

# Competitiveness: What, Why and How

A presentation by  
Howard Rosen  
January 20, 2003

## Competitiveness is

AN ECONOMY'S ABILITY TO PRODUCE  
GOODS AND SERVICES THAT MEET THE  
TEST OF INTERNATIONAL MARKETS WHILE  
ITS CITIZENS EARN A STANDARD OF  
LIVING THAT IS BOTH RISING AND  
SUSTAINABLE OVER THE LONG RUN.

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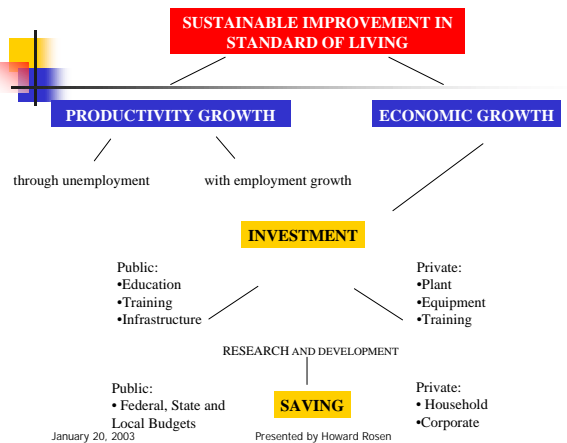
## Competitiveness

- Economy-Wide      Sustainable Improvement in Standard of Living
- Industry Cluster      Capture Dominant Market Position through the Sale of High Quality Products
- Firm      Long-run Growth in Profits and Sales through Rising Market Share

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## Competitiveness Flowchart



## Productivity is

the **efficiency** by which an economy utilizes its **natural resource, labor, capital and technology** to produce **goods and services**

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Productivity growth is **necessary**, but not sufficient, in order to achieve **sustainable improvements** in a country's standard of living

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Productivity growth enables  
wages to rise  
without igniting inflation

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Sustainable improvements in  
productivity requires  
long-term investments in  
physical and human capital

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## Factors of Productivity Growth

- Increasing Public and Private Capital Investment
- Investing in New Technologies – Both Products and Process
- Improving Workers' Skills
- Promoting Labor Market Flexibility

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## Six Elements of a Productivity Strategy

- Educating the Future Workforce
- Training the Existing Workforce
- Creating High Performance Workplaces
- Promoting Investment
- Research and Innovation
- Securing International Markets

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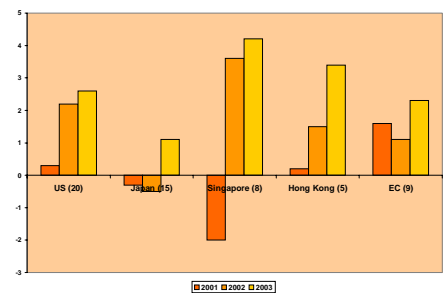
## Why (Why Now?)

- Long term
  - Raise living standards
  - Strengthen economic fundamentals
  - Respond to new competitors (China)
- Short term
  - Slow growth in traditional export markets (US and Japan)

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## GDP Growth in Thailand's Largest Export Markets



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## Competitiveness Councils

Establish a forum of representatives from **business, labor, academia and government** to develop and promote policies which enhance competitiveness, through **increased investment** and **long-term improvements in productivity and economic growth.**

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## Competitiveness Councils in Industrialized Countries

- United States      Competitiveness Policy Council
- United Kingdom    Department of Trade and Industry
- Germany            Standort Deutschland
- Canada              National Productivity Council

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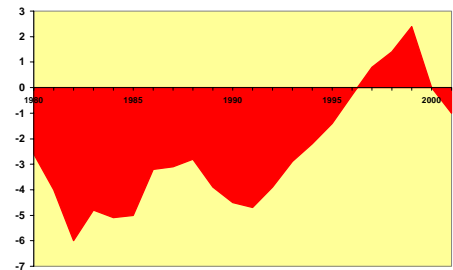
## The US Economy in 1992

- Large Fiscal Budget Deficits
- Low Public and Private Saving and Investment Rates
- Anemic Productivity Growth
- Stagnating Standard of Living

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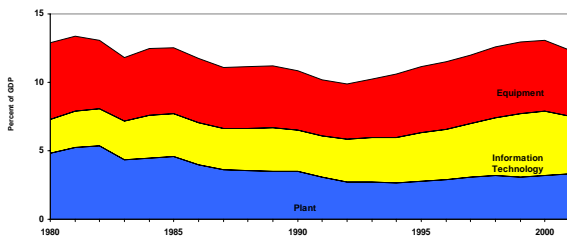
## US Budget Deficit



