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Research on Competitiveness

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ABSTRACT

This paper discusses issues regarding competitiveness. The theories, from the mercantilist theory to the classical international trade theory, are presented as well as practical and theoretical issues regarding competitiveness measurement, with the help of competitiveness indicators or the indicators of economic freedom.

KEYWORDS: national and international competitiveness, competitiveness indicators

Introduction

Competitiveness is a complex concept debated for long by the economists in the world. As it is tightly connected to the notion of competition, competitiveness expresses in a general manner "*the capacity of people, companies, economies, or regions to maintain themselves in the competition developed at internal and/or mainly at international level*…." (Folcuț, 2005).

The relatively new topic coming into discussion at the beginning of the 80's gives the term competitiveness very many facets (Thus, Romania's strategy specifies "*Romania must become more competitive to cope with its new status of a European Union member*" or "*Romania does not hold enough competitive goods for export, a.s.o*").

The authorities of various states motivate policies and measures taken by the stimulation of competitiveness in order to: "*better understand problems that are crucial for improving economic welfare and wealth distribution*" (Garelli, 2011).

The literature in the field defines competitiveness through a strong national currency, with diminished costs for the production factors in technology or the capacity to produce a goods or services at a lower price compared with another produce, in the free trade context, based on absolute advantage or comparative advantage as seen by the conventional economic theory of the field. In other cases, competitiveness is associated to rivalry among companies, where the entrepreneur has a role in progress, innovation and technological improvement, where management is seen as a new factor with human intelligence (Travkina & Tvaronavičiené, 2010; Garelli, 2011).

There is a wide range of definitions for this term, some of them being found in dictionaries (Jessua et al.; 2006; Dobrescu, 2005).

In the most general way, competitiveness is defined as "*the capacity of people, companies, national economies, products and services, etc. to preserve their place in the national and international competition and to get economic advantages*" (Burnete, 1999).

The relationship among the competitiveness of various strategic levels is given in Figure 1.

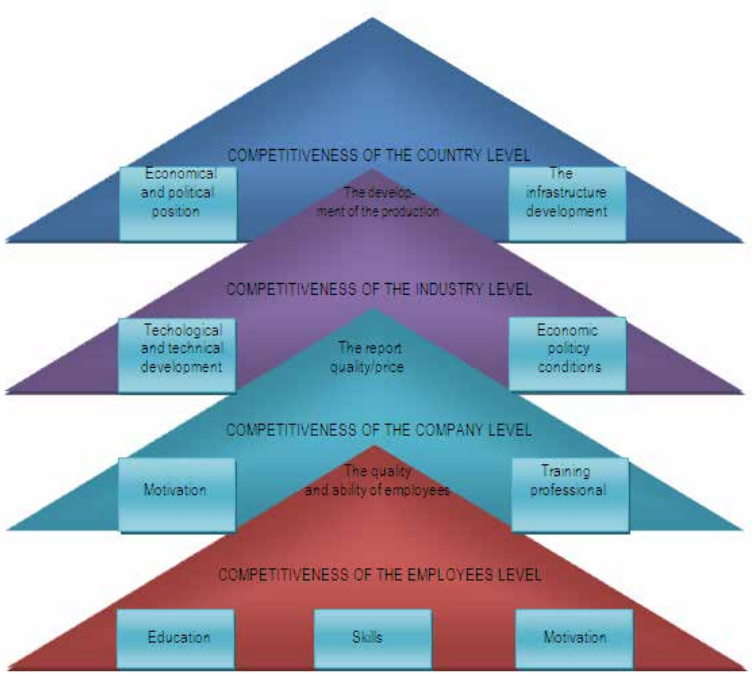

Figure 1. The relationship among the competitiveness of various strategic levels (Reiljan *et al.*, 2000)

Competitiveness represents the way of percepting and measuring competition and market economies at the level of a country, region, industrial sectors and company, and respectively the highlighting of the dynamics of the economic flows (Garelli, 2011).

The macroeconomic perspective usually identifies itself with the international competitiveness of a national economy and aims at a series of influential factors that put the product prices at the heart of the perspective.

Many factors contribute to the definition of competitiveness, such as the economic factors (Garelli, 2011), the policies and institutions defining the level of productivity of a country, and the level of prosperity of an economy (Lopez-Carlos et al., 2007), by which the progress of the country related to international commitments is assessed (Staskevičiūtė & Tamošiūnienė, 2010).

In the view of the International Institute for Management Development (IMD), competitiveness consists in "the ability of a country to create added value…") (Garelli, 2011).

