Abstract

The increasing of complexity and the increasing of the business environment variability in general and of the international business environment in particular, were key issues of awareness of strategic problematic of the international competitiveness of firms and of intensifying efforts to resolve the many and various aspects of it.

This paper is addressed to all those interested in interesting and important issues of competitiveness in general and international competitiveness in particular. This paper is added to the bibliography devoted to the field and aims to meet the information, assimilation and promotion requirements from the triad perspective: competition - competitiveness - competitive advantage and to undertake a systematic research and some pragmatic guidelines for addressing analysis of the competitive environment in which firms operates.

Keywords: competitiveness, competitive advantage, competition, ranking.

JEL Classification: F50, O50, O57

Introduction

Competitiveness can be quantified though there is no precise theory of rules for determining the economic performance of nations. Are growth rates of production, exports or employment appropriate to existing resources? In what measure local firms are innovative? Workers are sufficiently skilled? Is industrial infrastructure consistent with the needs of the new economy? In which measure the economy takes part to the know-how flows? These questions can be answered through a comparative analysis, in which the term of comparison is the best result achieved (best practice).

Romania’s position in international rankings

There are a variety of indicators used by authorized institutions which have dedicated assessment of competitiveness, such as the International Institute for Management in Switzerland, World Bank, the World Economic Forum, etc. But these indicators differ from one institution to another, whereas many factors taken into account are subjective. However, if we are to compete in the global market, we must take account of these indicators and to take appropriate decisions.

Following we will present only a part of them.

The World Economic Forum in its report on global competitiveness (Global Competitiveness Report), using the index called the Global Competitiveness Index.
Global competitiveness index is a composite of 12 sub-indicators. Some of them are obtained through survey among managers; some are produced by processing of statistical data.

Through this indicator, on international level, the most competitive economies in the world are USA, Switzerland and Denmark. The recent financial crisis in the U.S. and the Denmark entrance into recession raises major problems even for the most competitive economies in the world.

As regards Romania:
- According to the index of global competitiveness, Romania was ranked 68 of 131 countries in a slow growth from the site occupied by a 74 year ago. After the score obtained on a scale from 1 (worst) to 7 (best), Romania recorded 4.1 points, 4.0 points from last year. But Romania remains the EU country penultimate in terms of competitiveness, only outrunning Bulgaria (which was ranked 76).
- For the first time since Romania is in this report (from 2001), the biggest problem for business in Romania is policy instability. A year ago the instability of public of public policies was mentioned only 7 ranks among the obstacles to the business environment. In 2008, the barriers are: the level of taxation (12.8%), the complexity of tax regulations (11.2%), government bureaucracy (10.8%), and inadequate infrastructure (9.7%).
- Romania ranks 76 to macroeconomic stability - rising eight places outrunning Portugal. However, a number of indicators have deteriorated, such as savings rate - the 104 place, down three places, the budget deficit - the 98 place, down 16 places, the rate of inflation - instead of 89, falling 26 places.
- Romania ranks 105 to infrastructure - down five positions, being the last place among countries in the EU. To the chapter of quality of roads, Romania is ranked 126 of 131 countries. How is nevertheless difficult to argue that Romania is ranked after countries as Zimbabwe (88 place) and Burkina Faso (place 104), more relevant comparison is the comparison with other European countries. Germany and France are on the first two places, Hungary on 57, Bulgaria on 95, and Poland on 96.
- Romania is ranked 124 in the transparency of public policies, 113 in favoritism in government decisions, and 111 to waste of public money - which confirms that the way in which policies are made public is the biggest competitive disadvantage of Romania today.
- Romania has made progress in technological indicators, particularly as the number of internet users (instead of 23, rising 28 places) and mobile (place 50), and some progress in private spending on research (instead of 74, up 15 places) and the intensity of local competition (instead of 82, up 4 places).
- Romania has made significant regression in the labor market indicators, especially with regard to wage flexibility policy (instead of 81, down 44 places), redundancy costs (instead of 14, falling 9 seats) and the link between wages and productivity (instead 72, down 13 places).

