

The 16th Economic International Conference
New Challenges and Opportunities for the Economy 4.0
May 7, 2020 – May 8, 2020

THE IMPORTANCE OF COMPETITIVENESS IN THE SERVICES SECTOR

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Introduction

- We can define the service as an act that reflects on a good, a person or an information, which can be performed only in the conditions in which the exchange relationship is established with the users.
- The world is in the midst of a radical change, the share of total output represented by services has increased sharply in almost all countries.
- This increase in services has probably transformed not only the composition of the world's economic production and employment, but also the potential patterns of global trading over the last few decades.

Why is service competitiveness important?

- The process of economic growth and development has a direct impact on the importance of services as a share of total production and implicitly of the workforce.
- In terms of international trade flows, the importance of services for modern economies is not fully reflected, which requires a number of explanations.
- The last three decades have shown us an increase in the share of services in GDP from 58% to almost 74% if we refer to OECD member countries and from 55% to about 69% globally.

The relationship between services and competitiveness

- While there is a rich economic literature that analyzes competitiveness in trade in goods, the number of theoretical or empirical contributions that address this issue from a service perspective is extremely small.
- However, the low interest in the competitiveness of services is incomprehensible given that services currently represent almost 80% of modern economies in terms of labor and value added, 40% of international trade (if we consider the broad definition of trade with services, which also includes transactions mediated by FDI), and about 2/3 of FDI.

The relationship between services and competitiveness

- There are several explanations for the precariousness of theoretical and empirical contributions on services in general and the competitiveness of services in particular. Researchers face two major difficulties in particular:
 - the very high degree of heterogeneity of the service sector;
 - the difficulties caused by the generalized lack of consistent data regarding the production of services and the measurement problems that derive from here.

The complexity of the concept of competitiveness in the field of services

- In the specialty literature, the concept of competitiveness applied to service activities was defined as subsuming all those factors that promote and impede the process of internationalization of these activities.
- The relationship between competitiveness and services must be understood in a conceptual and analytical framework that takes into account both the effects of services on the global economy and the challenges posed by competitive economies towards services.

The complexity of the concept of competitiveness in the field of services

- Competitiveness is defined as the consolidation of four skills:
 - the ability to sell goods and services internationally;
 - the ability to attract resources, especially FDI;
 - the ability to adjust to external conditions in continuous transformation, through structural changes and modernization;
 - the ability to earn, which can be measured by GDP and economic growth.

The complexity of the concept of competitiveness in the field of services

- Since the late 1980s, numerous important studies have examined the role of services as agents of globalization and as a driving force for international trade. Precisely for these reasons, we can speak of a biunivocal service-competitiveness relationship. Following this line of thinking, it is clear that services require a specific approach as their internationalization process differs from that of the manufacturing industry. Two types of factors influence trade in services:
 - expansion factors, which force the opening of markets - due to intrinsic economic dynamics;
 - limiting factors that restrict the possibilities of increasing the trade.

Peculiarities of the process of internationalization of services and their competitiveness

- The process of globalization of the service sector is determined by the specific features that these activities present when they are traded and moved. These distinctive features, as well as the complexity inherent in the provision of services internationally are highlighted, among others, by the fact that international trade in services has been classified into 4 different forms of supply: cross-border trade, consumption abroad, trade presence and individuals abroad.
- A fundamental feature of services that distinguishes them from goods, and which implicitly influences their internationalization process, is the interaction between producers / suppliers and consumers / buyers of services, which implies the presence of both parties at the same time and in the same place (principle uno actu).

Peculiarities of the process of internationalization of services and their competitiveness

- The second characteristic, closely related to the first, is the client's participation in the production act. The need for cooperation between producer (supplier) and consumer (buyer) is due to the fact that, in general, services have a low level of standardization (although some may have a high degree of standardization), being instead highly customized and adapted to customer needs.
- The third feature concerns that particularity of services, which is related to the incomplete transparency of the market from the perspective of the buyer. In other words, through the prism of the buyer there is an ex ante uncertainty regarding the quality of services.

Conclusions

- The quality of services is given by the extent to which the production of services and, respectively, its result satisfies the expectations of the buyer. Unlike goods, services cannot be seen, tested and evaluated by the buyer before the time of purchase, as their characteristics are manifested only during use. For this reason, the choice of supplier is decisive for ensuring the expected quality. But, as a rule, the buyer is insufficiently informed about the quality of the service providers, and removing this information deficit involves high transaction costs (information costs).
- To eliminate the risks faced by the buyer and to convince him of the quality of the service, service providers make substantial efforts to provide quality assurance, quality guarantees, to build reputation and to advertise their services.

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