

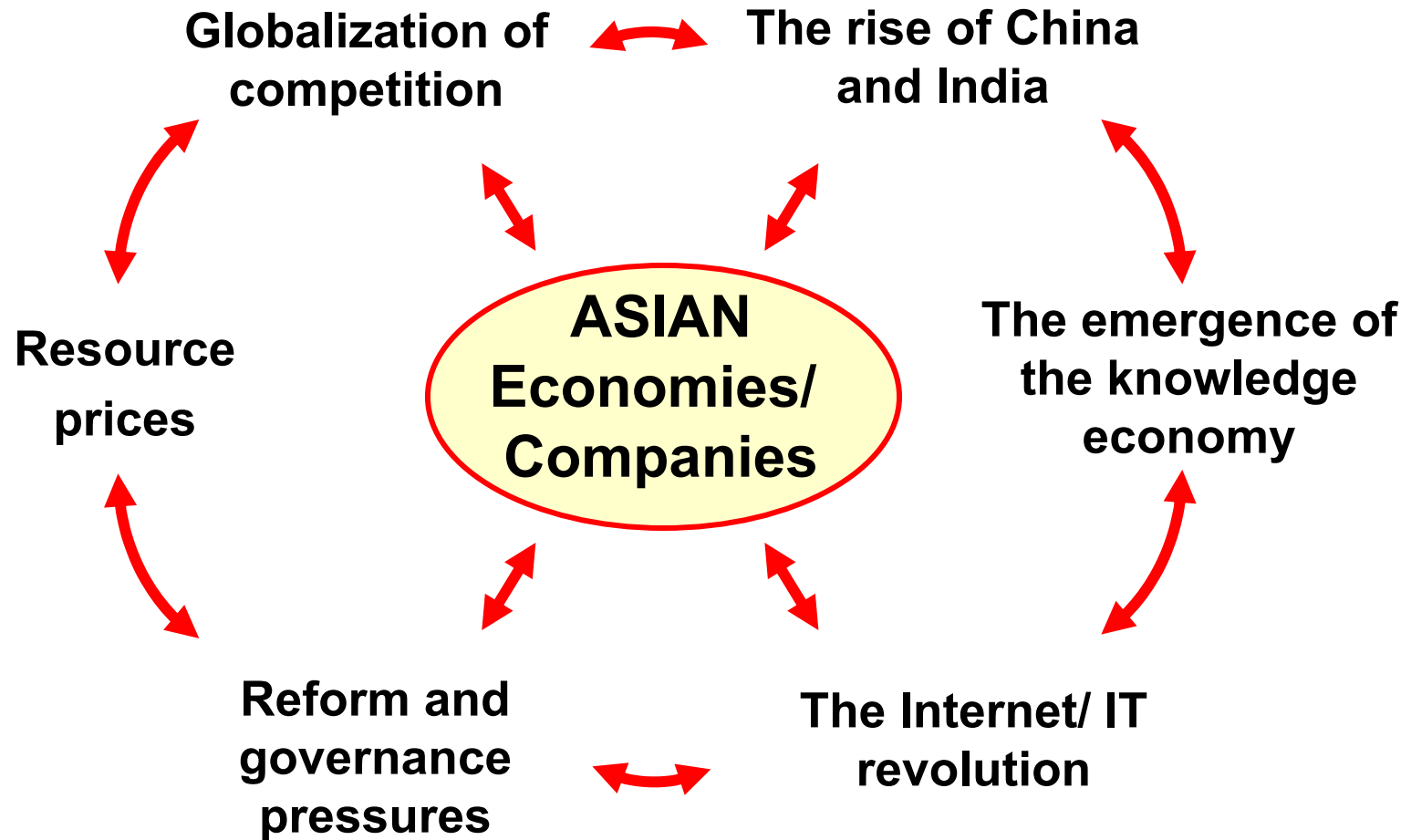
Asia, Pakistan, and Competitiveness

Michael J. Enright

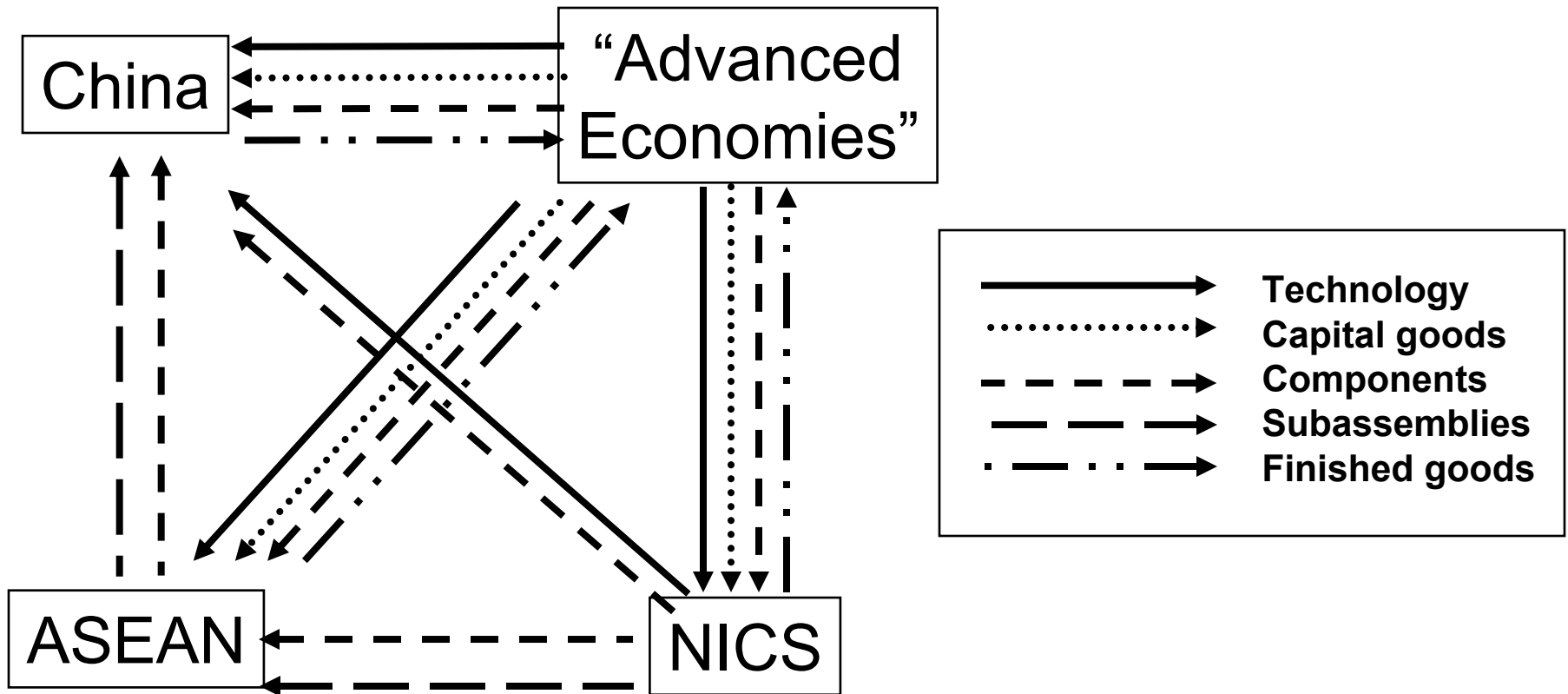
**University of Hong Kong
Enright, Scott & Associates
The Competitiveness Institute**

March 2006

Forces Influencing Economies and Companies in Asia



Asian Production Pattern



Source: Enright, Scott & Associates, Ltd

The Upshot

- **For advanced economies and their firms**
 - Commoditization of manufacturing
 - Fragmentation of production chains
 - Importance of investment in knowledge and IP
 - New markets and new competition
- **For developing countries and their firms**
 - Tough new competition abroad and at home
 - Potentially changed development trajectories
 - Fragmentation of production chains
 - Need to get into the production chains/ IT chains
 - Importance of investment in the basics +
- **For all**
 - Increasing importance of competition, competitiveness

