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**TRANSITIONAL MARKET-PERFORMANCE
OF CROATIA & SLOVENIA IN THE EUROPEAN UNION,
A MARKET-CONCENTRATION STUDY**

by

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Transitional market-performance of Croatia & Slovenia in the European Union, a market-concentration study

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ABSTRACT

Within the debate on transition economies, export performance on the EU market is a prime issue. Among the Visegrad group and other newborn states of Central Europa, Slovenia and Croatia have similarities and differences. In the short history of the statistical series any additional evidence is vital.

Both countries feature a similar trade-basket composition with the European Union. Among the differences are the trade balance, the intra-industry patterns and the short-term growth prospects. Slovenia features a clear industrial pattern which is geared to value-niches. Croatia needs a more considerate statement and is pinched between the Slovenian conduct for some products and a NIC or NEC status (Newly Industrialized Country versus Newly Exporting Country) for other products.

CROATIAN AND SLOVENIAN TRADE WITH THE EUROPEAN UNION

In 1993, the first year of their statistical existence, both countries featured a negative visible-trade balance with the European Union. Croatia exports only 1.6 billion ECU in the EU, whereas EU exports total 2 billion ECU. Slovenian trade scores higher with 2.9 EU imports and 3 billion EU exports and shows a smaller deficit of only 100 million.

Also the intra-industry pattern shows more specialization for Croatia with exports of textiles (11), shoes (12), minerals (5), wood (9) and furniture (20), whereas EU exports to Croatia concentrate on machinery (16) food (4) and vehicles (17).

Slovenia features about the same ideosyncracies but manages to achieve an intra-industry balance almost equal to the USA.

Apart from more specialized approaches, such as the well known Grübel-Lloyd we here confine ourselves to a symplified measure, the ANNE-index which adds the absolute differences between import- and export-weights of Table 1. On a scale between 0 and 200 Slovenia obtains a very low 45-score and Croatia 75.

Slovenia has almost a similar intra-industry status as the USA, whereas Croatia joins relatively specialized countries, such as Japan, Taiwan, Poland and a number of similar NIC-oriented trading partners (CLAESSENS & COOLS, 1996).

#	HS	M	HR	X	M-X	M	SLO	X	M-X
01	1- 5	2.9		2.7	0.2	0.9		0.9	0.0
02	6-14	0.6		3.0	2.4	0.8		1.9	1.1
03	15	0.1		0.9	0.8	0.1		0.2	0.1
04	16-24	1.8		5.4	3.6	0.8		4.0	3.2
05	25-27	8.8		0.9	7.9	0.3		2.0	1.7
06	28-38	5.7		9.6	3.9	2.2		8.9	6.7
07	39-40	7.6		3.8	3.8	4.3		5.2	0.9
08	41-43	1.0		2.4	1.4	2.0		1.9	0.1
09	44-46	6.9		0.4	6.5	5.2		0.9	4.3
10	47-49	1.7		1.9	0.2	4.3		2.7	1.6
11	50-63	30.2	*	16.4	13.8	20.6	*	14.5	6.1
12	64-66	7.0		2.0	5.0	2.9		1.4	1.5
13	67-70	2.0		1.5	0.5	2.1		1.8	0.3
14	71	0.1		0.2	0.1	0.1		0.2	0.1
15	72-83	6.2		6.1	0.1	10.7		8.0	2.7
16	84-85	6.7	*	20.2	13.5	18.2	*	20.9	2.7
17	86-89	3.6		13.9	10.3	13.7		19.3	6.4
18	90-92	0.4		2.4	2.0	3.0		2.5	0.5
20	94-95	6.3	*	3.6	2.7	7.2	*	2.6	4.6
21	96-99	0.6		2.7	2.1	0.8		0.3	0.5
totals in		IMPORT	EXPORT	ANNE	IMPORT	EXPORT	ANNE		
billion ECU		1.6	2.0	74.5	2.9	3.0	45.1		
note: ANNE-index = $S \frac{ X-M }{X+M}$ with $0 < ANNE < 200$									

CROATIAN & SLOVENIAN TRADE WITH THE EU, two years later

In 1995, the last available year up to now, Slovenia and Croatia widened the forenamed gap. The negative visible-trade balance with the European Union deteriorated; Croatian exports to the EU rose only to 1.7 billion ECU, but EU exports now exceed 3 billion ECU. Slovenian trade also rose more at the import side, with a widening gap of half a billion ECU between the 3.8 billion EU imports and the 4.3 EU exports to Slovenia.

