Russia – Ukraine – Kazakhstan - Kyrgyzstan

National Competitiveness Building Process
Final Report

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RUSSIA – UKRAINE – KAZAKHSTAN – KYRGYSTAN
NATIONAL COMPETITIVENESS BUILDING PROCESS FINAL REPORT

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Section I: Summary of Work

Section 1: Summary of the Work

1.1. Introduction

The Europe & Eurasia (E&E) Bureau, USAID Washington, commissioned J.E. Austin Associates (JAA) to visit 3 countries, including Russia, Ukraine and Kazakhstan to assess the relevance of and their receptivity to USAID's Competitiveness Initiatives. The E&E Bureau requested that JAA develop competitiveness presentations tailored to the three countries and make presentations in these countries to the USAID Missions, counterparts, implementing agencies and leadership groups. This report presents the results of JAA and USAID's work on this project. The work was contracted through the Nathan – MSI GBTI joint venture.

The program was designed in such a way that a team of J. E. Austin Associates and Nathan Associates would visit Russia, Ukraine and Kazakhstan to conduct a number of strategy workshops with business and government leadership, discuss the concept of competitiveness and present national competitiveness benchmarks. Prior to these visits, J. E. Austin Associates sent a consultant to each of the countries participating in the program to do preparatory work. The preparatory work involved identifying key partners who are respected by public and private sector leaderships to be a catalyst for the program activities. The introductory mission in Russia was from August 28th to September 10th, 2001, in Kazakhstan from February 10th to16th 2002, and in Ukraine from March 28th to April 4th, 2002.

After the introductory visit to Kazakhstan in February of 2002, the Almaty-based USAID Mission in the Central Asian Republics (CAR) requested that JAA and Nathan Associates (NAI) test whether Kyrgyzstan is ready and able to start applying business strategy tools and competitiveness approaches, particularly in the southern Osh region. A team of consultants traveled to Kyrgyzstan in October 2002 to introduce the concepts of competitiveness and to conduct introductory business strategy exercises with industries to demonstrate how competitiveness approaches focused on thoughtful strategy development could be applied.

In addition to introducing and testing the relevance of the competitiveness concept in Russia, Ukraine and Kazakhstan, the JAA competitiveness team actively participated in the preparation and successful execution of the Regional Conference on Building Competitive Advantage in Nations: Increasing Transparency, Combating Corruption and Improving Corporate Governance that took place in Budapest in March of 2002. The Conference served to introduce the approaches and concepts, and to generate interest.

As preparation for each country visit, JAA also prepared national competitiveness benchmarks for Russia, Ukraine, Kazakhstan and Kyrgyzstan.

1.2 Definition of Competitiveness

Competitiveness is defined in this report as sustained increases in productivity resulting in higher wages and living standards. It is characterized by increases in export market shares. True competitiveness is based on generating more value through improved productivity, quality, service and innovation. It requires the existence of firms that capture greater value in the marketplace not just through improved efficiency but also by strategically choosing where to compete and by designing innovative service dimensions and new products. Effective business strategies are the generators of competitiveness.

Competitiveness needs to be understood at the firm and industry level because that is where competition for growth, market share and resources occurs. At the end of the day, it is the firm/industry that delivers increased productivity to the economy. A government can allocate resources, reduce friction in the economy and create a national platform conducive to competitiveness; but it is the firms themselves that must invest, employ, innovate, export and create wealth. The improvement of incomes and living standards depend upon their performance.

1.3 Objectives of the Program

The objectives of the program were to:

1) Organize and execute Regional Conference in Budapest conference on competitiveness, anti-corruption and corporate governance in partnership with the Center for International Private Enterprise
2) Examine the competitiveness in the Russian, Ukrainian, Kazakh and Kyrgyz contexts
3) Evaluate recent performance of these countries
4) Conduct competitiveness workshops with stakeholders in all four countries
5) Introduce initial frameworks, tools and benchmarks that promote effective competitiveness dialogue

1.4 Accomplishments

The program accomplished the following:

1.4.1 Regional Conference in Budapest: March 26 –28, 2002
Topic: Building Competitive Advantage in Nations: Increasing Transparency, Combating Corruption and Improving Corporate Governance

JAA, in partnership with the Center for International Private Enterprise, organized this conference. The conference was targeted to participants from New Independent States and Central and Eastern Europe. Representatives of the following organizations participated in the conference: small and large businesses and business associations; academics from economics, business and finance faculties; representatives of regulatory bodies such Securities and Exchange commissions; Ministries of Finance; Central Banks; banking supervisors; tax authorities and SME agencies; Mission Directors; Economic Growth Officers; Democracy and Governance Officers; and Program officers assessing and implementing programs that integrate corporate governance and anti-corruption interventions into USAID’s economic, democracy and social sector programs.

Apart from taking an active part in delivering a successful conference, JAA:

1. Invited Dr. Garret FitzGerald, Former Prime Minister of Ireland to participate in the conference. Dr. FitzGerald made a presentation on "The Celtic Tiger: Why Ireland's Recent Growth Rate Has Been Three Times Higher than in the Rest of Europe"

2. Delivered a keynote speech from Mr. Kevin Murphy, President, J.E. Austin Associates, Inc., and made a presentation on "Competitiveness, Strategic Development and Experiences in Southeast Europe."

3. Invited Mr. Howard Rosen, Former Executive Director, Competitiveness Policy Council, USA to make a presentation on "A Competitiveness Model: The Experience of the United States."

4. Provided a competitiveness Bibliography -- a list of general competitiveness works, sector competitiveness materials, country specific competitiveness studies, competitiveness and workforce, competitiveness and globalization and competitiveness implementation experiences. This bibliography is presented as Annex IV.

Copies of the conference presentations are attached in an Annex to this document.

1.4.2 Russia:

Accomplishments and outcomes include:

- Presented competitiveness concepts, especially the roles of competitiveness councils in enhancing public-private dialogue in Smolensk, Samara and Moscow.
- Initial feedback indicated a high level of relevance of the approach and receptivity by community leaders in Smolensk and Samara.
  - In Smolensk, the election of a new Governor interested in economic reform and private-public dialogue has created a window of opportunity on which the private sector would like to capitalize.
  - In Samara, the impressive growth of small and medium enterprises and increases in foreign investment have created conditions for industry cluster initiatives.
- The JAA competitiveness team worked closely with the Integrated Business Services (IBS) project. With its impressive network of consultants throughout Russia, IBS offers USAID an opportunity to build on past successes and to focus on industry cluster strategies and private-public dialogue in selected regions.

1.4.3 Ukraine:

Accomplishments and outcomes include:

- Presented the competitiveness concept to government and business leaders, primarily in Kyiv and Kharkov, Ukraine.
- Discussed and shared with business and government leadership regional and international examples of successful competitiveness initiatives.

- There was substantial interest in the competitiveness themes, approaches and examples.
- There is significant variation by region in the business situation and the level of public-private collaboration. For instance, Kharkiv, in eastern Ukraine, is having difficulty adapting to a global, market economy. Industry has been severely depressed, and in many cases is still struggling with the privatization of state-owned assets. Nevertheless, a core of newer, dynamic businesses is developing, including SMEs.

1.4.4 Kazakhstan:

Kazakhstan was initially to be included in the program. However, during the introductory visit to Almaty in February 2002, the regional USAID mission requested that the program focus its resources on Kyrgyzstan.

1.4.5 Kyrgyzstan:

Accomplishments and outcomes include:

- Presented competitiveness concepts to the government and business leaders Kyrgyzstan, primarily in Bishkek and Osh.
- Discussed and shared Kyrgyz and international examples.
- Ascertained a high level of interest and applicability for business strategy and competitiveness themes and approaches for a significant cross-section of Kyrgyz business in Bishkek.
- Demonstrated high interest in and demand for continuing to develop strategy and competitiveness approaches among stakeholders in the tourism industry in Bishkek.
- Demonstrated high interest in and applicability of strategy and competitiveness themes and approaches in Osh (particularly in agriculture and agribusiness).
- Effective liaison and collaboration with the USAID-funded Enterprise Development Program.

1.5 Organization of the Report

The remainder of this report, covering Russia, Ukraine and Kyrgyzstan, is organized as follows:

Section 2 presents key findings, impact of the program activities on the mindset and other ongoing USAID programs on the ground (where appropriate), results and conclusions organized by countries.
Section 3 presents national competitiveness benchmarks prepared for Kyrgyzstan, Kazakhstan, Ukraine and Russia by presenting information on the global ranking of these countries in 9 different factor areas including economic performance, export competitiveness, policy environment and science and technology.
Annex I presents Power Point Presentations delivered in Russia (English and Russian), Ukraine (English and Ukrainian) and Kyrgyzstan (English and Russian).
Annex II presents conference materials from the regional conference held in Budapest in March 2002.
Annex III presents the list of individuals and organizations that the team members met with.

Section II: Country Reports

Section 2: Country Reports

2.1 Russia Program

2.1.1 Overview of Activities and Outcomes

From August 31st to September 10th of 2001, a JAA competitiveness team traveled to Moscow to introduce the current competitiveness program to USAID Moscow and potential counterparts including business consulting firms and various organizations that are involved in the development of private enterprise or in addressing the removal of administrative barriers. The feedback during this visit indicated a high level of interest in this competitiveness program.

In September of 2002, JAA consultants returned to Moscow, Smolensk and Samara and made presentations to the private and public sector leaders and to USAID-trained business consultants. The JAA team coordinated closely with the Citizens Democracy Corps (CDC), which has developed and supported an impressive cluster of management consultant organizations in Russia through USAID's Integrated Business Services Project. JAA consultants, coordinating with the CDC and Marozov Project, implemented by the Russian Management Academy, made presentations to the Marozov Business Center in Samara and the Smolensk Institute of Business. The team also presented competitiveness methodologies to a network of CDC's leading management consultants, representing 10 different regions, at the CDC conference in Moscow.

As in during the earlier visit, the feedback during the second visit indicated a high level of receptivity by leadership, especially in Smolensk and Samara. Participants noted the relevance and applicability of building regional competitiveness councils. These regional competitiveness councils would be a mechanism for effective public and private dialogue. Participants in Smolensk and Samara who expressed interest in learning more about how competitiveness councils work in other countries and expressed their willingness to help serve as catalysts for private-public dialogue to improve the business environment.

2.1.2 Smolensk

The election of a new Governor interested in economic reform and private-public dialogue has created a window of opportunity that the private sector would like to utilize. The director of the Smolensk Institute of Business, Mr. Grushenko, expressed the consensus of the group at the end of the session by stating his intention to work with the other business leaders and propose an initiative to the newly elected Oblast governor, who has begun to engage the private sector leadership. Participants from the construction, textiles, business services and education sectors indicated interest in using the tools of competitiveness to address issues faced in their particular sectors.

2.1.3 Samara

The impressive growth of small and medium enterprise and the increases in foreign investment have created the conditions for industry cluster initiatives in Samara. Workshop participants included representatives from the Oblast government anti-monopoly department and from the SME development and support administration. The municipal government official in charge of improving the business environment was also present. One vocal participant was Dr. Vladimir Fionin, head of the Samara Technical State University Economics and Business Center. In that capacity, Dr. Fionin is in charge of linking university R&D capability to the emerging needs of businesses in the region. This kind of university-business linkage for research and workforce development has proven to be critical in other countries where competitiveness initiatives have been undertaken. Also present were beneficiaries of USAID training projects including the Managing Director and Technical Director of the Business Center that hosted the event and Vladeslav Zaitsev, CEO of Samara Consult. The major feedback was as follows:

- The competitiveness methodology is, according to the participants, highly relevant to the region.
- Samara's level of entrepreneurship development and advanced industry clusters make it especially prepared to undertake such initiatives.
- Some groundwork has already been done to prepare for this (a published study in Russian relating to the competitiveness of the region).
- The Business Center has been training 1,200 people per year and they have a network that can now be employed for competitiveness initiatives.
- The Business Center indicated a willingness to help serve as a catalyst, bringing in other regional leadership organizations, and to conduct follow up to the JAA initiative.
- They requested technical guidance and examples of methodologies used by competitiveness councils in other countries.

2.1.4 Linkages with Integrated Business Services Program, sponsored by USAID and implemented by Citizens Democracy Corps

The CDC project, with its impressive network of consultants throughout Russia offers USAID an opportunity to build on past success to focus on industry cluster strategies and private-public dialogue in selected regions. USAID's approach to develop and work through such a network (rather than providing business services at a retail level through one consortium, for example) has served the purpose of creating an impressive distribution network for modern management strategies and techniques disseminated by Russian citizens. Those who attended the workshops indicated a keen interest in moving to the industry cluster level to serve as catalysts and coaches. If successfully implemented, such an approach would have at least two major benefits:

- First, industry clusters could generate a series of strategic and policy initiatives, as has been achieved in other countries where USAID has used this approach. These initiatives have tended to focus on workforce development, business-university research linkages, supply chain management, market information, standards and certifications and reduction of barriers to investment and exporting.
- Second, the competitiveness approach can also help build civil society at the regional level by fostering effective private-public dialogue aimed at improving the business

environment. Many impediments to business growth cannot be effectively overcome by individual company action but require cooperation. Industry clusters and local leaders would also be encouraged to make an impact on the mindset of the local population through use of the media and close work with the economic and financial press.

2.1.5 Conclusions and Recommendations - Russia

USAID can introduce competitiveness methodologies through existing partners and networks. USAID has a valuable network of trained professionals throughout Russia's many oblasts. This network can now be utilized for convening leadership groups, communicating tools and approaches and stimulating productive private-public dialogue where oblast leadership is most responsive. This could result in competitiveness initiatives being implemented in various regions, and a leveraged introduction of the approaches.

USAID should encourage oblasts to select themselves on the basis of certain "hurdles" and criteria. USAID should not utilize technical experts, economists or competitiveness specialists to try and select oblasts for participation in this initiative. The best approach will be to make presentations on competitiveness initiatives to 8-10 oblasts and allow them to self-select by meeting certain hurdles. The first would be the ability to convene the top private and public leadership in the oblast. The second would be the presence of dynamic implementing agent(s) willing and able to take the lead. The third would a Memo of Understanding by the regional government to work with the initiative on a program to spur economic growth and private enterprise development. The fourth would be a Memo of Understanding with at least three industry clusters to invest their own time and resources in the initiative. If at least three oblasts meet the criteria, USAID should proceed to support the implementation of a 2-year competitiveness initiative. Examples set by these progressive oblasts would serve as models for others and would stimulate economic growth programs elsewhere.

Local leadership will most likely support a USAID initiative of this nature. Feedback from representatives of the various oblasts suggests that local leadership would welcome a neutral broker serving as a catalyst, would welcome specific industry cluster technical assistance (such as CDC is well placed to provide) and would welcome methodologies and guidance for the implementation of such initiatives.

If USAID wishes to pursue this, it should first implement a limited exercise of 4-6 months to present USAID's competitiveness approach in 10-12 Russian oblasts. This would determine the feasibility of the approach while identifying those oblasts to receive further assistance. The exercise would begin with initial presentations to the leadership groups of these oblasts through the existing network of CDC-trained professionals aided by competitiveness specialists. There would be preliminary studies conducted by local think tanks to analyze industry cluster competitiveness, the policy environment and the state of private-public dialogue. International technical input on global competitiveness benchmarks on relevant industry clusters would also be part of the preparation. Then, competitiveness presentations would be made to multiple industry clusters in each oblast and to business, academic and government leaders. Depending on the response, USAID would decide on whether to continue this effort and, if so, in which oblasts.

Russia's recent economic growth is encouraging. But much of its "competitiveness" has been based on the dramatic fall of the ruble. Much remains to be done if prosperity is to be built, a healthy private sector developed and a capacity to emerge for healthy private-public dialogue encouraging the emergence of a growth-oriented, open-minded and forward-looking civil society.

The initial visits by the competitiveness team have demonstrated the following:

1. If USAID implements a competitiveness initiative, it should be done at the regional level
2. Regional leadership has proven receptive to competitiveness initiatives and will engage if USAID decides to proceed
3. The CDC network of consultants can serve as a vector to "download" the tools and approaches of competitiveness initiatives at the regional level.

2.2 Ukraine Program

2.2.1 Overview of Activities and Outcomes

J. E. Austin Associates undertook two trips to Ukraine for this assignment. The first trip was between April 28th and May 4th of 2002. The objective of the trip was to identify key stakeholders in Ukraine, and introduce the Competitiveness Exercise to the key stakeholders. There was a great deal of interest in Competitiveness concept and program.

The second assignment took place between May 23rd and June 5th, 2002. The objective of the second trip was to organize and undertake a series of presentations, workshops and conferences in Kyiv city, Kharkiv city and secondary cities in the Kharkiv oblast (Bogodukhov, Chuguyev, Izyum) to further introduce the concept of competitiveness, to several audiences with a variety of backgrounds.

The presentations/workshops included definition of competitiveness, competitive business strategies, examples from other countries of how competitiveness tools are applied, strategies followed by other countries' businesses to be competitive, competitiveness benchmarking exercise for Ukraine (methodology and results) and discussions on the potential next steps for Ukraine at national and local levels. In addition to these workshops, the JAA team also led workshops with more focused groups of participants, e.g. with the information and communications technology sector and the executive MBA program students at the Kyiv-Mohyla Academy.

Overall, there was a high level of interest in competitiveness from the participants. Many participants in the workshops expressed why they believed that competitiveness was important for the Ukraine. The Ukrainian businesses are focusing on what they should be doing in the immediate term. Although the short term is important, Ukrainians should also be thinking about how to achieve a sustainable success – and that means making good decisions now and preparing for the future. Most Ukrainian businesses that the JAA competitiveness team interacted with are not yet thinking about sustainability. Moreover, there is no expectation amongst stakeholders that business should do this. It is important to realize that businesses will not be able to survive by simply manufacturing and selling products that can be produced elsewhere.

In Kharkiv, people did not seem to be comfortable with the global or market economy, and business, too often, is waiting for government to change things. But there are some excellent examples of competitive business and entrepreneurs in Kharkiv (for example in information technology and agribusiness sectors) looking at their businesses and the marketplace with strategies that are very consonant with competitiveness principles.

The quality of the public-private dialogue in Ukraine is not at a desired level. Business and government do not have a common focus or vision. Also, there are serious problems with services, regulation, and lack of government action. This is not to say, however, that business cannot do things alone, there are still many skills and technical resources that are available in the oblast that can be tapped by business. However, for Kharkiv to succeed, both business and government need to take action. The public and private sectors need to discuss the current constraints that are keeping Ukraine from being competitive and to collaborate on removing these constraints. There is a great deal of regional variation regarding views on competitiveness and in the levels of public-private collaboration in Ukraine. Kharkiv, representative of eastern Ukraine, is having difficulty adapting to a global, market economy. Industry has been severely depressed, and in many cases is still struggling through privatization of state assets. But a core of younger and dynamic businesses, including SMEs, is developing. Kiev is relatively sophisticated. The west (Lviv for example) is purportedly more outward looking and in tune with Central/Eastern European markets.

Ukraine needs to attract much more foreign direct investment (FDI) than it currently does and potential joint ventures of Ukrainian businesses with foreign companies would enable transfer of skills, capital, market knowledge and access.

The local perception of the concept of competitiveness is similar to that in other countries where JAA has worked. Although the infrastructure and skills are certainly better than many countries, the problems Ukrainian businesses are facing and their lack of confidence are similar. In Ukraine, geography and history impose some traditions and attitudes that are unique. In comparison to many countries there is less business-government synchrony.

While some people see the possibility for achieving the vision of a competitive Ukraine, others have trouble believing that it is possible. This is the same incredulity as it is seen in many other countries. The JAA competitiveness team believes that more people need to hear about competitiveness. The principles and approaches need to be pervasively discussed.

Due to the large size of the country, Oblast-level approaches might also be useful. A regional or oblast focus has been used in other large countries such as the Philippines, Indonesia, Vietnam, and Thailand.

2.2.2 Conclusions and Recommendations - Ukraine

1. The level of trust and quality of dialogue between business and government is very poor. The business environment needs a lot of improvement and an ongoing competitiveness exercise should deal with this issue. It will take time for the public-private issues to be resolved. As such, the approach should also have a very strong basis in business clusters as the starting point where the hurdles to success are not as great.

2. There are organizations and programs that already deal with some aspects of clustering, benchmarking and other elements of a competitiveness approach. There are also many talented and interested individuals. Consequently, there is a need for a Ukrainian working group that can champion and implement many competitiveness activities.

3. Concepts of clustering are still confused. Although some people have done some very good work, there is still much more international experience and methodological integrity is needed.

4. If a competitiveness initiative were developed in Ukraine, it would probably be very difficult to start with a national program on competitiveness that involves business and government. A cluster-based approach on a regional level would be sound. At the oblast or regional level there is also an opportunity to work with business and government - and a regional or oblast competitiveness council approach could be effective. There was a lot of interest in this in the presentations and discussions.

5. The ICT group in Kharkov is savvy and very interested. JAA received several follow-up requests for information from this group.

6. The existing USAID program includes projects that could be vehicles for competitiveness, and some are indeed moving in this direction. These programs and their Ukrainian counterparts and networks can serve as a vector to "download" the tools and approaches of competitiveness initiatives.

The initial visits by the competitiveness team have demonstrated the following:

1. If USAID implements a competitiveness initiative, it should be done at the regional level. The initial steps should include additional presentations and workshops, especially in Kharkiv, Kiev and a western center like Lviv; and maybe also in the Podillya Pershoi Region, where cluster work is ongoing. Focused meetings and roundtables with business leaders should set out commitments and subsequent actions.

2. It will be important to develop Ukrainian content such as case studies; to train Ukrainians to deliver competitiveness presentations; to involve media in covering competitiveness; and to set up a Ukraine Competitiveness website.

3. If funds permit, some initial cluster competitiveness assessments should be carried out with Ukrainian partners.

2.3 Kyrgyzstan Program

2.3.1 Overview of Activities and Outcomes

The objective of the assignment in Kyrgyzstan was to assess the relevance of USAID's Competitiveness Approaches and business and government leaders' receptivity to them. After an introductory visit to Kazakhstan in February of 2002, the Almaty-based USAID Mission in the Central Asian Republics (CAR) requested J.E. Austin Associates (JAA) and Nathan Associates (NAI) to test the relevance of and receptivity of applying business strategy and competitiveness approaches in Kyrgyzstan, particularly in Osh region, Southern Kyrgyzstan. A team of consultants traveled to Kyrgyzstan in October 2002 to introduce the concepts of competitiveness and to conduct introductory business strategy exercises with industries to demonstrate how business strategy/competitiveness approaches could be applied.

The program in Kyrgyzstan accomplished the following:

- Ascertained high level of interest and applicability for business strategy and competitiveness themes and approaches for a significant cross-section of Kyrgyz business in Bishkek.
- Demonstrated high interest in and demand for continuation of strategy/ competitiveness themes and approaches amongst stakeholders in the tourism industry.
- Demonstrated high interest in and applicability of strategy/competitiveness themes and approaches in Osh (particularly in agriculture and agribusiness).
- Provided the opportunity for JAA and Pragma to discuss the applicability of business strategy and competitiveness approaches within the Enterprise Development Project.

Two workshops were conducted in Osh and two in Bishkek. The participants included various business, government and community leaders. Three of the workshops were targeted to specific industry interests: fruit and vegetable growers and processors in the Osh Region (city of Osh and town of Nookat), tourism industry representatives in Bishkek, and members of the Chamber of Commerce and Industry, academia and government officials in Bishkek. In addition to the four workshops, team members had the opportunity to meet many business, government, academic and other leaders. These individual meetings permitted the team to provide briefings about the program and to obtain information about Kyrgyz business and business environment.

In these strategy workshops we discussed issues such as: why industry groups and individual businesses need competitive strategies; the impact on business volumes, value added revenues and profitability; how businesses in an industry can agree on how the industry can grow and how joint actions can complement individual company-level operations; and how an industry group can present unified messages to government about their priorities; and the government actions required for the businesses to be able to effectively execute their business strategy.

The strategy workshops included many examples from other countries where industry groups and individual businesses have been able to identify and realize strategic opportunities; and where the public-private dialogue has successfully graduated from a focus on obstacles to a focus on opportunities. We discussed the business strategy tools that are needed to develop individual and cluster-based action plans focused on implementing better strategies. We also addressed how sound industry and business strategy can be a primary means building and informing public-private dialogue on how business can grow.

Initial feedback indicated a high level of relevance of the approach and receptivity by business and community leadership. Participants in both cities responded to the presentation by confirming that the competitiveness approaches and experiences were very relevant to Kyrgyz business and to their own situations. They indicated readiness to focus on improving their industry strategy and a desire to reposition their industries. For example, at the conclusion of the tourism workshop in Bishkek, Mr. Daniyar Kazakhov, head of one of the tourism associations, encouraged other participants (both members of the association he leads and non-members) to begin working together to develop a sound strategy for the industry.

The Chamber of Commerce and Industry (CCI) expressed its support of the program by organizing an excellent workshop and convening many of its members; JAA also invited other (non-member) business leaders, professors from universities involved in business education, representatives of professional associations, GosStandard, and others. The participants included about 40 people, including representatives of the following industries or groups: wood processing, garments, meat production, confectionary, dairy productions, electro machinery, hydropower and tourism businesses, GosStandard, Kyrgyz-Russian Slavic University, the consulting industry, and several business associations. The JAA team introduced the concepts of competitive business strategy and cluster creation, analytical tools, and examples from many other countries (notably Bulgaria, Croatia, Ukraine, Sri Lanka, Thailand, Philippines, Colombia, Indonesia and Honduras). Michelle Morgan discussed examples from the USAID-supported Mongolian experience with the cashmere, meat and tourism industries. Local press was present at the workshops, and interviewed Michelle Morgan and Martin Webber after the workshop. The participants participated actively in the discussion, and expressed interest in the approaches, and in implementing them in their businesses and industries.

In close partnership with Pragma Enterprise Development Program, JAA/NAI conducted strategy workshops with the tourism industry in Bishkek. The workshop brought together about 20 participants from the Kyrgyz tourism industry. There are four tourism industry associations based in Bishkek. Representatives of all of them participated in the workshop. JAA also invited the representatives of Tourism Training Academy and other individual companies that are not members of any of tourism associations.

The workshop was focused on providing the industry with examples of how strategy and competitiveness approaches have been used to good effect in other countries, discussing the Kyrgyz industry's opportunities and constraints, and helping the industry to consider the applicability of strategy and competitiveness approaches to its own situation. The workshop enabled the participants to examine how a strategic approach to building the competitiveness of the tourism industry, combined with cluster-building and other collaborative approaches, can improve an industry's performance in terms of numbers of tourists, length of stay, average daily expenditures and other measures.

Although examples were provided from many countries, the workshop emphasized discussion of the strategy that the Mongolian tourism industry used to reposition itself under the USAID-sponsored Competitiveness Initiative. The example of Mongolia tourism industry was used in detail to demonstrate how a fairly similar industry was able to revolutionize itself by focusing product development and marketing on adventure tourism rather than just nature and culture.

Just like in Kyrgyzstan today, Mongolia used to have several small, weak tourism business associations. The industry did not understand the market, tourism marketing was ineffective, tourism products and services were of poor quality and were poorly presented and coordinated. Through improved strategy, collaborative actions, and sound implementation, Mongolia has been able to dramatically increase the number of visitors from wealthy countries, increase the duration of the average stay, and increase tourist spending. Two years ago, Mongolia had four tourism associations with an average of 4-5 members that occasionally paid dues, and that provided little in the way of services. Today, there is one, coordinated and representative association of tourism businesses, very effective in its services, and with 70 paying members. It has become a powerful voice that the Mongolian government consults on policy issues.

The strategic competitiveness approach and results were of enormous interest to the Kyrgyz participants. The Mongolian experience of collaboration in marketing Mongolia as a destination raised particular interest among the participants – most of whom rapidly understood the benefits, since they were all too aware of their individual difficulties in generating client bookings.

The participants expressed eagerness to further pursue the competitiveness approaches.

2.3.2 Conclusions and Recommendations - Kyrgyzstan

The following recommendations are based on the results of the workshops and discussions with business leaders in the Kyrgyzstan:

1. Continue the initiatives introduced to the tourism industry in Kyrgyzstan and take the next steps in Osh. Competitiveness themes should be further introduced and discussed with the industries. If interest and conditions are sufficient, USAID should provide implementation assistance to the industry groups. The work with the tourism industry and with agriculture/agribusiness in Osh can be used as a model for action with other specific industry groups or clusters.

Based on the initial results of the business strategy exercise, appropriate immediate next steps include additional workshops focused in greater detail on specific strategic issues, and discussion and definition of a program of follow-on implementation.

The Kyrgyz tourism industry appears to be particularly eager to further consider a process to improve its strategies and cluster linkages. It may also be appropriate at an early stage to field a tourism industry strategist to consider the industry in more detail, and to share knowledge and perspectives. The objectives of the next steps would be to define a competitiveness-building process for the industry group/cluster (and project), and to ascertain the stakeholders' willingness to invest time and resources in the process.

In Osh and elsewhere in the Kyrgyz Fergama, similar steps would be taken to further a strategic and clustering process amongst agricultural and agribusiness stakeholders. It may also be appropriate to discuss strategy with business and community leaders in Jalal Abad and possibly elsewhere in the southern part of Kyrgyzstan.

2. Introduce strategy/competitiveness approaches and experience to the other four CAR countries (Kazakhstan, Tajikistan, Turkmenistan, Uzbekistan).

The introduction of business strategy and competitiveness approaches should be carried out through meetings/interviews, presentations and roundtables, and by reviewing and discussing ongoing and planned project activity. This introductory activity will identify priority competitiveness issues and opportunities, begin to identify and build partnerships with possible participating industry groups, and define follow-on implementation steps.

The nature and applicability of strategy and competitiveness approaches should be ascertained on a country-by-country basis. Local and national situations differ, and these will affect the readiness of business, industry and stakeholders to consider and apply approaches designed to improve strategy. Approaches and services should not be "cookie cutter" in nature – they need to be designed in recognition of the particular situations, market orientations, policy environment, infrastructure and traditions.

3. Use existing partners and networks

USAID has a valuable network of activities and partners in Kyrgyzstan and elsewhere in Central Asia. This network can be utilized to convene leadership groups, communicate experience, tools and approaches, and stimulate dialogue and decision-making focused on competitiveness business strategy. Competitiveness approaches and tools could add value to ongoing and planned programs supported by USAID and other development partners.

Section III: National Benchmark Reports

RUSSIAN FEDERATION

Country Competitiveness Benchmarking: 2001

J.E. Austin Associates, Inc.

