DEVELOPMENT OF THE COUNTRIES IN TRANSITION IN THE GLOBALISATION CIRCUMSTANCES

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Abstract

In the '90, in the last century, after the formal «destruction» of the project dealing with the development of the communist society, the process of transformation of social, political and economic system started in almost all countries included in this milieu. In order to accept the democratic principles in the social-political life and marketing principles in the economic sphere, the countries in transition opened themselves to one new process, the process of globalisation. Because of that fact, they were under strong influence (both positive and negative) of this process. On one hand, they had, at least at the very beginning, great problems. On the other hand, the above mentioned process opened to them the development prospects of complete social and economic system of their own. The best evidence of that is the entry of a certain number of Baltic and central European countries in the European Union. In that way, they became the integrated part of one wider social community with the characteristics of the global society. Speaking of long-term consequences, they were able to assure their development prospects, since they became available under most favourable conditions – open market, approach to new technologies and new knowledge and to other possibilities that could be given by this association. All other countries in transition have in their development strategy this way of developing their social and economic systems. The entry in the European associations has, in that sense, the dominant place.

1. Introduction

The first half of 20th century and the beginning of 21st century are characterised by the stressed dynamics of the development of the globalisation processes. Although this process was somehow pointed out in the above mentioned period of time, it has been present for a long time in the world proportions. The development of technology set the prerequisites for the dynamics of globalisation processes. The development of informatics technology destroyed even the last obstacle for its expansion. Almost all fields of social and economic life, in all parts of the world, were practically influenced by the globalisation.

Intensified process of globalisation had an influence on the intensity of the discussion dealing with the globalisation as a phenomenon. The stress was put on the advantages and dangers that might be brought with it, above all for economic and political, but also for any other aspect of life that might be influenced by changes. There were, of course, different points of view dealing with the above mentioned questions, and because of that, the number of those who accept it and those who oppose it has been increasing daily. Some serious analysts, who are aware of the inevitable further globalisation, are trying to find in this process positive sides and the ways how to activate them. The countries that have the most sensible social and economic systems are most interested in such approach. These countries are mainly small countries and the countries in transition. Small countries – because of the fact that, according to their social and economic
power, they cannot be competitive equally in this countries with bigger political and economic potential. The countries in transition – because of the fact that at a certain point of time, or to be more precise in the '90 in the last century, they were in the process of transformation of their social system from socialistic into democratic, and the transformation of their economic system, from planned-directive into marketing one. Taking into consideration the dimension of the process, the dangers of unwanted influences of the globalisation process have been multiplied. From the point of view of countries in transition, the process of transition has not been finished yet, but the countries are more and more influenced by globalisation. Their interest is, above all, to have right approach in such circumstances and to set appropriate circumstances for the most possible dynamic development.

2. Development Problems Of The Countries In Transition After The Transformation Of Social And Economics Systems

The destruction of the social and economic system in the socialistic countries brought them in a relatively short period of time, in a situation, in which the previous social and economic subjects stopped functioning and some new ones were not defined.

The countries in transition, burdened with the heritage, not only in a social and cultural context, but also in economic and technical sense, were facing a great number of problems that they had to solve promptly. On one hand, the democratic principles were in the political life relatively accepted, on the other hand, the problems in economic and social fields were growing bigger and bigger. On the state level, it was huge, old fashioned and inefficient bureaucratic apparatus that was used to working in the conditions, in which it was a dominant factor in the society and, in which it made decisions dealing with social and economic questions. There was an old legal infrastructure that was not appropriate for the development of the modern democratic society and for the efficient economy. Furthermore, there were also undeveloped financial and tax system and undeveloped market mechanism in a micro-plan; these were mainly firms with old-fashioned technology, bad organisation, low level of production, too big number of employees and inadequate knowledge of management. All these problems were, actually, the main problems that the countries in transition were facing with. The privatisation of the state property, especially the one in the economic sector, was a very complex process and it represented an additional burden. The dynamics of the change of economic circumstances could not follow the dynamics of the change of the political system. The most complex state was in the social sphere, since the transition processes were supposed to bring their countries to international market and to different international economic associations. In other words, there was a need to reconstruct the biggest part of economy and to accept basic marketing criteria that were present and ruling in the developed economies. The increase of production and technological development were the main prerequisites for the realisation of such approach. Both of them meant the rationalisation of the working power and the decrease of the number of employees. The most sensitive categories were attacked at the very beginning – these were older employees, employees with lower level of education and, quite often, the employees with some health problems. Since the countries in transition did not have any appropriate social policy for such circumstances, it became a problem for both, the state and this category of inhabitants. The problem for the state was the following – the funds that were part of the budget might have been forwarded to economic development, but quite often, these funds were redirected to satisfy the social needs (redundancy pay, compensation money, social help, etc.). The employees had problems to find some new jobs and to satisfy their minimal needs since there was a constant lack of financial means for such purposes. All these problems were mainly the same in most countries, in which this process was going on in a relatively peaceful way.

