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## Poland and the Czech Republic in the Process of Globalization

**Abstract.** The purpose of an article was to analyse complexity of the globalization process and its effects for the functioning of the Polish and Czech economies. In addition to the opportunities and threats of the globalization process, the study includes an analysis of the primary indicators for both economies, i.e. GDP, participation in foreign trade, flow of foreign investment and ranking of the KOF globalization index.

**Key words:** globalization, globalization indices, effects of globalization, threats of globalization, economic growth, Poland, Czech Republic

**JEL Classification:** F62, F63, O40.

### Introduction

Globalization is a complex many-sided, multidimensional process, defined in different ways, reinforcing the international interdependence. When analyzing the process of globalization, you can note various attitudes and interpretations of that term, from economic to sociological, political, cultural or technical.

Globalization is visible in the continuous development of mutual relationships all over the world through its increasing range or intensity. This study aims to present the complexity of the globalization process and its effects for the functioning of the Polish and Czech economies. The analysis of the fundamental economic values will constitute an attempt to determine the opportunities and threats related to the process of globalization.

### Term of globalization

The term of globalization gained popularity in 1990s, with the publication of many economic studies describing that process. Earlier, that phenomenon was accredited to the internationalization of economic life, where commercial correlations gradually developed, and later so did the production correlations, causing the production capacities to be transferred abroad.

Although the term of globalization is often used, it does not have an unequivocal definition. It penetrates through all the areas of socio-economic life, it integrates numerous sciences, becoming an interdisciplinary term. Currently, it is usually referred as the “expansion and acceleration of the pace of development of mutual relations in the world” (McGrew, 1992, p. 28). As indicated by the International Monetary Fund (IMF), globalization “constitutes the growing interdependence among the countries all over the

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world, resulting from the increase in the number and size of transactions covering the exchange of goods and services, as well as capital flows, as well as the fast and broad dissemination of technology” (Oziewicz-Michałowski, 2013, p. 298). It is also described as a form of integration, where the process spreads from smaller to larger forms, e.g. “in the past, local markets consolidated into national economies, while now national economies are integrated, one by one or consolidated in regional or subregional groups, into one global whole” (Bożyk, 2008: 359), but it is also the process of development of liberalized market of goods, services and production factors in the scale of the world as a whole, the process of "internationalization of economic activity, simultaneously at three levels: enterprises, sectors and global economy” (Rymarczyk, 2010, p. 440). That process takes place “thanks to the expansion and intensification of cross-border commercial, institutional, cooperative and informational relationships, which leads to the development of stronger interdependence in the global economy” (Zorska, 2001, p. 215-218) as well as numerous relationships and dependencies between the states and societies that comprise the current global system.

The participants in the globalization process – mainly the transnational corporations (TNC) more and more frequently demonstrate the tendencies for treating the whole world as the potential market for their activities. The production resources, capital and labor, are getting more and more mobile. “Economic globalization is the next step of the expansion of the international division of work, and makes that division global, where the roles and tasks are not divided “internationally” but “transnationally” or “supranationally” (Oziewicz-Michałowski, 2013, p. 301).

However, among the numerous views on globalization, there exist several characteristics of that process (Zorska, 1998, p. 16-18): (1) multidimensionality – visible in numerous fields of social life: in economy, politics, military sector, culture; (2) complexity and multithreading – the occurrence of phenomena that are intrinsically complicated; (3) integration – the merging of economies at multiple levels, in the scope of economic activities, policies, etc., the integration applies to states, enterprises and sectors; (4) international interdependence – the mutual, close international relationships both in the form of international coordination, but also asymmetric ones – providing the more benefits to only one party; (5) association with the development of science, technology and organization – the process of globalization results from the significant progress in the fields of science, technology and organization. The development of the communication tools, means of transportation, and application of computerization and internet links in the production and commercial activities, have been conducive towards the spread of products, information, people, manufacturing capacities and technologies, on a worldwide scale; (6) time and space compression – the shrinking of the world which is becoming a “global village” as a result of transportation, mass media (Internet and others) and mobility of people (job-seeking, tourism, studies). Many products from all over the world are available at a hand’s reach, which results from the technological progress (Internet, fast planes), (7) dialectic character – visible in the presence of opposites and opposite tendencies and processes in the global economy, e.g. globalization vs. regionalization or integration vs. disintegration; (8) multi-level character – process of merging of economic activities at the level of: states, regions, branches, markets, companies.