I. Background

The Government of Russia faces the challenge of raising the country's productivity and stimulating economic growth, while raising the living standards of the average Russian citizen. Russia's recent announcement of the country's determination to join the WTO puts greater pressures on its producers. The Russian Financial Crisis of 1998 took a great toll on Russia's economic growth, yet the devaluation of the Ruble since 1998 benefited Russian producers because of the dual effect of import substitution and an export boom. China's entry into the WTO in 2001 poses a threat to Russia's exports. The global slowdown, exacerbated by the events of September 11th, has presented an additional impediment.

Improving living standards in a sustainable way is an important goal for the government of Russia. Sustainable improvements in living standards are a function of the competitiveness of Russian enterprises and of the Russian economy. This study has been commissioned to provide a benchmarking as of February 2002 of Russia versus all other countries of the world, so as to see clearly the strengths and weaknesses of the country and to measure progress in the coming years. This report relies heavily on World Bank and WEF data. Unlike the WEF ratings, in which Russia regularly takes part, this study presents detailed data relative to all countries of the world for which data are available. This study can serve as a kind of time capsule presenting a multi-faceted picture of the competitiveness of the Russian economy in publications from the year 2001 or slightly earlier. Russia is one of many countries emerging from a legacy of centralized economic planning, and it is appropriate to provide benchmarks relative to other countries in similar situations as well as to highlight the top performing countries.

This study has been commissioned to present competitiveness benchmark data for Russia at the turn of the new millennium to assist Russia's leaders in their efforts to boost prosperity and high economic achievement.

Definitions and Uses of This Report

The Competitiveness Benchmarking for the Russian Federation, compiled by J.E. Austin Associates (JAA), ranks Russia relative to the European Union countries, to some regional leaders, and to all countries of the world in areas generally regarded as relevant to competitiveness. Competitiveness at the national level can be defined as the ability of a country to produce products and services that meet the test of the market place, while delivering high and rising standards of living for the average person. Benchmarking is the measurement of performance relative to a particular reference group and normally relative to those who are doing the best job in a particular area of endeavor. The benchmarks also serve to measure one's own progress over time.

Uses of This Report

For the Government of Russia, this study serves as a powerful tool to measure progress and set priorities for policy and institutional reform. High-growth countries such as the United States, Singapore and Ireland have published national competitiveness reports. Ireland uses an annual competitiveness report to benchmark its performance against the leading countries of the world. The Governments of USA, the EU, Ireland, Singapore and others have identified specific targets and benchmarks against which they measure future progress.

For economic faculties, business schools, technology institutes and think tanks, it provides a rich source of data for their analysis. Those researching IT-readiness, export performance, investment, economic results, human capacity, infrastructure and other areas will find data that can be used to inform their research and strengthen their ability to contribute to national dialogue.

The economic press can use this publication to encourage national debate on Russia's competitiveness. It is important that the average citizen understand what is at stake for Russia's future. The Government of Russia will have to mobilize popular support behind initiatives, required to improve Russia's competitiveness in a global environment.

Competitiveness Benchmarking encourages private-public dialogue. Benchmarking encourages reflection and discussion on issues related to the speed and effectiveness of Russia's transition to competitiveness. It focuses attention on strengths and weaknesses, improvement and deterioration. By presenting objective data, competitiveness benchmarking encourages informed and natural dialogue.

Competitiveness Benchmarking provides comprehensive data. Effective dialogue and policy reform requires the use of good data rather than anecdotal evidence. It requires the ability to understand data in the broader context of the performance of other similar countries. This study presents many sets of data so as to provide a rich mosaic of Russia in which the true picture comes into sharper focus. By presenting it relative to the EU countries and to relevant top performers, one provides a basis for drawing reasonable conclusions. It is hoped that the Government, business associations, universities and NGOs will find this data useful for their analyses.

II. Methodology and Limitations of the Study

Informed by competitiveness theory and by the methodologies used by the World Economic Forum (WEF) and Harvard University, along with its own work in 80 countries over 15 years, JAA selected 48 indicators related to 9 competitiveness-related categories:

1. Economic Performance;
2. Export Competitiveness;
3. Investment;
4. Financial Sector;
5. Human Resources;
6. Macroeconomic Environment;
7. Policy and Government Regulations;
8. Science and Technology and
9. Infrastructure

These include data from many sources, including the WEF. The rankings are based entirely on secondary sources, and efforts were made to select the most internationally qualified institution for each data set.

The data were then entered into J.E. Austin databases, and rankings were made for all countries of the world for which data were available. Data for each indicator is provided for the country along with its position relative to all other countries of the world. For this exercise, analysis was also done for Russia relative to the EU countries.

The following summary of the results is meant to be *descriptive* and is not meant to propose any particular ideology or set of policy prescriptions. The authors do not intend to make judgments regarding the effectiveness or ineffectiveness of previous or current policies. Rather, it is intended to provide good descriptive data to stimulate and encourage debate on matters important to Russia's future.

JAA has normally relied on studies and data made available in 2001. However, much of this data is about two years old, reflecting a time lag between the year reported and the provision of data by all countries of the world to the sources used in this study. Russia's situation is changing so quickly, that this data may not accurately reflect the current situation. Unfortunately, while it is possible to get more recent data for *Russia,* this is the most recent data one can get *for all countries of the world.*

The study allows people to evaluate Russia relative to relevant countries and to set goals and targets that are realistically based on the achievements of other countries over a sustained period of time. It is hoped that the provision of this study will encourage productive dialogue leading to action that supports the improvement of Russia's living standards in the immediate as well as long-term future.

COMPETITIVENESS BENCHMARKS:RUSSIA

Sector	Year	Source	Absolute Score	Rank	Total in Sample	Percentage Rank [1]
Economic Performance						
GDP per Capita (PPP adjusted), (US$)	1999	WB, 2001	$ 7,473.00	51	155	33
Gross Domestic Product (GDP) Growth, (%)	2000	WB, 2002	8.4	13	155	8
GDP average growth, (PPP adjusted, current int'l $)	1990-2000	WB and EIU, 2001	-3.46%	142	148	96
GDP per Capita growth, (%)	1990-1999	WB, 2001	-3.30%	142	149	95
GINI Coefficient	Various	WB, 2001	48	89	96	93
					AVERAGE	**65**
Export Competitiveness and Tourism						
Exports (USD Millions)	1999	WB, 2001	184,580	11	147	7
Exports, (as a % of GDP)	2000	WB, 2002	42.96%	23	72	32
Merchandise Exports Per Capita, ($US)	1999	WB, 2001	$ 508.21	74	157	47
Average Growth of Exports per Capita (%)	1992-1999	WB, 2001	-3.76%	123	138	89
Tourism Receipts per capita (US$)	1998	WB, 2001	$53.15	67	112	60
Service Exports, ($US million)	1999	WB, 2001	$9,044	29	126	23
					AVERAGE	**43**
Investment Competitiveness						
Private Fixed Investment (% of GDP)	1999	WB, 2001	N/A	N/A	n/a	N/A
Gross Domestic Investment Growth (GDI)	1990-1998	WB, 2001	N/A	N/A	129	N/A
Net Foreign Direct Investment (FDI) (million US$)	1999	WB, 2001	1165	23	111	21
FDI as % of GDP (%)	1999	WB, 2001	0.82%	114	152	75
FDI per Capita (US$)	1999	WB, 2001	22.63	86	164	52
Inward FDI Index	1998-2000	WIR, 2001	0.3	105	135	78
					AVERAGE	**62**
Financial Sector						
Money and Quasi Money (M2), (% of GDP)	1999	WB, 2001	17.75%	116	147	79
Domestic Credit from Banking Sector, (% of GDP)	1999	WB, 2001	32.72%	83	147	56
Credit to Private Sector, (% of GDP)	1999	WB, 2001	11.48%	111	147	76
ICRG Risk Rating [2]	2001	ICGR	49.8	118	127	93
Average Savings Rate, (% of GDP)	1997-1999	WB, 2001	26.30%	23	146	16
					AVERAGE	**64**

Macro Environment						
GDP Deflator (Inflation)	2000	WB, 2002	37.10%	145	160	91
Overall Budget Deficit (as % of GDP)	1999	WB, 2001	-0.51%	12	61	20
Total Trade as a % of GDP	1999	WB, 2001	74.45%	73	147	50
Import Duties, (% of imports)	1999	WB, 2001	4.86%	24	55	44
					AVERAGE	**51**
Government Regulations						
Starting new business	2000	WEF, 2000	3.1	57	60	95
Dealing with administrative regulations	2000	WEF, 2000	3.5	29	60	48
Corruption Perceptions Index	2001	TI	2.3	79	91	87
Intellectual Property Protection	2000	WEF, 2000	2.8	57	60	95
Dealing with government bureaucracy	2000	WEF, 2000	2.7	59	60	98
Hidden Economic Activity	2000	WEF, 2000	4.7	55	60	92
					AVERAGE	**86**
Science and Technology Competitiveness						
High Technology Exports (million US$)	1999	WB, 2001	2899	27	91	30
High Technology Exports (% of Exports)	1999	WB, 2001	15.72%	26	88	30
Scientists and Engineers in R&D (per Million people)	1999	WB, 2001	3,587	5	88	6
Expenditures for R&D (% of GNP)	1999	WB, 2001	0.88	30	78	38
Technological Sophistication	2000	WEF, 2000	3.6	37	60	62
					AVERAGE	**33**
Infrastructure						
Paved Roads, (% of total)	1996	WB, 2001	n/a	n/a	n/a	n/a
Paved Roads per person, (km)	1996	WB, 2001	N/A	N/A	n/a	N/A
Telephone Density, (Mainlines per 1,000 people)	1999	WB, 2001	210	69	178	39
Mobile Telephone Density, (Lines per 1,000 people)	1999	WB, 2001	9.32	115	180	64
Electricity Consumption/Capita, (kWh per person)	1998	WB, 2001	3,981	29	118	25
					AVERAGE	**42**
Human Resource and Workforce Competitiveness						
Overall Productivity (GDP, PPP adj. per person employed), Current$US	1999	WB, 2001	$ 15,099.91	41	60	68
Human Development Index Value	1999	UNDP, 1999	0.775	55	162	34
Labor Force Female Participation (%)	1999	WB, 2001	49.04%	5	170	3
Adult illiteracy Rate (%)	1999	WB, 2001	0.5%	7	133	5
Unenrolled, secondary (% of secondary-age children)	1998	WB, 2001	12.4%	4	103	4
Brain Drain	2000	WEF, 2000	3.2	45	60	75
Competitive Advantage due to Cheap Labor	2000	WEF, 2000	3.1	39	60	65
					AVERAGE	**32**
					TOTAL AVERAGE	**53**

NOTE:

1 Percentage Rank indicates a rank of 1 as being the best in the group and 100 being the lowest.

* N/A indicates that the data is not available for the country for that specific category

1. Economic Performance

The World Bank's annual record of GDP per capita adjusted for purchasing power parity (PPP) is the best measure of Russia's current living standard. Russia's GDP per capita in 1999, adjusted for PPP was $7,473. This means that Russia ranks 51st out of 155 countries, or that 34% of countries are richer and 66% are poorer. Even though this number was probably higher in 2000, and is likely to improve even further in 2001, only 1999 data were available for all countries of the world.

The average growth in GDP (again adjusted for PPP) was –3.46%, which placed Russia 142th out of 148 countries (in the lowest 5%). The ranking improved in 2000 and 2001, however. In fact, Russia achieved impressive growth, and successfully recovered after the shock of the 1998 crisis. The 2000 GDP growth was 8.4%, and in 2001 reached 4.9%. Sustainability of this phenomenon is questionable, however, as analysts explain 2000 growth by the post-1998 deflation of the Ruble, high oil prices, and import substitution.

Russia ranks 73rd out of 96 countries in terms of income distribution. Since the beginning of its transition to the market, the gap between the rich and the poor has widened significantly.

2. Export Competitiveness

Russia's merchandise exports per capita placed it at about the 47th percentile among all nations of the world (with 1st percentile being the highest). Service exports were worth $9B, ranking Russia well above average for countries of the world. Russia has potential for boosting export performance over the coming years, with its important agricultural resources, a manufacturing tradition, an excellent location for trade and IT exports. Most important, it has a talented human resource base as will be demonstrated below.

The year 2000 brought impressive growth to the tourism industry. Russia welcomed 22,783,000 visitors in 2000, which translated to a 23.2% increase from the previous year. Russia was fifth in the world as one of the most visited locations.[1] The $53.15 per capita in tourist revenues placed Russia in the 60th percentile in 1999. This number is likely to be much higher in 2001. Nevertheless, Russia should give more attention to strategies for targeting high-value tourists with highly tailored packages.

[1] World Tourist Organization. http://www.world-tourism.org/newsroom/Releases/more_releases/R0102001.html

3. Investment

At 15.5%, gross domestic investment in Russia for 1998 was relatively low. However, Russia received $1165M in net foreign investment in 1999, ranking 23rd among 111 countries in absolute terms. The measure of FDI as a percentage of GDP, however, placed Russia in the 75th percentile. The relatively low internal and external investment rankings are most likely caused by the unstable economy and by the aftershocks of the 1998 crisis, when many foreign investors pulled out of Russia. Commitment to economic reforms and stable government are sure to correct the problem in the future.

Russia will need to mobilize more investment to achieve high economic growth. High levels of investment are rarely enough to achieve growth – productive use of investment is also necessary. Therefore, high levels of private investment must be encouraged. High growth countries have showed the ability to generate total investment of 25-35% of GDP and private investment of 15% to 19% of GDP.

4. Financial Sector

Russia received a relatively high marking for its average savings rate of 26.3% for the period between 1997-99, ranking 23rd out of 146 countries. However, measures of financial depth such as M2 as a percentage of GDP, credit to the private sector as a percentage of GDP or domestic credit as a percentage of GDP were all quite low. Russia ranked in the lowest 30 percent for all three. These indicators point to some major problems in Russia's financial sector. Russian banks suffered considerably in 1997-98 from the defense of the Ruble by the Russian Central Bank, and the devaluation and default of August 1998 left the sector mostly bankrupt.

The International Country Credit Risk Rating ranks Russia 118th out of 127 countries. Clearly, the international community still regards Russia as a risky destination for investment, which explains the low post-1998 FDI rates.

5. Human Resources

Human resource competitiveness is Russia's bright spot. Russia ranks above average for all countries of the world according to the UN Human Development Index. It ranks among the top 5% of all nations in terms of literacy (7th out of 133 countries) and is 5th in the world in terms of the participation of women in the labor force. Russia is among the top 5% of all nations in terms of secondary school education rates. The World Economic Forum's Global Competitiveness Report, which relies on survey data, ranks Russia 14th out of 60 countries in terms of math and science education. Numbers of both students and institutions are well above 1990-1991 levels, meaning that more people are earning college-level degrees. However, the same WEF survey notes that respondents in Russia believe there is a major brain drain problem. Russia ranked 45th out of 60 countries in brain drain. Russia has literate, well-educated people who are strong in math and science, yet many talented people are leaving the country because of a lack of job opportunities or inadequate compensation. Achieving competitiveness is thus all the more urgent.

6. Macroeconomic Environment

Inflation rates painted a mixed picture for most of the 1990s. Macroeconomic stabilization was achieved in 1997, when consumer price inflation finally slowed to 11% compared with rates of over 2000% in 1992. The August 1998 collapse discredited this achievement, when inflation reached 84.5% by the end of the year. Inflationary pressures continued until 2001 because of rapid money-supply growth. The Ruble, having reached the exchange rate of 30:1 with the dollar, stabilized throughout 2001.

7. Policy and Government Regulations

Transparency International ranked Russia 79th out of 91 countries for perception of corruption. The WEF Global Competitiveness Report, based on survey data administered in Russia, gave the country very low scores in terms of the ability to start a new business, deal with administrative regulations, bureaucracy, and hidden economic activity. It ranked near the end (57th out of 60 countries) in terms of intellectually property protection.

8. Science and Technology

Russia has over 3,587 scientists and engineers per million people in research and development activities, ranking the country 5th out of 88 countries for which data are available. This is a bright spot that underlines the potential future competitiveness of the country. Russia also has a high per-capita use of the Internet, although the availability of computers is below average. However, the EIU scores Russia among the lowest 30% of countries for E-business readiness, and the WEF also revealed low scores for technological sophistication and even the use of email within companies. Most likely, Internet users in Russia limit their access to leisure activities. Russia is above average in high technology exports.

9. Infrastructure

Russia has above average scores for infrastructure, in which it ranks among the top 25% of countries for energy utilization and the top 39% of countries for telephone density at 210 lines per 1,000 people (excluding mobile). In the measure for mobile telephones, Russia ranked 115th out of 180 countries according to the latest available data. High levels of energy use figures are misleading, however, given Russia's aging infrastructure.

The energy monopoly giant, UES, is in need of investment. If left without an upgrade, UES threatens to cause countrywide power outages by 2003.

III. Conclusions

After ten years of transition, which destroyed the command-style economic base and replaced it with new supply chains, markets, and privatized enterprises, Russia is on its final stretch of conversion to the free market. The exercise in competitiveness is highly valid at this time of fine-tuning of Russia's economic productivity and growth.

The poor results of the 1990s reflect the difficulties of the transition period. However, underlying these results is hope for optimism. The human resource base, the tradition of science and technology and the level of infrastructure are solid foundations for future competitiveness. However, the low indicators in policy environment, the financial sector and investment would point to the need to make these areas a priority. As reform and restructuring continue, Russia's competitiveness as measured by these indicators is likely to improve. It is recommended that stakeholders in Russia publish these indicators annually in order improve upon them.

Inserting Russia in the world economy in ways that generate prosperity will require good Government strategy that works in tandem with stakeholders in private enterprise. It is hoped that these indicators will contribute to the thinking within the Government and will also stimulate productive private-public dialogue.

The challenge for Russia is to restructure its enterprises, reposition its industries in world markets, reform its public policies and institutions, and reinforce a change in mindsets of people to adapt to the age of entrepreneurship and information technology.

UKRAINE:

Country Competitiveness Benchmarking 2001

J.E. Austin Associates, Inc.

Executive Summary

Ukraine's competitiveness benchmarks reveal a varied landscape of divergent trends. On the one hand, Ukraine is in the top 3% in the world in terms of adult literacy rates. Yet, the country is in the lowest 40% in terms of prosperity. While Ukraine is in the top 25% of scientists and engineers per capita, only 8% of its exports are in the high-tech areas. Ukraine's economic and investment scores for the 1990s are low. Yet, the country has an impressive savings rate, in the top 40% of all countries. Recent improvements in the economic environment have brought hope for the new millennium. It is important for Ukraine to keep track of its competitiveness rankings in order to measure future results.

I. Background

It is hard to understate the economic difficulties Ukraine faced in the 1990s, as evidenced by the Competitiveness Benchmarks presented below. The Government of Ukraine faces the challenge of stimulating rapid economic growth resulting in broad-based sharing of the benefits of growth for the average Ukrainian citizen. The 1990s took a tough toll on Ukraine because of the transition to market, privatization, and economic reforms that followed. The Russian Financial Crisis of 1998 further stifled the Ukrainian economy. The global slowdown, exacerbated by the events of September 11th, has presented an additional challenge.

It is an important goal to improve the living standards of people in a sustainable way. Sustainable improvements in living standards are a function of the competitiveness of Ukrainian enterprises and the competitiveness of the Ukrainian economy. This study has been commissioned to provide a benchmarking as of February 2002 of Ukraine versus all other countries of the world so as to see clearly the strengths and weaknesses of the country and to measure progress in the coming years. It is symbolic and highly appropriate that such an exercise be conducted at the turn of the millennium. This study can serve as a kind of time capsule presenting a multi-faceted picture of the competitiveness of the Ukrainian economy in publications from the year 2001 or slightly earlier. Ukraine is one of many countries that are emerging from a legacy of centralized economic planning and it is appropriate to provide benchmarks relative to other countries in similar situations as well as to highlight the top performing countries.

Definitions and Uses of This Report

The Competitiveness Benchmarking for Ukraine, compiled by J.E. Austin Associates (JAA), ranks Ukraine relative to the European Union countries, to some regional leaders, and to all countries of the world in areas generally regarded as relevant to competitiveness. Competitiveness at the national level can be defined as the ability of a country to produce products and services that meet the test of the market place, while delivering high and rising standards of living for the average person. Benchmarking is the measurement of performance relative to a particular reference group and normally relative to those who are doing the best job in a particular area of endeavor. The benchmarks also serve to measure one's own progress over time.

Why is Competitiveness Benchmarking Useful?

For the Government of Ukraine, this study serves as a powerful tool to measure progress and set priorities for policy and institutional reform. The Governments of USA, the EU, Ireland, Singapore and others have identified specific targets and benchmarks against which they measure future progress. Governments in countries of transition have also begun to use international benchmarks to measure progress and establish development goals.

For economic faculties, business schools, technology institutes and think tanks, it provides a rich source of data for their analysis. Those researching IT-readiness, export performance, investment, economic results, human capacity, infrastructure and other areas will find data that can be used to inform their research and strengthen their ability to contribute to national dialogue.

The economic press can use this publication to encourage national debate on Ukraine's competitiveness. It is important that the average citizen understand what is at stake for Ukraine's future. The Government of Ukraine will have to mobilize popular support behind initiatives, required to improve Ukraine's competitiveness in a global environment.

Competitiveness Benchmarking encourages private-public dialogue. Benchmarking encourages reflection and discussion on issues related to the speed and effectiveness of Ukraine's transition to competitiveness. It focuses attention on strengths and weaknesses, improvement and deterioration. By presenting objective data, competitiveness benchmarking encourages informed and natural dialogue.

Competitiveness Benchmarking provides comprehensive data. Effective dialogue and policy reform requires the use of good data rather than anecdotal evidence. It requires the ability to understand data in the broader context of the performance of other similar countries. This study presents many sets of data so as to provide a rich mosaic of Ukraine in which the true picture comes into sharper focus. By presenting it relative to the EU countries and to relevant top performers, one provides a basis for drawing reasonable conclusions. It is hoped that the Government, business associations, universities and NGOs will find this data useful for their analyses.

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1. Economic Performance
2. Export Competitiveness and Tourism
3. Investment Competitiveness
4. Financial Sector
5. Macroeconomic Environment
6. Policy and Government Regulations
7. Science and Technology
8. Infrastructure
9. Human Resources and Workforce Competitiveness

These include data from many sources, including the WEF. The rankings are based entirely on secondary sources, and efforts were made to select the most internationally qualified institution for each data set.

The data were then entered into J.E. Austin databases, and rankings were made for all countries of the world for which data were available. Data for each indicator is provided for the country along with its position relative to all other countries of the world. For this exercise, analysis was also done for Ukraine relative to the EU countries.

The following summary of the results is meant to be *descriptive* and is not meant to propose any particular ideology or set of policy prescriptions. The authors do not intend to make judgments regarding the effectiveness or ineffectiveness of previous or current policies. Rather, it is intended to provide good descriptive data to stimulate and encourage debate on matters important to Ukraine's future.

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The study allows people to evaluate Ukraine relative to relevant countries and to set goals and targets that are realistically based on the achievements of other countries over a sustained period of time. It is hoped that the provision of this study will encourage productive dialogue leading to action that supports the improvement of Ukraine's living standards in the immediate as well as long-term future.

COMPETITIVENESS BENCHMARKS:UKRAINE

Sector	Year	Source	Absolute Score	Rank	Total in Sample	Percentage Rank[1]
Economic Performance						
GDP per Capita (PPP adjusted), (US$)	1999	WB, 2001	$ 3,458.00	93	155	60
GDP average growth, (PPP adjusted, current int'l $)	1990-1999	WB, 2001	-7.57%	147	148	99
Gross Domestic Product (GDP) Growth, (%)	2000	WB, 2001	6.00%	29	155	19
Overall Productivity (GDP, PPP adjusted per person employed), Current $	1999	WB, 2001	$ 7,500.19	52	60	87
GINI Coefficient	Various	WB, 2001	32.5	28	96	29
					AVERAGE	**59**
Export Competitiveness and Tourism						
Exports (USD Millions)	1999	WB, 2001	20,391	39	147	27
Exports (as a % of GDP)	2000	WB, 2001	54.33%	12	72	17
Merchandise Exports Per Capita, ($US)	1999	WB, 2001	231.83	99	157	63
Average Growth of Exports per Capita (%)	1992-1999	WB, 2001	-0.43%	108	138	78
Tourism Receipts per capita (US$)	1998	WB, 2001	$ 107.51	56	112	50
Service Exports ($US million)	1999	WB, 2001	$ 3,869.00	42	126	33
					AVERAGE	**45**
Investment Competitiveness						
GDI as % of GDP (%)	1998	WB, 2001	19.78%	85	147	58
Private Fixed Investment (% of GDP)	1999	WB, 2001	N/A	n/a	N/A	N/A
Gross Domestic Investment Growth (GDI)	1990-1998	WB, 2001	N/A	N/A	129	N/A
Foreign Direct Investment (FDI), net inflows	1999	WB, 2001	489	35	111	32
FDI as % of GDP (%)	1999	WB, 2001	1.28%	92	152	61
FDI per capita, net inflows (US $)	1999	WB, 2001	9.93	109	164	66
Inward FDI Index	1998-2000	WIR, 2001	0.5	89	135	66
					AVERAGE	**56**
Financial Sector						
Money and Quasi Money (M2), (% of GDP)	1999	WB, 2001	14.55%	127	147	86
Domestic Credit from Banking Sector, (% of GDP)	1999	WB, 2001	25.88%	95	147	65
Credit to Private Sector, (% of GDP)	1999	WB, 2001	8.81%	119	147	81
ICRG Risk Rating [2]	2001	ICGR	60	91	127	72
Average Savings Rate, (% of GDP)	1997-1999	WB, 2001	19.27%	63	146	43
					AVERAGE	**69**

Macro Environment						
GDP Implicit Deflator (Inflation)	2000	WB, 2002	29.9%	142	160	89
Overall Budget Deficit (as % of GDP)	1999	WB, 2001	N/A	N/A	87	N/A
Total Trade as a % of GDP	1999	WB, 2001	104.43%	37	147	25
Proceeds from Privatization (million US$)	1999	WB, 2001	N/A	N/A	57	N/A
Import Duties, (% of imports)	1999	WB, 2001	N/A	N/A	N/A	N/A
					AVERAGE	**57**
Government Regulations						
Starting new business	2000	WEF, 2000	3.2	56	60	93
Dealing with administrative regulations	2000	WEF, 2000	2.6	55	60	92
Corruption Perceptions Index	2001	TI, 2001	2.1	83	91	91
Intellectual Property Protection	2000	WEF, 2000	2.5	60	60	100
Dealing with government bureaucracy	2000	WEF, 2000	2.2	53	60	88
Hidden Economic Activity	2000	WEF, 2000	4.4	54	60	90
					AVERAGE	**92**
Science and Technology Competitiveness						
High Technology Exports (million US$)	1999	WB, 2001	N/A	N/A	93	N/A
High Technology Exports (% of Exports)	1999	WB, 2001	8	37	91	41
Scientists and Engineers in R&D (per Million people)	1999	WB, 2001	2,171	22	88	25
Expenditures for R&D (% of GNP)	1999	WB, 2001	N/A	N/A	78	N/A
Technological Sophistication	2000	WEF, 2000	2.8	52	60	87
					AVERAGE	**51**
Infrastructure						
Paved Roads, (% of total)	1996	WB, 2001	95%	25	159	16
Paved Roads per person, (sq. km)	1996	WB, 2001	3.28E-03	44	148	30
Telephone Density, (Mainlines per 1,000 people)	1999	WB, 2001	199	77	178	43
Mobile Telephone Density, (Lines per 1,000 people)	1999	WB, 2001	4.28	123	180	68
Electricity Consumption/Capita, (kWh per person)	1998	WB, 2001	2,449	44	118	37
					AVERAGE	**39**
Human Resource and Workforce Competitiveness						
Overall Productivity (GDP, PPP adjusted per person employed), Current $	1999	WB, 2001	$ 7,500.19	52	59	88
UN Human Development Index	1999	UNDP, 1999	0.742	74	162	46
Female Labor Force, (% of total)	1999	WB, 2001	48.8%	10	170	6
Illiteracy Rate, (% of people aged 15 and above)	1999	WB, 2001	0.4%	4	133	3
Unenrolled, Secondary School, (% of secondary-age children)	1998	WB, 2001	N/A	N/A	103	N/A
Brain Drain	2000	WEF, 2000	2.7	52	60	87
Competitive Advantage due to Cheap Labor	2000	WEF, 2000	2.7	51	60	85
					AVERAGE	**52**
					TOTAL AVERAGE	**58**

NOTE:
1 Percentage Rank indicates a rank of 1 as being the best in the group and 100 being the lowest.
* N/A indicates that the data is not available for the country for that specific category

II. Summary of Findings

Ukraine demonstrates relatively high marks in the quality of its workforce and also has comparatively decent infrastructure. However, its economic performance does not reflect the quality of its people. Ukraine also ranks relatively low in the areas of investment competitiveness, government regulation and the financial sector. Given its human resources, Ukraine can also improve its scores on science and technology as well as research and development—areas, which are increasingly important in achieving sustainable competitiveness.

1. Economic Performance

The most broadly accepted international measure of Ukraine's current living standard comes from the World Bank measure of GDP per-capita adjusted for purchasing power parity (PPP). According to this measure, Ukraine's GDP per capita, adjusted for PPP was $3,458, about one-half of that of Russia. This means that Ukraine ranks 93rd out of 155 countries. The ranking for this indicator means that 60% of countries in the world are richer and 40% are poorer. Unfortunately, the average growth in GDP (again adjusted for PPP) was a negative 7.57% in 1999, results which placed Ukraine 147th out of 148 countries (in the lowest 1%). The negative economic growth trend was reversed in 2000, but is still very low, making competitiveness an urgent priority.

Income distribution has also become skewed according to World Bank data using GINI coefficients. Ukraine ranks 71st out of 96 countries in income distribution.

2. Export Competitiveness and Tourism

Ukraine's merchandise exports per capita placed it at about the 60th percentile among all nations of the world (with 1st percentile being the highest). Total exports in 1999 placed Ukraine among top 40 countries in the world, with the absolute score of $20,391 million. Service exports were $3.8billion in 1999, ranking Ukraine in the top 1/3 of all other countries. Tourism receipts per-capita placed Ukraine at the 50th percentile (56 out of 112 countries) with per-capita revenues of $107.

