

## ROMANIAN TOURISM REVIVAL, A PRIORITY PREMISE IN INCREASING NATIONAL ECONOMIC COMPETITIVENESS

Ștefăniță ȘUȘU

„Ștefan cel Mare” University of Suceava, Romania  
[stefanitas@seap.usv.ro](mailto:stefanitas@seap.usv.ro)

Mihaela BÎRSAN

„Ștefan cel Mare” University of Suceava, Romania  
[mihaelab@seap.usv.ro](mailto:mihaelab@seap.usv.ro)

Andrei Alexandru MOROȘAN

„Ștefan cel Mare” University of Suceava, Romania  
[alexandrumorosan@gmail.com](mailto:alexandrumorosan@gmail.com)

### Abstract

According to the World Travel & Tourism Council (WTTC), the tourism industry has created five million new jobs, going to count globally over 260 million employees; approx. 10% of all new jobs in the world are generated by this industry.

Where is Romania in this landscape? At the level of competitiveness, Romania fell five places in 2011-2013, reaching 68, from 63, behind Hungary, Poland and even Bulgaria. The reasons for departing from: Romanians' attitude towards tourists, ineffective marketing, the quality of the natural environment, transport deficiencies and ineffective police services (law enforcement, maintaining order). However, at the national level, we have all the necessary elements and we have all chances to become a competitive tourist destination domestically and internationally; in order for this chance to become a reality, we need to exploit the existing potential and transform Romania into an attractive tourist destination for both Romanian and foreigners, a performance target, as the natural conditions and materials are available.

**Keywords:** competitiveness, national economy, performance, tourism industry.

**JEL Classification:** L83, M40

### I. INTRODUCTION

The Sectoral Operational Programme "Increase of Economic Competitiveness" (POS CCE) is the main instrument for achieving two of the thematic priorities of the National Strategic Reference Framework (NSRF), namely, long-term growth of economic competitiveness in Romania, (a priority mentioned in the National Development Plan).

Although the economy has progressed substantially in recent years, Romania has serious competitiveness gaps with respect to the Western and Central Europe. The reasons for this backwardness are found in all elements that determine the competitive capacity. All is reflected ultimately in low productivity, which defines the competitiveness problem in Romania. The level of Gross Domestic Product (GDP) at purchasing power parity (PPP) represents only 50% of the average of the new Member States of the European Union. ([http://www.fonduri-structurale.ro/Document\\_Files/competitivitate/00000028/g32kc\\_POSCCE\\_romana.pdf](http://www.fonduri-structurale.ro/Document_Files/competitivitate/00000028/g32kc_POSCCE_romana.pdf), p. 2)

An element that can have an important role in increasing the competitiveness of the economy in the medium term objective of *increasing the competitiveness of Romanian tourism and improving Romania's image by promoting its tourist potential*. This objective requires the strengthening of actions

aimed at developing and promoting Romania's international development as a tourist destination with a sustainable national tourism industry. This economic sector develops as a result of natural advantage, diversified cultural and historical heritage and evenly distributed throughout Romania. On the other hand, knowledge of Romanian products through tourism is a main factor to promote specific foreign markets and economic development of its internal market. In this context the *development of the national tourism brand* is both a *general priority*, helping to achieve the country brand, by attracting foreign investment and improving the current account balance; if we take into account the effects of tourism development plans we see that most of them are mainly insufficient due to the precarious tourist infrastructure. Promotion of tourism products and services on the internal market through an incisive national campaign and increasing domestic tourism consumption is also another fact that increases tourism competitiveness. Another important factor in increasing domestic and international tourist traffic is the increased use of the Internet in promoting and booking tourist services via the Internet (creation of *e-Tourism*). ([http://www.fonduri-ue.ro/poscce/fonduri\\_structurale/pnd/III\\_Strategia.pdf](http://www.fonduri-ue.ro/poscce/fonduri_structurale/pnd/III_Strategia.pdf), p. 249)

## II. SOME CONSIDERATIONS ON THE SIGNIFICANCE OF THE CONCEPT OF COMPETITIVENESS

In the context of a globalized economy the fierce competition for economic benefits on the international markets, is a prerequisite for economic development. Accordingly, any differences in social, cultural, economic, institutional, legal, etc. can become decisive factors in acquiring an *economic advantage* over competing states.