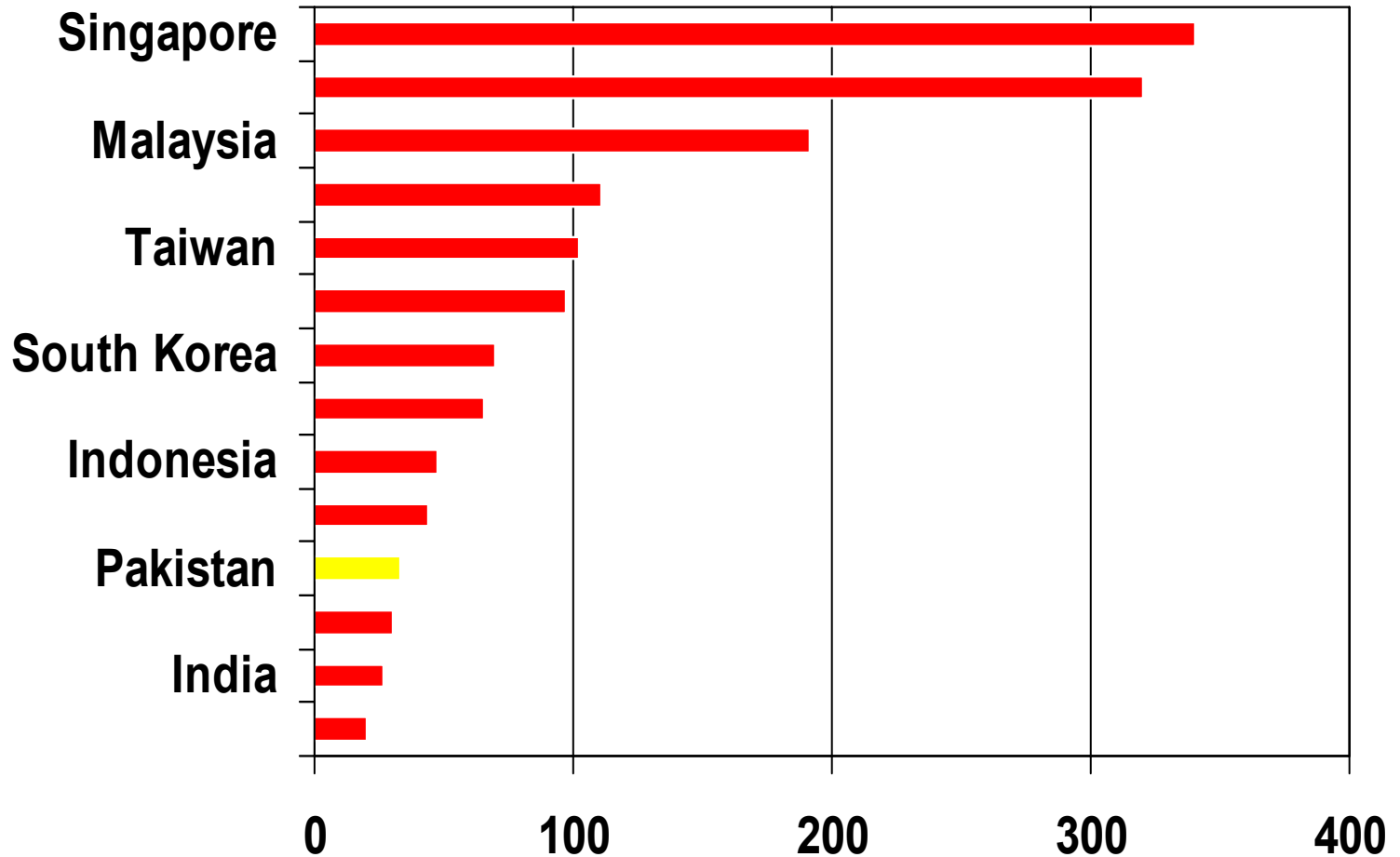
What is competitiveness?

