

THE ROLE OF THE TERTIARY SECTOR IN THE GROWTH OF ECONOMIC COMPETITIVENESS

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Abstract:

The present paper attempts to forward a brief analysis of the tertiary sector in Romania, by comparison with the other European Union countries.

It starts by a short presentation of this sector, continues with the analysis of the main services and presents their contribution to the GDP, the accent being laid on the role of tourism in the increase of economic competitiveness. In this respect we performed a comparative analysis between Romania and other countries in the region regarding the contribution of tourism to employment, its percentage in the GDP, as well as the contribution of tourism to the total exports.

Key words: services, economic development, competitiveness, GDP

JEL classification: O10, O14, L83, L91

INTRODUCTION

In the past few decades, throughout the world, one has witnessed an increasingly strong development of the tertiary sector, compared to the other economic sectors, which has led, on the one hand, to the reduction of the labour force weight employed in agriculture and even in industry, and on the other hand, especially in the case of industrialised countries, to the significant growth of the services percentage in the formation of the GDP.

The role of services in economy is additionally important when they exceed the sphere of the tertiary sector. More and more services are found in farming, and manufacture also becomes more and more dependent on services. Consequently, the services firms are more and more strongly integrated also in networks with other economic activities.

The growth of the inter-penetration degree among the sectors of economy is the result of technologic progress, and in this context services play a key role within the contemporary market mechanisms.

The economic activities belonging to the wide category of services are characterised by diverse production processes, delivery modalities with special particularities, providers and consumers with different types of behaviour, diverse market structures: from public administration, services of environment protection, telecommunications, transport and tourism, commerce etc., to activities of investigation and protection, real estate transactions, renting and leasing activities, consulting, financial intermediation or publicity (Bobircă Ana et al., p.4, 2006).

As a result of the fact that the services sector comprises a high number of heterogeneous activities, which are rather difficult to analyse unitary or in an aggregated manner, and due to the development of new categories of services, new business models and new types of companies requiring the development and use of new indicators and new variables, services are difficult to analyse and measure, especially because of their intangible character.

For these reasons, the role of services in economy is analysed especially on the basis of correlating certain sets of available data related to the weigh of service activities in the GDP, as well as of the employment within these activities. (Bobircă Ana et al., p.3-4, 2006)

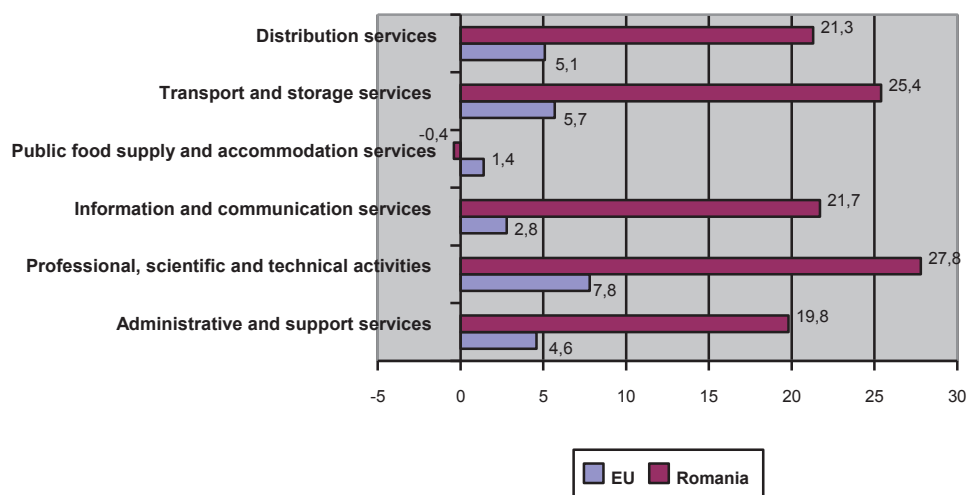
BRIEF ANALYSIS OF THE TERTIARY SECTOR IN ROMANIA AND IN OTHER EU MEMBER STATES

A characteristic of developed countries is the high contribution of services to the formation of their GDP, which, in most cases, exceeds 70%, and in an even higher proportion services use the active labour force.

In Romania, in 2008, only 51% of the GDP represented the results of the activities in the tertiary sector, and of the total employed population, only a little over 40% is employed in services. (Romania's Statistic Yearbook 2010, pp. 99, 661)

In 2007 and in 2008, the highest indices of the turnover growth were recorded (compared to 2005) in the professional, scientific and technical activities (31.8%, and 27.8% respectively), but also in the case of distribution services (27.3% and 21.3% respectively).

We should point out that these indices of the turnover growth from the service activities were, in the case of Romania, among the highest in the European Union, which proves the insufficient development of services in our country, but also their growth potential (graph 1).



Graph 1 Indices of turnover growth for the main categories of services in Romania and in the European Union in 2008 (compared to 2005)

Source: Elaborated by the authors based on the Eurostat data, *Europe in figures — Eurostat yearbook 2010*, p. 382.

