Measurement of the Romanian Services Competitiveness from an International Perspective

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Abstract

Services competitiveness can be measured from an international perspective, using a set of indicators like market share, export structure, import structure, revealed comparative advantage index. Quantifying the international competitiveness is based on the idea that the quantity of the exports of one country on a certain market evolves directly proportional with the degree of competitiveness of that particular economy. The diminishment of the competitiveness is due to the growth of the quantity of imports originating from a third country. The proportion of competitiveness in one sector or one country shows the nature or the degree of involvement in the imports realized on the analyzed market, in other words a country can improve its competitiveness as others increase the imports on its market.

And beside this, the process of acceding of one country in the international economy it's a phenomenon that depends not only on the exports' progress, but on the behavior and the actions of the competitors as well. This underlines the dynamic nature of the markets. The commercial advantage is highlighted by the exports' evolution – which reflects the progresses from the competitiveness sphere – and that of the imports which shows a regress of the commercial advantage.

Key words: *competitiveness, export, specialization*

The Relationship between Services and Competitiveness

The relationship between services and competitiveness may be approached from the perspective of two dimensions: (i) the services exert an influence on the competitiveness as because of them an enterprise, a sector or a country may be more or less competitive; (ii) the competitiveness reflects on the services as the global economy in which the competition is increasing exposes the services at the internationalisation's challenges. It is obvious that these two directions are inter-correlative and have their own explicative elements, and because of that I will focus on two different, but complementary visions.

The first is a general approach based on the main microeconomic elements, and the second has a specific character and is based on macroeconomic elements. From a general perspective, the services exert an influence on the competitiveness on three ways.

The first influence is associated with services that facilitate the internationalisation and the competitiveness of every enterprise, regardless of the sector. A good communication service, for example, easies the interconnection between the employees of a multinational, in this way saving the travel expenses and the quality of the final products. The same thing can be said regarding the transportation services, business or, in general, regarding all services for

production. In the measure in which there are services that improve the enterprises' competitiveness through decreasing the costs and improving the quality, we can talk about a proportional contribution of services at the competitiveness.

The second influence is related to those services that offer information on the competitive conditions of the market. In this case, the services suppose an interactive implication of the consumers in order to identify their criteria of operating on the market, as they can make decisions oriented towards a superior competitiveness. In the previous case, the enterprise was becoming more competitive; beneficiating of the standardised and pre-established services, and, in the actual situation, the enterprise must play, with an expert's help, an active role in the comprehension of the unfolding events and in the evaluation of the possible strategies that are going to be defined.

Between these services we name the managerial consultancy, certain strategic legal services, marketing research services, some IT services and certain marketing services. In all these cases, the service market provides the necessary inputs for making the decision of commercial competitiveness.

The third influence aims the globalisation of the services activities of an enterprise. In the measure in which the service providers become mare global and more competitive (able to act on more markets), the competitiveness of sectors and countries is increasing. While services constitute 60-70% of advanced economies, a comparable part of their competitiveness is due to the way in which these services are themselves competitive.

The second aspect of the relation services- competitiveness can be explained in different ways by the angle of some direct factors, but also through some specific and limited factors.

The first way refers to the direct elements that involve the increase of the global economy of services by the angle of its competitiveness. The globalisation of the economy determined the internationalisation of many service providers, thing that supposed their modernisation and adaptation to the new competitive challenges in order to satisfy the internationalizes consumers on one hand and on the other hand the adoption of new expansion strategies, the assimilation of the technologic advantages offered by the global economy or from the angle of the expectancy regarding the future concentration processes.

The expansion of the area of activity of those firms, also favorised by the legal context, increases the potential of their national markets. More than that, some companies benefit on the processes of liberalisation and regulation. Of course, there are service enterprises that decide to involve in the process of international growth, due to the mirage of the economies that meet better cost conditions; the existence of prices quite smaller may generate the exportation of services in a manner similar to that of goods. However, the globalisation and the superior competitiveness of the market influence the evolution of services and their international growth.

