

## INTRODUCTION

In a more and more opened and integrated world, competitiveness became a main concern, both for the developed and the developing countries. We can talk about international competitiveness when the economic welfare of a nation is amplified by the growth of trading flows or by the change of the trading conditions starting from a supposed initial balance. Competitiveness is a multidimensional complex concept. It reflects the favorable position of the national economy, especially in the field of international trade, and, at the same time, the ability to consolidate this position. On another side, the competitiveness of the national economy represents a concentrated expression of the economic, scientific, technologic, organizational, management, marketing etc. abilities which are applied, successfully ensuring the competing products and services against foreign ones, both on the internal and the external market. National competitiveness represents the ability of one country to reach high levels of economic growth, to ensure a constant growth of real salaries and promote national companies on the world market, organized in high performance clusters which improve the quality of products and services and which allow the creation of future new work places. This competing ability of adapting to changes on the world market is based on economic factors such as the investments volume, the innovation capacity, production facilities and so on. Though, performances must be combined with politic and social factors which influence the functioning of the national economy on the world market.

The objective of the research on competitiveness as a basic factor of socio-economic growth and development is to demonstrate the influence of competitiveness on the economic situation of a country. By defining and trying to elaborately approach these three concepts, competitiveness, economic growth and social development, I will emphasize the indestructible and both ways relation between them, as well as the common intrinsic elements, which are found in the manifestation of these economic phenomena. The use of India as subject of the case study comes from the positive evolution it registered, a consequence of the reforms that have been adopted more than 20 years ago. A new emerging country, India proposes to overpass China in the future through economic growth, distinguishing itself as a next world scene actor. Important lessons can be learnt from India's economic evolution, which can be used as literature examples, without becoming mandatory guidelines for other states.

The evolution of the competitiveness concept has its starting point in the theories of international trade. From Adam Smith up to the actual models of evaluating the competitiveness of one state, the concept has sparked and kept alive the economists' interest.

Adam Smith launches the theory of the absolute advantage in its work, "The wealth of nations" (1776). David Ricardo notices the limits of Smith's theory and elaborates the theory of the comparative advantage, which is included in "On the Principles of Political Economy and Taxation" (1817). In "Interregional and International Trade" (1933), Heckscher and Ohlin complete Ricardo's theory. Raymond Vernon observes the minuses of the HO theory and explains the evolution of international trade depending on the life cycle of products in his article "International Investment and International Trade in the Product Cycle" (1966). Recent research of Michael Porter redirect the attention from the traditional theories of international trade to the new paradigm. In the volume "The Competitive Advantage of Nations", Porter claims that international competitiveness is determined by the interactions between four important factors: 1) The strategy, structure and competition of companies; 2) Conditions of demand; 3) Related industries; 4) Conditions of factors. Starting from this model, developing or criticizing it, other researchers propose evaluation variants of competitiveness. Amongst these theoretical models we can enumerate the Double diamond, the Double generalized diamond, the Model of the nine factors, the TOWS Matrix, the Competitiveness pyramid, etc.

Regarding this paper, in order to avoid the error and false trays risks, the adopted strategy is a flexible one. The research is an applied one, passing from theory to practice in order to rebuild a theoretical explanation starting from real evident phenomena or processes; the scientific demarche is an inductive-deductive one, where facts represent the basis of ideas. As well, the work also includes a study case in order to deeply understand the manifestation of the international competitiveness – economic growth – social development relation. The qualitative analysis allowed the theoretical research of different concepts, notions and theories of international competitiveness, of economic growth and social development. Quantitative analysis supposed data gathering and processing from the statistical reports and published papers of the International Monetary Fund, of the World Bank, of the International Institute for Management Development, of the World Economic Forum, of the Organization for Economic Cooperation and Development, of the United Nations Organizations and other national institutions and interpreting the results.

The scientific arguments, methodology and implementation instruments described in this paper meet the requirements of a fundamental and applicative research, useful for the ones interested in international competitiveness and its impact on the national economy, as well as for the ones concerned about the improvement of living standards of one nation's individuals.

## **Chapter I: International competitiveness – conceptual approaches and evaluation methods**

The chapter includes a review of the studies and researches regarding the international competitiveness, as well as the approach of the theoretical subjects, definitions, specific elements for this concepts and evaluation methods. The use of the competitiveness concepts related to the performance of regional, national and supranational economies represent a significantly controversial subject. This controversy focuses on the validation of the analogies between the microeconomic definitions of enterprises' competitiveness and the definitions of the national economies' competitiveness.

