

Global Competitiveness Report, 1999

Conceptual Framework

Introduction

The annual Global Competitiveness Report (GCR) is a major research and publishing activity of the World Economic Forum. The core of the Report is a ranking of the world's largest economies based on their competitiveness with an analysis of their comparative strengths and weaknesses. Today the Global Competitiveness Report is known around the world as the most authoritative study of its kind, offering decision-makers in government and business an instrument to evaluate and compare their country's competitiveness.

The World Economic Forum's Global Competitiveness Report 1999 ranks Singapore, the United States, Hong Kong SAR, Taiwan, Canada, Switzerland, Luxembourg, the United Kingdom, Netherlands and Ireland as the 10 most competitive countries in the world. The competitive index is built upon the average of eight factors:

1. Openness of the economy to trade and foreign investment: does the economy have the right linkages to worldwide markets?
2. Role of government: how intrusive are the government in terms of spending, taxation and regulations?
3. Maturity of financial markets: are the banking system and stock market developed and efficient?
4. Quality of infrastructure: do adequate transportation, communications and power systems exist?
5. Quality of technology: how developed are basic and applied science?
6. Quality of business management: do businesses have the ability to react to new opportunities creatively and flexibly?
7. Labor market flexibility: does government restrict labor flexibility and what is the state of industrial relations?
8. Quality of the judicial and political institutions: is the legal system efficient, are contracts enforced and are property rights secure?

Countries are given scores in each of these eight sub-indices, and then a weighted average of these factors is taken to produce the overall competitiveness index.

The current Report focuses on information technology as a new source of competitiveness. It has new information to rate countries on all of the dimensions of information technology. In the executive opinion survey for the 1999 Report, questions on the use of e-mail, the use of the Internet and the use of portable telephones were added. There tends to be clear usage progression of the Internet, from e-mail use to information searches to e-commerce. Telephone infrastructure and Internet usage are strongly correlated.

Methodology

The competitiveness index in this Report is an index of economic indicators that have proven to be correlated with medium-to long-term economic growth. In constructing this index, two basic kinds of data are combined. The first kind of data is called quantitative data: these are indicators of a country's economic performance, technological capacity and infrastructure taken from a wide variety of published sources. The second kind of data is survey data. The survey data comes from the Executive Opinion Survey conducted each year by the World Economic Forum. The survey measures the perceptions of leading business executives about the country in which they operate. Over 4,000 executives in 59 countries responded. The information from these surveys is very helpful in measuring perceptions and facts about each country that are not measured well by the quantitative data.

Report Findings

Like last year, country and regional group divided the Report; findings have reinforced that dynamic, small and open economy such as those of Singapore and the United States top the overall country ranks.

European Union countries such as France and Germany have shown stability in their competitiveness ranks, while Italy improved, yet the United Kingdom rank have dramatically dropped.

Still, Transition economies are at the bottom of the list. The two faltering giants, Ukraine and Russia holding the lowest ranks. These low rankings reflect both the uncertainty of transition from communism and the difficult character of reform in those countries.

Israel has shown stability in its competitiveness rank. However, other Middle Eastern countries' rank dropped such as Egypt and Jordan, bringing Jordan to 40 out of 59 countries (68%) in 1999 index, down from 34 out of 53 countries (64%) in 1998.

Analysis of Jordan's Status

The same analytical framework introduced last year has been followed in the 1999 Report, highlighting the eight characteristics as contributors to a country's competitiveness.

- The 1999 study was expanded to cover 59 countries (compared to 53 last year). The six new countries included into this Report are - El Salvador, Costa Rica, Mauritius, Bolivia, Ecuador and Bulgaria. (two of which-Costa Rica and Mauritius-have scored higher ranks than Jordan).
- It is generally noted that topics and issues covered in the current questionnaire (criteria) gave a more detailed, comprehensive and representative indication of eight factors than those of last year.

General Comparison between Jordan and Countries of the Selected Sample

TABLE (1)/1999
Eight Competitiveness Factors

	Singapore	USA	Germany	Italy	Japan	Korea	Costa Rica	Bulgaria	Mauritius	Egypt	Jordan	Israel	Russia
Openness	2	9	14	13	34	35	29	54	12	50	45	40	56
Government	1	15	45	57	23	17	21	35	22	31	30	46	59
Finance	2	3	26	32	13	18	47	57	43	39	37	30	58
Infrastructure	7	1	11	33	15	27	47	57	35	38	37	26	58
Technology	2	1	17	40	5	19	29	56	42	47	48	9	55
Management	12	1	9	30	11	32	35	57	27	52	42	31	58
Labor	1	14	49	47	3	26	33	32	38	57	41	23	25
Institution	2	8	4	37	21	32	50	52	43	29	24	19	59
Overall Ranking	1	2	25	35	14	22	34	56	29	49	40	28	59

TABLE (2)/1998
Eight Competitiveness Factors

	Singapore	USA	Germany	Italy	Japan	Korea	Costa Rica	Bulgaria	Mauritius	Egypt	Jordan	Israel	Russia
Openness	3	12	11	10	28	35	N/A	N/A	N/A	31	43	42	50
Government	2	21	40	47	20	13	N/A	N/A	N/A	25	16	41	51
Finance	2	4	31	37	13	11	N/A	N/A	N/A	38	24	32	52
Infrastructure	2	3	18	42	12	27	N/A	N/A	N/A	43	44	35	51
Technology	2	3	19	31	6	23	N/A	N/A	N/A	36	45	7	52
Management	7	1	8	25	10	28	N/A	N/A	N/A	42	41	30	51
Labor	1	10	44	51	4	13	N/A	N/A	N/A	36	42	23	40
Institution	1	9	11	39	21	33	N/A	N/A	N/A	30	25	22	51
Overall Ranking	1	3	24	41	12	19	N/A	N/A	N/A	38	34	29	52

