ASPECTS REGARDING THE EVALUATION OF COMPETITIVENESS AT GLOBAL LEVEL- ROMANIA'S SITUATION

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ABSTRACT

The work paper presents the importance of annual Global Competitiveness Report realized by a group of specialists of World Economic Forum, report that contain an detailed economic profiles for all 117 analyzed countries, giving an general image about their positions in keeping with the competitiveness index, being, in the same time, an important guide with advantages and disadvantages for all analyzed countries .Then, will be presented the classification of the most competitive states, and in the last part of the work paper is dedicated to Romania, being reviewed the main indicators of competitiveness
Keywords: competitiveness, indicators of competitiveness, global competitiveness

WORLD ECONOMIC FORUM AND THE GLOBAL COMPETITIVENESS REPORT

World Economic Form (WEF) is the most important global community regarding the business, politics, intellectual field and other leaders of social domains implicated in improving the world's status. Created like a foundation, with headquarters at Geneva, Switzerland, World Economic Forum is independent and non-profit, haven't political affiliations or national interests. The Forum has an statute of nongovernmental organization consultative with Economic and Social Council of the ONU.

World Economic Forum continue to extend its geographic area for analyze by *Global Competitiveness Report ,* that today contains 117 economies, few of the latest incomes being Kuwait (33), Azerbaijan (69), Armenia (79), Moldova (82), Mongolia (96), Qatar (19), Albania (100), Guyana (115). All these aspects have to prove the importance of the Report, being one of the most important.[1]

"The Global Competitiveness Report, being at the 25th edition became a primary source of information by highlighting the strengths and weaknesses of more than 100 economies, incuses in GDP global. Is a contribution to enhancing our understanding of the key ingredients of economic growth and prosperity for policymakers and business leaders, are offered an important tool to assist them in the formulation of improved economic policies and institutional reforms. By the essays regarding various aspects of economic agenda for improving the reform and the competitiveness, GCR represents an important intellectual contribution in approaching the less accessible problems for improving the economic state of the World", observed Klaus Schwab, the founder and executive chief of the World Economic Forum

The classifications presented in Global Competitiveness Report are the results of the opinion boring, realized by the combination of statistics results with a questionnaire applied for a representative sample of firms from each country, leaded by World Economic Forum, that in the year 2005 included more than 8700 business leaders from 117 countries from all the world. The questionnaire is conceived for surprising a large field of factors that affects the business environment, the key-factors for a sustainable economic development. A main attention is given at the elements that characterize the macroeconomic environment, the quality of public institutions that sustain the development process, the development level of technology and innovation.

"In the last years, the Growth Competitiveness Index of World Economic Forum represented a main instrument for keeping in consideration of macroeconomic and institutional elements, very important for the growing process. The classifications presented put at disposition of economic annalists, of business leaders and at the civil society's organizations information regarding the domains with low performances, viewing the improvement of economic activity from private sector. In this way can be generated a sustainable growth" sustain Augusto Lopez Claros, Chief Economist and Director of the Program of Global Competitiveness from World Economic Forum.[2]

THE CLASSIFICATION OF THE MOST COMPETITIVE COUNTRIES AFTER THE GLOBAL COMPETITIVENESS REPORT

After the classification realized by the World Economic Forum for 2005, in comparison with the overall rank for 2004, the situation is presented in Table no.2.1
Analyzing the information from the table no.2.1. and the figure no.2.1, on can remark some general conclusions regarding the situation of the most competitive states at the moment:

Finland is number one in the Growth Competitiveness Index (GCI) rankings and holds this position for the fourth time in the last five years. The country is very well managed at the macroeconomic level, but it also scores very high in those measures that assess the quality of its public institutions. Furthermore, the private sector shows a high proclivity for adopting new technologies and nurturing a culture of innovation. The **United States**, as last year, is ranked second: the country demonstrates overall technological supremacy, However, technological prowess is partly offset by a weaker performance in other areas measured by the indicators regarding the public institutions domains and the stability of macroeconomic field**. USA** is ranked the first country after the Business Competitiveness Index –BCI, which set off the competitiveness of business environment.

The **Nordic countries** continue to hold prominent positions in the rankings among the top 10 most competitive economies this year, with **Finland** (1), **Sweden** (3), **Denmark** (4), **Iceland** (7) and **Norway** (9) all in privileged places. The greatest performance was realized by Island from 10 overall ranking to 7.

In **Europe** the most notable developments are the improvement in the relative position of **Ireland**, which has moved up 4 places to 26 in the overall rankings; the improvement of **Poland**, which has moved up 9 places to 51st place in the rankings; the continuing excellent performance of Estonia, ranked 20th for the second year in a row, and which is by a significant margin the most competitive economy among the 10 countries that joined the EU last year. On the other hand, **Italy** (ranked 47 in 2005 and ranked 26 in 2002) registries a continuous decline. The low performances affect all the domains, especially public institutions (juridical independence, favoritism in the decisional public sector and the offences in business fields).

