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INTERNATIONAL COMPETITIVENESS OF ASIAN STATES

Summary: What is the competitive position of Asian states in the international economy? In order to find the answer, the author shall examine generally-available reports which focus on the competitiveness of states on the grounds of many indexes. For the needs of the present paper the most valid reports are taken into accounts: WEF – *The Global Competitiveness Report*, IMD – *World Competitiveness Yearbook*, and Institute of Boao Forum for Asia – *Asian Competitiveness Annual Report 2011*. Despite differences in terms of a methodology and rating of indexes shaping the competitiveness presented in reports by WEF, IMD, and Boao, the examination shall reflect an outline of the issue and enable a determination of the competitiveness level of the Asia region states.

Keywords: Asia, competitiveness, IMD, WEF.

1. Introduction

The issue of competitiveness may be considered in terms of many aspects. In the literature on the subject there exist a large number of terms related to the competitiveness but practically, the term “competitiveness” concerns products, economic units, sectors, and entire economies, reflecting their properties, resources, skills etc. As a synonym of competitiveness there is efficiency, on the basis of which units or groups are subject to examination, as well as indexes affecting the efficiency level. The goal of this paper is to assess the competitiveness of Asian economies. Therefore, the examination shall include so-called “macro aggregation level”, and in some cases – “mezzo level”. Consideration of the competitiveness in the macro (state) scale means having an ability to generate – in a long period of time – more wealth in comparison to other states and ability to face a competitiveness “pressure” and market power.¹ Moreover, also adaptation skills of a state, which means ability to adjust to changes in the international surrounding (e.g. as a result of changes in a foreign trade structure), are quite significant. A national economy is considered to be competitive when it is able to reach a stable and larger than average speed of

¹ Z. Pierścioneck, *Strategie konkurencji i rozwoju przedsiębiorstw* [Strategies for competitiveness and development of enterprises], PWN, Warszawa 2003, p. 165.

growth in GDP, increase in the performance as well as to enhance level and quality of life of its inhabitants. The state should obtain a budget balance, strengthen a real exchange rate and simultaneously, assure relative high growth in incomes *per capita*.² Among main factors shaping the competitiveness of economies in the light of WTO decision made in Davos, there are, among others, internal economic potential, internationalization of the economy, government, public finances, infrastructure, science, technology, and human resources.³

2. Competitiveness of Asian states in the light of international competitiveness rankings

An attempt to determine Asian economies' competitiveness shall be undertaken due to use of data presented by the following institutions: the World Economic Forum and the Institute for Management Development, which annually publish reports presenting international competitiveness positions of world's states. Moreover, during the examination one shall use a ranking of competitiveness of Asian economies presented by the Boao Forum For Asia as a non-governmental and non-profit organization associating business leaders and academic environments. Its superior goal is carrying out of tasks whose effect is supposed to be development of the Asia region.

The author is aware of the fact that the examination does not cover the entire wide issue of competitiveness of economies under examination. Limitations related to volume of the paper do not allow for a more accurate description of the issue, however, obtained results shall make possible an observation of some regularities and dependences which shall be subject to subsequent examinations carried out by the author.

The WEF in its *Global Competitiveness Report* defines competitiveness as a fusion of politics, institutions and factors which determine level of productivity of a state.⁴ The WEF's concept assumes that the competitiveness is made up of 12 following "pillars": institutions, infrastructure, macroeconomic environment, health and primary education, higher education and training, goods market efficiency, labor market efficiency, financial market development, technological readiness, market size, business sophistication and innovations.

The second ranking of competitiveness developed by IMD – *World Competitiveness Yearbook* – regards the competitiveness as a general category, looking for its

² J.W. Bosak, *Teoria i metodologia. Krytyczna ocena stosowanych metod analizy* [Theory and methodology. Critical assessment of used examination methods], [in:] M. Weresa (ed.), *Polska. Raport o konkurencyjności 2006. Rola innowacji w kształtowaniu przewag konkurencyjnych* [Report on competitiveness 2006. Role of the innovativeness in terms of shape of competitive advantages], Instytut Gospodarki Światowej SGH w Warszawie, Warszawa 2006, p. 259.

³ *The Global Competitiveness Report 1997*, World Economic Forum, 1997.

