedom

The Heritage foundation's ranking of economic freedom (Table 14, chapter 2) gives an interesting overall assessment of the progress which has been made by the countries and we can make comparisons on a regional basis. The ranking considers four groups of topics (a) Rule of Law - including property rights, and government integrity, and judicial effectiveness (b) government size - including spending, tax burden and fiscal health (c) Regulatory Efficiency - including business freedom, labour freedom and monetary freedom and (d) Open Markets - which includes trade freedom, investment freedom and financial freedom. The ranking shown for some of the countries in our portfolio is of particular interest:

The first category designated **'Free'** contains only 5 countries i.e. Hong Kong, Singapore, New Zealand, Switzerland, Australia. None of the research sample countries is included.

The second category, designated as being **'Mostly free'** includes, for example Ireland which ranks 9th, United Kingdom ranks 12th in the list– and then Georgia 13th, Lithuania 16th, then Unites States at 17th and Denmark 18th. Germany is 26th followed by the Czech Republic at 28th and Macedonia at 31st. All these countries fall within the second category.

Hungary (56th) and Slovakia (57th) fall into the third category designated **'Moderately Free'** which also includes Spain (69), France (72), Portugal (77) and Italy (79).

The fourth category is designated **'Mostly un-free'** and includes Slovenia at (97) and Moldova (110), followed by Russia (114) and Greece (127). (It is interesting to see the category into which Slovenia fits, i.e. 'mostly unfree'). So, despite globalization and the happiness of the people, the economic freedom appears to remain low.

None of our portfolio countries is considered to be in the fifth category **'Repressed'**.

Whereas it is not surprising, perhaps, that the Czech Republic is included in the **'Mostly free'** group, the inclusion of Georgia, Lithuania and Macedonia is perhaps less expected, and they have already achieved the accolade of "getting to Denmark" in this respect. On the other hand, the ranking of Slovenia is lower than might be expected.

Sustainable Development

The Bertelsmann index of sustainability shows the ranking of the portfolio countries according to the criteria used for the index. Other countries have been included in the list for comparison purposes. It is interesting to see the rankings of the countries which are considered to be 'most sustainable' and the position of the United States at 25 is notable for comparison. In terms of sustainable development Macedonia ranking 58 is the lowest ranking in the portfolio.

The research reviewed the results of work done by Bertelsmann and the Prognos reports of the years 2014 and 2016 on globalization (Stiftung, 2016) (Table 41). Bertelsmann researchers looked at the **income gains due to increasing globalization** in the period 1990 to 2014 and studied a total of 42 countries. Three of the portfolio countries are included in the report: Slovenia, Lithuania, and Czechia. When the positions that these

countries have in the report are considered, we are able to see how they compared with our benchmark of Denmark and it is clear to see why the expression "getting to Denmark" is relevant for the development progress of these countries. The positions shown for the sample countries, especially in the ranking which is adjusted for purchasing power, might be expected to be reflected in the values recorded in the 'quality of life index', 'happiness index' and other indexes for these countries but any relationship may not be linear and, for some of the population, quality of life may be very simple and happiness relates to their ability to maintain the status quo e.g. subsistence farmers in Moldova.

Summary

Referring to Table 8, the KOF Globalization index, which ranks the relative position of countries out of 207 countries, it shows that in 2012 Macedonia's rank was 71 and in 2016 it was 93. This indicates that Macedonia had become less globalized whereas in 2012 Lithuania's rank had been 48 and in 2016 ranked at 29. This indicated that Lithuania had become more globalized. Thus, a very considerable increase in globalization was indicated in Lithuania, while globalization in Macedonia decreased.

Over the same time period, Czechia's rank moved from 13 in 2012 to 17 in 2016. This result is perhaps surprising in view of the high degree of publicity that we regularly see about the beauty of tourism in Prague and the cultural events that it has to offer particularly in terms of music, theatre, and social life.

Moldova however had moved from 67 in 2012 to 65 in 2016 – indicating that Moldova had become slightly more globalized.

Macedonia has made valiant efforts to integrate with its peers to be able to establish itself as a global player. It has been accepted as a candidate for membership of the EU and due to its historical background and traditional links with other countries should be well placed to do so. However, it has had mixed fortunes and proving its ability to comply with the EU standards has remained difficult. The country has many advantages to offer and has enjoyed good trading and tourism links with other countries. Recognizing the need for FDI, the government through its investment organisation, MacInvest, has taken positive steps to recruit young national representatives who will be based in a wide variety of embassies and they will promote the opportunities for investment in Macedonia. Under the guidance of an international project to draft a revised National Sustainable Development Strategy, a diverse team of senior professionals, academics, civil servants and administrators, the government has formulated a strategy aimed at driving the country forward and successfully competing in the globalized world.

Despite the efforts which the country has taken to date, its advancement remains restrained. There have been many restraining forces including fallout from the migration from Syria and Africa and the need to protect borders from transient migrants. There is also, the continuing dispute with Greece over the naming of the country, despite a willingness of both countries to trade with each other and their nationals to live in each other's country. In recognition of the Albanian population, which is resident in the country, there is a mandated composition of the government to include adequate representation, which also slows progress, builds resentment, and has to deal with conflicting attitudes regarding corruption. For these reasons, it is largely the social aspects of globalization which are holding the country back. Although, in other aspects, the country is very capable of compatibility with its peer countries, despite the investment promotion and achievements, take-up of investment facilities in the

economic zones remains frustrated by the comparative risk factors, including security, for potential investors.

CHAPTER 16 - HYPOTHESES REVIEWED

The review considers to what extent the research validates the hypothesis

Hypothesis One Reviewed

Increasing globalization creates an environment in which flexibility and willingness to adapt are important influences for the achievement of improved economic development.

Governments and Public Agencies that provide an open and conducive business environment, which is free from barriers, are able to have more freedom of choice about their production and manufacturing capabilities and services that they offer, their trading outlets, and sources of finance - impacting and leading to potential sustainable economic development.

In each of the sample countries, globalization has led to more freedom of choice, greater competition for both domestic and export markets and populations have become aware of global opportunities that could be available to themselves to improve their quality of life. But such opportunities are unattainable and will not happen unless action is taken. To paraphrase the declaration by Isaac Newton, 'matters will continue to remain in their present state unless acted upon by a force'. This requires governments and leaders in each of the countries to see the opportunities and take the actions necessary. Failure to do this

leads to frustration, ensuing unrest, and migration of the populations. It also perpetuates lack of competitivity for the business people of their country and provides unrestricted access for external commercial organisations to compete for the business of the home country and frustrates ability to pursue any external business opportunities that its business community may be seeking. For many people migration is the only way to relieve their frustration and achieve improved quality of life. This is likely to lead, for the most adventurous members of the population, to education abroad and improvement of their skills or, for others, simply to taking advantage of the higher earning capacity that they have if they emigrate on a permanent or temporary basis.

Studying abroad for the attainment of advanced qualifications and skills is not necessarily a permanent loss to a home country and can be a big advantage for the country. However, it is essential that the home country makes and achieves the improvement to quality of life which may have been lacking and which globalization has exposed and emphasised as being available in other countries.

