Training Material on Competitiveness and Development

Outline

Context

If you were to use the Internet search engine Google to find an answer to the question "what is competitiveness?" you would get among the results terms like export competitiveness, competitiveness of SMEs, economic competitiveness, regional competitiveness, responsible competitiveness or green competitiveness... Malta even has a Ministry for Competitiveness and Communication, there are competitiveness scorecards, institutes and yearbooks. Competitiveness has become a term that can be associated with almost everything - leadership, growth, development, success, prosperity or productivity. But what does competitiveness really mean? Why has competitiveness become such a key term in economics and business? Why does it seem to be the main goal - on company and industry level, but also for countries and regions in the world?

With increased globalisation and liberalization of trade and capital movements, companies and countries are more than ever exposed to global competition - a firm does not any more compete only with others within the national boundaries, but it is confronted with companies from virtually any other country. In such an environment, it seems to be fundamental for both companies and nations to be able to compete at an international level. Competitiveness is therefore regarded as a crucial prerequisite of success, and expected to bring about economic growth, sustained development and increase in the standard of living of populations. By the same token, there are concerns about the links between competitiveness and economic prosperity and the level of poverty, in particular of developing countries.

1. Purpose of the training material

The UNCTAD Virtual Institute materials on Competitiveness and Development are designed to support university professors in "unpacking" the idea of "competitiveness", to enable their students to identify situations of misuse of the concept and to think about the following questions:

How did the notion of competitiveness evolve over the time and why has it become so important particularly now? Can we talk about national competitiveness or is competitiveness predominantly a microeconomic issue? Can we measure competitiveness and which indicators have been used until now? Is competitiveness a pure economic concept or is it necessary to integrate political and social aspects? What are economic, social, political or other consequences of high or low level of competitiveness? Can governments, private companies or other actors do something to improve it? How are development and competitiveness interlinked? Does competitiveness aim to enhance development? What has to be considered within a national competitiveness strategy in order to integrate development into the formulation of policies?
This training material is *not primarily* conceived as a complete course but rather to provide as a set of stimulating resources and activities that could be used either independently or integrated into existing courses offered at the university level.

The materials should enable university teachers:

- To extend their coverage of this subject area
- To integrate the issue of competitiveness into their existing courses
- To provide their students (potential future policy makers and entrepreneurs) with both theoretical and practical knowledge on competitiveness

**Target audience**

The target audience of the training material on Competitiveness and Development is twofold: Firstly university teachers who are interested in teaching competitiveness. Secondly, their graduate students enrolled in programmes such as International Trade, Economic Policy, International Economics, Development Studies or Regional Economics. The modular character of the training material may facilitate the use of individual modules, case studies, provided data and examples in other programmes (also undergraduate).

The focus will be on policy aspects, the teaching material will therefore be accessible to students without a strong econometric background. Basic mathematic knowledge might be needed for the Module dealing with different approaches to measuring competitiveness.

**Methodology:**

- The training material on competitiveness is most suitable for a seminar with max. 25 participants. A relatively small group of students with similar interests will facilitate the practical work on case studies and projects.

- The training material will consist of 4 modules (see outline below). As far as possible, the structure will allow for flexible and independent use.

- The material will contain some case studies and data on different countries, regions and sectors. However, it would need to be further adapted by individual universities to reflect specific local needs and interests.

- A simulation ("interactive role-play") is also included in the material so that students can apply, test and increase their knowledge and skills. (See separate document)

- The training material will include: (a) course outline; (b) a handbook with an annotated list of key readings and a more comprehensive list of related documents; (c) an activity book including e.g. team work assignments, case studies with assignments, proposals for debates and essays, data, questions for discussion and/or to test the understanding after every section; (d) a scheme of work with learning objectives additional comments on when and how to use activities; (e) material for the simulation, both for lecturers and students.

**General Learning Objectives**

**a) Knowledge, understanding and academic skills:**

The material should enable the students to:
Recognise the complexity and the elusiveness of "competitiveness", trace the historical evolution of the concept of competitiveness and be able to describe and critically analyse the concept.

Examine the links between the concepts of competitiveness and development/welfare of a country.

Identify and analyse economic, political and social determinants of competitiveness and be aware of their interdependencies.

Analyse critically different quantitative and qualitative approaches regarding the creation and measurement of competitiveness.

Examine the impact of policies and the wider environment on the meta-, macro-, meso- and micro levels on the competitiveness of a region, a country or specific sectors.

Apply their knowledge of different models of competitiveness and its measurement to concrete case studies and a hands-on project to both examine the competitiveness of a nation/region and based on the analysis propose competitiveness-enhancing policies (a "competitiveness strategy") (especially in the simulation and the final project).

b) Personal skills and soft skills:

The training material should enable students to develop their skills in writing clearly and concisely for a number of different audiences, including non-specialists. They should improve their oral communication skills by participating in debates and by giving presentations to the rest of the group. Students should also develop their ability to work in teams.
OUTLINE

MODULE 1: Introduction
This module will give a general introduction to the concept of competitiveness. Students will analyse different definitions and examine the historical evolution of the concept. They should deduct main characteristics (levels: world, country, region, company, individual; static versus dynamic; absolute versus relative concept; economic, political, social factors) and become aware of the fact that competitiveness is an extremely multifaceted concept. The introductory module will also give first insights into the analysis of competitiveness from a developmental perspective.