The countries that came out from ex-Yugoslavia were burdened with an additional problem – the patriotic war, that took place in this area. A great number of people suffered a lot, on both sides, and a huge material, primarily economic potential, was devastated in war operations. It was the basis in most countries, that were supposed to turn into the countries with modern political and economic system.

Some of the countries understood their position quite soon and were aware of all their limits. Because of that they did not spare pains to overcome the above mentioned state and to realize the most favourable basis for further, the quickest possible development.
3. The Countries In Transition Faced With The Challenge

Although the countries had certain development resources, the development process itself, was quite slow and in some places even stagnant, above all, because of the constant lack of the capital and adequate knowledge. The financial means that were needed in order to ensure an appropriate development could not be found in own accumulated capital, but only in external foreign resources.

The foreign investors, who had some surplus of capital and a wish to invest there, where they will be able to realise the biggest possible profit, recognized the above mentioned situation as especially favourable for investing. The interest of the countries in transition in the entry of foreign capital and the interest of the foreign investors to realize high incomes in such circumstances were completely overlapped. The main stress was on multinational companies, which had the capital and the need to broaden their markets in some new areas. There were two possibilities for the entry of their capital in the countries in transition-through portfolio and through greenfield investments. The first option was more acceptable for the countries in transition, since it meant the entry of new technology, new production programmes and new employment possibilities for inhabitants. Unfortunately, the second option – portfolio investments – was more acceptable for foreign investors. In that way, they were able to neutralize the competition in the countries in transition, to broaden their market in such areas, to get cheap working power and to set prerequisites for the realisation of the high profit. At the same time, new owners of domicile firms turned quite often the production capacities into distributive ones. Instead of stimulating the production, the consumption of mostly imported products was stimulated and in that way placed in the country in transition. Since the second option of the entry of capital prevailed, it caused numerous consequences, above all social, for the countries in transition and their development. In other words, it meant the increased rate of unemployment and additional burden of social funds.

The entry in the most important economic sectors, such as primary financial sector (banks, insurance companies, capital market, etc.) , attractive production, tourist sector, etc. gave the possibility for the influence of foreign factors on the creation of the development strategy in the countries in transition. At the same time it meant the limits for the possibility to make independent decisions about some questions, important for national strategy. This statement is important, if we take into consideration the fact, that there is a high correlation degree between the dominance over economy and political dominance. In other words, the entry of the foreign capital in the countries in transition and the increase of the influence of foreign factors on the economy in these countries increased proportionally their influence on the state and economic policy.

Besides all these problems that came out of the relations that were made after the entry of the foreign capital in the countries in transition, it should be pointed out that foreign companies took over domicile firms, brought in new knowledge and new technology, modern management and new business philosophy, based exclusively on market principles. Foreign companies opened the way to the process of globalisation with the transfer of capital, goods and knowledge in the countries in transition.

At the same time, the entry into different integration associations opened the way for the countries in transition to have economic, cultural and other influence on their more or less broaden surrounding. In that way it was possible for the countries in transition to be not only the object of some other's interests, but to be active participants in this process. This process was going on in a different dynamics in different countries, depending on the flexibility degree of their state policy, economy and readiness of the public to accept the changes. No matter to all these problems, most countries in transition accepted the participation in the process of globalisation as their long-term strategic orientation.