Evaluation of the results shows that flexibility and willingness to adapt has been achieved by some of the sample countries more than others. Bertelsmann sustainability index rankings (table 48) and (Table 10a and 10b) showing data from KOF globalization index and Freedom House democracy rating indicate how sustainable the sample countries have become with regard to economic development as they have become more globalized. Those indicated as being 'free' by Freedom House, having achieved level one in civil liberties and political rights have ranked the highest in terms of globalization and also rank best in terms of sustainable development

People travel quickly and easily across the world and, in general, cultures mix freely. Waters (2001) refers to this as "Time-Space Compression". People travel internationally to learn about manufacturing capabilities, agree partnership arrangements, investment

initiatives and establish supply contracts. Subsequently, contracts and payment arrangements are made by internet. Factories in China know the needs of customers all over the world and are capable of manufacturing products to the designs and specifications of anyone in the world quickly, very competitively priced and to the standards of international business leaders in any country. Since the removal of travel and trading restrictions that applied to the communist bloc prior to 1990 and the greater freedom allowed for visitors by other countries and particularly, as EU member countries, benefit from ease of travel throughout EU, enormous advances have been made.

The acquisition of communications facilities (such as internet, telephone networks and cellular networks), together with the freedom to travel, enable the countries' population to learn about and liaise with the outside world – and for the outside world to inspect and liaise with people within. The Globalization Index surveys over 150 countries and it shows that the internet is accessible - and accessed - in most of these countries.

George Dura refers to EU members also pursuing diverse interests in the CIS region (Dura, 2009) and emphasizes the importance of this. Thus, Moldova and Georgia, particularly, and Lithuania have to face both directions.

Moldova has suffered from a serious drain of the country's educated people who have taken advantage of ancestral Romanian nationality to migrate to EU countries. Remittances have not been used for investment in businesses back home which should contribute to the economic development of the country. Internationally produced products are readily available in the shops and remittances are used by family members to buy these in preference to locally produced products. With limited focus and investment in new technology or creative innovative local production – with some exceptions described earlier - stagnation continues and the country remains an

unattractive place for investors. Membership of the EU is illusive and the country struggles on alone.

Bartlett (2009) discusses economic development in the supra-periphery – in the western Balkans – and determines that 'going it alone' with local development is not sufficient and greater engagement with the global economy must be achieved. He emphasizes that countries of the region have not benefited from the most beneficial elements of Globalization but have suffered from the downside effects. He concludes that such countries are likely to remain in the super-periphery and the disparities experienced by them are likely to increase unless accession to the EU can be achieved at a faster pace. The evidence shown by three of the sample countries reflect this (Moldova, North Macedonia, and Georgia).

Article 1 of the UN Charter states that one of the purposes of the UN is to "develop friendly relations among nations based on respect for the principle of equal rights and self-determination of peoples".

The difficulty that exists for nations is to find a formula by which they can be independent and have their own sovereignty whilst still enjoying the critical mass that the membership of a group with others can provide. Thus, many different variations of affiliation have existed throughout history such as commonwealths, unions, and federations and, more simply, trade agreements. Each has its own benefits, disadvantages, and commitments. Each membership will require sacrifices to be made and compromises. Some nations become associated with more than one grouping, but ties and bonds will vary in their degrees of exclusivity. The cost benefits of EU membership are currently being debated.

The research considered the following key factors which globalisation has influenced, i.e. increased competition, availability of potential opportunities, an open and conducive business environment and flexibility and willingness to adapt.

Lithuania is managing the effects of globalization and is taking initiatives to respond to needs of potential FDI investors – especially through its FEZ's and, to some extent, in support of IT software.

Macedonia is also responding to this opportunity.

However, it may be difficult to see what competitive advantage, apart from costs and, in some cases, proximity to neighbouring customer countries, that Moldova has to offer. Being agile in response to opportunities is not in itself sufficient. Success is most likely to be achieved when non-cost advantage is offered and exploited i.e. "only by investing in 'Moldova' can this competitive advantage be achieved". However, it is difficult to find countries that can claim to be successfully doing this – and to sustain this advantage - especially in C.E.E.

There are concerns in the sample countries about achieving common conformity with standards of other nations and managing the conundrum of competitive advantage being partly won on competitive labour costs, while at the same time experiencing a brain-drain by young qualified people being in demand in other countries. Sustainable development is further constrained by corruption and uncertain business environments deterring FDI.

However, on balance, the research overview supports Hypothesis one.

Hypothesis Two Reviewed

Economic development of countries is influenced by their geographical location and their historico-geographical relationships with other countries. These are legacy factors

beyond the control of any current government. Landlocked countries are particularly disadvantaged.

The geographical position of each of the countries in the sample has played an important part in the development of the country as also has the relationship that each country has with its neighbours. These relationships have influenced the impact of globalisation on the countries (see below table 56).

TABLE 56 LANDLOCKED COUNTRIES and SAMPLE AND PERIPHERY COUNTRIES

Country	Area (km2)	Population	Cluster	Surrounding countries	Number of Border countries
Czechia	78,867	10,674,947	Central Europe	Austria, Germany, Poland, Slovakia	4
Moldova	33,846	3,559,500	Eastern Europe	Romania, Ukraine	2
Transnistria	4,163	505,153	Eastern Europe	Moldova, Ukraine	2
North Macedonia	25,713	2,114,550	Central Europe	Kosovo, Serbia, Bulgaria, Greece, Albania	5

source: https://www.worldatlas.com

The sample includes three landlocked countries: North Macedonia, Czechia and Moldova. Landlocked developing countries often lag behind other countries in terms of economic development, despite advances in technology and communications that globalization provides. This is because they have difficulty accessing global markets, especially due to their lack of track-record, quality of products, cost of production and associated non-competitiveness. They also have significantly higher costs of international cargo transportation compared to coastal developing countries.

The economic disadvantages of being landlocked can be alleviated or aggravated, depending on initiatives that may be available to the government of the country, language barriers, and other considerations such as the alliances it may form and associations with other countries.

Some landlocked countries have taken action to alleviate the disadvantages of being landlocked by acquiring land that has access to the sea: for example, Moldova received a 600 meter long bank of the Danube River (which is an international waterway), as the result of a 2005 territorial exchange with Ukraine, and has built a port there, which is called Giurgiulesti. Countries can also make agreements for allowing free transport of goods through neighbour countries. Czechoslovakia gained a 99-year lease of parts of the port of Hamburg from Germany as a result of settlement requirements at the Treaty of Versailles - allowing Czechoslovakia to have sea trade via part of the port (which became known as Moldauhafen) along the Elbe and Oder rivers. This facility continues to be available to Czechia.

A similar situation exists with the city of Kaliningrad, which was previously known as Königsberg until 1945, when it was ceded to the Soviet Union under the Potsdam Agreement. The city has no land access to Russia - but is extremely important to Russia to allow Russia access to a western seaboard and port, especially for strategic reasons. Kaliningrad is the capital of Kaliningrad Oblast, a Russian exclave with no land connection to Russia, situated between Lithuania and Poland. The city was founded in the 13th century by knights of the Teutonic Order. Much later it became the capital of East Prussia (East Germany). The presence of this Russian territory gives a border dimension to its neighbours - Lithuania (and Poland).