The globalization process is understood in different ways, by hyperglobalists it is perceived as “the fall of sovereign national states resulting from the fact that global forces deprive the governments of the possibility to control their economies and the social life of

other countries”, while skeptics dismiss the ideas of globalization in favor of the view indicating that the main forces shaping the modern world order are states and the geopolitical system (McGrew, 2008, p. 18).

### Globalization stimulating factors

In economic literature, there are usually listed three factors determining the development of the globalization process: (1) scientific and technological progress, (2) international competition, (3) economic state policy.

**Scientific and technological progress** – mainly consists in the implementation of changes, improvements and innovations in the work organization of enterprises, in particular in procurement, production and distribution. It allows the implementation of modern (among others: electrical, IT, telecommunications) technologies which leads to the development of the new system of flexible specialization. The new solutions allow to accelerate and better organize the flow of goods and information, in a more efficient and coordinated manner. “Technology diffusion allows to equalize (improve) the technological capacities in various countries, it causes the development of IT, telecommunications and transportation. It leads to the so-called technoglobalism (globalization of technology), i.e. the growing internationalization, development, application and spread of technology” (Rymarczyk, 2010, p. 444).

**International competition** – it mainly develops as a result of technical progress and of the changes in supply and demand – manufacturers’ market transforms into consumers’ market. The enterprises that want to obtain clients in numerous countries need to adapt to changes through fast application of state-of-the-art technologies. They must be flexible enough to be able to adapt fast to the changing surroundings, to predict and anticipate the appearing changes. In order to reach clients, the enterprises need to accelerate their reactions to market changes – so-called compression of time (application of flexible production systems, reducing the product life cycle, conduct of joint research works) and space (impact on the flow of products and on the integration of the entities located in different countries).

**The economic policy of a state and the economic processes launched or modified by it** – the economic policy of a state is mainly understood as the integration, development and assumption by a state of beneficial conditions of international cooperation, joint assumptions of economic policies. “Thanks to the free trade exchange, development and liberalization of capital flows, production factors, goods and services on an international scale, it is possible to expand the scope of investments, to conduct geographically scattered (both on a global and regional scale) but functionally integrated activities of the globally competing companies.” (Rymarczyk, 2010, p. 445).

The literature also presents the division of the factors stimulating the globalization process **from the macro- and microeconomic point of view** (Niemiec, Wróblewski, 2003, p. 52): (1) from the macroeconomic point of view: (a) technological progress, (b) assimilation of countries in terms of the level and character of development, market infrastructure, etc., (c) standardization of supply on a global scale, (d) liberalization of trade exchange and capital flows, (e) inclusion of the countries undergoing systemic transformation, e.g. Poland and the Czech Republic, in the global economy; (2) from the microeconomic point of view: (a) aspiration of enterprises to improve the economic

effectiveness of their activities, (b) evolution of production processes (new technologies, innovations), (c) increase in the costs of research and marketing activities, (e) changes in the international strategy of corporate competition.

### **Entities undergoing globalization**

The following entities undergo globalization in the modern global economy: (1) states, (2) transnational corporations (TNC) and large international banks, (3) international institutions.

*States* aim for improving the international competitiveness of their national enterprises, while at the same time looking after the security of trading. A state develops beneficial conditions for doing business both within its territory and abroad.

*Transnational corporates* are now the main entities in globalization that dominate in the structure of the global economy, and constitute a significant driving force of globalization. Nowadays, transnational corporations are some of the most important entities of the global economy – their financial potential and gigantic economic capabilities are no longer comparable to other enterprises, but to the whole states (Kaczmarek, 2014, p. 39).

*International institutions* – promote international trade, develop international agreements, co-finance international projects, settle trade disputes among the states. The most important international economic organizations are: UN – United Nations, WTO – World Trade Organization, formerly GATT, IBRD - International Bank for Reconstruction and Development, IMF – International Monetary Fund.

