

# International Management and Marketing in Regional Trade within V4 Countries: Focus on Slovak – Hungarian Trade Flows

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## SUMMARY

*Integration processes and globalization trends create new possibilities for enterprises. New economics alters the ways of „doing business” in the market. Interdependence of national economies is still deeper and includes different aspects of economic, political and social life. First of all, the paper identifies the areas and ways of the international business cooperation development among the Slovak Republic and Hungary - a business partner closed from geographical or business point of view. Consequently, we try to define the role of marketing in the global market space and distinguish the local, regional and global extend of business expansion. For further development will be necessary to search for possibilities how to compete at the global food market, what are the challenges for industries, marketing and business and how to decide on targeting for local versus regional or global market. We consider the export clusters as an important tool for regional business cooperation and expansion.*

*Key words: regional trade, geographical distance, business distance, business partner, opportunities, international trade, export cluster, regional specialties, European market.*

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## INTRODUCTION

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The world is global and interconnected. Integration processes and globalization trends create new possibilities for enterprises. On the other side these phenomena impose new demands in terms of flexibility and ability to respond to changes. New economics alters the ways of „doing business” in the market. Interdependence of national economies is still deeper and includes different aspects of economic, political and social life. The integration process within the European region is characterized by processes of enlargement of the existing economic union with the effect of trade creation as well as trade diversion depending on the business position of the country in the trade agreements. ŠIMO (2003) considers processes of globalization as the decisive external factors influencing the development of all branches of national economy, agriculture and food processing industry including. Global competitive environment has had direct impact on top management decision making (Ubrežiová – Horská, 2003). Thanks to globalization, national economies approximate one another and for enterprises, especially trans-national corporations – the global market is the single market (Dziembala, 2005). Structural changes have required in terms to improve the international competitiveness (Podolák – Serenčes, 2003).

Present global economy provides us with knowledge that regional development is of great importance for development as a whole. Cooperation within the region supports its competitiveness and creates new comparative advantages (Knapík – Zorkóciová, 2004). Experts consider the aspect of regional development transferred into such kind of regional cooperation that is aimed at development of technology, innovation and international trade as a phenomenon of the new economy. Slovak economy is in the present an open economy with small internal market. Social, economic and political development in the Slovak Republic has created conditions for trade creation within the European Union. Free foreign trade exchange brings the positive effects for all economy. We could search for opportunities for regional cooperation development in the neighboring countries. The main attention is devoted to the market development in both globalization and internationalization processes (Piskóti, 2005). In this paper we try to define opportunities for trade and business development with business partner – Hungary.

## MATERIAL AND METHODS

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Goal of the paper is to identify opportunities for the international business cooperation development using the advantages neither of business distance nor geographical

one between the Slovak Republic and its business partner - Hungary. Based on the analysis of external environment, present social, political and economic conditions and further development, present results in foreign trade we try to outline targets for regional cooperation development. In our research we use the secondary data (database of the Ministry of Economy of the Slovak Republic, Customs Statistics of the Slovak Republic, territorial information on business partner countries, theoretical issues on international business and marketing). In the paper we provide the statistics on foreign trade between Slovakia and Hungary for period of years 2001 – 2005.

## RESULTS AND DISCUSSION

Theory of the international business distinguishes between the geographical and business distance (Horská – Ubrežiová, 2001). Geographical distance means such kind of distance that has direct impact on the level of costs of transportation, business risk, entering the different climate conditions, etc. Business distance compares such characteristics as cultural, historical, social and legal ones and looks for similarities or differences. From this reason the Slovak economical efficiency and mostly efficiency of agro-business sector is sensitive on outside environment, it means on global trends in the world economy and development in the European economical space. Accession of the Slovak Republic to the EU means also the priority to strengthening the national economy at the business sphere competitiveness growth. Efficiency of the Slovak economy in 2000 accounted only 46 % in comparison to the European average. This situation creates requirements for further efficiency growth, but in the conditions of new economic reality (Bielik, 2004).