Ukraine would seem to have potential for boosting export performance over the coming years. Ukraine has important agriculture resources, a manufacturing tradition, excellent location for trade and potential for Black Sea tourism. Almost 30 percent of all foreign visitors arrive from Russia. Most other visitors arrived from Hungary, Poland, Germany, the USA and Canada. Over 48, 000 U.S. citizens visited Ukraine in 1998, largely due to the Ukrainian Diaspora. An average tourist trip to the Ukraine lasts four days and costs the visitor $600. The most popular destinations with foreign travelers are Kiev (attracts

30% of all foreign visitors), Crimea (another 30%), Carpathian region including Lviv (about 20%), and Odessa. [1]

3. Investment Competitiveness

Gross domestic investment in Ukraine for 1998 was relatively low at 19.78% of GDP. Data for later years were not available. Ukraine received $489M in net foreign investment in 1999, ranking it 35th among 111 countries. In 2000, the net FDI reached $594 million. The figure is considered very low for the country of Ukraine's size and scope.[2] The renewed privatization effort, which began in 2000, is likely to attract more investment, but it is not enough. Only improvements in the business environment and taxation can attract the much-needed Greenfield investment.

Ukraine will need to mobilize more investment to achieve high economic growth. However, as the 1980s demonstrated throughout the former Soviet Union, high levels of investment are not enough. Investment must also be used productively. Therefore, high levels of private investment must be encouraged. High growth countries have showed the ability to generate total investment of 25-35% of GDP and private investment at levels between 15% and 19% of GDP.

4. Financial Sector

Although Ukraine has an above average savings rate, its financial sector indicators are among the lowest in the world. The average savings rate of 19.7% for the period between 1997-99 and ranked Ukraine 63rd out of 146 countries. However, measures of financial depth such as M2 as a percentage of GDP, credit to the private sector as a percentage of GDP or domestic credit as a percentage of GDP were all quite low. These indicators indicate some major problems in Ukraine's financial sector. The International Country Credit Risk Rating places Ukraine low where the country ranks 91st out of 127 countries.

5. Macroeconomic Environment

Inflation rates painted a mixed picture for most of the 1990s. Inflation has been higher than expected, at 28 percent annual average. Ukraine's Eurobond restructuring and mounting foreign debt have contributed to the weakening of its currency. Higher oil prices and inability to pay Russian creditors have further worsened this problem. Inflation is forecast to come down to about 16 percent in 2001.[3]

Ukraine has a relatively open formal economy, yet the shadow economy presents hidden barriers to trade. Ukraine's main trade partners are Russia, the US and the EU. Ukraine

[1] http://www.bisnis.doc.gov/bisnis/country/991230tourk.htm BISNIS Country Tourism Profile
[2] Investment Profile 2001: Ukraine. EBRD.
[3] EBRD Ukraine Investment Profile.

is making moves to meet WTO guidelines, and has removed the temporary 2 percent import surcharge, while also lowering some import duties in 2000. WTO negotiations, which continue, are likely to bring more liberal trade policies.

6. Policy and Government Regulations

Transparency International ranked Ukraine 83rd out of 91 countries for perceptions of corruption. The WEF Global Competitiveness Report, based on survey data administered in Ukraine similar to surveys in a total of 60 countries, gave very low scores to Ukraine in terms of the ability to start new businesses, deal with administrative regulations and bureaucracy. It ranked dead last (60th out of 60 countries) in terms of intellectual property protection. Although it is difficult to measure and quantify administrative barriers to entrepreneurship, these studies indicate significant obstacles.

7. Science and Technology

Ukraine has over 2,000 scientists and engineers per million in research and development activities, ranking the country 22nd out of 88 countries for which data are available. This is a bright spot that underlines the potential future competitiveness of the country. It also has a high per-capita use of the Internet, although the availability of computers is below average for countries of the world. However, the EIU scores Ukraine among the lowest 25% of countries for E-business readiness and the WEF also revealed low scores for technological sophistication and even the use of email within companies. However, Ukraine is above average in high technology exports.

8. Infrastructure

Ukraine has above average scores for infrastructure where it ranks among the top 16% of countries for roads, the top 37% of countries for energy utilization and the top 43% of countries for telephone density at 199 lines per 1,000 people (excluding mobile). Ukraine seems to have gotten off to a late start in mobile telephone utilization where it still ranked 123rd out of 180 countries according to the latest available data. Aging infrastructure and a high level of dependence on oil imports worsen the overall state of infrastructure.

9. Human Resources and Workforce Competitiveness

Ukraine's bright spot is its human resources. Ukraine ranks among the top 3% of all nations in terms of literacy (4th out of 133 countries) and also ranks 10th in the world in terms of the participation of women in the labor force. Ukraine also ranks among the top one third of all nations in terms of secondary school education rates. Ukraine ranks above average for all countries of the world according to the UN Human Development Index. The World Economic Forum's Global Competitiveness Report, which relies on survey data, places Ukraine 19th out of 60 countries in terms of math and science education. However, the same WEF survey notes that respondents in Ukraine believe there is a major brain drain problem. Ukraine ranked 52nd out of 60 countries reporting that brain drain was a major problem. Ukraine has literate, well-educated people who are strong in math and science but Ukrainians report that many talented people are leaving the country. This points out the urgency of the problem and the importance of achieving competitiveness. Competitive economies export products and not people. Productivity, as measured by PPP-adjusted GDP per person employed, points to the root of Ukraine's problems. Ukraine is 52nd of 59 countries, with the absolute score of $7,500, while the same measure for the leaders in productivity, is about $60,000.

III. Conclusions

Ukraine's indicators in the 1990s reflect the difficult political, economic and human transitions of the period. This has included the disruption of supply chains, the loss of traditional markets and difficulties in restructuring the economy from central planning to a market economy. Delays in privatization and the non-strategic results of this privatization may have further hampered progress.

However, underlying the poor results of the 1990s is hope for optimism. The human resource base, the tradition of science and technology and the level of infrastructure are solid bases for future competitiveness. However, the low indicators in policy environment, the financial sector and investment would point to the need to make these areas a priority. As reform and restructuring continue, Ukraine's competitiveness as measured by these indicators is likely to improve. It is recommended that stakeholders in the Ukraine publish these and similar indicators annually or improve upon them.

Inserting Ukraine in the world economy in ways that generate prosperity will require good Government strategy that works in tandem with stakeholders in private enterprise. It is hoped that these indicators will contribute to the thinking within the Government and will also stimulate productive private-public dialogue.

JAA has presented data on the following page for 48 benchmarks in 9 categories. The data is presented followed by the year of the data and the source from which the data was taken. Ukraine's data are then presented followed by its rank and the total number of countries in the sample from which the data was taken. Since data are available for a different number of countries depending on the source, JAA has also provided a percentile score for Ukraine such that a comparative ranking can be shown across data sets. For example, if Ukraine ranked 50th among 150 countries in the sample, the final column would place Ukraine on the 33rd percentile demonstrating that Ukraine ranked in the top 33% of countries for that indicator. The full data sets are also available on request, where each page presents Ukraine and all countries of the world. However, this is data rich and may be difficult to download, so it is not included unless there is a special request. It is hoped that this report may be useful.

KAZAKHSTAN

Country Competitiveness Benchmarking: 2001

J.E. Austin Associates, Inc.

Executive Summary

The Government of Kazakhstan faces the challenge of stimulating rapid economic growth resulting in broad-based sharing of the benefits of growth for the average Kazakh citizen. Having gained its independence in 1992, Kazakhstan faced the challenge of the transition to market, the break-up of centrally planned ties, privatization, and economic reforms that followed. The Russian Financial Crisis of 1998 further stifled the Kazakh economy. The global slowdown, exacerbated by the events of September 11th, has presented an additional challenge. The events if September 11th and the war in Afghanistan increased Kazakhstan's strategic importance, and exposed its economic situation.

In light of the above, it is all the more urgent to improve the living standards of people in a sustainable way. Sustainable improvements in living standards are a function of the competitiveness of Kazakh enterprises and the competitiveness of the Kazakh economy. This study has been commissioned to provide a benchmarking as of February 2002 of Kazakhstan versus all other countries of the world so as to see clearly the strengths and weaknesses of the country and to measure progress in the coming years. It is symbolic and highly appropriate that such an exercise be conducted when Kazakhstan's strategic importance is at its peak as the leading nation in Central Asia. This study can serve as a kind of time capsule presenting a multi-faceted picture of the competitiveness of the Kazakh economy in publications from the year 2001 or slightly earlier. Kazakhstan is one of many countries that are emerging from a legacy of centralized economic planning and it is appropriate to provide benchmarks relative to other countries in similar situations as well as to highlight the top performing countries.

Background

Kazakhstan demonstrates relatively high marks in the quality of its workforce and also has relatively good infrastructure, compared to other countries in the region. However, its lackluster economic performance does not reflect the quality of its people. Kazakhstan also ranks relatively low in the areas of investment competitiveness, government regulation and the financial sector. Given the high potential of its human resources, Kazakhstan can also improve its scores on science and technology as well as research and development—areas, which are increasingly important in achieving sustainable competitiveness.

Definitions and Uses of This Report

The Competitiveness Benchmarking for Kazakhstan, compiled by J.E. Austin Associates (JAA), ranks Kazakhstan relative to the European Union countries, to some regional leaders, and to all countries of the world in areas generally regarded as relevant to competitiveness. Competitiveness at the national level can be defined as the ability of a country to produce products and services that meet the test of the market place, while delivering high and rising standards of living for the average person. Benchmarking is the measurement of performance relative to a particular reference group and normally relative to those who are doing the best job in a particular area of endeavor. The benchmarks also serve to measure one's own progress over time.

Why is Competitiveness Benchmarking Useful?

For the Government of Kazakhstan, this study serves as a powerful tool to measure progress and set priorities for policy and institutional reform. Other high growth countries, such as the USA, Singapore and Ireland have published national competitiveness reports. The Governments of USA, the EU, Ireland, Singapore and others have identified specific targets and benchmarks against which they measure future progress.

For economic faculties, business schools, technology institutes and think tanks, it provides a rich source of data for their analysis. Those researching IT-readiness, export performance, investment, economic results, human capacity, infrastructure and other areas will find data that can be used to inform their research and strengthen their ability to contribute to national dialogue.

The economic press can use this publication to encourage national debate on Kazakhstan's competitiveness. It is important that the average citizen understand what is at stake for Kazakhstan's future. The Government of Kazakhstan will have to mobilize popular support behind initiatives, required to improve Kazakhstan's competitiveness in a global environment.

Competitiveness Benchmarking encourages private-public dialogue. Benchmarking encourages reflection and discussion on issues related to the speed and effectiveness of Kazakhstan's transition to competitiveness. It focuses attention on strengths and weaknesses, improvement and deterioration. By presenting objective data, competitiveness benchmarking encourages informed and natural dialogue.

Competitiveness Benchmarking provides comprehensive data. Effective dialogue and policy reform requires the use of good data rather than anecdotal evidence. It requires the ability to understand data in the broader context of the performance of other similar countries. This study presents many sets of data so as to provide a rich mosaic of Kazakhstan in which the true picture comes into sharper focus. By presenting it relative to the EU countries and to relevant top performers, one provides a basis for drawing reasonable conclusions. It is hoped that the Government, business associations, universities and NGOs will find this data useful for their analyses.

Methodology and Limitations of the Study

Informed by competitiveness theory and by the methodologies used by the World Economic Forum (WEF) and Harvard University, along with its own work in 80 countries over 15 years, JAA selected 44 indicators related to 9 competitiveness-related categories:

1. Economic Performance;
2. Export Competitiveness
3. Investment
4. Financial Sector
5. Macroeconomic Environment
6. Policy and Government Regulations
7. Human Resources;
8. Science and Technology
9. Infrastructure

These include data from many sources, including the WEF. The rankings are based entirely on secondary sources, and efforts were made to select the most internationally qualified institution for each data set.

The data were then entered into J.E. Austin databases, and rankings were made for all countries of the world for which data were available. Data for each indicator is provided for the country along with its position relative to all other countries of the world. For this exercise, analysis was also done for Kazakhstan relative to the EU countries. Since data are available for a different number of countries depending on the source, JAA has also provided a percentile score for Kazakhstan such that a comparative ranking can be shown across data sets. For example, if Kazakhstan ranked 50th among 150 countries in the sample, the final column would place Kazakhstan on the 33rd percentile demonstrating that Kazakhstan ranked in the top 33% of countries for that indicator. The full data sets are also available on request, where each page presents Kazakhstan and all countries of the world. However, this is data rich and may be difficult to download, so it is not included unless there is a special request. It is hoped that this report may be useful.

The following summary of the results is meant to be *descriptive* and is not meant to propose any particular ideology or set of policy prescriptions. The authors do not intend to make judgments regarding the effectiveness or ineffectiveness of previous or current policies. Rather, it is intended to provide good descriptive data to stimulate and encourage debate on matters important to Kazakhstan's future.

JAA has normally relied on studies and data made available in 2001. However, much of this data is about two years old, reflecting a time lag between the year reported and the provision of data by all countries of the world to the sources used in this study. Kazakhstan's situation is changing so quickly, that this data may not accurately reflect the current situation. Unfortunately, while it is possible to get more recent data for *Kazakhstan*, this is the most recent data one can get *for all countries of the world.*

The study allows people to evaluate Kazakhstan relative to relevant countries and to set goals and targets that are realistically based on the achievements of other countries over a sustained period of time. It is hoped that the provision of this study will encourage productive dialogue leading to action that supports the improvement of Kazakhstan's living standards in the immediate as well as long-term future.

COMPETITIVENESS BENCHMARKS:KAZAKHSTAN

Sector	Year	Source	Absolute Score	Rank	Total in Sample	Percentage Rank [1]
Economic Performance						
GDP per Capita (PPP adjusted), (US$)	1999	WB, 2001	$ 4,951.00	76	155	49
Gross Domestic Product (GDP) Growth, (%)	2000	WB, 2001	9.60%	6	155	4
GDP average growth 1990-1999, (PPP adjusted, current int'l $)	1999	WB, 2001	-3.70%	143	148	97
GDP per capita growth (1990-1999)	1999	WB, 2001	-2.80%	141	149	95
GINI Coefficient	Various	WB, 2001	35.4	43	96	45
					AVERAGE	**60**
Export Competitiveness and Tourism						
Exports (USD Millions)	1999	WB, 2001	7,164	56	147	38
Exports, (as a % of GDP)	2000	WB, 2001	42.12%	27	72	38
Merchandise Exports Per Capita, ($US)	1999	WB, 2001	379.49	85	157	54
Average Growth of Exports per Capita	1992-1999	WB, 2001	-12.81%	136	138	99
Tourism Receipts per capita (US$)	1998	WB, 2001	$ 19.17	84	112	75
Service Exports, ($US million)	1999	WB, 2001	$ 933.00	76	126	60
					AVERAGE	**61**
Investment Competitiveness						
GDI as % of GDP 1998 (%)	1998	WB, 2001	15.50%	124	147	84
Private Fixed Investment (% of GDP)	1999	WB, 2001	N/A	N/A	N/A	N/A
Gross Domestic Investment Growth (GDI) 1990-1998	1999	WB, 2001	N/A	N/A	129	N/A
Foreign Direct Investment (FDI), 1999 net inflows	1999	WB, 2001	$1,584	19	111	17
FDI as % of GDP (%)	1999	WB, 2001	10.02%	15	152	10
FDI per capita, net inflows (US $)	1999	WB, 2001	$ 106	50	164	30
Inward FDI Index	1998-2000	WIR, 2001	2.1	22	135	16
					AVERAGE	**32**
Financial Sector						
Money and Quasi Money (M2) as % of GDP	1999	WB, 2001	11.16%	140	147	95
Domestic Credit from Banking Sector as % of GDP	1999	WB, 2001	11.34%	128	147	87
Credit to Private Sector as % of GDP	1999	WB, 2001	9.49%	115	147	78
ICRG Risk Rating [2]	2000	ICGR	65	71	127	56
Average Savings Rate as % of GDP 1997-1999	1999	WB, 2001	16.22%	80	146	55
					AVERAGE	**69**

Macro Environment						
Money and Quasi Money (M2), (% of GDP)	2000	WB, 2002	17.48%	128	160	80
Overall Budget Deficit (as % of GDP)	1999	WB, 2001	-4.13%	50	61	82
Total Trade as a % of GDP	1999	WB, 2001	85.32%	59	147	40
Import Duties, (% of imports)	1999	WB, 2001	1.03%	46	55	84
					AVERAGE	**71**
Government Regulations						
Proceeds from Privatization (million US$)	1999	WB, 2001	N/A	N/A	57	N/A
Corruption Perceptions Index	2001	TI, 2001	2.7	71	91	78
					AVERAGE	**78**
Science and Technology Competitiveness						
High Technology Exports (million US$)	1999	WB, 2001	130	50	91	55
High Technology Exports (% of Exports)	1999	WB, 2001	N/A	N/A	91	N/A
Scientists and Engineers in R&D (per Million people)	1999	WB, 2001	N/A	N/A	88	N/A
Expenditures for R&D (% of GNP)	1999	WB, 2001	0.32	55	78	71
EIU e-business readiness	2001	EIU, 2001	5.07	56	60	93
					AVERAGE	**73**
Infrastructure						
Paved Roads, (% of total)	1996	WB, 2001	80.5%	45	159	28
Paved Roads per person, (km sq.)	1996	WB, 2001	8.E-03	20	148	14
Telephone Density, (Mainlines per 1,000 people)	1999	WB, 2001	108	93	178	52
Mobile Telephone Density, (Lines per 1,000 people)	1999	WB, 2001	3.04	132	180	73
Electricity Consumption/Capita, (kWh per person)	1998	WB, 2001	2,595	41	118	35
					AVERAGE	**40**
Human Resource and Workforce Competitiveness						
Overall Productivity (GDP, PPP adjusted per person employed), Current $	1999	WB, 2001	$ 11,095.46	47	60	78
UN Human Development Index	1999	UNDP, 1999	0.742	75	162	46
Female Labor Force, (% of total)	1999	WB, 2001	46.9%	28	170	16
Illiteracy Rate, (% of people aged 15 and above)	1999	WB, 2001	N/A	N/A	133	N/A
Unenrolled, Secondary School, (% of secondary-age children)	1998	WB, 2001	N/A	n/a	N/A	N/A
					AVERAGE	**47**
					TOTAL AVERAGE	**59**

NOTE:
1 Percentage Rank indicates a rank of 1 as being the best in the group and 100 being the lowest.
* N/A indicates that the data is not available for the country for that specific category

1. Economic Performance

GDP per capita, adjusted for PPP is the best measure of Kazakhstan's current living standard. According to World Bank data, Kazakhstan's GDP per capita, adjusted for PPP was $4,951. This means that Kazakhstan ranks 76th out of 155 countries, ranking in the 49th percentile. The average growth in GDP (again adjusted for PPP) was a 3.70%, in 1990-1999, results which placed Kazakhstan 143rd out of 148 countries (in the lowest 3%). GDP growth picked up significantly in 2000, reaching 9.6%. Kazakhstan thus ranked 6th in the world. The rise in oil prices and consequent boom in oil exports played a significant role in this. Kazakhstan ranks 32nd out of 96 countries in income distribution, according to World Bank data using GINI coefficients[1]. Since 1991, privatization and the move toward market economics, have led to greater income disparity.

2. Export Competitiveness

In 2000, Kazakhstan saw an export boom. Exports as a percentage of GDP reached 42.12%, placing Kazakhstan in the 38th percentile. Oil and base metals are a source of the majority of export revenues. This dependence on commodity prices caused Kazakhstan much grief during the Asian financial crisis, when these goods dropped in value. Kazakhstan is also very import-dependent, since local goods cannot meet the full scope of consumer demands. Smuggled goods are widely available because of porous borders.

Kazakhstan's merchandise exports per capita placed it in the 54th percentile amongst nations for which data was available in 1999. Service exports were $933 million, ranking Kazakhstan near the 60th percentile (lowest 40% of countries).

Kazakhstan has much potential for boosting export performance over the coming years. The country has important agricultural resources, and a strong manufacturing tradition.

Tourism receipts per-capita ranked Kazakhstan in the 75th percentile, or 84th out of 112 countries, with per-capita revenues of only $19 in 1999. With 2002 designated as the international year of eco-tourism by the World Tourism Organization, Kazakhstan should take advantage of every opportunity to promote its vast natural resources and attract high-income tourists as an exotic destination.

3. Investment

Kazakhstan received over $1.5B in net foreign investment in 1999, ranking it 19th among 111 countries. In 2000, this figure dropped to about $1.35B, although the oil and gas

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[1] GINI Coefficient measures income inequality, reflecting the distribution of income throughout the population

sectors remain strong attractions for foreign money. These two sectors received 83.51% of all FDI in 1999.[2]

Kazakhstan will need to mobilize more investment to achieve high economic growth. However, as the 1980s demonstrated throughout the former Soviet Union, high levels of investment are not enough for sustainable growth. High levels of private investment must be encouraged, and the moneys must be used productively. High growth countries are characterized by investment levels of 25-35% of GDP and private investment levels of 15-19% of GDP.

4. Financial Sector

Kazakhstan received a relatively average ranking for its savings rate of 16.22% for the period between 1997-99 and ranked 80th out of 146 countries. However, measures of financial depth such as M2 as a percentage of GDP, credit to the private sector as a percentage of GDP or domestic credit as a percentage of GDP were all quite low, generally in the bottom 20 percent. Although Kazakhstan is a transitional economy and its modern financial sector has been established only 10 year ago, these indicators point to some major problems. The International Country Credit Risk Rating places Kazakhstan 71st out of 127 countries.

5. Macroeconomic Environment

Total trade as a percentage of GDP ranks high indicating that Kazakhstan has a relatively open economy. Inflation reached 9.8 percent in 2000. The Government's budget deficit has ballooned since the collapse of the Soviet Union, when budgetary transfers were suddenly interrupted in 1991. The government revenue base further eroded because of industry contracting and rising informal economic activity.

6. Policy and Government Regulations

Transparency International ranked Kazakhstan 75th out of 91 countries for perceptions of corruption. Creation of a viable non-oil sector, though praised by consecutive governments, still faces challenges. Kazakhstan had one of the more successful privatization programs in the NIS. Government interest in oil production has remained very strong, and so investment has primarily been in oil and gas sectors. Red tape hinders investment in other sectors of the economy.

7. Human Resources

[2] EBRD Kazakhstan Investment Profile, 2001

Kazakhstan ranks 28th in the world in the participation of women in the labor force. Kazakhstan also ranks among the top one third of all nations in terms of secondary school education rates. The World Economic Forum's Global Competitiveness Report, which relies on survey data, places Kazakhstan 19th out of 60 countries in terms of math and science education. Enrollment in vocation and specialized secondary has fallen even faster, while tertiary education enrollment dropped from 1.7% to 1.6% of the total population from 1991 to 1995.[3]

8. Science and Technology

Kazakhstan has a relatively high per-capita use of the Internet (70th out of 207), according to a 1999 measure done by the World Bank. The EIU, however, scores Kazakhstan among the lowest 10% of countries for E-business readiness. This may indicate that many people know how to use the Internet, but are not using it for strategic business purposes.

9. Infrastructure

Kazakhstan has above average scores for infrastructure, in which it ranks in the top 28% of all countries for roads, top 35% for energy utilization and top 52% of countries for telephone density at 108 lines per 1,000 people (excluding mobile). Kazakhstan seems to have gotten off to a late start in mobile telephone utilization, in which it still ranked 132nd out of 180 countries according to the latest available data.

III. Conclusions

Kazakhstan's indicators examined in this report are a time capsule of the political, economic, and social situation in 2002. The report comes at the end of a difficult ten-year transition, which included the disruption of supply chains, the loss of traditional markets and difficulties in restructuring the economy from central planning to market economics. Privatization delays and difficulties accompanying the process have further limited the country's progress. Local producers lost their traditional markets to cheap, often smuggled, imports.

Despite collective efforts to bring back talented specialists, who have been educated abroad, the human resource base and the tradition of science and technology have been eroding during most of the 1990s. The low indicators in policy environment, the financial sector and investment point to the need to make these areas a priority. As reform and restructuring continue, Kazakhstan's competitiveness as measured by these

[3] EIU Kazakhstan Country Report, 2000.

indicators is likely to improve. It is recommended that stakeholders in the Kazakhstan publish these indicators annually in order to track progress and focus attention on priority areas. Turning the high per capita use of the Internet to business development will aid the progress of the Kazakh economy.

Inserting Kazakhstan in the world economy in ways that generate prosperity will require good Government strategy that works in tandem with stakeholders in private enterprise. It is hoped that these indicators will contribute to the thinking within the Government and will also stimulate productive private-public dialogue.

KYRGYZSTAN

Country Competitiveness Benchmarking: 2001

J. E. Austin Associates, Inc.

What is Competitiveness Benchmarking?

The people of Kyrgyzstan are concerned about what the future holds for a small developing economy that has little experience in competing against other countries due to decades of isolation from the world economy. The only way to survive is to become increasingly and sustainably competitive.

Competitiveness can be defined as sustainable increases in productivity leading to improvements in the standards of living for the average person. Benchmarking is the ability to measure one's performance relative to a particular reference group and normally relative to those who are doing the best job in a particular industry or area of endeavor. The Competitiveness Benchmarking for Kyrgyzstan, compiled by J.E. Austin Associates, ranks Kyrgyzstan relative to other countries of the world for which data are available, according to indicators that are generally understood to be closely correlated to competitiveness.

Why is Competitiveness Benchmarking Useful?

Benchmarking encourages private-public dialogue. Annual competitiveness benchmarking encourages reflection and discussion on issues related to the speed and effectiveness of Kyrgyzstan's transition as a competitive economy. It focuses attention on strengths and weaknesses, improvement and deterioration and helps private and public leaders set priorities. Competitiveness Benchmarking provides objective data.

Effective dialogue and policy reform requires the use of good data rather than anecdotal evidence and the ability to relate this data to a broader context. National dialogue is subjective when proponents of current policies present selective data that is then interpreted as excellent performance. Critics of current policy may also present selective data and assert conclusions that allege the situation is more pessimistic than is really the case. By presenting many sets of data one provides a mosaic of Kyrgyzstan's performance in which the true picture comes into sharper focus. By presenting the data relative to other countries, one provides a basis for drawing reasonable conclusions.

For governments, this serves as a powerful tool to measure progress and set priorities for policy and institutional reform. Ireland uses an annual competitiveness report to benchmark its performance against the leading countries of the world. Not content to measure its own progress against itself, it has, for a number of years, restlessly compared its rate of improvement relative to the best country in the world in a given area.

For economics faculties, business schools, technology institutes and think tanks, it provides a rich source of data for their analysis. Those researching export performance, investment, economic results, human capacity, infrastructure and other areas will find in this report a rich mine of data that can be used to inform their research and strengthen their ability to contribute to national dialogue.

Countries like Kyrgyzstan wish to expand their economies so that their citizens will have more income and be able to afford a better standard of living. Where can the income come from? Customers, somewhere, must decide to pay the people and businesses of that country for either products or services. These customers will pay only for goods and services that they wish to buy. What kind of goods do these customers want? Where can these customers be found? Such questions are important in determining how Kyrgyzstan can become competitive in world markets.

What is the Methodology?

Informed by competitiveness theory and by the methodologies used by the World Economic Forum (WEF), Harvard University and the Institute for Management Development (IMD) along with its own work in more than 80 countries over 15 years, J.E. Austin Associates has selected approximately 40 indicators related to 9 competitiveness-related categories:

1. Economic Performance;
2. Export;
3. Investment Competitiveness;
4. Financial Sector;
5. Macro Environment;
6. Government regulations;
7. Science and Technology Competitiveness;
8. Infrastructure; and
9. Human Resources and Workforce.

These nine areas are generally regarded to be either causes or consequences of competitiveness. The authors do not ascribe weights to any category or suggest specific causality. The rankings are based entirely on secondary sources and efforts were made to select the most internationally qualified source institution for each data set. The data were then entered into J.E. Austin Associates' databases and rankings were made for all countries of the world for which comparable data were available. Data for each indicator is provided for the country along with its position relative to all other countries of the world.

COMPETITIVENESS BENCHMARKS:KYRGYZSTAN

Sector	Year	Source	Absolute Score	Rank	Total in Sample	Percentage Rank [1]
Economic Performance						
GDP per Capita (PPP adjusted), (US$)	1999	WB, 2001	$ 2,573.00	105	155	68
Gross Domestic Product (GDP) Growth, (%)	2000	WB, 2001	5.02	53	155	34
GDP average growth 1990-1999, (PPP adjusted, current int'l $)	1999	WB, 2001	-2.83%	139	148	94
GDP per capita growth (1990-1999)	1999	WB, 2001	-3.92%	144	149	97
GINI Coefficient	Various	WB, 2001	40.5	69	96	72
Economic Freedom			3.65	124	155	80
					AVERAGE	**74**
Export Competitiveness						
Exports (USD Millions)	1999	WB, 2001	528	116	147	79
Exports, (as a % of GDP)	2000	WB, 2001	N/A		72	0
Merchandise Exports Per Capita, ($US)	1999	WB, 2001	93.53	126	157	80
Average Growth of Exports per Capita	1992-1999	WB, 2001	N/A	136	138	99
Tourism Receipts per capita (US$)	1998	WB, 2001	N/A		112	0
Service Exports, ($US million)	1999	WB, 2001	N/A		126	0
					AVERAGE	**43**
Investment Competitiveness						
Gross Domestic Investment Growth (GDI) 1990-1998	1999	WB, 2001	N/A	N/A	129	N/A
Foreign Direct Investment (FDI), 1999 net inflows	1999	WB, 2001	35.00	77	111	69
FDI as % of GDP (%)	1999	WB, 2001	2.84	67	152	44
FDI per capita, net inflows (US $)	1999	WB, 2001	$ 7.30	117	164	71
Inward FDI Index	1998-2000	WIR, 2001	0.9	71	135	53
					AVERAGE	**64**
Financial Sector						
Money and Quasi Money (M2) as % of GDP	1999	WB, 2001	11.87	137	147	93
Domestic Credit from Banking Sector as % of GDP	1999	WB, 2001	14.61	119	147	81
Credit to Private Sector as % of GDP	1999	WB, 2001	N/A		147	0
ICRG Risk Rating [2]	2000	ICGR	N/A		127	0
Average Savings Rate as % of GDP 1997-1999	1999	WB, 2001	3.64	126	146	86
					AVERAGE	**42**

Macro Environment						
Money and Quasi Money (M2), (% of GDP)	2000	WB, 2002	11.87	137	160	86
Overall Budget Deficit (as % of GDP)	1999	WB, 2001	-2.54	37	61	61
Total Trade as a % of GDP	1999	WB, 2001	99.20	59	147	40
Import Duties, (% of imports)	1999	WB, 2001	1.44	41	55	75
					AVERAGE	**65**
Government Regulations						
Proceeds from Privatization (million US$)	1999	WB, 2001	N/A	N/A	57	N/A
Corruption Perceptions Index	2001	TI, 2001	N/A	N/A	91	0
Economic Freedom	2001	Heritage	3.65	124	155	80
					AVERAGE	**0**
Science and Technology Competitiveness						
High Technology Exports (million US$)	1999	WB, 2001	5.00	54	91	59
High Technology Exports (% of Exports)	1999	WB, 2001	5.52	54	91	59
Scientists and Engineers in R&D (per Million people)	1999	WB, 2001	584	48	88	55
Expenditures for R&D (% of GNP)	1999	WB, 2001	0.20	64	78	82
EIU e-business readiness	2001	EIU, 2001	N/A	N/A	60	0
					AVERAGE	**51**
Infrastructure						
Paved Roads, (% of total)	1996	WB, 2001	91.1	32	159	20
Paved Roads per person, (km sq.)	1996	WB, 2001	0.35%	41	148	28
Telephone Density, (Mainlines per 1,000 people)	1999	WB, 2001	76.20	110	178	62
Mobile Telephone Density, (Lines per 1,000 people)	1999	WB, 2001	0.55	159	180	88
Electricity Consumption/Capita, (kWh per person)	1998	WB, 2001	1,372	60	118	51
Internet User	1999	WB, 2001	10	122	207	59
					AVERAGE	**51**
Human Resource and Workforce Competitiveness						
UN Human Development Index	1999	UNDP, 1999	0.71	92	162	57
Female Labor Force, (% of total)	1999	WB, 2001	47.2	27	170	16
Brain Drain			N/A	NA		N/A
					AVERAGE	**36**
					TOTAL AVERAGE	**47**

NOTE:

1 Percentage Rank indicates a rank of 1 as being the best in the group and 100 being the lowest.

* N/A indicates that the data is not available for the country for that specific category

Kyrgyzstan's competitive position

These benchmarks present information about the national competitiveness of Kyrgyzstan and its ability to earn increasing income and wealth for its citizens relative to other countries, by attracting investment from and generating exports to the rest of the world. *Countries* achieve competitiveness by developing a good business environment, which includes access to reasonable credit, good infrastructure, and good laws and economic policies, so that their industries may become competitive. *Industry* competitiveness is the ability of the businesses in a sector in the economy to compete successfully for customers and profits against similar businesses in other countries. Currently, Kyrgyz industries and businesses have a number of challenges in trying to be more competitive. The compiled data show that Kyrgyzstan ranks in or near the bottom third of countries in many categories of economic performance.

