



Industry Clustering and Internationalisation in Slovakia

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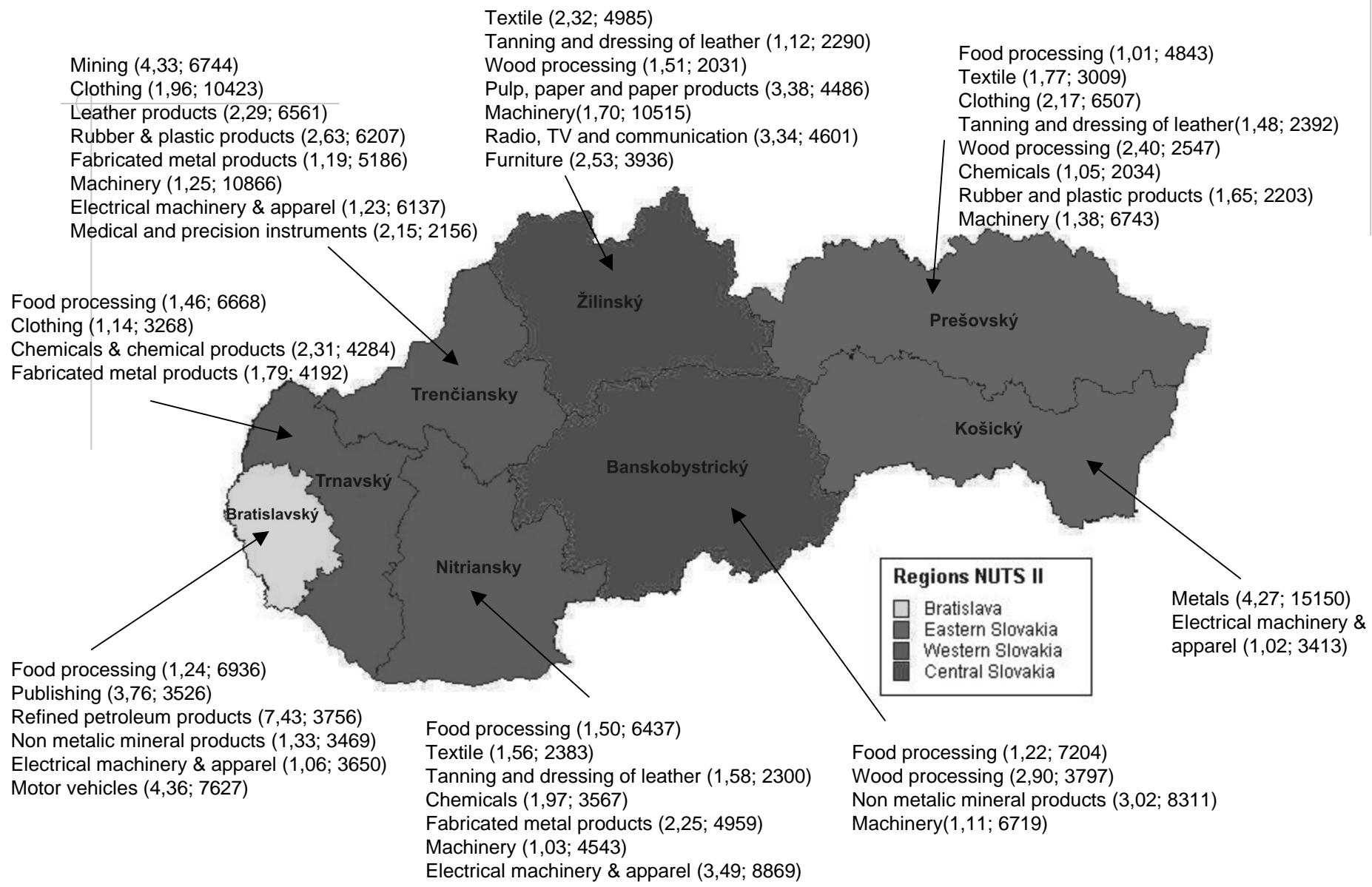
Outline of Presentation

- ◆ Industrial clustering: LQ analysis
- ◆ Case study: Automotive “cluster”
 - ◆ Sectoral governance and economic policy
 - ◆ Slovak components suppliers
 - ◆ Bratislava’s local competitive advantage?
 - ◆ Bratislava: An Innovative Region?
- ◆ Discussion: Industrial modernization through internationalisation?
- ◆ Some policy recommendations