As we mentioned in the introductory text, we can distinguish between geographical and business distance. Neither geographical nor business nearness leads to trade creation and of course, bigger effort and enthusiasm to start business or mutual cooperation. Big cultural, social, economic or geographical gap among the countries leads to trade diversion because of higher costs of transportation, insufficient purchasing power on the one hand, technical or cultural misunderstanding, administrative and legislative obstacles on the other hand. We could find the similar level of geographical distance in all neighboring countries Hungary including. The most important business partner based on the volume of foreign trade exchange is Germany, but there is no doubt this country is the most important business partner for Slovakia not because of business nearness but because of economic and market potential.

### *Current Situation in Foreign Trade with Hungary*

Table 1 points at volume of international trade of the Slovakia with Hungary and also there are shown the trading volumes with other neighboring countries. The trading volumes with some neighboring countries we introduce just to be able to compare the volume of trade as a total. We consider the Czech Republic as our nearest business partner both from cultural and geographical distance of the markets. Czech Republic, Hungary and Poland are also known as a former V4 partners and CEFTA's members. Trade with the CEFTA's countries and the EU's countries accounted for latest years about 80 % (less in import, more in export). Some of these countries belong to the group of neighboring countries, some of them have similar business environment and socio-economic and political development. Membership in the EU leads to the trade creation with the member states. For period of years 2002 – 2003 it is possible to observe the growth of foreign trade exchange between Slovakia and the EU's countries. Expressive growth – up to 30 % - it is observed from the beginning of year 2004. The biggest share on the Slovak export account products of the automobile industry. On the other hand, components for the automobile industry account the biggest share on the Slovak import. To use the opportunities at the EU market supposes to reach high quality standards, reasonable price, flexible logistic system and effective marketing communication. There is no doubt that there is a plenty of products competing on the level of cost leadership but there is not the only way how to compete at the European or world market. According to the Statistical Office of the Slovak Republic (2005), the foreign trade data on the year –on-year basic dynamics of trade turnover reached the same record-breaking level in May 2004 and thereafter trade turnover slowly descends. At the end of 2004s, by group of countries, export with the EU member states reached a SKK 762 billion (27 621 mil. USD, it is 85,2 % of all Slovak export), particularly with the Czech Republic by 15,1 % and with Poland 28,0 %. By group of countries, import with the EU member states reached a SKK 693 billion (29 157 mil USD, it is 73.6 % of all Slovak import), particularly with the Czech Republic by 5,3 % and with Poland by 25,8 %.

*Table 1. International trade with Hungary and other neighboring countries  
(mil. USD and as a percentage of total trade)*

Item	Year	Total trade (mil. USD)	Hungary		Czech Republic		Poland	
			mil.USD	%	mil.USD	%	mil.USD	%
Trade balance	2001	- 2125,2	302,6	-	- 125,0	-	256,9	-
	2002	- 2116,6	333,4	-	- 315,0	-	235,6	-
	2003	- 641,5	292,4	-	- 399,3	-	250,9	-
	2004	- 1455,6	454,9	-	- 166,0	-	386,7	-
	2005	- 2449,9	413,6	-	- 184,9	-	344,1	-
Export	2001	12 644,5	679,6	5,37	2 101,0	16,61	736,3	5,82
	2002	14 382,2	783,9	5,45	2 184,9	15,19	766,9	5,33
	2003	21 837,7	1 064,1	4,87	2 818,2	12,90	1 043,6	4,77
	2004	27 621,2	1 403,7	5,08	3 749,4	13,57	1 509,9	5,47
	2005	32 026,2	1 804,5	5,63	4 509,2	14,08	2 014,9	6,29
	Index 2005/2001	-	2,66	-	2,15	-	2,73	-
Import	2001	14 769,7	377,0	2,55	2 226,0	15,07	479,7	3,24
	2002	16 498,9	450,5	2,73	2 499,9	15,15	531,3	3,22
	2003	22 479,0	771,7	3,43	3 217,5	14,31	792,7	3,52
	2004	29 157,4	990,1	3,39	3 934,3	13,49	1165,8	3,99
	2005	34 476,1	1 249,7	3,62	4 371,6	12,68	1421,7	4,12
	Index 2005/2001	-	3,31	-	1,96	-	2,96	-