Kyrgyzstan has no choice except to compete, but it does have a choice with regard to how and where it competes. The overarching strategy is competitiveness based on product quality and service. So what is the path that can bring sustainable development for the economy, and increase the Kyrgyzstan's wealth and its citizen's living standards? Successful industries undertake many activities – instead of just exporting raw materials, they add value to them by turning them into value-added products.

1. Economic Performance

Kyrgyzstan's economy is much smaller than neighboring and nearby countries such as Kazakhstan, China, Uzbekistan or Russia. Kyrgyzstan's GDP per capita (adjusted for purchasing power parity) is USD 2,573 ranking it 105th out of the 155 countries sampled, which translates into a percentile ranking of 68 (with 1 being the highest percentile).

GDP growth for 2000, the last year global data was available, was 5.02%, which placed Kyrgyzstan 53rd out 155 countries or in the 34th percentile. GDP growth was up from a negative trend (–4.7% per year) that persisted from 1988 to 1997. Agriculture is the major component of Kyrgyz GDP (agriculture 45%, Industry 23% and Services 33%[1]).

According to a survey by the "Economist Intelligence Unit", Kyrgyzstan is one of the countries with the lowest economic growth figures since 1990 – its average annual change in GDP between 1990 and 2000 was –3.2%. Similarly, with deficits as a percentage of GDP averaging –12.1%, and foreign debt as a percentage of GDP at 106 %, Kyrgyzstan ranks as one of the lowest achievers terms of economic performance.

[1] World Resources Institute, 2001.

2. Export

Exports are presented in terms of absolute value and world market share, exports per capita, exports as a percentage of GDP, and recent growth rates from 1990-1997.

Kyrgyzstan exports were USD 528 million in 1999 and ranked 116th out of 147 countries, or in the 79th percentile. Exports per capita were USD 93.53, which provided a ranking of 126/157 countries (80th percentile). In 1997, Kyrgyzstan exported USD 676 million and imported USD 817 million. This negative balance of trade could be indicative of low quality goods and/or a focus on raw material production and natural resource exports without much value addition or appeal to international markets.

Kyrgyzstan joined the WTO in 1996, but membership in WTO does not guarantee any benefits. Many trading issues also seem beyond the country's control. The situation may change after the country's main trading partners – Kazakhstan, Uzbekistan and Russia join the WTO. Uzbekistan and Russia are expected to join WTO in 2004. Kazakhstan decided that it is not ready to join WTO yet and postponed its negotiations indefinitely. As Russia and Uzbekistan are still significant trading partners for Kyrgyzstan, their membership will provide some guarantee against unilateral, unpredictable changes in bi-lateral trade policies. [2]

International Tourism Receipts doubled in the 1990s, from USD 2 million to USD 4 million.

3. Investment Competitiveness

Investment indicators include gross domestic investment (GDI) and foreign direct investment (FDI) as a percentage of GDP, as well as the growth rates of both GDI and FDI. Comparable GDI data was not available for Kyrgyzstan. FDI information, however, shows that such investment has declined significantly in recent years. Despite liberal foreign direct investment laws, FDI decreased almost 80% from USD 96 million in 1995 to USD 19 million in 2000.[3] According to the UNDP report on "*Attracting Foreign Direct Investment*", prepared in the spring of 2002, this is due to an "unfavorable business environment". The report also emphasizes that the problems seem be caused by: "excessive 'red tape', corruption, large-scale smuggling, a lack of legal stability, lack of regional cooperation and security concerns".

Foreign direct investment as a percentage of GDP was 2.8% in 1999, which placed Kyrgyzstan 67th out of 152 countries or in the 44th percentile. In per capita terms Kyrgyzstan was in the 71st percentile with USD 7.30 FDI per capita, ranking 117/164.

[2] Irina Makenbaeva, World Bank paper, "Kyrgyz Republic: WTO Accession and the Benefits of Membership"
[3] Attracting Foreign Direct Investment to Kyrgyzstan: final report relating to UNDP Reimbursable Loan, UNDP. June 2002

4. Financial Sector

The analysis of financial indicators in Kyrgyzstan shows that the financial sector is underdeveloped. This is best reflected by credit to the private sector as a percentage of GDP, Kyrgyzstan's percentage of 14.6 puts it in the 44th percentile with a rank of 67 out of 152.

The percentage of Money and quasi-Money to GDP was 11%, which places Kyrgyzstan 137th out 147 or in the 93rd percentile. An underdeveloped financial sector can act as a drag on the overall competitiveness of the business community of a country and can lead to the serious misallocation of resources.

5. Macro Environment

In the past decade, Kyrgyzstan has consistently run fiscal budget deficits of 10% of GDP[4]. In the last year that global data was available a 2.54% of GDP deficit placed Kyrgyzstan in the 61st percentile, 31st out of 61 countries in the sample.

The tax system remains the biggest concern of entrepreneurs. The tax burden falls excessively on those enterprises that pay taxes (Many do not.), driving many entrepreneurs underground.[5]

In total trade as a percentage of GDP, Kyrgyzstan ranks 59th out of 147 countries (40th percentile), and it ranks 41st out of 55 (75th percentile) in import duties as a percentage of GDP.

In 1998, the Commonwealth of Independent States (CIS) was hit by the international financial crisis in general and by the Russian financial crisis in particular. The Russian financial crisis had multiple effects on the Kyrgyz Republic. First, Russian demand dried up. Many countries that were using Kyrgyzstan as a base to export goods to Russia, taking full advantage of Kyrgyzstan's WTO and CIS memberships, withdrew their activities as a result of significant decline in demand from Russia. Second, the main trading partners, Kazakhstan and Uzbekistan, undertook various protectionist measures that hindered Kyrgyz exports. Third, the Russian ruble devaluation of 75% forced most members of the CIS, including Kyrgyzstan, to devalue their currencies by about 50%. As a result, the real value of Kyrgyz foreign debt rose to 100% of GDP. Fourth, the international financial crisis deterred foreign investors from the region, minimizing FDI.

[4] Andres Aslung, Advisor to the President of the Kyrgyz Republic, Consultant UNDP and Senior Associates, Carnegie Endowment for International Peace, Washington, DC. " A Vision for Kyrgyzstan: From Budget Crisis to Sustainable Economic Growth and Welfare". December 1999.
[5] Ibid.

6. Government regulations

The Kyrgyz government has an impressive record of economic reforms designed to build a market economy based on private property and the rule of law. Many of these reforms took place prior to WTO accession, and the reform process is still being actively pursued. The privatization process has thus far allowed 65 percent of GDP to be managed by the private sector.

The Heritage Foundation in its 2001 Economic Freedom Ranking puts Kyrgyzstan only 124th out of 155 (80th percentile), however.

7. Science and Technology Competitiveness

The Year 2000 EIU ranking of E-commerce readiness places Kyrgyzstan in the 59th percentile. High technology exports are a not substantial part of Kyrgyzstan's trade. The country ranks 54th out 91 countries in the database, which puts it in the 59th percentile. R&D expenditures as a percentage of GNP were very low in Kyrgyzstan (0.2%), placing it 64th out of 78 countries (82nd percentile). However, in many cases, companies may not have separately recorded their R&D expenditures, as there is no particular incentive to companies to record R&D expenditure.

8. Infrastructure

Infrastructure is normally measured by the capacity for providing energy, transport, and communications. Kyrgyzstan ranks 32nd out of 159 in the percentage of paved roads to total roads (32nd percentile), and 41st out of 148 (28th percentile) in the ratio of square kilometers of paved road per person.

Teledensity (the number of telephones per-capita) is an indicator that is in great flux given the fast diffusion of mobile telephones worldwide. The fast growth of the mobile telecommunications industry is rapidly reducing the costs of communication. Kyrgyzstan’s 76.20 telephones per 1000 people in 1999 placed it in the 62nd percentile worldwide with a ranking of 110 out of 178. Kyrgyzstan possibly inherited one of the lowest line densities among the former Soviet Union countries. The quality of the service of land lines is not impressive, which in the past few years has prompted the rise in mobile, satellite phones and data transmission service as solutions. Mobile telephone density is still low, about 55 telephones per 1000 people, ranking Kyrgyzstan 159th out of 180 (88th percentile).

Electricity consumption per capita averages at 1,372 KWh, putting Kyrgyzstan in the 51st percentile. The available capacity of the Kyrgyz power system is much higher than the current domestic electricity demand. The utility-related issues seem to be related to cross-border water usage problems.

9. Human Resources and Workforce

According to the UNDP Human Development index 1999, Kyrgyzstan ranks 97th out of 162 countries (57th percentile).

Annex I: Presentations

Competitiveness: Building Russia’s Prosperous Future

(English)

Competitiveness: Building Russia's Prosperous Future

J.E. Austin Associates

September 2002

The Agenda

- **Define Competitiveness:**
  - **Why Competitiveness?**
  - **What is Competitiveness?**

2. Competitiveness Tools: Examples and Lessons from Around the World
3. Relevance to Your Region and Your Industries

Why is Competitiveness Emerging as the #1 Issue for Leaders?

- Globalization
- Liberalization
- Privatization
- WTO Accession
- Technological Change
- Transition from Central Planning

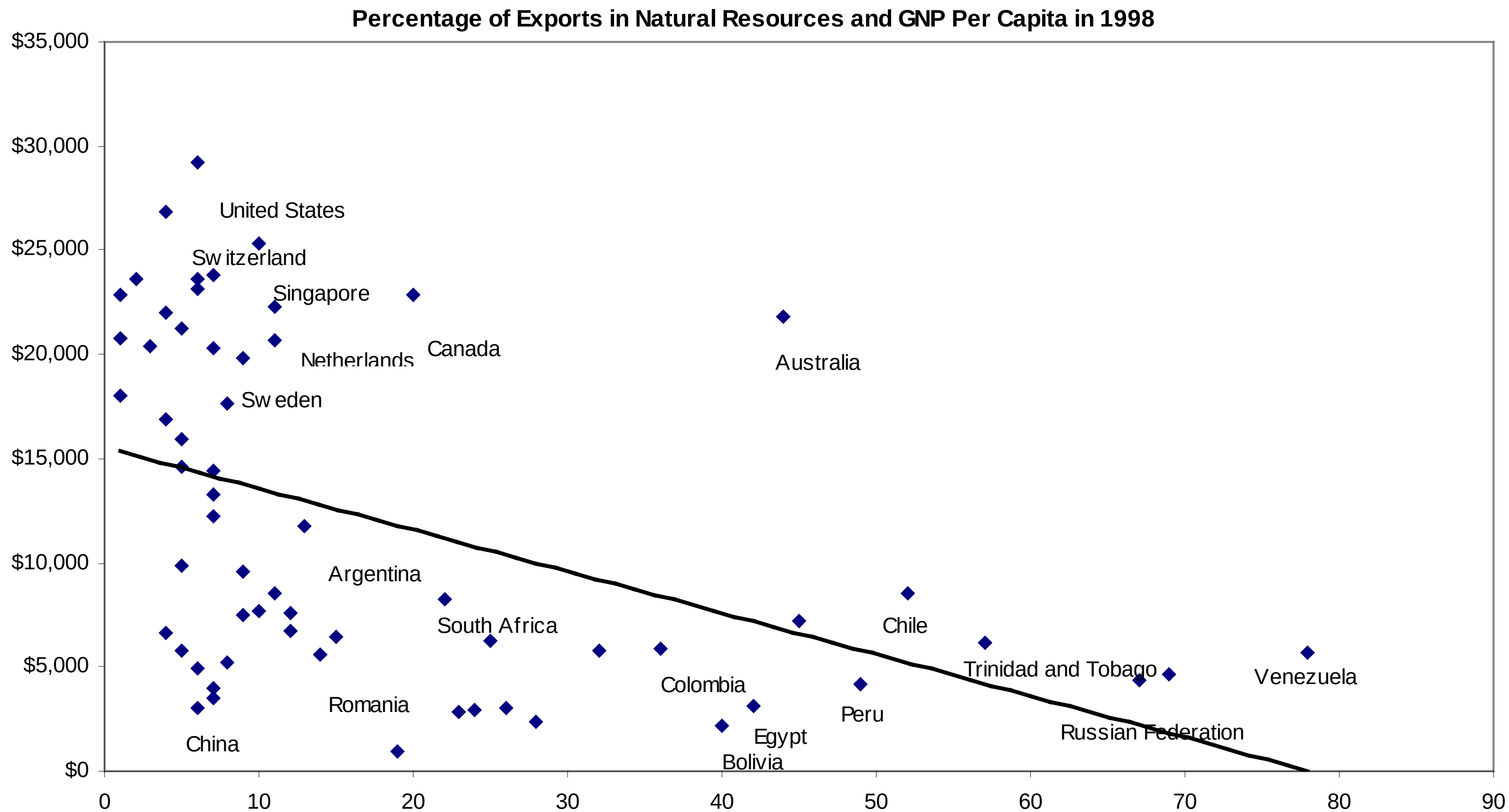
What is Competitiveness?

Competitiveness Is NOT…

- Abundant Natural Resources
- Cheap Labor
- Depreciated Currency
- Government “Incentives”

What is Competitiveness?

Kyrgyz Republic is Currently Dependent on Natural Resource Exports

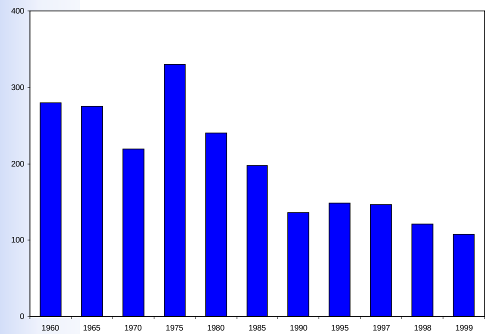


Percentage of exports in raw materials calculated as the percentage of merchandise exports in agricultural raw materials, metals and ores, and fuels.
Source: World Development Report 2000.

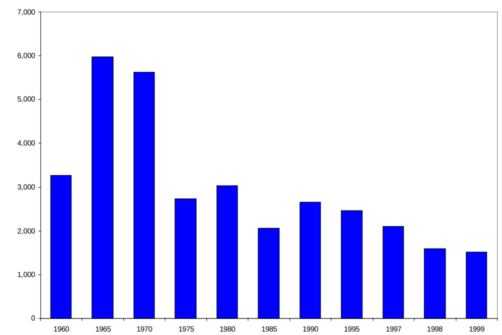
What is Competitiveness?

Selected Global Commodity Prices 1960-1999 (1990=100)

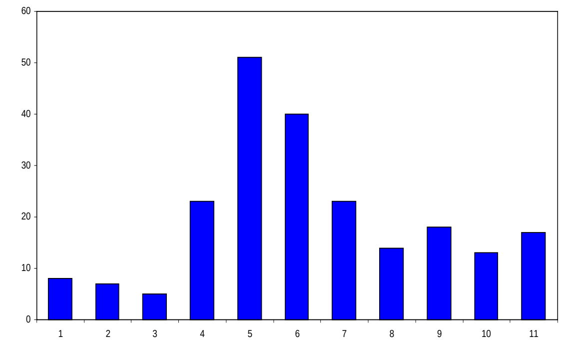
Wheat



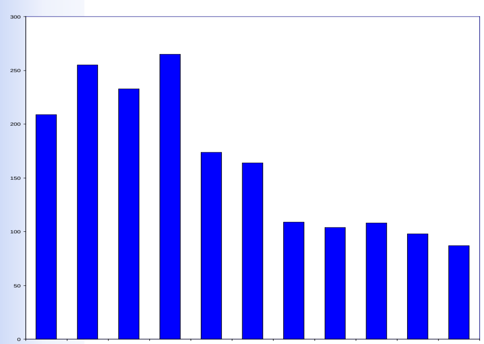
Copper



Petroleum

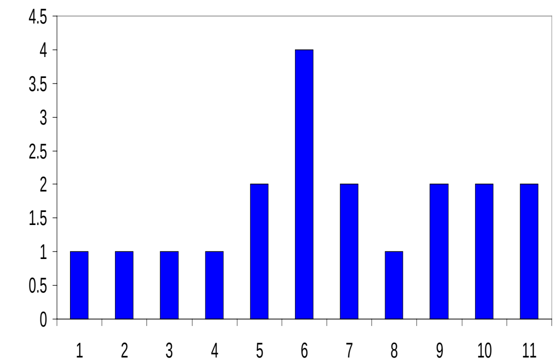


Corn



Trend = Relentless Price Pressure

Natural Gas



Source: World Bank Development Indicators

What is Competitiveness?

Low cost strategies based on low cost wages provide an unsustainable competitive advantage

SOURCE: Bobbin Magazine 1999 averages,developed countries statistics are from Gherzi Textile Organization

Competitiveness Is…

Sustainable Growth in Productivity Driven by:

- The Quality of Business Strategy and Operations
- MICRO Environment
- MACRO Environment

What is Competitiveness?

The New Competitiveness Paradigm

Political, Legal, and Macroeconomic Context

Sophistication of Company Operations and Strategy

Quality of the Microeconomic Business Environment

Microeconomic Foundations

Source: Michael Porter, 1998

Macroeconomic Initiatives

➢ Monetary	Inflation Under Control
➢ Fiscal	Budget Deficits Restrained
➢ Trade	Tariffs Coming Down
➢ Foreign Exchange	Greater Convertibility

➢ But...private investment response is not automatic!!

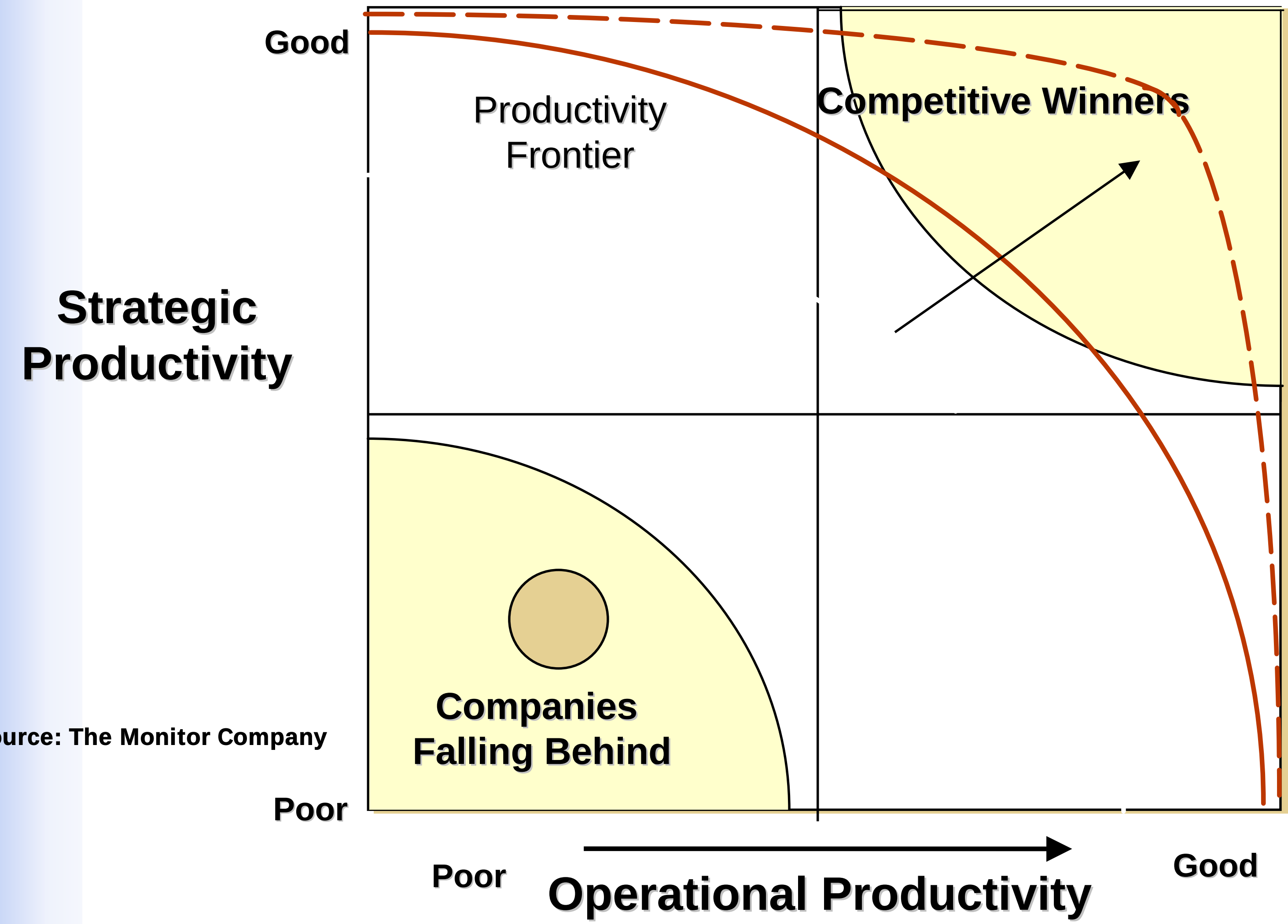
Microeconomic Initiatives

- Privatization
- Financial Sector Restructuring
- Rule of Law, Commercial Law/Judicial Recourse/Arbitration
- Anti-Corruption
- Trade and Investment Promotion
- Small Business Facilitation
- Civil Service Reform
- Education Reforms
- Workforce Development
- Industrial Parks/EPZs/ Knowledge Parks
- Labor Laws, Practices and Mediation Mechanisms
- Private Provision of Infrastructure
- Standards Bureaus
- Telecom, IT and E-commerce Readiness
- Intellectual Property Rights
- Efficient Provision of Key Services
- Sector-Specific Initiatives

The Agenda

1. Principles and Tools of Competitiveness
2. **Competitiveness Tools: Examples and Lessons from Around the World**
3. Relevance to Your Region and Your Industries

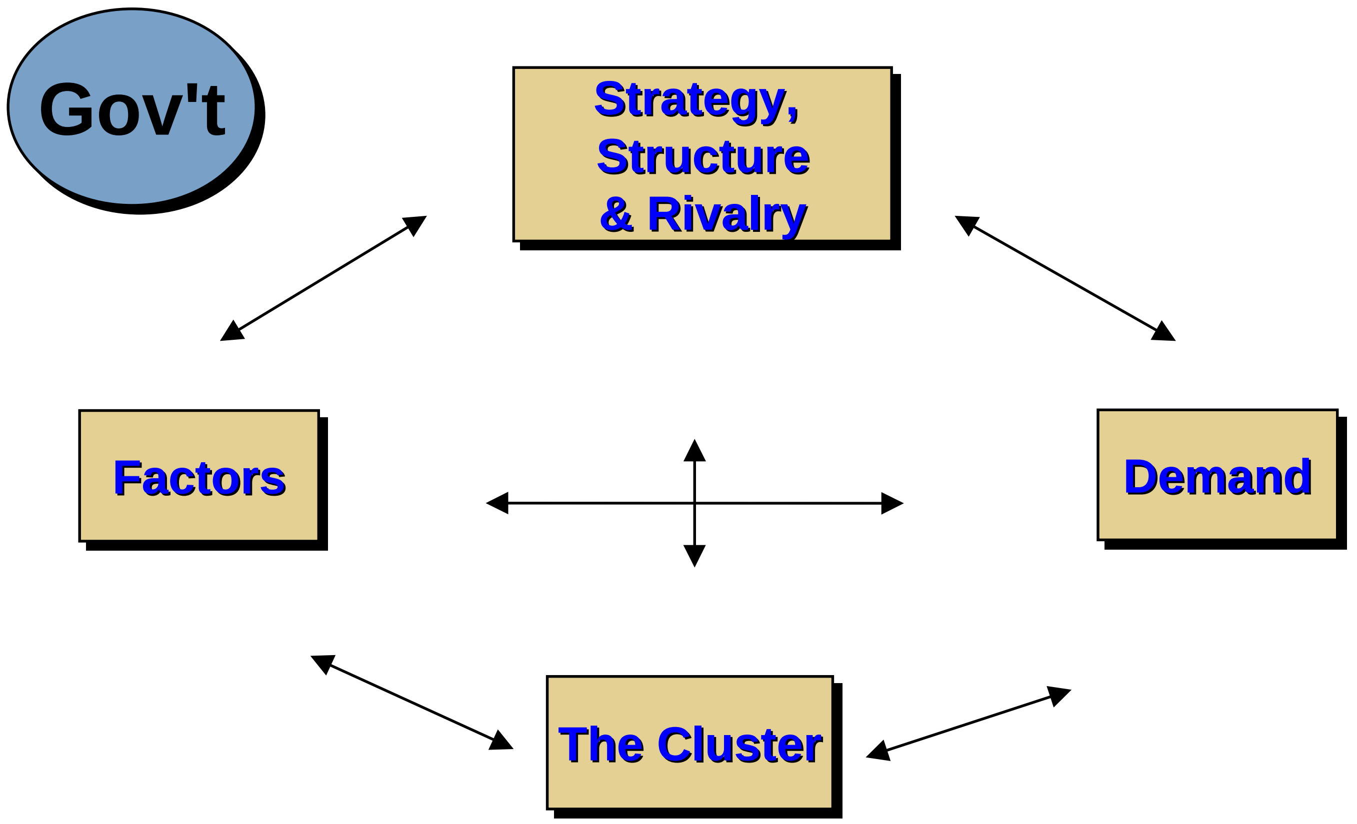
Firm: Good Strategy and Good Operations



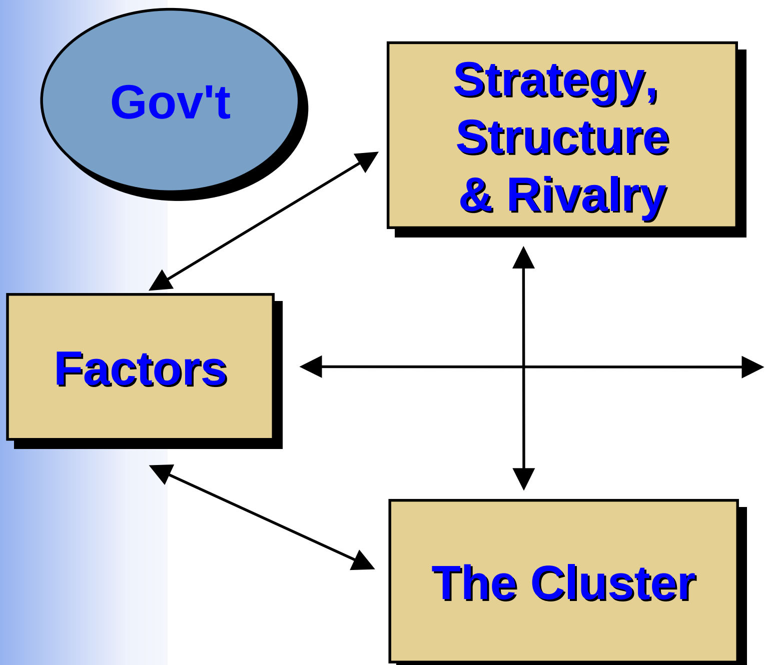
Source: The Monitor Company

J. E. Austin Associates

The Competitiveness Diamond



DEMAND

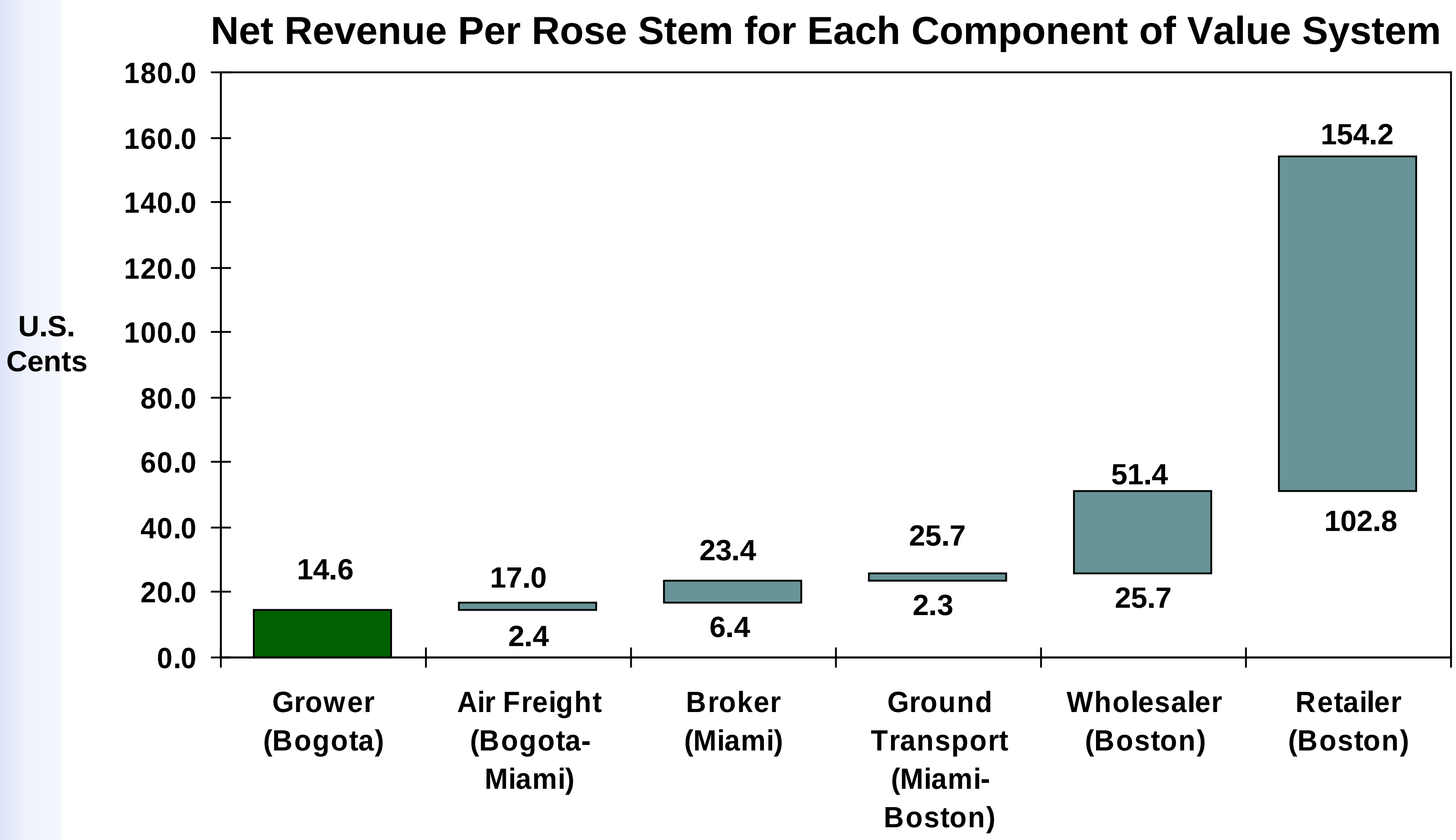


- Direct Contact with sophisticated and demanding consumers
- Size and segmentation of local demand
- Number of independent buyers
- The speed of growth
- How fast the home market gets saturated
- Internet savvy customers
- Mobile local buyers
- Ability to monitor and respond to trends