The land-locked situation is discussed by Paul Collier (Collier, 2007) in his book The Bottom Billion,_in which he argues that being landlocked and in a poor geographic neighbourhood is one of the ways by which a country can be held back. However, he suggests that a positive condition can occur when a neighbouring country experiences better growth, the improvement tends to spill over into favourable development for the other country. For landlocked countries, the effect is particularly strong, as they are limited in their trading activity with the rest of the world. He states, "If you are coastal,

you serve the world; if you are landlocked, you serve your neighbours." This rationale may be the situation experienced by Moldova which borders, and also has a historic strong relationship with Romania – which has seen substantial economic growth since becoming a member of the EU.

In addition to these factors, other 'location-specific' factors exist and influence economic development. These include administrative practises that the neighbour may demand for allowing transit passage (e.g. inspections, tariffs, prohibitions), cross-border politics and disruptive practises that might be enforced, the stability of the country of transit (including demonstrations and other disruptions) and the overall infrastructure of the countries through which goods and resources have to pass. However, these can be overcome or minimised by historical alliances and track-record or by new alliances. Successful management of this is a prime consideration for successful sustainable economic development of land-locked countries, especially in light of extended freedom of movement and demand for international products. Czechia has been particularly successful in achieving this.

Marshall (2016) refers to the particular disadvantages which landlocked countries have and the extreme importance of the relationships that countries have across borders with neighbours.

The availability of energy supplies is a critical factor influencing the economics of the country and Lithuania, for example, is very dependent on Russia for its gas supply. America has surplus supplies of gas since its success in developing shale gas and plans to export LNG surplus supplies to Europe. Lithuania is keen to take advantage of this. Several new refineries are being constructed on the European coastline - including Lithuania. Lithuania is a member of N.A.T.O. and this is a concern for Russia.

Although a land-locked country, Czechia has gained advantage from its proximity to western Europe and to historic trade relationships. However, Czechia is also enormously dependent on Russia for its gas supply. Like Lithuania, Czechia would like to have

alternative sources and is planning to take advantage of such LNG exports from America and to do this it is planning to build a pipeline from terminals on the European coastline. This long-term pipeline project would also enable Czechia to take advantage of alternative supplies of LNG from the Middle East and north Africa. If this is successfully achieved Czechia would no longer be dependent on Russia for its supplies. Czechia is now a member of NATO – which is not welcomed by Russia.

Georgia has suffered from its turbulent relationship with Russia - especially the disputed territory of regions of Abkhazia and the former 'South Ossetian Autonomous Oblast' of Soviet Georgia. These two regions of Georgia are referred to as 'the occupied territories' which Russia took control of after the Russo-Georgian war in 2008. This status however is a matter of international dispute and both of these regions are internationally recognised as integral parts of Georgia and together represent 20% of Georgia's internationally recognised territory. Another region of Georgia, the region of Adjara, has a special administrative relationship with the government of Georgia.

During the Soviet era and until the collapse of the Soviet Union in the late 1980s the Abkhazia region had autonomy within Georgia, but the two ethnic groups of the Abkhaz and the Georgians were constantly in tension which culminated in the 1992 - 93 war in the Ankhs region. The outcome was that Georgia lost control of almost all of Ankhs and the Georgian ethnic population left. Tension in the region continued and eventually in August 2008 a further war was fought between Russia and Georgia which led to the formal recognition of the Abkhazia region by the Russian government. Both Abkhazia and South Ossetia are under Russian army occupation.

Although the European Union recognises the occupied territories of Georgia as being a part of Georgia itself, and most of the UN member states agree with this, Russia does not allow the EU monitoring mission to enter either Abkhazia or South Ossetia and has signed military agreements with the regions to defend them militarily. The Georgian government has passed

laws that stipulate any economic activity involving the region must be made under Georgian law. This position on Georgia is supported by most member States of the United Nations including the European Union OSCE, Council of Europe. In 2014 the European Union formally recognised the Republic of Georgia (together with Moldova and Ukraine) by granting an Association Agreement with the country which gives special trading terms for the country when trading with members of the EU. As a result of this Association Agreement, globalisation has a greater impact on Georgia which has more freedom of movement than it would have if its only association were to be with Russia.

The geographic position of these countries as neighbours is important due to political differences between Russia and the west. This connection with Europe is viewed with some caution by Russia which is concerned that Georgia, and Moldova and Ukraine all wish to join the EU and NATO, if they were given the opportunity to do so. Russia has stationed troops in all three territories. Although Russia does not see a need to exert further influence on Georgia as a high priority, the situation could change if Georgia became a NATO member. The member states of NATO however are aware of this sensitivity with Russia and are keen to avoid any potential conflict that acceptance of Georgia as a member might provoke.

Moldova is viewed by Russia as a potential buffer state but as long as Ukraine remains independent, it is considered that Russia is unlikely to seek further presence in Moldova apart from the presence it already has in Transdnistria. However, Russia does have an economic influence on Moldova because of its reliance on Russia for supply of its energy needs. Moldova's agricultural products, including its wine production, continue to find markets in Russia but these are significantly reduced due to competition and fluctuate depending on changing political relationships with Russia which is likely to use its economic muscle over Moldova to influence the government against its aspirations to join the EU or NATO.

Macedonia's name and its problems associated with its historic division from the Greek region of Macedonia has held back the country's economic development and this barrier remains to be resolved

Source: **https://www.worldatlas.com**

The quality of infrastructure such as roads and ports encourage international investors and contractors to visit and work in any country. Foreign interest and commitment vary reflecting the extent to which such resources are available. These factors are illustrated by the measurably greater development of Lithuania to that of Macedonia. Macedonia's name and its problems associated with its historic division from the Greek region of Macedonia have held back the country's economic development.

Moldova's land-locked location limits transportation options but providing the limitations of the country are recognized and satisfactorily managed, they need not be

a disincentive to doing business. Subject to trade and customs regulations, foreign investment partners can take advantage of being adjacent to potential markets across borders. The special benefits provided by the government and other benefits, especially cost effectiveness, which the country provides are usually located in close proximity to borders. However, trade barriers and customs regulations of neighbouring countries can change – sometimes with devastating effect (e.g. Ford Europe's experience with Belarus-Russia, which led to the closure of a major new foreign investment plant).

Allegiances of countries, new partnerships and historic boundary changes are dynamic and ongoing. For examples of this, we can look at partitioned Germany; partitioned Ireland; partitioned Czechoslovakia moving to two independent republics and then each becoming members of the enlarging European Union – and the current state of existence of the independent Moldova (and within Moldova, the autonomous region of Gagauzia). Similar autonomous regions in other states exist (e.g. in Georgia – autonomous regions of Abkhazia and North Ossetia). In all these cases, independence is sought and jealously guarded. Satisfaction may grow and wain but a satisfactory association, shared or bi-lateral agreement (e.g. Free Trade Agreement) with an external group is necessary for survival in the fast-changing globalized world and highly competitive market economy.

