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ANALYSIS OF THE RELATIONSHIP OF COMPETITIVENESS AND SUSTAINABLE DEVELOPMENT GOALS

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Abstract

In the conditions of the global challenges that surround us at the economic and ecological level, which are very often very different and complex, and very often with a pronounced negative effect on the realization of sustainability goals, it is of great importance to deal with the analysis of the economic dimensions of sustainable development and globalization in order to better understand and realize the global goals of sustainable development. Analyzing the economic development, social inclusion and sustainable environment, as key elements for this research and very important in the context of sustainability approach and their effect on developed and developing countries, the main purpose of this paper is to determine the direction of the relationship of competitiveness and sustainable development which have an impact on global changes. The subject of the research is to define and to analyze the main socio-environmental and economic problems which are directly or indirectly addressed to the sustainable development goals and to identify the links between the concept of competitiveness and the targets goals of sustainable development which reflect the changing global environment.

Because of that we want to analyze the relationship of competitiveness and sustainable development goals with some specific examples which are affecting developed and developing countries and to contribute to the ongoing discourse and provide future discussions on the relations between competitiveness and sustainability.

Keywords:

Competitiveness, Sustainability, Economic Development, Sustainable Development Goals

1. Introduction

When we analyze the development and prosperity of a country, we highlight economic growth as one of the positive indicators, which is logical because it indicates a higher standard of living, higher incomes, employment opportunities, etc. But on the other hand, the more a country's economy develops, expands, uses natural resources and affects the ecosystem, the more it leads to different impacts on the environment. Given the high utilization and threat of resource potential and intense climate change, sustainable development is the focus of a large number of countries and international organizations, as well as individuals, companies and non-governmental organizations.

The idea of separating "environmental damages" from "economic goods" has been proposed by organizations such as the OECD and the UN as a path to sustainability (Vaden et al., 2020). Global economic balance is the basis of the modern world economy, therefore it is very important to look at the aspects of eco-economic separation, which aims to separate concepts related to economic growth and environmental degradation, with the idea of achieving economic growth and prosperity, but without endangering the environment. However, in the era of globalization and technology development, this idea is a big challenge to achieve. We have many possibilities for its realization, but also limitations.

The Sustainable Development Goals (SDGs), adopted by the UN Member States, have been specifically proposed to address some of the main socio-environmental and economic problems affecting developed and developing countries. It is believed that by solving the problems highlighted in the framework of sustainable development goals, it would have a direct impact on the concept of competitiveness itself. Namely, the focus on competitiveness has shifted from exclusively economic-driven indicators to knowledge transfer, quality of life, technology, and environment-driven indicators (De Neve & Sachs, 2020). That is why we are increasingly talking about the concept of sustainable competitiveness, because according to the analysis (2016), this concept is based on the idea that competitiveness today should be achieved without jeopardizing the possibility of competitiveness tomorrow, which is directly related to the concept of sustainable development, because it includes elements of high-quality growth, resource management, social equality, human development and well-being. It is precisely the endangerment of the environment and natural resources that can lead to a decrease in competitiveness in the long term, which is why sustainable competitiveness is closely related to

the concept of sustainable development. For this reason, three key factors are singled out for this analysis, namely: sustainable competitiveness, social sustainability and environmental sustainability. Corrigan et al. (2014) they are defined as follows:

- Sustainable competitiveness is defined as the set of institutions, policies and factors that make a nation productive over the longer term, while ensuring social and environmental sustainability. □
- Social sustainability is defined as the institutions, policies and factors that enable all members of society to experience the best possible health, participation and security, and which maximise their potential to contribute to and benefit from the economic prosperity of the country in which they live.
- Environmental sustainability is defined as the institutions, policies and factors that ensure efficient management of resources to provide prosperity for present and future generations.

After major economic crises and changes occurring in the 21st century, as a response to many weaknesses and strengths observed within the countries of the European Union, but also more widely, in 2010, the European Commission launched the "Europe 2020" strategy, which was a continuation of the Lisbon Strategy. There are three key segments that stand out within it, and which are directly related to the analysis of this paper (EC, 2010):

- Smart growth: developing an economy based on knowledge and innovation.
- Sustainable growth: promoting a more resource efficient, greener and more competitive economy.
- Inclusive growth: fostering a high-employment economy delivering social and territorial cohesion.

Approaching the deadline and the end of 2020, the aforementioned strategy was replaced by the Sustainable Development Goals defined in the Agenda for Sustainable Development until 2030 (2030 Agenda) and the Green Plan, which represent the key starting point for any review and analysis related to sustainable development. In the 2030 Agenda, the UN defined 17 sustainable development goals, with 169 sub-goals, which include three key

dimensions of sustainable development, namely economic growth, social inclusion and environmental protection.