Examples: Italian Shoes, Israeli Fish, Bouquets

Value Chains — The Colombia Cut Flowers

Colombia Cut Flower Value Chain

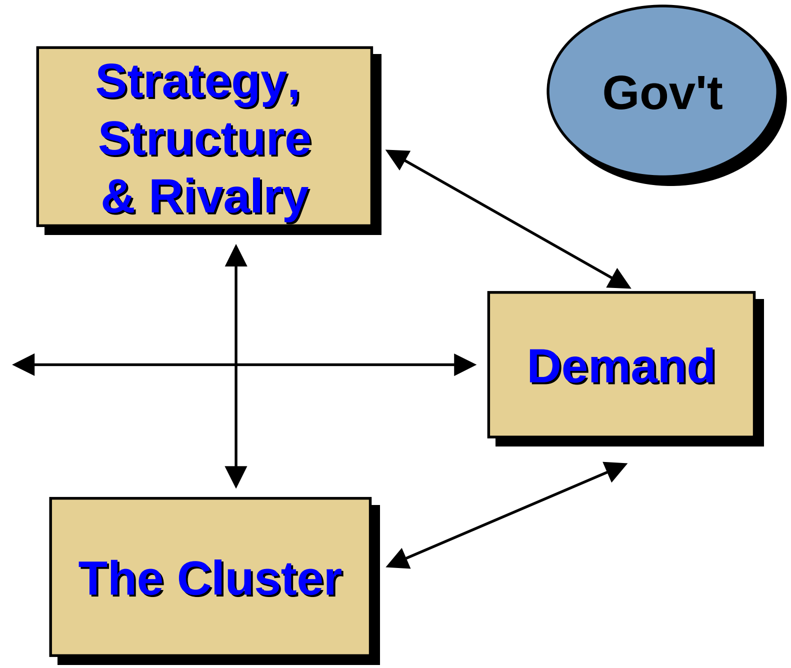


Source: Interviews in Mexico, Colombia, Miami, Boston, Monitor Analysis

FACTORS

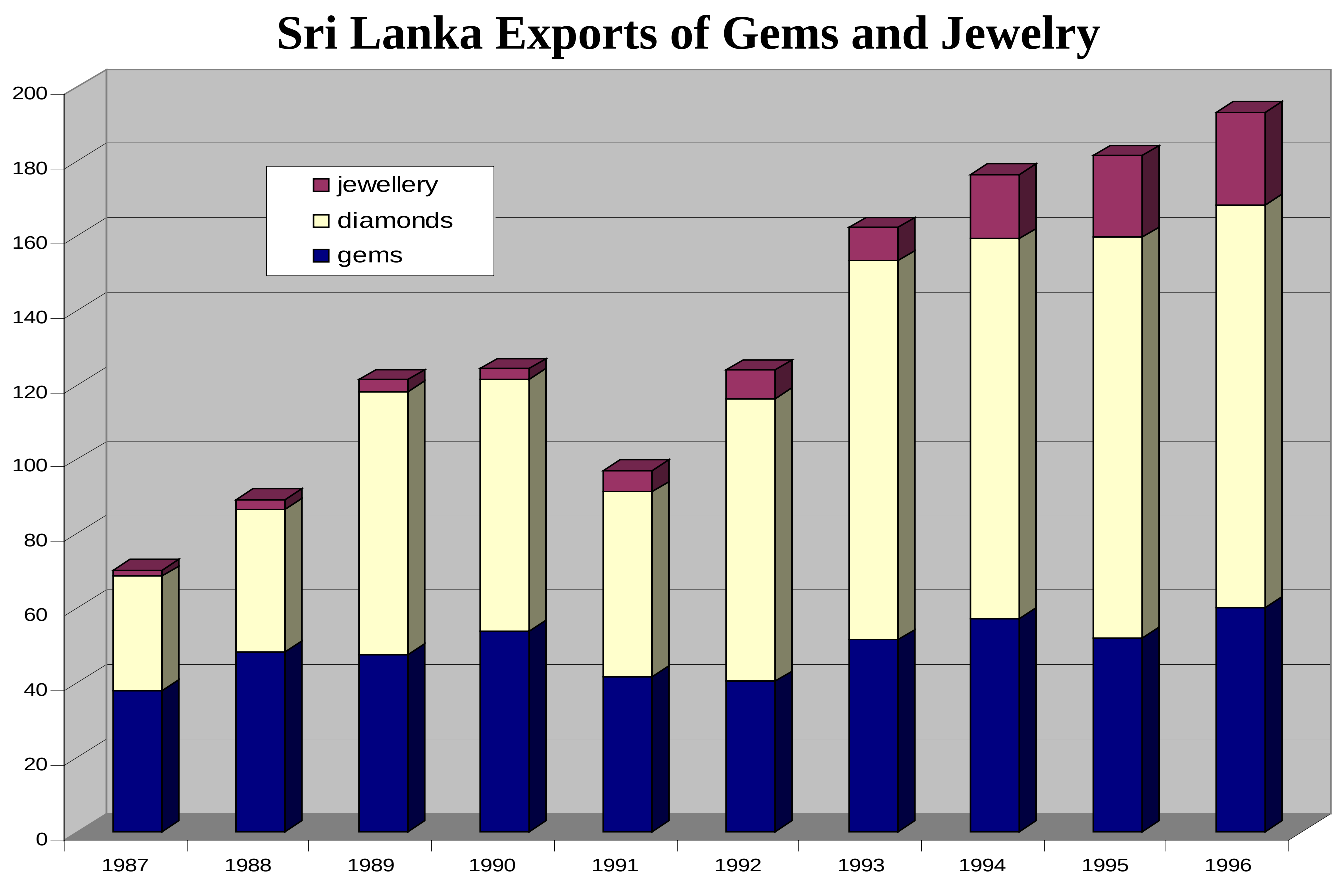
BASIC
- Climate
- Fertile Land
- Location Proximity
- Availability of basic inputs
- Inexpensive Labor

ADVANCED
- Skilled Human Resources
- Knowledge resources
- Access to capital resources
- Infrastructure: availability of ports
- Institutions
- Social capital



Examples: Honduran Textiles, DR Tourism, Sri Lanka Gems

Opportunity: Build Complex Exports Avoid Over-Relying on Basic Factors

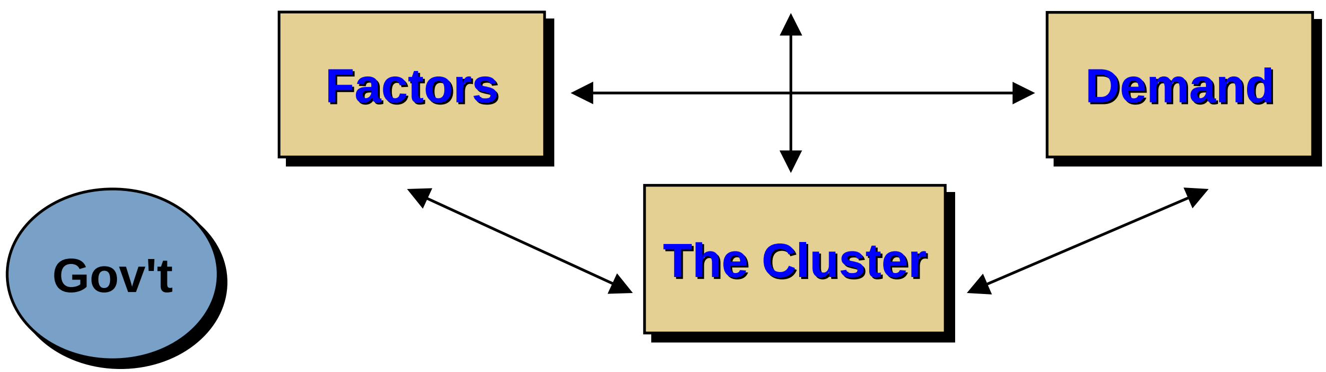


Source: Sri Lanka Industry Statistics

STRATEGY

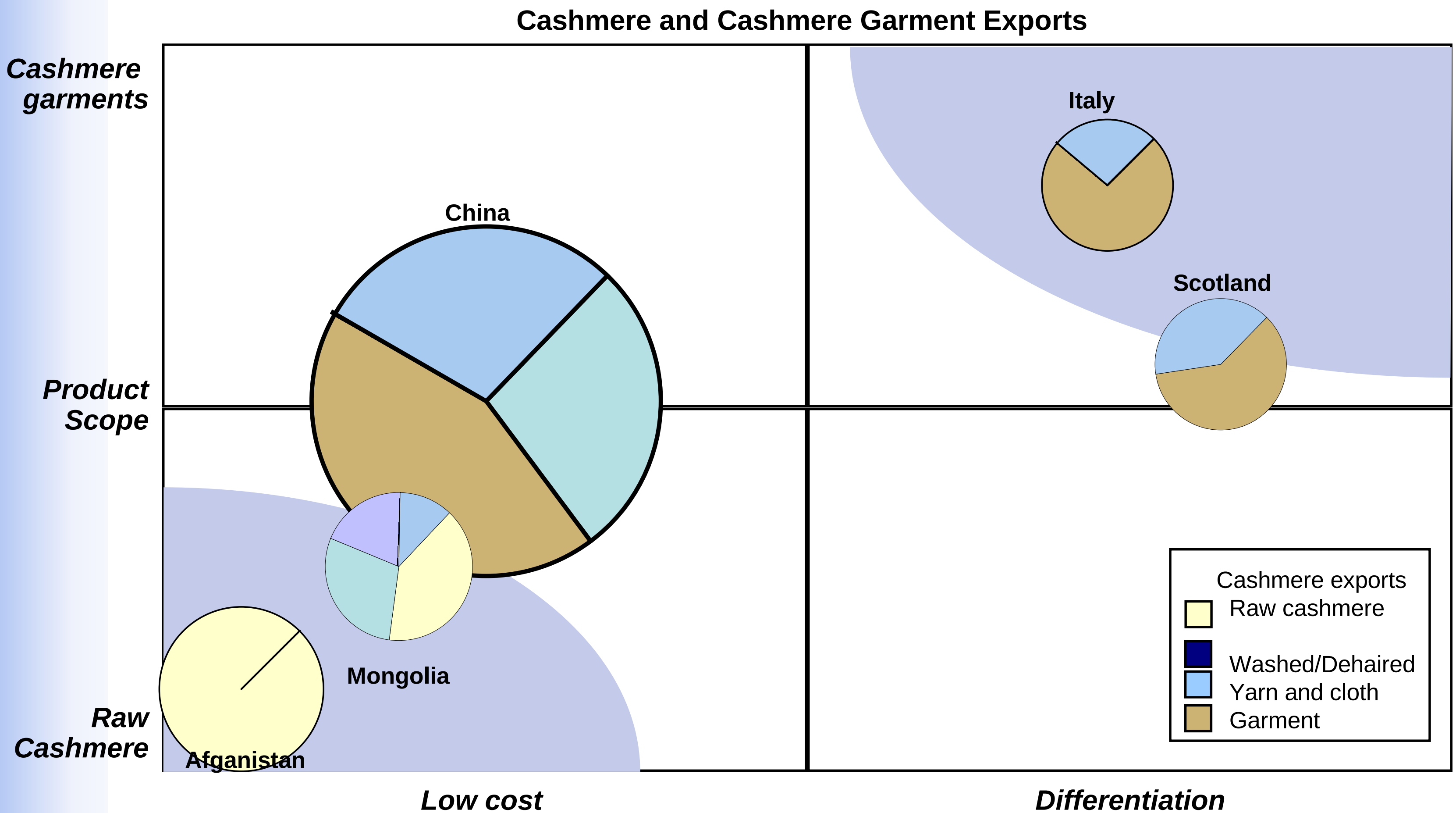
- Company and strategies
- The quality of sustained commitment of capital and resources
- Industry cooperation
- The level of domestic rivalry
- Possibility of new business formation
- The nature of dialogue with labor
- Fairness of local competition
- Parastatals and monopolies
- Leadership characteristics

- Protection
- Quality of firm level strategy
- Reactive vs. Proactive
- Hi-end vs. low-end
- Price vs. Differentiation
- Distribution channels
- E-commerce
- Number of competing firms
- Commodities vs. Specialized products



Examples: Uganda Coffee, DR Cigars, Sri Lanka Rubber

Mongolian Cashmere Industry

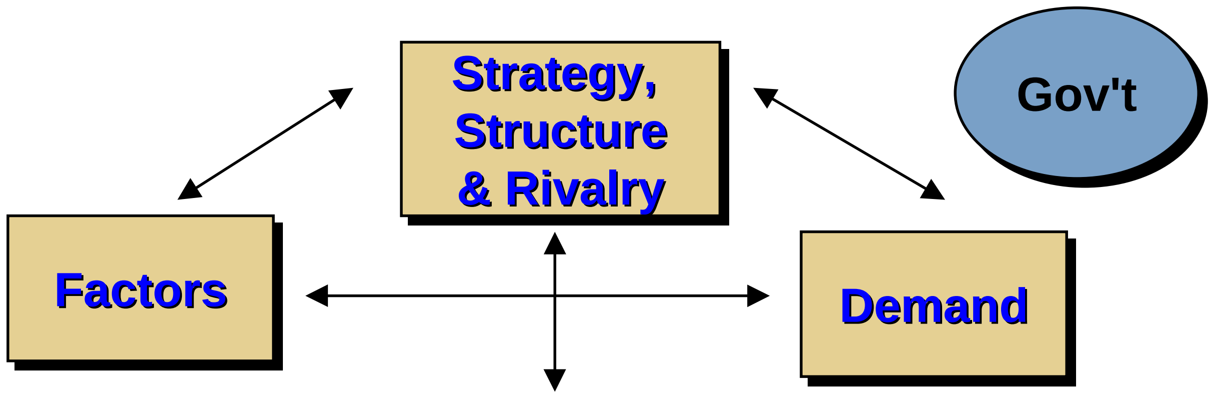


Mongolian cashmere is a competitive product in its raw form, but it competes in the same mass market segment as China, a bigger producer.

Exports of Sri Lanka Rubber Products

Source: Sri Lanka National Statistics

CLUSTER



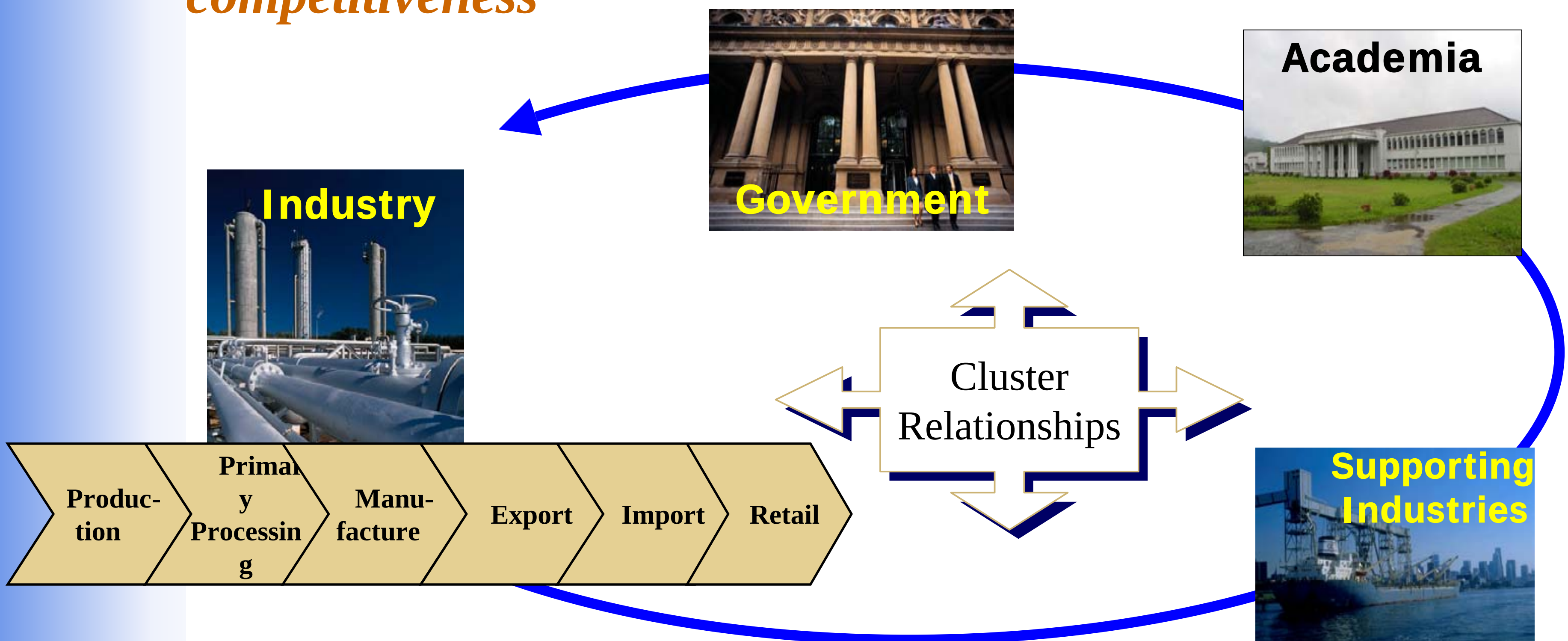
- Competitive and high quality supplier?
- Financial sector?
- Business services?
- Strong business associations?
- Strong ties with research institutions?
- Quality of private-public dialogue
- Quality of education and training providers

Examples: Mongolian Cashmere, Leather, Sri Lanka Tea

Industry Clusters

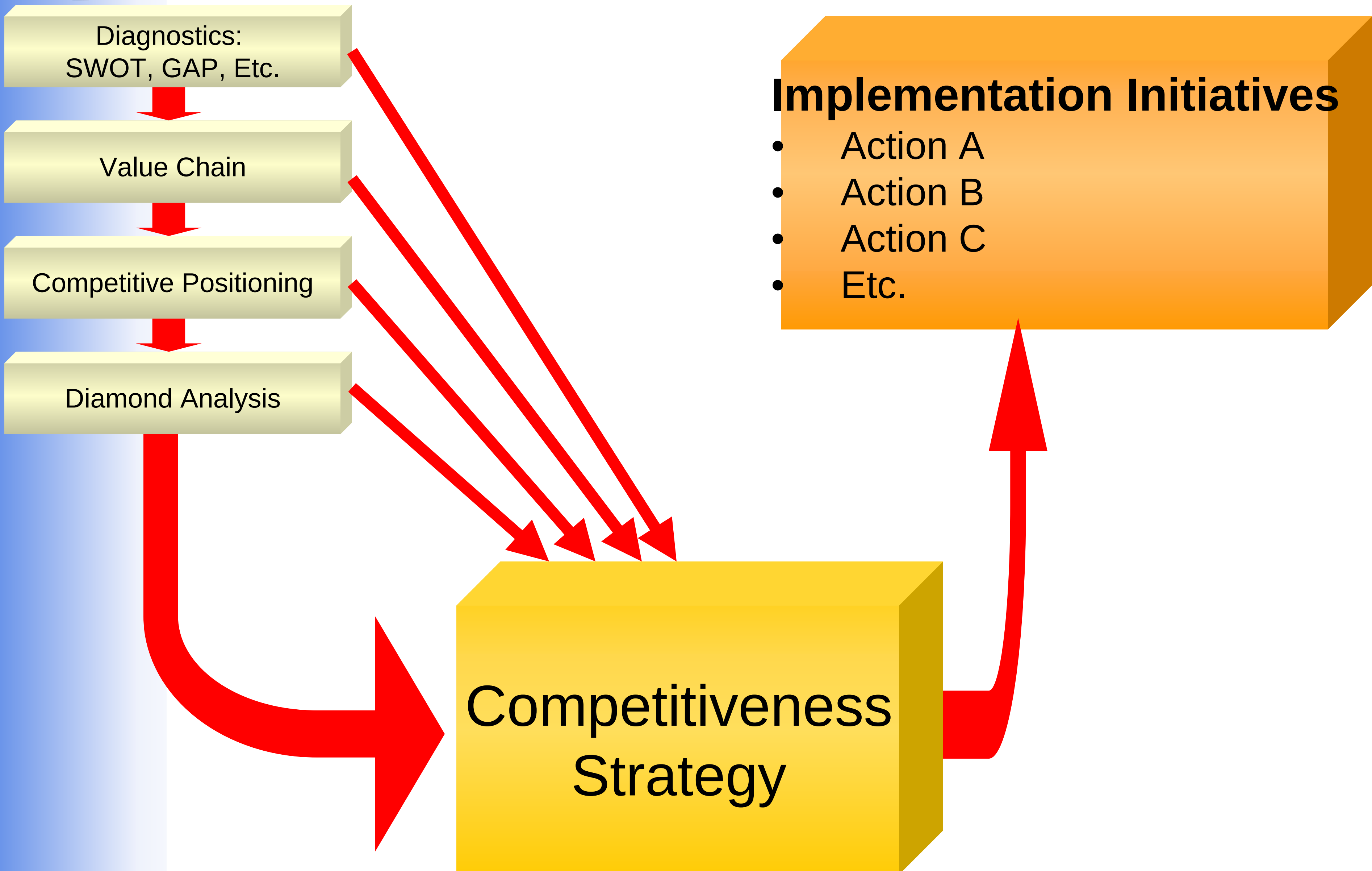
The cluster is one method with proven success

Cluster: a concentration of interconnected companies and institutions, both public and private, striving for competitiveness



Once objectives are set and strategies formulated, more direct interaction with government, academia and other supporting industries is essential

Strategic Tools



What is Competitiveness?

Pursuing Effective Dialogue

INEFFECTIVE	EFFECTIVE
➢ Individual Company	➢ Industry Clusters
➢ Ad-hoc Complaints	➢ Comprehensive Vision
➢ Operational Level	➢ Strategy
➢ Laundry Lists	➢ Priorities
➢ Anecdotal Evidence	➢ Data and Analysis
➢ Concessions	➢ Co-Responsibility
➢ Opposite Sides	➢ Same Side of Table

Competitiveness Councils

FIVE COUNTRIES AND THEIR COMPETITIVENESS RANKINGS FOR MOST RECENT YEARS

Country	Name of council	Established by	Date	2000 WEF Ranking	2001 IMD Ranking
United States	Competitiveness Policy Council (CPC)	Omnibus Trade and Competitiveness Act of 1998	1988	**1**	**1**
Ireland	National Competitiveness Council	Partnership 2000 Agreement	1997	**5**	**7**
Singapore	Committee on Singapore's Competitiveness (CSC)	Directive of the President of Singapore	1997	**2**	**2**
Hong Kong	Hong Kong Productivity Council (HKPC)	Official Statute	1967	**8**	**6**
Malaysia	National Productivity Council (NPC)	Act 408: National Productivity Council Incorporation Act	1966	**25**	**29**

Murphy's Laws on Competitiveness

- The Number One Obstacle to Competitiveness is the Mindset of the Leadership
- The Solution to Communism is Not Crony Capitalism, Free Enterprise is Also an Option
- Competitive Countries = Export Products

  Non-Competitiveness = Export People
- Position Yourself in the Market or Others Will Do It For You

Murphy's Laws on Competitiveness

- Half of New Foreign Investment Comes from *Existing* Customers.
- If You Want to Boost Exports, ***Don't*** Create an Export Promotion Agency
- Tell the University Professors to Talk to Business People and Not Just to Each Other—*the Kids Need Jobs!!!*

Murphy's Laws on Competitiveness

- Test Children on Things Computers *Can't* Do
- Get the Private Sector to Build the Infrastructure—It's Cheaper, Safer, Environmentally Friendly and...If Something Goes Wrong You Have Someone to Sue
- Barriers to Competitiveness--"Someone Else's Fault" yet No One's Responsibility

The Agenda

- Principles and Tools of Competitiveness
- Competitiveness Tools: Examples and Lessons from Around the World
- **Relevance to Your Region and Your Industries**

Thank you

Competitiveness:
Building Kyrgyz Republic's Prosperous Future
(Russian)

Конкурентоспособность: Построение перспективного будущего России

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Сентябрь 2002

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Почему Конкурентоспособность?

Почему конкурентоспособность - вопрос номер 1, стоящий перед руково дителями?

- Глобализация
- Либерализация
- Приватизация
- Вступление в ВТО
- Изменение технологий
- Переходный период от централизованно го планирования

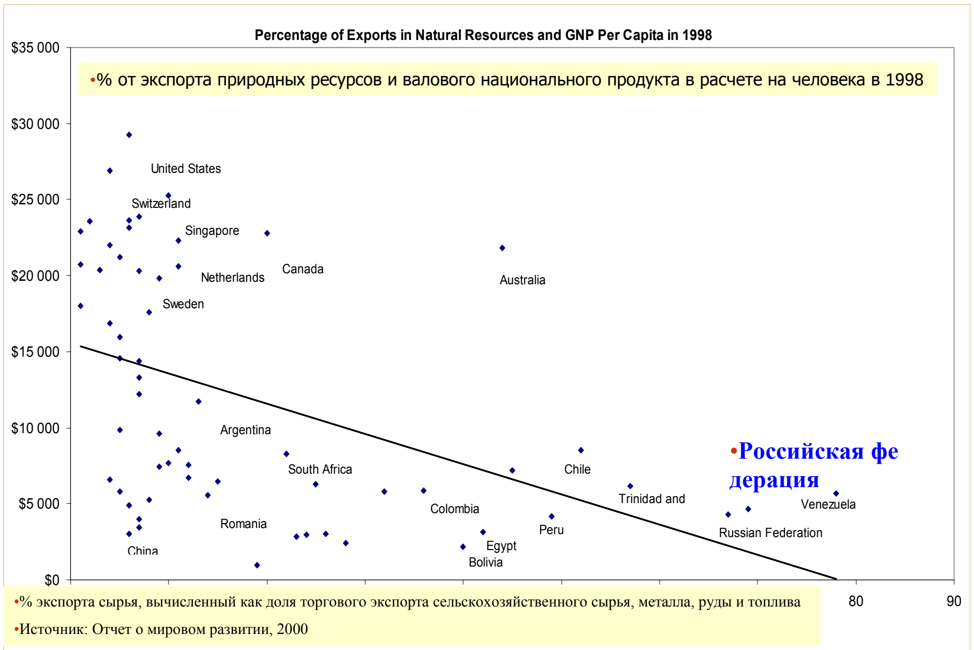
Что такое конкурентоспособность?

Конкурентоспособность - это НЕ…

- Изобилие природных ресурсов
- Дешевая рабочая сила
- Обесценивание денежных средств
- Государственное “стимулирование”

Что такое конкурентоспособность?

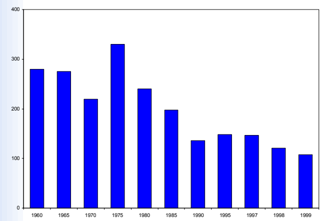
Зависимость России от экспорта природных ресурсов в настоящее время



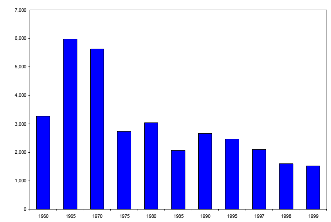
Что такое конкурентоспособность?