Historically and officially, part of the Territory of the Republic of Moldova is Transdnistria – but the Russian-speaking population of the region and the local government consider themselves to be Russian and have separated from Moldova's central government. They have their own independent administration and the region is designated by the Republic of Moldova as the 'Transdnistria autonomous territorial unit, with special legal status'. It is officially named the Pridnestrovian Moldavian Republic (PMR). The region is unrecognized by any United Nations member-state and is considered by the UN to be part of Moldova. The PMR controls a narrow strip of

territory to the east of the River Dniester, and, also, the city of Bender and its surrounding localities on the west bank, in the historical region of Bessarabia. Business visitors to Moldova are discouraged from dealing with Transdnistria unless they have specific reason. The regional government of Transdnistria strictly supervises the border boundary - with armed border guards - and they manage their own security forces. Corruption is allegedly rife.

Transdnistria has a very close relationship with Moscow and Russia provides the region with resources and services. Industry in the region is working well and is exporting (e.g. steel to China), with investment being supplied from Russia. The economy of the region is in good shape – significantly different to the main regions of Moldova. This breakaway autonomous region of Moldova with its ties to Moscow is very much in Russia's favour - and facilitates contentment across the border. It is not surprising that Russia is in no hurry to change this situation. This situation exacerbates instability and is a negative influence on Moldova's ability to freely negotiate changes to the country's allegiance towards Western Europe or closer ties with Russia and additionally presents some disincentive to potential western investors. Despite Moldova being a landlocked country, the comments reported by Moldova's international business support organization, MIEPO indicate that when foreign companies invest in the country and provide experienced management, the difficulties of location can be overcome and indeed used to advantage. With regard to hypothesis two, our research shows that considering all factors, it is evident that hypothesis two is valid.

CHAPTER 17: CONCLUSIONS

The over-riding effects of globalization in each of our sample countries has been to:

- **Increase the availability of competition** in the domestic and export markets, opening borders to global competition
- **Increased opportunities that could be available to the countries, businesses and customers.** This has been made possible by ease of communication and cross-border access which has been drastically improved and the ability to travel has become much easier.
- **Access to information and knowledge has become much easier – from global sources.**
- **The impact of globalization in each of the countries varies – and has been modified and limited by the extent to which the government and the population have respond**. **This has affected the economic sustainability of each country**.
- **As competition has increased, the failure of the government in some of the countries to adequately address and resolve issues related to competitivity has resulted in loss of local manufacturing and production facilities resulting in unemployment and loss of income, especially in the regions with no way to generate alternative sources of income - and lead to increased poverty and fuelled corruption.**
- **The governments' failure to resolve poverty and improve quality of life inevitably leads to corruption becoming a way of life and, for many, to migration to seek a better life elsewhere**. **The presence of corruption in each of the countries has been a major inhibitor to international interest in a country and progress in economic development - and the problem continues**.

Extent of Globalisation

Waters (2001) refers to the question of the reduced sufficiency of the nation-state which he considers are bounded social systems which will compete for markets, materials and other resources and hence are not in themselves self-sufficient. He stresses that their survival will thus involve them in dealing with other countries to satisfy the shortcomings and this may be by negotiation and cooperation or even to hostility. The solution for the countries may be in formalising relationships and associations with other countries. The literature points out that the rate of globalisation is not consistent across the various components with political globalisation lagging behind.

Waters stressed that associated with this, looking outside the nation state, populations are viewing life in terms of global availability of goods services and practises. People's wants extend across anywhere in the globe. They see for example the desirability of fast-food restaurants introducing consumable products and concepts which originated in advanced countries, which arrive in their own country with competitively priced offerings. Some writers refer to this as McDonaldization. Items which once were the preserve of rich members of society have become desired and attainable by the general population such as computers laptops and mobile phones. This has assisted the countries we have been considering especially with the availability of IT which has facilitated the production of computer software for offering to the global market. The mobile phone and internet have enabled them to market globally.

Waters concludes that although the sovereign state still exists for some countries, the ability of countries to control their own population is diminishing. Furthermore, many countries are sacrificing their sovereignty for the benefits of joining other countries in union. This is particularly the case for the countries in our sample that have joined the EU. The changes that are taking place in countries in the world today remove the

reluctance of the populations to show their true feelings and wishes about the way they are living. This is manifested in demonstrations and protests which are more easily undertaken and fuelled by the knowledge that the international media and the global internet promote and make available to them. The actions of governments - or their inactions to problems and difficulties that arise - are no longer hidden but transparency prevails.

Basing the findings on the key indicators of globalisation proposed by Waters in his inventory of economic globalisation, all the sample countries have coped reasonably well with globalisation, although some have taken better advantage of the opportunities. The major causes for concern in all countries are corruption, lack of ability to produce and manufacture competitive products and making their country an attractive and desirable place for the population to live i.e. the quality of life. This is particularly a problem when members of the population have travelled abroad for education and after qualifying they realise that the quality of life available to them in the country of their education is significantly better than the opportunities, facilities and quality of life available to them 'back home'. Failure to address these issues will reduce the availability of well-educated indigenous human resources available to develop the home country and limit the need for on-going dependence on FDI. Additionally, globalization has emphasised the need to upgrade research and development to produce cutting-edge technology and new products and services that can be made and brought to global markets.

Sustainability

In practical terms sustainable economic development requires amongst other changes, a focus on education, invention, and discovery. Increasing our understanding of science and the application of greater understanding leads to innovation. The dynamic nature of global populations leads to a constant march towards the invention, creation and development of new products that have greater capability for providing utility and which can be used to enhance the well-being of people and organizations, as is being addressed in Lithuania, North Macedonia and Moldova. Business drivers deploy marketing and promotion techniques to create needs which they can then offer to satisfy, with products, services, and capabilities that they can provide. The exchange of such enhanced products for financial resources will, in turn, give them flexibility to gain power and the ability to fulfil ongoing and future needs of the people. Thus, countries expand their sphere of influence, which becomes wider. One view expressed by Milanovic (2016) is that globalization favours the highest common denominator with the rich becoming richer and the poor becoming poorer. However, Waters takes a different view that globalisation opens up opportunities ... "we should not forget that (globalisation) involves at least opportunities for expansions of collective responsibility for the mitigation of inequality, of human rights, of environmental values and of feminism".

The sample countries cannot afford to waste time in keeping up with other countries and need to improve how their country is viewed. If they do not give priority to solving the problems associated with their country, their economies will suffer and not improve (i.e. Macedonia's long delay in progressing the problem associated with the name of the country), also addressing the disparity of wages, quality of life, social care and the problem of corruption which exists in several of the countries. This is particularly important in the sample countries in the areas of corruption and substandard quality of

production and services which make it unattractive to potential investors and customers to do business. The overall quality of life in the country is so important for the retention of the population who may otherwise prefer to move to other countries (which globalization has enabled) to work and live - especially after they have gained sought-after skills and knowledge. The economic development of the countries would benefit considerably if they could attract temporary leavers to return - requiring a quality of life that will be attractive to them.

For the successful sustainable development to be achieved, it is essential that small countries find ways to enable organizations that exist in their countries and their humn resources to demonstrate desirability and competitive advantage to global corporate managers. This may be by enabling the population to improve their capabilities, skills and knowledge to an equal or better standard than other global nations and facilitating producers, businesses, and entrepreneurs in the country to produce products that satisfy the wishes of the domestic market and enabling them to export such products and capability on a competitive basis to the global market. Where investment is needed, they may choose to invite into their country suitable foreign investors with the aim of exploiting the resources in the country. Czechia with their transformed Skoda motorcar industry is a prime example. This must be on a mutually beneficial basis - ensuring that long-term benefit for the country is delivered and the needs of the people are satisfied.