4. The Process Of Globalisation Used As An Instrument For Transformation Of The Countries in Transition From Closed Societies Into Global Ones

If we have a close look at the above mentioned occurrences, in the countries in transition, we can conclude that they were caught by two very strong processes that have not been finished yet and that have very strong interaction between them. It is quite obvious that the process of globalisation, that is present in a complete developed world, caused the destruction of one very inflexible system. This system tried to resist, but, as it is well known, without success. As a final result the system failed completely. The entry in the
transitional process enabled the transformation of former, socialistic social and economic system into democratic and marketing one. These were also prerequisites for further broadening of globalisation in these regions. Firstly, the process of globalisation made the prerequisites for the opening of the transitional processes and then the transitional process enabled the broadening of globalisation in the countries in transition. In that way, the countries in transition were able to turn from one closed society into global one. There is a question what it really means to them. Is it possible that these occurrences will be integrated in some new social and economic system, in which they will represent only one element dependent on all others. How much they would be able, in such circumstances, to have their own influence on the surrounding and how much they would be just the objects of some other influences?

Considering these questions, there are two different opinions in these countries, and according to this two main groups. Those, who are realistic, who understand the occurrences around them, who constantly try to understand the position of their own country in such frames, belong to the first group. They are aware of the imperfection of the global world, but they see in it the chance for prosperity of their country. They are also aware of the fact, that their countries will have to give up certain traditional values and their own sovereignty, for which they fought so long in the history. But, they also know the price that the country will have to pay, if it stops the process of globalisation. It will bring the country back into isolation and it will be closed society again. It is a kind of society that they have been trying to come out of for centuries, since it represented the biggest limit and obstacle for the prosperity of their country. There are, of course, those, who have quite contrary opinion and they point out only negative aspects of this process. They see in it a permanent danger for national interests. They are ready to sacrifice themselves and go back into isolation in order to save their national identity. They cannot see the consequences of such approach, since their consciousness about their own separated national identity is above developing possibilities of the country. Luckily, in all countries and in public, there is a prevalence of realistic way of thinking and this process is going on in a satisfactory way.

In most countries in transition (the Baltic countries, Central – European countries and some south-eastern countries, that have the candidate status) it means that in a relatively short period of time, in about 15 years, the process of disintegration of one closed, static society into one global, dynamic one was realised. The countries in transition have not reached their aims with it. In many elements they are still backwards in comparison with the countries with longer tradition of the democratic society and marketing economy. As long as these differences exist, there will be an objective danger for the countries in transition to be in an inferior position and that the process of globalisation will bring them more negative than positive effects. More dynamic development is the main prerequisite, if we want to overcome such state. If the countries are open towards the process of globalisation, there will be real possibilities to have such development realised.

5. Development Prerequisites Of Croatia That Were Prior To The Pro-cess Of Globalisation

According to its geopolitical position Croatia belongs to central European and Mediterranean countries. This fact, that it is the shortest connection between two European regions – Central Europe and Mediterranean basin – gives to the Republic of Croatia specific place in this wider region. The confirmation for that could also be found in the history, when many neighbours recognized the geopolitical importance of this area, tried to conquer it for good. The importance of its position, in the frames of this topic, is in the fact, that it was under influences that came out of its surrounding maybe more than other countries. The same was with the influence of the process of globalisation.

It was so even in the history, when the country was integrated in the then Yugoslavia, which accepted the socialistic orientation in the period after the Second World War. In such milieu, Croatia together with neighbouring Slovenia, had some developing prerequisites that were pointed out more than in some other central European countries in transition, that became the member of the European Union short time ago. Transformation of the social and political system from socialistic into democratic and the transformation of the economy from planned into marketing one were followed by the occurrences that took place in all other countries in transition. Unfortunately, the process of separation from the association of Yugoslav states, which was accepted at the referendum with the great majority of 92% of the total number of inhabitants, resulted in the aggression on Croatia by Serbia and the then Yugoslav army. These occurrences
not only made slower, but also put backwards all developing tendencies that existed in Croatia at that time. The worst thing was, that all already made contacts with Western and Eastern business partners were either stopped or minimized. Almost all human and material resources were in the function of defending the country and it all had great influence on economy, above all, but also on other fields of social life.

The process of transition was going on even at that time but it had minimal intensity. After more than four years, when the situation was calmed down, the prerequisites for more intense process of transition were set. All other countries in transition that were able to develop in peaceful surrounding improved their positions in the process of transformation of their societies. They had almost unreachable advantage in comparison with the Republic of Croatia.

All these problems that burdened other countries in transition at the beginning of their transition were a great burden for Croatia as well, above all because of the lack of the capital that might start the development.