The level of economic development explains significant and positive the effectiveness of competition systems, but lost as its relevance as countries have
experienced greater competition law. In other words, the institutional learning curve supreme long before the GDP per capita. This may explain the ranking of Romanian competition effectiveness after many less developed countries, except Indonesia (first law of competition is in 1999), Jordan (2000), Morocco (2000) or Barbadosului (2003). Intuitively, it seems reasonable the conclusion that the perceived level of corruption is higher; the effectiveness of competition law implementation is lower. But some tests show otherwise. Interpretation of the two results becomes interesting. On the one hand, interest groups are those which can support the introduction of competition legislation. On the other hand, effective implementation can be realised by other interest groups. A possible explanation is, therefore, the idea that competition law is subordinate to the specific interests of some groups, politicians or firms, and operates as a mechanism to promote real competition in a market. The fact is that the competition is not a remedy against corruption, as sometimes suggested literature, but the legal reform and, in our case, the proper functioning of the National Integrity Agency. The main risk remains that the greatest competition law to be captured by certain interest groups, as opposed to the fundamental principle of defending competition and not competitors.

Figure no.1. Romanian relative positioning to the average of market efficiency sub indices, 2007

<table>
<thead>
<tr>
<th>Sub indices</th>
<th>Romania</th>
<th>World average</th>
<th>Romania’s place in the world, 2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market domination level</td>
<td>3.9</td>
<td>68</td>
<td>29</td>
</tr>
<tr>
<td>Restrictions on the foreign investors</td>
<td>4.2</td>
<td>81</td>
<td></td>
</tr>
<tr>
<td>Comptetional distortions induced by taxes and subsidies</td>
<td>3.9</td>
<td>69</td>
<td></td>
</tr>
<tr>
<td>Antitrust policy efficiency</td>
<td>3.4</td>
<td>67</td>
<td></td>
</tr>
</tbody>
</table>


Heritage Foundation publishes annual report on economic freedom index (essentially, a comparative assessment of the degree of liberalization in all national economies) since 1995.

2009 edition of the publication Economic Freedom Index and evaluate savings from aggregate regional level, throughout the five geographical areas.

At European level, the regional index of economic freedom is 66.3% and Romania ranks 29 (31 in 2007) in all the 41 countries assessed.
Romanian economy position in international rankings

<table>
<thead>
<tr>
<th>Area</th>
<th>Romania</th>
<th>Europe</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total medium index</td>
<td>50,8</td>
<td>58,9</td>
</tr>
<tr>
<td>Business environment</td>
<td>30,0</td>
<td>74,5</td>
</tr>
<tr>
<td>Trade regime</td>
<td>65,4</td>
<td>63,4</td>
</tr>
<tr>
<td>Tax policy</td>
<td>80,1</td>
<td>91,7</td>
</tr>
<tr>
<td>Budgetary expenses</td>
<td>74,8</td>
<td>74,2</td>
</tr>
<tr>
<td>Monetary policy</td>
<td>62,6</td>
<td>66,6</td>
</tr>
<tr>
<td>Investments</td>
<td>30,0</td>
<td>50,0</td>
</tr>
<tr>
<td>Financial-banking system</td>
<td>50,0</td>
<td>50,0</td>
</tr>
<tr>
<td>Property right</td>
<td>30,0</td>
<td>30,0</td>
</tr>
<tr>
<td>Corruption</td>
<td>28,0</td>
<td>29,0</td>
</tr>
<tr>
<td>Labor force</td>
<td>57,0</td>
<td>59,8</td>
</tr>
</tbody>
</table>


Thus, the overall freedom to lead a business (free business environment) is estimated at 74.9 points (above the world average 64.3 points) and is well protected by regulations in Romania.

Also, Romania's trade policies are similar to other EU Member States so that free trade of our country is estimated at 85.8 points (as the world average is 73.2 points) and the financial system is in accordance with international standards and has been reinforced by a recent reform and privatizations (assessment for fiscal freedom is 70.2 points, and financial freedom is 50 points, slightly above the world average of 49.1 points).