What part has Globalization been playing in each of the countries?

Analysis of the current and potential situation as at 2015

Choosing Lithuania and Moldova as two examples from the sample countries and looking at how economic development has fared under the increasing influence of globalization, Lithuania has a fairly well diversified economy. During the period,

Lithuania showed one of the highest average annual real GDP growth rates (3.3% over the period 2010 to 2015) in the European Union. IT skills are particularly high, and this attracts interest from international bodies in two directions – firstly potential FDI and outsourcing services, but additionally, for recruitment and overseas employment.

Foreign direct investment inflows remain low compared with regional EU member countries. The country relies excessively on Europe for its export channels and more than 4/5 of the total exports go to other European countries.

Government policies are focused on measures to increase the level of the disposable income for the population and a continued rise in the minimum wage indicates that this will improve. Pensions have also been increased. Some concern is noted by the government that the ageing population is likely to impose increasing pressure on government finances. Lithuania is concerned about the continuing conflict between Russia and Ukraine and the implications that this may have for Lithuania's exports. Russia is Lithuania's major trading partner for oil and gas and Russia's clash with the Ukraine gives the country some cause for concern.

Lithuania has occupied the top place in the EU for corruption for many years. Many people in the country do not believe that the government is taking sufficient action to solve the problem. This problem deters investors and F.D.I.

Lithuania has taken advantage of the opportunities that have arisen. Education has been focused on global needs and enabling the people in Lithuania to compete with unlimited foreign competition. More freedom, proximity to neighbours, trade with other countries leads the country to opportunities such as the pipeline project previously described. However, dangers also are present and increase due to globalisation. Trained resources are free to seek 'best offer' employment packages outside the country and the quality of

life is more attractive elsewhere. The purchasing power available to Lithuania, because of the cost of living during the period, gives it a big advantage.

We have referred to the quotation getting to Denmark, which ranks Denmark 4th in Bertelmann's absolute ranking of income gain over the period. It is interesting to note when we refer to table 49 Lithuania's position is 27 for absolute income increase. However, when we look at the position of Lithuania in the PPP ranking it is ranked much higher. Denmark is downgraded to 10th and Lithuania upgraded to 20th.

Turning to Moldova, the country has been slower to take advantage of the opportunities that globalization has presented. The country does not have the same advantages that other countries in the sample group have due to their historic links with neighbouring countries or, more recently membership of the European Union providing ease of access to markets. Furthermore, political instability and a history of serious corruption present limited attractiveness to potential investors. The quality of life available to its population does not have the benefits provided by other countries and the government is slow to make changes for the better. As a consequence, when the population travel abroad for education or temporary employment, they are often reluctant to return having experienced the quality of life available elsewhere. Globalization shows the population a quality of life that they could aspire to outside the country if they wish to have it. Major actions will have to be taken and changes implemented in Moldova, such as controlling corruption, providing an attractive business environment to bring Moldova to, for example, the standards set by the EU in the Acquis Communautaire, and provide a good quality of life especially for its younger generation. Encouragement is also needed for innovative business ideas for replacement of its traditional industries and opportunities for the young to be educated to competitive standards and develop as entrepreneurs, especially with regard to new state of the art concepts and products, as for example already happening in software. However, this will need stability of

government and visionary leaders. The general conclusions, however, apply to all the countries in the sample.

The pace of progress and the global reach which now exists today varies from country to country in the sample countries. Providing people are prepared to move their location, the opportunities available to them are radically different for the current generation today than it was for their parents. This has radical implications for regional and local development. Because of the mobility of labour, the income gap is increasing – with those prepared to be mobile changing the way their income is generated and the way they live. The people who maintain their traditional way of life and remain in the regions in which they were born may be left behind by the globalized society. The governments of our portfolio countries recognize their need to implement regional development strategies designed to support the regions of their countries. Reliance cannot be placed on old traditional industries and conventional products. The demands of the world are changing, rapidly. With the world's exotic and non-indigenous products and technical devices being available globally at highly competitive prices – and rapidly freighted to consumers in faraway places, providing customers with rapid availability of high-quality products which are fully specified and quality certified, this is a tall order to aspire to for some of the regions in the countries of our research.

The countries that do well and will have the best chance of sustainability are those that can maintain easy relationships with the rest of the world and where their geographical proximity facilitates this.

Like Lithuania, Macedonia and Czechia are doing this by producing academic programs at their universities and colleges. To some extent, this is also happening in Moldova. They are producing potential marketable know-how. However, countries need diversity

in their product and skills capabilities, so similar initiatives are needed in all state-of-the-art technical areas.

Moldova also continues to be isolated from both the EU and the FSU, remaining unsupported. Situations are dynamic and changes made in one direction are likely to affect conditions pertaining to the status quo which may not be appropriate any more. For example, membership of the EU or the CIS which has been seen as being advantageous by some members, is not achieved without paying a price which is likely to affect all members. Georgia and Moldova have both been members of C.I.S. but Georgia subsequently opted out from the association. More recently, Georgia and Moldova have entered into an association with the EU under the Association Agreement of 2014. The dynamic nature of activity amongst members of unions and associations has had a constantly changing effect and so the globalization process which may have been beneficial to some states in CEE may have had detrimental effects on others. Removal of trade barriers, for example, has had a major impact on countries which are lagging behind in terms of modern development. Open borders have resulted in manufacturers which have not been able to compete and update their processes and technology being faced with closure as international manufacturers invade their markets. Domestic consumers in Moldova, for example show considerable interest in better packaged and quality imported food products and, subject only to being able to afford the cost, will buy foreign alternatives in preference to traditional local products. Invading foreign competitors are likely to price their product offerings at a price which is deliberately set at a level they believe the local population can afford and find difficult to ignore (e.g. MacDonald's introducing their beef burger fast food outlets - which provided a conducive social gathering space - in all the sample countries).

Because of the pace with which changes happen in the world whether they be climatic, war-inspired, immigration associated or politically disruptive, in order to survive,

countries have to be dynamic in their movements like a ballerina on the global stage. Populations move, human resources are depleted, material resources are depleted, and external predatory businesses are ruthless in the techniques which they apply in search for material resources and sale of goods. The impact of globalization can be positive and advantageous to the strong and nimble, but the status quo is not an option for governments to simply attempt to preserve. However, it is difficult for some governments to demonstrate strength and nimbleness if there is no incentive, such as Moldova and Macedonia, as there is no practical reward that can been accessed by this behaviour, whereas Lithuania is in a better position. Such behaviour is rewarded, and the country progresses even though it still has corruption and poverty.

