

# Globalization and Competitiveness

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## Abstract

*The paper deals with the relationship between globalization, a defining feature of the contemporary world, and competitiveness, a primordial strategic weapon in the world wide economic confrontation. Also, it presents assessments of the countries' world competitiveness carried out by the Institute of Management Development (IMD, using World Competitiveness Index, WCI), and World Economic Forum (WEE). A peculiar attention is given to Romanian's in light of these two assessments and causes which explain its modest performances in turn of world competitiveness.*

**Key words:** *competitiveness, competitiveness factors, , globalization, national culture, competitiveness profile of a country*

Globalization, as a defining feature of the actual human society's development, represents the world wide dimension of the interactions of economic, social, scientific, technological, ecological and cultural events and processes which took place at national and regional level. This broad and complex phenomenon involves, among other elements, the evolution of international economic system towards a new pattern of commercial, investments and economic development. The new economic system is oriented towards achievement of qualitative superior objectives as compared with those pursued a short time before, and is developed according to more complex and comprehensive criteria.

For the different countries, industries and enterprises the globalization phenomenon offers numerous and diversified opportunities, such as significant enlargement of majority of product and service's markets, extension of scale economies, access to globe's resources and their selective utilization depending on economic efficiency criterion, intensification of enterprises' competition with its beneficial effects on innovation, quality and prices' reduction.

International markets, whose level of competition is growing steadily as a result of globalization, do not face the economies, industries or their industrial sectors, but the firms with their products and service. Therefore, the position of a country, its economy, its industry or its specialized industrial sectors in international competition depend on the capacity of enterprises from aforementioned entities to be competitive, efficiently involved in the productive and commercial international flows, and to turn efficiently to account the competitive advantages they enjoy.

## Main Concepts

According to OECD's definition, *competitiveness* represents „*supporting the ability of companies, industries, regions, nations or supranational regions to generate, while being and remaining exposed to international competition, relatively high factor income and factor employment levels*” (OECD, 1996. „*Industrial Competitiveness: Benchmarking Business Environment in the Global Economy*”). Another definition formulated by the same institution is: “*Competitiveness is the degree to which a nation can, under free trade and fair market conditions, produce goods and services which meet the test of international markets, while simultaneously maintaining and expanding the real incomes of its people over the long term*”.

Competitiveness Advisory Group (Ciampi Group), in the First Report to the President of the European Commission, the Prime Ministers and the Heads of State, June 1995, formulates a comprehensive definition of competitiveness, which, in its view, „*implies elements of productivity, efficiency and profitability. But it is not an end in itself or a target. It is a powerful means to achieve rising living standards and increasing social welfare – a tool for achieving targets. Globally, by increasing productivity and efficiency in the context of international specialization, competitiveness provides the basis for raising peoples' earnings in a non-inflationary way*”. In the Second Report to the President of the European Commission, the Prime Ministers and the Heads of State, December 1995, the definition is more concise, maintaining however a strong social component: „*Competitiveness should be seen as a basic means to raise the standard of living, provide jobs to the unemployed and eradicate poverty*”.

In the view of the US Department of Energy, „*Industrial competitiveness is the ability of a company or industry to meet challenges posed by foreign competitors*”.

The International Management Development's World Competitiveness Yearbook focuses on nations' level, in light of the following definition: “*Competitiveness is a field of Economic knowledge, which analyses the facts and policies that shape the ability of a nation to create and maintain an environment that sustains more value creation for its enterprises and more prosperity for its people*”.

The diversity of definitions regarding the competitiveness is an indicator of the interest raised by the subject but also of its multifaceted nature. Indeed, enterprises, sectors, regions and nations are nowadays deeply intertwined, a trend that has been favored by communications and globalization. In the context of globalization, the concept of competitiveness has undergone a sensible change: it looks at nations and enterprises from a more global point of view.

