

---

**ECONOMICS**

---

*Sociology***Yuriy Bilan***Microeconomics Department,  
Szczecin University,  
yuriy\_bilan@yahoo.co.uk**Received:* July, 2009*1st Revision:* October, 2009*Accepted:* November, 2009**JEL Classification:** F15, F36,  
L25, M53**Keywords:** export diversification, trade and economic integration enabling legal and regulatory environment, training and lifelong learning.

---

Yuriy Bilan, Increase Diversification Through Strengthened Enabling Environment for Entrepreneurship: a Focus on Skill Endowments and Export Orientation (Example of Hungary and Poland), *Economics & Sociology*, Vol. 2, No 2, 2009. pp. 33-45.

---

## INCREASE DIVERSIFICATION THROUGH STRENGTHENED ENABLING ENVIRONMENT FOR ENTREPRENEURSHIP: A FOCUS ON SKILL ENDOWMENTS AND EXPORT ORIENTATION (EXAMPLE OF HUNGARY AND POLAND)

**ABSTRACT.** This Article describing and analyzing the path to export growth and diversification that the two comparator countries (Poland and Hungary) have taken since 1990 with a specific focus on the impact of enabling legal and regulatory environment, education, training and lifelong learning, policies to foster trade and economic integration and stimulate export diversification.

### Introduction

Export diversification, as it is evidenced from literature, plays an important role for developing countries. Here, three preconditions could be identified:

- a) *firstly*, a diversified bundle of export products provides a hedge towards price variations and shocks in specific product markets (Bertinelli, 2006; Heiko Hesse, 2007)<sup>1</sup>;
- b) *secondly*, the type of products exported might affect economic growth and the potential for structural change (Hausmann, 2007; Klinger and Lederman, 2006 Whang, 2006);
- c) *thirdly*, export diversification in the direction of more sophisticated products may be beneficial for economic development (Harding and Smarzynska –Javorcik, 2009)<sup>2</sup>.

These preconditions could be applied on individual country level, seeking to strengthen the potential for export orientation and diversification.

---

<sup>1</sup> CGD Workshop on Global Trends and Challenges, Sept. 28-29, 2007.

<sup>2</sup> Torfinn Harding and Beata Smarzynska-Javorcik, DECRG-TR (1009), "Note on the effect of FDI on export diversification in Central and Eastern Europe", available at [http://siteresources.worldbank.org/INTEXPCOMNET/Resources/Javorcik\\_Note\\_on\\_the\\_Effect\\_of\\_FDI\\_on\\_Export\\_Diversification\\_in\\_Central\\_and\\_Eastern\\_Europe.pdf](http://siteresources.worldbank.org/INTEXPCOMNET/Resources/Javorcik_Note_on_the_Effect_of_FDI_on_Export_Diversification_in_Central_and_Eastern_Europe.pdf)

However, diversification is not only the tool for increasing of goods and services sales, it is a tool for: intersectoral resources reallocation, including human resources; optimization method of structural transformations in the economy. Diversification allows to reduce the negative effects of financial and economic risks, improves the businesses adaptive quality in the domestic market. It is the most important and simultaneously one of the main restructuring process mechanisms and the process of Companies' competitiveness increase. Regarding the effect on the industries level, it forms the corporate class of leading managers, who make management decisions in terms of risk and crisis.

In these circumstances, the disclosure of transitive model essential characteristics of labor market development in the system of increasingly differentiated world economy seems very important. Transitive content of this model is the formation and accelerated development of those labor market segments, that meet the modern innovative trends and the process of reproductive mechanisms information and relevant trends in social sector.

The majority of export oriented countries often suffer from global demand changes, especially countries with narrow range of export goods and services, in this case the only solution for this countries is the export diversification, the main purpose of which is to decline the influence of global market constraints.

The mentioned above problem on micro level affects domestic demand, which in turn cause the decline of investment in economy, on macro level negative trends could take place. Export diversification can stabilize the situation in long-term period.

Related to export diversification, there could be knowledge from new qualifications, skills, management or marketing practices potentially benefiting other industries. Export diversification is one of these specific interests and concerns. Developing countries are heavily dependent on commodity exports and are therefore vulnerable to external shocks. In order to stabilize export earnings and foster income growth, these countries are seeking to increase the variety of their export baskets (F. Bonaglia and K. Fukasaku, 2003). The use of export orientation with the purpose of horizontal export diversification can generate positive affects in the economy in general, as export oriented sectors can be the source of dynamic learning activities due to contacts to foreign purchasers and the influence of international competition.

The last decade has registered a renewed interest in the issue of diversification of economic activities. New growth and trade theories have pointed out the key role of enabling legal and regulatory environment, education and sustainable economic integration, with a particular focus on policies stimulating diversification.

The purpose of this report is to examine whether such activities can contribute to export diversification. Our preliminary analysis based on two Central and Eastern European countries - Poland and Hungary suggests a positive answer to this question.

In our empirical analysis, covering the period 1990-2008, we would like to research the issues connected with the level of export diversification increase in sectors receiving more considerable export specific skills than in other sectors.