1. What is competitiveness?
   a. Different definitions of and views on competitiveness
   b. The relativity of competitiveness
   c. Summary of the main characteristics and dimensions of competitiveness
2. History of the concept of competitiveness
   a. Thoughts and theories that contributed to the concepts of competitiveness
   b. Why does competitiveness question neoclassic theory?
   c. How did globalisation condition and shape the concepts of competitiveness
3. Competitiveness and Development
   a. Competitiveness in developing countries
   b. Development - a goal of competitiveness? Competitiveness - a way to achieve development?

MODULE 2: Different dimensions of competitiveness of nations
This module introduces the students to different theoretic models and their respective rationale behind the preconditions of competitiveness and the main actors involved in creating and raising a nation's competitiveness. The selected models will familiarize the students with both microeconomic and mainly macroeconomic concepts, qualitative as well as quantitative ones. The section aims at equipping the students with the necessary tools to apply critically the concepts when working on their own project (last module). The emphasis will be placed on the systemic approach, on which module 4 will be based. It will provide space for a critical discussion of the models, with the objective to make students aware of their limitations. The module will finish by giving a brief overview about the conceptions and their background.

1. Overview Porter/World Economic Forum
   • The Microeconomics of Competitiveness
   • The Competitiveness diamond
   • The Dynamics of Competitiveness
2. Other important players in the competitiveness arena
   • The qualitative IMD model of competitiveness
   • The OECD and its work on competitiveness
3. Systemic Competitiveness
   • Conceptual background
   • Overview about determinants on Meta-, Macro-, Meso- and Micro level

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• Competitiveness as outcome of a pattern of complex and dynamic interaction between government, firms, intermediary institutions, and the organizational capacity of a society

**MODULE 3: Assessment and measurement of competitiveness**

This module will give an overview of the different possibilities to measure competitiveness and encourage students to critically examine rankings and indicators. The presented indices and rankings can be used in the final project.

1. Macroeconomic and microeconomic indicators:
   - Price and cost competitiveness
   - Real exchange rates
   - Export market shares
   - Trade balances and the export/import ratio

2. Rankings assessing competitiveness at national level
   - The Global Competitiveness Report
   - The World Competitiveness Yearbook
   - The UNIDO Scoreboard
   - Critique of the use of rankings as competitiveness measure

**MODULE 4: Determinants of Competitiveness**

The fourth module will provide an overview about the multitude of determinants of competitiveness on all four levels: Meta, Macro, Meso and Micro. Instead of giving lecture notes in form of text, it consists of a list of determinants and guiding questions that can help in the analysis of different determinants’ impact on competitiveness. While on some levels (Macro and Meso) the determinants are mostly of an economic nature, the section will also highlight the importance of political, social, historical and cultural elements, enabling or constraining policies. This module will also draw the attention of the students to the limitations of national policies due to the political and economic integration of countries on a global level.

1. The Metalevel determinants
   - The underlying socio-cultural factors: cultural-economic interactions, the role of trust and social capital
   - Formulation of strategies and policies - commitment and capability of actors
   - Openness, integration and policy space

2. Macrolevel and Mesolevel
   - Political stability
   - The role of the government, Governance and institutional development
   - Exchange rates, monetary policy and the financial sector
   - The Financial System - Financial Integration and Financial Markets
   - The labour market and the role of Human Capital, Education and Training
   - Innovation and technology
   - Trade patterns and trade policies
   - Foreign Direct Investment and Competitiveness
   - Fiscal policy and Public finance
   - Environment

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CONCLUDING MODULE: Simulation and / or Projects (groups of 2-3 students for projects)

The last module will give the students the opportunity to apply and test their knowledge by preparing a project. Possible subjects are briefly summarized below. The project has the objective to make students once again critically think about the concept of competitiveness. When choosing their own approach (can be one of the models and using rankings and indicators presented in Module 3, but not necessarily) students should become aware of the limitations and they should integrate their critique when presenting their results to their fellow students.

1. **Project on country-specific competitiveness: example for content and structure**
   - Assess current level of competitiveness using one of the measurement approaches (indexes, descriptive etc.)
   - Define the country’s competitiveness vision (short/medium/long term goals)
   - Find major weaknesses/bottlenecks
   - Define competitive strengths to be exploited
   - Identify sectors with growth potential
   - Define policy tools in an integrated strategy, give recommendations for the government, meso-level actors, companies taking into consideration the role of international institutions, agreements etc.

2. **Students could also choose to their projects on specific enabling factors (determinants), e.g.**:
   - ICT/e-Business and competitiveness, Technology/new and dynamic sectors and competitiveness: Discuss and determine the impact of ICT/new and dynamic sectors or a mixture of those on competitiveness. How are other determinants such as the labour market, education or innovation related to ICT/technology as competitiveness determinant? Describe specific case studies.
   - The labour market and competitiveness: possible issues to look at could be changes in the structure, flexibility, but also the role of the informal labour market etc.

3. **Project on sector-specific competitiveness.** Porters approach could be a way to look at sector specific competitiveness.

4. **Analysis with focus on one of the four levels (meta-, macro-, meso-, micro).**
   Students could analyse competitiveness of a country/a region by focusing primarily on one of the four levels. Outline also links to other levels.

5. **SME competitiveness.** A project could also focus on the role of SMEs as a key element of an economy, especially in a developing country. While competitiveness is spontaneously associated with an international perspective, it might be good necessary to look first at the domestic aspects of SME competitiveness. Examine if - and in this case - how policies aiming at
competitiveness at an international level can be coherent with policies pursuing national development. Ideas for content and structure:

- Importance of SMEs for developing countries economies
- Opportunities and risks for SMEs
- Access to finance and business development services
- Access to technology
- Strengths and limits of business linkages through TNCs and FDI
- International/National policy coherence