Some scholars claim that on the international markets countries themselves do not compete, but their enterprises do. It is obvious that the competitive enterprises are the main driving force of a country's competitiveness, being responsible for wealth creation. At the same time, one can not ignore the economic responsibilities of the governments, which have a large influence on economic development. The governments have a key role in shaping the environment in which enterprises operate, so much the more that competition among countries is carried out at the level of education and know how. Indeed, in the international competition countries do not rely only on their goods and services, they should develop an effective education system in order to improve knowledge in the labor force. The encouraging results obtained by the East Asian countries highlight the huge effort they made to improve education and, implicitly, the competitiveness of their goods and services. Nowadays, knowledge is, undoubtedly, the most important competitiveness factor, governments being responsible for developing competitiveness of their countries based on highly qualified workforce.

## Assessments of the Countries' World Competitiveness Carried out by the International Institute of Management Development (IMD)

In light of the aforementioned point of view, the *IMD World Competitiveness Yearbook* (WCY) provides, since 1989, a frame of reference to assess how nations manage their future economic development. It gathers data from 60 nation-states and regional economies, based on 323 criteria designed to establish and rank how national economies create and maintain an environment that supports the competitiveness of enterprises. The criteria used to establish the rankings are grouped into four competitiveness factors, which generally define a country's national environment, shown in the next table. Taking into account these four factors forces which shape the country's competitiveness environment, the *IMD World Competitiveness Yearbook* highlights the relationship between a country's national environment (where the State plays a key role) and the wealth creation process, carried out by enterprises and individuals.

**Table 1.** Competitiveness factors and their components

<b>Economic Performance</b>	<b>Government Efficiency</b>	<b>Business Efficiency</b>	<b>Infrastructure</b>
Domestic Economy	Public Finance	Productivity	Basic
International Trade	Fiscal Policy	Labor Market	Technological
International Investment	Institutional Framework	Finance	Scientific
Employment	Business Legislation	Management Practices	Health & Environment
Prices	Societal Framework	Attitudes & Values	Education

Source: IMD, 2004

Globalization means that world markets are open, and nations compete on them. Starting from 1994, when the Bretton Woods Agreement began to liberalize international trade, this trend steadily continued. A large contribution has had the OECD, that has fostered the development of the free movement of capital, goods and services, at first among industrialized countries, and then worldwide. Subsequently, NAFTA or ASEAN, as free trade areas, and the European Union, as regional integration organization, also have reinforced this trend.

In order to outline a "*competitiveness profile*" of a country, which characterizes its economy and allows to anticipate the way it may behave, WCY takes into consideration four dimensions of its competitiveness environment.

### 1. Attractiveness vs. Agressiveness

Attractiveness refers to the capacity of a country to increase, through adequate incentives, foreign direct investment (FDI), which create jobs in the host country and, hereby, has a beneficial impact on employment (strategy followed, for instance, by Ireland and Singapore). At the same time, one does not forget that attractiveness can be short on income because of incentives which should be ensured.

Aggressiveness refers to international penetration of a country, namely its exports and FDI (strategy followed, for instance by Germany, Japan and North Korea), generating income in the home country but not necessarily jobs.

The logical conclusion is that a country must consider in a balanced manner both attractiveness and aggressiveness in order to successfully compete on the international markets. It seems that the United States are the only country that follows such a strategy, the others focusing on one approach or another (Great Britain was aggressive and become attractive, Ireland is very attractive and not very aggressive in international markets, North Korea is not very attractive to foreign investments, etc.).

## **2. Proximity vs. Globality**

Proximity refers to traditional activities (crafts, administrative activities, social and personal services, consumer-support activities), which provide value-added close to the end-user, being, consequently, protectionist and expensive.

Globality refers to companies with international operations, capable to benefit from comparable advantages of markets worldwide, especially with regard to operational costs. The economy of globality is generally competitive and price effective.

The size and the economic development of a country have a strong influence on proportion between these two strategies. A large country, such as the United States, relies much on its huge domestic market, but its opening towards globalization is increasing. Smaller countries are more dependent on their economy of globality. As far as the Western Europe countries are concerned, it can be assumed that two-third of their GDP is generated by the economy of proximity and one-third by the economy of globality.

During the last two-three decades, the economy of globality has spectacularly gained ground, favored by the strong pressure the globalization exercised on prices, margins and wages.