Another challenge in our analysis is to distinguish the effect from other social-economic changes relevant for export diversification occurring at the same time.

## Overview

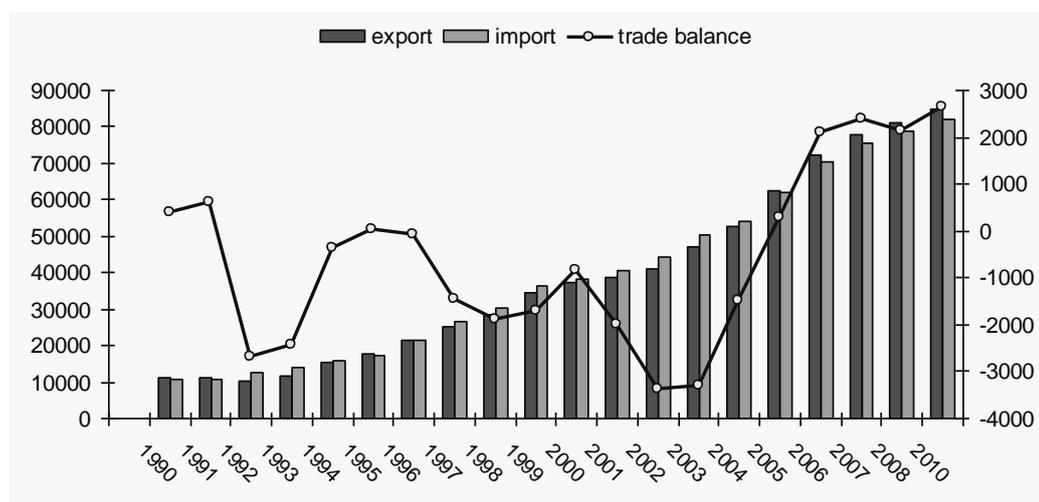
From 2004 to 2009<sup>3</sup>, Hungary's export increased on average by 14,8 % each year and amounted to 80.9 bln US\$ in 2009 (Constant Prices 2000). During the same period, import increased on average by 11.1 % each year to 78.8 bln US\$.

---

<sup>3</sup> Projections based on OECD.

The trade balance increased from the deficit of 3.3 bln US\$ in 2004 to a surplus of 2,1 bln US\$ in 2009 (Graph 1.). Trade recorded deficits with Eastern Asia (-9.1 bln US\$), the CIS (-2.7 bln US\$), Developed Asia-Pacific (-2.1 bln US\$) and South - Eastern Asia (-1.4 bln US\$).

Trade recorded large surplus with Europe (EU) (+7.5 bln US\$), South-Eastern Europe (+4,1 bln US\$) and Western Asia (+2.3 bln US\$)<sup>4</sup>.



\*2009, 2010 – projections

Graph 1. Total imports, exports and trade balance in Hungary (mln US\$ by year) 2000 Constant Prices

Source: own compilation based on OECD, Economic Outlook No 84 Annual and Quarterly data, Paris 2008, Online Database.

Both export and import were diversified by partners: in 2008, 16 respectively major partners accounted for 80 % of exports (respectively imports) Graph 4.

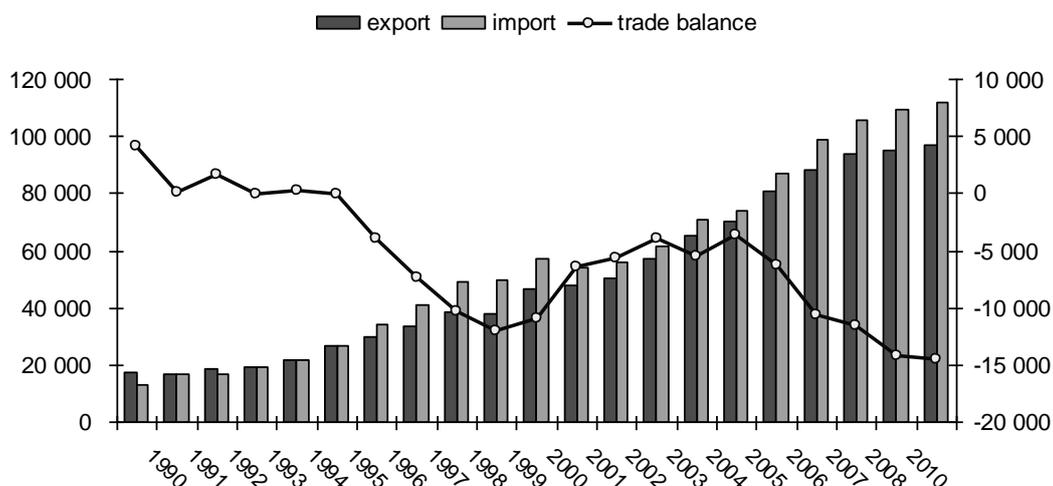
Hungary's export was in majority machinery and transport equipment: it accounted for approximately 60 % of export 2008. Other major commodity groups included manufactured goods classified mainly by material and miscellaneous manufactured items respectively with 9.6 and 7.8 % of exported goods. In 2008, Germany, Italy and France were the top partners for export. From 2004 to 2008, top exported commodities were transmission apparatus for radio-telephony, radio-broadcasting, spark-ignition reciprocating or internal combustion piston engines and computers.