### **Effects of globalization**

In the modern global economy, we distinguish among the following symptoms of globalization: (1) Development of the global financial market; (2) Institutionalization of international trade; (3) McDonaldization – internationalization of economic activities on a global scale; (4) Sudden increase in foreign direct investments (FDIs); (5) Domination of transnational corporates in the global economy; (6) Geographic disjunction of the value added chain on a global scale; (7) Development of knowledge-based economy; (8) Development of the fourth sector of economy – services; (9) Redefinition of the meaning of state.

The age of globalization has changed the relationship between the tangible and intangible values present in every product. Currently, it is knowledge that constitutes a significant part of product's value. It determines the tendencies in the global trade, where the vast share of products constitute highly-processed goods. Knowledge-based economy is the new stage in the development of the global economy, where the information society plays a significant role. In turn, the economy itself should be subject to the following activities: (1) Fast transition to knowledge-based economy through research and innovations, and development of proper skills and qualifications; (2) Development of the legal basis for the efficient functioning of the information society; (3) Development of entrepreneurship; (4) Increase in employment and professional activation; (5) Care of the natural environment; (6) Liberalization and integration of telecommunications, power engineering, transportation, etc.

Since the second half of the 20th century, the new form of management based on the Internet, i.e. e-economy, has been developing more and more resiliently.

Another effect of globalization is the development of the fourth sector of the economy, i.e. the economic activity defined as the “creation by business entities of added value on the basis of no tangible input or its trace amount, which means that the whole input is of intellectual character” (Flejterski-Wahl, 2003: 33). That sector is identified as knowledge management, and it includes: information processing, research and development, as well as management.

The globalization process has completely changed the role of states in the global economy. The strengthening of transnational corporations, their internationalization and globalization, have created the development of numerous economically-sound entities that overwhelm the national economies as the creators of economic activity. The expansion and consolidation of the free market leads to the implementation of the processes of privatization, deregulation and desocialization in the economy. Those processes result in the transformation of the sovereignty of states, which is an unavoidable result of globalization.

“The new role of states in terms of economy, should consist in the conduct of suitable economic policies in response to the challenges of globalization (i.e.: improvement of state finances, decrease in inflation and unemployment, increase in innovativeness and competitiveness of domestic entities)” (Rymarczyk, 2010, p. 463-464).

## Threats of globalization

The phenomenon of globalization is perceived on the one hand as a certain form of socioeconomic development of the world and on the other as the greatest threat to the world. Currently, there exist both many proponents and opponents to that process. The globalization opponents – antiglobalists emphasize the negative phenomena of that process: (1) deregulation of the natural environment, in particular in developing countries, with industrial projects that are detrimental to the environment; (2) destruction of local cultures of niche character; (3) development of national-ethnic antagonisms; (4) the unsolved problems of the Third World – poverty, hunger, illiteracy.

Table 1. List of selected pro-globalist and anti-globalist opinions

Globalization	
according to pro-globalists	according to anti-globalists
limits the number of hungry people in the world	increases the number of hungry people in the world
reduces the income differences on a global scale	increases the income differences on a global scale
Improves the growth and development even in the poorest countries	Reduces the growth and causes recession in poor countries
Reduces unemployment both in rich and poor countries	increases unemployment both in rich and poor countries
Causes the influx of FDIs, which is beneficial for everyone	Causes FDIs, which is destructive for the host country
Improves the quality of the natural environment	Drastically deteriorates the quality of the natural environment
Develops the cultural and ethnic diversity of the world	Kills the cultural and ethnic diversity of the world
Strengthens the notion of state	Destroys the notion of state and the associated values
Facilitates control of crime	Allows the development of international criminal networks
Allows to fight with international terrorism	Causes the development of international terrorism
Is the only opportunity for global development	Is the pathway to global catastrophe
Develops global civic society	Destroys the sense of community and belonging

Source: Flejterski S., Wahl P.: *Ekonomia globalna. Synteza*. Difin, Warsaw 2003, p. 198.