The competitiveness affects the services in a more or less proportion. Less due to the nature of the services and the existence of the regulations that restrict their willing to operate on open markets, in comparison with the manufacturing industry whose goods acted a long period of time in conditions of strong competitiveness. Also, the competitiveness considerably puts its mark on the services because, even if the agriculture and the manufacturing industry have operated for a long time on quite open markets, the challenges of the globalisation are much more obvious in the area of services.

It is no doubt that the nature of the services and the regulations associated to them has created a specific context in which the relation between services and competitiveness may be correctly appreciated. After a long period of denial and marginality in which the services have been defines and classified, the recent progresses that marked the economy of services have shown that those should be defined for what they are and not for what they are not (untouchable, impossible to store and to transport, etc. this change of vision has pointed to the most deffinitory

aspects of the invisibles, meaning the interactive character of the relation between provider and consumer.

The specific nature of services is definitely linked by certain defining elements of third party economy: product differentiation, reputation, monopolistic power, externalities, asymmetrical information, etc. All those characteristics strengthen the idea based on whom the traditional prices or the international ones for the services don't follow the same rules applicable to manufacturing industries. The powerful segmentation of the markets amplifies the dependence of prices by the structures of markets, to the prejudice of cost factors. The success of services firms on international markets requires taking in consideration a variety of elements whose direct costs and prices are just a component.

In the same way, the role of uncertainty and services quality justifies certain specific settlements destined to protect the interests of consumers, to guaranty the loyal competition, to control the externalities, to orientate for quality standards, etc. Settlements exist in a large percentage in third party economies so the role of prices and costs in competitive market can have a different importance in other sectors less regulated. A regulated environment can explain better the evolutions of many others sectors than a simple evolution of cost factors. Even more, for many other services, the price tendencies, costs and productivity can be perceived only thru trends who characterized the dynamics of markets and the regulations.

In conclusion, the specific nature of services and the organization and regulations of those markets allows us to invoke the hypothesis of the existence of a limited market share, sensible to the factors of price and costs. A sector becomes active to export if it succeeded to sell personalized services, competences with reputation in a regulated context and on an adequate market.

The Variables of the International Services Competitiveness

At this point, the competitiveness is not defined only through the evolution of the productivity, as there are other elements also that mark the economic activities on a worldwide market, among which we find the technology, innovation, the infrastructure availability, the strategies of the transnational companies and the nature of the public policies. Moreover, the gain or the loss in competitiveness is due to the degree of commercial opening, the size of the sector, the improvements from the educational sector and the capacity of increasing the exports, so the synergies created will favor the economic dynamics [4].

Quantifying the international competitiveness is based on the idea that the quantity of the exports of one country on a certain market evolves directly proportional with the degree of competitiveness of that particular economy. The diminishment of the competitiveness is due to the growth of the quantity of imports originating from a third country. The proportion of competitiveness in one sector or one country shows the nature or the degree of involvement in the imports realized on the analyzed market, in other words a country can improve its competitiveness as others increase the imports on its market.

And beside this, the process of acceding of one country in the international economy it's a phenomenon that depends not only on the exports' progress, but on the behavior and the actions of the competitors as well. This underlines the dynamic nature of the markets. The commercial advantage is highlighted by the exports' evolution – which reflects the progresses from the competitiveness sphere – and that of the imports which shows a regress of the commercial advantage.

Taking into considerations the above mentioned reasons, the changes involved in the international competitiveness are appreciated through some distinct variables. Thus, among these we have the market share or the degree of participating on the market which measures the share from one market that belongs to a certain country or to a specific sector. Another variable

is the structure of the exports of a country which expresses the contribution of each sector to the total amount of that country's exports. The third variable is the structure of the imports which reveals the dynamics of each sector within the analyzed imports market. Still it has to be mentioned that the researches from the services competitiveness sphere are limited, and the commercial statistics in services are not exhaustively accurate.

Generally, although a country disposes of abundant natural resources and an incremental production, it can face a commercial deficit in the sphere of services. This is due to the fact that most of the countries are specialized in producing goods, leaving in the background the services that are in an overwhelming proportion in the import activity. As a consequence of the different factorial endowments, the economies transform and export resources that require more added value.