Приведены общие торговые цены за 1960-1999 (1990=100)

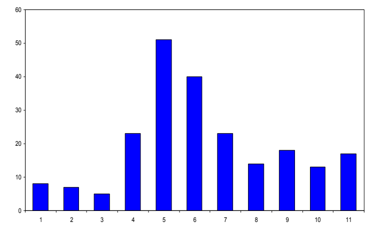
Пшеница



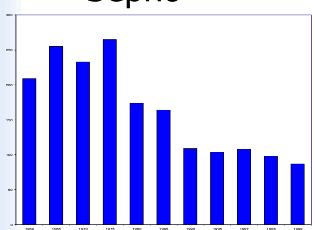
Медь



Нефть

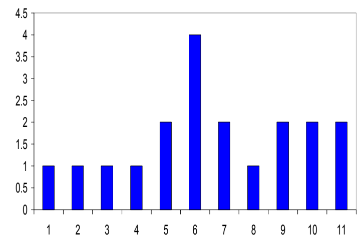


Зерно



Тенденция = Жестокое Ценовое Давление

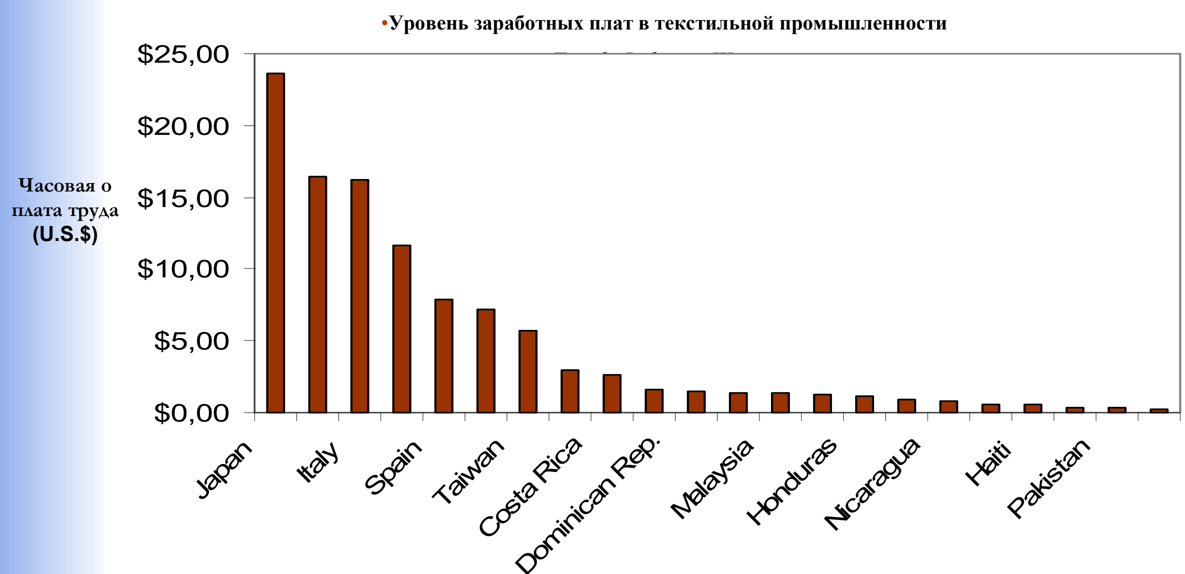
Природный газ



- Источник: Индикаторы развития Мирового банка

Что такое конкурентоспособность?

Стратегии низких затрат базируются на низких заработных платах и не обеспечивают стабильное конкурентное преимущество



•Источник: Bobbin Magazine 1999, средние значения, статистические данные по развитым странам - Gherzi Textile Organization

Что такое конкурентоспособность?

Конкурентоспособность - это …

Устойчивый рост производительности, обусловленный:

- Качеством бизнес-стратегий и управления
- МИКРО окружением
- МАКРО окружением

Что такое конкурентоспособность?

Парадигма новой конкурентоспособности

Политические, правовые и макроэкономические контексты

Качественный уровень управления компанией и ее стратегий	⟷	Качество микроэкономического бизнес-окружения

Микроэкономические основы

Источник: Майкл Портер, 1998

Что такое конкурентоспособность?

Макроэкономические инициативы

➢ Монетарные	Контроль над инфляцией
➢ Финансовые	Сдерживание дефицита бюджета
➢ Торговля	Снижение тарифов
➢ Обмен валюты	Лучшая конвертируемость

➢ Но…ответ на частные инвестиции не является ав томатическим!!

Что такое конкурентоспособность?

Микроэкономические инициативы

- Приватизация
- Реструктуризация финансов ого сектора
- Регулирование права, Комм ерческого права/Судебные р есурсы/Арбитраж
- Анти-коррупция
- Продвижение торговли и ин вестиций
- Поддержка малого бизнеса
- Реформа государственной гр ажданской службы
- Образовательная реформа
- Развитие рабочей силы
- Индустриальные парки
- Парки знаний
- Законы о труде, Механизмы п рактики и урегулирования ко нфликтов
- Частные резервы инфраструк туры
- Бюро стандартов
- Готовность к теле-, IT- и е-ко ммерции
- Права по защите интеллектуа льной собственности
- Эффективные резервы ключе вых служб
- Инициативы, специфичные для конкретных секторов

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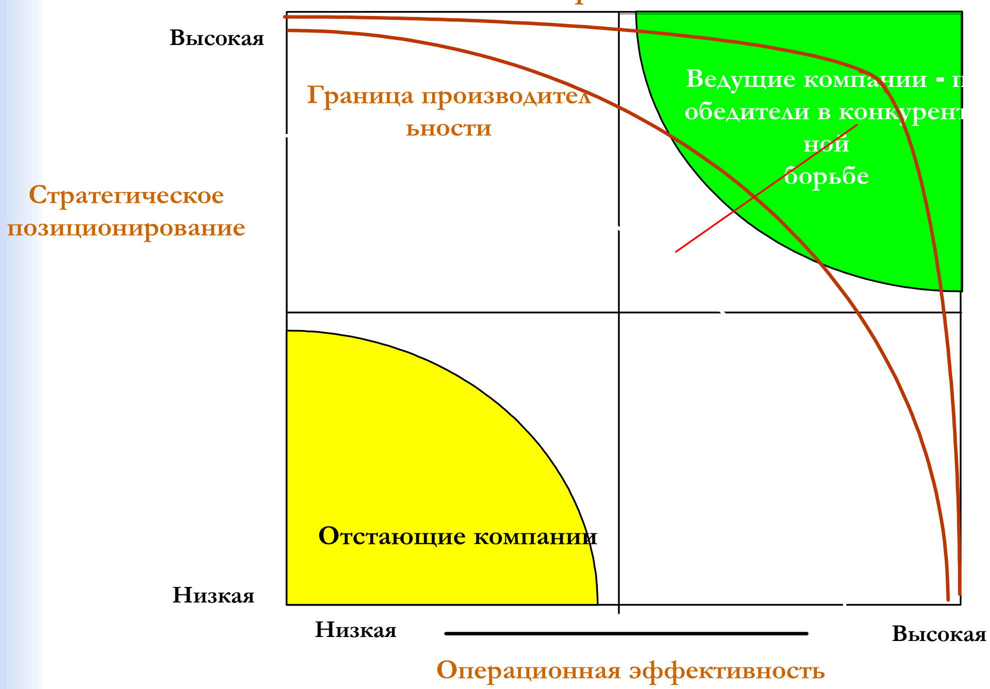
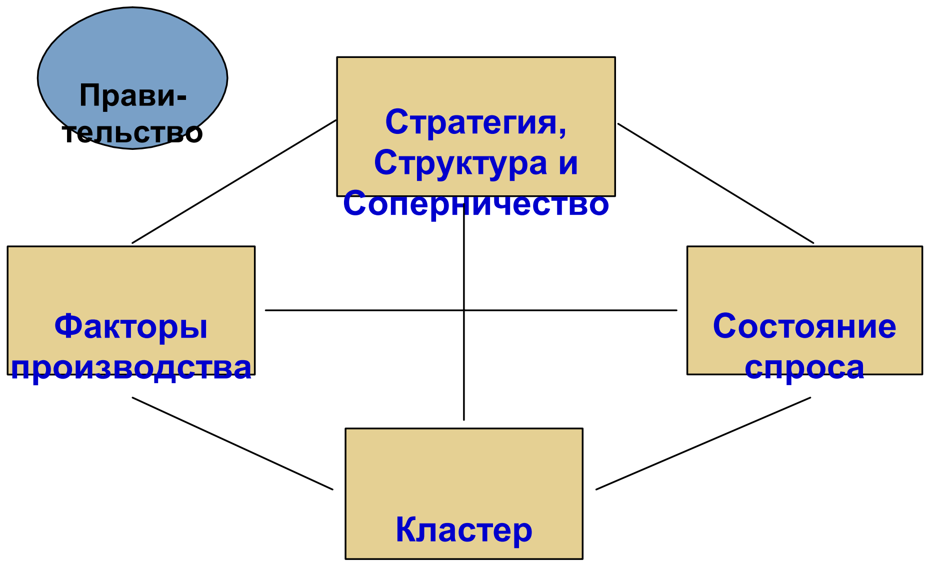
Инструменты: стратегическое позиционирование

Компания: Хорошая стратегия *и* хорошее у правление

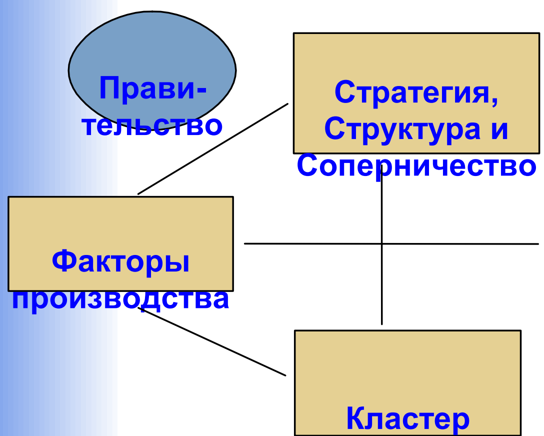


Бриллиант конкурентоспособности



Источник: Майкл Портер

СПРОС



- Прямой контакт с искушенным и тре бовательным потребителем
- Величина и сегментация местного сп роса
- Число независимых покупателей
- Скорость роста
- Как быстро насыщается внутренний рынок
- Клиенты Интернет
- Изменчивость местных потребителей
- Способность проводить мониторинг и реагировать на изменение тенденций

Примеры: Итальянская обувь, рыба из Израиля, Букеты

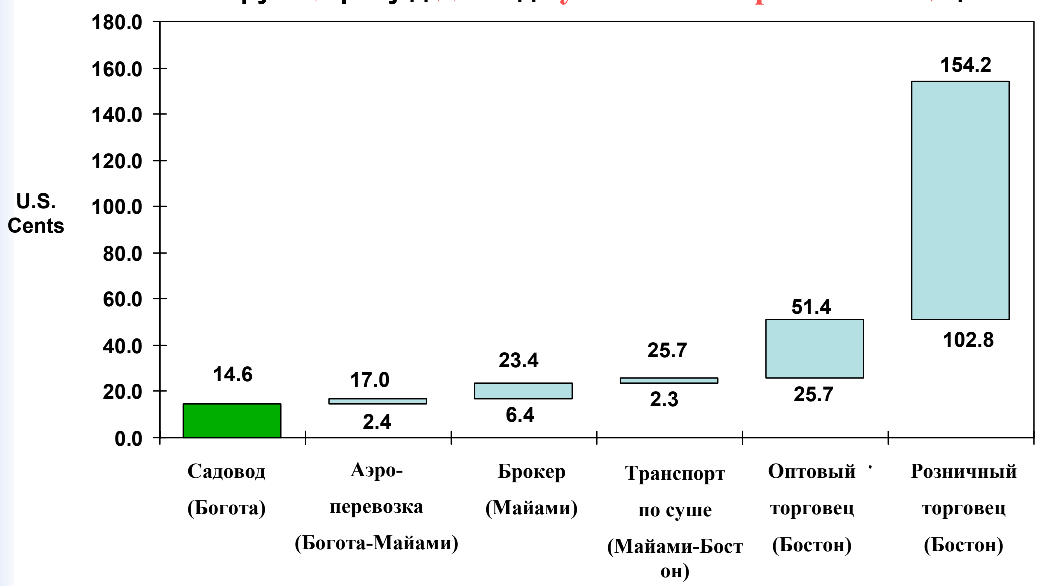
Инструменты стратегии

Value Chain (Стоимостные цепочки)

опыт Колумбии

Стоимостные цепочки для колумбийских срезанных цветов

Чистая выручка / розу для каждого компонента стоимостной цепочки



Источник: Интервью, проведенные в Мехико, Колумбии, Майами, Бостоне, мониторинговый анализ

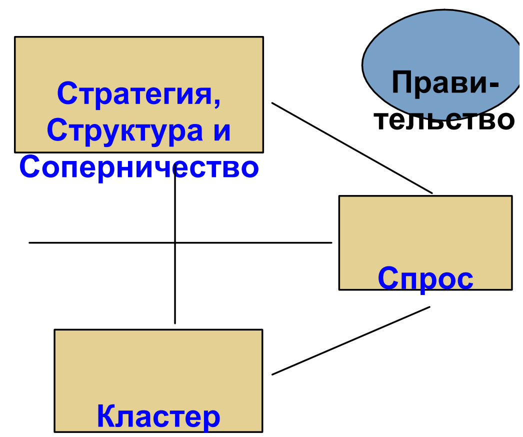
ФАКТОРЫ

ОСНОВНЫЕ

- **Климат**
- **Плодородность почв**
- **Близость расположения**
- **Наличие основных мощностей**
- **Недорогая рабочая сила**

ПРОДВИНУТЫЕ

- **Квалифицированные человеческие ресурсы**
- **Осведомленные ресурсы**
- **Доступ к основным ресурсам**
- **Инфраструктура: наличие портов**
- **Учебные заведения**
- **Общественные фонды**

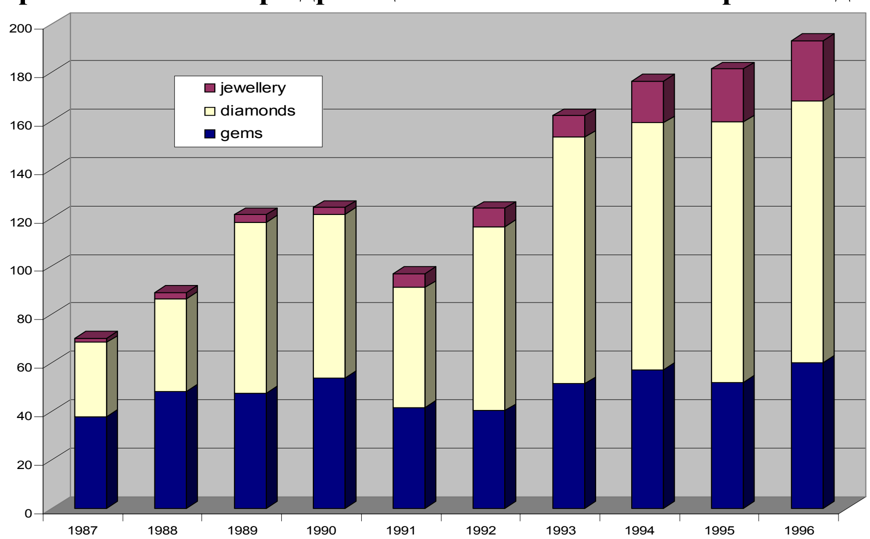


Примеры: текстиль из Гондураса, туризм в Доминиканской Республике, драгоценности из Шри-Ланки

Возможности: Создавать комплексный экспорт
Не полагаться чрезмерно на основные факторы

ювелирные изделия
бриллианты
драгоценные камни

Шри-Ланка: экспорт драгоценных камней и ювелирных изделий

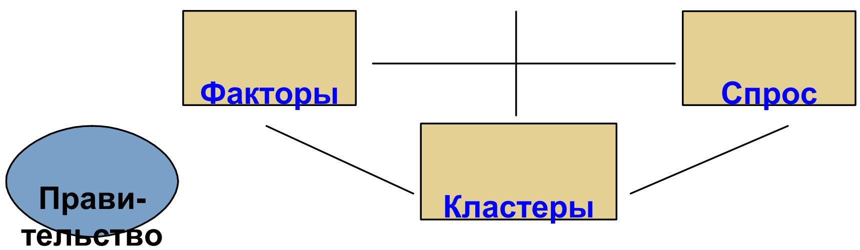


Источник: статистика промышленности Шри-Ланка

СТРАТЕГИЯ

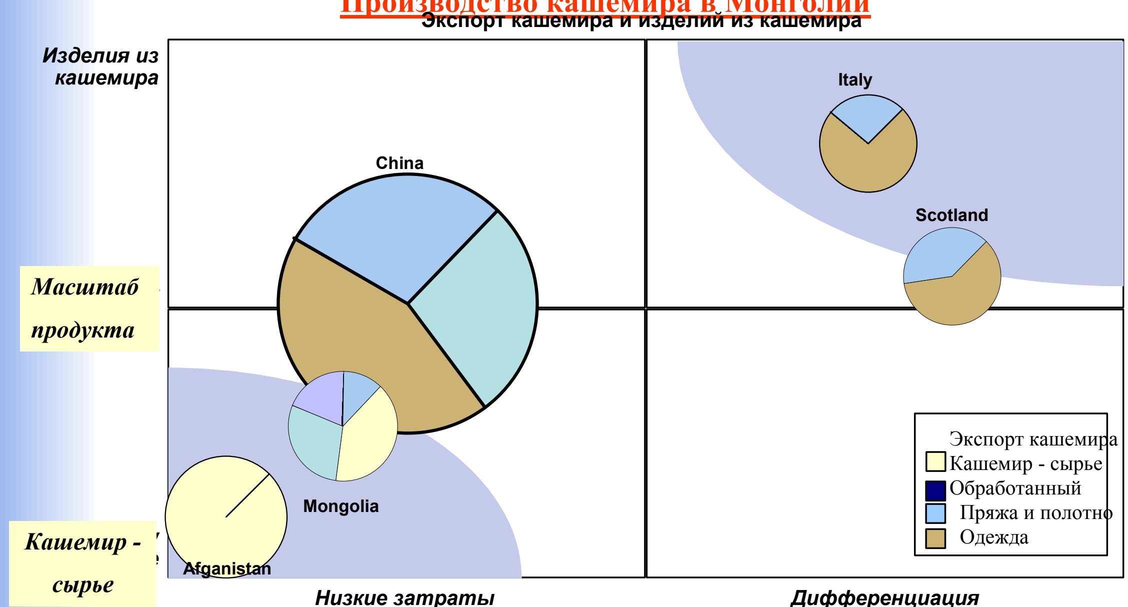
- Компания и стратегии
- Качество устойчивого соответствия капитала и ресурсов
- Кооперация в отрасли
- Уровень местного соперничества
- Возможность образования нового бизнеса
- Характер диалога с рабочей силой
- Честность местного соревнования
- Государственные предприятия и монополии
- Характеристики лидерства

- Защита
- Качество горизонтальной стратегии фирмы
- Реагирование против проактивности
- Hi-end против low-end
- Цена против дифференциации
- Каналы распределения
- Е-коммерция
- Количество компаний-конкурентов
- Товары общего потребления против специализированных продуктов



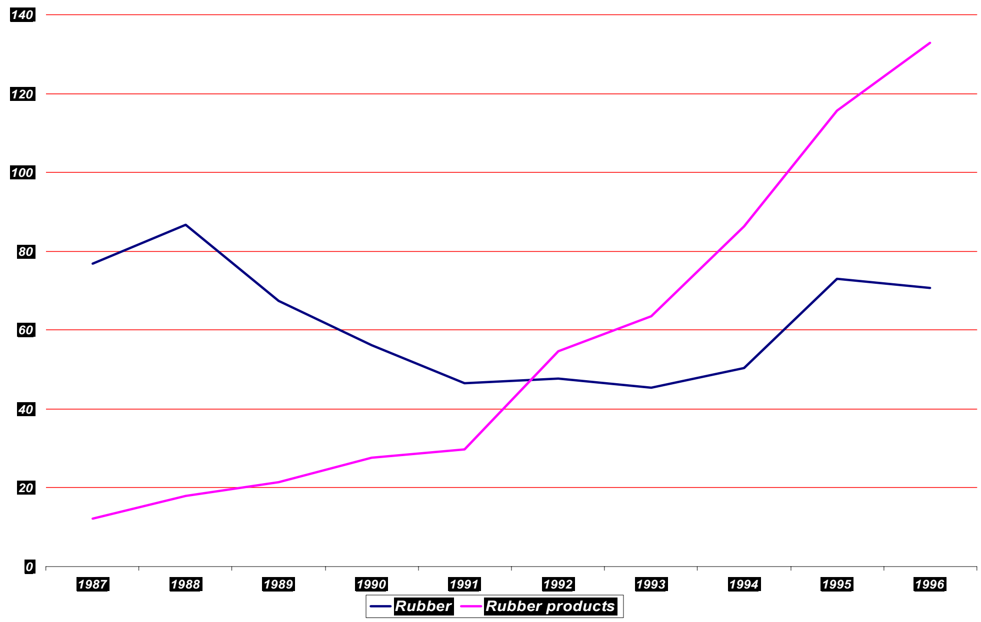
Примеры: кофе из Уганды, сигары из Доминиканской Республики, каучук из Шри-Ланки

Производство кашемира в Монголии



Кашемир из Монголии - конкурентоспособный продукт в форме сырья, однако он конкурирует в равном по объему сегменте рынка, что и Кит ай, являющийся более крупным производителем.

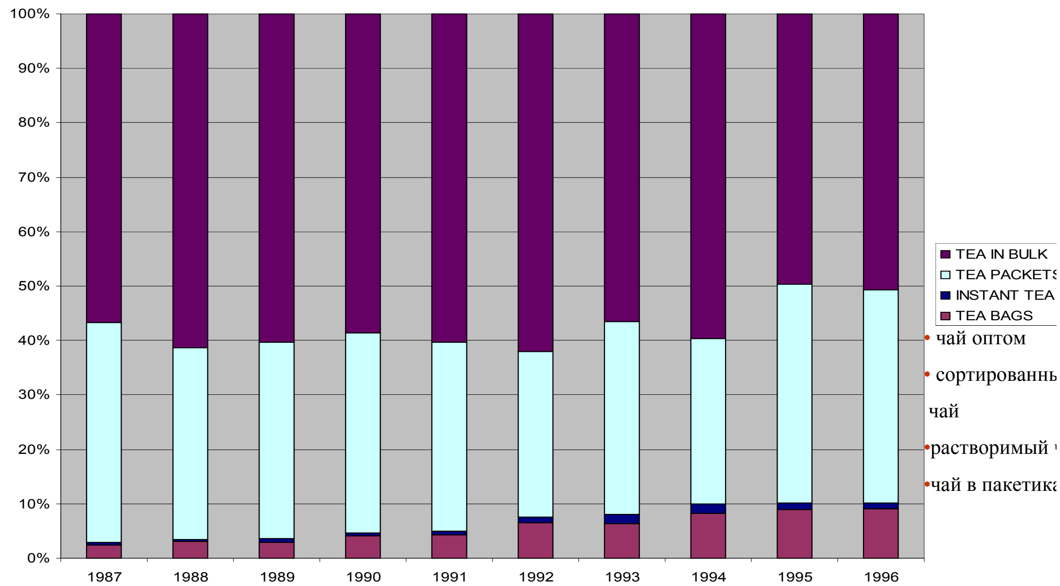
Шри-Ланка: экспорт каучука и изделий из каучука



•Каучук •Изделия из каучука

Источник: национальная статистика Шри-Ланка

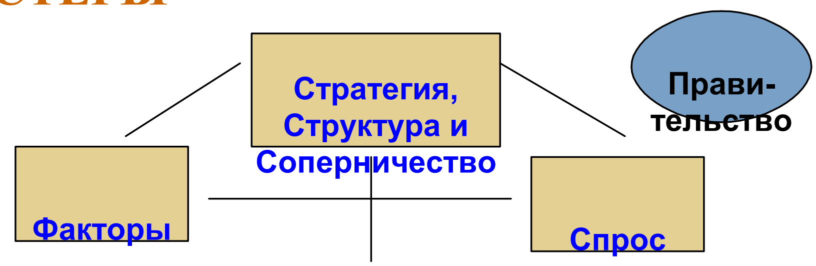
Шри-Ланка: экспорт чая по категориям



- чай оптом
- сортированны
чай
- растворимый
- чай в пакетика

Источник: национальная статистика Шри-Ланка

КЛАСТЕРЫ



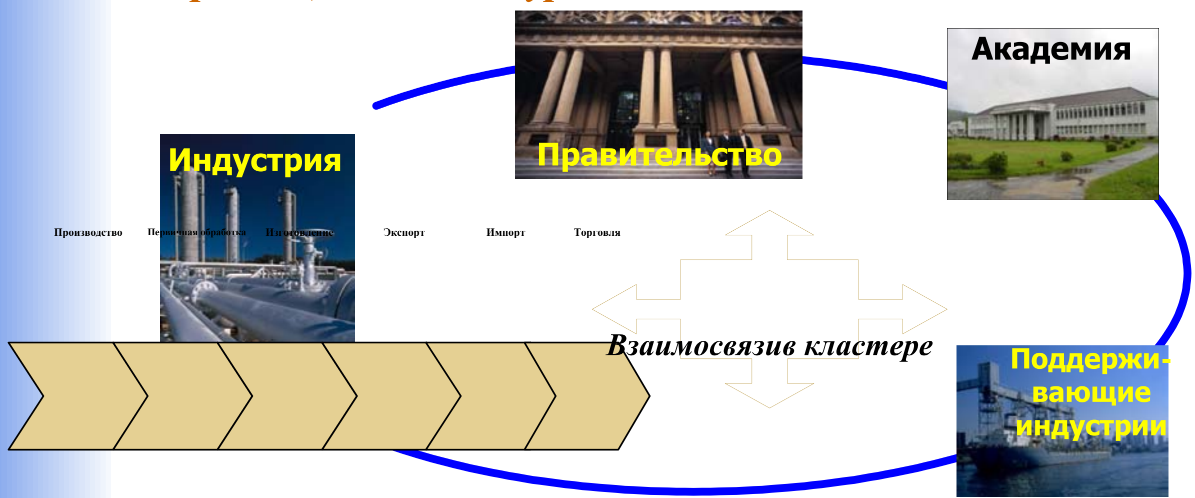
- Конкурентоспособный и высококачественный поставщик?
- Финансовый сектор?
- Бизнес услуги?
- Сильные бизнес ассоциации?
- Сильные связи с исследовательскими институтами?
- Качество диалога между частными и государственными стр уктурами
- Качество организаций, предоставляющих образовательные и учебные программы

Примеры: кашемир из Монголии, кожа, чай из Шри-Ланка

Индустриальные кластеры

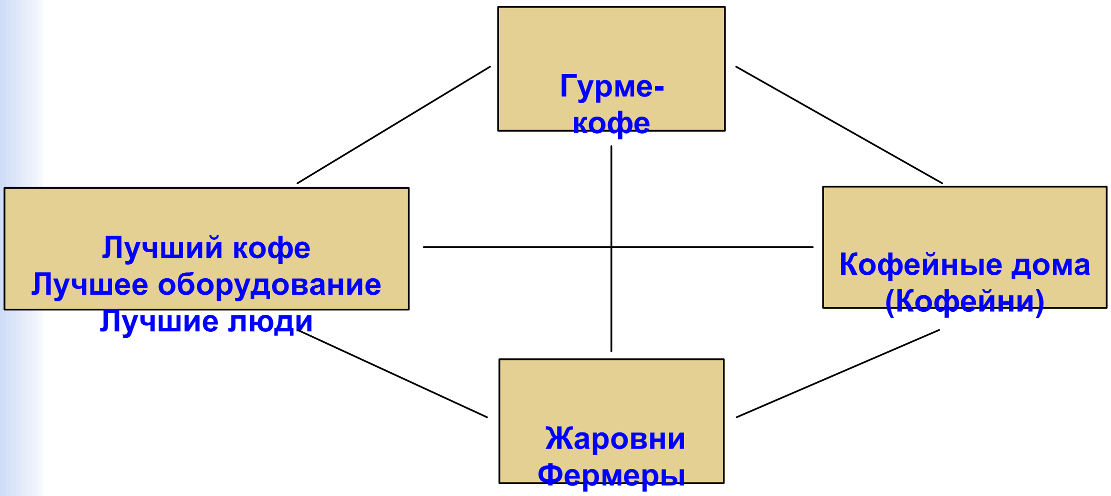
Кластер - метод с подтвержденным успехом

Кластер: группа взаимосвязанных компаний и связанных с ними организаций, как государственных, так и частны х, стремящихся к конкурентоспособности

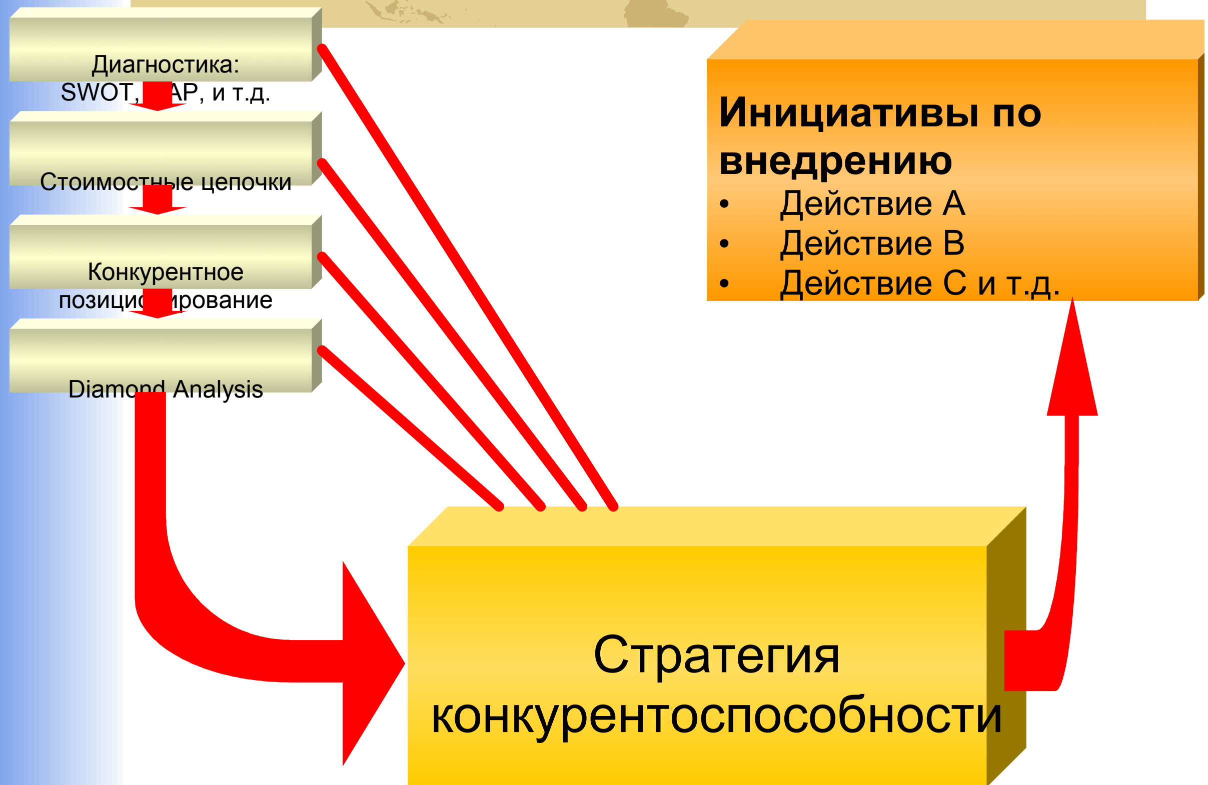


После того, как поставлены цели и сформулированы стратегии, необходимо более тесное и прямое взаимодействие с правительством, академией и друг ими поддерживающими индустриями

Уганда: Stephen Banya и Bancafe



Инструменты стратегии



Что такое конкурентоспособность?