The alterglobalists also indicate the imperfections of that process, such as: (1) the developing difference between the wealth of developed and developing countries; (2) the excessive significance of transnational corporations in international trading; (3) the economic neocolonialism executed by international institutions (World Bank, IMF, WTO and UN); (4) so-called californization of demand, lifestyle; (5) lack of the so-called fair trade.

### Measure of the level of globalization of the economies of Poland and the Czech Republic

The globalization process is a complex phenomenon, and so it is difficult to research. The measurement of the share of the economy in the globalization processes, is highly complicated. However, literature provides economic and social measures of globalization. The economic measures include those associated with the opening of economies and those reflecting the level of affluence of societies, e.g. GDP or GNP per capita. The share of a country in the globalization processes is measured through such indices as: (1) the size of foreign trade, (2) the influx of foreign capital, (3) the share of production and export of foreign enterprises, in the total production and export of the country, (4) the relationships with global financial markets through contracted credits, flow of portfolio investments and share of foreign investors in the stock exchange, (5) flow of technologies, (6) flow of people.

This study analyzes the selected indices, with the results presented below. It follows from the 2015 analysis of the economic strength of economies that it is the highly developed states that dominated, including USA with 24.4% share in the world GDP in the first place, Germany in the fourth and Great Britain in the fifth position. It should be noted that China occupied the second position, with 14.78% in the world GDP. The Polish economy has 24<sup>th</sup> position in the ranking, with 0.65% in the world GDP. The Czech Republic is in the 50<sup>th</sup> position, with 0.25% (table 2 and chart 1). In order to accelerate their development and to more effectively participate in the globalization processes, both Poland and the Czech Republic should improve the freedom of business activities, lower the entry barriers for foreign investors, etc.

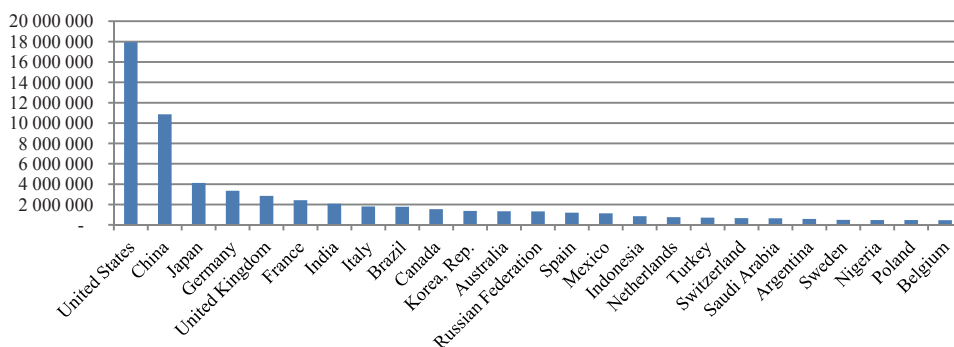


Fig. 1. Ranking of 25 of the world's largest economies by GDP in 2015, in USD million

Source: own study on the basis of the GDP ranking 2016. IBRD (2016 b): World Development Indicators, The World Bank <http://data.worldbank.org/data-catalog/GDP-ranking-table>.