Given that through the aforementioned strategies, countries are encouraged to improve competitiveness with priorities defined within the framework of sustainable development, the aim of the paper is to investigate the interdependence of the concept of competitiveness and the goals of sustainable development. The analysis will be based on parameters that include indicators of sustainable development and indicators of sustainable competitiveness, and their similarities or differences in the degree of ranking and positioning of certain countries, based on these two concepts. The structure of the paper is designed in such a way that the first part of the paper is devoted to introductory considerations and theoretical questions that consider the concept of sustainable development and competitiveness. And the second part of the paper provides an overview of existing results from the domain of competitiveness and sustainable development, describes the results of the analysis and summarizes the results through notes and recommendations for further research.

1.2 Sustainable Development Goals and Competitiveness

According to a large number of studies, the concept of sustainable development is at the center of all events taking place in the 21st century. The concept represents a global framework that deals with some of the most important issues, which the members of the United Nations adopted in 2015, and within which, among other things, issues related to climate action, poverty reduction, gender equality, affordable education, clean energy, decent work and economic growth are analyzed. Considering the major changes and problems the world is facing, especially in the field of resource conservation and environmental protection, for a large number of countries the main priority is sustainable growth, and a very often mentioned definition describes sustainable development as "development that meets the needs of the present without compromising the ability of future generations to meet their own needs" (United Nations General Assembly, 1987).

According to the research carried out as part of the Sustainable Development Goals Report 2024, it is pointed out that progress in 2024 has stopped, despite a large number of efforts and commitment in the implementation of the stated goals, by a large number of countries. The main causes are the existing war conflicts, climate shocks and economic turmoil, which have

contributed even more to the existing inequality. Also, the consequences of COVID-19, which significantly stopped all the improvements and progress in healthcare, which had been achieved since 2015, are still highlighted.

Economic development, social development, and environmental protection are interdependent and mutually reinforcing components of sustainable development” (UN, 1997). But for our analysis the most important segment is economic development related to business investments, investments in innovation and new technologies, digitization and all that contributes to the main factors for achieving competitive advantages. Although the focus of sustainable development goals is primarily directed towards global development, the concept of sustainability is increasingly present in the business world as well, because companies that align their strategies with sustainable development goals, in the long term, gain a competitive advantage in the market, through improving their reputation and increasing their market share. According to Banerjee (2002), competition is only possible in the conditions of a long-term economic, natural and social environment, and for this a strategic approach guided by values directed towards sustainability is necessary.

Looking at the results of the *Sustainable Development Goals Report 2024*, under *Goal 8 (Decent work and economic growth)*, progress has been slowed by trade tensions, rising debt in developing countries, conflicts and geopolitical pressures - which together threaten global economic growth. Global real GDP per capita growth slowed in 2022, unemployment reached a historic low of 5% in 2023, and women and youth continue to stand out as the most vulnerable category. Informal employment is a big problem everywhere in the world, with over 2 billion workers in informal jobs in 2023, and the fact that even 1/5 of young people are not in the system of education, employment or training is worrying for young people - NEET (SolAbility, 2024).

As sustainable development is the focus of everything that surrounds us, some of the goals of sustainable development are indirectly included in the calculation of various competitiveness indices, such as the *Global Sustainable Competitiveness Index (GSCI)*, the *Global Competitiveness Index (GCI)* and *IMD World Competitiveness Ranking*.

1.3 Concept of Sustainable Competitiveness and Different Indexes of Global Competitiveness

Global competitiveness refers to a country's ability to attract and retain investment, stimulate economic growth, and maintain high living standards for its citizens in a globalized economy (Marti & Puertas, 2023).

Given that Globalization and the Fourth Industrial Revolution have created new opportunities but also disruption and polarization within and between economies and societies and based on that Report deals with building shared prosperity and managing the transition to a sustainable economy (WEF, 2019). That is why we are increasingly talking about the concept of sustainable competitiveness, which was launched by the WEF back in 2011. And according to Cvetanović & Novaković (2014), the idea of sustainable competitiveness represents the search for a development model that would balance economic prosperity, environmental management and social sustainability. Many years later, the results of the Global Competitiveness Report (WEF, 2019) demonstrate that there are no inherent trade-offs between economic growth and social and environmental factors if we adopt a holistic and longer-term approach. While few economies are currently pursuing such an approach, it has become imperative for all economies to develop new inclusive and sustainable pathways to economic growth if we are to meet the Sustainable Development Goals.

According to the Global Sustainable Competitiveness Index (GSCI), sustainable competitiveness is the ability to generate and sustain inclusive wealth without diminishing the future capability of sustaining or increasing current wealth levels (SolAbility, 2024). According to the definition of GSCI (2024) sustainable competitiveness means the ability of a country to meet the needs and basic requirements of current generations while sustaining or growing the national and individual wealth into the future without depleting natural and social capital. The GSCI measures the competitiveness and sustainability of countries, starting in 2012. Currently, it is considered to be the most comprehensive measurement of countries' performance available, as it is based on the measurement of 216 quantitative indicators (which enables greater objectivity in the analysis), formed on the basis of sources from various international institutions such as the World Bank, the IMF and various UN agencies.

Figure 1.1: The Sustainable Competitiveness Framework



Source: Global Sustainable Competitiveness Index 2024.