The intra-industry pattern improves for Slovenia with a "ANNE" index dropping to 40, whereas it increases to 78 for Croatia (Table 2). This analysis sustains the "new industrialized country" status. The Slovenian manufacturing products, such as machinery (16), vehicles (17), instruments (18) and toys & sports (20) increase their weights, whereas the excessive weight of problem sectors such as textiles (11) decreases.

At the contrary Croatia increases its specialization. The higher ANNE-index in 1995 is partly due to the high $|M-X|$ deviations in sectors which tend to be export oriented, such as wood (9), textiles (11), metals (15), and products (20). For food (4), chemicals (6) and plastics (7) the European Union dominates. At the average, Croatia now still equalizes intra-industry patterns of Poland with the EU.

Table 2 : EU trade with Slovenia and Croatia in 1995

#	HS	M	HR	X	$ M-X $	M	SLO	X	$ M-X $
01	1- 5	1.7		3.1	1.4	0.4		0.9	0.5
02	6-14	0.6		3.5	2.9	0.4		2.0	1.6
03	15	0.1		0.5	0.4	0.1		0.3	0.2
04	16-24	1.4		5.3	3.9	0.5		3.9	3.4
05	25-27	7.4		1.3	6.1	0.2		1.5	1.3
06	28-38	6.6		9.2	2.6	3.3		8.3	5.0
07	39-40	11.6		4.4	7.2	3.7		6.5	2.8
08	41-43	1.3		2.0	0.7	1.8		1.3	0.5
09	44-46	7.6		0.4	7.2	5.3		1.0	4.3
10	47-49	2.2		2.8	0.6	5.0		3.1	1.9
11	50-63	27.0	*	13.5	13.5	15.8	*	11.8	4.0
12	64-66	6.5		2.6	2.9	1.9		1.3	0.6
13	67-70	2.3		1.9	0.4	2.3		2.3	0.0
14	71	0.1		0.2	0.1	0.1		0.2	0.1
15	72-83	6.7		7.0	0.3	12.4		8.7	3.7
16	84-85	8.4	*	20.3	11.9	20.0	*	22.6	2.6
17	86-89	0.6		13.9	13.3	15.6		18.0	2.4
18	90-92	0.8		2.2	1.4	3.1		2.6	0.5
20	94-95	5.8	*	4.9	0.9	7.8	*	3.5	4.3
21	96-99	1.5		1.1	0.4	0.4		0.2	0.3
totals in		IMPORT	EXPORT	ANNE	IMPORT	EXPORT	ANNE		
billion ECU		1.7	3.0	78.1	3.8	4.3	40.0		
note: for *-marked sections, two chapters are discussed:									
# 11 (textiles), chpt. 50-63, 61 (shirts), 62 (blouses)									
# 16 both chapters 84 (machines), 85 (electr. machines),									
# 20 both chapters 94 (furniture) & 95 (toys & sports).									

MARKET CONCENTRATION ANALYSIS

The apparent divergence of both economies asks for a considerate statement. For each of the three main product-sections, which are *-marked in Tables 1 and 2, two dominant chapters are discussed in terms of market share in the European Union in the same time span (1993-95). Their weights (%) in EU-imports and exports are given in Table 3.

HS chapter	M93	M95	HR	X93	X95	M93	M95	SLO	X93	X95
61 shirts	5.3	5.1	1.4	2.0		4.6	2.9	1.9	1.5	
62 blouses	21.6	18.5	1.7	2.1		11.8	8.5	1.3	1.2	
84 machinery	2.6	3.4	15.1	13.2		8.7	9.7	14.7	15.4	
85 electr. m.	4.1	5.0	5.9	7.1		9.5	10.3	6.2	7.2	
94 furniture	4.8	4.4	1.8	3.1		6.4	7.0	1.4	2.5	
95 sport/toy	1.2	1.0	1.2	1.3		0.6	0.6	0.5	0.4	
total of six	39.6	37.4	27.1	28.8		41.6	39.0	26.0	28.2	

These statistics show for most products some symmetry between Croatia and Slovenia. Both countries dominate on the EU-import side for textiles (61 & 62) and furniture (94). The EU-exports dominate imports of non-electric machinery (84). For electric machinery Slovenia (85) has an export dominance (ie EU imports) whereas Croatia features an import dominance (ie EU exports). Finally the weights of sports & toys (95) even out.

We finally analyse the EU-import characteristics of these products. For each product-chapter, table 4 gives for the three recently available years:

- the number of external trading partners (ie non-EU members),
- the Herfindahl concentration index (S market shares in ECU), - the GINI concentration index (based on ECU market-shares),
- the market shares in volume (actual tonnage)
- the market shares in value (ECU).