Table 2. Gross domestic product ranking in 2016

Ranking	Economy	GDP in USD million	Share in the world economy
1	United States	17,946,996	24.42
2	China	10,866,444	14.78
3	Japan	4,123,258	5.61
4	Germany	3,355,772	4.57
5	United Kingdom	2,848,755	3.88
6	France	2,421,682	3.29
7	India	2,073,543	2.82
8	Italy	1,814,763	2.47
9	Brazil	1,774,725	2.41
10	Canada	1,550,537	2.11
11	Korea, Rep.	1,377,873	1.87
12	Australia	1,339,539	1.82
13	Russian Federation	1,326,015	1.80
14	Spain	1,199,057	1.63
15	Mexico	1,144,331	1.56
16	Indonesia	861,934	1.17
17	Netherlands	752,547	1.02
18	Turkey	718,221	0.98
19	Switzerland	664,738	0.90
20	Saudi Arabia	646,002	0.88
21	Argentina	583,169	0.79
22	Sweden	492,618	0.67
23	Nigeria	481,066	0.65
24	Poland	474,783	0.65
25	Belgium	454,039	0.62
26	Iran, Islamic Rep.	425,326	0.58
27	Thailand	395,282	0.54
28	Norway	388,315	0.53
29	Austria	374,056	0.51
30	United Arab Emirates	370,293	0.50
31	Egypt, Arab Rep.	330,779	0.45
32	South Africa	312,798	0.43
33	Hong Kong SAR, China	309,929	0.42
34	Malaysia	296,218	0.40
35	Israel	296,075	0.40
36	Denmark	295,164	0.40
37	Singapore	292,739	0.40
38	Colombia	292,080	0.40
39	Philippines	291,965	0.40
40	Pakistan	269,971	0.37
41	Chile	240,216	0.33
42	Ireland	238,020	0.32
43	Finland	229,810	0.31
44	Portugal	198,931	0.27
45	Greece	195,212	0.27
46	Bangladesh	195,079	0.27
47	Vietnam	193,599	0.26
48	Peru	192,084	0.26
49	Kazakhstan	184,361	0.25
50	Czech Republic	181,811	0.25

Source: own study on the basis of the GDP ranking 2016. IBRD (2016b). World Development Indicators, The World Bank: <http://data.worldbank.org/data-catalog/GDP-ranking-table>.

Table 3. Selected economic indices for Poland and the Czech Republic in the selected years

Selected indices	2005	2010	2012	2013	2014
	Poland				
GDP (in USD billion)	304	479	500	524	545
GDP per capita (in USD thousand)	7.9	12.3	12.9	13.6	14.1
Unemployment rate	17.7	9.6	10.1	10.3	9.0
Deficit (% of GDP),	-2.5	-5.5	-3.4	-1.3	-1.3
	Czech Republic				
GDP (in USD billion)	136.0	207.0	206.8	208.8	205.0
GDP per capita (in USD thousand)	13.2	19.6	19.6	19.8	19.5
Unemployment rate	7.9	7.3	7.0	7.0	6.1
Deficit (% of GDP)	-0.9	-3.6	-1.6	-0.5	0.6

Source: Rocznik statystyki międzynarodowej. Central Statistical Office, Warsaw 2015: [www.stat.gov.pl](http://www.stat.gov.pl).

It follows from the analysis of the indices for Poland that its GDP has been dynamically rising since 2005, with USD 545 billion in 2014. The GDP per capita has doubled from USD 7,900 to USD 14,100. In the researched period, the unemployment rate in Poland dropped to 9% in 2014. In that period, the Czech economy did develop, but the rate of development was slow, with even a decrease in GDP in 2014 in comparison with the previous year. GDP per capita in the Czech Republic is higher than in Poland, and in 2010 its average level was ca. USD 19,600. The Czech Republic also records a lower unemployment rate, i.e. 6.1% in 2014, with a decreasing tendency (table 3).

### Share of the economies of Poland and the Czech Republic in foreign trading

Polish foreign trade has been dynamically developing, both in terms of exports and imports. In 2014, Poland exported the goods for USD 222.3 bn., while imported the goods for USD 225.8 bn., so the balance of trade was negative. In 2015, the value of trade decreased. Poland continues to be included in the globalization processes by increasing the balance of trade. Our main trade partners are the countries of the European Union, including Germany in the first position, Great Britain and the Czech Republic. We mainly import from Germany, China and Russia. Since 2005, there has been observed a growing share of exports and imports in the GDP, but it does not exceed half of the GDP value, which is the case in the Czech Republic. Since joining the European Union, the Czech Republic has been recording a positive balance of trade. Poland recorded a positive balance of trade only in 2015. The products mainly exported from Poland are parts for machines and devices, including for tractors. In 2015, the condition of Czech trade improved: export due to the devaluation of the Czech currency, and import – due to the decrease in the prices of raw materials. For many years, the most important export partners of the Czech Republic have been Germany, Slovakia and Poland, and import partners – Germany, China and Poland. The main export products are cars and parts for mechanical vehicles - in 2015 they constituted almost 19% of total Czech exports (WTO, 2015). The terms of trade indices in



both countries demonstrated a similar tendency in the years 2010-2012, when the terms deteriorated, and an improvement since 2013 (table 4).