Given the complexity of the forms of manifestation of economic advantage, formulated theories of economic thought throughout history have paid special attention to the concept of economic advantage. Incidentally, the term of economic advantage appears in development theories mainly dedicated to international trade. (Croitoru, 2011, p. 111)

A brief overview reveals that economic science aim to identify the elements that generate economic advantage. The major economists were concern with this when they constructed their theories initiated. Thus, Adam Smith, who is considered by many as the father of economic sciences, showed how the specialization and division of labor increases productivity and achieves economic advantage in international relations. The vision of Adam Smith, technological superiority and absolute quality, assessed in terms of production costs, generates a primary economic advantage. Adam Smith's theory was taken up and refined by David Ricardo, in his famous theory of international trade, which demonstrates how a country can get through a lower cost of productions compared to its competitors, a comparative economic advantage. Both economic theories, although different in international trade implications, emphasizes the same thing: technical superiority is the main factor of generating economic advantage and superiority can be achieved through efficient investment in capital and infrastructure.

With the transformation of the economy into an interdisciplinary science, the German sociologist Max Weber examined the relationship between culture and economic development, and he has shown that a factor with significant impact on competitiveness of countries is the *value system of the community*.

American economist, Nobel laureate for economics, Paul Krugman, drew attention to the need for the term competitiveness to be treated differently depending on its scope: at the micro level - the company or at the macro level - economy of a country. He said that, essentially, competition between countries is not similar with competition between companies (Myant, 1999, p.5) and the competitiveness is hardly a zero-sum game, as traditional economic theory considers. World states can benefit from the growth recorded by other nations in a chain reaction: growth in

a particular part of the world is leading to new markets and sources of supply formation of the latter.

Thus, unlike traditional mercantile vision, being competitive does not mean to cause disadvantage to trading partners but also to increase and make full use of their advantage. In addition, it should be emphasized that no nation can be competitive in all types of economic activities, thus emphasizing the dynamic character and competitiveness. A range of strategies in different areas may influence the competitiveness and there are lots of opinions about the relative importance of each factor on economic competitiveness.

A vision similar to that of Krugman is that of Mark McCord, which defines competitiveness as "*wealth creation*". Analyzing the factors that determine the competitiveness of different countries around the globe, it states that "*the creation of wealth and therefore competitiveness focuses on human resource, financial and educational to ensure and maintain a strong base on which the economy can flourish.*" In other words, a country rich in resources can not be automatically considered to be competitive. A country competitive in labor, talent and organization creates wealth, and thus gets to have a productive and creative potential to do so independent of material resources. This assertion is supported by the example of the most competitive countries in the world. All these countries constantly create wealth, not only in terms of financial gains of their citizens, but also in social infrastructure, education and politics.

When this occurs, the cycle of wealth initiates an upward spiral that leads to competitiveness. Without the generation of wealth and its decentralization to the whole society, there is a downward spiral with the result that countries become less competitive and less able to compete in the global market. So, behind competitiveness lies a simple truth: competitiveness means more than being rich, it means a systematic process of wealth creation.

On the other hand, the author neglects foreign influence, cultural heritage, technological factors and the competitive environment in which the state economy operates. In these circumstances, they can not be ignored several scenarios opposing theoretical model such as artificial lowering competitiveness and aligning to a particular system of standards (eg countries of the former Council for Mutual Economic Assistance - CMEA) or developing industries in some countries with no tradition in the industry for geopolitical reasons.

Michael Porter, in one of his fundamental work "*Competitive Advantage of Nations*", summarizes a model able to explain how economies affect the ability of firms to identify and maintain competitive advantages in international markets.

Michael Porter says that companies fail "*where is the most favorable national diamond*" (Porter, 1990, p. 72) because of global competitiveness factors define the context in which competing firms appear both separately especially in a synergistic manner.

In Porter's view, achieving competitive advantages is influenced by the natural and existing international climate. Within these, there are items such as natural endowment with production factors and geographical position that a country possesses, but also on the evolution of the international climate elements that can not be influenced by State (changes in international prices, changes in international markets, political and social events, technological changes etc.). On the other hand, there are a number of factors that can be influenced by government action. Public investment, government procurement, subsidies, the Internal Market legislation, norms and standards of consumption are all ways of generating competitive advantages. Considering the specific political decision is significant, the total system approach of competitive conditions through a coherent government action in order to improve the country's competitive advantages.

According to specialists from the World Economic Forum ([http://www3.weforum.org/docs/WEF\\_GlobalCompetitivenessReport\\_2014-15.pdf](http://www3.weforum.org/docs/WEF_GlobalCompetitivenessReport_2014-15.pdf), p. 4), competitiveness is defined as a *set of institutions, policies and factors that determine the level of productivity of a country*. The level of productivity, in turn, influences the level of prosperity that can be attained by an economy. It also determines productivity and profitability obtained by investments in an economy, which in turn is the "engine" of growth fundamental.