The index measures sustainable competitiveness through indicators grouped into 6 sub-indices shown in Figure 1.1: Natural Capital, Resource Efficiency & Intensity, Social Capital, Intellectual Capital, Economic Sustainability, and Governance Efficiency. In addition to the 6 sub-indices, Figure 1.1 also shows the elements that are analyzed separately within each of them.

Table 1.1 Global Sustainable Competitiveness Index 2024

Sustainable Competitiveness			Natural Capital		Resource Efficiency & Intensity		Social Capital		Intellectual Capital		Economic Sustainability		Governance	
Country	Rank	Score	Rank	Score	Rank	Score	Rank	Score	Rank	Score	Rank	Score	Rank	Score
Sweden	1	61,2	10	56,4	3	57,5	9	59,3	7	71,5	33	50,6	1	71,9
Finland	2	59,9	11	56,3	18	54,7	14	58,0	10	67,5	21	52,2	3	70,6
Denmark	3	59,1	68	46,4	4	56,9	7	59,6	11	67,4	19	52,7	2	71,5
Switzerland	4	58,7	83	44,0	11	55,7	10	58,6	4	72,2	9	55,6	14	66,0
Norway	5	58,1	21	53,2	25	53,7	5	60,9	22	62,1	38	50,0	7	68,4

Austria	6	58,0	65	47,0	35	51,7	21	55,9	17	66,2	1	60,2	11	66,7
France	7	57,3	94	42,7	20	54,5	3	62,2	13	66,8	29	51,3	12	66,5
Estonia	8	57,1	35	50,6	42	51,4	20	55,9	20	62,9	18	52,7	4	69,2
Germany	9	56,9	137	37,8	36	51,7	24	53,9	3	73,7	10	55,5	6	68,6
Japan	10	56,7	101	41,7	109	45,0	1	65,0	5	72,0	28	51,3	17	65,1

Source: Global Sustainable Competitiveness Index 2024.

The Global Sustainable Competitiveness Index 2024 provides an overview of 191 countries, detailing each country's strengths and weaknesses and an overview of their future development opportunities. Table 1.1 shows the top ten positions in the GSCI ranking, with positions for each sub-index separately, in order to see the differences between countries and which positions play a key role in their placement on this list. As can be seen, the first ten places are occupied by countries with high incomes, which, according to GSCI researchers' estimates, indicates a certain correlation between the results of sustainable competitiveness and GDP per capita, or income level. Based on this, we can get the impression that countries with high income also have a high degree of sustainability. Also, analyzing the top ten ranked countries from 2024, as well as from previous years, we can see that the Scandinavian countries stand out and lead in all dimensions that form sustainable competitiveness, except for economic sustainability. One of the main reasons for this lies in the fact that success is based on a combination of factors, rather than individual factors, which always bring the best results. Even with the Global Competitiveness Index conducted by the World Economic Forum, the success of the top-ranked countries was based on a combination of 12 factors that were analyzed (some of them are Institutions, Infrastructure, Education, Technology, and Innovation and how they affect its overall competitiveness on a country), and not on just one factor, however important it may be for the country's development. And sustainability is the focus of WEF research (2025), confirmed by the report *Global Economic Future: Competition in 2030*, which points to the necessity of cooperation and coherence between sustainability and competitiveness. This report examines competitiveness with a focus on identifying key risks, opportunities and strategies, which will

shape the future of competitiveness on the basis of strategic agility, resilience and anticipation of what is coming and what awaits us in the future.

According to the IMD (2025) report, today's competitive environment is different, and the most competitive nations demonstrate adaptability, visionary management and the ability to navigate digital and ecological transitions, while maintaining social cohesion, which again points to the fact that there is no single factor, but that everything depends on adaptability, accepting changes and improving their positions in several different domains, not just one. However, if we analyze the latest report from 2025, environmental sustainability stands out as a critical dimension of competitiveness, as competitiveness data from the IMD (2025) report shows that economies at the forefront of the green transition are winning an increasing share of the fast-growing markets for clean technologies, sustainable materials and environmental services. Among the most competitive countries according to the IMD index, Switzerland, Singapore, and Hong Kong stand out, and as far as the region is concerned, East Asia remains the most competitive region, with the most prominent Hong Kong and Taiwan, which are in the third and sixth positions of the competitiveness index. And immediately after East Asia follows the region of the Western Balkans. Both regions emphasize success based on strong institutional performance and economically adaptable and resilient economies.

1.4 Conclusion

In the 21st century, it became clear that economic prosperity depends on investment in sustainable development, and that sustainable competitiveness can only be ensured by harmonizing a number of factors, which are directly related to the goals of sustainable development. Analyzing the relationship between the goals of sustainable development and competitiveness, we can conclude that it is closely related, because the drivers and goals of both concepts, which they want to achieve and the way they want to achieve them, are often intertwined. Recognizing the role of sustainable development goals in achieving competitiveness, and vice versa, is the only way to achieve set goals and a society that achieves economic prosperity and sustainable development.

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