The value added in the activities of commerce, vehicle and motorcycles repair, as well as in personal goods and home appliances, has registered a growth from one year to the next, reaching the amount of 9673.9 million euros in 2007, more than three times higher than in 2000 (2814.2 million euros).

However, the value added in this field is in Romania much lower than the European Union average (43939 million euros).

As regards the transport, storage and communication services, the value added was in Romania, in 2007, of 5944.3 million euros, more than double the value recorded in 2000 (2798.3 million euros), being at the same time higher than in other former communist countries: Bulgaria (2219.8 million euros), Estonia (1076.9 million euros), Latvia (1802.7 million euros), Lithuania (1886.2 million euros), Slovenia (1932.2 million euros), Slovakia (2390.6 million euros).

On the other hand, the average of the value added in the services of transport, storage and communication in the European Union was of 25454.1 million euros, more than four times higher compared to our country.

In Romania, the statistic data show an even more poignant dynamics of services regarding the real estate transactions, renting and leasing activities and business activities, in 2007 the value added in these types of services being of 5298.1 million euros (833.5 million euros in 2000). If in the 2000-2004 period the growth rate of the value added was moderate, in 2005, compared to 2004, the value added was almost double, which can be said also about 2007 compared to 2005. In fact, the years 2004-2007 constituted the real estate “boom”, considered one of the main engines of economic growth in Romania in the respective period..

At the same time, we should underline the poor development of business infrastructure and of consulting services.

Although the index of value added growth resulted from the services of real estate transactions, renting and business activities was the highest in the European Union, the value added generated by these types of services represents only a little over a tenth of the Union’s average (51725.8 million euro in 2007).

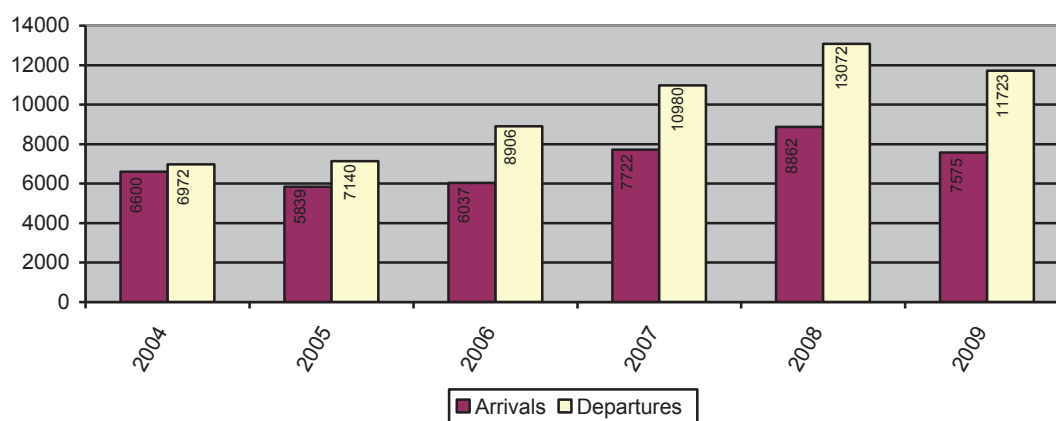
Consequently, the still low added value in the sector of services in Romania (compared to the EU average), and on the other hand, the growth rate higher than in most European Union countries, reflect the insufficient economic development of our country.

The statistic data indicate the fact that in most South-Eastern European economies (Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Macedonia, Romania, Serbia and Montenegro), the services growth reflects in fact the development of traditional segments of services, such as distribution, transports and tourism, which contribute the most to the formation of the GDP and to the attraction of labour force. (Bobircă Ana et al., p.88, 2006)

In this respect, we shall continue by a brief analysis of tourism competitiveness in Romania, the domain with the highest potential of development from the sphere of services.

In the year 2009, the index of the net use of touristic accommodation capacities in operation was of 28.4% in Romania, lower than the figure of the previous years, when it exceeded 35%. (Romania’s Statistic Yearbook 2010, p. 594)

Moreover, the number of foreign visitors in Romania was of 7.6 million, lower than in 2008 (8.9 million) and much lower that the number of Romanian visitors abroad (11.7 million in 2009, and 13.1 million respectively in 2008). (Romania in Figures 2010, p. 70) – graph 2.



Graph 2. International travels recorded at Romania’s frontiers (thousand persons)

Source: National Institute of Statistics, *Romania in figures 2010*, p. 69.

Nevertheless, according to the World Travel and Tourism Council (2012), the total contribution of tourism to the GDP reached 25.1 billion lei, representing 4.5% of the GDP in 2011 and it is expected to increase up to 4.7% of the GDP in 2012, i.e. 27 billion lei. Moreover, tourism is expected to have a 5.7% contribution to the GDP in 2022.