From 2004 to 2009<sup>3</sup>, Poland's export increased on average by 9,1 % each year and amounted to 95,1 bln US\$. During the same period, import increased on average by 10,1 % each year and reached 109,4 bln US\$. The trade deficit increased from 5,5 bln US\$ to 14,2 bln US\$. Deficit with Eastern Asia independently amounted to -15.9 bln US\$ in 2008. (Graph 2.) Significant deficits were recorded with the CIS (-4.2 bln US\$), Developed Asia-Pacific (-2.9 bln US\$) and South-Eastern Asia (-2,1 bln US\$) among others<sup>5</sup>.

Both export and import were diversified by partners: in 2007, 15 major partners accounted for 80 % of export (respectively import) Graph 5.

<sup>4</sup> <http://unstats.un.org/unsd/trade/imts/annual%20totals.htm>.

<sup>5</sup> [http://www.stat.gov.pl/gus/5840\\_3543\\_PLK\\_HTML.htm](http://www.stat.gov.pl/gus/5840_3543_PLK_HTML.htm) accessed 4 December 2009.



\*2009, 2010 – projections

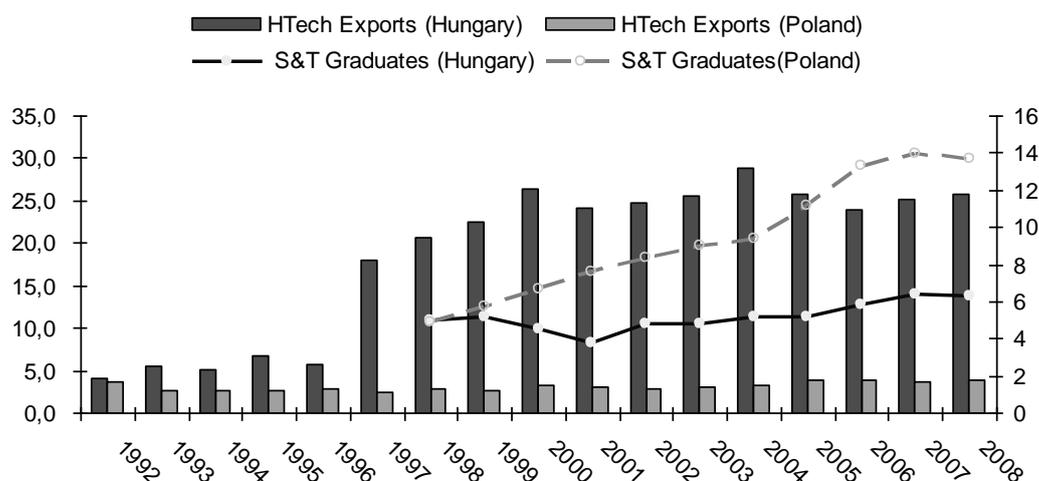
Graph 2. Total import, export and trade balance in Poland (mln US\$ by year), 2000 Constant Prices

Source: own compilation based on OECD, Economic Outlook No 84 Annual and Quarterly data, Paris 2008, Online Database.

In 2008, a large share (41.4 %) of Poland's export was machinery and transport equipment. Other major commodity groups included manufactured goods classified mainly by material and miscellaneous manufactured items respectively with 21.8 and 12.8 % of export. In addition to Germany (25,0 %), other major destinations for export included Italy (6,2 %) and France (6,0 %). From 2004 to 2008, top exported commodities were motor vehicles for the personal transport, motor vehicles parts and accessories for tractors, buses and motor vehicles designed for the transport of goods and compression-ignition internal combustion piston engines.

Proceeding from the above mentioned, one of the main research issue, which should be reviewed in this study is the influence of macroeconomic environment on fostering or inhibiting of export diversification, as measured by the Herfindahl index Graph 4,5.

As seen from the above graphs, Polish and Hungarian indexes are similar, that evidences the importance of the export diversification role in economic growth of the both countries.



\*High-technology exports are products with high R&D intensity, such as in aerospace, computers, pharmaceuticals, scientific instruments, and electrical machinery.

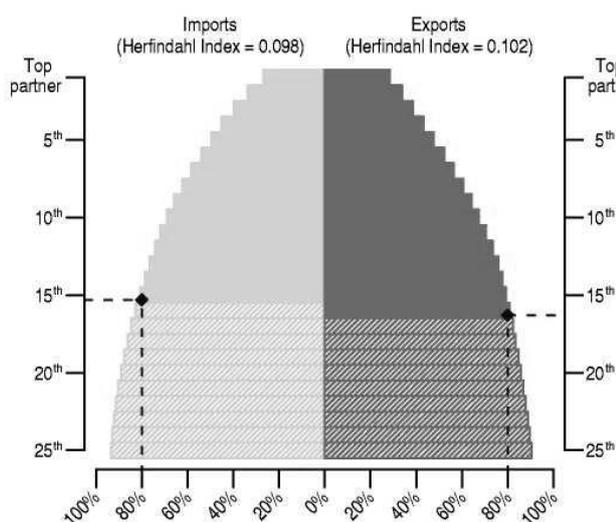
Empty columns: Data not available.