## **Chapter II: Economic growth and social development – the basis of a high living standard**

Chapter II approaches the theoretical form and also the practical one (materialized in analyses) of the economic growth and social development. Economic growth consists of growing the capacity of one economy to produce goods and services from a period to another. The economic growth is a complex process, with many faces and non-linear evolution. It goes on different tracks from a country to another, depending on the initial context, specific for each state from the economic, socio-cultural and institutional perspective, and also as a result of the impact that is generated by the economic policies applied in time.

## **Chapter III: International competitiveness – process and/or result of economic growth and economic-socio development**

This chapter emphasizes the relation between the three concepts, international competitiveness, economic growth and economic-social development. Though Krugman claims that the strong pursue for obtaining and maintaining the competitiveness of one state can have negative effects at a macroeconomic level, it cannot be neglected. Supporting the competitiveness of one economy supposes mezzo action, between the companies' level (micro) and the international level (macro), action resulted from the public institution on the business environment and the social environment. Different policies will be developed and adopted depending on the specificity of the economy, on its development degree. Almost all of the governments pursue the reduction of social and economic inequalities, having a wide range of instruments. The most indicated use of them is towards reaching a high growth rate, the final and common objective of competitiveness.

## **Chapter IV: Case study: India**

This case study emphasizes the importance of certain pillars that support international competitiveness, and also its role in the economic-social growth and development of this country. India displays important features and elements that support its competitiveness, being a model that sparks interest. From culture and history, to technology and externalization, India evaluated irrespective of the global economic situation. Yearly reporting, after 1991, 7% economic growth until the crises and with 9% forecasts for the coming years, India pursues to overpass China. Even if the economic growth is limited by the inadequate infrastructure, heavy bureaucracy, corruption, the inflexibility of the work force market, strict controls and regulations regarding the foreign direct investments (FDI) and big taxation deficits, India continues to advance, basing itself on the economic reforms begun in 1991.

### **CONCLUSIONS**

The global economy faces a series of significant and interdependent challenges, which could hinder the real comeback after an economic crisis that lasted half a century in most countries, especially in the most developed economies. This context emphasizes the importance that a nation admits and consolidates the basis of competitiveness as a support to the comeback and economic growth.

In a global economy, economic growth and human development are in a mutual relation of dependence with the international competitiveness of the nation. At an international level, there is a strong correlation between the human development level of a nation and its ability to be competitive on the international market. It is generally admitted that maintaining competitiveness and economic growth are basic factors of supporting the living standard and wealth. A solid international competitiveness creates the resources needed to the material improvements of the living standard and the resources for the investments that promote both the individual welfare and the national competitiveness. Thus, the final objective of productivity growth and the global competitiveness is and will have to be, on long term, the insurance of prosperity and the growth of the living standards.

Being a special case, worldwide recognized, India puts the base of its competitiveness not on the basic factors insuring a high living standard, but on complex factors, such as innovation and the development of the financial and IT sectors. Though a large part of the numerous population in this country is poor or highly illiterate, the country attracts investors due to the high number of engineers, businessmen, scientists and other professional that are

English speakers, individuals that support the growth of the services field. Moreover, the attractiveness of the country is also insured by the continuity of the economic reforms started in 1991, reforms that change the business environment and fights against the problems that India faces. Unemployment, population boom, corruption and the rural-urban gap are just a part of the negative aspects that hinder India's image. The solutions that are searched in order to prevent these problems will represent important improvements at the national level, improvements that will raise the trust in the economy of the country, attracting the interest, the know-how and the needed resources for a decent living, for the development of the middle class in the country.

The positive impact of the adopted reforms can be seen as an example by the emerging states. The desire of eliminating the negative causes of stagnation or reduced growth represent the basis of the implementation of the most adequate national policies and reforms. By analyzing India, one could easily notice what changes and growths resulted from the decision to invest in individuals, in the society. Investments in infrastructure, health, education, the reduction of the state intervention in the economy, the liberalization of foreign trade and the FDI allowed India to come out of the isolation and take advantage of the external opening.

As a conclusion, the analysis emphasizes the importance of the action for the basic factors that support the competitiveness of a nation (health, education, training, infrastructure), but one should not ignore the other determinants of competitiveness. Depending on the specificity of the country and on its development level, the government and the companies must adopt measures that support the growth and the development by operating with the strengths of the country.

