

COMPETITIVENESS IN THE AGE OF GLOBALIZATION. THE CASE OF ROMANIA

Toma Sorin-George

Marinescu Paul

Ianole Rodica

University of Bucharest, Faculty of Administration and Business, 135, Calea Serban Voda, Bucuresti
tomagsorin@yahoo.com, paulmarinescu1@gmail.com, ianorodia@yahoo.com

The fundamental determinant of the competitiveness of a nation is the productivity of the companies acting in its economy. In the age of globalization, countries compete not only for markets, technology, skills and investments, but also for raising their standards of living. The national prosperity is highly affected by competitiveness, defined as the productivity with which a nation uses its resources. The objectives of our paper are to analyze the concept of national competitiveness and to outline the importance of competitiveness in today's uncertain world. In this respect, we consider competitiveness as a multifaceted concept including both quantitative and qualitative aspects. The objectives of our paper were achieved by reviewing the literature, and by presenting the case of Romania.

Keywords: competitiveness, productivity, Romania, globalization

Introduction

In the last 50 years, the world economy has evolved from “making things cheaper” in the 1970s, and “making things better” in the 1980s and 1990s, to “making better things” in the 2000s. The problem of competitiveness has arisen as an essential issue of nations and firms in the age of globalization. The intensification of the globalization process greatly expands the range of nations involved in the international competition. The global competition enables countries to strengthen their own competitive status and to promote the enhancement of their national competitiveness.

The actual level of national competitiveness is determined by the level of productivity. In our paper, we have analyzed the concept of national competitiveness and outlined the importance of competitiveness in today's uncertain world. Our study case focuses on the competitiveness of Romania.

Theoretical aspects regarding the competitiveness of nations

Competitiveness represents one of the most dynamic economic and business concept, a complex and meaningful one, with many definitions and quantification methods upon which the economists and researchers all around the world have not yet reached full consensus. The competitiveness of a nation can be defined as “its ability to attract and maintain activity which increases economic prosperity”(Porter, 1990: 47) or, as “the capacity of a state, which is in an international competition, to generate a high level of incomes and placement for the labour force on a sustainable basis”(OECD, 1996: 6).

Competitiveness is a multifaceted concept including both quantitative (e.g. growth rates) and qualitative aspects (e.g. human resources). Also, it is an important issue for policy makers and other stakeholders in a country. In our opinion, there are several main features of the concept as follows:

- The widespread use of this concept reflects the growing need of nations and business enterprises to examine their relative position with regard to competitors in the global market.
- The concept of competitiveness is applied on different levels (e.g., international/global, national/domestic, local/regional, macroeconomic, microeconomic etc.). The increasing importance of competitiveness issues both at international and national level may be considered as the effect of the globalization process. The continuing liberalization of world trade has been strongly connected to the competitiveness of goods and services.
- The concept of competitiveness is at the core of the success of nations and companies. At the level of the company, competition determines “the appropriateness of a firm's activities that can contribute to its performance” (Porter, 2004: 1). A competitive firm is the one that

produces goods and/or services of a higher quality or at a lower price than its competitors. In a similar way of thinking, a competitive country is the one that creates, produces and markets goods and services either of a higher quality or at an inferior price compared with other countries. Also, a competitive nation is forging ahead in gaining market shares in business sectors that foster the economic well-being of its citizens. The growth of the market share of a country depends on four factors (Fagerberg et al., 2004):

- The potential for exploiting knowledge developed elsewhere in the world, which depends on the country's technological level.
 - The creation of new knowledge/technology in the country relative to that of its competitors.
 - The development of the country's capacity to exploit knowledge relative to that of its competitors.
 - The change in relative prices in common currency.
- The competitiveness of a country relates both to several indicators (e.g., the Gross Domestic Product (GDP) per capita, the trade volume etc.) and the relationships between them. National competitiveness highly depends on the productivity with which a country utilizes its human, capital, and natural resources. Productivity represents the fundamental determinant of the principal goal of a nation: to produce a long-run raising standard of living for its citizens. In other words, the ultimate aim of a nation is to raise the overall level of prosperity of its people. A higher level of national prosperity represents the result of the interaction of three forces (Garelli, 2006):
- The competitiveness of firms, focused on profit.
 - The competitiveness of people, focused on personal well-being.
 - The competitiveness of nation, focused on prosperity.
- The national competitiveness is influenced both by macroeconomic and microeconomic factors. Government plays a key role in establishing macroeconomic stability and providing sound political and social institutions. On the other hand, the ultimate determinant of the economic efficiency is the productivity of the companies acting in the national economy (Fung et al., 2008). The first nation's source of competitiveness lies in its companies, where is added value created. This is why companies need a proper national environment in which they are born and learn to compete. Such environment is based on the following four broad attributes of a nation that constitute the diamond of national advantage (Porter, 1998):
- Factor Conditions.
 - Demand Conditions.
 - Related and Supporting Industries.
 - Firm Strategy, Structure, and Rivalry.
- Among the several sources of competitiveness, the so-called 'competitive bunches' are the most important as following (Porter, 2004):
- Competitive advantage relative to the structure of domestic market.
 - Competitive advantage relative to the access to raw materials.
 - Competitive advantage relative to the technology.
 - Competitive advantage relative to the quality of human resources.
 - Competitive advantage relative to the demand on the domestic market.
- The national competitiveness is a relative term because what is of interest is how well a country does relative to other countries. It does not seek the absolute performance, but the comparative perspective. The benchmarking of national competitiveness requires the use of a competitiveness index as a composite indicator that can be compared across countries (Bowen and Moesen, 2005).