- **For the firm: the ability to succeed against local and foreign competitors**
- **For an industry within a nation: the ability to succeed against foreign competitors in the foreign and domestic markets**
- **For a nation as a whole: the ability of the nation to support productivity that allows a high and rising standard of living**
- **The latter usually involves competitiveness in a “sufficient” range of firms and industries to foster economic growth and development**

What about Pakistan?

Links with the Global Economy

Trade/GDP (% 2004)

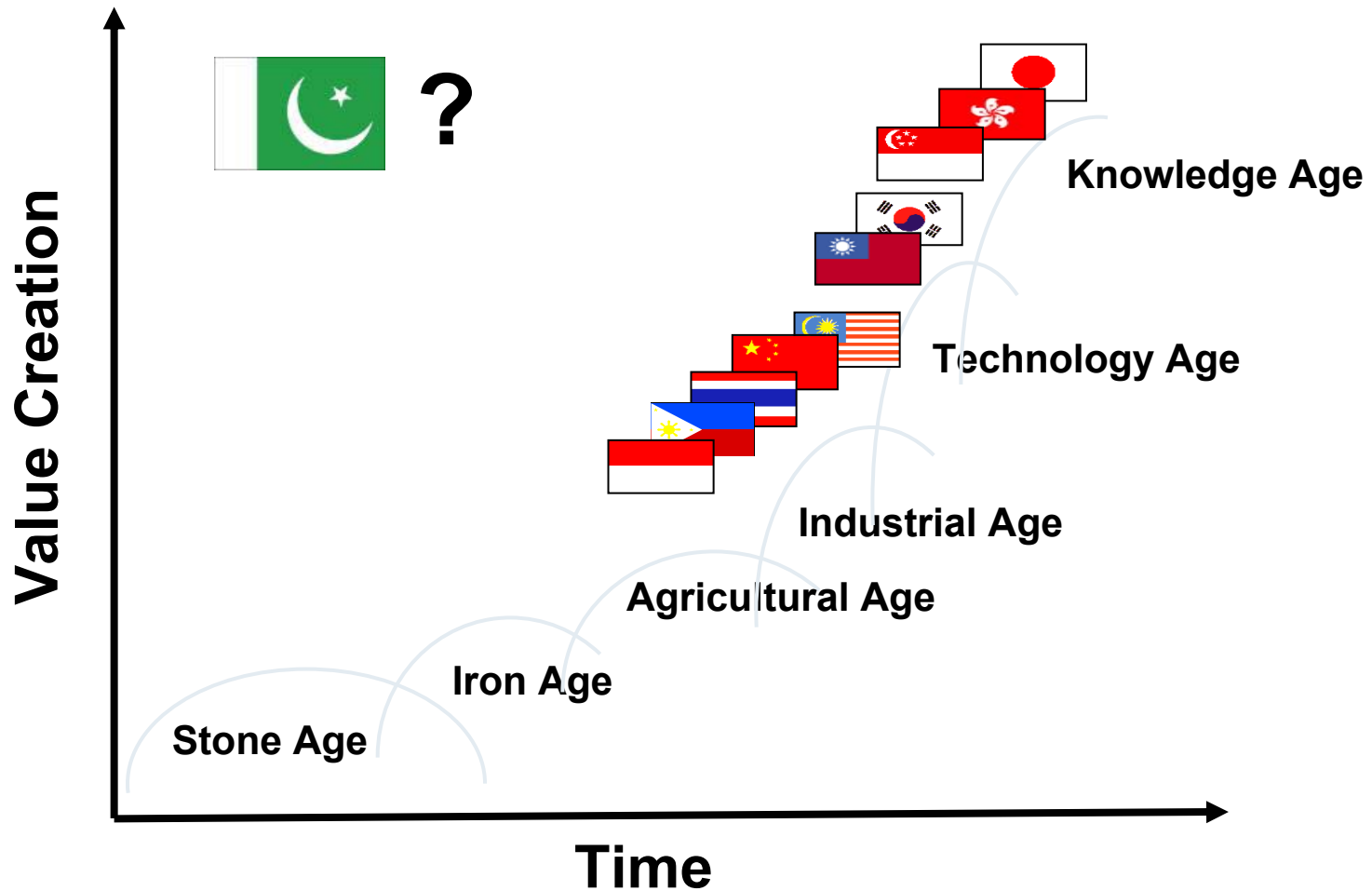


Source: National sources

Pakistan's Leading Trade Partners, 2003-4

Country	% of Exports	Country	% of Imports
USA	23.9	Saudi Arabia	11.4
UK	7.6	USA	8.5