Graph 3. High-technology Exports\*, in % of Manufactured Exports in Hungary and Poland, 1992 – 2008, (%), and Science and Technology Graduates<sup>6</sup>, 1998 – 2008 (per 1,000 of population Aged 20-29 Years)

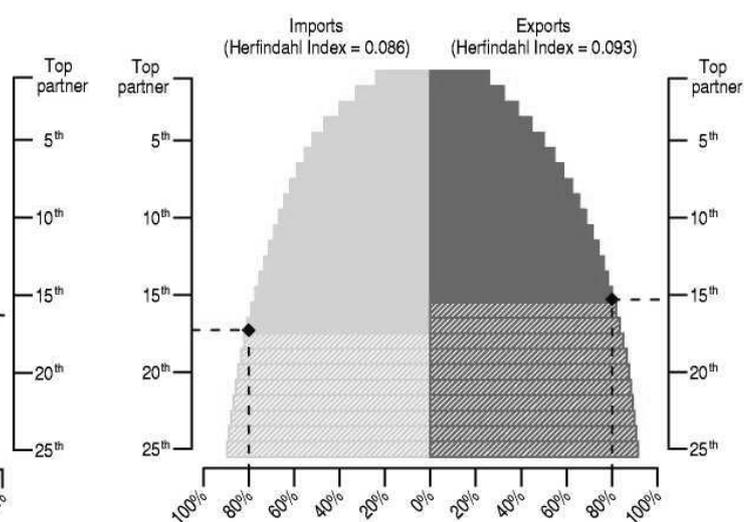
Source: own compilation based on the World Bank Group, World Development Indicators (Database) (<http://ddp-ext.worldbank.org/ext/DDPQQ/member.do?method=getMembers>), accessed 4 December 2009, Eurostat (<http://epp.eurostat.ec.europa.eu/portal/page/portal/education/data/database>), accessed 4 December 2009.

One of the main Hungary and Polish export problems is its medium-low diversification. Concentration on one or two markets may be dangerous in the framework of new perspectives. Besides, the exports diversification is the feature of the economies that generate the greatest number of global brands, that effectively depreciates the globalization negative effects.

<sup>6</sup> The indicator "Tertiary graduates in science and technology" includes new tertiary graduates in a calendar year from both public and private institutions completing graduate and post graduate studies compared to an age group that corresponds to the typical graduation age in most countries. It does not correspond to the number of graduates in these fields who are available in the labour market in this specific year. This level and fields of education and training used follow the 1997 version of the International Standard Classification of Education (ISCED97) and the Eurostat Manual of fields of education and training (1999).



Graph 4. Partner concentration of trade in 2007, Hungary  
(Cumulative share by ranked partners)



Graph 5. Partner concentration of trade in 2007, Poland  
(Cumulative share by ranked partners)

Source: own compilation based on the International Trade in Services, <http://unstats.un.org/unsd/tradeserv/default.htm>, accessed 7 December 2009.

Further internal reforms are needed, which shall make possible the long-term integration into global markets, stressing that the exports diversification shall be primarily performed with the strengthening of internal market, with the purpose of export to be the guaranteed source of future economic growth.

### Business and regulatory environment

Nowadays, multilateral and deep researches are being conducted regarding the correlation between education level, entrepreneurship, regulatory environment, quality state of labor force and economic diversification, not only at the country level, but at the level of certain types of industries. Some outdated ideas on the functional role of labor as a factor of production require substantial correction.

There are very different specific service or support offered to business environment. The government support programmes can be divided into few main categories: legal and regulatory environment finance, business environment, capabilities or access to markets and education. Activities with a financial focus provide support in the form of: export insurance, loan guarantees, finance development, direct financial support to cover costs of international activities otherwise not possible such as export promotion and visits to trade fairs (Table 1).

Schemes with a focus on improving the business environment tended to concentrate on the removal of international trade barriers and on improving the business environment in the domestic or local market to give companies a competitive edge, for example, through improvements in the domestic taxation system or through providing a positive environment for R&D activities. Here, sub-classifications cannot be developed easily due to the complexity of this area. Such activities included improvements in international trade, for example, between member economies; general improvements in the domestic business environment, as example, the legal framework; and specific improvements mainly targeted at providing exporting firms with a competitive edge, such as support of R&D collaboration between local firms, and industrial clusters.