## **3. Assets vs. Processes**

Assets refer to natural resources, land, and people which countries are endowed with. Some countries can be rich in such assets, but they are not necessarily competitive (for instance, Russia, Brazil, Nigeria, or India).

Processes refer to transformation of resources in goods and services. Other countries are poor in resources and have relied on transformation processes (for instance, Switzerland, Japan, Singapore). These countries are more competitive than those which rely on assets.

The distinction between these two possible strategies tends to be more and more blurred, since inherited assets are not necessarily only natural resources, but also infrastructure, industrial potential, and even education and know how can be considered assets that have been accumulated by past generations.

## **4. Individual Risk Taking vs. Social Cohesiveness**

Individual Risk Taking refers to the emphasis placed on risk, privatization, deregulation, entrepreneurship, and the responsibility of individual, giving secondary, even minimal, importance to welfare system. This approach is characteristic to the Anglo-Saxon model, put into practice in the United States and Great Britain.

Social Cohesiveness refers to an extensive welfare system, a more egalitarian approach to individual and social responsibilities and achievement of social consensus. The Continental European model relies on such approach, being met in such countries as France, Germany, and Italy.

Both models were the object of many disputes for many years, defenders of each model having strong arguments to reject the other model. However, in the last years the Anglo-Saxon model began to prevail. To this aim, the European Union placed in its policies an increasing emphasis on deregulation, privatization, precisely defining the individual and social responsibilities.

Another key factor that determines a country's competitiveness level is its value system, so-called *the national culture*. Obviously, there is a strong relationship between the culture of a country and its economic development. Empirical surveys have highlighted that according to the way in which countries develop, their values systems tend to evolve, following the next stages:

- Hard work, when people are totally dedicated to their jobs;
- Wealth, when people, although still work hard, pay more attention to increasing their own income;
- Social participation, stage in which people are less interested in hard work, but are more involved in shaping the society they live in;
- Self achievement, when people are less interested in pursuing societal changes and more interested in improving their private lives.

Besides the four main competitiveness factors aforementioned, it should also be taken into consideration the profound impact the actual technological revolution – materialized, especially, in computers, telecommunications, and Internet – has on the competitiveness of countries. Nowadays, technological infrastructure of a country cannot be considered in the traditional terms of energy, railways, telecommunications infrastructures or harbour and airports facilities. The new areas of modern telecommunications systems, connexions to the Internet, composite materials or biotechnologies are just a few of the technological priorities where the international competition is very strong. These new technological priorities require, of course, high skilled labor force, able to efficiently operate the new technological infrastructure. This is the main reason for which many countries heavily invested in the field of education, aiming at providing local and foreign enterprises with a qualified labor force that has IT skills.

In order to ensure a better connection between Research & Development activities, education system and technological infrastructure of enterprises, setting up of excellence research centers, and developing cooperation between local universities and enterprises are new co-ordinates of policies just as important for the competitiveness of countries as attracting foreign direct investments.

In this new context, the role of the State should be considerably changed. In the new world of competitiveness, the role and responsibilities of the State are different as compared to the old ones. The State continues to shape the competitiveness environment, using in this sense a lot of ways – taxation, privatization, legislative regulations, or education. It has to observe the so-called “Golden Rules of Competitiveness”, meant to ensuring a country to be more competitive and stand as such, formulated in the IMD World Competitiveness Yearbook 2006 as follows:

- “Create a stable and predictable legislative environment, provide macroeconomic and social conditions that are predictable, in order to minimize the external risks for economic enterprises;
- Work on a flexible and resilient economic structure;
- Invest in traditional and technological infrastructure;
- Promote private savings and domestic investment;
- Stimulate agresiveness on the international markets and attractiveness for foreign direct investment;
- Focus on quality, speed and transparency in government and administration;
- Maintain a relationship between wage level, productivity and taxation;

- Preserve the social fabric by reducing wage disparity and strengthening the middle class;
- Invest heavily in education, especially at the secondary level, and in the life-long training of the labor force;
- Balance the economy of proximity and globality to ensure wealth creation, while preserving the value systems that citizens desire”.