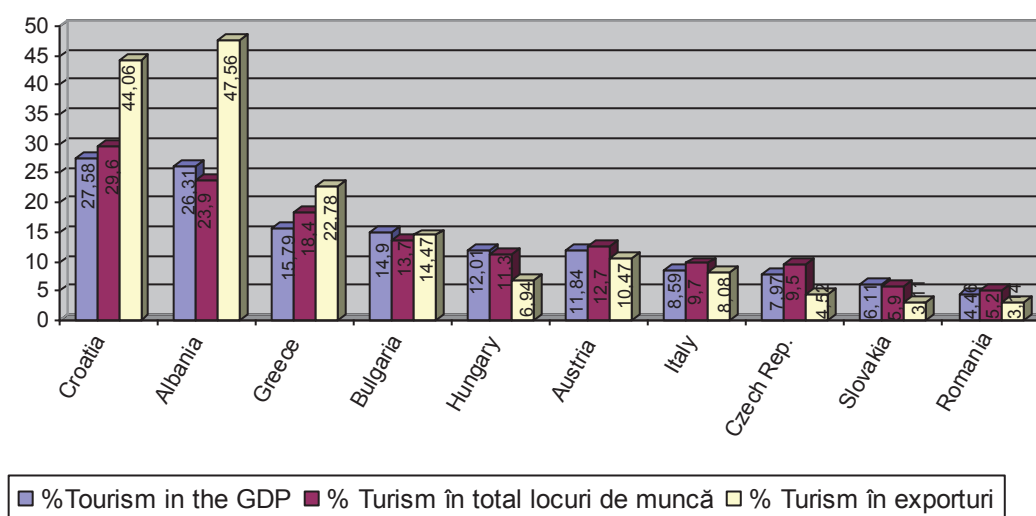
The investments in tourism are estimated at 9.4 billion lei in 2011, they are expected to grow by 5.1% in 2012 and by 6.9% per year until 2022, so that they reach the amount of 19.3 billion lei.

Foreign visitors have an important contribution to the tourism of any country. In 2011, the foreign tourists spent 6.1 billion lei, and in 2012 it is expected that Romania attracts a number of 5968000 foreign tourists who should generate over 7 billion lei, and until 2022 it is expected that their number reach the figure of 11339000 visitors, who will generate expenditure in value of 16.7 billion lei. (World Travel and Tourism Council, Travel and Tourism Economic Impact 2012, Country Reports, Romania, pp. 3, 6)

Although it is appreciated that in the next decade touristic services in Romania will develop at an increasingly accented pace, even higher than the rate recorded in the European Union, the revenues generated will be rather modest. (Bobircă Ana et al., p.129, 2006)

The competitiveness of Romanian tourism is reflected the most correctly by comparison with the results obtained in this field by the neighbouring countries, Romania's main competitors on the tourism market.

If in Greece and Bulgaria the contribution of tourism to the GDP is around 15%, and in Albania and Croatia even over 26%, in Romania tourism contributes to the formation of the GDP only by 4.5%. (Graph 3).



Graph 3 Contribution of tourism to the formation of the GDP, employment and total exports, in Romanian and in the countries of the region, in 2011

Source: Elaborated by the authors based on the data of World Travel and Tourism Council, *Travel and Tourism Economic Impact 2011, Country Reports, Romania*, p. 9

On the other hand, in 2011, the activities in tourism provided 435000 jobs, meaning 5.1% of the total occupied jobs. For 2012 one estimates a growth up to 453500 (5.3% of the total), and for 2022 one expects to record a number of 561000 employed jobs in tourism, representing 6.6% of the total jobs.

According to this indicator also, Romania is ranked last in the hierarchy of touristic countries competing in the region. For instance, in Austria, Hungary and

Bulgaria, Greece, Albania and Croatia, the contribution of tourism to the employment ranges between 11% and 28%.

Moreover, tourism is one of the important export branches, the foreign visitors representing a component of foreign trade, by the amounts it generates in the payment balance.

In Romania, tourism contributes by only a little over 3% to the total exports of the country, whereas in other countries in the region this percentage is much higher, even exceeding 44% in Croatia and Albania (graph 3).

CONCLUSIONS

Although our country has a comparative advantage in the domain, the tourism industry is insufficiently developed, ranking Romania on the last places in the region, which requires a new approach of the economic policy in the field, the concentration of investments towards touristic infrastructures, so that the country's touristic potential could be exploited at its highest potential.

Obviously, investments are necessary in other fields also considered fundamental for the relaunch of the tertiary sector, such as services for the population and companies, knowledge-based services (software industry), transport services (in fact, support of touristic services), services with important roles in the human resources development, services focused on the growth of the employment rate and fight against social exclusion, services of public administration, services of environment protection etc.

Thus, in the present context, when in most developed countries services represent an important sector of economy, in Romania also, within the process of economic relaunch, services should be included into the objectives of future development, being a condition necessary for the increase of the national economy's competitiveness.

The national economy's "tertiarisation" should not be understood, in any case, as a process of ignoring the role of the other services, because under the impact of contemporary technologic progress, services must become the support for the development of modern industry and agriculture, in view of achieving the competitiveness of Romanian products and services in the foreign markets.

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