On balance, the results of the research show that globalization has had **some positive effect on each of the portfolio countries as proposed in hypothesis one** and more benefit has been gained than negative effect. The results also show that the effect of globalization has been assisted by the relationship which the countries have established with other Western and Central European countries. Due to the increased ability of the countries to communicate with and deal with each other, most of the countries have benefited from the encouragement of international institutions to reduce barriers to trade, harmonize regulations and the rule of law and facilitate movement of people goods and services. The reduction in barriers has led to a greater commonality of standards and practices – driven to a large extent by internet communications and the information and training facilities which it allows. Marketing organizations have driven the expectations in standards of products and services from whatever source is able to be competitive, supported by certification. Globalization has meant that with the advancement of technology and its application to production and manufacturing methods, and processes, there has been unimaginable development in products, services and medical advances. However, the research has noted that whilst this is true for

countries with forward thinking and active leaders, where the political leaders have personal distractions, such advancement is slow to be achieved and globalization leaves no room for tolerance.

Winners and Losers due to Globalization

Table 57(A) COMPARATIVE STATUS OF SAMPLE COUNTRIES	
CORRUPTION	**Georgia** - Earlier corruption, violent crime and security issues (early 2000's). Corruption has grown amongst the elite members of society who influence resistance against the European Model. Through reforms the country has eliminated many forms of corruption and greatly improved police force.
	Moldova - All pervasive corruption, banking sector, politically, institutionally, public administration and in society.
	Czechia - The country has experienced problems related to corruption and organized crime since its transition to democracy in 1990, initially prolific due to the burgeoning of investment companies – and even banks. Corruption has continued to be a serious problem and the personal interests of politicians have interfered with transparency.
	Slovenia - Corruption in Slovenia is publicly perceived as a growing problem in society and there is a deepening public distrust in most of the significant political and administrative institutions. In 2016 the prime minister resigned after a major public corruption scandal to do with non-reporting of assets.
	Lithuania - Lithuania has occupied the top position in the EU for corruption for many years, according to the World Bank "Doing business index". The government is taking active measures to meet the challenges of corruption. The Prime Minister, Salius Skvemelis, who was elected, is an ex-police chief and is firmly against corruption but improvement is slow.
	N Macedonia - The government acknowledged the need to fight against corruption, bribery and favouritism. In 2015 a wire tapping scandal led to the loss of a functioning government. The country has continued to deliver tangible results in the fight against corruption and organised crime, as identified by the EU.
GOVERNMENT EFFECTIVENESS	**Georgia** - The government operates a US$6 billion state-run fund for investment in energy, manufacturing, tourism, logistics and agriculture. The strategy is partly financed through the World Bank. Georgia's attitude has become more globalized, being recognized as a working democracy.
	Moldova - Unstable political situation. Development initiatives favour personal interests of politicians. Cynical elites have engaged in fierce competition for the capture of state institutions and for the control of policy making.
	Czechia - insufficient government reforms give rise to public frustration.
	Slovenia - The country lacks an effective government structure for research and innovation and encouragement for collaboration between institutions and companies. Despite its membership of the EU, the government has been slow to take up policy and funding instruments prescribed by the EU and it has been slow to cope with frequent changes which have occurred.
	Lithuania -Lithuania has been above the EU average for several of the 10 policy dimensions specified by the SBA, including entrepreneurship, the government's response to administration, environment, access to finance and the EU's single market. The government has taken steps to encourage investment and the requirements necessary for starting a business have been streamlined.
	N Macedonia - Although the government took several initiatives, such as a major reduction in taxes and administrative red tape, foreign investment targets have not been achieved. Government policies are being put in place to provide stimulation for SMEs – with the recognition that profit is the main incentive. The government helped good regional development through its MacInvest initiative.
MIGRATION	**Georgia** - Since 2012, migration has not been a problem and is balanced by immigration.
	Moldova - There is a high migration problem. This gives rise to high social and emotional costs of emigration as well as implications for the welfare of the elderly population left behind. There is a lack of retention of a young qualified workforce.
	Czechia - Migration of Czech population is not a problem, but uncontrolled immigration is a high concern for many people. According to the 2018 Bertelsmann Stiftung report, surveys indicate that the number of negative attitudes toward refugees grew from 50% in September 2015 to 64% in December 2016.
	Slovenia - Migration has occurred from the rural districts but mainly to suburban towns. The population structure is changing due to foreign immigrants and migration of the young national population. The population forecast is for significant overall decline.
	Lithuania - There has been a steady decrease in skilled workers due to the outward migration as the levels of skill development have not been able to keep pace with the increasing need for companies to upgrade to cope with the technological advances. There remains a 'brain drain' due to the mismatch of highly qualified / low salaries for investors, compared with competitive job opportunities and quality of life for the graduates.
	N Macedonia - Since the late 1990s, according to Eurostat, more than 10% of the country's population has migrated. Approaching 200,000 have been granted temporary status in the EU, mostly in Italy, Germany, Austria and Slovenia. This has been encouraged by globalisation and the main reasons are poverty and high unemployment at almost 30%.

Table 57 (B) COMPARATIVE STATUS OF SAMPLE COUNTRIES

NEW TECHNOLOGIES AND INNOVATION	**Georgia** - There is a dearth of skilled people in technology and innovation although this is being rectified. The education has not provided graduates who have the skills needed to fill high-tech, well-paying jobs. The World Bank is facilitating building Georgia's technological capability. Further initiatives by the World Bank and the European Union to promote job creation through state funded technical incubators in Eastern Europe have been successfully initiated in other countries, but Georgia lags behind.
	Moldova - Has good bilingual IT specialists - though these may be attracted abroad. The country has developed expertise in the information, communications and technology industry. The number of economic enterprises is growing with the promotion of ICT services.
	Czechia - Slow to pursue advanced manufacturing technology (AMT) but is participating in the EU's Industry 4.0 initiative (including big data analytics, cloud computing, advanced robotics).
	Slovenia - Lack of innovation or effective government structure and encouragement for collaboration.Young technology entrepreneurs are raising large amounts of investment with new technology and innovation. SMEs are behind in producing new innovation and technology. Government support has been mainly taken up by larger firms and not SMEs.
	Lithuania - The most prominent economic sector for the country has been manufacturing using low and medium technology. In recent years Lithuania has focussed on the ICT sector and has developed a high level of information and communications technology infrastructure which has attracted FDI. Investment has spread into laser technologies, biotechnology, nanotechnology and materials science. There is advanced IT education. However, Lithuania is not performing well in research and development for this sector.
	N Macedonia - Macedonia's infant IT industry has shown some interesting developments in recent years on account of global initiatives and attempts to exploit opportunities that have been seen by some of the country's young people. However, ICT training and innovation skills are noticeably absent compared with some of the countries in the region e.g. Slovenia, Czechia, Lithuania.
GEOGRAPHIC POSITION	**Georgia** - Situated at the juncture of Western Asia and Eastern Europe, it is bounded to the west by the Black Sea, to the north by Russia, to the south by Turkey and Armenia, and to the east by Azerbaijan. This reinforces a draw to the East rather than the West.
	Moldova - Moldova is landlocked but its geographical position (30 km from EU border) and the proximity to potential European customers could make it attractive to some investors.
	Czechia - The country's position being at the centre of Europe is one of the reason givens for the interest by foreign investors.
	Slovenia - Slovenia benefits from its geographical position at the crossroads of trade routes from East to West and this has helped to make it an attractive place for auto-part manufacture.
	Lithuania - Lithuania benefits from its geographical position and its ability to take advantage of the international rail network which allows transport from Scandinavian countries through to central Europe which in turn provides mobility to bridge the countries of Eastern Europe through to Western Europe.
	North Macedonia - Integration into the EU is a clear objective for the government and the ministries to achieve. Macedonia has signed the Stabilization Pact and the South-Eastern Europe Agreements. Despite the determined efforts of the Government of Macedonia to recognise globalisation and achieve a favourable economic environment, the wider regional political instability has affected the image of the country.