⁴ *The Global Competitiveness Report 2010-2011*, World Economic Forum, 2010, p. 4.

impact on the state's economy or private or public institutions. The competitiveness is defined as a field of economics which examines real factors and politics due to which there exists a possibility of creation and maintaining the environment where companies are able to produce more value and more wealth for people.⁵ In order to determine the competitiveness level of a state, 75% of statistical data and 25% data based on questionnaires are taken into account. Obtained information is subject to examination by means of so-called "diamond" model (Michael Porter's Diamond) in conjunction with a "cube" model.

Both reports differ from each other defining the competitiveness, scope of questionnaires and a "size" of used and processed statistical data in a different manner. The WEF's report is designed for a wide range of receivers, while the IMD's report focuses mostly on executives who are addressees of the report. However, comparing annual competitiveness position estimations provided in both reports, one may observe that they are rather similar so they may be used for the needs of the examination presented in this paper.

The Research Institute of Boao Forum for Asia presents *Competitiveness Annual Report 2011*,⁶ which aims to help Asian economies and enterprises recognize their positions of competitiveness and identify their directions of development in the future. In order to determine the competitiveness level of states, the Asian Institute of Boao Forum for Asia uses indexes assigned to 5 categories: commercial and administrative efficiency index (6 indices), infrastructure index (11 indices), macroeconomic strength index (14 indices), social development index (10 indices), human capital and innovation index (5 indices). Totally: 46 indexes.

In *The Global Competitiveness Report* for years 2010 and 2011 the highest position from among Asian states in terms of the GCI index examination (Global Competitiveness Index) was assigned to Singapore, which held the 3rd position *per* 139 economies subject to the examination. It maintained a position from a previous year, following just Switzerland and Sweden. The 2nd position in the Asia region was held by Japan, which came 6th and consequently, jumped 2 positions in relation to the report 2009/2010. The 3rd position (in the region of Asia) and 11th position (generally) in terms of the GCI, similarly like in the previous year was held by Hong Kong. Worth of mentioning is the fact that 39 economies from among 139 under examination are Asian economies. Nearly 40% of states managed to enhance their competitiveness in relation to previous year and 10% of them maintained their previous result.

Singapore is an economy which for many years has been ranked as a state creating the best conditions for a competitive economy in the world. The opinion results from the following factors: large internationalization, openness or simplicity of running of the business activity. In the report 2010/2011 in three cases, Singapore was ranked

⁵ *World Competitiveness Yearbook*, IMD, 2009, p. 479.

⁶ *Asian Competitiveness Annual Report 2011*, The Research Institute of Boao Forum for Asia, 2011.

Table 1. Asian states in the competitiveness rankings of WEF, IMD, Institute of Boao Forum for Asia for years 2009-2011*

Order no.	State	GCI 2010-2011	GCI 2009-2010	IMD 2010	IMD 2009	Boao 2011
1	Saudi Arabia	21	28			14
2	Armenia	98	97			23
3	Azerbaijan	57	51			17
4	Bahrain	37	38			8
5	Bangladesh	107	106			30
6	Brunei Darussalam	28	32			
7	China	27	29	18	20	11
8	Cyprus	40	34			
9	Philippines	85	75	39	43	27
10	Georgia	93	90			18
11	Hong Kong	11	11	2	2	4
12	India	51	49	31	30	29
13	Indonesia	44	54	35	42	24
14	Iran	69	n/a			19
15	Japan	6	8	27	17	3
16	Jordan	65	50	50	41	16
17	Cambodia	109	110			
18	Qatar	17	22	15	14	12
19	Kazakhstan	72	67	33	36	9
20	Kyrgyz Republic	121	123			28
21	Korea, Rep.	22	19	23	27	1
22	Kuwait	35	39			22
23	Lebanon	92	n/a			
24	Malaysia	26	24	10	18	7
25	Mongolia	99	117			25
26	Nepal	130	125			34
27	Oman	34	41			21
28	Pakistan	123	101			32
29	Russian Federation	63	63	51	49	
30	Singapore	3	3	1	3	4
31	Sri Lanka	62	79			26
32	Syria	97	94			
33	Taiwan	13	12	8	23	1
34	Tajikistan	116	122			31
35	Thailand	38	36	26	26	13
36	Timor Leste	133	126			33
37	Turkey	61	61	48	47	15
38	Vietnam	59	75			20
39	United Arab Emirates	25	23			10

* For the needs of the examination there were selected states for which it was possible to determine any position in rankings by institutions quoted in this paper.

