

ROMANIAN TRADE IN SERVICES UNDER THE IMPACT OF GLOBALIZATION

Diana Soca

Abstract

The market globalization tendency means acceleration and at the same time, thoroughness of external exchanges of goods, services and capitals, accompanied by a greater international mobility of resources and by an increased competition.

In the globalization context, trade in services holds a more and more important role, given the fact that such activities reached to a point in the world's developed countries that they contribute by 70% in GDP creation and in employment, and they represent 65-70% of FDI's total stock.

As EU member, Romania is directly interested in reducing the gaps that separate it from developed countries in terms of both macroeconomic structure as well as volume and structure of its trade in services.

Keywords: Globalization, Trade in services, New economy of services

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1. Introduction

To a larger extent, the economic globalization process may be defined as a dynamic process of increasing the interdependency between national States as a result of their expansion and deepening of connections between them and different spheres of economic, political, social and cultural life.

Tackled from economic and financial point of view, globalization may be defined as strengthening and expansion of connections between national economies on the global market of goods, services and especially capitals.

Globalization became an implacable objective process that sometimes travels by a tremendous speed, encompassing almost all world States.

The globalization determining factors are the following:

- Liberalization of trade in services, especially in the fields of telecommunications, insurances and banking, which stood for the dominant tendency in the seventies in USA, continued in the eighties in Great Britain and subsequently in the European Union and Japan. The tendency also continues nowadays, including the countries of Central and Eastern Europe, among which Romania as well;

- Liberalization of capital markets as a result of gradual elimination of the obstacles in money and capital circulation, which stands for an advantageous step in the creation of global financial markets;

- FDI liberalization;

- Common interest of the humanity in preserving the environment, materialized by the advent, starting with the seventies, of new concepts on global calling (common goods of the humanity, sustainable development and ecologic security), which stood for new factors activating the globalization process of the world economy.

Such evolutions were based on the technical – scientific revolution in the field of information and communication, marking out the end of the 20th century (global liberalization of exchanges), the extension of transnational corporation related activities, economic interstate integration.

Taking into account the complexity of globalization related phenomenon and its consequences, more and more experts speak out nowadays to take into account both facets of the matter.

Emphasizing the incontestable advantages of free economic exchanges, without any obstacles, between nations, the globalization supporters predominantly emphasize the advantages generated by it, such as: increase of productivity and improvement of life standards by reducing the production and commercialization costs (as a consequence of economies of scale), easiness in transaction performance (within which the exchange of merchandises is made almost in real times with the negotiation, resorting to modern communication systems – fax, internet, etc.), increase of the speed by which commercial, financial and technological operations are carried, creation of markets more detached from certain sources or traditional areas, etc.

An efficiently implemented globalization, such as the successful development of a great part of East Asia, may contribute to the progress of emerging countries, but also of developed ones, asserts Joseph E. Stiglitz, laureate of Nobel Prize for economic sciences.

Nevertheless, on the other side, globalization may represent a threatening source of workplaces by opening the frontiers to imported, more competitive products, or by massive dismissals of personnel, as a consequence of great industrial corporations' merging, or, it can be a source of financial distress through speculative capitals (for ex., the case of Asian countries, where the financial crisis triggered social havocs due to speculative capitals that abandoned the region in the mass).

One of the major mutations in the world economy under the impact of globalization is the tendency of national economies towards economic structures in which service sector is predominant. Some authors called this phenomenon a new type of society that may be characterized as an "economy of services", with specific characteristics different from the "industrial" or "postindustrial" development model.

In perspective, the development of the “economy of services” must be considered as a global progress since it does not only involve a growth in this sector, but also in the entire economy, as the service related functions are integrated in multiple activities from different economic sectors.

Its main characteristic is the horizontal integration of all productive activities, given the fact that each year, services develop on an unlimited basis (financial, telecommunications and transport, maintenance and engineering).

The essence of the “new economy of services” includes aspects aiming to:

- Maximize the combined usage of products and services during their life cycle;
- Performance and real usage of products integrated in a production-consumption system;
- Operation of production-consumption system as a system of slow replacement of goods, based on the extension of products’ life cycle according to the 4Ps – reusage, repair, reconditioning, recycling – ensuring a sustainable development without restricting the economic growth or the social or technical progress.
- Passage to a small series production that contains products partially or totally adapted to customers’ requirements, complex and diversified, claiming a high – qualified workforce as well as high research expenses/ increase of budgets allotted to research.

2. Internationalization of service related activities and trade in services at EU level

Services were considered, not until recently, as having a more reduced capacity to be traded in comparison with goods, due to the characteristics that distinguish them from the goods (intangibility, impossibility to stock them, inseparability, changeability).

The reality infirmed such considerations, since the international transactions with services are nowadays a major component of the international value stream and a preoccupation for decisional factors of commercial politics, as well as for the participants in multinational negotiations regarding the liberalization of international trade.