- There is a lot of diversity in the way countries perform around the world. In this respect it is useful to take into account the fact that competitiveness is a multi-dimensional concept. It depends on the technological competitiveness, on the capacity competitiveness, on the cost/price competitiveness etc.

The concept of national competitiveness plays a key role in today's uncertain economic world and represents a major concern for all nations. In the age of globalization, national competitiveness is less and less based on economies of scale (Scase, 2007) and more and more on knowledge products and/or services. Countries compete not only for markets, technology, skills and investments, but also for raising their standards of living (Viotor, 2007). In this respect, Romania has made efforts to increase its overall level of prosperity.

The competitiveness of Romania in the age of globalization

According to the Lisbon Agenda there is a strong interest of European Union (EU) to increase its competitiveness. As one of the EU members, Romania is the seventh largest country in terms of population. While its population is the equivalent to 6.0 % of the EU-15 population and its territory is the equivalent of 7.5 % of the EU-15 territory, Romania only produces 1.4 % of EU's GDP. It means that the Romanian economy is lagging significantly behind many European economies. In 2005, the Romanian GDP per capita recorded in purchasing power standard was just 30 % of the EU-25 average.

By the late 1980s the limitations of the Romanian central planning economy had become very clear. In the first decade after the fall of the communist regime, Romania was engaged in a historic transition process from planned economy to market economy. The level of the national competitiveness decreased very sharply. However, in the last years, the Romanian economy has been growing steadily (Table 1), but it still has one of the lowest competitiveness index in the EU (IMF, 2007).

	Real GDP			
	2005	2006	2007	2008
Romania	4.1	7.7	6.3	6.0

Table 1. The evolution of the Romanian Real GDP, 2005-2008 (annual percent change)

In order to create a competitive, dynamic and prosperous economy, the Romanian government has designed and begun to implement the National Strategic Reference Framework (NSFR) 2007-2013. NSRF has two key objectives:

- To reduce the social and economic development disparities between Romania and the EU Member States.
- To reduce the disparities with the EU by generating an additional 10 % increase in Romania's GDP by 2015.

These objectives demonstrate the need for economic growth and competitiveness improvement in Romania. Starting from the SWOT (S- Strengths, W- Weaknesses, O- Opportunities, T- Threats) analysis of the present situation of the country (Table 2), economic growth requires the creation and development of a modern and competitive Romanian economy by (Toma, 2007):

- sustainable development;
- effective public and corporate governance;
- dynamic entrepreneurship;
- increasing the productivity;
- continuous research and innovation;
- social inclusion;
- socio-economic regional development etc.

Strengths	Weaknesses
– Fiscal policy	– Corruption

<ul style="list-style-type: none"> - Macroeconomic stability - Political stability - Annual GDP growth - Functioning market economy - Monetary policy - Geographical location in Europe - Natural resources - Industrial and technology parks - Tourism potential - Wage level - Information and communication technology (ICT) professionals - Quality of education - Quality of labour force - Railways traffic safety - Domestic consumer market - Number of students entering higher education etc. 	<ul style="list-style-type: none"> - Black economy - Structure of the economy - National competitiveness - Demographic trends - Legal framework - Regional disparities - Inflation rate - Administrative capacity - Basic facilities (water, sewerage) - Road traffic safety - Energy usage - Intermodality connections - Environmental policy - Productivity - Entrepreneurial culture - Access to business finance - Ageing population - ICT infrastructure - Mobility of labour force - High employment in agriculture etc.
Opportunities	Threats
<ul style="list-style-type: none"> - EU policies - EU funds and projects - Globalization - World knowledge-based economy - Worldwide demand for ICT products and/or services - Global tourism expansion - EU labour market - EU consumer market - EU research and development activities - EU transport networks - Worldwide e-commerce - Strategic alliances - Outsourcing etc. 	<ul style="list-style-type: none"> - EU legislation - World competition - World economic crisis - Competition within a single European market - Worldwide demand for ICT professionals - Climate change - Wars - International terrorism - Migration of highly skilled and educated people etc.