Dubai	7.3	Dubai	7.9
Germany	4.9	China	7.4
Hong Kong	4.7	Kuwait	6.4
Afghanistan	4.0	Japan	6.0
Italy	3.7	Germany	3.9
Saudi Arabia	2.8	Malaysia	3.9
France	2.8	Singapore	3.2
Netherlands	2.7	UK	2.8

Pakistan and the Knowledge Economy



Pakistan and the IT/ Internet Revolution

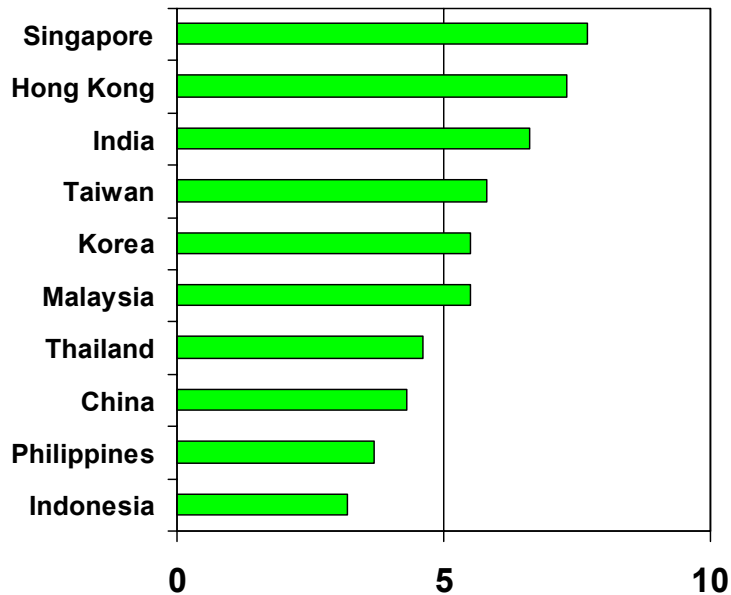
Internet Penetration in Asia, 2005

	Internet Users	% of Population	%Growth 2000-2005
China	103,000,000	7.9	357.8
Japan	78,050,000	60.9	65.8
India	39,200,000	3.6	684.0
South Korea	32,570,000	65.2	71.1
Indonesia	15,300,000	7.0	665.0
Taiwan	13,800,000	60.5	120.4
Malaysia	10,040,000	37.9	171.4
Thailand	8,420,000	12.8	266.1
Philippines	7,820,000	9.3	291.0
Pakistan	7,500,000	4.6	5,501.1
Hong Kong	4,878,713	70.7	113.7
Singapore	2,421,000	68.3	101.8