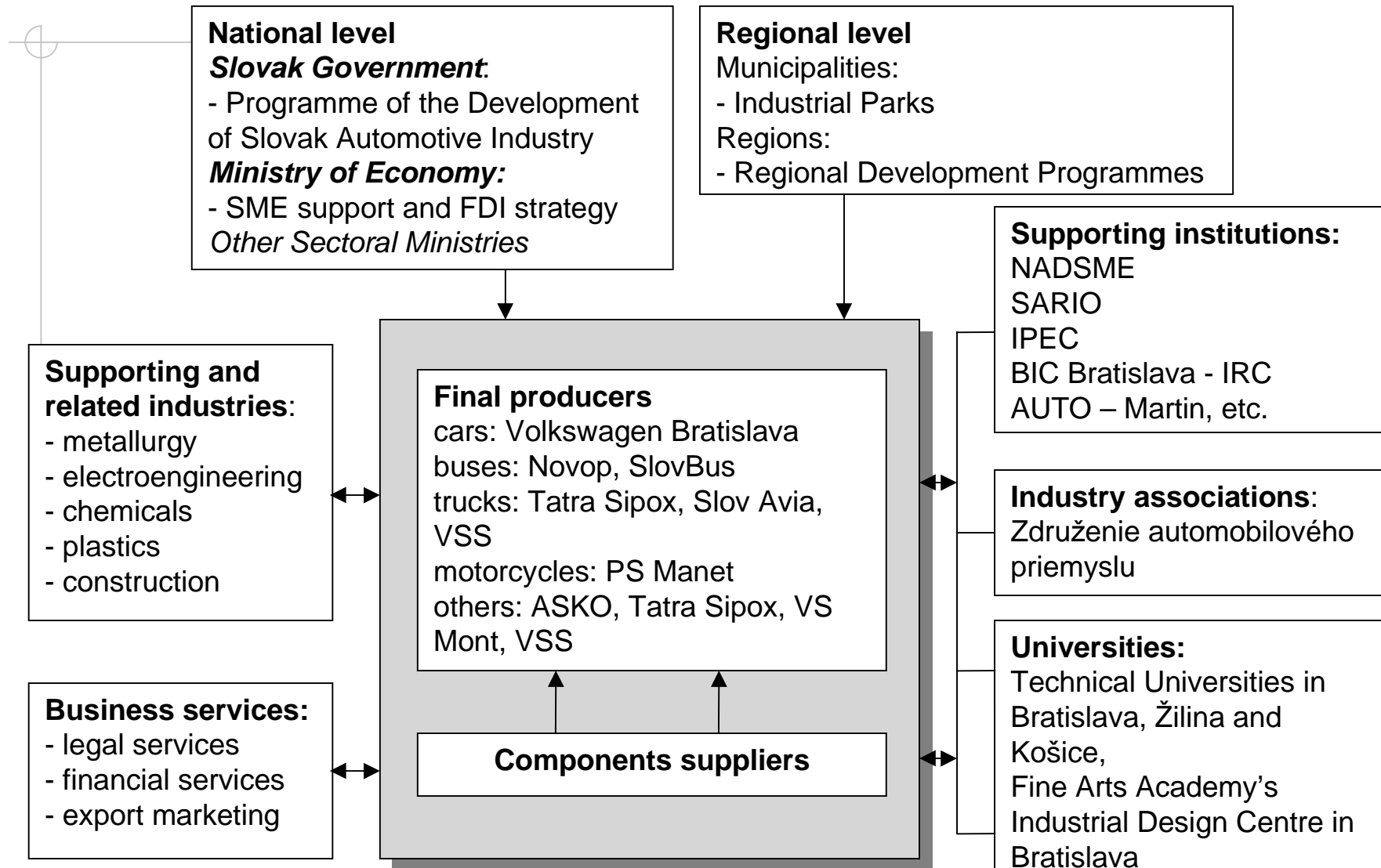
Industry Clustering: Analysis

- ◆ Definition and methodology
- ◆ Focus: Local competitive advantage
 - Porterian conceptual framework
- ◆ Industrial concentration (LQ analysis)
 - data limitations => general picture
 - 33 "clusters" or spatial concentrations identified
- ◆ More in-depth analysis needed
 - IO analysis and/or surveys (to trace the linkages)
 - case studies