Table 57 (C) OVERALL COMPARATIVE STATUS OF SAMPLE COUNTRIES	
SOCIETY - TENSIONS OR STABILITY	**Georgia** - Political instability - tensions in breakaway regions. The population is torn between leaning towards Russia or Europe and this, from time to time, provokes social unrest.
	Moldova - There is conflict in neighbouring Ukraine and ever-present breakaway region of Transdnistria. Russia clearly sees Moldova as being part of its sphere of influence.
	Czechia - The country is stable but there are tensions over lack of transparency of politicians and contracts. Also concern about large immigration - especially religeous refugees.
	Slovenia - The country's population considers it to be a safe country to live in and education attainment is high. However, the disposable income for households is comparatively low at around two thirds of the OECD average.
	Lithuania - Lithuania is concerned about the continuing conflict between Russia and Ukraine and the implications that this may have for Lithuania's exports. Russia is Lithuania's major trading partner for oil and gas.
	N Macedonia - The long-standing ethnic tensions remain amongst the population and influence the international view of the country, affecting progress.
INVESTMENT	**Georgia** - There has been investment from the World Bank and the Government. Also Georgia is scheduled to be one of the first beneficiaries of loans from the new Asian Infrastructure Investment Bank (AIIB). Investing in a badly needed skilled workforce from training establishments has been slow. There has been development of a more favourable regulatory business environment, but ongoing corruption is a great deterrent.
	Moldova - At the end of 2015 external financial assistance for the Republic was suspended as a result of the lack of reforms that the country had succeeded in making and corruption. This was a devastating blow for the economy of the country.
	Czechia - Investment tends to favour short-term investment (not investment for AMT). More generous incentives and stronger management motivation is needed. The regions of Czechia have been neglected. Major very successful investments in the automobile industry. Growing support from Chinese investment
	Slovenia - Taxes are considered to be relatively high and the labour market is viewed as inflexible and this has led to a lack of interest for FDI and investors. External stakeholders are seen to result in more effective corporate control.
	Lithuania - Reduced Russian investment and increased German investment. During the period 2010 to 2015 inward flows fluctuated but had an overall tendency to decline. This was due to the instabilities in the Eurozone which increased the cautionary attitude of potential international investors. Conflict in the Russian/Ukrainian geographic region also contributed to investor caution. Furthermore, Lithuania had been slow to adopt the Euro and investors held back until this happened at the beginning of 2015 when inflows accelerated once more.
	N Macedonia - Government attempts to improve investment frustrated by further political instability and social unrest. Some planned technical investment projects unfulfiled. The challenge for the government is to restore confidence of investors. Although N Macedonia does offer cheap wages the small local enterprises have not enjoyed the investment that they need to enable the creation of innovative attractive quality goods products for the domestic and export markets.
QUALITY OF LIFE	**Georgia** - The society is ageing steadily, and greater mobility has contributed to the younger generation migrating and the fertility rate has fallen. Young people see better alternatives outside the country.
	Moldova - Continued poverty, particularly in the regions. Moldovans find it difficult to see any chance of improvements happening in the foreseeable future to their country.
	Czechia - Low level of national pride. Despite international image, for many the quality of life is not good. This is especially the case for low skilled workers who occupy manual and low-skilled employment for very low wages and costs of living are high.
	Slovenia - Happiness levels of the people in Slovenia are mixed. The country's population consider it to be a safe country to live in and education attainment is high. However, the disposable income for households is comparatively low.
	Lithuania - The government is challenged with how to persuade the trained resources to remain at home in their country where they can enjoy a good quality of life and at the same time contribute to the sustainable development of the country. Other countries remain more attractive for them.
	N Macedonia - The general condition of the society is one of a slow decline - notably, the demographic discord within the population and ethno-national resentment is contributing to the weakening of social stability.

Table 57 (D) COMPARATIVE STATUS OF SAMPLE COUNTRIES

GLOBALIZATION	**Georgia** - Its infant, newly formalized relationship with the European Union under the Association agreement gives the basis for future international interest. The EU has also granted Georgian tourists visa free access to the Schengen area of Europe, providing opportunities for mobility. Thus, globalization is assisting Georgian people to gain a greater degree of freedom.
	Moldova - Globalization has had an adverse effect on Moldova, draining away its young people and leaving behind an ageing population. Remittances from the increasing diaspora do little more than to support elderly relatives and possibly build personal assets.
	Czechia - In many ways, the impact of globalization on the sustainable development of Czechia has been mixed and the result depends upon which aspect of globalization we are considering and for which part of the population. Life satisfaction, human wellbeing, environmental wellbeing and economic wellbeing all showed a gradual upward trend over the period (see table 5). However, for many life under the surface is difficult due to high costs and very low wages.
	Slovenia - According to the KOF Globalization index, Slovenia has slightly – but positively – improved its position economically, socially and politically over the period 2012 to 2016
	Lithuania - Following the country's acceptance as a member of the EU, by 2015 Lithuania had made enormous strides in its effort to cope with globalization and become a leader in the European countries. The sustainable development of the country is jeopardized by the globalization process providing international opportunities which attract the young, when the environment and government policies are not sufficiently attractive to retain them.
	N Macedonia - The country has suffered from globalization due to its desire for imports but it has not been productive and competitive enough to compete in export markets, thus increasing the balance of payments.
ECONOMY	**Georgia** - The country is still highly dependent upon Russia which the country sees as a limiting factor in terms of its economic stability and sustainable development. There are greater opportunities for the economy with tourism. The government has been artificially resisting attempts to establish free trade with the EU. Georgia's income has suffered due to the instability of the Russian economy and competition due to the availability of most consumer products from international markets. SMEs are a large contributor to the economy both in value added and employment but SME development is slow.
	Moldova - The country is the poorest country in Europe. The service sector has grown to dominate Moldova's economy and in 2016 accounted for more than 60% of the nation's GDP. The country has suffered from the fallout from the banking scandal and the withdrawal of institutional funding in 2015 due to lack of reform and corruption.
	Czechia - There has been strong economic growth with low unemployment figures - but this comes at a social price because workers are paid low wages. The country has shown mixed economic growth from 1995 until 2019, from a record low of -3.50 percent in the first quarter of 2009 to an all-time high of 2.40 percent in the second quarter of 2017 (OECD) and public spending has been maintained at a satisfactory and controlled level by the country. GDP per capita has improved only slowly.
	Slovenia - The most significant sector in the Slovenian economy is the services sector, representing over fifty percent of the G.D.P. and has grown strongly over the period, particularly in ITC, financial, commercial and retail services with the tourist sector growing particularly strongly.
	Lithuania - The country has a well diversified economy. The economy has strengthened in recent years, the GDP grew by 2.2% in 2016 and both public and private investment has been rising and is expected to continue and it has the highest average annual real GDP growth rates in the EU. However, productivity has remained weak which has resulted in Lithuanian GDP per capita remaining relatively low. The Russian economy adversely affected Lithuania in 2015 and consumption fell.
	N Macedonia - The trade balance in 2018 highlighted the problem of a high trade deficit. Lacking competitive goods and services for the global market, the country failed to reduce its trade deficit. Investment is needed to improve the quality and competitivity of their goods for the global market, but FDI is illusive.