Table 4. Foreign trade indices of Poland and Czech Republic in selected years

Indices	2005	2010	2012	2013	2014
Poland					
FOB export (USD bn.)	89.3	159.7	184.6	206.1	222.3
CIF import (USD bn.) in current prices	101.5	178.0	198.4	208.7	225.8
Share of foreign trade in GDP:					
1. Exports of goods and services	34.9	40.5	45.1	46.1	46.9
2. Imports of goods and services	35.9	42.3	45.3	44.2	45.4
Ratio of the value of goods and services to the value of domestic demand	35.5	41.5	45.2	45.1	46.1
Terms of trade	99	98	99	103	103
Czech Republic					
FOB export (USD bn.)	77.9	133.0	157.1	162.3	173.8
CIF import (USD bn.) in current prices	76.3	126.6	141.1	144.3	152.1
Share of foreign trade in GDP:					
1. Exports of goods and services	62.3	66.2	76.6	77.3	83.8
2. Imports of goods and services	60.0	63.1	71.7	71.5	77.1
Ratio of the value of goods and services to the value of domestic demand	61.4	65.1	75.4	75.9	82.7
Terms of trade	106.4	97	99	101	102

Source: Rocznik statystyki międzynarodowej. Central Statistical Office, Warsaw 2015: [www.stat.gov.pl](http://www.stat.gov.pl).

## FDI in Poland and the Czech Republic

The start of business activities both in Poland and the Czech Republic is determined by a number of legal regulations for various kinds of activities. Both countries encourage foreign investors to invest in their territory by offering incentives.

Table 5. Indices of direct foreign investments in Poland and the Czech Republic in selected years

Indices	2005	2010	2011	2012	2013
Poland					
FDI (in USD bn.)	10.2	13.8	20.6	6.0	-6.0
Direct investments abroad by domestic entities (in USD bn.)	3436	7226	8154	726	-4,852
Foreign direct investments in the country (in USD million)	10,293	13,875	20,615	6,058	-5,038
Czech Republic					
FDI (in USD bn.)	11.6	6.1	2.3	7.9	4.9
Direct investments abroad by domestic entities (in USD bn.)	-19	1,166	-328	1,790	3,294
Foreign direct investments in the country (in USD million)	11,653	6,140	2,317	7,984	4,990

Source: Rocznik statystyki międzynarodowej. Central Statistical Office, Warsaw 2015: [www.stat.gov.pl](http://www.stat.gov.pl).

As follows from the data in tables 5 and 6, Poland is the leader in the influx of direct foreign investments. Those investments amounted to over USD 213 bn. in 2015. In 2015, Poland benefited from 234 greenfield investments, which was twice as many as in the Czech Republic. The balance of foreign investment flows is asymmetric in both countries, i.e. in both cases the influx of foreign investments is higher than the investments abroad by domestic entities (table 5).

In comparison with the Czech Republic and Eastern Europe, Poland has definitely good indices of shareholders' power and transaction transparency. Unfortunately, the index of manager's responsibility index is worst – the management do not identify themselves with their companies, and do not assume the responsibility for their decisions (table 7).

Table 6. Indices of capital flows in Poland and the Czech Republic in the years 2010 and 2013-2015

Indices	2010	2013	2014	2015
	Poland			
FDI flows (in USD m)	12,796	3,625	12,531	7,489
FDI Stock	187,602	229,167	205,581	213,071
Number of Greenfield Investments	323	268	234	234
FDI flows (% of GFCF)	-	3.7	11.7	7.8
FDI Stock (% of GDP)	-	43.7	37.7	44.9
	Czech Republic			
FDI inward flow (in USD m)	6,141	3,639	5492	1,223
FDI Stock (in USD m)	128,504	134,085	121,512	113,057
Number of Greenfield Investments	190	151	89	113
FDI flows (% of GFCF)	-	69	10.7	2.6
FDI Stock (% of GDP)	-	64.4	59.2	62.2

GFCF – gross fixed capital formation

Source: UNCTAD (2016): World Investment Report 2016, Investor Nationality: Policy Challenges. Geneva. [http://unctad.org/en/PublicationsLibrary/wir2016\\_en.pdf](http://unctad.org/en/PublicationsLibrary/wir2016_en.pdf).