The World Economic Forum (WEF) sees competitiveness as "the capacity of a country of recording high GDP growth rates per capita".

At European level, competitiveness is regarded as depending upon the organisational principles of every country (Fendel & Frenkel, 2005).

The classics of political economy consider that demand and offer based on free initiative generated by private property provide the economic balance through the market mechanism and system, through the comparative advantage (Garelli, 2011).

In the modern theory, competition is made manifest through prices, through the manner of production, product quality, sales policy and competition, which is dynamic and effective (Schifko, 1989) while competitiveness represents "the capacity of nations to innovate and perform" (Porter, 1990).

The competitiveness of the nations is also based upon economic features or methods, characterised by the models of "Porter's diamond" (Porter, 1990; Staskevičiūtė & Tamošiūnienė, 2010).

The configuration of the diamond competitiveness was applied to the Romanian economy, too (Postelnicu & Ban, 2010).

In India's case, competitiveness is seen as: "The remedy to the unequal growth of India lies in the enhancement of the competitiveness quotient of the states…." (Kapoor, 2013).

Competitiveness depends on the factors and forces which act to preserve the comparative advantage (David, 2008).

The microeconomic approach observes the competitiveness of products or companies through the prism of some determinants, related to price, to less quantified factors, such as the competition between companies (Carbaugh, 2007; Herguner, 2013).

Competitiveness represents: "the ability and capacity of an entity to win and have success…." (Gavrilă & Gavrilă, 2009) or "getting goods, services and others at a higher quality or at a lower price by a company compared to its internal or external competitors" (Carbaugh, 2007).

Possessing a competitive advantage (Porter, 1998) is guaranteed by holding the resources necessary, the presence of some essential competences or other criteria as well (Scarborough et al., 2009).

Competitiveness depends of the forces that define profitability and the structure of the industries and companies, the entrance of new competitors, etc. (Porter, 1990; Pirău, 2013).

Research methodology

We analysed the competitiveness indicators, according to World Economic Forum (WEF), (12 indicators, grouped in three categories, and applied to 144 countries), according to International Institute for Management Development (IMD), (32 indicators, grouped in four categories, and applied to 59 countries), respectively the economic freedom indicators (ILE), and according to Heritage Foundation (HF) (Miller et al., 2013), (10 indicators, grouped in four categories, and applied to 179 countries).

Results and discussions

The competitiveness indicators with respect to the competitiveness percentage are graphically represented in Figure 2. They show a comparison between Romania and the world, in 2012, according to WEF.

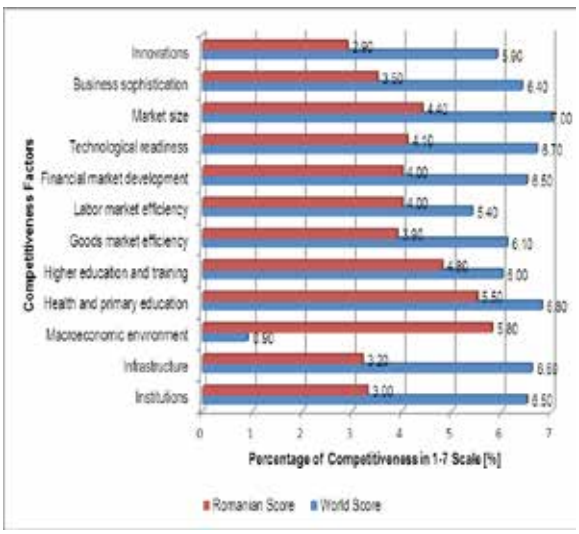

Figure 2. Comparative representation of the competitiveness indicators versus the competitiveness percentage, in Romania and the world, in 2012 (*WEF-GCR-2012/2013*)

The nearest percent values for the competitiveness indicators in Romania and the world belong to "Health and primary education" and "Higher education and training".

The most debatable factors which influenced Romania's competitiveness, in the year 2012, are presented graphically in Figure 3.