Combining the above mentioned variables allows building some different typologies or some "matrices of competition" that play a decisive role in describing the way in which one's economy international commerce develops and the distinctive evolution on more markets of similar sectors from different countries (see table no. 1) [4]. Creating a link between these variables helps to make a hierarchy of the countries through the degree of their competitiveness.

Table 1. The competitiveness matrix

Market share Exports' structure	*Falling Stars*	*Ascending Stars*
Specialization index	*Retreats*	*Failed Opportunities*
The imports' market structure		

Source: De la Guardia et al., 2004

The sectors that export services can be classified according to their international competitiveness, through the market share and the evolution of the international imports in time. In fact, the ratio of the worldwide market that belongs to a country from a specific sector of activities can increase or diminish in time, this kind of changes occurring simultaneously with the increasing or decreasing of the worldwide export activity.

The above mentioned methodology allows to hierarchies the sectors that exports services in: ascending stars, failed opportunities, falling stars and retreating sectors. Ascending stars are those economic activities that allow extending the market share of exports for a certain country, under the circumstances where these activities have an increasing importance for the global commerce. Failed opportunities are identified in those sectors in which a country faces with the diminishment of the market share based on an ascending global trend. Falling stars are represented by those sectors of economic activity characterized by a growth of the market share in exports under the circumstances where the global market joins in a descending path. Retreating situations manifests in the context of losing the market share on exports and registering a declining dynamic on the global imports.

The competitiveness matrix of the market share shows an inferior performance, for the year 2005 in Romania with regards to the UE-25 as a consequence of limiting the market share that belongs to our country for exporting transport services in the context of diminishing the growth of these services on a global level (see table no. 2).

For the "travels" category, an ascending evolution of the market share for exports that belong to Romania can be seen, both in the global commerce as well as in the relations with EU-25, in

contrast with the descending trajectory that these services have followed on a global level. For the category "other commercial services", our country has increased its market share in the ensemble of the international commercial exchanges, even though the ratio of these services in the global commercial fluxes has decreased in 2005 comparatively with the preceding year. The decreasing of the market share is more obvious for the relation Romania-EU-25.

Table 2. The competitiveness matrix for the market share

	Transports	*Travels*	*Other commercial services*
Romania	Retreating sector	Falling stars	Falling stars
UE-25	Falling stars	Retreating sector	Falling stars
Romania – UE-25	Retreating sector	Falling stars	Retreating sector

Source: own computation

The Competitiveness Matrix of the Exports' Structure

The matrix of the competitiveness of the exports' structure is obtained by correlating the behaviour of the exports' structure of one country with the dynamics of the imports from the international market. This matrix expresses the way the adjustments of the exports' structures materialize following the same range or an opposite direction with the changes that mark the global imports.

The service exporting sectors can be classified, from the perspective of their international competitiveness, through the changes that occur in the structure of one's country exports and the global imports in time. Combining these two variables, the exporting sectors can be divided in ascending stars, failed opportunities, falling stars and retreating sectors. Ascending stars are those sectors that contribute to the improvement of one country's incomes base on the international circumstances that favor the increasing of these activities' importance on the global market. Failed opportunities represent those sectors that diminish the export incomes in the context where the market of the same activities is growing. Falling stars are for those sectors of the economic activity where the exporting country increases its external income based on the simultaneous diminishment of the international commerce. The situation of the retreating sector is characteristic to the exporting branches that, beside the fact that they lose importance as a generating source of currency receipts, they also register a decline of the global market's dynamics.

The matrix of the competitiveness of the exports' structure (see table no. 3) shows a decline of the dynamics of the transport services' exports for our country, that diminishes proportionally the export incomes, both at global level, as well as in the communitarian context.

On the other hand, the European Union's countries are consistent with the global tendency of increasing the export activity of those services that prove to be an important source of income as well. "Travels" have subscribed in the years 2005**,** to the "stars in decline" category, especially in Romania's commercial relations with EU-25, but with those of the rest of the world as well, as a consequence of the unfavourable global conjuncture that has characterized the evolution of those services and the diminishment of the ratio of their currency receipts of the two above mentioned entities.