Table 1. Removing Barriers to SME Access to International Markets: List of Government Support Programmes in V4 countries

	Programme	Objectives	Focus (I/E/F)	Finance	Business environment	Capability	Access
Czech Republic	Marketing (OPIE)	Provide financial support for specific projects within individual SMEs to detect and exploit new export opportunities in foreign markets.	E	x			x
	ALIANCE	Provide financial support for a group of SMEs to detect and exploit new export opportunities in foreign markets collaboratively (as an alliance).	E	x			x
Hungary	Trade development fund	Trade promotion in order to increase export opportunities.	E	x			
	International Investment	Corvinus International Investment Ltd (founded in 1997) a state-owned development finance institution in Hungary set up to co-invest with Hungarian companies abroad and equipped to ensure sufficient financial resources for its partners' investment projects.	F	x			x
	Further programmes	Further programmes are mainly targeted at providing export credit insurance, financial support and information about foreign markets.	E	x			x
Poland	Company development for exporters programme	Scheme aimed at providing SMEs with necessary capabilities and required funds for developing products and improving their operations to be able to target specific export markets	E	x		x	
Slovak Republic	Support for international cooperation	Grants are provided to finance concrete proposals of SMEs that lead to international co-operation.	E/I/F		x		
	Support for growth and technological development	Grants are provided to support the growth and technological developments of SMEs. This programme is not specifically targeted at international activities but it is estimated that 20% of the grants support internationalisation.	E/I/F		x		

Note: I = Import, E = Export, F = Foreign based operations and other cooperation.

Source: OECD: Removing Barriers to SME Access to International Markets, Paris 2008, pp. 131-138.

Capacities activities focus on assisting firms to develop internal capabilities which form a critical element of the internationalization process. This type of programme generally aims at providing firms with the critical resources required for success within their international markets and can be understood theoretically as part of the resource-based view

of the firm. Typically, the programmes reported seek to develop the capabilities of the firm and its employees in the following areas: business planning; marketing; training in the area of cultural differences in international markets; language capabilities and knowledge of export procedures. These programmes also support research into specific technologies, such as production processes, logistics and machinery, aimed at providing a competitive edge to the SME receiving the support.

Regarding access to the markets, support programmes were focused of on gaining initial market access to individual markets, either for exporting, sourcing (importing) or local operations. This included the provision of general market information, specific market analysis, the organization of trade fairs, off-shore assistance through the foreign consulates of the member economies, and business opportunities.

In the same time, there are still some barriers existing in Hungary regarding companies registration. Hungary companies:

- must be registered by the court of registration;
- are filed in the company register by the County (Metropolitan) Court, as the court of registration;
- registration and the various proceedings connected to the company, under the jurisdiction of the court of registration, are filed under the company's headquarters;
- for company proceedings the Hungarian branch of a foreign enterprise, or the central seat of the foreigners' direct domestic commercial representation, is defined as its headquarters.<sup>7</sup>

Considering the same issue, we would like to note that in Poland there isn't a fully operational one-stop-shop for start-ups and it is very unlikely that one will be available in the near future. Time required to start-up a company is well over the 1 week limit. The average cost to start-up a business is € 735 which is temperate but far from the best result (Table 2).

Table 2. One Stop Shop to Start-up a Company in CEE countries, 2008

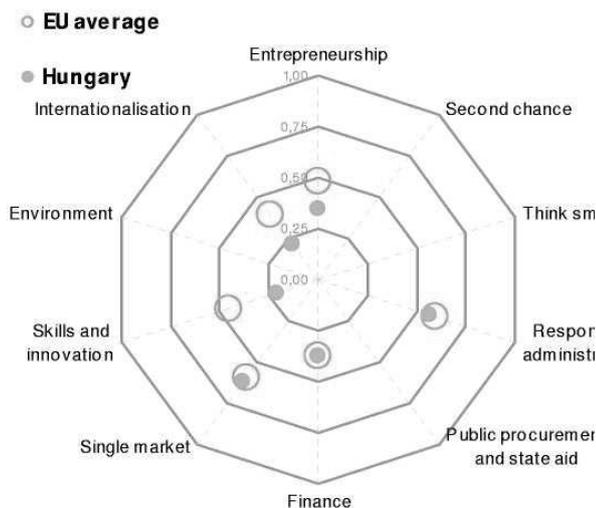
Country	Name	Fully operational	Time required to start-up a company	Cost to start-up a company (in EUR)
Bulgaria	Registry Agency	Yes	3-7	82
Hungary	Country Courts	Yes	2-3	392
Czech Republic	Central Registration Offices (CRO)	No	30-40	345
Romania	Counties Trade Registers	Yes	3	100-125
Slovak Republic	Trade lincence offices, companies register	No	14	330
Slovenia	VEM	Yes	3	0
Poland	Tax Offices	No	30	735
EU Average			8 to 9,5 days	463

Source: European Commission, ([http://ec.europa.eu/youreurope/nav/en/business/life-events/start/uk/index\\_en.html](http://ec.europa.eu/youreurope/nav/en/business/life-events/start/uk/index_en.html)), accessed 05 December 2009.