Table 7. Comparison of selected states in terms of protection

List	Poland	Czech Republic	Eastern Europe & Central Asia	USA	Germany
Index of Transaction Transparency <sup>1</sup>	7.0	2.0	7.0	7.0	5.0
Index of Manager's Responsibility <sup>2</sup>	2.0	5.0	5.0	9.0	5.0
Index of Shareholders' Power <sup>3</sup>	9.0	8.0	6.0	9.0	5.0
Index of Investor Protection <sup>4</sup>	6.0	5.0	5.9	8.3	5.0

<sup>1</sup> The higher the index value, the higher the transparency of the transaction conditions

<sup>2</sup> The higher the index value, the higher the responsibility borne personally by managers

<sup>3</sup> The higher the index value, the easier it is for shareholders to undertake legal acts

<sup>4</sup> The higher the index value, the higher the level of investor protection

Source: IBRD (2016a) *Doing Business 2016 Measuring Regulatory Quality and Efficiency* (2016). World Bank Group 13<sup>th</sup> edition (<http://www.doingbusiness.org/~media/GIAWB/Doing%20Business/Documents/Annual-Reports/English/DB16-Full-Report.pdf#page=6&zoom=auto,-91,762>).

## Globalization indices

Several indices may be used for determining the level of globalization of an economy: (1) "Foreign Policy" globalization index – developed by A. T. Kearney, (2) CSGR globalization index – by the Centre for the Study of Globalisation and Regionalisation at the University of Warwick, (3) KOF globalization index – developed by A. Dreher working in Konjunkturforschungsstelle Swiss Economic Institute.

Table 8. KOF Globalization Index in 2016

No.	State	Globalization index (in %)	State	Economic Globalization	State	Social Globalization	State	Political Globalization
1.	Netherlands	91.70	Singapore	96.06	Austria	91.30	Italy	97.53
2	Ireland	91.64	Ireland	93.08	Singapore	91.15	France	97.29
3	Belgium	90.51	Luxembourg	91.80	Switzerland	91.10	Belgium	96.51
4	Austria	89.83	Netherlands	90.89	Ireland	90.98	Austria	96.37
5	Switzerland	87.01	Malta	90.28	Netherlands	90.77	Spain	95.99
6	Singapore	86.93	United Arab Emirates	88.39	Belgium	90.45	United Kingdom	94.95
7	Denmark	86.44	Hungary	86.85	Puerto Rico	90.36	Sweden	94.65
8	Sweden	85.92	Estonia	86.11	Canada	89.26	Brazil	94.31
9	Hungary	85.78	Belgium	85.95	Cyprus	88.21	Netherlands	94.01
10	Canada	85.67	Bahrain	85.51	Denmark	87.29	Switzerland	93.41
11	Finland	85.47	Mauritius	85.23	France	87.14	Canada	93.17
12	Portugal	85.08	Slovak Republic	83.63	United Kingdom	86.08	Egypt	93.01
13	Norway	84.24	Austria	83.25	Portugal	85.59	Argentina	92.88
14	Cyprus	84.07	Cyprus	83.11	Norway	85.49	Turkey	92.53
15	Spain	83.73	Czech Republic	82.89	Sweden	84.63	Norway	92.26
16	Slovak Republic	83.62	Georgia	82.56	Germany	84.53	United States	92.19
17	Czech Republic	83.60	Finland	82.23	Finland	83.84	Denmark	92.12
18	Luxembourg	83.55	Malaysia	81.46	Australia	83.43	Russian Federation	92.10
19	France	82.61	Portugal	81.35	Spain	83.23	Greece	92.05
20	United Kingdom	81.97	Denmark	81.17	Slovak Republic	82.63	Germany	91.94
21	Australia	81.93	New Zealand	81.05	Czech Republic	82.40	Finland	91.89
22	Greece	80.40	Panama	80.87	Lithuania	80.89	India	91.78
23	Poland	79.90	Latvia	80.79	Hungary	80.79	Hungary	91.19
24	Italy	79.59	Sweden	80.56	Greece	80.43	Nigeria	90.72
25	Malaysia	79.14	Brunei Darssalam	79.33	Qatar	79.54	Ireland	90.69
36/34/31			Poland	75.72	Poland	76.92	Poland	89.37
42							Czech Republic	86.16