## **BIBLIOGRAPHY**

### ***Books***

1. Alesina, A., Grilli, V., Milesi-Ferretti, G. (1994). *The Political Economy of Capital Controls, Capital Mobility: The Impact on Consumption, Investment and Growth*, Cambridge University Press, Cambridge
2. Barro, R., Sala-i-Martin, X. (1998). *Economic Growth*, MIT Press
3. Bhagwati, J., (2004). *In defence of globalization*, Oxford University Press, New York
4. Bhalla, S. (2002). *Imagine there's no country: Poverty, Inequality and Growth in the Era of Globalization*, Institute of International Economics
5. Bhattacharyya, S. (2014). *Two Decades of Market Reform in India: Some Dissenting Views*, Wimbledon Publishing Company

6. Boutellier, R., Gassmann, O., von Zedtwitz, M., (2008). *Managing Global Innovation - Uncovering the Secrets of Future Competitiveness*, Springer-Verlag Berlin
7. Chai, C., Roy, K. (2006). *Economic Reform in China and India: Development Experiences in a Comparative Perspective*, Edward Elgar Publishing Limited, Cheltenham
8. Cho, D. S.; Moon, H. C. (2000). *From Adam Smith to Michael Porter: Evolution of Competitiveness Theory*. Korea: Asia-Pacific Business Series
9. Ferrera, M., (2005). *Welfare State Reform in Southern Europe*, Routledge
10. Ghemawat, P., (2010). *The Globalization of Markets*, Harvard Business School Press
11. Gregoriou, G., N., (2009). *Emerging markets: performances, analysis and innovation*, CRC Press, SUA
12. Groenewegen, P., (2003). *Classics and Moderns in Economics, Volume I*, Routledge, London
13. Hickman, B., (1992). *International Productivity and Competitiveness*, Oxford University Press
14. Ikerd, J. (2012). *The Essentials of Economic Sustainability*, Kumarian Press, West Hartford
15. King, R. Rebelo, S. (1990). *Public Policy and Economic Growth: Developing Neoclassical Implications*, Manuscript. Rochester, N.Y.: Univ. Rochester
16. Landes, D. (1998). *The Wealth and Poverty of Nations*, W.W.Norton&Co., New York and London
17. Lewis, W. (2004). *The Power of Productivity*. Chicago: University of Chicago Press
18. Magnusson, L., Ottosson, J., (2001). *The State, Regulation And the Economy – An Historical Perspective*, Edward Elgar, Cheltenham
19. Marr, J., Reynard, C. (2010). *Investing in Emerging Markets: the BRIC economies and beyond*, Wiley&sons
20. Mitschke, A., (2008). *The Influence of National Competition Policy on the International Competitiveness of Nations*, Physica-Verlag
22. Nijkamp, P., Siedschlag, I., (2011). *Innovation, Growth and Competitiveness - Dynamic Regions in the Knowledge-Based World Economy*, Springer-Verlag Berlin
23. Ray, D. (1998). *Development Economics*, Princeton University Press, Princeton
24. Ricardo, D., (1817). *Principles of Political Economy and Taxation*, John Murray, London

### ***Articles***

1. Athanoglou, P., Bardaka, I. (2010), *New trade theory, non-price competitiveness and export performance*, *Economic Modelling*, 27, pp. 217-228
2. Berger, T. (2008). *Concepts on National Competitiveness*, *Journal of International Business and Economy* 9(1): 3–17
3. Cho, D-S., Moon, H-C., Kim, M-Y., (2008). *Does one size fit all? A dual double diamond approach to country-specific advantages*, *Asian Business & Management* Vol. 8, 1, 83–102
4. Davies, H., Ellis, P. D. (2000). *Porter's „Competitive Advantage of Nations“: Time for a final judgment?* *Journal of Management Studies* 37(8): 1189–1214