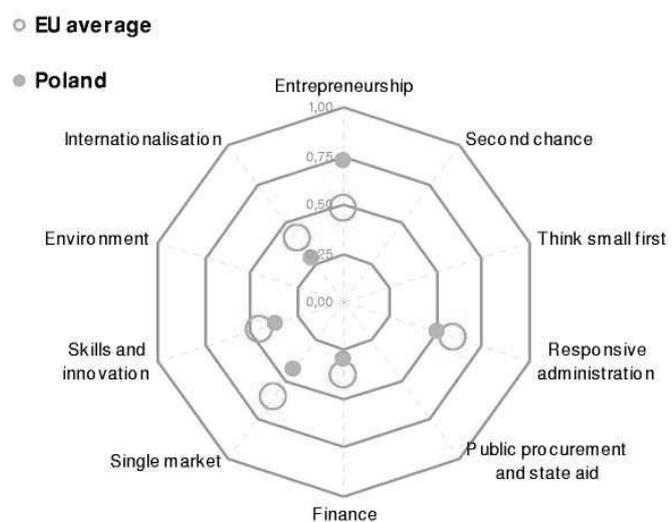
<sup>7</sup> Source: European Commission, ([http://ec.europa.eu/youreurope/nav/en/business/life-events/start/uk/index\\_en.html](http://ec.europa.eu/youreurope/nav/en/business/life-events/start/uk/index_en.html)), accessed 4 December 2009.

The SBA policy radar for Hungary suggests room for improvement in several areas: the available data put Hungary in line with the EU average in few areas: responsive administration, finance, single market. In the remaining areas with sufficient data for averages to be calculated, (entrepreneurship, skills and innovation and internationalisation) Hungary's figures trail the EU average. Also in the four sections where no category-average could be calculated the existing indicators are predominantly below par.

Poland's overall profile is dominated by categories showing values below the EU-average. There are very few exceptions to this. The most notable is "entrepreneurship" where the country performs well above the EU average. This is also paired with scores above EU-average in the 4 sections where no category-average could be calculated (Graph 6,7).



Graph 6: Hungary's SBA profile\*



Graph 7: Poland's SBA profile

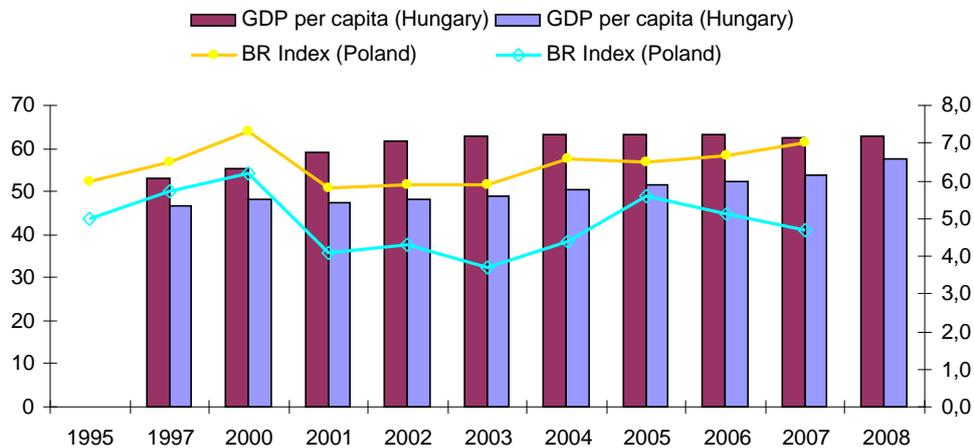
\*It should be noted that the different dimensions of the radar correspond to the set of 10 principles foreseen in the European Commission's Small Business Act.

Source: European Commission, DG Enterprise, 2008

One of the major instruments of export process diversification and labor market bursting is developing of small and medium-sized businesses. There are approximately 55 SMEs per 1000 inhabitants in Hungary, which is markedly above the EU average of ca 40. Since this is mainly due to a high overall number of businesses, the proportion of SMEs as compared to all enterprises is exactly the same, even though the micro enterprises sector is comparatively more important in Hungary. In terms of SME employment Hungarian SMEs contribute more to total employment than the EU-average, in particular in the segment of the Hungarian micro enterprises. On the other hand the figure is reversed in terms of value added, suggesting room for improvement in terms of the productivity of the Hungarian micro enterprises.

There are approximately 37 SMEs per 1000 inhabitants in Poland, which is more or less in conformity with the EU-27 average. Nonetheless available data suggest that Polish SMEs do not reach the same relative importance that their peers have elsewhere in Europe. Although in employment terms they offer relatively more jobs than the EU-average, their share in the country's overall value-added creation is substantially lower than the EU-average. The less favourable figures refer to the micro and small business segments, while the medium-sized business segment matches the EU-average.

Per capita GDP is another variable a priori linked to diversification (Graph 8). Richer economies tend to be economically and institutionally more stable, and such environment mitigates the business risks perceived by domestic producers, thus making diversification less imperative. Nevertheless, as these economies are characterized by higher total factor productivity and a better business climate, entrepreneurs may find it more appealing to broaden their productive mix.



(:) Missing or not available

Graph 8. GDP per capita in Purchasing Power Standards (PPS) (EU-27 = 100) and Business Regulations Index in Poland and Hungary

Source: Eurostat (LFS database), Frazer Institute Economic Freedom of the World Index (<http://www.freetheworld.com/index.html>).