The non-knitted cloths (chapter 61) are dominated by shirts, (especially in cotton) for which Turkey recently tended to dominate the EU imports. The top five partners' share (Turkey,

China, Hong Kong, India and Indonesia) improved their market share to about 48% in value terms. Croatia gained some market share in value-terms but lost some market share in volume terms. This suggests a successful price policy of getting into the price-inelastic market shares. Here, Slovenia lost more volume than value market-share, such that at least some high-end niches are kept; its 25th position even rose to a 24th.

Knitted cloths (chapter 62) are relatively dominated by blouses, both silk and man-made fibres. Rising origins of the garment industry are China and Hong Kong, joined by other low-salary producers of ASEAN, the mediterranean basin and Central Europe (especially Poland and Romania). The top-five lost some market share (down to 45%) but the top-ten rise neatly about the 69% of the market.

Table 4 : Concentration analysis (1993, 1994 & 1995)								
chapter (HS)	year	partners	Herf.	GINI (in ECU)	Croatia vol. % ECU		Slovenia vol. % ECU	
61 shirts	1993	165	.06	.874	0.78	0.86	0.88	1.31
	1994	157	.06	.870	0.77	0.88	0.77	1.13
	1995	162	.07	.881	0.68	0.89	0.63	1.11
62 blouses	1993	174	.06	.887	1.20	2.23	0.90	2.13
	94	176	.06	.888	1.11	2.05	0.80	1.98
	95	169	.06	.887	0.92	1.87	0.67	1.85
84 machines	1993	199	.17	.954	0.30	0.07	2.19	0.41
	94	195	.17	.953	0.38	0.07	2.28	0.44
	95	200	.19	.958	0.45	0.10	3.04	0.63
85 electr. machines	1993	201	.12	.940	0.53	0.14	2.09	0.55
	94	198	.12	.942	0.58	0.16	2.30	0.62
	95	203	.13	.950	0.65	0.16	2.57	0.70
94 furniture & lightn.	1993	169	.07	.907	1.77	1.56	4.34	3.61
	94	160	.07	.903	1.66	1.45	4.54	4.04
	95	165	.08	.913	1.58	1.53	5.68	5.91
95 toys & sports	1993	138	.20	.941	0.61	0.30	0.44	0.25
	94	139	.20	.939	0.68	0.38	0.43	0.33
	95	142	.23	.944	0.55	0.32	0.43	0.33

calculation made on EUROSTAT COMEXT data with the standard "MONNET" software (CLAESSENS, 1991).

In view of increased external competition and systematic relocation to low salary countries, the over-all world price dropped to 18 ECU per kg. Croatia and Slovenia keep their prices in the higher brackets (see Table 5). This results in high-end niches but their market shares dropped to less than 2% of the EU external market.

Table 5 : average and relative prices of EU blouse-imports external partners including Slovenia and Croatia

	world	Croatia	Slovenia	relative prices		
	wp	cp	sp	cp/wp	sp/wp	
	ECU/kg	ECU/kg	ECU/kg			
1993	19.4	36.1	45.8	1.86	2.36	1993
1994	18.9	34.7	46.9	1.84	2.48	1994
1995	18.1	37.0	49.9	2.04	2.76	1995

The non-textiles manufacturing business shows an opposite picture. Both countries have a higher market-share in volume terms compared to value and this may indicate a relative absence of high-tech products.

Nevertheless, the prospects on the market of machinery (chapters 84 and 85) look positive. Market shares rise both in value and volume terms, and this on markets which tend to concentrate further. Slovenia sustains a value growth with market-shares rising more in value terms. Croatia gets more volume growth, which indicates a presence on relative price-elastic markets, and warns for eventual price erosion. Anyhow, sustained growth on concentrating markets means a "leader" characteristic of growth and development (CLAESSENS & TRAPPERS, 1996).

The furniture business (chapter 94) prospers in Slovenia with a value-market-share overtaking the volume shares. At the contrary, Croatian market share stagnates in value terms and drops from 1.77% down to 1.58% in volume. Finally, general products (especially toys and sports equipment of chapter 95)

win value shares at the cost of lost volume. Here too, there seems a tendency to consolidate high-value niches in face of market dominance by MNE-based China-located production.

SUMMARY

Both countries feature a similar trade-basket composition with the European Union. Among the differences are the trade balance, the intra-industry patterns and the short-term growth prospects. Slovenia features a clear industrial pattern which is geared to value-niches. Croatia needs a more considerate statement and is pinched between the Slovenian conduct for some products and a NIC or NEC status (Newly Industrialized Country versus Newly Exporting Country) for other products.

The next years will show whether the gap between the two will close and whether they converge towards eventual EU membership. Anyhow, both countries have a growth potential which may synchronize with market concentration. This indicates "leader" strategy, i.e. a tendency of consolidating remunerative markets.

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