## **Romania’s Position according to the World Competitiveness Yearbook (WCY) 2007**

The WCY is the world’s most renowned and comprehensive annual report on the competitiveness of nations, ranking and analyzing how a country’s environment creates and supports the competitiveness of its companies. The WCY study relies on information from statistical data as well as hard facts taken from international and regional organizations and business executives. The study scorecard uses 312 criteria grouped in four categories - economic performance, government efficiency, business efficiency and infrastructure - based on statistical data and an executive opinion survey.

The US is still the world's most competitive economy but others are closing the gap, aided by better government performance and efficiency, according to the IMD report. Singapore and Hong Kong come second and third respectively, in the table of 61 national and regional economies, followed by Luxembourg and Denmark. Germany (16) is the top-rated large European Union country, with the United Kingdom at 20, France at 28 and Italy near the bottom at 42. While the top-ranked economies this year are broadly the same as last, further down the league table changes are more dramatic. China has leapt up the rankings, from 18 to 15. An outstanding economy losing ground is Japan (24 from 16).

The IMD's annual ranking compares the scores of each country on economic performance with the efficiency of their government, defined to include such areas as budget deficits and red tape. Governments making a positive contribution to competitiveness, with government ratings higher than economic ones, include Finland, Denmark and Jordan. The main government underachievers are Venezuela, Indonesia, Croatia, Poland Argentina, South Africa, Brazil, Turkey, and Mexico. But the economy also substantially outperforms government in the US and France.

Stéphane Garelli, professor at IMD, Director of the World Competitiveness Project, who directs the competitiveness program at Lausanne-based IMD, argues: "A growing gap between governments and economic performance is always a bad omen for the future". He notes that the governments of China and India are also lagging behind as they struggle to keep pace with the consequences of explosive economic growth.

"Failure to do so may create economic and social imbalances that could jeopardize what has been achieved so far," he said.

"Hong Kong and Singapore are catching up with the US because their governments are more in synchronization with economic performance," says professor Garelli. He points out the contrast between strong US economic growth and the huge US budget deficit and foreign debt.

According to the WCY 2007, Romania appears in a poor light, having 44<sup>th</sup> position, with a total of 47,286 points, and slipping from 41<sup>st</sup> position held in 2006. Only Philippines, Ukraine, Mexico, Turkey, Brazil, South Africa, Argentina, Poland, Croatia, Indonesia, and Venezuela performed worse. Meanwhile, of Romania peers and neighbors, the Czech Republic ranked 32<sup>nd</sup> (28<sup>th</sup> 2006 ranking, 59,624 points), the Slovak Republic 34<sup>th</sup> (33<sup>rd</sup> 2006 ranking, 57,722 points), Hungary 35<sup>th</sup> (35<sup>th</sup> 2006 ranking, 57,627 points), Greece 36<sup>th</sup> (36<sup>th</sup> 2006 ranking, 57,431 points),

Slovenia 40<sup>th</sup> (39<sup>th</sup> 2006 ranking, 55,172 points), Bulgaria 41<sup>st</sup> (41<sup>st</sup> 2006 ranking, 48,737 points), Russia 43<sup>rd</sup> (46<sup>th</sup> 2006 ranking, 47,315 points).

At a first glance, the study shows that Romania has a modest place within the world's most competitive countries. Among the European economies, several countries have an economy comparable to Romania's, such as Bulgaria, Italy, which comes 42<sup>nd</sup>, Russia and Ukraine, which comes 46<sup>th</sup>.

Neighboring countries have done better this year, maintaining their ranking held in 2006 or losing 1-4 rankings but having a superior position. Another Western European countries have also improved their rankings. While this improvement is rather modest for France (who passes from rank 30 to 28), and Belgium (who passes from rank 26 to 25), it is remarkable in Germany (who improves from rank 25 to 16) as well as for the Netherlands (passing from rank 15 to 8). The significant improvement of the German and Dutch economies can be related to major reform packages that have been implemented recently.

Competitiveness rankings are sensitive to indicators chosen and weights given to them. But they tend to be heavily influenced by current performance, one reason why the league table by the Geneva-based World Economic Forum does not usually diverge significantly from IMD's.