Index of Business Regulations is composed as an average value of the following variables<sup>8</sup>:

- *Price controls*: The more widespread the use of price controls, the lower the rating. The survey data of the International Institute for Management Development's (IMD) World Competitiveness Yearbook (various editions) were used to rate the 46 countries (mostly developed economies) covered by this report. For other countries, other sources were present. When price controls were limited to industries where economies of scale may reduce the effectiveness of competition (e.g., power generation), a country was given a rating of 8. When price controls were applied in only a few other industries, such as agriculture, a country was given a rating of 6. When price controls were levied on energy, agriculture, and many other staple products that are widely purchased by house-holds, a rating of 4 was given. When price controls applied to a significant number of products in both agriculture and manufacturing, the rating was 2. A rating of zero was given when there was widespread use of price controls throughout various sectors of the economy.
- *Administrative requirements*: This sub-component is based on the Global Competitiveness Report's question: "Complying with administrative requirements (permits, regulations, reporting) issued by the government in your country is (1 = burdensome, 7 = not burdensome)." The question's wording has varied slightly over the years.
- *Bureaucracy costs*: This sub-component is based on the Global Competitiveness Report's question: "How much time does your firm's senior management spend

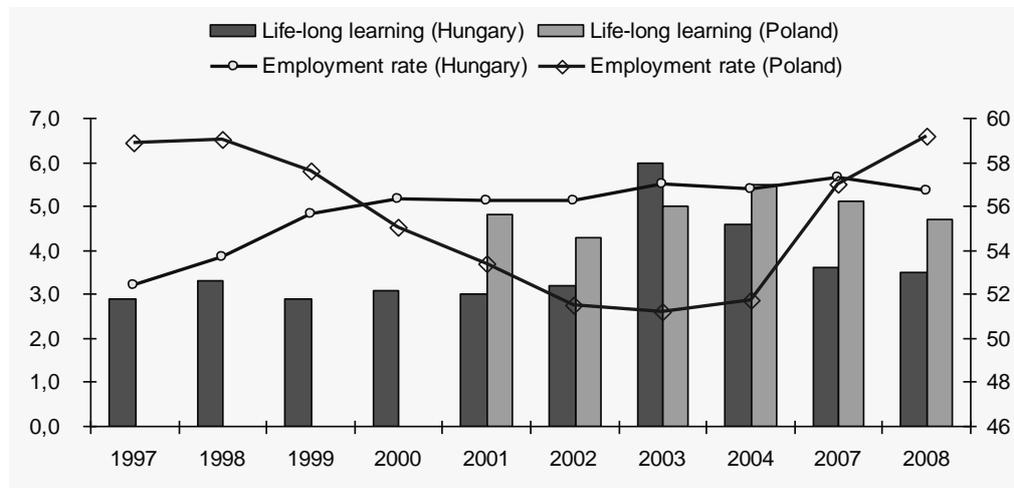
<sup>8</sup> Global Competitiveness Report (GCR) 2008-2009, [www.cesifo-group.de](http://www.cesifo-group.de), accessed 5 December 2009.

dealing/negotiating with government officials (as a percentage of work time)?" The question's wording has varied slightly over the years. In 2006, it was dropped from the Report and replaced by the question "Standards on product/service quality, energy and other regulations (outside environmental regulations) in your country are: (1 = Lax or nonexistent, 7 = among the world's most stringent)."

- *Starting a business*: This sub-component is based on the World Bank's Doing Business data on the amount of time and money it takes to start a new limited-liability business. Countries where it takes longer or is more costly to start a new business are given lower ratings. Zero-to-10 ratings were constructed for three different variables: (1) time (measured in days) necessary to comply with regulations when starting a limited liability company, (2) money costs of the fees paid to regulatory authorities (measured as a share of per-capita income) and (3) minimum capital requirements, i.e., funds that must be deposited into company bank account (measured as a share of percapita income). These three ratings were then averaged to arrive at the final rating for this sub-component. The formula used to calculate the zero-to-10 ratings was:  $(V_{max} - V_i) / (V_{max} - V_{min})$  multiplied by 10.  $V_i$  represents the variable value. The values for  $V_{max}$  and  $V_{min}$  were set at 104 days, 317%, and 1,017% (1.5 standard deviations above average) and 0 days, 0%, and 0%, respectively. Countries with values outside of the  $V_{max}$  and  $V_{min}$  range received ratings of either zero or 10 accordingly.
- *Extra payments/bribes*: This sub-component is based on the Global Competitiveness Report's question: "In your industry, how commonly would you estimate that firms make undocumented extra payments or bribes connected with the following: A- Import and export permits; B- Connection to public utilities (e.g., telephone or electricity); C- Annual tax payments; D- Awarding of public contracts (investment projects); E- Getting favourable judicial decisions. Common (= 1) Never occur (= 7)." The question's wording has varied slightly over the years.
- *Licensing restrictions*: This sub-component is based on the World Bank's Doing Business data on the time in days and monetary costs required to obtain a license to construct a standard warehouse. Zero-to-10 ratings were constructed for (1) the time cost (measured in number of calendar days required to obtain a license) and (2) the monetary cost of obtaining the license (measured as a share of per-capita income). These two ratings were then averaged to arrive at the final rating for this sub-component. The formula used to calculate the zero-to-10 ratings was:  $(V_{max} - V_i) / (V_{max} - V_{min})$  multiplied by 10.  $V_i$  represents the time or money cost value. The values for  $V_{max}$  and  $V_{min}$  were set at 363 days and 2,763% (1.5 standard deviations above average) and 56 days (1.5 standard deviations below average) and 0%, respectively. Countries with values outside of the  $V_{max}$  and  $V_{min}$  range received ratings of either zero or 10 accordingly.
- *Cost of tax compliance*: This sub-component is based on the World Bank's Doing Business data on the time required per year for a business to prepare, file, and pay taxes on corporate income, value added or sales taxes, and taxes on labor. The formula used to calculate the zero-to-10 ratings was:  $(V_{max} - V_i) / (V_{max} - V_{min})$  multiplied by 10.  $V_i$  represents the time cost (measured in hours) of tax compliance. The values for  $V_{max}$  and  $V_{min}$  were set at 892 hours (1.5 standard deviations above average) and 0 hours, respectively. Countries with values outside of the  $V_{max}$  and  $V_{min}$  range received ratings of either zero or 10 accordingly<sup>9</sup>.