Source: The Customs Statistics 2004, the Ministry of Economy, Bratislava, 2004 and <http://www.mhsr.sk>, June 12. 2006

Slovak trade with Hungary is characterized within period of years 2001 – 2005 with positive trade balance. Both, export and import are increasing within observed period. We can state the fastest growth of export (with 156 % in 2003 in comparison with 2001) and import (with 204 % in 2003 in comparison with 2001) in comparison with Czech Republic or Poland. Import is growing faster as export. Positive trade balance we can observe also in trade with Poland but in relation to size of Polish economy the foreign trade with this country is really small. Share of trade with Hungary on total trade accounts approximately 3 – 5 % (that is similar as with Poland). Trade balance with the EU member states reached a SKK 69,0 billion (2 379 mil. USD) in a surplus, particularly active trade balance with Hungary a SKK 14.7 billion.

Regarding to the agro-food trade with Hungary we could emphasize some product categories perspective for trade development that are as follow:

- national or regional specialties (soft sheep cheese bryndza, spice paprika, meat products, ducks and geoses),
- global products (produced by multinational companies well know in all the world),
- products from local producers in the borderland areas.

To increase the trade with national or regional specialties requires to increase their consumption that is determined by marketing strategy used at the target market. In Slovak – Hungarian trade we could suppose certain level of knowledge on neighbor´s national specialties as well as some kind of tendency to buy a product from neighbor, mainly in southern Slovakia and Hungarian spoken areas.

Thirdly, the older generation could fulfill the marketing task to communicate information on neighbor products and ways of using in the kitchen as well as habits in consumption. All these aspect we could consider of great importance for further trade development, new business contacts establishment, however, relatively less costly.

### *Localization and Regional Opportunities*

Consequences of the globalization processes have different forms. On the one side, they create labor opportunities, re-allocation of production centers towards to the geographical regions with cheaper inputs. On the other side, globalization has been creating the unification of consumption, culture and thinking. In the process of liberalization there are winners on the side of bigger players with the great economic power. In despite of the globalization process there has been developing the process of regionalization and enlargement of regional economic integration unions. Following from the analysis of all trends accruing in the world we can state the marketing strategy could use combination of three different approaches as localization, globalization and regionalization are.

Nowadays globalization is thought to be fundamental process of changes in the world economy. It is next stage of internationalization. Globalization results from trade liberalization, opening economies processes and reinforcing the worldwide competition. The basis of globalization is the country integration that consists in linking their economic processes, which include foreign trade, investments and production. It is connected with

migration of goods, services, production factors, labor, capital and technology (Sporek, 2005).

Both, for Slovak and Hungarian enterprises, mainly small and medium, there is of great importance to have a chance to export and enter to the European and global market. Small Slovak and Hungarian economies require growth of external demand. Experiences from developed countries point at fact there are existing opportunities in regional cooperation in production, innovation, investment and trade. From this point of view we use the term “region” for neighboring countries, for borderland areas, areas with small geographical distance oriented to the same research and production areas or in vertical lines, etc. Foreign partner is willing to cooperate in different areas with those business entities that are able to cooperate, communicate and have former experience in such kind of cooperation. There is obvious business practice in the developed world to establish “export clusters” that have significant impact on international business development (Knapík – Zorkóciová, 2004). The export alliance has been defined at conference of the Export Club and Czech - trade in 2003 from side of M. Porter as a territorial concentration of cooperating companies, suppliers of specialized services, universities and governmental agencies in terms to enhance the local and regional development as well. Cluster enables to

reach certain economic goals on microeconomic and macroeconomic level. Several experts consider export clusters as of great importance for investment and regional policy.

## CONCLUSION

Business development is influenced by the neither geographical nor business distance, similarity of socio-economic, political development, market and economic potential as well. Hungary is important business partner for Slovakia from several aspects: small geographical and business distance, certain level of knowledge on Hungarian economy, Hungarian products, borderland areas, small economies, former business relations and present membership in the European Union. For further business and trade development will be necessary to search for possibilities: what are the challenges for industries, marketing and business, how to decide on targeting for local versus regional or global market, why to stay in domestic business, why to go regionally or internationally, which ways of business and trade cooperation could be used in harmony with investment and regional policy.

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