

EVIDENCE OF INTERNATIONAL COMPETITIVENESS IN ROMANIA ACCORDING TO WORLD ECONOMIC FORUM

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Abstract: In recent decades, regarding of the dynamics of globalization, competitiveness is receiving increasing attention and a continuous and well-established concern. Research and studies on the concept of competitiveness focus on various approaches, interpretations, and models over time. When we think of the definition of international competitiveness, we think of the growth prospects of an economy that determines variables such as: quality of life, investment, productivity growth, and so on.

International competitiveness determines a country's ability to compete with other countries, its ability to outdo itself and to ensure for the nation it represents well-being by increasing the quality of life.

The paper aims to analyze the global report on competitiveness and some special insights for Romania in the European context, also to emphasize some of the characteristics of the Romania competitiveness and the level of international competitiveness between 2017-2019 framework and highlight relevant data from World Economic Forum.

WEF provided an extremely comprehensive index for measuring national competitiveness, which captures the microeconomic and macroeconomic elements of productivity. The Global Competitiveness Index (GCI) identifies and determines the factors highlighting the economic growth and human development (WEF, 2019). The GCI published every year by the World Economic Forum promotes a comprehensive picture of the factors that are critical to developing productivity and competitiveness.

Keywords: competitiveness, productivity, global competitiveness index (GCI), World Economic Forum (WEF).

JEL classification: F00, F43, F63, O10.

1. Conceptual framework of international competitiveness

In the current period of globalization, competitiveness is receiving increasing attention and a continuous and well-established concern. Research and studies on the concept of competitiveness focus on various approaches, interpretations, and models over time. Competitiveness is a complex, multidimensional, and multilevel concept (Ogrea, & Herciu, 2010). At any level of scientific approach, we will identify a series of features that will create on one hand a series of challenges, and on the other hand with the emphasis on competitive advantages. Porter (1998) illustrates the value of the performance of the national economy by recommending the new overview of „competitive advantage”. Competitiveness was treated by Paul Krugman as a “dangerous obsession” (Krugman, 1994), and the World Economic Forum (WEF) definitively defined the concept from a more positive perspective as: “the performance of a nation measured in terms of its ability to deliver high living standards” (WEF, 2017).

According to Bris et al. (2014), “a country’s competitiveness is best understood as the ability to generate prosperity using all the resources and skills of its economy”. The Organisation for Economic Co-operation and Development (OECD), result that „the national economy is competitive when the country produces goods and services that stand the test of international competition and, at the same time, are able to maintain and increase GDP” (Necadova, 2015). In the broader context, from the perspective of the same author, “competitiveness can be characterized as a set of preconditions for achieving a sustainable increase in economic performance, including increasing economic level in terms of internal and external balance” (Necadova, 2015).

The European Competitiveness Report (2020) defines competitiveness as: “An economy is competitive if its population enjoys high living standards and a high degree of sustainable employment. More precisely, the level of economic activity should not cause an unsustainable

external balance nor compromise the well-being of future generations”.

In conclusion, according to conceptual framework the concept of competitiveness, some international institutions have been interested with identifying and determining models for determining and measuring international competitiveness and global impact.

2. International competitiveness of European Union countries according to World Economic Forum (WEF)

The World Economic Forum (WEF) has an important role in global economy (Friesen, 2020). According to the WEF (2019), “competitiveness is the set of institutions, policies and factors that determine a country’s level of productivity. In turn, the level of productivity sets the sustainable level of prosperity that can be achieved by an economy. The level of productivity also determines the rates of return obtained by investments (physical, human and technological) in an economy”.

However, the development trend of recent years has highlighted greater diversity in countries around the world and adjusted the method. We found in the report „World Economic Forum 2019” that the method includes other indicators such as: health, skills and labor market, financial system, capacity for innovation, etc. (WEF, 2019). Thus, in 2019, the methodology addressed in the WEF annual report, was changed compared to 2017, the competitiveness pillars were renamed.

The WEF 2019 report presents the fourth industrial revolution in the globalization context and set up new opportunities. The report presents two representing issues of the next decade: “first- establishing universal prosperity and achieving the development to a sustainable economy – and second- promotes the issue of their capability with competitiveness and growth” (Țîmbalari, 2020).