Вести эффективный диалог

НЕЭФФЕКТИВНО	ЭФФЕКТИВНО
➢ Индивидуальная компа ния ➢ Жалобы “один-на-один” ➢ Управленческий урове нь ➢ “Черные” списки ➢ Недостоверные данные ➢ Уступки ➢ Противоположные сто роны	➢ Индустриальные класт еры ➢ Всестороннее видение ➢ Стратегия ➢ Приоритеты ➢ Данные и анализ ➢ Взаимная ответственн ость ➢ Одна сторона “стола”

Комитеты по вопросам конкурентоспособности

ПЯТЬ СТРАН И ИХ КАТЕГОРИИ КОНКУРЕНТОСПОСБНОСТИ ЗА ПОСЛЕДНИЕ ГОДЫ

Страна	Название комитета	Учрежден	Дата	2000 WEF категория	2001 IMD категория
США	Competitiveness Policy Council (CPC)	парламент	1988	1	1
Ирландия	National Competitiveness Council	парламент	1997	5	7
Сингапур	Committee on Singapore's Competitiveness (CSC)	парламент	1997	2	2
Гон Конг	Hong Kong Productivity Council (HKPC)	парламент	1967	8	6
Малазия	National Productivity Council (NPC)	парламент	1966	25	29

- WEF- Мировой экономический форум
- IMD - Институт развития менеджмента

Законы конкурентоспособности Мерфи

- Трудность номер один для конкурентоспособн ости - образ мыслей руководителя
- Переход от коммунизма - не обязательно через извращенный капитализм, частное предприни мательство и более открытое соревнование- т оже решение вопроса
- Конкурентоспособные страны = экспорт товар ов

  не-конкурентоспособные = экспорт людей
- Позиционируйте себя на рынке, иначе за Вас это сделают другие

Законы конкурентоспособности Мерфи

- Половина из новых иностранных инвестиций поступает от *существующих* клиентов
- Если Вы хотите увеличить экспорт, *не* создавайте комитет по продвижению экспорта
- Попросите профессоров из университетов разговаривать в бизнесменами, а не только друг с другом—*ребятам нужна работа!!!*

Законы конкурентоспособности Мерфи

- Проверьте, на что из того, чего *не* может с делать компьютер, способны Ваши дети
- Привлекайте частный сектор для построен ия инфраструктуры—это дешевле, надежн ее, экологичнее…Если что-либо не так, у В ас есть, с кого спросить
- Препятствие для конкурентоспособности—мнение:“это чья-то ошибка”, а не чья-либо ответственность

Содержание

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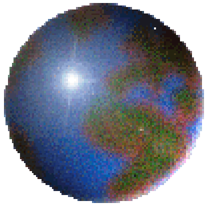
   - Практические примеры со всего мира
3. Применима ли конкурентоспособность в Вашем реги оне и индустрии?
   - Уместна ли конкурентоспособность в России?
   - Уместна ли конкурентоспособность в Вашей обл асти?
   - Уместна ли конкурентоспособность в Вашей инд устрии?

Спасибо

Building Competitiveness in Ukraine

(English)



Building Competitiveness in Ukraine

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AGENDA

- Introduction and Objectives
- Who will pay you more? – linkages to competitive strategy
- Tools for Diagnosing Competitiveness
- Implications of The "Global Competitiveness Diamond"
- Benchmarking Industry Strategy
- Public-Private Dialogue and Role of the Public Sector
- An Approach to Building Competitiveness, Expected Results

THE VISION

- **Ukrainian businesses implement strategies that increasingly enable them to compete against the best in the world in terms of differentiated product, quality and service.**
  - **Identify and sell to discerning customers who are willing to pay more for service and quality**
- **Industry and cluster action supports these strategies**
- **The Business Environment encourages competitive strategy and investment**

WHY IS COMPETITIVENESS EMERGING AS THE #1 ISSUE FOR LEADERS?

- **EU Accession**
- **Globalization**
- **Liberalization**
- **Privatization**
- **WTO/Regional Trade Agreements**
- **Technological Change**
- **Urgent for Transition Economies**

Implications for Ukraine

- **Is it *relevant*?**
- **Is there *receptivity* among leadership?**
- ***Who* should be involved?**
- **Are there *"champions"*?**

What is Competitiveness?

- **Competitiveness can be defined as 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.**

  (US Competitiveness Council)

- **Competitiveness is defined as the quality of the environment for investment and for increasing productivity in a climate of macroeconomic stability and integration into the international economy.**

  (IADB, The Business of Growth, 2001)

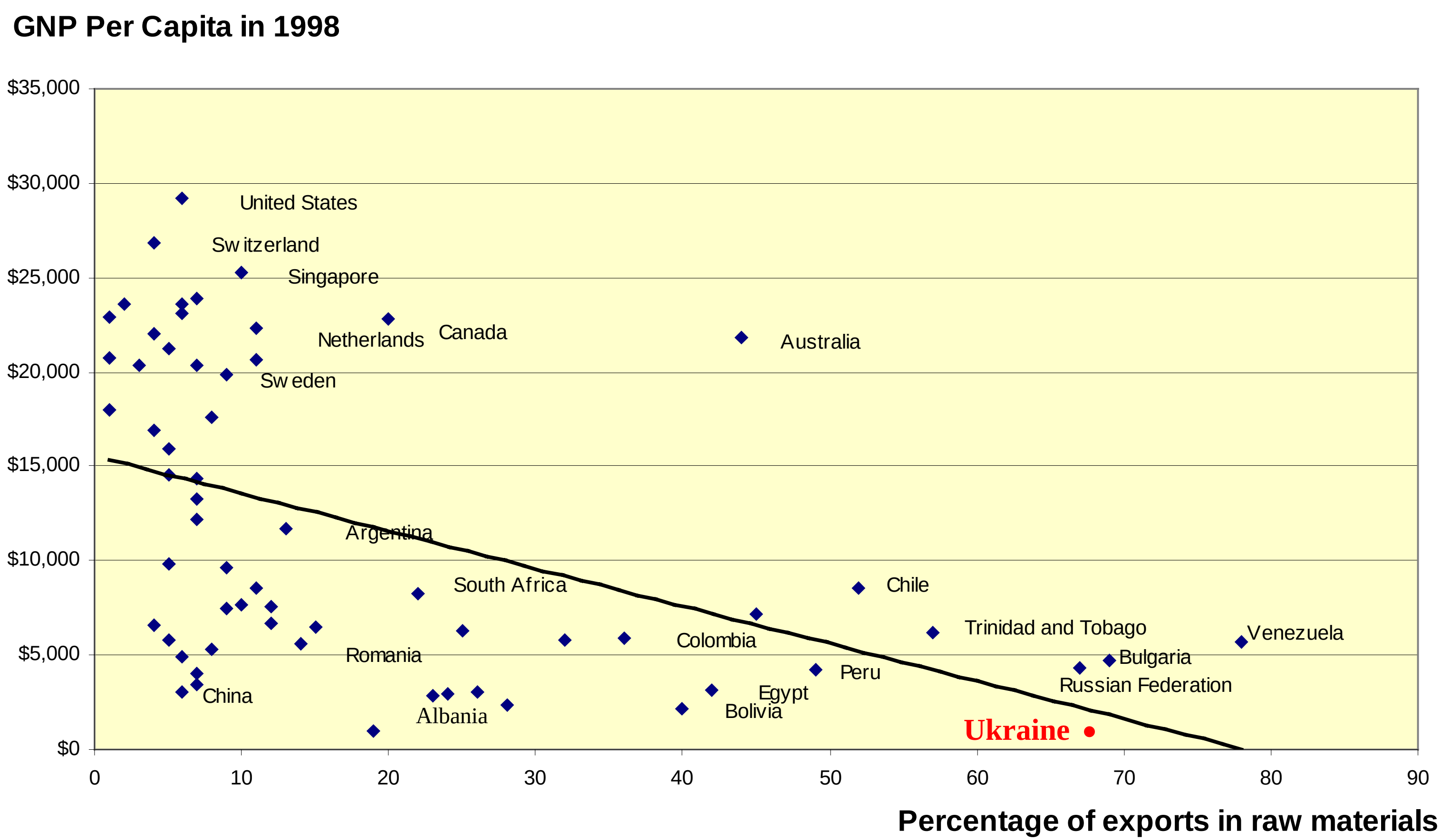
- **Competitiveness can be defined as sustainable increases in productivity leading to improved standards of living for the average person.**

  (Michael Porter)

What is Competitiveness?
Competitiveness is NOT…

- **Abundant Natural Resources**
- **Cheap Labor**
- **Cheap Credit to Access**
- **Depreciating the National Currency**
- **Great Location**
- **Better Government "Incentives"**
- **Economic Growth**
- **Positive Trade Balances**

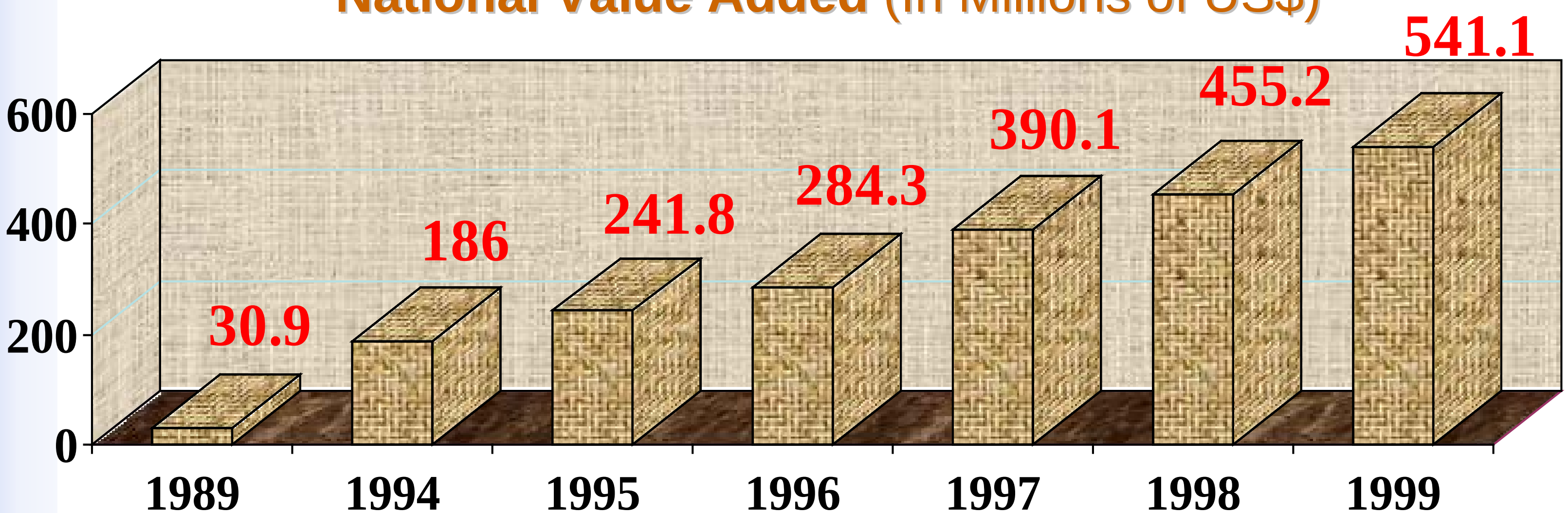
RELATIONSHIP BETWEEN DEPENDENCY ON NATURAL RESOURCES AND GNP PER CAPITA



J. E. Austin Associates

HONDURAN APPAREL MANUFACTURERS ASSOCIATION

National Value Added (In Millions of US$)



Growth 502% 30% 18% 37% 16.7% 18.9%

In five years

Source: IDS

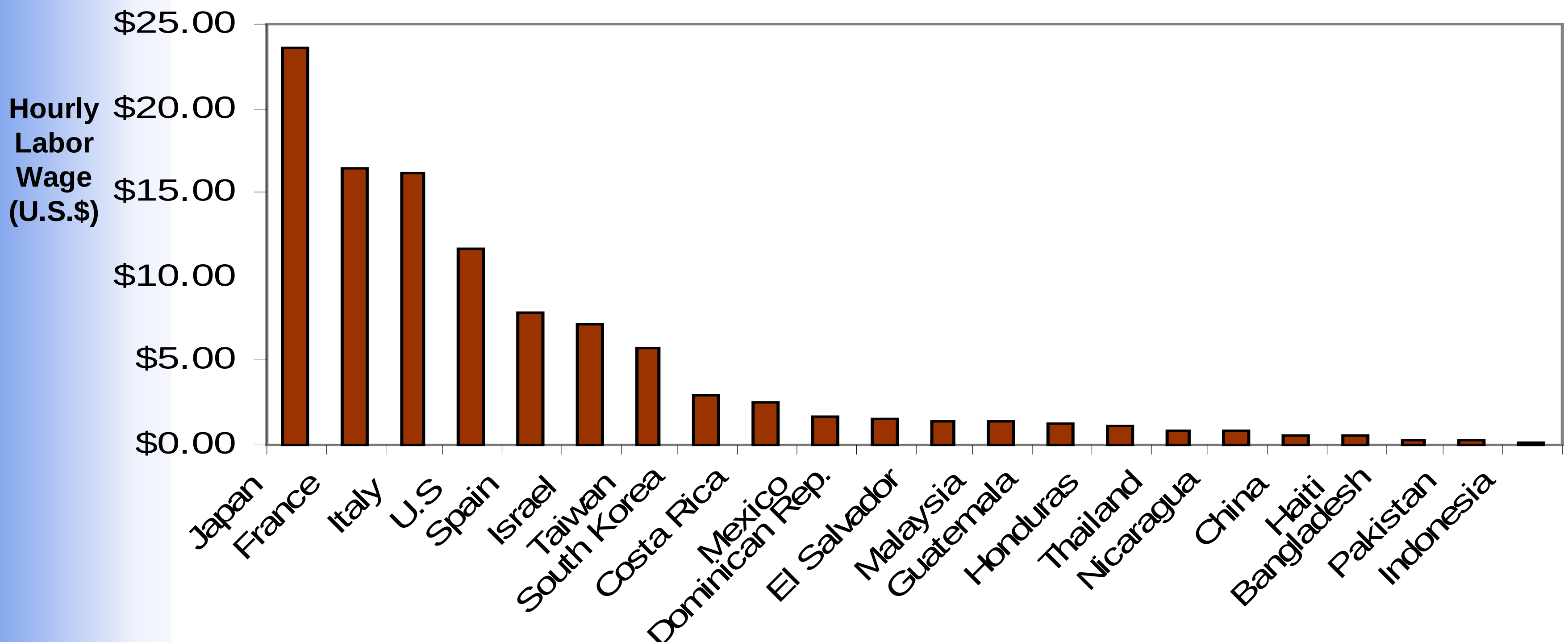
The Tourism Trap

- **Dependency on Charter Operators**
- **Struggle to Manage Image**
- **Failure to Capture High Value**
- **Easily Replicable Strategy**
- **Low Wage Rates Persist**

WHAT IS COMPETITIVENESS?

Low cost strategies based on low cost wages provide an unsustainable competitive advantage

Textile Industry Wages

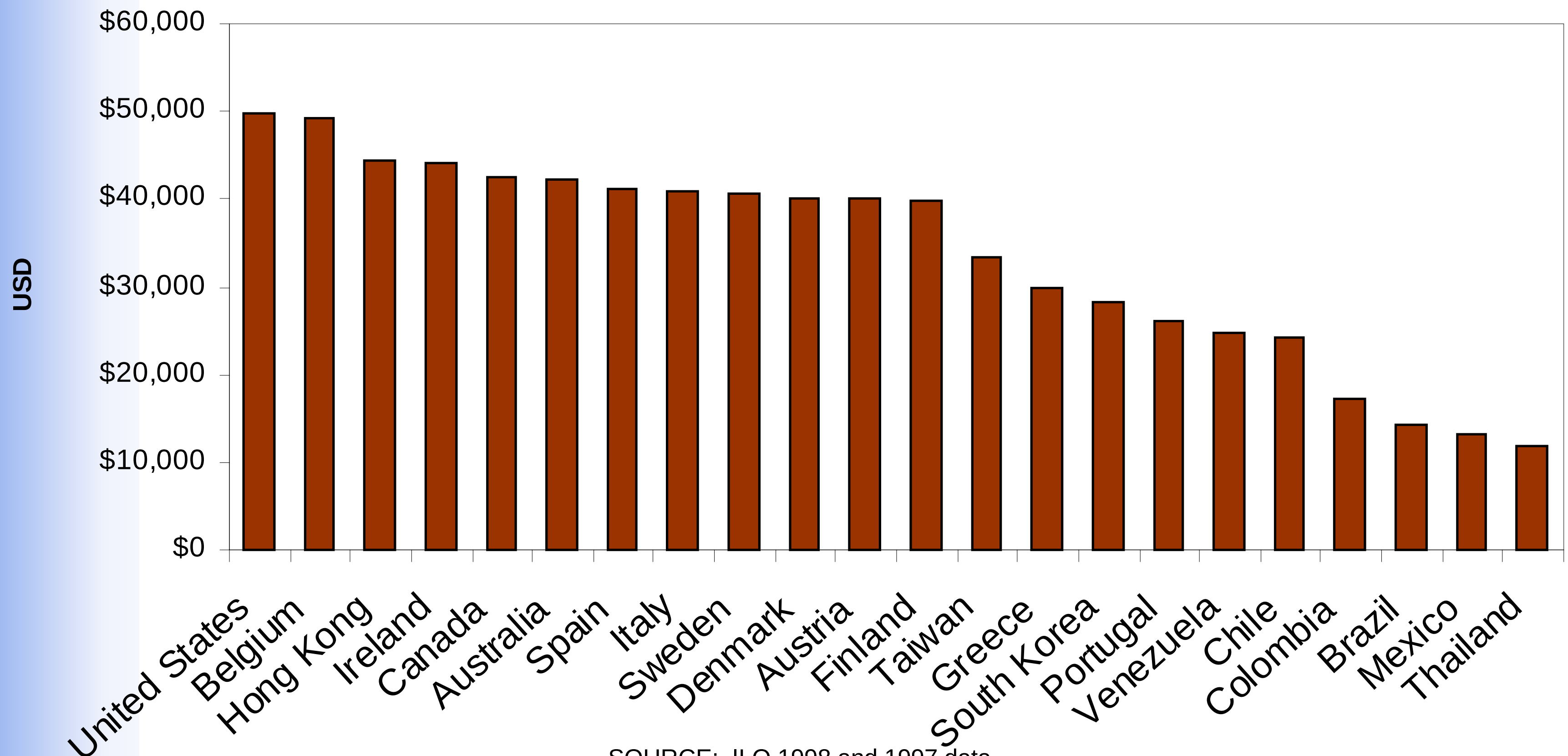


SOURCE: Bobbin Magazine 1999 averages,developed countries statistics are from Gherzi Textile Organization

WHAT IS COMPETITIVENESS?

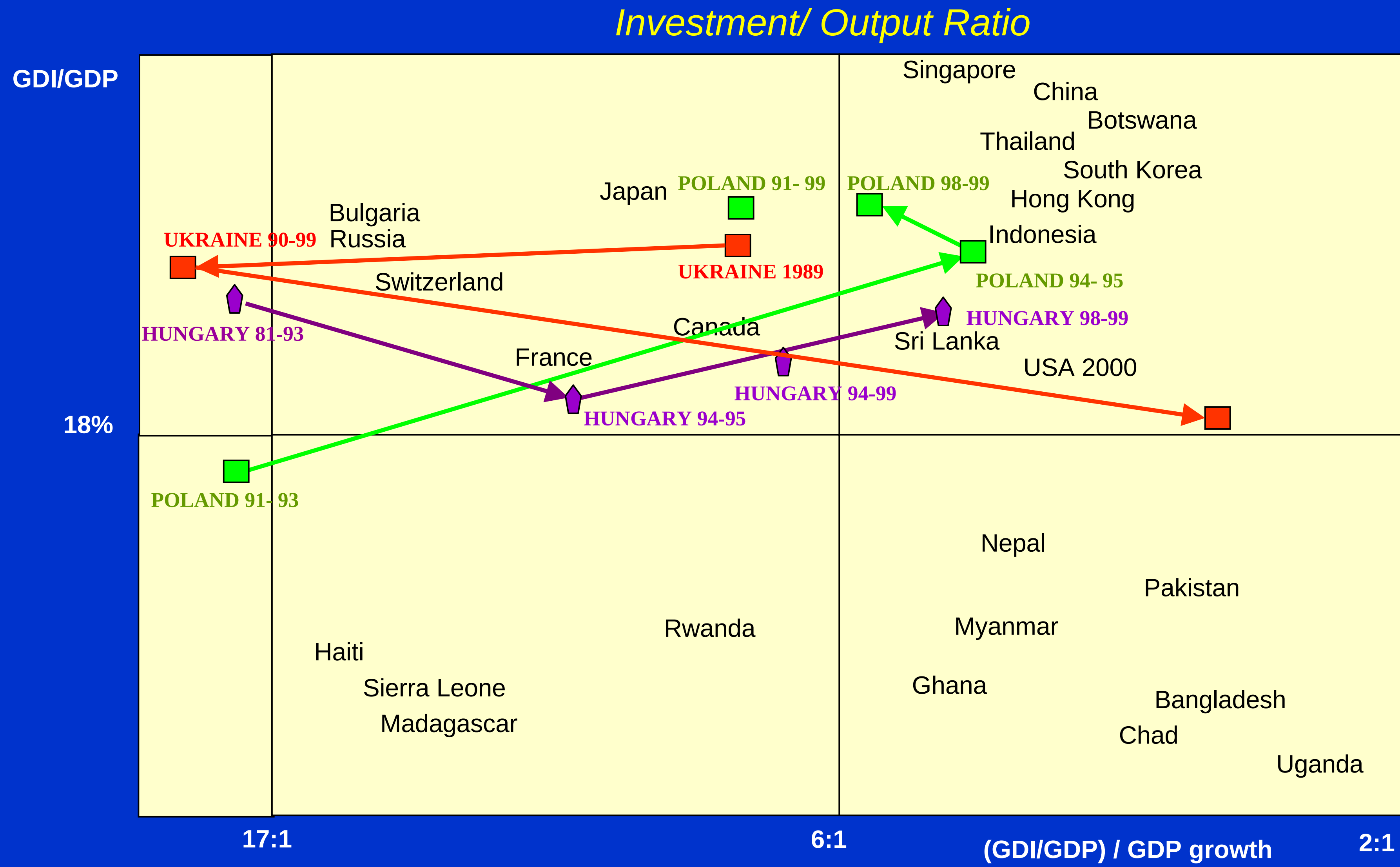
Competitiveness is about Productivity

Value Added per Person Employed



SOURCE: ILO 1998 and 1997 data

Productivity of Investment



Source: JAA's updates and analysis, inspired by the Monitor Company

HIGH-TECH PRODUCTS DOMINATE EXPORT EXPANSION

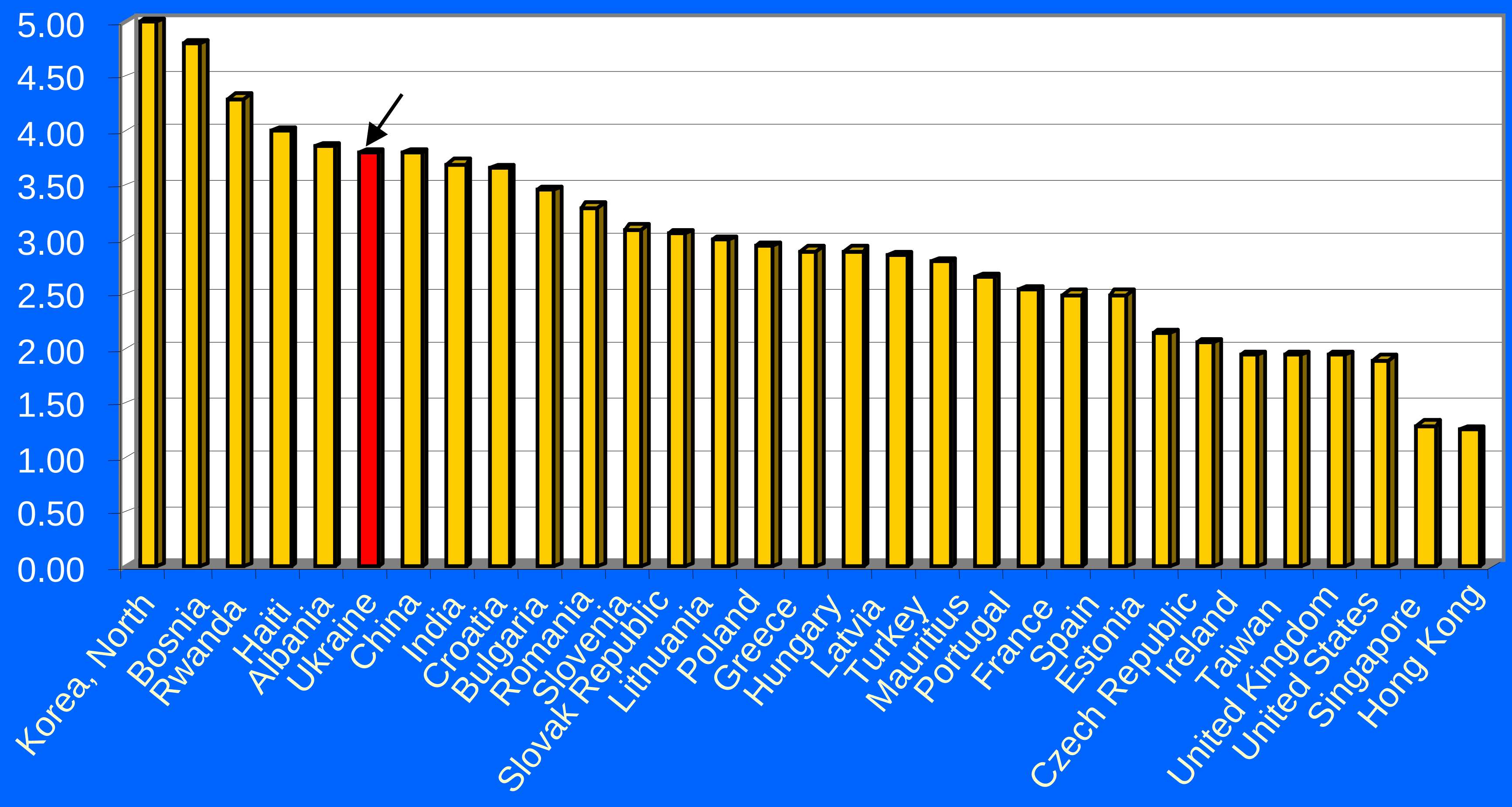
(Average annual percentage growth in exports, 1985-98)

Area	High-tech manufacturers	Medium-tech manufacturers	Low-tech manufacturers	Resource-based manufacturers	Primary Products
World	13.1	9.3	9.7	7.0	3.4
Developing countries (a)	21.4	14.3	11.7	6.0	1.3
High-income OECDs (b)	11.3	8.5	8.5	7.0	4.4

a. Includes Eastern Europe and the Commonwealth of Independent States
b. Includes Cyprus, Israel and Malta

Source: Human Development Report 2001

Heritage Foundation Economic Freedom Index: Selected Countries, 1999



SOME KEY QUESTIONS

What trends are the world's top performers mastering?

What qualities will the customer pay a premium for?

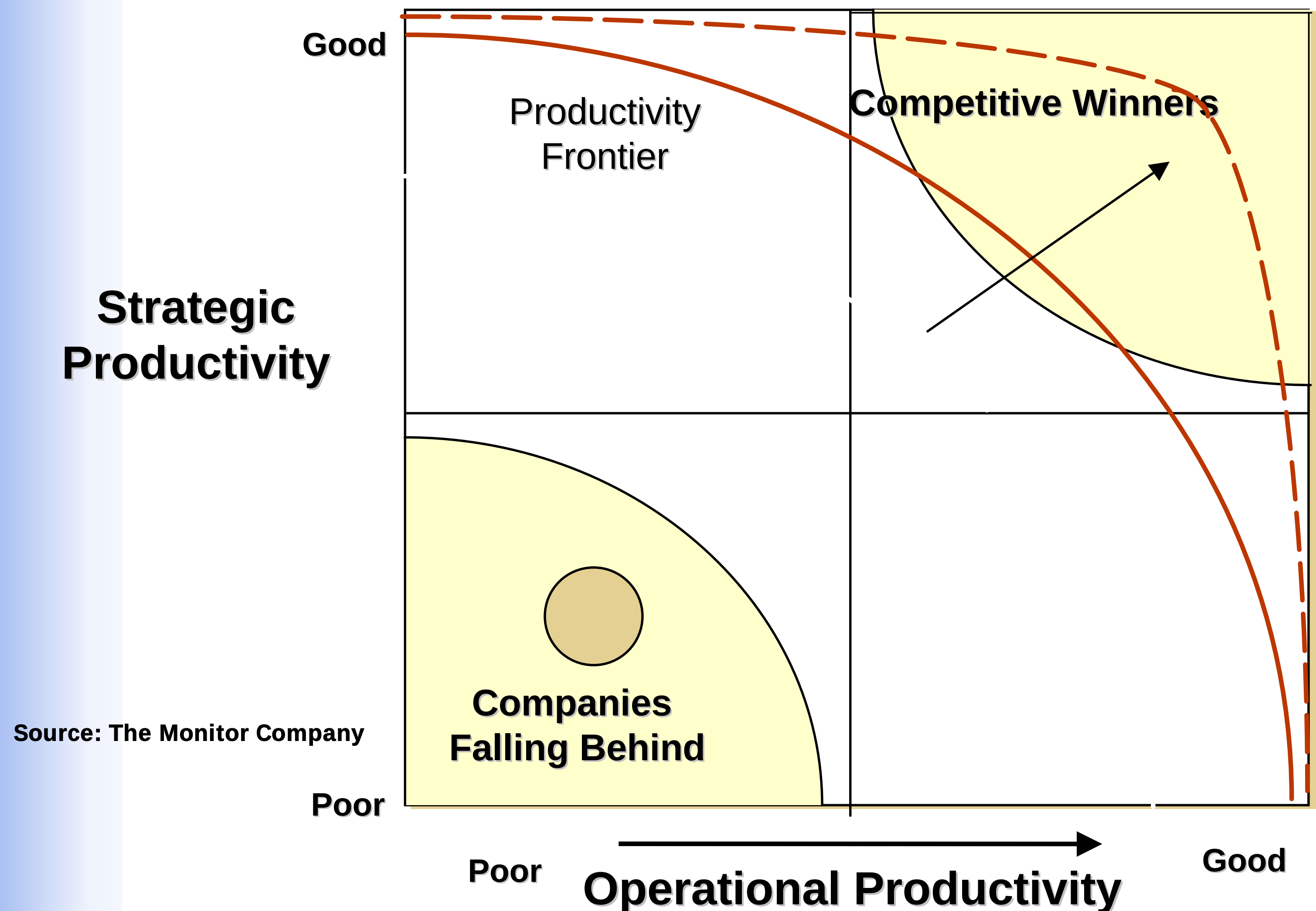
Market / Distribution Chain?