The "other commercial services" place both Romania and the EU-25 in the category of the "ascending stars" in the context of the growth of the importance of those services on a global level and the acquiring of some high incomes from exports. For the Romania-EU-25 relation, the ratio of the above mentioned services is decreasing based on a positive global evolution, which leads to obtaining a "failed opportunities" kind of hierarchy.

Table 3. The exports' structure competitiveness matrix

	Transports	*Travels*	*Other commercial services*
Romania	Failed opportunities	Falling Stars	Ascending Stars
UE-25	Ascending Stars	Retreating sectors	Ascending Stars
Romania – UE-25	Failed opportunities	Falling Stars	Failed opportunities

Source: own computation

The Specialization Matrix of the Competitiveness Index

The segments of exportation services can be classified from the point of view of the temporal dimension of their international competition as well through the simultaneous analysis of the degree of commercial specialization of each country and the evolution of global imports. The specialization index can be defined as the relative weight of the sector exporting services of one country in the global commerce of that sector (see table no. 4).

Analogously, the exporting sectors are classified as ascending stars, failed opportunities, declining stars and retreating sectors. Ascending stars are those economic activities where a country improves the degree of international specialization for certain exports in the context of an incremental importance of those activities on the international market. Failed opportunities are specific to those sectors where a country reduces the degree of commercial specialization for certain exports in the context where their international market is increasing. Falling stars indicate the sectors of economic activity where the exporting country intensifies the degree of specialization in certain exports under the circumstances of the diminishment of the importance of these activities on the international scene.

Table 4. The specialization index

	2004			**2005**		
	Transports	*Travels*	*Other commercial services*	*Transports*	*Travels*	*Other commercial services*
Romania	2.02	0.49	0.85	1.24	0.74	1.02
UE-25	0.90	0.95	1.07	0.96	0.89	1.076
Romania - UE-25	1.64	0.53	1.01	1.57	0.64	0.99

Source: own computation based on Trade Profiles, WTO; Bobircă, A., Cristureanu, C., Negrescu D., 2006

The specialization matrix of the competitiveness index (see table no. 5) shows that, for the year 2005, Romania has restricted its comparative advantage for transportation services, both in the global commercial exchanges and in the EU-25 relation, which indicates a diminishment of the degree of commercial specialization with such services based on the growth of the relative importance of the transportation activities on global and communitarian level. For "travels", the degree of Romania's specialization in exports has increased for the above mentioned period, in the relations with the EU-25's countries, although the global market of these services has faced a descending evolution. The positive tendency that has marked the relation with the communitarian countries has been visible n the relations with the rest of the world as well. For the "other commercial services" category, Romania and EU-25 have had a comparative advantage relevant on a global level, the degree of specialization of our country in the global commerce with this kind of services being superior to that of the European Union. In the commercial exchanges similar to EU-25, Romania's degree of specialization has diminished, which suggests the low importance of these services in the commercial relations with the EU-25.

Table 5. The specialization matrix of the competitiveness index

	Transports	*Travels*	*Other commercial services*
Romania	Failed opportunities	Falling Stars	Ascending Stars
UE-25	Ascending Stars	Retreating sectors	Ascending Stars
Romania – UE-25	Failed opportunities	Falling Stars	Failed opportunities

Source: own computation

Evaluating Competitiveness from the International Organisms Perspective

Very useful information regarding the degree of development of the services and their contribution in acquiring competitiveness at the national economy's level or, of different branches of services, are provided by the many calculated indexes of competition, especially under the aegis of the World Economic Forum or by some institutions with a coordination role of different branches of services at international level.

Thus, World Economic Forum has launched in September 2006, within the framework of The World Competition Report 2006-2007, the index of global competition that has shortly become a reference index that involves 90 variables grouped into 9 pillars each of them determining productivity and competitiveness (Institutions, Infrastructure, Macro economy, Health and elementary Education, Higher Education and continuous instruction, market Efficiency, technological Progress, Business Complexity and Innovation) [10]. The impact of each pillar over the competitiveness varies from a country to another, according to its degree of economic development. The world competitiveness index (WCI) indicates a useful tool for appreciating the nations' competitiveness.