As can be seen in Table 1, in 2017 WEF presented 3 categories of indicators (general, efficiency and innovation), and in 2019 they reorganized 4 categories of indicators (favorable environment, human capital, market, innovation ecosystem). We also note that in 2019 according to the Global Competitiveness Report, the competitiveness index was determined by about 103 measurement indicators (WEF, 2019).

The Global Competitiveness Index (GCI) denotes a comprehensive picture of the factors that are critical to developing productivity and implicit, international competitiveness.

Table 1

Pillars of competitiveness according WEF 2017-2019

Pillars of competitiveness according WEF						
2017			2018-2019			
Basic requirements	Efficiency enhances	Innovation and sophistication factors	Enabling Environment	Human Capital	Markets	Innovation Ecosystem
Institutions	Higher education and training	Business sophistication	Institutions	Health	Product market	Business dynamism
Infrastructure	Goods market efficiency	Innovation	Infrastructure	Skills	Labor market	Innovation capability
Macroeconomic environment	Labor market efficiency		ICT adoption		Financial system	
Health and primary education	Financial market development		Macroeconomic stability		Market size	
	Technological readiness					
	Market size					

Source: <https://www.weforum.org/>

The global competitiveness indicator in 2018, is composed by a special methodology of three stages of country development, each with its own sub-indexes expressing pillars of competitiveness such as seen in table 1.

In 2018-2019 the global competitiveness index 4.0 based by new methodology, illustrates by 12 pillars (Table 1). Therefore, based on 12 pillars, WEF made every year rankings from the perspective of the national competitiveness measurement score for a group of 141 countries which represents 99% of world GDP (28 members of EU).

According to our objectives of research, in this paper, we focused on data during the years 2017, 2018 and 2019 of top 10 competitiveness of European Union countries: (Table 2).

Table 2

Top 10 competitiveness of EU countries in the period 2017-2019

Year	2017	GCI Index 2017	2018	GCI Index 2018	2019	GCI Index 2019
Top country						
1	Germany	82.6	Germany	82.8	Netherlands	82.4
2	Netherlands	82.2	Netherlands	82.4	Germany	81.8
3	Sweden	81.6	Sweden	81.7	Sweden	81.2
4	Denmark	79.9	Denmark	80.6	Denmark	81.2
5	Finland	79.8	Finland	80.3	Finland	80.2
6	France	77.4	France	78	France	78.8
7	Belgium	76.6	Luxembourg	76.6	Luxembourg	77
8	Austria	76.1	Belgium	76.6	Austria	76.7
9	Luxembourg	76	Austria	76.3	Belgium	76.4
10	Ireland	75.4	Ireland	75.7	Spain	75.3

Source: <https://www.weforum.org/>

According to the table above we notice the top of the ranking in 2019 is occupied by Netherlands (1st place). In 2017 Romania was on the 24th position from 26 EU countries (Czech Republic wasn't in the list), and 2018-2019 was on position 25 from 27 EU countries.

Other EU countries registered lower competitiveness, this is explained by various factors such as: the deficiency of research systems, insufficient funding and supporting of innovation, the limited connection between science and the economy, (Dima et. al 2018).

World Economic Forum (WEF), launched at the end of 2020 (15.12.2020) - Global Competitiveness Report, 2020 special edition: Emerging priorities for economic transformation. This special edition does not provide rankings due to lack of data but presents and highlights the economic recession triggered by the COVID-19 pandemic, which continues to have profound economic and social consequences. This special issue of global competitiveness has combined historical data, unique indicators, and expert results for existing and emerging priorities not only for economic recovery but also for setting a new direction that will provide sustainable and inclusive prosperity in the coming years.

In conclusion, GCI presents a comprehensive image of the competitiveness drivers that are important to developing productivity and increasing the quality of life.

3. Analysis of Romania competitiveness between 2017-2019

After 2004, when the first wave of EU enlargement to the eastern part of the continent took place, Romania joined the European Union in 2007. The EU integration contributing to important economic advantages „from market expansion, a major improvement of living standards of the population, investment enhancement and increased competitiveness of domestic commodities” (Zaman, & Meunier, 2017). The EU should act in a particular manner showing solidarity and cohesion to the members since their increase and development will bring in benefits to everyone (Muntean&Nistor R.&Nistor C. 2010).