Geographical Concentration of Manufacturing



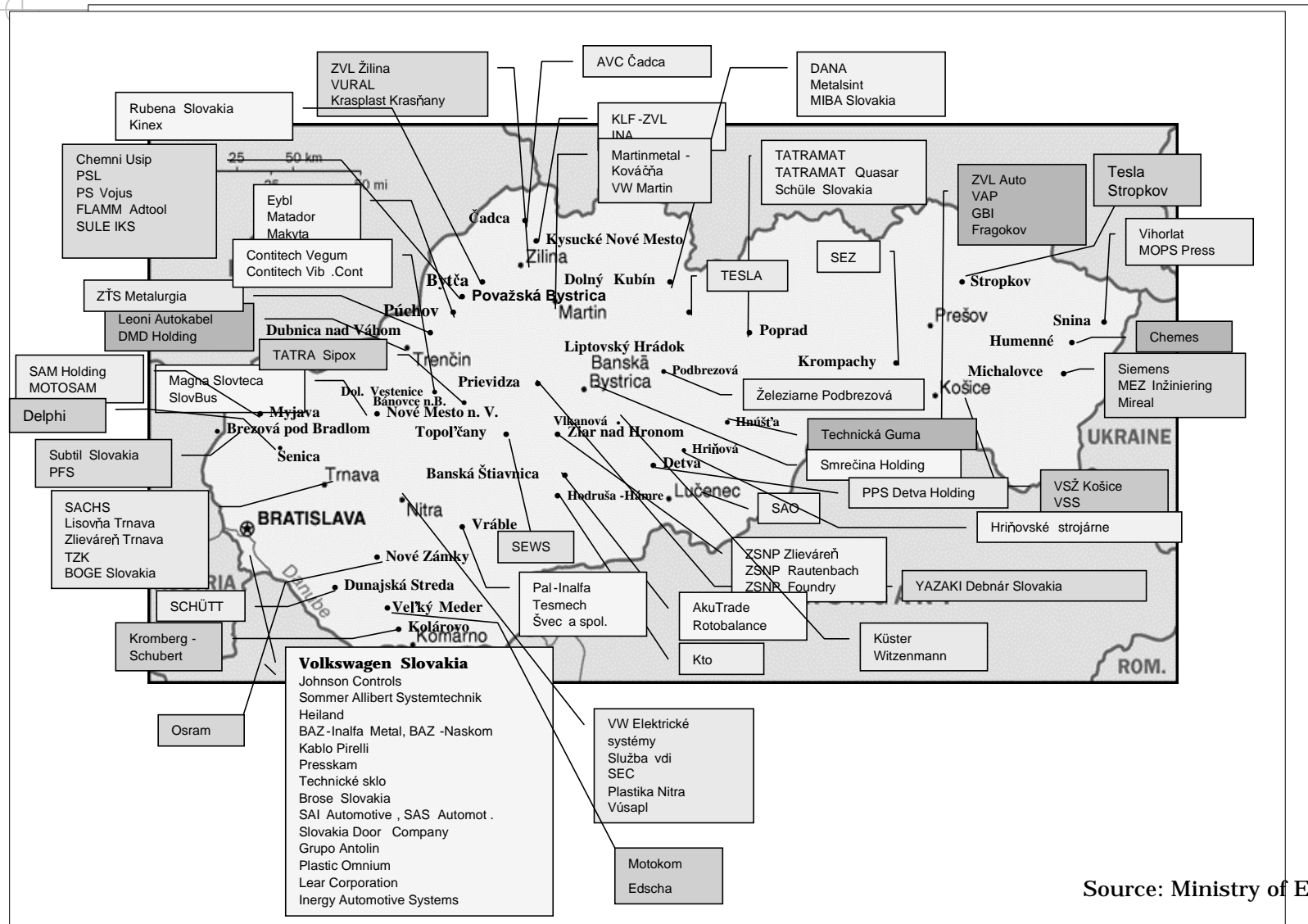
Sector Governance: Automotive "Cluster"