Source: Author's own evaluation based on *The Global Competitiveness Report 2010-2011*, World Economic Forum 2010; *World Competitiveness Yearbook*, IMD 2009; *Asian Competitiveness Annual Report 2011*, The Research Institute of Boao Forum for Asia, 2011.

first among economies under examination. The highest rate was awarded for the first pillar which is “institutions”, than the 6th pillar – “goods market efficiency”, and 7th – “labor market efficiency”. The second position and the third one was held by Singapore in terms of the 8th pillar – “financial market development”, and the 4th – “health and primary education”. The worst rate was awarded for the 4th pillar – “macroeconomic environment”, in terms of which the state was classified at the 33rd position. The WEF, in its reports also deals with factors requiring necessary changes in the economy since they pose significant barriers for the entrepreneurship. Therefore, in the case of the economy of Singapore, the most serious barriers for the growth in its competitiveness are: inflation, restrictive labor regulations, and inadequately educated workforce.

Japan, which in the WEF’s ranking for 2010/2011 held 6th position, was ranked first among the economies under examination in terms of pillar 11, which is “business sophistication”. Moreover, also position in terms of the 10th pillar – “market development” – was ranked high as well as the 12th pillar – “innovations” (position 4). Similarly to Singapore, it was rated poorly in terms of the 3rd pillar – “macroeconomic environment”, since it is classified at the 105th position. Among significant obstacles for a good competitiveness position of Japan there are: policy instability, tax rates and tax regulations.

The third Asian economy – which is Hong Kong – maintained its position from the previous year and held 11th position in the ranking. In the case of two pillars, also this state was recognized as the best economy and was ranked high. The first of the most positively rated pillars there was the 3rd one – “infrastructure”, and the 8th one – “financial market development”. The worst position held by this economy was 29th position in terms of the 12th pillar – “innovations”. Similarly like in the case of Singapore, the most serious problem of the Hong Kong’s economy is a serious inflation rate, as well as restrictive labor regulations and inefficient educated workforce.

The aforementioned economies are characterized by a high level of GDP *per capita* and in 2009, from among 139 economies, they came accordingly: Japan – 17th, Singapore – 20th, and Hong-Kong – 25th.

Taking the second report, developed by the Institute for Management Development, into accounts, one may conclude that there occurs insufficient reflection of competitiveness of Asian states since the examination cover just data regarding 58 economies, from which only 16 states belong to the Asia region. The 1st position in the report for 2010 was held by the economy of Singapore, which jumped 2 positions up and became a leader of the ranking. The 2nd position, among 58 states, was also taken by Asian state – Hong Kong, which maintained its position from a previous year. The 3rd state of the Asian region, which has been classified at the 8th position, was Taiwan, which jumped 15 positions up. Consequently, it became a state which in 2010 made the large progress in terms of the competitiveness in the international arena from among economies under examination.

The IMD, in its report assesses factors having an impact on the international competitiveness position of an economy, namely: domestic economy, international trade, international investment, employment, prices, public finance, fiscal policy, institutional framework, business legislation, societal framework, productivity and efficiency, labor market, finance, management practices, attitudes and values, basic infrastructure, technical infrastructure, scientific infrastructure, health and environment and education. The economy of Singapore held the 1st position in terms of three factors (“institutional framework, business legislation, labor market”) and three times it came 2nd: “international trade, attitudes and values, basic infrastructure”. The worst position concerned the “prices” factor – 47th position from among 58 economies under examination. In the case of the economy of Hong Kong, one may observe more factors shaping its economy’s competitiveness in terms of which the economy is ranked highly. And so, in 2010 it held the leader’s position for: “international trade, international investment, public finance, fiscal policy and finance”. The “prices” factor was ranked the worst one – similarly like in the case of the economy of Singapore, and it resulted in the 55th position of the economy. The Taiwan’s economy, which in 2010 made the largest progress in the field of the competitiveness jumping up from 23rd position in the ranking to the 8th, did not hold the 1st position in terms of any of the factors subject to examination, but it is ranked highly in terms of many aspects. Therefore, it came 3rd in terms of the “fiscal policy”, and 5th in terms of “productivity and efficiency, attitudes and values, technical infrastructure, scientific infrastructure”. The worst rates for Taiwan concerned the “international investment” – 39th position.