Source: Own study on the basis of the data from KOF (2016): Globalization Index 2016, <http://globalization.kof.ethz.ch/>.

The globalization index published by "Foreign Policy" consists of four indices: economic integration, personal contacts, technological connectivity and political engagement. That index provided the image of the globalization processes taking place in the specific levels of the given country, but was flawed, for example due to lack of the cultural aspect of globalization. The CSGR index was developed by B. Lockwood and M. Redoano, on the basis of 16 indices. It took into account the application of the cultural

aspects of globalization. The KOF Globalization Index covers: (1) the economic aspect of globalization: the flow of goods, services and capital on long distances, limitations on trade and the aspect of economic policies, (2) the social aspect of globalization: the personal contact indices (e.g. international tourism or the average number of international phone calls), information flow indices (number of Internet and cable TV users), cultural proximity (international trade in books, number of McDonald's restaurants and Ikea stores in the given country), (3) political aspect of globalization: participation in UN peacekeeping missions, membership in international organizations, number of embassies in the given country (Czech, 2011, p. 52).

The KOF Globalization Index ranges from 0 to 100: the higher the value, the more globalized the given economy. The calculation of that index consists in calculating the components for each state. Weights of the respective aspects: "economic aspects – 36%, social aspects – 38%, political aspects – 26%. The variables within the respective aspects also bear specified weights. By multiplying the value of the respective variable elements by their weights, we arrive at the values of the respective variables – after adding them, we arrive at the value of the given dimension, which we then multiply, for the last time, by the weight assigned to the dimension calculated by us. At the end, we add the values of all the dimensions, thus arriving at the KOF Index value" (KOF, 2016).

On the basis of the data from 2000, the KOF Index considered the Scandinavian countries to be most globalized. The Czech Republic was in the 22<sup>nd</sup> position with the index value of 79.27, while Poland – in the 29<sup>th</sup> position, with 71.71. Much more interesting information is provided by the same ranking published in 2015. The leader was then the Netherlands, before Ireland, Belgium and Austria. United States was in 35<sup>th</sup> position in 2015, 11 places behind Poland. The Czech Republic held 17<sup>th</sup> position, with the index of 83.60. In the globalization ranking, Poland is in the 23<sup>rd</sup> position with the index of 79.90. Taking into account the economic and social aspects, we are listed in the 36<sup>th</sup> and 34<sup>th</sup> position in the ranking of over 200 states, and in the 31<sup>st</sup> position in political aspects. The Czech Republic is more economically and socially globalized than Poland – with 15<sup>th</sup> and 21<sup>st</sup> position in the rankings, respectively. Political globalization looks much worse in the Czech Republic, giving it the 42<sup>nd</sup> position (table 8).

## **Conclusion**

Globalization is a phenomenon characterized by both positive and negative effects. The benefits of globalization for the economies of Poland and the Czech Republic include the free flow of goods and services which mean for those countries an increase in GDP and higher level of development. The growing exports of highly processed products is particularly beneficial. Another benefit is the inflow of direct foreign investments – as indicated above both Poland and the Czech Republic are gladly selected by investors. Greenfield investments are particularly important, as they are conducive towards the increase in the number of jobs, implementation of new technologies, etc. They also result in the inflow of new technologies to the post-communist countries which continue to suffer from lack of their own capital. The coming translational corporations include the economies of both states in the network of global relationships, thus making them become modernized, and compete more resiliently in the domestic and global markets.

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