### **Assessments of the Countries' World Competitiveness Carried out by the World Economic Forum (WEF)**

According to the WEF, *national competitiveness is the set of factors, policies, and institutions which determine the level of productivity of a country*. Productivity, that means the use of available factors and resources, is the driving force that underpins the rates of return on investment, which, in turn, determine the aggregate growth rates of the economy. The determining factors, which operate as key drivers of competitiveness of a country, are numerous and diverse, including macroeconomic stability, institutions environment, education and training, innovation potential, reining in of corruption. As diverse the factors may be, their influence differ sensibly from one country to another, depending on its particular starting conditions or stage of development. At the same time, the factors that are critical for improving competitiveness of a country will themselves evolve over time, in the context of rapid changes in the global economy.

The studies work out by the WEF starts from the same prerequisites as those carried out by the International Institute of Management Development. According to these prerequisites, the global economy has undergone in recent years dramatic changes, engendered by the ruling out of international barriers to the flows of goods, services, capital and labor, and a speeding up of the scientific and technological progress' pace. The new technologies of computers, telecommunications, and the Internet favor the de-localization of activities, spurring enterprises to move their activities to lower cost environments. This, in turn, made the governments more sensitive to the need to create a friendly environment and to turn better to account the so-called "location advantages".

The Global Competitiveness Index (GCI), determined by the WEF, takes into consideration the factors that are critical to raising productivity and competitiveness, grouped in nine pillars:

- *Institutions;*
- *Infrastructure;*
- *Macroeconomy;*
- *Health and primary education;*

- *Higher education and training;*
- *Market efficiency;*
- *Technological readiness;*
- *Business sophistication;*
- *Innovation.*

The pillars and the factors underlying them should be considered as a whole, because none of them alone can ensure productivity and competitiveness.

Beyond these nine pillars, the GCI has some distinguishing features:

- countries are considered as functioning at different stages of economic development and, consequently, the relative importance of particular factors influencing the competitiveness of a country depends on its starting conditions. As a result, the GCI divides countries into three stages of development: factor-driven, efficiency-driven, and innovation-driven;
- the pillars are organized into three subindexes, each critical to a particular stage of development: a) *the basic requirements subindex*, which groups the pillars critical for countries to be found in the factor-driven stage (institutions, infrastructures, macroeconomy, health and primary education); b) *the efficiency enhancers subindex*, which groups the pillars critical for countries to be found in the efficiency-driven stage (higher education and training, market efficiency, technological readiness); c) *the innovation and sophistication factors subindex*, which includes the pillars critical for countries in the innovation-driven stage (business sophistication, innovation).

## **Romania's Position in 2006 according to the World Economic Forum**

The GCI's rankings for the 125 countries covered in the 2006 Report of WEF are marked by numerous significant changes concerning the results of the same countries registered last year.

The world's most competitive economy in 2006-2007 was that of Switzerland, which overtook Finland and Sweden, and replaced the United States. Switzerland's top ranking is explained by a combination of high innovation potential and high business sophistication, namely those pillars critical to countries in the innovation-driven stage. The distinctive feature of the country consists in a well developed structure of scientific research, close collaboration between leading research centers and industry, substantial expenditures of companies for research and development, strong intellectual property protection, flexible labor markets, an excellent infrastructure, high respect for the rule of law, high level of transparency and accountability within public institutions.

Despite the fact that the United States remains a world leader in a number of key pillars such as higher education and training, market efficiency, business sophistication and innovation, it is ranked the sixth in 2006. Growing imbalances, and the levels of efficiency and transparency underpinning its public institutions are the main reasons for the worsening of its ranking.

The Nordic European countries – Finland, Sweden, and Denmark – are among the top performers, occupying second, third and fourth places, and having a broadly similar profile as Switzerland.

The other European Union countries, except for Italy, remain relatively stable. Germany and the United Kingdom are ranked eighth and tenth, respectively, both turning to account the pillars in which they excel – market efficiency, technological readiness, business sophistication, and innovation. France's overall rank of 18 (12<sup>th</sup> in 2005) demonstrates the existence of some



inbalances among the pillars critical for its competitiveness. Italy's competitive position has continued to worsen (42 rank in 2006, 38 in 2005), due, mainly, to rising budget deficits and poor underlying macroeconomic environment. .