The concept of competitiveness involves thus static and dynamic components. In other words, the productivity of a country determines its capacity to sustain a high level of income. This is also one of the determinants of investment recovery, which is one of the key factors explaining such growth potential of an economy.

Many determinants leading to productivity and competitiveness. Understanding the factors behind this process has occupied the minds of economists for hundreds of years. Adam Smith, one of the founders of modern economics, in his fundamental work "*An Inquiry into the Nature and Causes of the wealth of nations*" formulated the idea that specialization creates wealth, showing also that without specialization you can not maintain a high standard of living. In the same paper, Adam Smith used to designate specialization term "*division of labor*".

Renowned economic theory focuses on specialization and division of labor, the later neoclassical economists focuses on investments in physical capital and infrastructure, and, more recently, interest and other mechanisms, such as education and training, technological, macroeconomic stability, good governance, strong refinement and market efficiency.

While all these factors are likely to be important for competitiveness and growth, they are not exclusive - two or more of them may be significant while what in fact was demonstrated by the economic literature.

### III. THE SYSTEM OF MACROECONOMIC INDICATORS USED TO MONITOR THE DEGREE OF COMPETITIVENESS IN TOURISM

For the development of the macroeconomic system of indicators, the data source used is the statistical surveys that tracked the results and competitiveness of firms in tourism.

According to the official publications of the National Institute of Tourism, the indicators are classified as follows:

- *indicators for assessing the capacity of tourist accommodation* (minimum accommodation capacity installed, the existing accommodation capacity, installed capacity, accommodation stock available);

- *evaluation indicators of tourist traffic* (tourist action, the total number of tourists, the total number of days / tourist, the average daily number of tourists, average length of stay, tourist traffic density, relative preference of tourists);

- *financial indicators* (revenues and their structure, tariff policy, the structure of time and the relationship between work time and free time). (Pirău, 2011, p. 210)

Research on the competitiveness of Romanian tourism is based on data collected and processed by the website of the National Institute of Statistics (<http://www.insse.ro>) and other national and international publications such as e.g. The web, The World Economic Forum (<http://www.weforum.org/>).

Thus, the following tables are collated information on the number of tourists arrivals (foreign and Romanian) in tourist establishments, tourists overnight stays in the establishments with functions of tourist accommodation, the number of tourist establishments, tourist accommodation capacity indices: net use of tourist accommodation capacity in operation and the share of tourism in GDP of Romania during 2008-2012.

Five years of crisis have its say in tourism, although almost 1000 accommodation units have appeared (4840 units in 2008 compared with 5821 in 2012), the number of tourists increased timid, less than 10% despite government efforts.

In 2008 the total number of tourists in Romania amounted to over 7.1 million people, of whom 5.65 million were Romanian and 1.46 million foreigners. After five years of crisis, the number of tourists rose to almost 7.7 million people of whom six million were only 1.6 million Romanian and foreign tourists. Thus, despite the efforts announced by Bucharest authorities to increase the number of tourists in five years, growth was higher than 8%. The reason? There is a bad image in the eyes of domestic tourism and memory of Romanians. There was little or no advertised. There was and there is no real interest today to support the Romanian tourism. Foreigners come few as a result of strange and chaotic promotions. There is a disinterest at

government levels and no action has been taken to support tourism in five years of crisis.

**Table 1. Arrivals in tourist establishments with accommodations**

Indicators	Years				
	2008	2009	2010	2011	2012
Total tourists (thousands)	7125	6141	6073	7032	7687
Evolution (%)	100	86.19	98.89	115.79	109.31
Foreign tourists (thousands)	1466	1276	1346	1517	1656
Evolution (%)	100	87.04	105.49	112.70	109.16
Romanian tourists (thousands)	5659	4865	4727	5515	6031
Evolution (%)	100	85.97	97.16	116.67	109.36
Share of foreign tourists in total (%)	20.58	20.78	22.16	21.57	21.54
Romanian tourists share in total (%)	79.42	79.22	77.84	78.43	78.46

Source: Statistical Yearbook of Romania Processed

([http://www.insse.ro/cms/files/Anuar%20statistic/20/20%20Turism\\_ro.pdf](http://www.insse.ro/cms/files/Anuar%20statistic/20/20%20Turism_ro.pdf))

In terms of foreign tourist arrivals, the situation was not pink (relative to other countries with tourist tradition) nor before the crisis, of a series of reasons related to the overall infrastructure, one for tourism,

Spatial Planning poor quality workforce employed in tourism, general conditions of security, order, cleanliness etc.