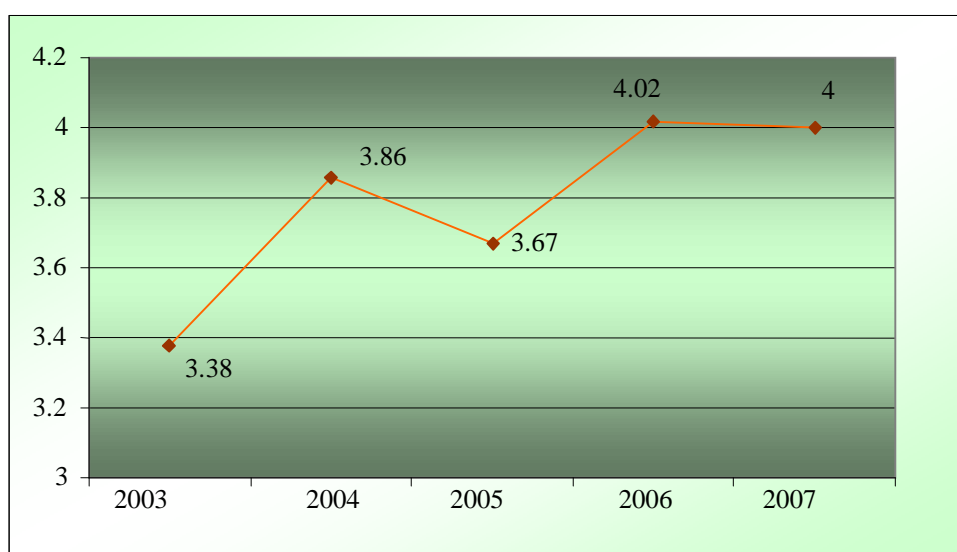**Table 6.** The world competitiveness index – Romania's position

	Position (out of 131 countries)	*Score*
World competitiveness index for 2007-2008	74	4.0
Basic requirements	88	4.1
Pillar 1: Institutions	94	3.4
Pillar 2: Infrastructure	100	2.6
Pillar 3: Macro economic stability	84	4.6
Pillar: Health and elementary education	52	5.6
Efficiency indexes	62	4.0
Pillar 5: Higher education and Training	54	4.1
Pillar 6: The goods' market efficiency	74	4.0
Pillar 7: Work market efficiency	85	4.1
Pillar 8: The complexity of the financial market	78	4.0
Pillar 9: Technological receptivity	59	3.3
Pillar 10: Market's size	43	4.2
Innovation indexes	73	3.5
Pillar 11: Business complexity	73	4.0
Pillar 12: Innovation	76	3.1

Source: Global Competitiveness Index, 2007-2008

The report corresponding to the last analyzed period (2007-2008), show that the first position is occupied by USA with a WCI of 5.67 (WCI can take values between 1- null competitiveness, and 7- the competitiveness with the highest degree), followed by Switzerland with 5.62, Denmark with 5.56, Sweden with 5.54 and on the last position, 131 place out of 131 analyzed countries is Chad with 2.78.

Both for the total index and for the sub-indexes, Romania registers values somewhere in the middle of the classification (74th position, with a rate of 4.0), with scores over the average for health and elementary education, macro economic stability, higher education and training, work market efficiency, market size, basic conditions for efficiency growth and of the competition degree of the Romanian economy (see table no. 6).

In 2007, Romania has obtained an inferior score to that of the year 2006, for the sub-indexes, the lowest values being at the institutions, technological receptivity and innovation level (see figure no. 1).

Fig. 1. The evolution of the world competitiveness index in Romania

Source: World Economic Forum

The world Economic Forum determines annually, an index that indicates the progress of the accomplishment of the proposed competitiveness through the Lisbon Strategy**,** strategy that has as main objective to make out of the European economy the most competitive and dynamic economy based on knowing the world. In order to analyze the competitiveness, within the framework of Lisbon Strategy, eight distinctive dimensions considered essentials are evaluated (both within the European Union and at worldwide level). This index for evaluating competitiveness is calculated for other regions and countries as well, not just for the European Union, in order to make comparisons and appreciations. The eight dimension of competitiveness, within the Lisbon Strategy, are as follows (WEF, 2006):