<sup>9</sup> Frazer Institute Economic Freedom of the World Index (<http://www.freetheworld.com/index.html>).

The next step is to analyze the influence of lifelong learning and employment rate, which ensures economic growth of economy in general and in the long-term period is the basis of such growth due to the significant role of human capital and resources in the modern global world.



(:) Missing or not available

Graph 9. Participation of adults in lifelong learning and employment rate in Hungary and Poland in 1997-2008 (percentage of the adult population aged 25 to 49 participating in education and training)

Source: own complication based on Eurostat (LFS database).

As seen from the table above, the life-long learning is directly connected with the employment rate, as evidenced by the stable correlation between the changes of relevant indexes. Thus, for creating the base for future economic growth and prosperity, including possibilities of export diversification, countries should promote life-long learning.

## Conclusion

The growth of Polish and Hungarian economy actualized the issue on the quality of this growth, the insufficiency of only its quantitative characteristics. The course of events in the EU countries, evidence that the quality of growth is a no-alternative guarantee of stability, entering the lucrative international competitive positions and diversifying of the economy. Solving the most important tasks of progress and development, effective integration into the global economy requires the introduction of balanced institutional regulatory mechanism, an important component of which is the instrument impact on the labor market, labor force status and level of education and entrepreneurship.

All this leads us to investigation of the employment structure formation and activity of the working population, the legislation of the entrepreneurship area in terms of economy diversification not only in the context of goods, services and capital markets, but labor force market too; trends that prevail in the labor market, forms and government intervention degree in market mechanisms of labor relations.

However, the diversification of different economy sectors is not only held in terms of globalizing world economy, connected with the interpenetration of technology and capital, but also in critical conditions as a tool of anti-crisis strategy. Effectiveness of its implementation depends on the timely guidance on types of goods and services that are in demand or are reaching the level of competitiveness.

Search of diversification strategy should define the direction of the existing potential restructuring, conduction of structural changes, with the purpose of most viable option choice for the country's economy.

Diversification is not the main determinant of performance. Only the chosen diversification direction is a precondition for potential performance growth of activity. Choice of diversification direction depends on the accumulated potential specifics and, of course, the financial and human resources.

## References

1. CGD Workshop on Global Trends and Challenges, Sept. 28-29, 2007.
2. Economic Outlook No 84 Annual and Quarterly data, Paris 2008, Online Database.
3. European Commission, DG Enterprise, 2008.
4. Eurostat (<http://epp.eurostat.ec.europa.eu/portal/page/portal/education/data/database>).
5. Eurostat (LFS database).
6. Global Competitiveness Report (GCR) 2008-2009, [www.cesifo-group.de](http://www.cesifo-group.de).
7. <http://unstats.un.org/unsd/trade/imts/annual%20totals.htm>.
8. [http://www.stat.gov.pl/gus/5840\\_3543\\_PLK\\_HTML.htm](http://www.stat.gov.pl/gus/5840_3543_PLK_HTML.htm) accessed 4 December 2009.
9. Implementing Lifelong Learning strategies in Europe: Progress report on the follow-up to the 2002 Council resolution on Lifelong Learning Accessing and candidate countries, Drawn up by the European Training Foundation (ETF) at the request of the European Commission, 17. 12. 2003.
10. International Trade in Services, <http://unstats.un.org/unsd/tradeserv/default.htm>.
11. Removing Barriers to SME Access to International Markets, Paris 2008, pp. 131-138.
12. Torfinn Harding and Beata Smarzynska-Javorcik, DECRG-TR (1009), "Note on the effect of FDI on export diversification in Central and Eastern Europe", available at <http://siteresources.worldbank.org>.
13. World Bank Group, World Development Indicators (Database).