The production related globalization and the tendency of liberalizing the trade in merchandises to the EU spirit also extended over the immaterial sphere, while the demand for services became more exigent, more informed, more homogenous and more pervious to the efforts undertaken by specialized companies to valorize their offer and production capacities.

The service related transactions are stimulated by the following factors:

1. New technologies such as internet and e-commerce
2. Opening of commercial activities through high – level negotiations such as GATS Rounds, which emphasize the competitiveness of those markets specialized in specific services.

3. Regional commercial blocks such as EU or NAFTA - They intend to eliminate the barriers between their members, the fosterage of international trade in services such as air transport or financial services, which influence demand by increase of great markets

4. Legislation and governmental support. The governments of countries such as India, Singapore, Indonesia, Brazil, Mexico, encourage the activity of their own service markets.

5. Efficient transport infrastructure, high-performance international mail services and cheap flights. All of them had an effect over the cost of international services, rendering them cheaper and more competitive.

According to the level of the necessary investments, of the presence and control level of exporting companies on the foreign market, the service internationalization may be achieved in three ways:

- By export – this situation supposes a minimum deal of investments, control and presence. In such a case, the tenderer may externalize its activity without leaving the country of origin. It exports services through merchandises, using, as in the case of the export of goods, the distribution network on the foreign market or concluding sale agency agreements with local service tenderers. In addition, the sale may also be achieved directly towards the user by means of telecommunication networks (for telephone services, added value telecommunication services, certain banking services) or the companies that dispatch via mailing, flexible disks of international financial information, consultancy technical reports, etc.

- By agency – this situation supposes an average level of investments, control and presence on the foreign market. The customary means of internationalization through agency are the franchise, the licensing, partnership and distribution through joint ventures – i.e. involvement of a third party belonging to the foreign market. The investments may be financial or take the form of management and consultancy. In this case, the objectives of the internationalization strategy are quality maintenance and control of the services provided. Transport (on sea, air, road), restaurant and hotel chains, fast-food chains, teleshopping, email are classic examples used for internationalization through mediators.

- By FDI – this situation supposes a maximum level of investments, control and presence on the foreign market. This category includes the most conventional strategies of service internationalization. They intend a direct interaction of the tenderer with the user or clients by means of its own branches, subsidiaries or even by means of acquisitions and amalgamations with companies on the foreign market.

In reality, very few services are internationalized, as people resort to a single means of entering the foreign market.

The technical mutations within services, as well as those transferred to service delivery system, allow or even oblige companies to simultaneously resort to more means of internationalization that suppose different levels of presence, control, investment related effort and risk.

According to WTO, Europe, as a region, holds the highest percentage in service world trade, by over 43.3% from exports and over 30.7% from imports in 2011, followed by USA (9.2% export and 7.7% import), Japan (4.5% exports), Singapore (4.3% exports), China (7.3% from imports) and India (5.2% from import).

EU registered a growth by 11% in exports as opposed to the previous year, and in terms of imports, the growth was by 9% as opposed to 2010.

If we consider EU as one single entity and we exclude the commercial exchanges of services carried out within EU, then the EU-27 becomes the greatest importer and exporter worldwide (24.7 of the global exports of services and 21.1 of the total imports of services).

Five of the first member States of EU are on the list of the main 10 service exporters worldwide, holding important places in global service exports: Great Britain – 6.6% second place, Germany – 6.1% third place, France– 3.9% 5th place, Spain– 3.4% 8th place, Netherlands – 3.1% 9th place. The other positions are adjudicated by USA as well as by some emerging countries such as China – 4th place and India – 6th place, which have recently entered the hierarchy of the Top 10 world exporters.

Globalization, propelled by the progress registered in information and telecommunication technology, by a more emphasized economic opening and by increase in size and sphere of geographic coverage pertaining to multinational companies, determines an extensive integration and interdependency of the markets. Nevertheless, at the same time, the economic crisis that started at the end of 2007 and which is the deepest in the post-war period, still continuing nowadays, proved that a more emphasized integration of markets means that the economic and financial shocks shall be sent across the international borders faster than previously and there shall be no country in the world not affected by the global interdependencies.

The amplification of service related economic relevance in all modern economies, implicitly in EU, must firstly be associated with the accelerating globalization process of such activities and with the growth of service related capacities to stand as object of international exchanges. This process is manifested in the form of two inter-correlated dimensions, a sustained growth of the trade itself (trans-frontier with services) and dynamic expansion of FDI flows within services sphere.

3. Trade in services in Romania

The statistics published by RNB regarding the evolution of payment balances in 2011 shows that two years after consecutive contraction, trade in services in Romania regained control in 2011, on a one-year delay as opposed to trade in goods, which recorded an increasing line ever since 2010. After a 19% decline in 2009, and by 6% in 2010, the value related volume of Romanian service exports increased by 10% in 2011, totaling 7.3 billion euro. The service imports increased by 11% in 2011, reaching to 6.9 billion euro.