Leading within Asia are **Taiwan** and **Singapore**, ranked 5th and 6th respectively, some places ahead of the next Asian country covered by the GCI, **Japan**, ranked 12th. The distance between these top-ranked economies and Japan has increased since last year, reflecting Japan's relatively poor macroeconomic performance, particularly as regards management of the public finances. Taiwan and Singapore are economies that, through sustained good policies over the past few decades, have lifted their citizens from poverty, joining the ranks of the most prosperous and competitive economies in the world

China (49th) and **India** (50th), in 2005 rank much more closely to one another than in previous years. While China dropped 3 ranks, India moved up 5 places. China had a slightly deteriorating score with regard to the country's macroeconomic environment, while

India's improved position is due to a somewhat higher rank in the area of technology. Both China and India have had an excellent growth performance in recent years.

Within the Middle East and North Africa region, the small Gulf States perform quite well in the overall GCI rankings. The **United Arab Emirates** (UAE) and **Qatar** are ranked 18th and 19th, respectively. Terms-of-trade gains have boosted growth rates and reinforced already high levels of confidence in the business community, resulting from ongoing institutional modernization and improvements in macroeconomic management

While most of the countries of the sub Saharan African region are less competitive, the region does have a number of relative success countries that includes **South Africa** (42nd), **Botswana** (48th), **Mauritius** (52nd) and **Ghana** (59th), the latter's competitiveness performance being even more notable, having improved by 9 places since 2004. **Tanzania** has also seen a significant improvement over the past year, moving up 11 places. On the other hand, **Zimbabwe**, losing 10 places, is a particularly sad case, whose quick descent to the bottom of the world's competitiveness rankings reflects the continued deterioration of the institutional climate, including the disappearance of property rights, the corruption of the rule of law, and the implications these and other factors have had for macroeconomic management. The country has the worst ranking (117) for the quality of its macroeconomic environment.

Chile (23rd) has improved the position and continues to be the most competitive country from **Latin America**, with a difference of 32 positions to **Mexico,** the next country from the region.[2]

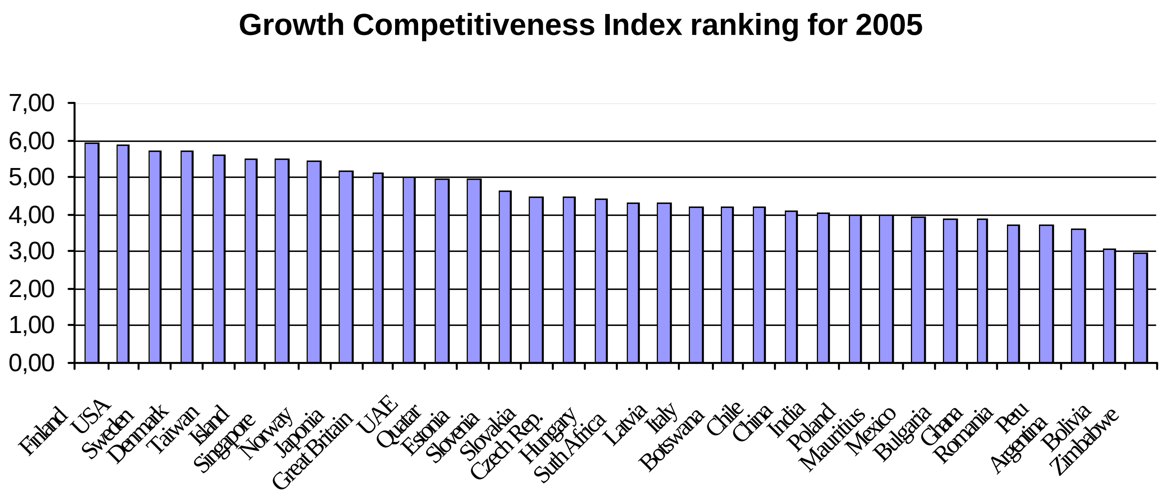

Fig. 2.1. *: Growth Competitiveness Index ranking for 2005*

THE MAIN COMPETITIVENESS INDICATORS PROPOSED BY GLOBAL COMPTITIVENESS REPORT - ROMANIA'S CASE

In concordance with the Global Competitiveness Report, Romania is ranked 67 from 117 countries, after the Growth Competitiveness Index and after the Business Competitiveness Index, too (on can remake an tendency of decreasing of Global Competitiveness Index). Among the factors that had contributed at the Romania's increase, on can mention at microeconomic level:

- technologic transfer by direct foreign investments
- the promotion and the development of communication and IT.