Looking at Tables 57 (a), 57 (b), 57 (c), 57 (d), the research shows that independent sustainable development is not possible in conditions of globalisation without some kind of association because a globalising world is a dangerous place, full of opportunities but

also threats. How much a country benefits from globalisation depends on a number of factors. More than anything else an important element is the quality of governance (the Lithuania case, for example). The willingness to work with potential partners and sympathetic institutions (e.g. World Bank) and educational bodies to develop new technologies and innovative industries and qualified human resources are essential. But this is not enough. Strong steps to develop a conducive business environment and quality of life to ensure retention of population, especially young nationals, is vital for sustainability. Despite attempts to make changes happen, it has not been possible in some of the sample countries due to unexpected events. Some of the promised FDI in North Macedonia has not continued; potential EU membership in Macedonia has been delayed due to conflict with Greece; Georgia's exports to Russia were banned for a long period; the ability of universities to attract intended provision of appropriately qualified technical graduates. It is not the process of globalization that determines whether development of a country is sustainable. When sustainability is assessed and if a country is shown to have a low potential for sustainable development, the reasons are that the circumstances within the country are not conducive to sustainability. An unstable government and politics, abuse of the environment, the abuse of power in the country which manifests itself in corruption, a poor government and its governance which does not manage the environment and the resources that exist, inadequate national strategies and policies which are either absent or inadequately applied will have a significant effect. All of which may make the country an unattractive place to live work or invest. The process of globalization will not determine whether development of the country is sustainable. The control for this lies entirely with the quality of the government and its leadership, which in turn will determine the quality of the population, entrepreneurs, and enterprises.

Quality of these will determine the competitive advantage of the country and its organizations on the world stage. In this regard, some countries have an easier task than others, depending upon the inherent resources and experience that the country has had throughout history. Whatever this has been, the future has to be managed - and that requires action, application, relationship building and management of external forces that may be willing, able or perhaps determined to intervene and become involved. Such forces may be welcome or hostile and willing or reluctant. For progress to be made, much negotiation will be necessary. But the degree to which they are harnessed must be influenced by the leaders of each country. The outcome may be possible to control – but it may be elusive, unpredictable, and even inevitable.

It is up to the governments to recognize the areas where globalization will impact and the effect that globalization process will have - and provide strategies that will enable resources to be controlled and managed in order to take advantage of the benefits and opportunities as well as minimizing the threats and weaknesses that may fall victim to the globalization process. They will need to ensure that their government satisfies its population and attracts any resources to reinstall shortfalls and enable development to take place in a way that will allow the country to grow and prosper within the boundaries of the resources that are available or can be acquired. They must be able to foresee potential dangers and overcome them, thus minimizing restraining forces and enhancing positive forces in order to achieve the planned movement in the direction and position deemed most appropriate for the country.

Looking at the successes and failures that have happened in the various portfolio countries, the extent to which these have been due to the country leaders may be reflected on - for example Nicola Gruevski in Macedonia, Dalia Grybauskaitė,

President of Lithuania (inaugurated on 12 July 2009 and re-elected in May 2014), leaders such as Havel and Klaus in the Czech Republic (including with the velvet divorce and separation from Slovakia), the leader in Georgia and various leaders in Moldova.

North Macedonia and Moldova show that although some improvements have occurred, especially due to support which is being given by the EU, despite them not being members, these two countries of the sample have remained a long way behind other countries, largely because of the overriding restraining factors which make them unattractive to investors and collaborators and they have had to remain independent states without assistance through associations. Another factor which is exacerbated by globalization is the balance of payments, because the demand of the population for international products has increased imports whilst exports have been suppressed by the competition free to trade with little or no tariff or quota barriers resulting in the balance of payments suffering accordingly. In contrast to this, the other countries, especially those that have joined the EU have developed from strength to strength in most of the key performance indicators.

The scope of this research does not call for solutions to the challenges. But as we have concluded that the process of globalization exists, in a similar way to the challenge of climate change, there is a need for governments and the population of the countries to recognize this and to take whatever measures they consider necessary to optimize the forces of globalization for the good of themselves and their country. Some people will inevitably decide that their most appropriate action is to leave the country of their birth - globalization has facilitated this. But this may be a temporary or permanent change -

which will be influenced by the conditions and opportunities that exist in their country, 'back home'.

The research results in Table 48 seem to confirm that in each of the sample countries, whatever the politics may be, all of the individual factors appear to improve or decline in relationship to the stability of the government. A strong and stable government is a major influence on successful sustainable development - and may be considered to be essential. There is a difference between the degree of success our sample countries have shown in terms of pro-activity towards making the necessary changes happen for their sustainable economic development.

The challenge for leaders is to decide to what extent should external influence be deployed with the aim of supporting and achieving successful economic development - and to what extent is it realistically possible, desirable, and acceptable to their population. However, this demands altruism.

APPENDIX

Definitions:

Acquis Communautaire

The Acquis Communautaire is the accumulated body of **European Union** (**EU**) law and obligations from 1958 to the present day. It comprises all the **EU's** treaties and laws (directives, regulations, and decisions), declarations and resolutions, international agreements and the judgments of the Court of Justice

SOURCE: Europa

Nation-State

The nation-state is a certain form of state that derives its political legitimacy from serving as a sovereign entity for a nation as a sovereign territorial unit. The state is a political and geopolitical entity; the nation is a cultural and/or ethnic entity. The term "nation-state" implies that the two geographically coincide, and this distinguishes the nation state from the other types of state, which historically preceded it. Due to ambiguities in the word state, for instance in the United States, the term nation-state is also used to mean any sovereign state, whether or not its political boundaries coincide with ethnic and cultural ones. **SOURCE: (Connor, 1978 #1270), (Cohen, 1996 #1271)**

The 'Gini Index'

The Gini index is a measurement of the income distribution of a country's residents. This number, which ranges between 0 and 1 and is based on residents' net income, helps define the gap between the rich and the poor, with 0 representing perfect equality and 1 representing perfect inequality. It is typically expressed as a percentage, referred to as the Gini coefficient.

The Gini coefficient is an important figure for the analysis of relative poverty within a country or region, but it should not be mistaken for a measurement of wealth. A wealthy country and a poor country can have the same Gini coefficient, as long as they have similar income distributions.

Source: Investopedia

Average monthly wages for 2015.

175€ Ukraine

220€ Moldova

368€ Serbia

386€ Albania

451€ Bulgaria

506€ Russia

521€ Macedonia

576€ Romania

658€ Bosnia and Herzegovina

750€ Croatia

801€ Hungary

921€ Poland

959€ Slovakia

1,025€ Czech Republic

Source: Trading economics, wages (MIEPO, Moldova)

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