By 2006, Poland remained the worst performer among the EU countries, with a rank of 48 (43 in 2005), well behind Estonia (25, 26 in 2005), the Czech Republic (29, the same rank in 2005), Slovenia (33, 30 in 2005), the Slovak Republic (37, 36 in 2005), Hungary (41, 35 in 2005). The worsening of their situation is due to highly protected and rigid labor markets, and lack of deep institutional reforms.

As far as Romania is concerned, it occupied a modest rank – 68 (67 in 2005), well behind the Central and Eastern Europe's top performers – Estonia, the Czech Republic, and Slovenia. The main reasons for such a low place are a lack of sound and credible institutions, poor infrastructure, macroeconomic stability, a scanty health system, suitable primary education, higher education and training, low market efficiency and technological readiness, poor business sophistication, and low innovation potential.

The competitiveness landscape of the Central and Eastern European countries, Baltic countries, Albania, Moldova, and the Russian Federation, detailed on subindexes aforementioned, is shown in the table 2, table 3 and table 4.

**Table 2.** GCI: Basic requirements

Country	Basic requirements		1 <sup>st</sup> pillar: Institutions		2 <sup>nd</sup> pillar: Infrastructure		3 <sup>rd</sup> pillar: Macroeconomy		4 <sup>th</sup> pillar: Health and primary education	
	Rank	Score	Rank	Score	Rank	Score	Rank	Score	Rank	Score
Albania	92	3,98	108	3,09	121	1,92	83	4,21	34	6,68
Bulgaria	62	4,50	109	3,07	65	3,41	35	4,92	39	6,61
Czech Republic	42	4,89	60	3,84	33	4,50	42	4,81	58	6,42
Estonia	30	5,31	30	4,70	30	4,66	16	5,31	43	6,58
Hungary	52	4,64	46	4,18	48	4,05	98	3,94	66	6,39
Latvia	41	4,90	50	4,07	39	4,33	34	4,93	79	6,27
Lithuania	45	4,80	59	3,86	44	4,14	41	4,82	70	6,37
Moldova	88	4,09	101	3,18	85	2,77	67	4,41	92	6,01
Poland	57	4,59	73	3,62	57	3,64	70	4,34	26	6,76
Romania	83	4,19	87	3,40	77	3,05	97	3,94	69	6,38
Russian Federation	66	4,43	114	2,97	61	3,52	33	4,95	77	6,29
Slovak Republic	47	4,70	53	4,03	47	4,08	68	4,37	74	6,31
Slovenia	36	5,17	43	4,27	32	4,51	29	5,08	19	6,83

Source: Augusto Lopez Claros, World Economic Forum, Executive Summary, pag. XVIII-XIX, 2006

**Table 3.** GCI: Efficiency enhancers

Country	Efficiency enhancers		5th pillar: Higher education and training		6th pillar: Market efficiency		7th pillar: Technological readiness	
	Rank	Score	Rank	Score	Rank	Score	Rank	Score
Albania	99	3,12	92	3,24	109	3,55	104	2,56
Bulgaria	70	3,67	62	4,05	90	3,75	68	3,21
Czech Republic	27	4,73	27	5,04	41	4,43	26	4,74
Estonia	19	5,18	23	5,26	25	4,98	16	5,29
Hungary	32	4,57	30	4,93	37	4,61	36	4,18
Latvia	36	4,48	28	5,01	40	4,44	43	3,98
Lithuania	38	4,44	29	4,97	45	4,35	42	3,99
Moldova	85	3,38	73	3,78	92	3,73	96	2,52
Poland	48	4,17	33	4,79	64	4,16	51	3,56
Romania	55	3,99	50	4,34	76	4,03	49	3,59
Russian Federation	60	3,51	43	4,44	60	4,20	74	3,10
Slovak Republic	34	4,56	38	4,52	34	4,66	30	4,50
Slovenia	30	4,58	26	5,07	63	4,17	29	4,51