Among the factors that have contributed al the Romania's increase on can mention, at macroeconomic level:

- disinflation
- improvement at credits access
- an prudent budgetary deficit

Other aspects that know an important improvement are:

- the intensification of intern competition, in the conditions when an increasing part of imports aren't goods for final consumption;
- the nature of competitive advantage – meaning that the sources of competitive advantage became to be more diversified, to not be based exclusive on the cheep labor force. This evolution is presented in the last Report of European Commission concerning the structure of Romanian exports, too
- the inflation and the access at financial sources were less mentioned by business leaders like negative factors.

However, there are aspects that restrict the competitiveness growth:

- the great difference between active and passive interest, that increases considerably the lending costs
- excessive fiscally and too complicated
- the supplementary costs demanded by the corruption phenomena, on can estimate thus 1% of turnover of Romanian firms is used for informal payments throw different category of officials.

The main indexes of competitiveness for Romania, contained in the Global Competitiveness Report are presented in the table no.3.1, no.3.2, no.3.3, no.3.4. no.3.5. no.3.6., no.3.7. no.3.8. no.3.9.[3].

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CONCLUSIONS

Thinking to the goal of this work paper, on can put in evidence like the main conclusions, the following:

- ✓ The Global Competitiveness Report is realized by the combination of statistical data with the results of an questionnaire applied at an represented number of companies from each analyzed country;
- ✓ In keeping with the Report, at international level, after the Growth Competitiveness Index, Finland remains the most competitive economy, being followed by United States. Regarding the sector of enterprises, the US is situated on the first place, being fallowed by Finland. The North countries have that best positions like group, Swede, Denmark, Norway and Island being between the first 10 ranked economies;
- ✓ Estonia remains the better ranked among the new EU member countries (20th);
- ✓ The concept of "competitiveness" is percept different by the rich countries and by the poor ones. And therefore, was given the true meaning of competitiveness by giving a bigger weight to the technological sub-indexes for developed countries like the US, Finland or European countries and to countries in Africa was given more weight to other factors that on think are more important to developing countries such as health, basic education, basic factors that are needed for an economy to start growing.
- ✓ Education at the low level of development, primary education, is more important, at advanced levels of development, advanced education – tertiary education, universities - is more important.

- ✓ The report make remarks regarding the evolution of Romanian economy, especially for technology transfer and innovative capacity, in the context on an ameliorated micro and macro climate;
- ✓ Romania in ranked after the most number of European economies after the competitiveness indexes; the positive evolutions mentioned in the report must be confirmed in the following years, for reducing the deficit of the competitiveness.

Romania what came trough the criteria of functional market economy, must seriously apply the own program of structural reforms. Must be oriented through the amplifications of competitive advantages, the development of the capacity and competence of exportation sectors, attracting the local and foreign investors and the creation of an economy that can develop in a free and global market.[4].

The continuous changes in the instable and unpredictable economical environment impose a powerful trend for the industrial organizations to adapt to all changing processes according to the new directives of material goods market.

The main approach of Romania in developing the competitively strategy is, first of all, to identify and express the human resources' potential with the help of implementing of specific procedures within the educational system. This will be followed by the implementation of "speed" strategies both for the preparation of competitive specialists able to administrate human resources in a optimal and flexible way, and for the development of programs used to remodel the human resources paradigms at a global economic level.

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Annexes

Table no.2.1.: *Growth Competitiveness Index ranking for 2005 and 2004 comparison*

Country	***Rank***		***Score for 2005***
	2004	***2005***	***Points***
Finland	1	1	5,94
SUA	2	2	5,81
Sweden	3	3	5,65
Denmark	5	4	5,65
Taiwan	4	5	5,58
Island	10	7	5,48
Singapore	7	6	5,48
Norway	6	9	5,40
Japan	9	12	5,18
Great Britain	11	13	5,11
UAE	16	18	4,99
Qatar	n.a.	19	4,97
Estonia	20	20	4,95
Slovenia	33	32	4,59
Slovakia	43	41	4,43
Czech Rep.	40	38	4,42
Hungary	39	39	4,38
South Africa	41	42	4,31
Latvia	44	44	4,29
Italy	47	47	4,21
Botswana	45	48	4,21
Chile	22	23	4,21
China	46	49	4,07
India	55	50	4,04
Poland	60	51	4,00
Mauritius	49	52	4,00
Mexico	48	55	3,92
Bulgaria	59	58	3,83
Ghana	68	59	3,82
Romania	63	67	3,67
Peru	67	68	3,66
Argentina	74	72	3,56
Bolivia	98	101	3,06
Zimbabwe	99	109	2,89