In the latest ranking *Asian Competitiveness Annual Report* for 2011, 50 of the largest Asian economies were subject to the examination, however, in the final report only 35 of them were presented. It was recognized that the remaining economies do not play a significant role in the international arena so they may be excluded. The results presented in Table 1 show that so-called top 5 are developed states, including Japan, as well as states recognized as the Asian tigers. Positions from 6th to 9th are held by a group of states, which may be called developing states, which managed to modify their competitiveness significantly. Korea was ranked first in the ranking *Competitiveness Evaluation Index for Asia Economies* and subsequent positions are held by Taiwan and Korea. Singapore, a leader in the previous rankings, came 4th and Hong Kong – 5th.

In Table 2 there are categories of indexes on the grounds of which the selected Asian economies were ranked. To each of them, there was attached a sub-ranking of the five the best ranked economies in terms of a respective criterion. The Korean economy, which finally comes 1st only in the case of a one category – “commercial and administrative efficiency” – was recognized to be the best finally. Singapore, as it was previously showed in earlier rankings, held leading positions in terms of high level of the competitiveness. Despite the final fourth position in the ranking it is ranked highly in the case of many categories. And so, it came 2nd in the following

Table 2. Categories of rating of the competitiveness of the Asian economies according to the Institute of Boao Forum for Asia

Categories	Country				
	1	2	3	4	5
Commercial and administrative efficiency index	Korea	Singapore	Israel	Japan	Bahrain
Infrastructure index	Bahrain	Singapore	United Arab Emirates	Hong Kong	Japan
Macroeconomic strength index	Hong Kong	Singapore	Taiwan	United Arab Emirates	Korea
Social development index	Japan	Israel	Hong Kong	Azerbaijan	Georgia
Human capital and innovation index	Taiwan	Korea	Japan	Israel	Hong Kong

Source: Author's own evaluation on the basis of *Asian Competitiveness Annual Report 2011*, The Research Institute of Boao Forum for Asia, 2011, pp. 18-20.

categories: “commercial and administrative efficiency, infrastructure and macro-economic strength”. Also previously mentioned Hong Kong in the case of three categories of indexes was qualified within so-called top 5. High positions in the report for Bahrain, Georgia, Azerbaijan and United Arab Emirates may surprise, especially in the case of the other two reports the states came at the distant positions but finally they were ranked at the average level. An interesting state is Israel, which by both WEF and IMD is not subject to ranking but in Boao ranking it comes 6th.

3. Conclusions

The purpose of this paper was to present the current position of Asian states on the grounds of available reports prepared by two international institutions assessing economies' competitiveness, basing also on a ranking created exclusively for the states of the Asia region. On the grounds of the examination one may try to determine a current competitiveness position of Asian states.

1. Asian states may be recognized to be competitive on the international market. Most of them is ranked high in the competitiveness rankings and the results tend to be better and better, which means that these economies are subject to positive internal changes, having an impact on the competitive position.

2. Paradoxically, the global economic crisis positively affected many economies enabling them to enhance their competitiveness position in the international arena.

3. For many years, leaders in terms of the competitiveness are Singapore and Hong Kong, which are ranked at the leading positions in rankings of the competitiveness. The group was joined by Taiwan, which – in the last year – made the most serious changes in terms of the competitiveness according to IMG.

4. Among determinants having an impact on the international competitiveness position of the Asian economies the following indexes were ranked highly: “institutions, business sophistication, infrastructure, goods market efficiency labor market efficiency, financial market development, health and primary education, innovations”.

5. Among main barriers hampering enhancement of the competitiveness of Asian states one may enumerate: “macroeconomic environment (prices), policy instability, tax rates, tax regulations, restrictive labor regulations and inefficient educated workforce”.

References

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MIĘDZYNARODOWA POZYCJA KONKURENCYJNA KRAJÓW AZJATYCKICH

Streszczenie: Jaka jest pozycja konkurencyjna krajów azjatyckich w gospodarce światowej? Aby udzielić odpowiedzi na to pytanie, autorka dokonała analizy ogólnodostępnych raportów, w których oceniana jest konkurencyjność krajów na podstawie wielu czynników. W artykule wykorzystane zostały najbardziej aktualne raporty: WEF – *The Global Competitiveness Report*, IMD – *World Competitiveness Yearbook* oraz Institute of Boao Forum for Asia – *Asian Competitiveness Annual Report 2011*. Mimo różnic w metodologii doboru i oceny czynników kształtujących konkurencyjność w badaniach WEF, IMD i Boao przeprowadzona analiza dała zarys badanej problematyki i pozwoliła określić stopień konkurencyjności wybranych państw regionu Azji.