Economic Policy in Slovakia

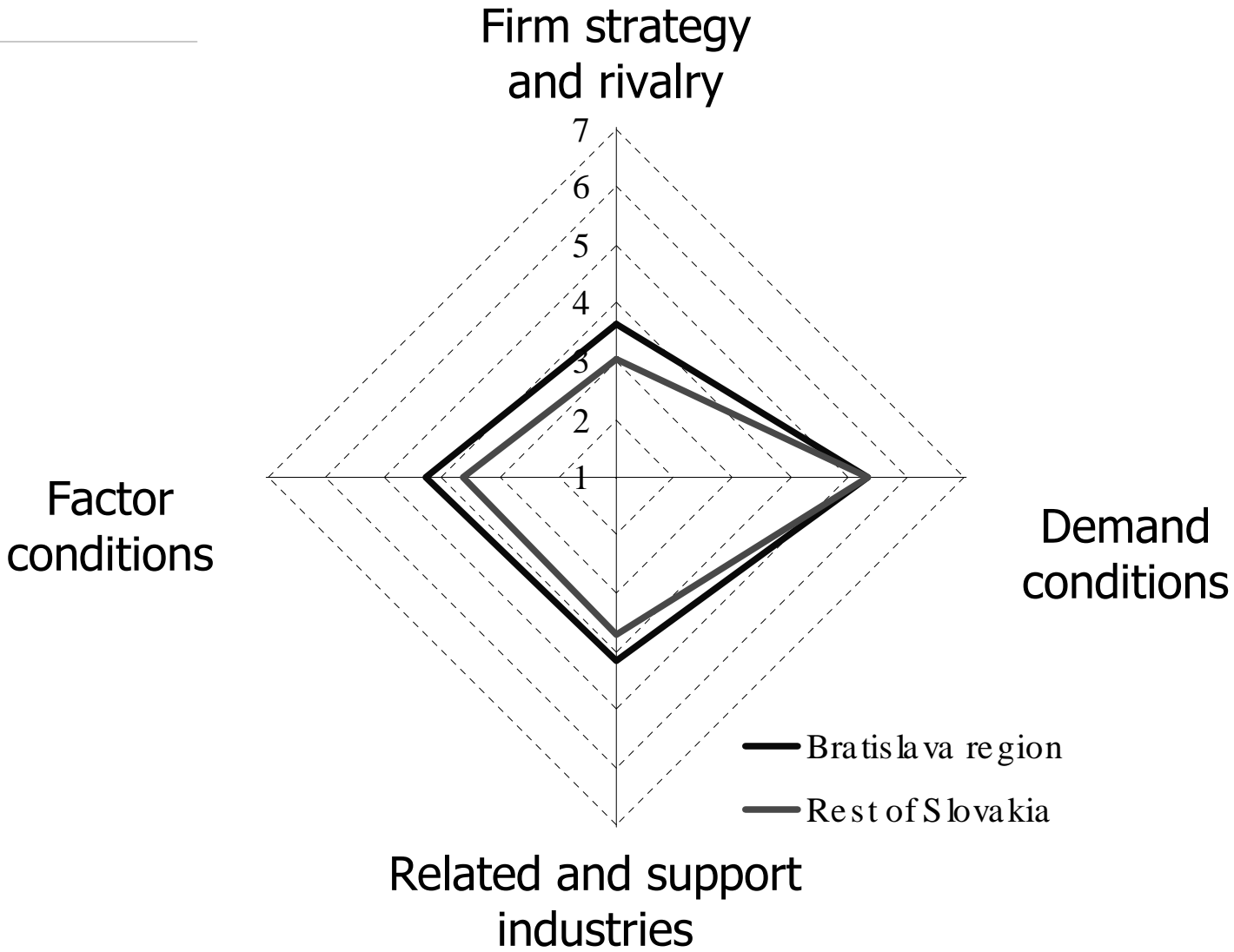
- ◆ No explicit cluster-based policy
- ◆ Sectoral approach dominating
- ◆ SME support (NADSME since 1994)
- ◆ FDI policy (-1998, SARIO 1998-)
- ◆ Regional policy = regional development planning by autonomous regions (NUTS 3) only since 2001

Slovak Components Suppliers to the Global Automotive Industry



Source: Ministry of Economy (2001)

Bratislava Region's Competitive Advantage



Bratislava's Local Competitive Advantage?

◆ **Factor conditions**

- Higher costs of doing business compensated by excellent communications and transport infrastructure
- Supply of qualified scientists and engineers
- Good overall quality of life

◆ **Demand conditions**

- Sophisticated and demanding customers with special needs
- Proximity of demanding international clients

◆ **Context for firm strategy and rivalry**

- Above-average concentration of dynamic SME sector

◆ **Related and supporting industries**

- Specialised suppliers of good quality
- Education/training and business services

Bratislava: An Innovative Region?