Following the analysis of service exports dynamics in Romania on the three major components – transport, tourism and “other services”, we can notice that the overall relaunch of service exports in 2011 was first of all due to the increase by 18% of transport related collections (after their decrease by 23% in 2009 and by 7% in 2010) and increases by 18% of tourism collections (after the reduction by 35% in 2009 and by 3% in 2010). In exchange, the growth rate of services included in the category “other services” was of only 4% in 2011 after a decline of 13% in 2009 and 7% in 2010. Along with construction related services, this heterogeneous component encompasses, among others: communication, financial and insurance services, informatics, legal, consultancy, advertising, marketing, research – development services, etc., i.e. all services used as inputs in the production process and decisive for the growth of efficiency and competitiveness in all fields of activity carried out by companies, reason for which they are also called business services or services provided to enterprises.

The structure of service exports in Romania on the three components shows that in 2011, transport held 31% of the total collections from service export, tourism recorded 14% and services encompassed in “other services”, 55%.

We can notice a relatively high percentage as compared to global average (21% in 2011) of transport, which is considered as pertaining to the category of traditional services. Instead, the percentage of tourism services is very low as compared to global average (25% in 2011) as well as to our country’s appreciating touristic potential.

The continuous growth of “other services” component in Romania’s total exports and the reaching of 55% threshold in 2011 – similar to the European global average, reflects qualitative mutations in the Romanian structure of trade in services, since this component includes the service category considered advanced services.

Visa removal for Romanian citizens and the possibility of free circulation in Schengen territory, as well as the right of Romanian citizens and companies to settle on EU territory has a significant importance for the Romanian emerging private sector, given that this right offers the possibility to Romanian citizens to initiate and deploy independent economic activities. Such new opportunities were open for Romanian small providers of business services and especially professional services (engineering, architecture, informatics) and implicitly for Romanian export of services.

The exports of certain categories of services exceeded in 2011 the imports, generating commercial excesses. It is about information services (of an excess of 333 million euro), advertising, marketing and public survey services (210 million euro), communication services (176 million euro), construction services (74 million euro), architecture, engineering and other technical services (64 million euro) and research-development services (48 million euro).

On the other side, in important service categories, imports systematically exceeded the value of exports, as Romania registered structural deficiencies, which reflects competitive disadvantages in the related fields. In particular, we refer to legal

services, accounting and managerial consultancy services (-344 million euro in 2011), financial services (-258 million euro), insurance services (-184 million euro), audio-visual services, license fees and copyrights (-136 million euro).

Nevertheless, the reduced financial capacity of Romanian service provider companies, the lack of certain skills to connect to global networks, along with the absence of international fame, make it impossible for now to notably expand under the form of FDI on those service markets extremely competitive of EU member States. It is expected that benefits for the Romanian service sector to rather come from an increased involvement of EU member States on the Romanian territory under the form of FDI, as their increased inflow may attract modern technologies, know-how and organizational skills, which are essential for the modernization of the national service sector.

Modernization, in its turn, may lead to growth in diversity, quantity and quality of services provided both to final consumers as well as intermediary inputs intended to other branches of the national economy, of a favorable impact over competitiveness growth when it comes to Romanian products on foreign markets.

A service sector of which the perspectives are among the most auspicious ones regarding the contribution to added value, exports and foreign currency collections is represented by tourism.

It is well known that in terms of beauty and diversity of natural landscapes, of spiritual, cultural and historical inheritance, Romania is situated among the most endowed countries in the world. The valorization of its immense touristic potential is possible through mobilization of national efforts materialized in drafting efficient sector policies. Their development depends upon settlement of internal problems (unemployment, insurance of a significant offer for national consumers, creation of conditions for the operation of a real and loyal competition of benefic effects over internal prices and implicitly over life standards) as well as upon the intense Romanian integration on the European market, providing benefic services and products for the health and comfort of European consumers.

In addition, it is necessary to discover new funding sources and to attract new capital investments for the execution of vital projects regarding the development of touristic activities, construction of a modern road network, modernization of the existent touristic base, building of new touristic and recreation centers).

Romania has a significant export related potential that has never been sufficiently valorized so far as it is the case of certain services such as constructions, information services (for which our country has a highly qualified workforce in excess in fields such as electronics and software industry), medical services, professional services (engineering, architecture, technical consultancy). The European culture, the high educational level in science and profession, the relatively low level of wages and life expenses provide a potential cornerstone on which shall lay the future development of certain competitive advantages in service related sphere.

4. Conclusions

The extent to which the Romanian economy shall be able to cope with high demands regarding its integration in the European structures depends upon the following:

- Our country's endowment of production factors and valorization of the opportunities it disposes in order to consolidate its capacity to generate service flows in service sector

- The extent to which, in terms of decisional factors, the service related strategic role shall be apprehended in the process of building a new modern economic structure, as well as upon the means by which this apprehension shall be materialized in a coherent politics of development in the national service sector.

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