**Table 2. Overnight stays in establishments with accommodations**

Indicators	Years				
	2008	2009	2010	2011	2012
Total overnight stays (thousands)	20726	17325	16051	17979	19166
Evolution (%)	100	83.59	92.65	112.01	106.60
Total foreign overnight stays (thousands)	3359	2668	2767	3067	3297
Evolution (%)	100	79.43	103.71	110.84	107.50
Romanian total overnight stays (thousands)	17367	14657	13284	14912	15869
Evolution (%)	100	84.40	90.63	112.26	106.42
Share of foreign tourists	16.21	15.40	17.24	17.06	17.20
Share Romanian tourists overnight	83.79	84.60	82.76	82.94	82.80

Source: Statistical Yearbook of Romania Processed

([http://www.insse.ro/cms/files/Anuar%20statistic/20/20%20Turism\\_ro.pdf](http://www.insse.ro/cms/files/Anuar%20statistic/20/20%20Turism_ro.pdf))

The increased number of units for the period analyzed (4840 tourist accommodation in 2008 compared to 5821 in 2012) is due to support from European funding programs of the construction and development of rural tourism facilities and the desire of investors with financial resources from other industries, to invest in hotel establishments (especially in big cities).

As a consequence of the above, the occupancy of hotel establishments decreased

significantly in all destinations, perhaps less for higher comfort hotel units on the Black Sea coast, where at least 2012 was a good year.

Also, the increase in VAT from 1 July 2010 was a heavy blow to the tourism industry, both at hoteliers and travel agencies to. It pursued all system activity taxed in the current economic context and to all the taxes that do not properly stimulate the tourism industry are a sensitive issue in economic terms.

**Table 3. The structures of tourist units with accommodations**

Indicators	Years				
	2008	2009	2010	2011	2012
Total tourist accommodation (number of units)	4840	5095	5222	5003	5821
Absolute deviation (number of units)	-	255	127	-219	818
Development index (%)	100	105.27	102.49	95.81	116.35

Source: Statistical Yearbook of Romania Processed

([http://www.insse.ro/cms/files/Anuar%20statistic/20/20%20Turism\\_ro.pdf](http://www.insse.ro/cms/files/Anuar%20statistic/20/20%20Turism_ro.pdf))

In terms of tourist accommodation capacity, it increased in 2008-2012 range from 294210 to 301109 accommodation places (see table no. 4). But statistics do not occur and how many units have disappeared, there are no data about insolvencies, bankruptcies, sales or changes of destination. In addition, the number of tourists in 2012 increased compared to the base year (+ 7.89%) but decreased the number of overnight stays (-

7.53%). This is due to the decrease in purchasing power, lack of tourism promotion etc.

Out of over 300000 beds today, only 29374 units are state owned majority share, while over 270000 beds are part of private enterprise. (<http://www.wall-street.ro/articol/Turism/152646/cinci-ani-de-criză-in-turism-1-000-de-unitati-de-cazare-noi.html>)

**Table 4. Capacity of tourist accommodation**

Indicators	Years				
	2008	2009	2010	2011	2012
Existing tourist accommodation capacity (seats)	294210	303486	311698	278503	301109
Development index (%)	100	103.15	102.71	89.35	108.12
Capacity of tourist accommodation service (places-days)	59188	61104	63808	68417	74136
Development index (%)	100	103.24	104.43	107.22	108.36

Source: Statistical Yearbook of Romania Processed

([http://www.insse.ro/cms/files/Anuar%20statistic/20/20%20Turism\\_ro.pdf](http://www.insse.ro/cms/files/Anuar%20statistic/20/20%20Turism_ro.pdf))

Net use index of tourist accommodation capacity in operation has an oscillating evolution hovering below 2008-2012.

**Table 5. Net use indices of tourist accommodation capacity in operation**

Indicators	Years				
	2008	2009	2010	2011	2012
Overnight stays in the establishments of tourists' reception with functions of tourist accommodation (thousands)	20726	17325	16051	17979	19166
Tourist accommodation capacity in operation (places-days)	59188	61104	63808	68417	74136
Indices of net use of tourist accommodation capacity in operation (%)	35	28.4	25.2	26.3	25.9

Source: Statistical Yearbook of Romania Processed

([http://www.insse.ro/cms/files/Anuar%20statistic/20/20%20Turism\\_ro.pdf](http://www.insse.ro/cms/files/Anuar%20statistic/20/20%20Turism_ro.pdf))

As regards the direct contribution of tourism to gross domestic product (GDP) of Romania, it is about 1.8%, below the world average of 5.2%. In other regional contribution of tourism to GDP is much higher. For example, in Croatia it is 11.9%, Hungary

5.8% and in Bulgaria, 3.8%. Number of employees in tourism in Romania, is 2.3% of total employees, or about 193000, while the global average of working in tourism is 13.9%.