When the first minimal prerequisites for political stability were set, the foreign investors recognized new possibilities for investing in Croatia and they started to invest, at the beginning very carefully, but later on, with more and more courage. At that time everything that had already been seen in other countries in transition happened here, as well. The portfolio investments were dominant – first of all in financial sector, mainly in the bank system. In a quite short period of time, the foreign investors managed to master more than 90% of the Croatian bank potential. The takeover of banks opened the ways of entering some other economic sectors, above all tourism as the most important Croatia resource. The foreign capital is today in almost half of the tourist capacities, mostly in the most attractive ones. It is also, with its bigger part, in the most famous industrial capacities. In the second turn of investments, there were greenfield investments, mostly in the development of trade capacities of multinational trade chains. Croatian market was enriched with the offer of consumer goods, mostly imported, and in that way the consumption, not the production, was initiated. Small family shops were closed in the process of opening of multinational trade chains in almost all regional centres. These small family shops could not be competitive with them. All these above mentioned occurrences and relatively unsuccessful process of transformation of state firms caused numerous economic and social problems. In the first case, the foreign capital did not have any interest in other sectors, the rest of the industry, agriculture and other services. Old-fashioned technology, lack of investments at domestic owners and the surplus manpower made all these services not competitive and stagnant in their development. Some firms went in bankruptcy. The rate of unemployment was drastically increased (at one moment it was almost 400 000, or in other words, a bit less than 10% of the total number of inhabitants). The development rate of 4% or even less was not enough to ensure satisfactory economic increase. Debit rate towards foreign countries was growing rapidly and it reached almost the top level of the allowed debit rate in comparison with the BDP.

This is actually the picture of the developing prerequisites in the Republic of Croatia in the last 13 years. These are huge problems that the country is faced with, but there is a way to solve them. In one thing there is a political consensus of all political options, no matter, which one is the ruling one – the dominant place in Croatian developing strategy has the entry of Croatia in the European Union. In this concept there is the biggest chance for development of the country. It means that Croatia is completely opened towards the process of globalisation and in that sense it is not only ready, but it also accepts all criteria needed for assurance of the adequate position in the globalise society.

6. Developing Prospects Of The Countries In Transition In the Globalisation Circumstances

The way, that each country in transition is supposed to go through, from the moment of the very beginning of the transition process, is very well known. There were many factors that enabled the realisation of equal results for all of them. The fact is that some of them managed to get in the European Union in a quite short period of time as supranational associations and integrate themselves in one higher degree of the global society. Some of them are candidates and there is a question of time (several years), when they are going to go the same way. The rest of them, which still do not fulfil conditions for that, are preparing themselves gradually and their way will probably be the same, but a bit longer.
There is a question of what it really means to them and what their developing prospects in that sense are. First of all, there are still many problems with adjustment to criteria that were accepted as general from more developed countries. But soon afterwards there are many possibilities for social and economic prosperity. In the first case, it refers to the development and functioning of the political system according to democratic principles, to the development of the security system of a higher quality and to the development of all other aspects of social life. In the economic sense, there is much wider market, the possibility to have approach to modern technologies, to cheaper capital and to different common funds of the European Union. All this stimulates the development of certain segments of social and economic life. There is also a psychological effect, or in other words, the awareness that we belong to the group of very promising nations that will have stronger and stronger political and economic power in wider world frames.

If the countries give up one part of their sovereignty, it does not mean that they will give up their national identity. These countries will keep their national characteristics, but there will be no borders that represent the obstacles in communication with the neighbouring countries.

If we try to make the comparative analysis of the developing prospects of one former simulated situation, before the opening of the process of transition, with the situation that is current in the countries in transition, it is quite sure that all results are in favour of the second option.

7. Conclusion

The destruction of the former social and economic socialistic type, which was characterized by a higher degree of closeness, enabled the countries that belonged to this type to enter specific process of transition. However, this process was only transitive period, but it means that these countries should find some development orientation in the final phase of the process.

Strong globalisation process took part in very intensive surroundings and the countries in transition were caught by them. Since it was rather aggressive, it caused many doubts in the countries in transition. Finally, they learnt to discover development chances for them.

A certain number of them tried a lot to adapt to criteria that were enforced by this process. Only in that way they entered the European political and economic associations and opened the way for the movement of goods, people, capital, knowledge and other subjects that have supranational character.

There is no doubt that besides all negative aspects, it was the most acceptable alternative for them. This alternative will ensure them numerous advantages in social and economic life in a near future. Croatia belongs to the countries in transition that was able to recognize its development possibilities in the process of globalisation. It is also opened to all foreign influences on their surrounding, of course, in accordance with their potentials.

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