5. DiRienzo, C., Das, J., Burbridge, J., (2007). Does diversity impact competitiveness? A cross country analysis, *Competitive Review: An International Business Journal*, Vol. 17 No. 3, 2007 pp. 135-152
6. Edwards, S. (1998). Openness, Productivity and Growth: What Do We Really Know?, *Economic Journal* 108, March, pp. 383-398.
7. Fagerberg, J., Srholec, M., Knell, M., (2007). The Competitiveness of Nations: Why Some Countries Prosper While Others Fall Behind, *World Development* Vol. 35, No. 10, pp. 1595–1620
8. Fischer, B., (2004). Globalisation and the Competitiveness of Regional Blocs, *INTERECONOMICS*, July/August 1998 (164-170)
9. Freeman, C. (2004). Technological Infrastructure and International Competitiveness, *Industrial and Corporate Change* 13(3): 541–569
10. Hussain, M.F., Ilyas, S., (2010). Environment for innovation: Gaining competitive advantage, *African Journal of Business Management* Vol. 5(4), pp. 1232-1235
11. Ignat, I., Maha, L.G. (2010). The Effects of Transition from a Technical Division of Labor to a Cognitive International Specialization, *The Annals of The "Ștefan cel Mare" University of Suceava. Fascicle of The Faculty of Economics and Public Administration*, Vol. 10, No. 2(12), 2010, pp.39-44
12. Kohn, M. (2009). Economic Development and Growth: A Survey, *Cato Journal*, Vol. 29, No. 2, pp.237-246
13. Krugman, P. (1994). Competitiveness – a Dangerous Obsession, *Foreign Affairs* 73(2), pp. 28–44
14. Kuznets, S. (1955). Economic Growth and Income Inequality, *American Economic Review* 65, pp. 1–28
15. Lensink, R. (2001). Financial development, uncertainty and economic growth, *De Economist*, Vol. 149, N°3, pp. 299-312
16. Lodge, G. C. (2009). Ideology and National Competitiveness, *Journal of Managerial* 21(4): 461–477
17. Mauro, P. (1995). Corruption and Growth, *Quarterly Journal of Economics*, Vol. 110, No. 3, pp. 681–712
18. Momaya, K., (2011). Cooperation for competitiveness of emerging countries: learning from a case of nanotechnology, *Competitiveness Review: An International Business Journal*, Vol. 21 No. 2, 2011 pp. 152-170
19. Moon, H. C., Rugman, A. M., Verbeke, A. (1998). A Generalized Double Diamond Approach to the Global Competitiveness of Korea and Singapore, *International Business Review* 7(2): 135–150
20. Mutsune, T. (2008). The State of U.S. International Competitiveness: a Study of the Impact of Trade Performance Indicators, *Advances in Competitiveness Research (ACR)* 16(1): 1–12
21. Pillania, R., (2009). Competitiveness and emerging markets, *Business Strategy Series*, Vol. 10 Iss: 2 pp. 90 – 95

### *Other sources*

1. Ahmed, S., Kelston, A., Wilson, D., (2010). Is this the “BRICS Decade”?, Goldman Sachs Global Economics, Commodities and Strategy Research, [www2.goldmansachs.com](http://www2.goldmansachs.com)
2. Ambec, S., Cohen, M., Elgie, S., Lanoie, P., (2010). The Porter Hypothesis at 20: Can Environmental Regulation Enhance Innovation and Competitiveness?, Chairs’ Paper, Harvard Business School
3. Anand, R., Tulin V., Kumar N. (2014). India: Defining and Explaining Inclusive Growth and Poverty Reduction. Working Papers No. 14/63. IMF
4. Artelaris, P., Arvanitidis, P., Petrakos, G. (2007). Theoretical and methodological study on dynamic growth regions and factors explaining their growth performance, Paper presented in the 2nd Workshop of DYNREG in Athens, 9-10 March
5. Atkinson, R., Stewart, L. (2012). THE 2012 STATE NEW ECONOMY INDEX Benchmarking Economic Transformation in the States, Information Technology and Innovation Foundation, Washington, DC, <http://www2.itif.org/2012-state-new-economyindex.pdf>
6. Balakrishnan, R., Steinberg, C., Syed, M. (2013). The Elusive Quest for Inclusive Growth: Growth, Poverty, and Inequality in Asia, Fondul Monetar Internațional, WP/13/152
7. Beacon Hill Institute, Universitatea Suffolk, (2011). Annual State Competitiveness Report, <http://www.beaconhill.org/Compete11/Compete2011.pdf>
8. Bhalla, S. (1997). Economic Freedom and Growth Miracles: India is Next, paper prepared for a panel discussion on South Asia: The Next Miracle?, World Bank - IMF Annual Meeting, Hong Kong 1997, September 18, 1997
9. Biswas, A. (2011). Foreign Relations of India: BRICS and India, BRICS in Africa, <http://en.interaffairs.ru/events/92-foreign-relations-of-india-brics-and-india-brics-inafrica.html>
10. Blanke, J., Paua, R., Sala-I-Martin, X., (2004). The Growth Competitiveness Index: Analyzing Key Underpinnings of Sustained Economic Growth, [http://www.weforum.org/pdf/Gcr/GCR\\_2003\\_2004/GCI\\_Chapter.pdf](http://www.weforum.org/pdf/Gcr/GCR_2003_2004/GCI_Chapter.pdf)
11. Bruckner, M., Schwandt, H. (2013). Income and Population Growth, Princeton University and IZA, Discussion Paper No.7422, <http://ftp.iza.org/dp7422.pdf>
12. Chand, M. (2014). BRICS by brick: Re-crafting a new global order. Ministerul de afaceri externe al Indiei, <http://mea.gov.in/in-focusarticle.htm?23577/BRICS+by+brick+Recrafting+a+new+global+order>
13. Dahlin, B., (a.n). The Impact of Education on Economic Growth - Theory, Findings, and Policy Implications, Duke University
14. Dahlman, C., Utz, A., (2006). India and the Knowledge Economy – Leveraging Strengths and Opportunities, Banca Mondială, Washington, <http://info.worldbank.org>
15. Delgado, M., Ketels, C., Porter, M., Stern, S. (2012). The Determinants of National Competitiveness, NBER Working Paper 18249