Table 2. A SWOT analysis for Romania

Under the circumstances of a new economy based on knowledge and innovation, Romania currently competes mainly in low-value added sectors and labor-intensive products (Daianu et al., 2001). In spite of the fact that most of the Romanian economy of today is to a large extent a factor-driven economy, embryos of an innovation-driven economy appeared and developed, especially in ICT (Gheorghiu et al., 2004). In sum, Romania needs to concentrate its resources on building an innovation and knowledge-based economy. This is the only path to competitiveness, growth and prosperity, and this is why Romania has to heavily invest in education and, research and development.

Conclusions

Tremendous changes occurred during the spread of globalization around the world. Globalization has exacerbated competition between states and played a catalytic role in accelerating growth.

In search for raising their prosperity, countries aim at enhancing the national competitiveness. As the only source of welfare, productivity is at the core of the success of nations and represents the key factor to the competitiveness of nations. A high level of productivity guarantees the improvement of the population's standard of living. In an increasing knowledge-based economy, nations compete in providing, supporting and attracting high levels productivity activities.

References

1. Bowen H. P., Moesen W., 2005: Benchmarking the Competitiveness of Nations: Non-uniform Weighting and Non-economic Dimensions, Vlerick Leuven Gent Management School, Vlerick Leuven Gent Working Paper Series, no. 2, 30 p.
2. Daianu D., Voinea L., Pauna B., Stanculescu M., Mihaescu F., 2001: Winners and losers in the process of Europe integration. A look at Romania, Romanian Center for Economic Policies, Working Paper no. 27, 51 p., www.cerpe.ro/working.aspx (accessed January 15, 2008)
3. Fagerberg J., Knell M., Srholec M., 2004: The Competitiveness of Nations: Economic Growth in the ECE Region, UNECE Spring Seminar, Geneva, February 23, 31 p.
4. Fung V. K., Fung W. K., Wind Y., 2008: Competing in a Flat World: Building Enterprises for a Borderless World, Wharton School Publishing, New Jersey, 240 p.
5. Garelli S., 2006: Top Class Competitors: How Nations, Firms, and Individuals Succeed in the New World of Competitiveness, John Wiley & Sons, Chichester, 272 p.
6. Gheorghiu R., Pislaru D., Turlea G., 2004: The Innovation-based Competitiveness of Romanian economy in the framework of Lisbon strategy, Romanian Center for Economic Policies, 51 p., www.cerpe.ro/working.aspx (accessed January 15, 2008)
7. Government of Romania, 2006: National Strategic Reference Framework 2007-2013, April 2006, <http://discutii.mfinante.ro/static/ro> (accessed December 10, 2007)
8. International Monetary Fund, 2007: World Economic Outlook October 2007: Globalization and Inequality, World Economic and Financial Surveys, IMF Multimedia Services Division, Washington, 246 p. (accessed March 24, 2008)
9. Organization for Economic Cooperation and Development (OECD), 1996: La competitivite industrielle, OECD, Paris
10. Porter M. E., 1990: The Competitive Advantage of Nations, The Free Press, New York
11. Porter M. E., 1998: On Competition, A Harvard Business Review Book, Boston, 485 p.
12. Porter M. E., 2004: Competitive Advantage: Creating and Sustaining Superior Performance, The Free Press, New York, 557 p.
13. Porter M. E., 2006: The Competitiveness Index: Where America Stands, Council of Competitiveness, November 14, Washington, www.isc.hbs.edu/pdf/20061114_comp_index (accessed January 25, 2008)
14. Scase R., 2007: Global Remix. The Fight for Competitive Advantage, Kogan Page, London & Philadelphia, 180 p.
15. Toma S. G., 2007: The transport sector in the administrative and socio-economic context of Romania, Manager, no. 6, University of Bucharest, pp. 66-74
16. Vietor R. H. K., 2007: How Countries Compete: Strategy, Structure, and Government in the Global Economy, Harvard Business School Press, Boston, 305 p.