The Analysis of The Factors Influencing The International Trade of The Slovak Republic

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Abstract

Global tendencies and movements in the world are great challenges and also important opportunities for individual economies. Globalization of the markets and the internationalization of the production present the most significant features of the world economic development during the last decades. Globalization impacts have changed the rules of the world competition. Global strategy is based on the search of the balance between the local adaptation and global standardization. Globalization as an economic phenomenon have affected significantly the growth of the international trade. Growth of the international trade has been influenced by many factors followed-up on globalization, such as the development of the technology, governments decisions, institutions activities, consumers behaviour, increasing competition, new trade agreements, etc. The aim of the proposed Paper is to analyse chosen factors concerning the globalization process that have influenced the growth of international trade of the Slovak Republic. By using scientific-cognitive methods, i.e. issue analysis, gained data synthesis, comparison and deduction chosen factors influencing the international trade of the Slovak Republic were reviewed. We have focused on the last decade – the time period after the entry of the Slovak Republic into the European Union. Based on the results, we can state that there is a place for an improvement in all searched fields considering the strategic location of the Slovak Republic - in the center of Europe.

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1. Introduction

International trade is the exchange of commodities, products, services, capital between people and companies in different countries. International trade has existed for a long time, but trade has increased hugely in the past few hundred years and has a major impact on the economies of many countries (James, 2014). Main players for international trade are displayed in Figure 1.

![Figure 1 Main players for international trade in 2012 (billion EUR) according to Eurostat](image_url)

2. Methodology

The aim of the Scientific Paper is to analyse the factors influencing the international trade of the Slovak Republic. Scientific Paper contributes to the solution of the partial aims of the project KEGA No. 032PU-4/2013.

Base data were gained from the official data of the European Commission, scientific papers, publications and from the web pages of the relevant institutions as National Bank of Slovak Republic, Ministry of Economy of the Slovak Republic, WTO, etc.. By the aim realization, different standard scientific research methods were used, e.g. comparative method, analyse and a synthesis. By the evaluation process, standard mathematic-statistical relations and numerical calculations were used. Chi-square test was used to test the hypothesis.

3. Factors influencing international trade

Many various factors, such as political, economic, and practical factors can affect the growth of international trade. Exchange rates, competitiveness, growing globalization, tariffs and trade barriers, transportation costs, languages, cultures, various trade agreements affect companies by its decision to trade internationally.

Political policies and other government concerns, such as the relationships between trading nations, are highly important to the growth of international trade. A politically stable nation with few policies restricting international trade will likely be able to expand its worldwide trade rapidly. Political instability, however, particularly when it leads to violence, can be a major barrier to trade growth — many nations place steep tariffs on exports or imports from certain nations or industries for such reasons. While such tariffs can be used to protect fledgling industries or to place political pressure on some nations, their overall effect on international trade is often negative. One of the biggest stories of the past 20 years has been the successful integration of many developing countries into the global economy and their emergence as key players in international trade. Developing countries are diverse in the quality of their political and economic institutions but there are strong reasons to believe that “better” institutions give countries a competitive advantage and produce better trade outcomes. It is not clear, however, whether developing
country growth will continue at the same rapid pace or taper off. Improving the quality of institutions would provide developing countries with a way of ensuring that growth continues (WTO, 2014).

3.1. Exchange rate

The exchange rate is the price of one currency in terms of another. Exchange rates fluctuate depending on the demand for a particular currency. If there is a high demand for a country's currency then its price will tend to rise. Because currencies fluctuate in price it can often be cheaper to buy goods in one country and sell them in another. Because of this exchange rates have a major impact on international trade (James, 2014). World trade has grown rapidly since the breakdown of the Bretton Woods system of fixed exchange rates in early 1973 (Abrams, 1980). The implementation of euro currency should have eliminated significant part of the exchange rate of the slovak subjects. Transactions of about 10 % of GDP are at exchange rate risk, others are secured naturally. By an euro implementation volatility against other major currencies (especially against USD) should have slightly decreased (NBS, 2006).

Exchange rate volatility determines the overall dynamics of pass-through effects and associated absorption capability of exchange rate. Ability of exchange rates to transmit external (price) shocks to the national economy represents one of the most discussed areas relating to the current stage of the monetary integration in the European single market. New European Union (EU) member countries that accepted the obligation to adopt euro have to consider many positive and negative aspects of the euro adoption especially in the view of time they need for the implementation of all necessary actions to be ready to give up their monetary sovereignty. (Mirdala, 2014; Kotulić et. al., 2013).

National Bank of Slovakia has assumed that trade with partners within the monetary union should have risen about 30 till 90 %. after the entry of Slovak Republic into the European Union. This growth would not be immediate, it can last to two decades to show. As Czech Republic, Poland and Hungary should become a member states till then, trade of the Slovak Republic with the other member states should be 80 % of the whole trade. Implementation of the euro currency should have increased foreign trade about 50 % (NBS, 2006).

