

EVOLUTIONS IN THE WORLD COMPETITIVENESS CLASSIFICATION –THE CASE OF ROMANIA*

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Abstract: This article approaches the problem of competitiveness and aims to outline the place of our country from the point of view of competitiveness as opposed to other countries; this analysis is carried out at a global level. One can notice that our country has a pretty low position in the world competitiveness classification, this position being influenced by a series of factors, as for example: underground economy and corruption, taxes, inefficient agriculture and high interests. In spite of these, there are still some factors which can improve this position, for which Romania has registered some significant progresses in the last years.

JEL classification: O11, O57, P52

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The problem of competitiveness has presently become a central preoccupation both in the scientific debates and in the practical actions of the governments and of the companies. Although there are many individual points of view, their systematization and synthesizing has not been accomplished yet. It is thought that there are a series of variables which may influence the competitiveness of a nation (cheap and abundant workforce, natural resources and technical capital, exchange rate and interest rate, quality of the economic policies and the relevance of the proposed targets, the performances of the managerial practices and of the inter-human relations, etc.), but these are not enough in order to formulate a theory. The following aspects should therefore not be disregarded:

a) the competitiveness of an economy is a concept and a macroeconomic reality, which also has microeconomic basic elements (the existence of a relevant number of competitive companies can condition the competitiveness of a national economy);

b) in spite of the fact that it is a macroeconomic concept, the competitiveness of an economy does not mean the fact that this economy is performing in each of its sectors (any economy is performing in a certain field or in some but not in all fields);

c) it is thought that any economy can be competitive if it increases its market share (especially the share of its own exports in the international ones) as a result of a high productivity and due to the prices and quality, variety and accuracy of the offered items. [Gavrila, 2009, p. 129]

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The most difficult problem related to the competitiveness of an economy is its evaluation in absolute or relative terms. In order to characterize the competitiveness of a country it is not sufficient to take into consideration a performance index as for example GDP or productivity, or GDP per capita, or the indices referring to the presence on the international market through export. In practice this evaluation is very important, businessmen need these data to set up the business plans and the strategies, the expansion projects, while the public decision factors need the evaluation of their results in order to set the governmental policies.

In consequence, one has to take into consideration a considerably high number of variables for the evaluation of competitiveness. The difficulties does not rely on the number of analyzed factors, but in the way of approaching these, taking into account the fact that some of them have a qualitative determination (the style and the ability of the managers the quality of the products, etc.). Their quantification is not easy, especially because it can be accomplished only according to some indices regarding prices, costs, salaries, productivity, investments, exports, etc. In spite of this the number of the factors which can be taken into consideration is unlimited, the productivity, the cost of the workforce and the investments, all these have a decisive role in creating the performance and the position of the nations in the world hierarchy of competitiveness. According to the reports of the European Commission and from the point of view of these three factors, the European Union is behind United States of America and Japan. Therefore, in the last two decades, the European Union has registered a productivity growth of 45%, as opposed to 53% in Japan and 64% in the USA. The hourly labor costs in the manufacturing industry in most of the European countries were higher than in the USA and Japan.

Considering the fact that the more factors are taken into consideration, the more the accuracy of the evaluation increases, a general preoccupation is measuring the competitiveness of the national economies and positioning them according to the it's level and dynamics.

An extremely complex but also exceedingly handy instrument for the evaluation and comparison of competitiveness on a macroeconomic level is the World Competitiveness Yearbook issued by the International Institute for Management and Development from Lausanne.

According to this yearbook, the competitiveness of a national economy needs to have a complex, multi-factorial approach. This is the expression of the internal competition from the economy of a country and of the competitive position of that economy on the international market; it is an expression of the economic phenomenon but also of the political phenomenon, of the infrastructure, but also of technology, demography and education.

In evaluation competitiveness, the yearbook elaborated by IMD starts from 4 competitiveness factors which are divided further in other sub-factors.

Table no. 1. Division of competitiveness factors into sub-factors

Economic performance	Government efficiency	Business efficiency	Infrastructure
Internal economy	Public finances	Productivity	Basic infrastructure
International trade	Tax policy	Labor market	Technological infrastructure
International investments	Institutional frame	Finances	Scientific infrastructure
Using the workforce	Business legislation	Managerial practices	Health and environment
Prices	Societal frame	Attitudes and values	Instruction

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These sub-factors are further subdivided into a variable number of criteria, so that they reach a total number of 246 criteria (127 concrete data, statistical figures and 119 evaluation data from surveys), where one can add 77 criteria which are not used in calculating the indices for each country they are used only for general information. According to the competitiveness factors there are a number of associated criteria which are used for the evaluation of the competitiveness as it follows: economic performance – 79 criteria, governmental efficiency – 72 criteria, business environment efficiency – 71 criteria, infrastructure – 101 criteria.