Jordan's rank dropped in four of the eight competitiveness factors: openness, finance, technology and government. While the other remaining three factors: management, labor and institutions stayed stable. However, Jordan's rank improved in infrastructure

scoring 37 from 44. This may be due to the introduction and/or the deletion of several factors, for example:

- Spending on R&D was introduced thus affecting negatively Jordan's rank to 44;
- absorption of new technologies was introduced bringing Jordan's rank back to 48;
- using cellular telephone dropped to 58 in 1999 from 52 in 1998;
- engineering as a profession was deleted although Jordan's rank was 5 in 1998;
- deletion of the environmental factor although Jordan's rank was 4 in 1998; and addition of compensation policies in which Jordan scored 54.

Also, the introduction of two new countries into this Report (Cost Rica and Mauritius) who scored a higher rank in comparison to Jordan.

TABLE (3)
Competitiveness Index vs. Market Growth Index

INDEX	Singapore	USA	Germany	Italy	Japan	Korea	Costa Rica	Bulgaria	Mauritius	Egypt	Jordan	Israel	Russia
Competitiveness Rankings 1999	1	2	25	35	14	22	34	56	29	49	40	28	59
Competitiveness Rankings 1998	1	3	24	41	12	19	N/A	N/A	N/A	38	34	29	52
Market Growth Rankings 1999	27	1	3	8	2	15	53	56	59	37	54	38	36
Market Growth Rankings 1998	20	1	5	27	2	16	N/A	N/A	N/A	28	44	41	N/A

The Competitiveness Index (CI) measures the capacity of national economies to achieve high rates of per capita GDP growth in the medium term.

The study indicates that countries scoring high in the CI have a faster growth rate than countries scoring low, holding initial income constant. Accordingly, countries with high scores in the CI are expected to score high in the growth ranking.

The Market Growth Index (MGI) tells us how total world economic growth is distributed amongst countries. A rank of 1 indicates the highest predicted growth rate and/or market growth index, and 59 indicates the lowest predicted growth rate and/or market growth index.

As shown in the table above, an Executive Opinion Survey conducted on 4,000 executives in 59 countries by the World Economic Forum in its 1999 GCR, shows that countries will present an important and attractive opportunity to businessmen, if they either scored high in the CI (which indicates expected growth), or scored high in its MGI (which indicates its market size).

On the other hand, the Executive Opinion Survey shows Jordan having one of the worst ranks amongst the 59 countries scoring 54. Egypt scored 37th rank, although it scored a relatively good rank in the market growth index in comparison to Israel and Jordan. While Israel's score corresponds with its scores in the two indices. Perhaps, this is a reflection of the intensive activities of Israel and Egypt in marketing and promoting their economy when compared to Jordan.

Conclusion

Even though the same general methodology used in last year's Report was used again in the 1999 Report, i.e., the Index comprises the same eight factors, each with a defined weight and consistency. However, the division of these factors into sub-factors has changed. These changes in the sub-factors, and especially in the corresponding survey questions contributed to the change in the ranking of countries.

The new developments on the Report involved the following:

1. Some subjects have been deleted in each factor survey. For example, in the Government, the environmental competitiveness factor was deleted, although in the 1998 Report, Jordan environmental regulation rank was 4 and the spending was 7 which consequently affected Jordan negatively.
2. Main subjects have been introduced and given weights in some factors, such as the Technology factor. The Report introduced new questions on the use of portable telephones bringing Jordan's rank in the 1999 Report to 58 down from 52 in the 1998 Report. Also, on the use of e-mail and the use of the Internet.
3. Questions in the Executive Opinion Survey were addressed to both poor and rich countries alike.
4. The introduction of new countries in the 1999 Report, negatively affected the scoring rank in general, and Jordan in particular.
5. In the 1998 Report, the Executive survey distributed came after a seminar conducted by the National Competitiveness Team in coordination with Public Administration Institute to introduce Competitiveness and the proper method for filling the survey. This contributed greatly in improving Jordan's rank to 34 out of 53 countries in 1998 from 43 out of 51 countries in 1997. Unfortunately, this did not happen in the current year.

It is our belief that these changes have resulted in the differences that occurred in the rankings of Jordan. What really occurred was not the fact that the rank of Jordan dropped, but topics and issues covered in this years questionnaire (criteria) gave a more detailed, comprehensive and representative indication of the eight factors than those of last year. This resulted in a new and more precise calculation of the CI in a manner that it became a more comprehensive and representative indication.

This makes any real comparisons in the ranking of Jordan unfair, or actually unequal, due to the above major difference.

Many other questions arise that the Report calculation methodology did not cover. These contribute to the level of results and rankings dependency. For example, in the questions that were not answered by all countries or 4000 businessmen (the sample size), still the Report managed to find a score and ranking to the component.

Finally, either before coming to the decision that Jordan's rank had improved or dropped, it is suggested that further research and analysis into these highlighted issues be carried out. Furthermore, ascertaining that both the content and methodology of the data collection from Jordanian sources are credible and reliable, is another approach of verifying the Report findings.