Source: Augusto Lopez Claros, World Economic Forum, Executive Summary, pag. XX-XXI

**Table 4.** GCI: Innovation factors

Country	Innovation factors		8th pillar: Business sophistication		9th pillar: Innovation	
	Rank	Score	Rank	Score	Rank	Score
Albania	121	2,57	115	3,10	125	2,04
Bulgaria	85	3,26	84	3,59	87	2,93
Czech Republic	27	4,47	29	4,96	28	3,58
Estonia	32	4,24	35	4,65	30	3,83
Hungary	39	4,08	49	4,34	31	3,82
Latvia	58	3,74	54	4,28	66	3,19
Lithuania	44	3,96	41	4,56	50	3,35
Moldova	98	3,09	93	3,46	100	2,72

Table 4. (cont.)

Poland	51	3,80	63	4,13	44	3,47
Romania	73	3,52	73	3,89	68	3,14
Russian Federation	71	3,55	77	3,83	59	3,28
Slovak Republic	43	3,96	45	4,41	42	3,51
Slovenia	34	4,18	36	4,64	34	3,71

Source: Augusto Lopez Claros, World Economic Forum, Executive Summary, pag. XX-XXI

As one can see, Romania has slightly moved backwards in 2006 as compared to 2005, on account of the delay in achievement of deep reforms in economic, social, and institutional areas, lack of a clear development strategy to be pursued, lack of transparency, persistence of corruption. The analysis of contextual factors influencing the country competitiveness in the context of globalization highlights the detailed explanations of its poor rank:

- as regards *the basic requirements* of GCI, Romania is ranked 83rd this year, well behind Slovenia and Latvia, the most advanced CEEC performers from this view point (ranks 36 and 41, respectively), but also behind Bulgaria (62) and the Russian Federation (66); the poorest Romania's performances regarding the specific pillars of the basic requirements subindex were registered in the areas of infrastructure (rank 87, 3,40 score), and macroeconomy (rank 97, 3,94 score);
- concerning *the efficiency enhancers* detailed above, Romania is ranked 55th, well behind the other former socialist countries, except Bulgaria, the worst performers being Albania (99th) and Moldova (85th). The best Romania's performances regarding the specific pillars of the efficiency enhancers subindex were registered in the areas of the 7th pillar – technological readiness (49th rank) and the 5th pillar (50th rank); these performances are quite surprising, the decline of the Romanian Research & Development activities and education system being well known;
- as far as *the innovation factors* are concerned, Romania has also a modest rank - 73, being largely outrun by the neighbour countries, except Bulgaria (85), and Moldova (73), but behind the Russian Federation (71); for specific pillars of the GCI innovation factors, namely Business sophistication and Innovation, Romania has broadly similar ranks - 73th and 68th respectively.

An amazing fact is that Romania has a better position in the efficiency enhancers and innovation factors's areas, corresponding to the efficiency-driven and, respectively, the innovation-driven stages, than in the basic requirements, corresponding to the factor-driven stage which, in fact, the country is found in. This aspect indicates that Romania has still a long way to go over for ensuring solid and sound pillars critical for its economic and social development – institutions, infrastructures, health, primary education. At the same time, the better positions occupied in areas of the other two subindexes show that Romania has some potential competitive advantages which should be carefully assessed and strongly developed by realistic appropriate strategies.

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2. \*\*\* *The 2006 Report of WEF*, World Economic Forum, Geneva, 2006

## Globalizare și competitivitate

### Rezumat

*Articolul tratează relația dintre globalizare, ca trăsătură definitorie a lumii contemporane, și competitivitate, ca armă strategică primordială în confruntarea economică mondială. De asemenea, articolul prezintă evaluări ale competitivității mondiale a țărilor efectuate de către Institutul de Management al Dezvoltării (IMD, din Indexul Competitivității Mondiale, WCI) și Forumul Economic Mondial (WEF). O atenție deosebită este acordată României în lumina acestor două evaluări și cauzelor care explică performanțele sale modeste în termenii competitivității mondiale.*