The data (calculated through the evaluation of these factors and sub-factors, as well as of their associated criteria) accessible from the Yearbook elaborated by IMD allow the creation of some independent analysis regarding competitiveness of an economy or of a group of economies. As for Romania, this has been supervised since 2003, period in which there were no variations of the competitiveness degree, but for the last year.

Table no. 2. Evolutions of Romania's position in the world classification of competitiveness

Year	Position	Rating
2003	43	33,636
2004	45	47,997
2005	46	41,784
2006	49	42,130
2007	44	47,287
2008	45	47,549
2009	54	46,945

One can also notice that in this period (2003-2009) except for 2007 when there was a growth in the world hierarchy, the trend was decreasing.

In 2007, Romania's position was generated by the variations of the positions of our country on each of the four competitiveness factors:

- In what the „economic performance” is concerned, Romania has registered the highest growth, going up from the position 41 in 2006 to the position 35 in 2007;
- in what the „government efficiency” is concerned the evolution was weaker , our country going up only one position from 46 in 2006 to 45 in 2007;
- in what the „business efficiency” is concerned the situation was constant, having the position 50;
- in what the factor „Infrastructure” is concerned the trend was increasing reaching from the position 48 in 2006 to 42 in 2007;

This growth of the competitiveness of Romania and the position from 2007 were generated:

- firstly by a series of positive aspects related to economic growth (real GDP growth and real GDP per capita growth), the living cost index, the service export, the tax on profit rate of the enterprises, the total public debts, funding the CDI activities (real GDP growth), the number of days needed to set up a company;
- secondly, by the indicators resulted from the survey which shows the life quality, the improvement of the university education which start to answer the needs of the competitiveness, the correlation of the linguistic abilities with the needs of the companies, the improvement of the public finances management, etc.

The factors which had a negative impact, and which reduced Romania's competitiveness in 2007 to 5 position as opposed to 2006 are those which refer to:

direct investments, subsidies, electricity costs for industrial consumers, the current account balance, tourism receipts, inflation, export of goods, the low level of expenditures with research and health together with other indices which result from a survey carried out in the business environment which show the risk of the political instability, the creating exodus, a lack of credibility of the managers in the society, the disinterest of the companies for the continuous training of the employees, the lack of implementation of the ethical business practices in companies.

In 2008 Romania's position has registered a decrease with one position (position 45) as opposed to 44 in 2007, the situation on the four factors being the following:

- in what the „economic performance” is concerned the situation was constant, Romania occupied the position 35, being before some countries as Finland (position 36) Bulgaria (38), Hungary (39), Croatia (40), Portugal (44), Italy (45), Greece (48), Russia (49), Ukraine (50), Turkey (53);

- in what the „government efficiency” is concerned Romania went down by 3 position from 45 in 2007 to 48 in 2008;

- in what the „business efficiency” is concerned there was a growth from the 50 in 2007 to 47 in 2008, surpassing countries as Bulgaria (place 48), Russia (49), Poland (50) and Croatia (51);

- in what the factor „Infrastructure” is concerned there was a decrease from 42 in 2007 to 43 in 2008.

Factors which had a negative impact, decreasing Romania's competitiveness in 2008 were: direct investments outside the country, the current account balance, tourism receipts, inflation, high-tech products exports, low level of the expenditures with research and health together with other indicators resulted from the survey in the business environment which show the presence of the black market, of the bureaucracy, of a high level of pollution, a lack of qualified labor force as well as higher lack of ITC aptitudes on the labor market.

Therefore, competitiveness is not only economic growth of performance but also a series of other factors as: environment, life quality, technology, knowledge, or scientific research, etc. In this context it can be explained why some countries as USA, Japan, Great Britain, Northern countries, as well as smaller and open economies, as Hong Kong, Singapore and Switzerland can maintain their positions for a larger period of time.

For 2009, the analysis of competitiveness is based on the statistics of 2008, year which was characterized by a period of growth, the countries entered in the economic crises in different moments and react differently to these. The countries which maintained in 2009 the same position as in 2008 are: USA (1st place), Switzerland (4th place), Australia (7th place), Canada (8th place), the Netherlands (10th place), Norway (11th place), Great Britain (21st place), Slovenia (32nd place) and Poland (44th place),

A large part of the countries have registered important decreases in 2009 as opposed to 2008: Columbia and Greece have fallen 10 positions, reaching to 51, respectively 52. Romania comes losing 9 positions, occupying the 54th place in 2009 as opposed in 45 in 2008. The competitiveness of the following countries has decreased considerably: Luxemburg (from the 5th place in 2008 to the 12th in 2009), Ireland (from the 12th place in 2008 to the 19th place in 2009), Jordania (from the 34 in 2008 to 41 in 2009), Hungary (from 38 in 2008 to 45 in 2009), Spain (from 33 in 2008 to 39 in 2009).