Source: internetworldstats.com

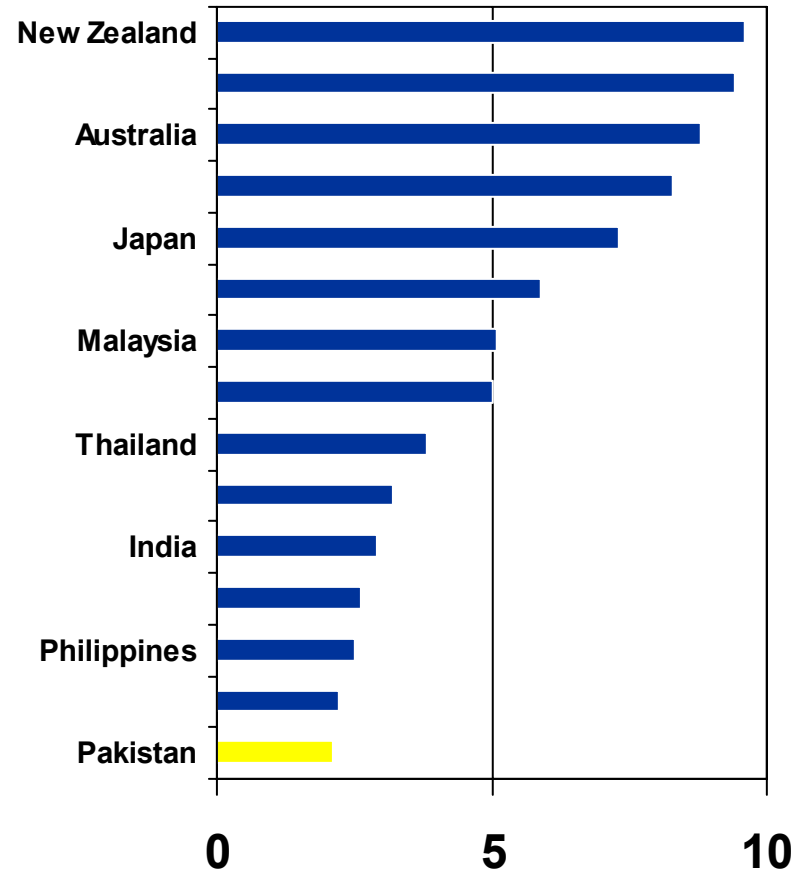
Asia and Governance

Corp. governance ratings



Source: CLSA

Transparency Index



Source: Transparency International

Impact of Oil Price Rises

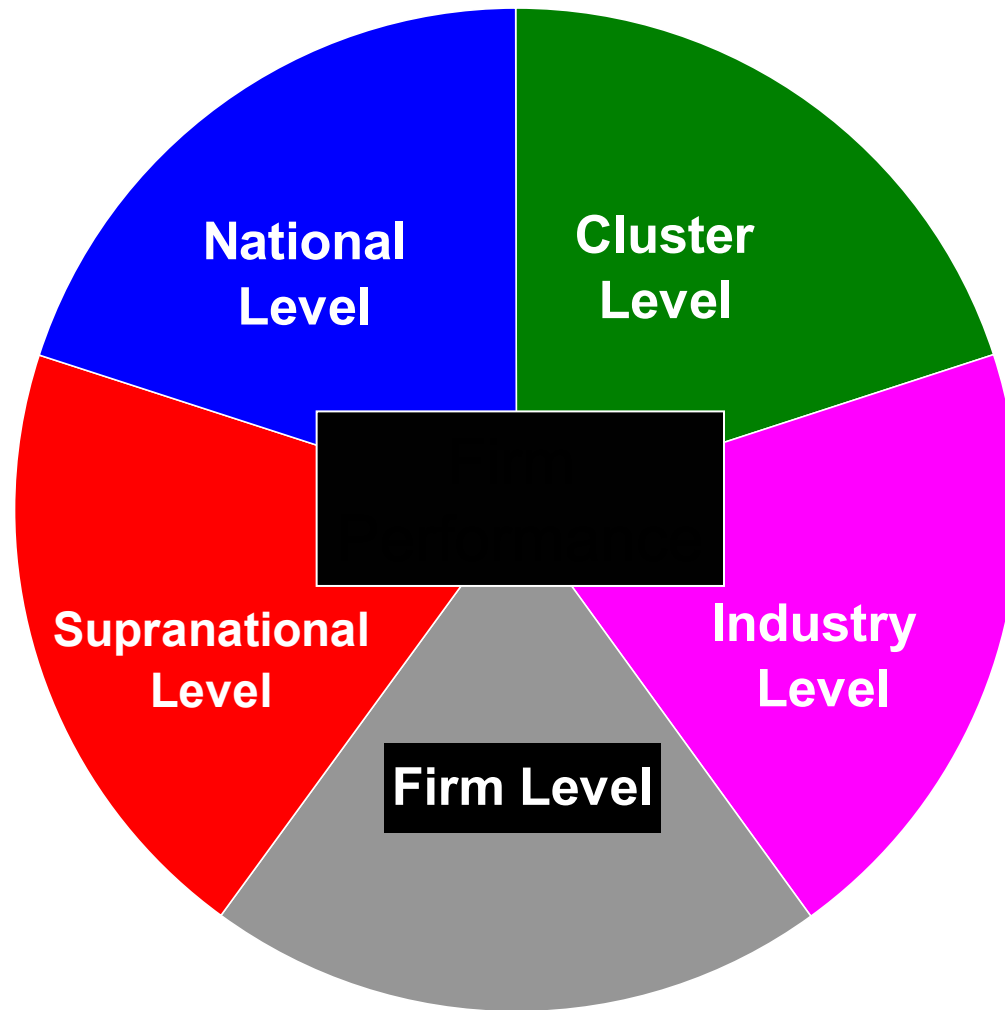
	Oil Self-Sufficiency	GDP Impact of 75% oil bill hike, %	Export Growth to pay for 75% hike
Singapore	-0.98	-4.89	2.3
Pakistan	-0.82	-4.17	18.0
Philippines	-0.96	-3.41	6.8
S. Korea	-0.99	-2.85	10.5
Thailand	-0.69	-2.61	5.3
Taiwan	-0.99	-2.28	5.3
Hong Kong	-1.00	-2.07	4.5
India	-0.65	-2.01	15.8
China	-0.36	-1.11	2.3
Indonesia	0.07	0.54	-9.8
Malaysia	0.65	2.37	-3.0