16. de Smedt, M., (2014). Measuring progress: GDP and beyond, Comisia Europeană, [http://www.slideshare.net/Wikiprogress\\_slides/eurostat-gdp-and-beyond-eurostatmdesmedt](http://www.slideshare.net/Wikiprogress_slides/eurostat-gdp-and-beyond-eurostatmdesmedt)
17. Dublin: National Competitiveness Council, (2008). Discussion Paper on Wellbeing and Competitiveness, [http://www.forfas.ie/media/ncc080723\\_wellbeing.pdf](http://www.forfas.ie/media/ncc080723_wellbeing.pdf)
18. European Commission (2010). Europe 2020. A Strategy for Smart, Sustainable and Inclusive Growth, [http://eunec.vlor.be/detail\\_bestanden/doc014%20Europe%202020.pdf](http://eunec.vlor.be/detail_bestanden/doc014%20Europe%202020.pdf)
19. Fagerberg, J., Knell, M., Srholec, M., (2004). The Competitiveness of Nations: Economic Growth in the ECE Region, Economic Survey of Europe, 2004 No. 2
20. Fondul Monetar Internațional, (2012). World Economic Outlook - Coping with High Debt and Sluggish Growth, <http://www.imf.org/external/pubs/ft/weo/2012/02/pdf/text.pdf>
21. Ganesh-Kumar, A., Panda, M., Burfisher, A., (2006). Reforms in Indian agro-processing and agriculture sectors in the context of unilateral and multilateral trade agreements, WP-2006-011, Mumbai: Indira Gandhi Institute of Development Research
22. Gardiner, B., Martin, R., Tyler, P. (2004). Competitiveness, Productivity and Economic Growth across the European Regions, <http://econpapers.repec.org/paper/wiwwiwsa/ersa04p333.htm>
23. Garelli, S., (2005). Competitiveness of Nations: the Fundamentals, in IMD World Competitiveness Yearbook 2005. Lausanne: International Institute for Management Development, 608–619
24. Green, R., McAuley, T. (2014). Four Tough Reforms to Revive the Manufacturing Sector in India, Rice University's Baker Institute for Public Policy // Issue Brief, [http://bakerinstitute.org/media/files/files/913a1b92/BI-Brief-062514-Econ\\_IndiaReform.pdf](http://bakerinstitute.org/media/files/files/913a1b92/BI-Brief-062514-Econ_IndiaReform.pdf)
25. Hanna, R. (2013). Fighting Corruption in India, <http://harvardpolitics.com/world/fightingcorruption-in-india/>
26. Herrera, S., (2007). Public Expenditure and Growth, Policy Research Working Paper 4372, Banca Mondială
27. Higgins, K. (2013). Reflecting on the MDGs and Making Sense of the Post - 2015 Development Agenda, Research report, The North-South Institute, <http://www.nsiins.ca/wp-content/uploads/2013/05/2013-Post-2015.pdf>
28. Hnatkovska, V., Lahiri, A. (2013). The Rural-Urban Divide in India, University of British Columbia, Working Paper
29. Howarth, R. (2012). Sustainability, Well-Being, and Economic Growth, Center for Humans and Nature, <http://www.humansandnature.org/sustainability--well-being--andeconomic-growth-article-116.php>
30. Inter-American Development Bank, (2003). Sustainable Economic Growth, <http://idbdocs.iadb.org/wsdocs/getdocument.aspx?docnum=354387>