Source: World Economic Forum -*Global Competitiveness Report 2004-2005*

***Table no. 3.1**: Macroeconomic indicators*

Indicator	*Rank 2004*	*Rank 2003*	New members or candidate EU countries, ranked after Romania
Complexity of financial market	70	84	
The stability of banking	62	80	Hungary, Czech Rep.
Access to credits	45	60	Poland, Hungary, Bulgaria
Access to the local capital market	66	69	Bulgaria, Slovenia
The transparence and efficiency of stoke market regulations	71	83	Poland, Bulgaria
Efficiency of bankruptcy	56	77	Poland, Slovakia, Czech Rep Slovenia, Bulgaria
Trade hidden obstacle	86	96	
Budgetary deficit /surplus	37	43	The majority of new countries members
Costs of agriculture policy	89	96	Hungary Poland, Bulgaria
The fiscality load	102	n.a.	
Inflation rate	95	98	
The Spread of interest rate	94	74	

Source: World Economic Forum -*Global Competitiveness Report 2003-2004*

***Table no.3.2**: Technology: innovation and spreading*

Indicator	*Rank 2004*	*Rank 2003*	*New members or candidate EU countries, ranked after Romania*
Foreign investments – source of technological transfer	30	40	Poland , Bulgaria, Latvia
The weight of foreign technological patent	53	67	Poland, Bulgaria
Research and development spending at company level	51	76	Slovakia, Bulgaria
Patent	56	60	
Personal computers	48	62	Bulgaria

Source: World Economic Forum -*Global Competitiveness Report 2003-2004*

Table no.3.3: Education, health and work

Indicator	*Rank 2004*	*Rank 2003*	*New members or candidate EU countries, ranked after Romania*
Foreign head-hunting	4	7	
Life expectation	58		Latvia

Source: World Economic Forum -*Global Competitiveness Report 2003-2004*

Table no.3.4: General Infrastructure

Indicator	*Rank 2004*	*Rank 2003*	*New members or candidate EU countries, ranked after Romania*
The quality of general infrastructure	74	77	Bulgaria

Source: World Economic Forum -*Global Competitiveness Report 2003-2004*

Table no.3.5**: **Public Institutions

Indicator	*Rank 2004*	*Rank 2003*	*New members or candidate EU countries, ranked after Romania*
The protection of intellectual property	64	73	Bulgaria
The transparence of government activity	88	93	Bulgaria, Poland
Efficiency of fiscal system	87	100	Bulgaria
Informal economy	69	84	
Informal payments in public contracts	89	95	
Informal payments for decisional public factors	94	96	
Informal payments for justice system	85	87	
The impact of informal payments of the competitors for the personal business	95	95	
Money launderings outside the banking system	90	96	

Source: World Economic Forum -*Global Competitiveness Report 2003-2004*

Table no.3.6: Internal Competition

Indicator	*Rank 2004*	*Rank 2003*	*New members or candidate EU countries, ranked after Romania*
The strengths of local competition	63	96	
The nature of local competition	43	69	Czech Rep, Hungary, Bulgaria
The efficiency of antitrust policy	64	83	Poland , Bulgaria

Source: World Economic Forum -*Global Competitiveness Report 2003-2004*

Table no.3.7. : Development in Clusters

Indicator	*Rank 2004*	*Rank 2003*	*New members or candidate EU countries, ranked after Romania*
The presence of quality standards	74	81	
The presence of local suppliers for components and parts	39	38	Hungary, Bulgaria, Estonia, Latvia
The quality of local suppliers	76	76	

Source: World Economic Forum -*Global Competitiveness Report 2003-2004*

Table no.3.8: Business plan strategy

Indicator	*Rank 2004*	*Rank 2003*	*Newmembers or candidate EU countries, ranked after Romania*
The nature of competitive advantage	60	82	Slovakia, Bulgaria
The exporters own brand well developed	65	67	Bulgaria, Latvia
Indicator	*Rank 2004*	*Rank 2003*	*New members or candidate EU countries, ranked after Romania*
The innovation capability	45	57	Latvia, Bulgaria
Use of new	70	70	Bulgaria

technologies			
International distribution control	57	55	Hungary, Poland
Protection of minority stockholders	88	92	Bulgaria
Strictness of audit and accounting standards	75	86	

Source: World Economic Forum -*Global Competitiveness Report 2003-2004*

Table no.3.9: Environment

Indicator	*Rank 2004*	*Rank 2003*	*New members or candidate EU countries, ranked after Romania*
Strictness of environmental regulations	60	83	Bulgaria
The clarity of environmental laws	56	73	
Impact of environmental laws over the competitiveness	56	81	Bulgaria
Allocations for energy affects the competitiveness	97	n.a.	
Business plan considers environmental risks	73	n.a.	Bulgaria

Source: World Economic Forum -*Global Competitiveness Report 2003-2004*