However, it is only 5 years ago when the Slovak Republic implemented euro, we can state that foreign trade has grown. Export has grown from 39,7 mld. € in 2009 to 56,4 mld. € in 2011. Higher dynamics of goods export comparing to the dynamic of the goods import was the reason of the improvement of the trade balance compared to the year 2010 and at the same time the best active trade balance during the whole history of the Slovak Republic has been gained, especially due to the growth of the cars and electronics export. The development of the foreign trade in the period 2002-2011 is shown in the Figure 3 (ME SR, 2012).
The share of Slovak export to the EU27 countries in 2011 was 84.6%, that is about 0.2% more than in 2010. Export to the other European countries has increased about 10% and the share of these countries on the total export of the Slovak Republic was 7.2%. Export to the Asia has increased year on year about 22.6%. Export to the African countries has decreased about 5.8% while the share of Africa on the total export was only 0.4%. Export to the USA has increased year on year about 61.5% in 2010 and about 14.2% in 2011. Export to the Australia and Oceania was again negligible. Export to the OECD countries was 86.6% of the total export in the year 2011.
The share of an import of the EU27 countries was 65% of the total Slovak import in 2011. The most important import territories of the Slovak Republic are EU member states, Russia and China. Following Graph shows the territorial development of the Slovak import in the period 2007-2011.

![Territorial development of the Slovak import in the period 2007-2011](image)

**Figure 5** Territorial development of the Slovak import in the period 2007-2011 (mil. €) according to Ministry of Economy of the SR

### 3.2. Competitiveness

In current environment, with growing interdependence between the markets and in increasing competition, it is more difficult to maintain current enterprise market position (Svarova and Vrchota, 2014).

Competitiveness is a measure of the relative ability of different countries to provide different products or services. Competitiveness takes into account the efficiency, costs of employment, level of government regulation and the ease of doing business. Competitiveness effects international trade because the more competitive countries will tend to attain a higher level of global trade (James, 2014).

| Table 1 Development of the V4 countries position according to their competitiveness |
|-------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| **Country** | **Doing Business** | **Global Competitiveness Report** | **World Competitiveness Yearbook** |
|            | 2010 | 2011 | 2012 | 2013 | 2010 | 2011 | 2012 | 2013 | 2010 | 2011 | 2012 | 2013 |
| Slovak Republic | 42   | 41   | 48   | 46   | 47   | 60   | 69   | 71   | 49   | 48   | 47   | 47   |
| Czech Republic  | 74   | 63   | 64   | 65   | 31   | 36   | 38   | 39   | 29   | 30   | 33   | 35   |
| Hungary          | 47   | 46   | 51   | 54   | 58   | 52   | 48   | 60   | 42   | 47   | 45   | 50   |
| Poland           | 72   | 70   | 62   | 55   | 46   | 39   | 41   | 41   | 32   | 34   | 34   | 33   |
| Number of countries | 183  | 183  | 183  | 185  | 133  | 139  | 142  | 144  | 59   | 59   | 59   | 60   |
According to the different evaluation of the competitiveness of Slovak Republic there is perspective for Slovak Republic to attain a high level of global trade even though there is a place for improvement comparing to the chosen countries.

### 3.3. Globalization

Globalization is the term used to describe a general tendency for national economies to become more integrated with each other. This happens because of a combination of advanced communication technologies, logistic technologies, increased capital flows and reduction of trade barriers by national governments. Globalization is a general trend that has caused an increase in international trade over the last three or four decades (James, 2014).

To analyse the impact of a globalization on the international trade of the Slovak Republic we have asked 20 largest companies of the slovak food industry. We have asked about the impact of the acceptance of the globalization trend on their foreign trade (Dubravska, 2013).

We have tested by the chi-square test if in the searched sample of the answer on the single questions is a statistical relativity between the acceptance of the globalization trend and the sales volume addressed to the foreign markets. We tested hypothesis:

- **H₀**: there is no statistical relativity between the acceptance of the globalization trend and the sales volume addressed to the foreign markets.
- **H₁**: there is no statistical relativity between the acceptance of the globalization trend and the sales volume addressed to the foreign markets.

Based on the results (p=0.487), see picture 1, we can adopt hypothesis H₀ – there is no statistical relativity between the acceptance of the globalization trend and the sales volume addressed to the foreign markets.

| Table 2 Results of the calculation of the chi-square test |
|----------------------------------------------------------|
| **Chi-Square Tests**                                     |
| hodnota        | df  | p       |
| chi-kvadrát    | 2,438 | 3 | 0,487 |

### 4. Conclusion

International trade has existed for a long time, but trade has increased hugely in the past few hundred years and has a major impact on the economies of many countries. A wide range of political, economic, and practical factors
can affect the growth of international trade. We have focused on the Exchange rate, competitiveness and globalization as a trend. However, it is only 5 years ago when the Slovak Republic implemented euro, we can state that foreign trade has grown. The share of slovak export to the EU27 countries in 2011 was 84.6%. The share of an import of the EU27 countries was 65% of the total slovak import in 2011. To analyse the impact of a globalization on the international trade of the Slovak Republic we have asked 20 largest companies of the slovak food industry. We have asked about the impact of the acceptance of the globalization trend on their foreign trade. Based on the results we can adopt hypothesis that there is no statistical relativity between the acceptance of the globalization trend and the sales volume addressed to the foreign markets.

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