International competitiveness of Romania according to World Economic Forum 2017-2019 by subindex is presented in Table 3 below:

Table 3

International competitiveness of Romania according World Economic Forum 2017-2019 by subindex

International competitiveness of Romania								
GCI index	Basic requirements	Efficiency enhances	Innovation and sophistication factors	GCI index	Enabling Environment	Human Capital	Markets	Innovation Ecosystem
2017	4.6	4.3	3.3	2018	70.5	71	58.75	50
				2019	73	68.5	59.75	51

Source: <https://www.weforum.org/>

GCI index in 2017 are acknowledged scores from 1 to 7 and these scores are amounts to establish the overall global competitiveness index. Methodology in 2018-2019 represent the actually image of Romania competitiveness. Table no. 3 shows that Romania keep up the same score and is ranked on constantly a modest score during analyzed period of time.

Compared to the European Union countries, Romania is at a net competitive disadvantage average and implicitly, compared to most component countries, in terms of the level of fundamental output indicators that characterize economic competitiveness (Enachi, C. M., & Enachi, M. C., 2020). Romania’s rank among the 27 EU countries examined result that the Romania during 2017-2019 scored (Figure 1):

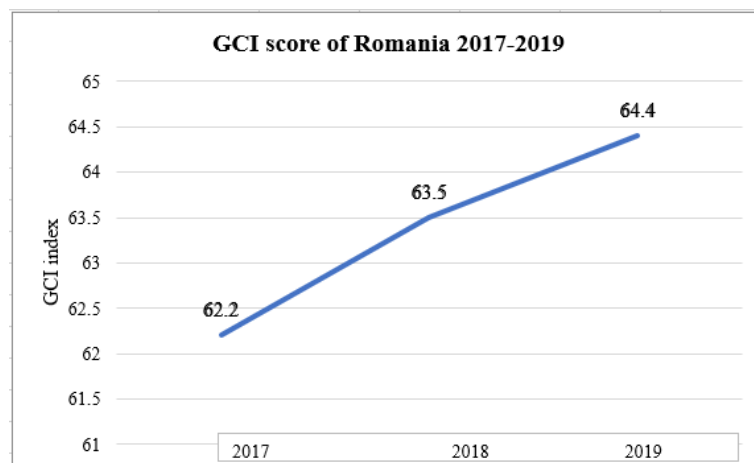


Figure 1. GCI score of Romania 2017-2019

Source: <https://www.weforum.org/>

Figure 1 shows that Romania has made a little progress during 2018-2019, maintaining the indicators and is on a modest position in the EU members clasament because of constantly score. Most uncertain factors for doing business in Romania, that influenced direct international competitiveness are according WEF: tax rates, inefficient government, bureaucracy, access to financing, inadequately educated workforce, corruption. Also, the recent problems of Euro Zone countries „will affect seriously the international competitiveness of Romanian exports, on one hand, and economic development of Romania, in generally, on the other hand” (Herciu, 2013). These factors stagnate productivity growth, and international progress of the country.

4. Conclusions

When we refer to international competitiveness, we refer in particular to the Global Competitiveness Report of the World Economic Forum. When we think of the definition of national competitiveness, we think of the growth prospects of an economy that determines variables such as: quality of life, investment, productivity growth, etc. Last but not least, international competitiveness determines a country's ability to compete with other countries, its ability to outdo itself and to ensure for the nation it represents well-being by increasing the quality of life. The theoretical approach to

the concept of competitiveness remains one of the future research concerns due to the factors influencing national and international economic progress.

The paper presented on the one hand, methodology of World Economic Forum: challenges, top 10 competitiveness EU countries and pillars of competitiveness (GCI), and on the other hand, some special insights for Romania in the European context, some characteristics of the level of international competitiveness between 2017-2019.

Romania can and must gotten to be more competitive in global context, developing without relinquishing the advancement opportunities of future generations and must take advantage of the opportunities for innovation offered by European integration.

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