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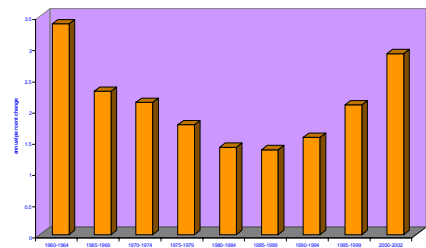
## Investment in Plant and Equipment



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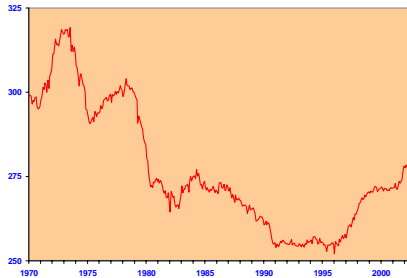
## US Productivity Growth



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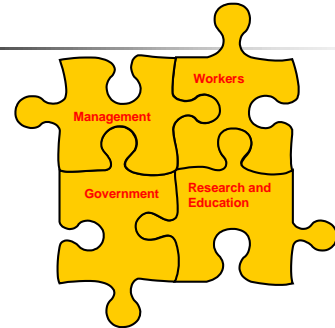
## Real Average Weekly Earnings



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## The Partners



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## Appointments to the US Competitiveness Policy Council

**PRESIDENT**      **SENATE**      **HOUSE**

each appointed a representative from:

**BUSINESS**  
**LABOR**  
**PUBLIC INTEREST (ACADEMIC)**  
**GOVERNMENT**

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## Subcouncils

- Capital Allocation
- Capital Formation
- Corporate Governance
- Critical Technology
- Education
- Manufacturing
- Public Infrastructure
- Trade
- Training

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## Setting National Goals

In order to double US productivity growth, from 1 to 2 percent a year, while maintaining full employment:

- Achieve GDP growth of 3 to 3½ percent annually
- Increase national investment by 4 to 6 percent of GDP
- Increase national saving rate by 5 to 7 percent of GDP

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## Investment in Human Capital

- Education
  - Standards and Assessments
  - Math and Science
  - Multilingual
- Training
  - School-to-Work Transition
  - Worker Training Programs
  - Skill Certification

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## Investment in Physical Capital

- Access to Capital
  - Low interest rates/ low inflation
  - Reduce budget deficit
  - Attract foreign capital
- Capital Allocation
  - Capital market reform
  - Tax policy
- Physical Infrastructure

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## Investment in Technologies

- Public/private support for R&D
- Cooperative R&D
- Manufacturing and Technology Extension
- Skills to use new technologies

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## Investment as a Share of GDP



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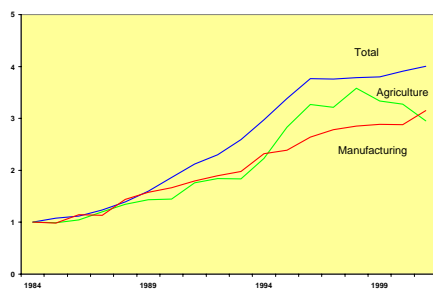
## Productivity by Sector, 2001

	Share of GDP	Output per Worker (in baht)	Productivity Growth (1997-2001)
Total		152,301	1.3 percent
Agriculture	8.6 percent	28,306	-1.8 percent
Manufacturing	33.5 percent	359,304	3.7 percent

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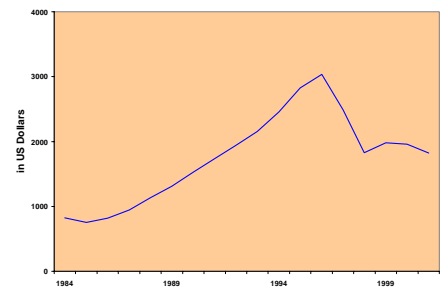
## Thai Productivity Growth



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## Per Capita GDP



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A **Competitiveness Council** can coordinate the cluster activity and address “cross-cluster” issues, such as **education, technology** and **capital formation**.

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## Competitiveness Councils

- **Provide policy focus and discipline**
- **Enhance the development of comprehensive and coherent policies**
- **Engage all the stakeholders**

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