Figure no. 3 The evolution of Economic Freedom Index according to Heritage Foundation forecasting, 1995 - 2007

Heritage Foundation economic freedom distributed globally on a scale from 1 to 100, the following assessment groups:

- 0-49, 9: economic repression;
- 50-59, 9: economic environment largely restricted;
- 60 - 69.9: moderate economic freedom;
- 70 - 79.9: economic environment largely free;
- 80 - 100: free economic environment.

Comparability in the long term is so vitiated by the increase in the number of countries included in the sample and the inclusion since 2007 of the 10th sub indice work of freedom. During 1995 - 2006 were weighted only 9 subindics of economic freedom.

**Figure no. 3 The evolution of competition policy index, according to EBRD forecasting 1989 – 2006**

In terms of freedom of investment, Romania has a score of 60 points, above the world average of 48.8 points.

Romania stands but not too good with budgetary expenses (47.1 points) and especially to the three chapters on freedom of work (where Romania has a score of 57.1 points below the average of 61.3 points), the enforcement of property and corruption (it is mentioned in particular corruption in justice and administration).

Moreover, in conjunction with analysis of all these last chapters, Heritage Foundation experts stress that the judiciary in Romania remains vulnerable to corruption and inefficiency.

Romanian business environment ranks 47 in the world. Compared with last year, has not advanced any position, but has not decreased, shown in the Doing Business report in 2009, developed by the World Bank. This is not surprising if we consider that the reforms were a little off after EU accession.
World Bank analysts have identified that there were 239 worldwide reforms last year, which enabled business to be carried out easier.

Romania can brag with a single reform that has had positive influences on business: was simplified procedure for implementing judicial decisions, eliminating the need to issue an order to execute the decision. This shortened the waiting period from one month, from 120 days to 90 days.

On top of the ranking at the global level during the past three years was, Singapore, thanks to “friendly” environment for business and labor law. There are small fees, this may be paid quickly, and generally, the technology is applied in any field. A new company can be launched in a few days due to improvements made to
the electronic service business in Singapore. The smallest country in Southeast Asia continues to have the best laws in the world to encourage investment and to protect borrowers.

At EU level, in the first place is Denmark, whose economy is the only in the world which allow total free start a business. However, contractors must demonstrate they have sufficient capital in the bank. Registration lasts six days and requires only four procedures.

With relatively strong laws for creditors and for those who take loans, with legislation that facilitates hiring and firing workers, Denmark is the second consecutive year among the most suitable countries for initiating a business.

Danish reforms of 2007 and 2008 included a reduction of corporation tax, which dropped from 28% to 25%. However, to register a property it lasts rather long, on average 42 days. The six procedures require 69 days to be processed.

EU countries that rank on leading places in this classification are: Denmark (5), Britain (6), Ireland (7), Finland (14), Sweden (17), Belgium (19), Estonia (22), Germany (25), Netherlands (26), Austria (27), Lithuania (28), Latvia (29), France (31), Slovakia (36), Hungary (41), Bulgaria (45), Romania (47) Portugal (48), Spain (49), Luxembourg (50). Rating indicators seeks time and cost to meet government conditions for the establishmen, operation, trade, taxation and closure of companies. It is not like pointing the macroeconomic policy, quality of infrastructure, national currency instability, investor perceptions or crime rates.

Conclusions

At the current level of development of Romanian economy, the urgent need for urgent structural reforms tend to need to shadow subtle, but equally important to innovation. While the EU is concerned about social cohesion, for job creation and prioritization of research and development, these measures seem less applicable to Romania, where restructuring (including eliminating jobs), limiting salary expenditure, controlling inflation and improving primary business environment (including the aggregate of payments) are a priority. While integration in the single market without a functioning market economy is not possible, failure to focus sufficient preparation capacity to manage competitive pressures may harm the country's position. On long-term, decisive measures in research-development-innovation (RDI) may be the key to reconciling the two sets of objectives.

Competitiveness is in a large measure a matter of attitude, of mentality.

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