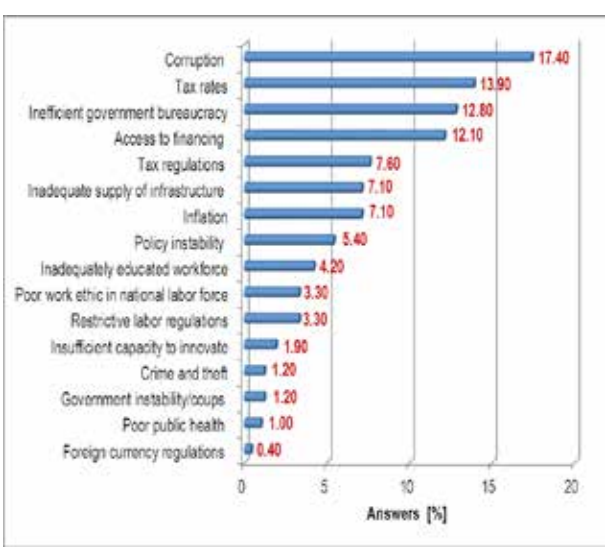

Figure 3. Representation of factors influencing Romania's competitiveness, in 2012 (WEF-GCR-2012/2013)

It is visible, from Figure 3, that the factor that diminishes competitiveness in Romania is corruption.

Among the competitiveness indicators investigated by the two bodies there is a correlation, as in Figure 4.

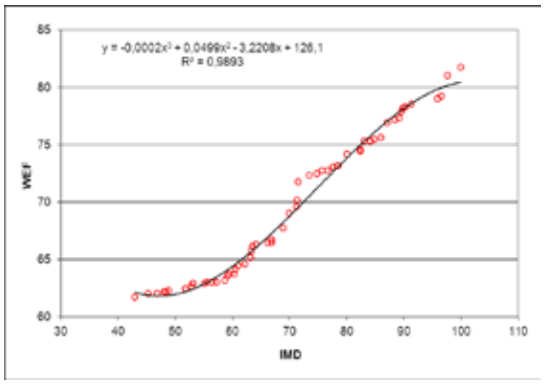

Figure 4. Graphical representation oof WEF competitiveness indicators, function of IMD, in 2012 (IMD-WCY/2012; WEF-GCR-2012/2013)

Figure 4 leads to a third order polynomial equation with a good correlation coefficient R^2=0,9893. A linear representation was also attempted, but it was not representative, as the correlation coefficient R^2=0,98110.

According to *HF*, the graphical representation of the indicators of economic freedom, in Romania and the world, in 2012, is given in Figure 5.

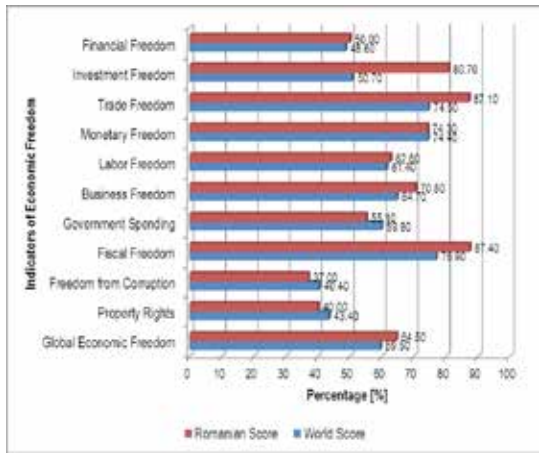

Figure 5. Comparative representation of the indicators of economic freedom, function of the competitiveness percentage, in Romania and the world, in 2012 (Miller *et al.*, 2013)

The nearest percent values of the indicators of economic freedom, in Romania and the world, belong to "Monetary Freedom" and "Labor Freedom".

The general ranking of Romania's competitiveness versus the other countries regarding the global indicators of competitiveness (GCI), respectively of economic freedom (ILE), according the three institutions mentioned, is given in Table 1.

Table 1. Romania's position versus other countries, according to WEF, IMD and HF

Year	WEF-GCI			IMD-GCI			HF-ILE		
	Place	Number of countries considered	Number of indicators considered	Place	Number of countries considered	Number of indicators considered	Place	Number of countries considered	Number of indicators considered
2008	68	134	12	45	55	32	68	162	10
2009	64	133	12	54	57	32	63	183	10
2010	67	139	12	54	58	32	63	179	10
2011	77	142	12	50	59	32	62	179	10
2012	78	144	12	53	59	32	59	179	10

Conclusions and personal considerations

The literature of this field presents many definitions of the concept of competitiveness, but until now no consensus regarding a basic definition has been reached.

Even if substantial differences can be found in the methods regarding competitiveness evaluation, such as the theories presented, the competitiveness indicators (WEF, IMD) or the economic freedom indicators (HF), they still possess many common aspects of interest.

Though the competitiveness measuring indicators have a contribution to the evaluation of the countries in their ranking and in highlighting a country's performance and progress, they still some disadvantages.

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