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For other countries, the effects of the economic crisis were much more reduces, and these have managed to gain position in the word classification of competitiveness. For example Denmark went up one position in 2009 as opposed to 2008, occupying the 5th place; Sweden reached from the 9th place in 2008 to the 6th in 2009, Finland went up remarkable with 6 places, occupying the 9th position this year. Germany went up by 3 places as opposed to 2008, occupying the 13th position; Japan also went up with 5 places in 2009 as opposed to 2008 reaching the 17th position.

The most spectacular evolutions were registered in Indonesia which registered the highest growth, from 51 in 2008 to 42 in 2009 while Estonia registered the highest decrease losing 12 positions as opposed to 2008, reaching the place 35.

Romania occupies one of the last places in the 57 states, namely the place 54, before Argentina, Ukraine and Venezuela, after a spectacular decrease of 9 places in just a year. This decrease is the result of the variations of the position of our country on each competitiveness factor:

- In what the „economic performance” is concerned Romania registered in 2009 a growth reaching the 32nd place as opposed to 35 in 2008, surpassing countries as Hungary (place 33 in economic performance), Slovakia (34), Israel (38), Finland (40), Spain (46), Italy (47) and Russia (49);

- in what the „government efficiency” is concerned our country has lost a place as opposed to 2008, occupying the 49th position. If the current trend in economic performance is increasing, reaching from the 41st place in 2005 to the 32nd in 2009, in what the governmental efficiency is concerned we have registered decreases since 2007 (place 45), in 2008 we lost 3 places, and in 2009 we lost another place occupying the 49th position.

- in what the factor „Infrastructure” is concerned Romania has lost 9 position, going down from the 47th place in 2008 to the 56th in 2009;

- in what the „business efficiency” is concerned the situation is similar, Romania lost 10 places as opposed to 2008, reaching the place 53 in 2009.

Table no. 3. Evolutions of Romania’s position in the classification of the competitiveness factors

Competitiveness factors	Year	2005	2006	2007	2008	2009
Economic performance		41	41	35	35	32
Government efficiency		46	46	45	48	49
Business efficiency		47	50	50	47	56
Infrastructure		45	48	42	43	53

In this context we may this that the factors which had a positive impact in 2009 on the Romanian competitiveness were: the real GDP growth per capita, the unemployment rate, direct investments in the economy, public debt, tax on profit rate, tariffs for broadband, tariffs for fixed telephone lines, investments in telecommunications, payments for the profession from the series sector, students-teacher behavior (number of students for a teacher), management payment, as well as other indices resulted from a survey which show the growth of the of the preoccupations of the companies for the customer satisfaction, the improvement of the ethical practices in the companies the availability of a well trained workforce, the growth of the transparency of the governmental policy and of implementing its decisions etc.

In spite of these, the balance of the current account, the inflation the gross

domestic product per capita and the low flexibility of the labor market, budget deficit, the low level of the expenditures for research and health, the direct investments outside the country, the receipts from tourism together with other indicators resulted from the survey in the business environment show a lack of audit and accounting in the business world, the defective administration of the pension funds, the problems in the health sector, the hard accession of funds, taxation, lack of a development strategy on a long term sustained by research, all these are factors which had a negative impact decreasing Romania's competitiveness in 2009.

In connection with the dynamics of the competition at world level, the specialists of the International Institute for Management and Development considers that this will depend only of the competitiveness level from Asiatic countries, being framed, this way, three stages between the world competition and that of the great nations from Asia:

- in the first stage China, India and other Asiatic nations are considered as suppliers of inputs for American, Japanese and European companies. As a result, China become the center of processing industry, India supplies office equipments and Thailand is the country that assembles the components;
- in the second stage, these nations begin to gain in what concerns the buying power and creates a middle class, that develops and gathers wealth;
- in the third stage, Asia will develop, becoming a world competitor, creating own world companies that will start to promote local brands. A similar case represented Japan, immediately after the second world war when it become from a nation that produced cheap goods one that possesses brands of world amplitude.

In this context can be appreciated that the technological industries do not action like a "locomotive" of world economy. In the conditions that several companies disappeared and the capitalization of burse market suffered a severe failing, the economical agents and the stock exchange are now very sensitive at the quality of business partners and at the profile obtained as a result of the realized investment. Will not be offered checks in white for the technological sector. With all these, the investments with capital begin to have a new advance, but the same happens with the price of petroleum. This price is observed with attention because of the negative impact that might have over the structure of the corporative costs, fact that might postpone more the economical recovery, but, in the same time, the increase of petroleum indicates an economy that warms, produces and this way consumes more.

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