◆ Requirement:

- Networks between RTD intensive enterprises
- S&T, research, industrial and regional policy coordination for high tech
- Research infrastructure
- Central and local government subsidies
- Skilled labour pools
- Access to product markets
- Venture capital

- Availability of large enterprises
- Entrepreneurial spirit

◆ Reality:

- Not developed
- Absent
- Available, check market relevance
- Available

- Available, study on skills mix needed
- Yes
- Finance for risky undertakings not easily available
- Yes, but RTD needs unknown

- No track record in high tech fields, but emerging

Industrial Modernization through Internationalisation?

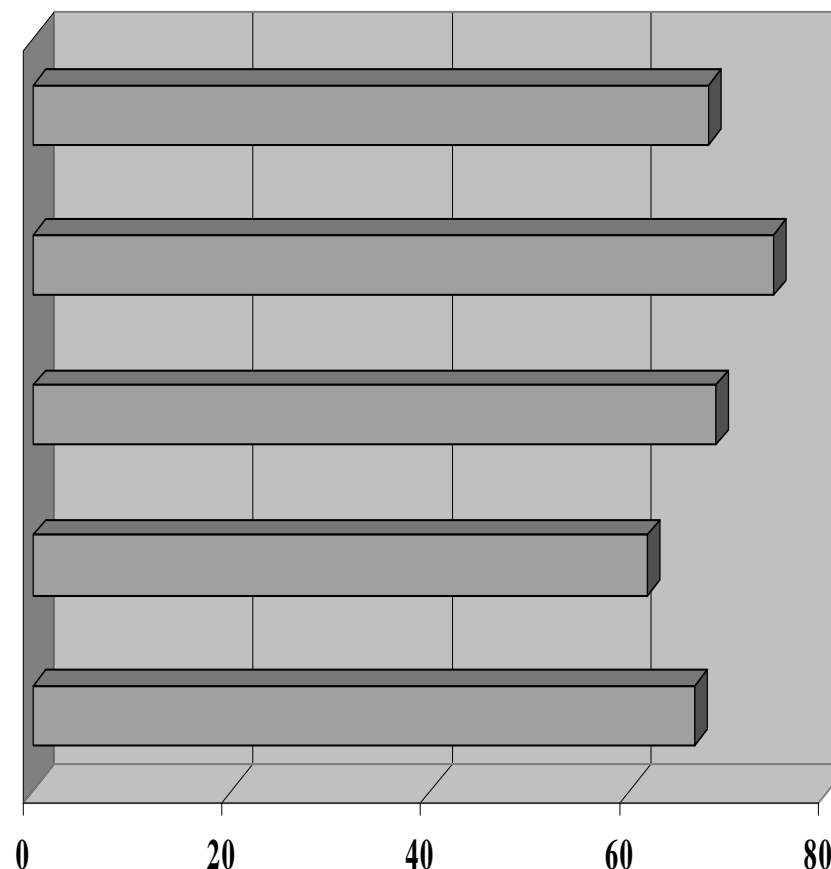
- ◆ Manufacturing FDI base in Slovakia:
 - lower end of value-chain and technology scale
 - too reliant on labour cost advantage (but - Romania, Western Ukraine!)
- ◆ Slovakia's internationalisation programme should:
 - Encourage the existing FDIs to carry out higher value activities
 - Seek as many high value activities as possible from new investors

Industrial Modernization through Internationalisation?

- ◆ Internationalisation strategy should focus on 3 types of measures (SARIO, 2002):
 - Measures to improve the investment climate to attract FDI based on Slovakia's main current advantage i.e. low cost, high quality skilled labour.
 - Measures in the medium term to attract higher quality FDI where knowledge and skills are the factors that determine competitive advantage.
 - Measures by which FDI flows into Slovakia's can contribute to a more balanced regional development.

Firms' Top 5 Priorities for Improving Regional Competitiveness in the Next 5 Years

- ◆ Speed-up regulatory approval processes in line with product life-cycles
- ◆ Implement tax reform to encourage investment in innovation
- ◆ Promote specialised education and training programmes to upgrade worker skills
- ◆ Promote world-class primary and secondary education
- ◆ Improve transportation and other physical infrastructure



Source: Survey of 180 Firms by Authors (2002)

Legend: % of the total sample