**Table 6. Share of tourism in Gross Domestic Product**

Indicators	Years				
	2008	2009	2010	2011	2012
Tourism contribution in GDP (%)	1.901	1.832	1.819	1.825	1.847
Evolution (%)	-	-0.069	-0.013	+0.006	+0.022

Source: Processed by [http://www.insse.ro/cms/files/publicatii/CST\\_2011.pdf](http://www.insse.ro/cms/files/publicatii/CST_2011.pdf), p. 4.

#### IV. MEASURES FOR IMPROVING THE ROMANIAN TOURISM

Tourism is a potential "tool" for economic growth, as it creates job opportunities *through cultural and natural heritage, specific to each of the eight development regions of Romania*, especially in marginal areas, economically and socially disadvantaged. Moreover, *tourism creates opportunities for diversification of local economies*, due to the capitalization of local revenues. Recovery attractions in different parts of the country can contribute to the economic growth of different parts of the country by fostering the emergence and development of local companies, transforming areas with low economic competitiveness in areas attractive to investors. This goal will be achieved by improving infrastructure and tourism services, tourism diversification and development of eco-tourism, health

tourism, cultural and historical. Interventions aimed at regaining market, attracting foreign tourists and increased revenue from them. This goal will be achieved by improving the quality of infrastructure and tourism services, domestic diversification and development of eco-tourism, health tourism, cultural and historical tourism.

The main opportunities for short-term tourism development are *natural and cultural resources*: resorts, areas of particular beauty, areas that provide opportunity for winter sports, historical centers etc. Thus, for a better exploitation of opportunities a essential transformation in locations with tourist potential an tourism products is needed; developing a solid market, able to promote them, and the creation and development of an infrastructure of roads, connected to the national network of transport (road, rail, air) to ensure easy accessibility to tourist areas is crucial. At the same time, it is particularly important to preserve what remains of cultural heritage of different regions of the country, severely hit in recent decades:

historical buildings, monuments, museums, theaters, art. These cultural preservation initiatives proposed by local authorities, will be supported by a consistent territorial planning for preserving (and where possible restoring) adjacent historical areas of towns and villages, maintaining traditional architectural styles and conserving medieval historical areas. Tourism activity creates demand for a wide range of goods and services purchased by tourists and their travel companies, including goods and services provided by other economic sectors (construction, food industry, small industry and handicraft). Family associations and micro-enterprises can produce and sell goods (handicraft, souvenirs) and services (guidance, folk performances) or principal activity or as additional activities using raw materials and local labor force, thereby increasing employment opportunities locally.

Also, *tourism has the potential to generate cooperation between local companies and between companies operating in other economic sectors and the creation of clusters.*

Tourism has an *impact on reducing disparities in the gender structure of unemployment*, by using predominantly a female labor force. Also, the competitiveness attractions based on natural and human heritage, currently operated at scale can be substantially increased. It will give priority to initiatives with a high concentration of attractions that allows economies of scale as well as those initiatives that are not overly affected by seasonality issues. To minimize the effects

generated by seasonality, it is envisaged that the tourist season is extended by organizing festivals, seminars, conferences, exhibitions and discounts by charging services "low cost", appealing to older people who have a greater willingness to travel in low season.

*Tourism development must take into account the principle of sustainable development* in the sense of preserving the natural and cultural heritage, but also reducing human pressure on the environment, inherent in the practice of mass tourism. ([http://www.fonduri-ue.ro/poscce/fonduri\\_structurale/pnd/III\\_Strategia.pdf](http://www.fonduri-ue.ro/poscce/fonduri_structurale/pnd/III_Strategia.pdf), pp. 342-344.)

## V. CONCLUSION

In conclusion, the main indicative actions aimed at investment in the rehabilitation and development of tourism infrastructure, creation of adequate infrastructure in health tourism, winter sports and ecotourism, the development of alternative forms of tourism, including tourism niche, based on regional strategies and actions for protection sustainable promotion of cultural heritage, development of national parks and other protected areas to facilitate the access of tourists, development zones and tourist resorts with tradition, importance, historical centers of cities with tourist potential, will contribute to unlocking the existing potential for development at regional/local level, including cultural and environmental values.

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