Source: ADB

Upshot for Pakistan

- **The downside**
 - **Some new forces may be bypassing Pakistan more than several other Asian economies**
 - **The negative impact of others may prove more pronounced in Pakistan than in some other Asian economies**
- **The upside**
 - **New markets mean new opportunities for Pakistan**
 - **New production chains provide new opportunities**
- **A focus on competitiveness is essential for Pakistan to overcome the downsides and take advantage of the upsides associated with the new forces**

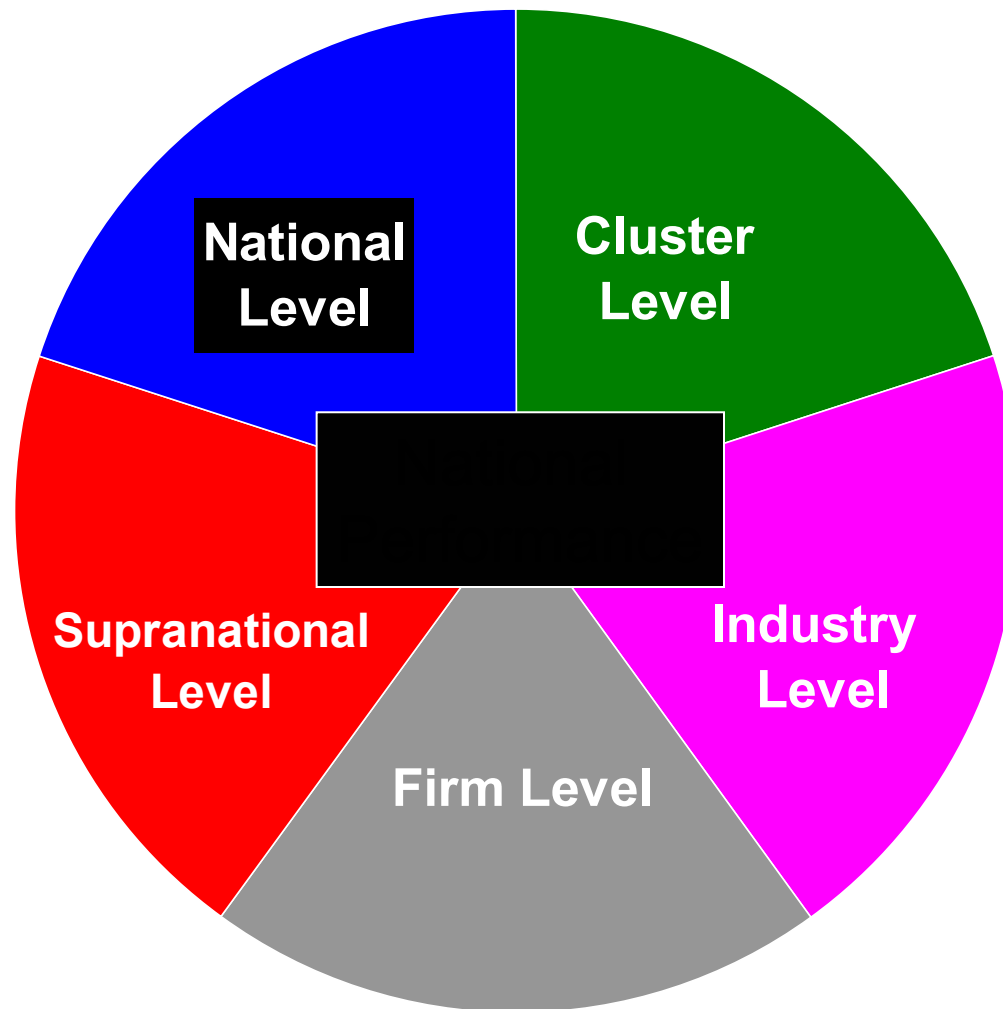
Why is an emphasis on national competitiveness important for Pakistani firms?



For Firms

- **The performance of firms is increasingly influenced by features and factors outside their direct control**
- **Competitiveness is too important to leave to government alone**
- **The private sector must find ways to solve its own problems to the extent possible and to articulate its needs in other areas**

Why is an emphasis on firm competitiveness important for the Pakistan Government?



For Government

- **There are some areas that are always within government control**
- **The overall business and economic environment is crucial to development and competitiveness**
- **The public sector often must find new ways to meet the needs of the private sector**

Clusters

- **Groups of firms in the same and related industries**
- **The key is interdependence**
- **Economies develop through clusters**
- **Cluster development and competitiveness initiatives are the new wave in economic development programs**
- **Clusters focus development activities in interesting ways**

Successful Initiatives

- **Involvement by multiple stakeholders**
- **Private sector engagement**
- **Joint gains through collective efforts**
- **Focus on**
 - **Information, knowledge**
 - **Institutions, public goods**
 - **Coordination of firms and industries**
 - **Identifying and removing obstacles**
- **Importance of a catalytic agency**

Competitiveness

- **Competitiveness is systemic**
- **It requires both public and private sector commitment**
- **Supporting institutions are crucial**
- **Everyone has a stake**

- **Competitiveness is everyone's job**

- **That is why the present initiatives are so important**

China's Export Economy

- **World's 3rd leading exporter 1st by 2010**
- **58% exports by FIEs, ~15%-20% foreign mediated**
- **China value added typically 20%-25%**
- **China successful in activities, rather than industries**
- **~75% of exports from 3% of land mass**
- **Rapidly expanding range of export sectors**
- **Uncompetitive in many more sectors than competitive in**
- **Role of Hong Kong**

- **China's export rise is an international phenomenon, not just a national phenomenon**

How can Pakistan shine even brighter?



Potential areas of focus

- **Infrastructure**
- **Human resources**
- **Fostering entrepreneurship**
- **Creating well-functioning clusters**
- **Finding ways of entering global production chains**
- **Attracting the right forms of foreign investment**
- **Creating the public-private partnerships that are necessary to promote competitiveness and development**

Thank you

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