o   The creation of the informational society for everybody, through the exploitation of the information technology and the communication in order to spread the knowledge and intensify one's economy industry productivity;

o   The creation of an European environment that favors innovation, research and development;

o   Liberalization by completely creating the four definite liberties regarding the circulation of goods, services, assets and work;

o   Telecommunication infrastructure, public facilities and transportation;

o   The creation of an efficient sector of the financial services, by reducing the costs of access of the assets and improving its allocation, which will intensify the companies' opportunities to get on new markets;

o   Improving the business environment, by diminishing the administrative impediments that burden the building one business process and by improving the quality of the legislation;

o   Improving the social inclusion by creating new working places, employing a higher number of people, giving them access to formation and perfecting by improving the social security services;

o   Long lasting development, by improving the quality of life standards for the present generation, without letting this have a negative impact on the next generations.

The index of competitiveness in EU (which can also take values between 1 and 7) indicates the fact that within its framework there are quite big score differences, the first positions being occupied by the northern countries where the concerns regarding the economic development are corroborated with politics for the social security insurance and for improving the life standard quality for all citizens (Denmark 5.76, Finland and Sweden 5.74, Netherlands 5.59), the last position being occupied by Poland with 3.76 (EU's average being of 4.84).

Regarding Romania, both the final index and the sub-indexes are under the EU-25 average (see table no. 7). The highest score (4.19) is obtained by our country regarding the creation of an efficient sector for the financial services, which is a very important aspect that has highly influenced the economy's competitiveness.

Table 7. Competitiveness index in EU-Romania's position

	Final Index 2006	**Sub-indexes**							
		Informational Society	**Innovation and C&D**	**Liberalization**	**Infrastructure**	**Financial services**	**Business environment**	**Social inclusion**	**Long lasting development**
Average UE-25	*4.84*	4.58	4.24	4.92	5.36	5.60	4.59	4.40	5.05
Romania	*3.59*	3.21	3.17	3.89	3.51	4.19	3.81	3.62	3.33
Bulgaria	*3.31*	3.09	2.92	3.49	3.86	3.80	3.43	2.87	3.00

Source: Drăghici, M., Ioncică, D., Ioncică, M., Petrescu, E.C., 2007

A pretty low score has been obtained regarding the first dimension of the competitiveness according to the requirements of the Lisbon Strategy, namely the creation of the informational society for everybody, having in mind the limited degree of economic information and of the Romanian society (especially in the rural area), as well as the low level of the research-development activities and the integration of the modern technology in the economy. Therefore, for the innovation and research-development dimension, Romania has registered a low score. Our country has registered a low score in what concerns the infrastructure as well, the score obtained for this dimension being even lower than Bulgaria's (3.86). This affects highly the importance of Romanian's economic competitiveness, given the fact that the infrastructure's condition puts both quantitative and qualitative restrains in the practice of economic activities and human life.

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Cuantificarea competitivității internaționale a serviciilor românești

Rezumat

Competitivitatea internațională a serviciilor românești poate fi evaluată prin intermediul unor indicatori, precum cota de piață la export, structura exporturilor și indicele avantajului comparativ revelat. Cuantificarea competitivității internaționale se fundamentează pe ideea potrivit căreia dimensiunea exporturilor unei țări pe o anumită piață evoluează direct proporțional cu gradul de competitivitate al acelei economii. Diminuarea nivelului competitivității se datorează creșterii mărimii importurilor provenind din terțe țări. Amploarea competitivității unui sector sau a unei țări indică natura ori gradul său de implicare în importurile întreprinse pe piața analizat;, cu alte cuvinte, o țară își îmbunătățește competitivitatea pe măsură ce alte țări își sporesc importurile de pe piața sa.

În plus, procesul de inserție a unei țări în economia internațională este un fenomen care nu depinde doar de progresul exporturilor, ci și de comportamentul și acțiunile competitorilor. Această aserțiune subliniază natura dinamică a piețelor. Avantajul comercial este pus în evidență de evoluția exporturilor – care reflectă progresele din sfera competitivității – și de cea a importurilor care reflectă un regres al avantajului comercial.