Final consumer?

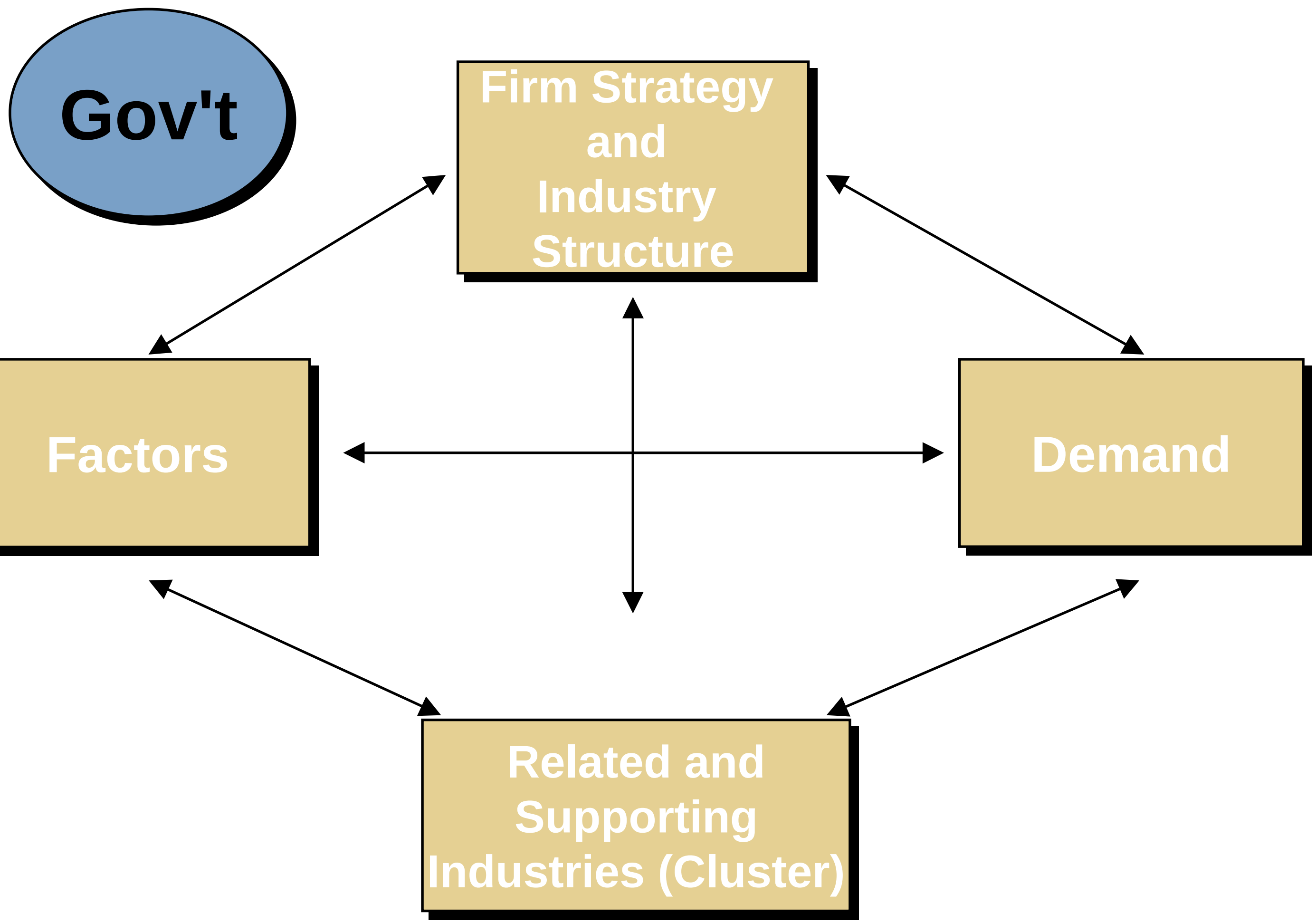
Services?

Does the business environment make it easy to do business and attract investment?

Firm: Good Strategy and Good Operations



THE COMPETITIVENESS DIAMOND



Source: Michael Porter

THE COMPETITIVENESS DIAMOND

Businesses and industries are often established on the basis of available basic factors

Factors

Source: Michael Porter

THE COMPETITIVENESS DIAMOND

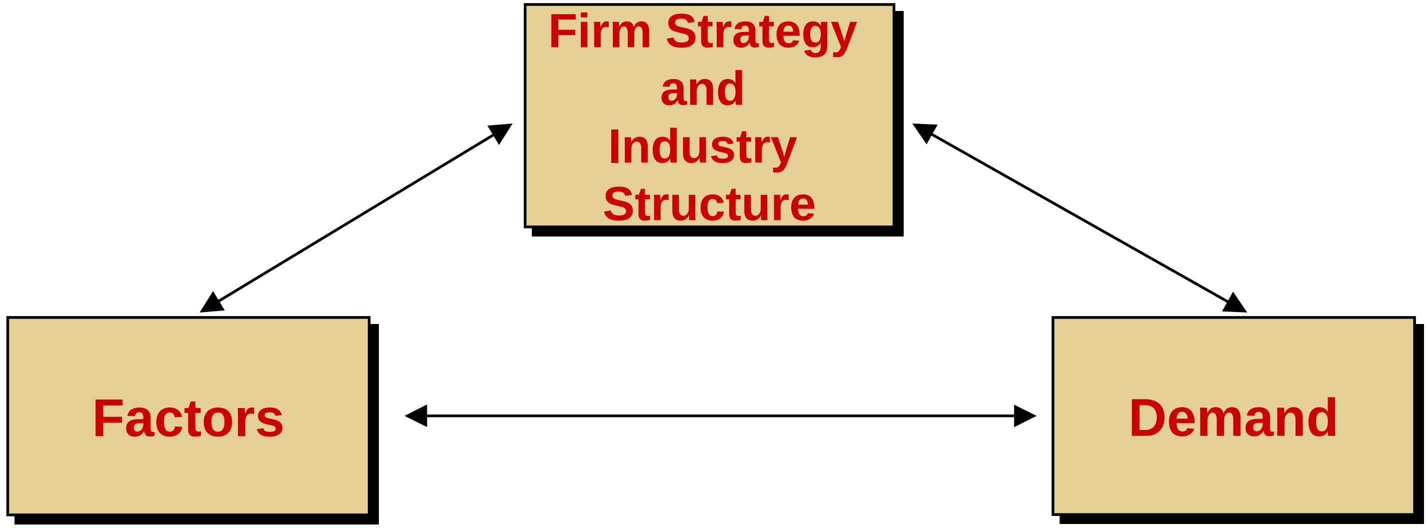
Businesses and industries should be focused on needs of specific types of customers

Factors

Demand

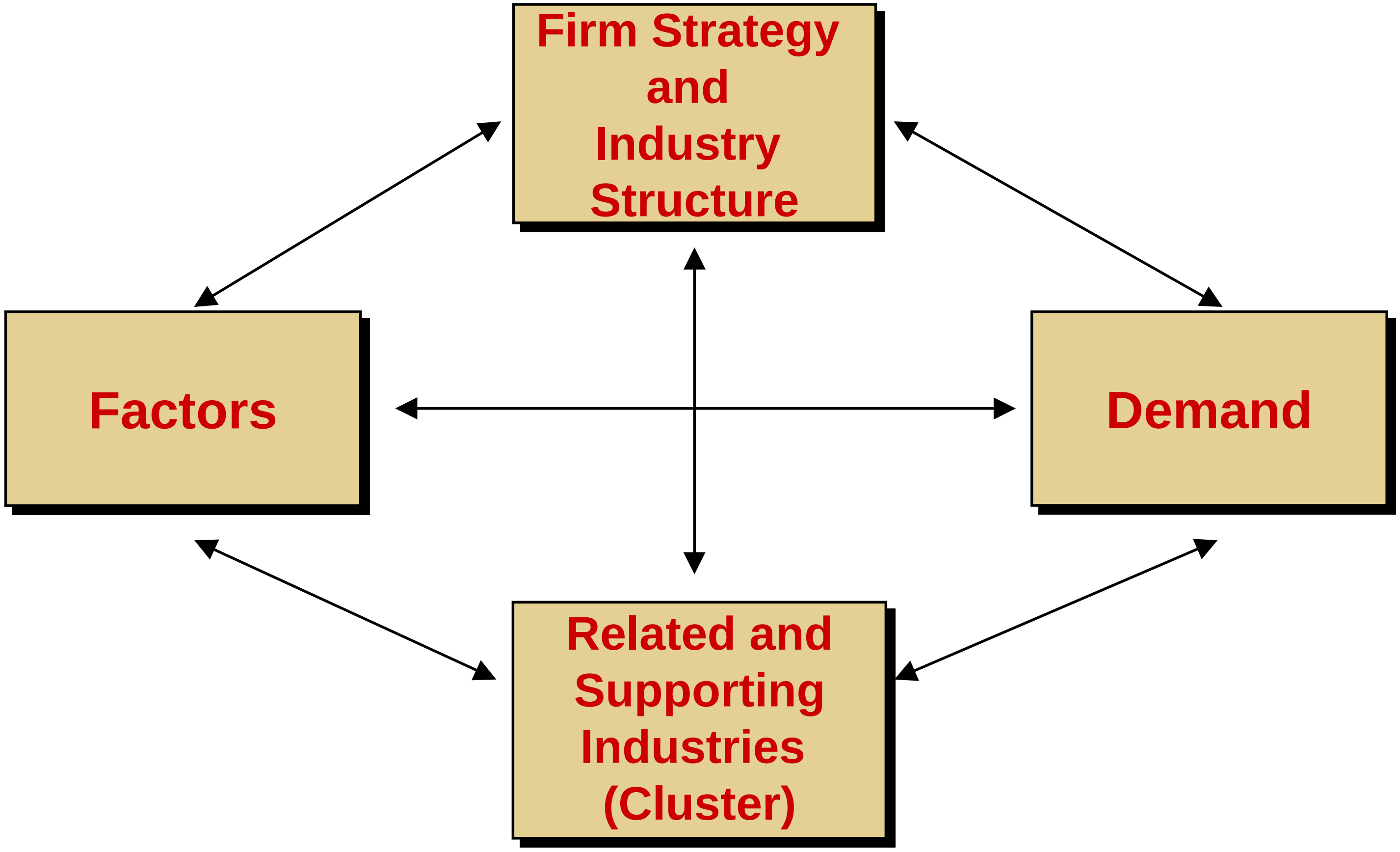
Source: Michael Porter

THE COMPETITIVENESS DIAMOND



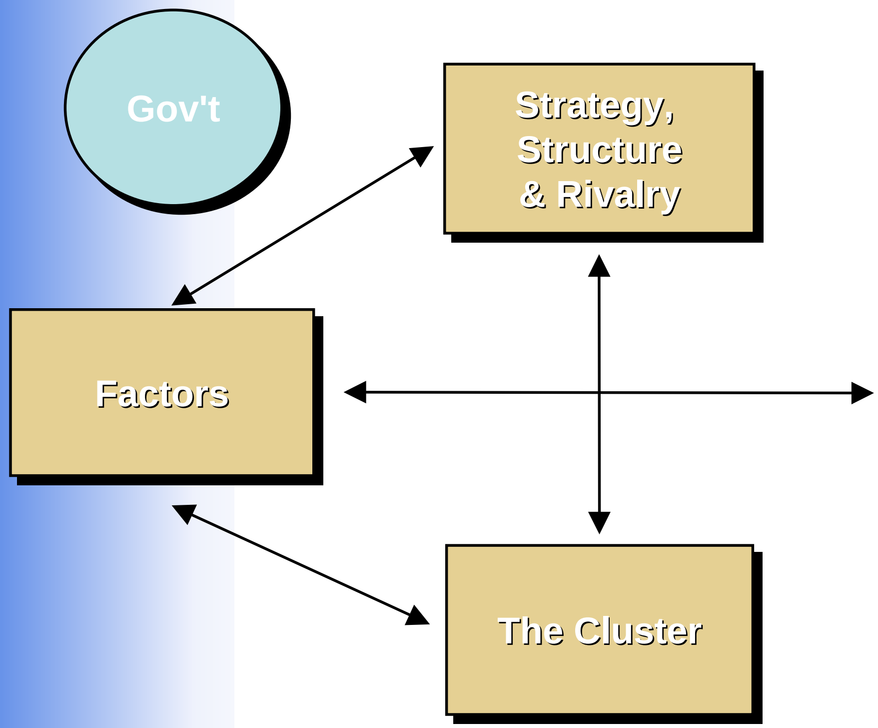
Source: Michael Porter

THE COMPETITIVENESS DIAMOND



Source: Michael Porter

START WITH DEMAND: LEARN ABOUT CONSUMERS AND MARKETS

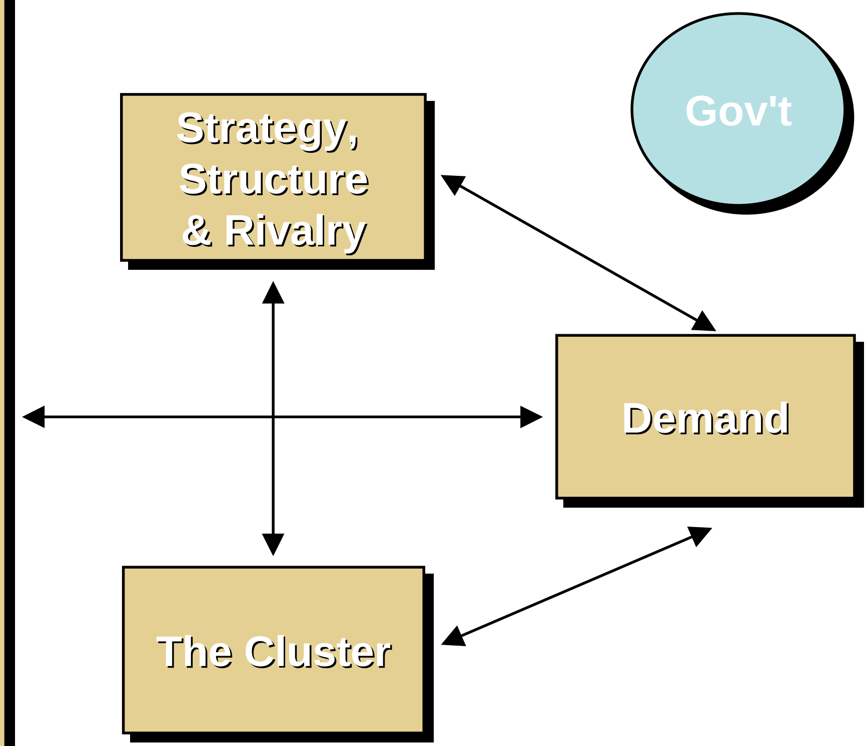


- Direct Contact with sophisticated and demanding consumers
- Size and segmentation of local demand
- Number of independent buyers
- The speed of growth
- How fast the home market gets saturated
- Internet savvy customers
- Mobile local buyers
- Ability to monitor and respond to trends

Examples: Footwear and Fish Exports

ALSO IMPROVE PRODUCTION FACTORS

- BASIC
  - Climate
  - Fertile Land
  - Location Proximity
  - Availability of basic inputs
  - Stable and healthy ecological conditions
  - Labor Force
- ADVANCED
  - Knowledge resources
  - Access to capital resources
  - Infrastructure: availability of ports
  - Research capability
  - Tele-density
  - Management and Technology

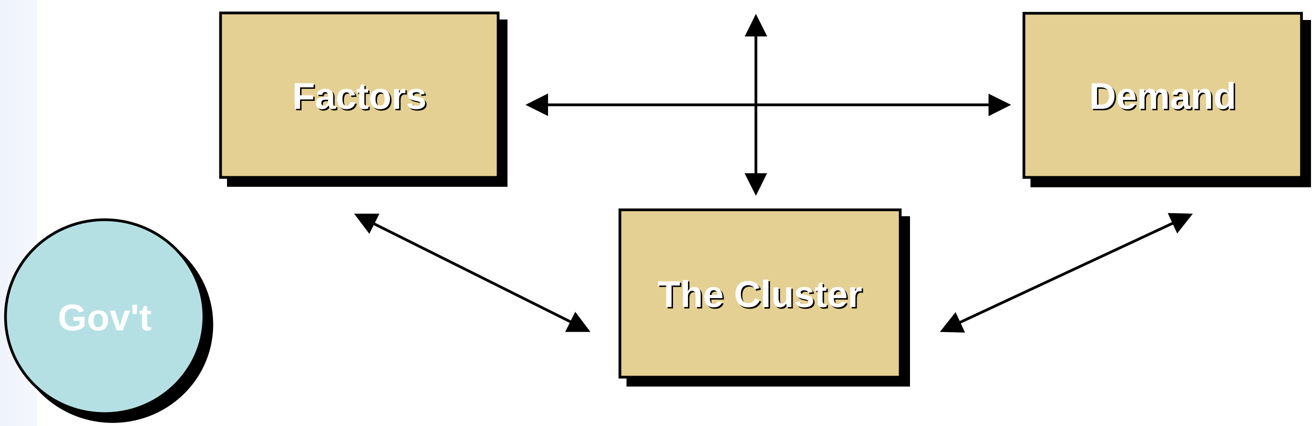


Examples: Honduran Textiles, Tourism

THEN IMPROVE STRATEGY

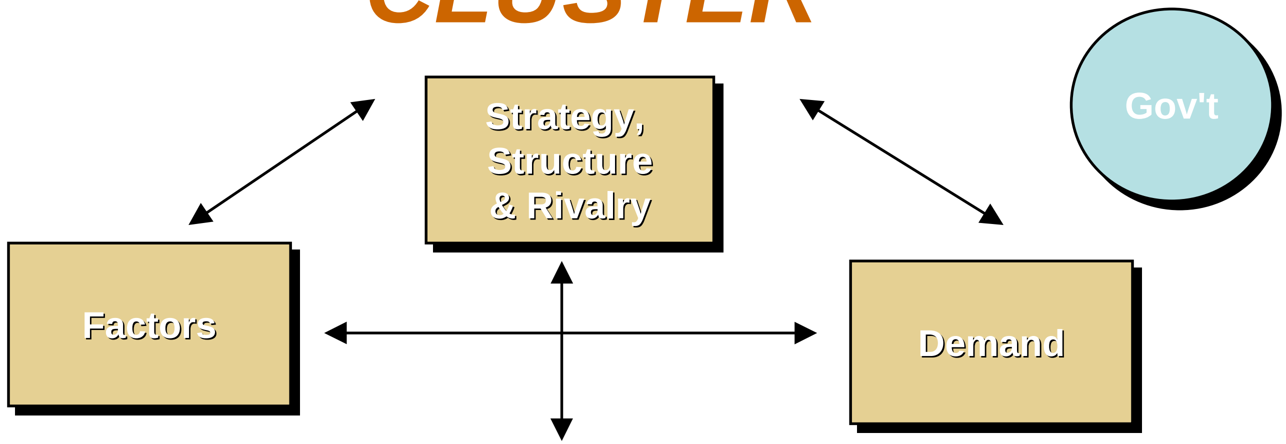
- Company and strategies
- The quality of sustained commitment
- of capital and resources
- Industry cooperation
- The level of domestic rivalry
- Possibility of new business formation
- The nature of dialogue with labor
- Fairness of local competition
- Parastatals and monopolies
- Leadership characteristics

- Protection
- Quality of firm level strategy
- Reactive vs. Proactive
- Hi-end vs. low-end
- Price vs. Differentiation
- Distribution channels
- E-commerce
- Number of competing firms
- Commodities vs. Specialized products
- Use cluster linkages



Examples: Sri Lanka Rubber and Tea Industries

CLUSTER

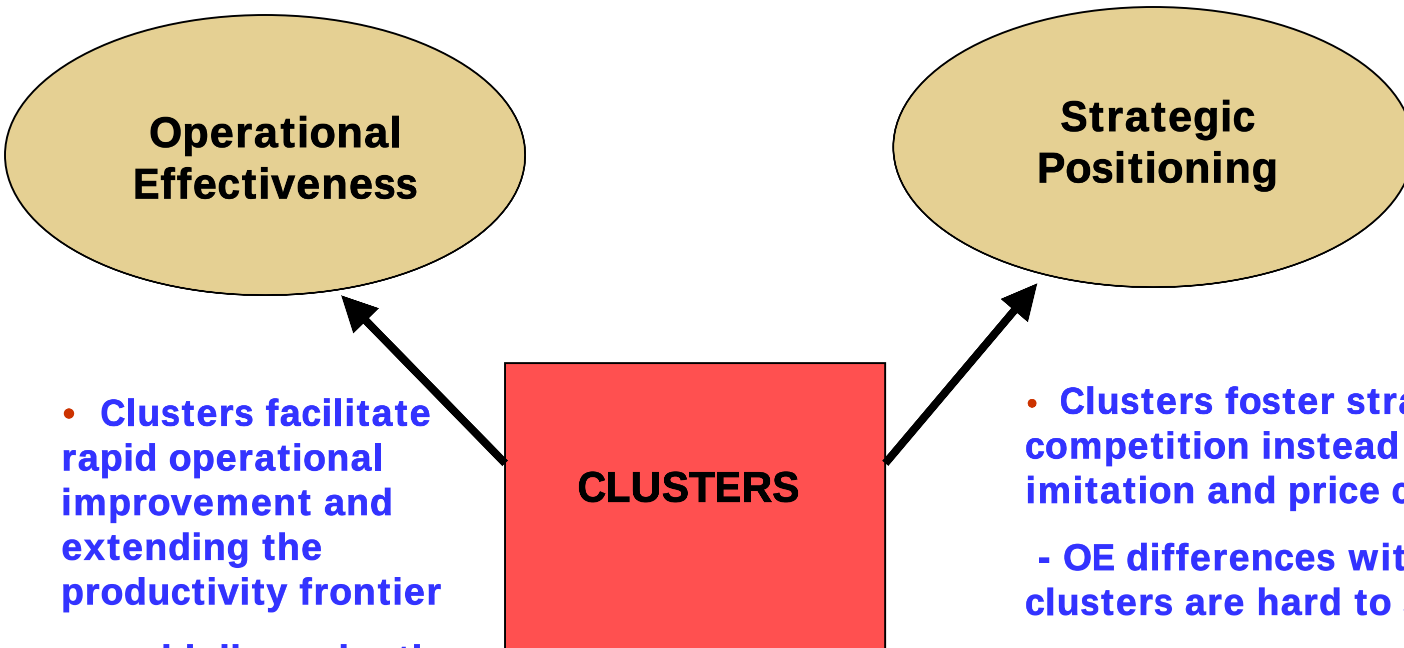


- ❖Competitive and high quality supplier?
- ❖Financial sector?
- ❖Business services?
- ❖Strong business associations?
- ❖Strong ties with research institutions?
- ❖Quality of private-public dialogue
- ❖Quality of education and training providers

- ❖Value chain
- ❖Supply chain
- ❖In-country and external

Examples: Mongolian Cashmere, Leather, Sri Lanka Tea

THE INFLUENCE OF CLUSTERS ON COMPETITIVENESS BUILDING



- Clusters facilitate rapid operational improvement and extending the productivity frontier

  - rapid dissemination of best practices

  - opportunities for experimentation with new activity configurations and approaches

- Clusters foster strategic competition instead of imitation and price cutting

  - OE differences within clusters are hard to sustain

  - proximity discourages imitation vs. the pursuit of different strategies

  - clusters can provide a better environment in which to perceive new needs and segments

  - the presence of local suppliers, related firms, and supporting institutions enables strategic differences

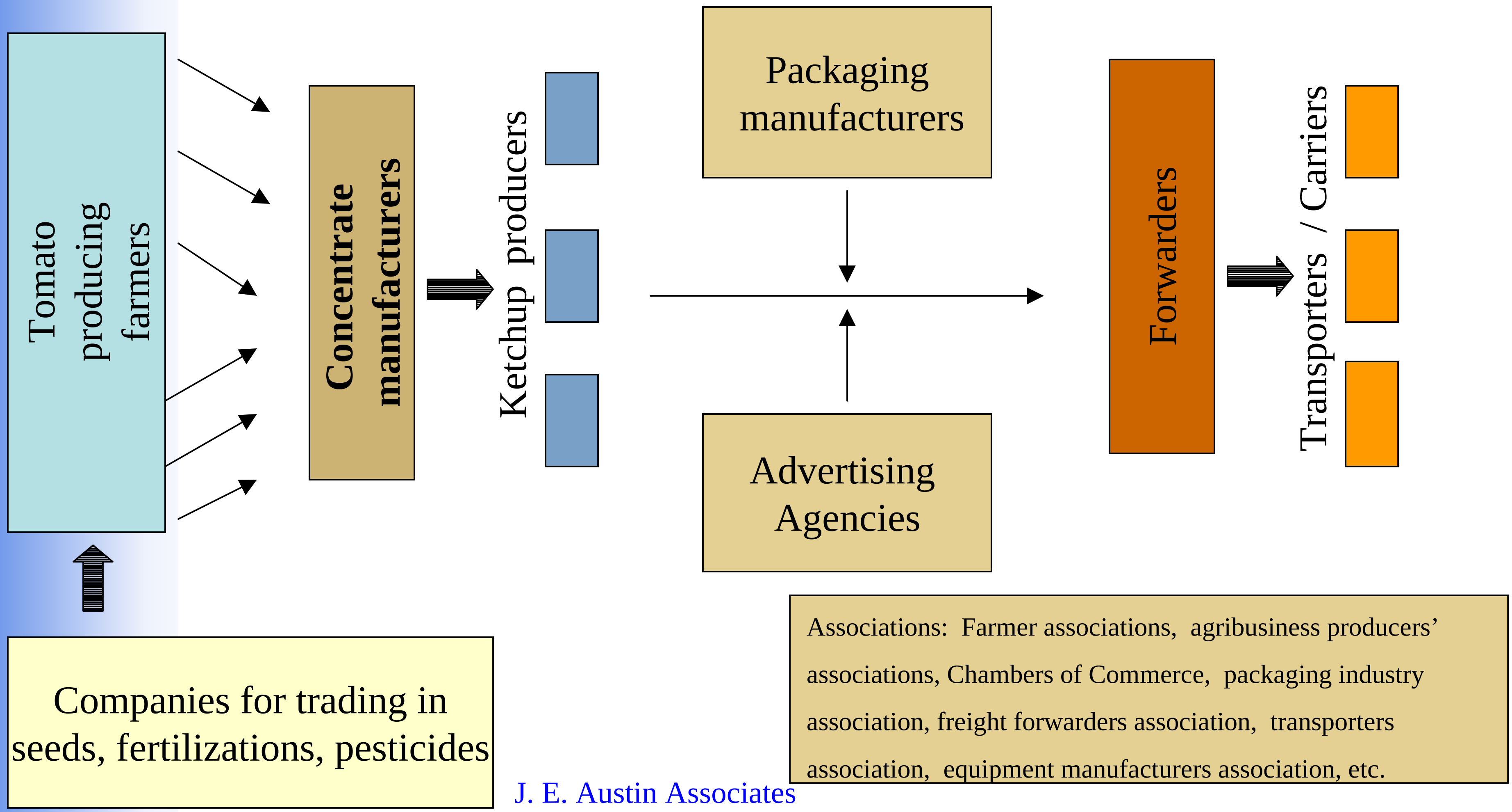
Source: Michael Porter

DEMAND DRIVES CLUSTERS

Clusters are created by the the core industries

Clusters allow the industries respond to demand

Sample cluster: The ketchup cluster in the Stara Zagora Region (Bulgaria)



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SIRMA

Strategy (High)
+ Invest in incremental and other innovation
+ Identify new applications
+ Quality focus – strive for perfection
+ Invest in R&D
+Locate close to customers, to learn and service

Factor Conditions (High)
- Access to finance
+ Human resource strategies maintain loyalty
+ Skilled staff are available
+ Good R & D
+ Skilled management

Demand (High)
+ Identify quality client base
+ Aim at sophisticated markets
+ Identify market niches
- Little domestic market

Cluster (Mixed)
+ Forward integration within the group
,+ Teaming with users
- Little focus on cluster effectiveness
- Forgotten marketing

Government Policy Impact on Sirma (Mixed)
+/- Workforce and education
+/- Business climate
0 Privatization
+ Economic Freedom

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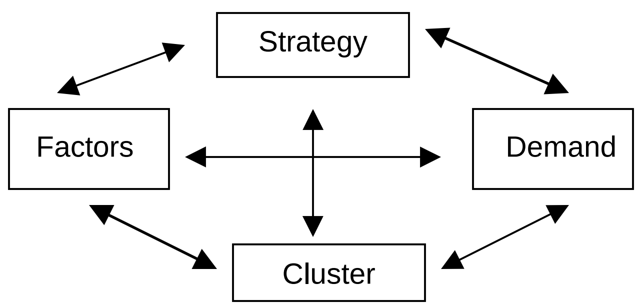
Bulgarian Food Processor Diamond

+ High Quality product strategy
+ Identify high-end wholesalers
+ Invest in producers through contracts, training
+ Invest in equipment, staff training
+ Work with packaging industry
+ Owner's ability to track/lead market's needs
+ Efficiency of scale of operations

HIGH

+/- High quality grown products available; but high quality variability;
+/- Reasonable proximity to European markets
- Relatively high transport costs to European markets
+/- Low cost labor
- Low productivity
+ Good basic skills
+/- Seasonal production/Seasonal imports
- Land ownership in flux
+/- Basic processing technology is simple, but out of date
+ Invested in supplier training
+ Invested in special equipment
+ Invested in worker training

BASIC – LOW/MEDIUM
ADVANCED – MEDIUM



- Good internal demand, but for lower quality
- Domestic quality market is limited
+ Large external market for quality, differentiation

DOMESTIC – LOW
EXTERNAL – MEDIUM

+/- Transport sector is relatively efficient
- Local quality standards are not rigorous
+ EU standards are rigorous.
+/- Producers are capable of high quality.
- Poor quality of local packaging and labeling.
- Relatively low level of development of related industries
+/- Supply and placement contacts are in short-term stable with respect to exports, less so for domestic sales
+/- Cluster production improving slowly, links just beginning

LOW

SOURCE IME and JAA

TOOLS: Examples from Other Countries

Illustration of country experience on cluster development

Via Major Competitiveness Tools:

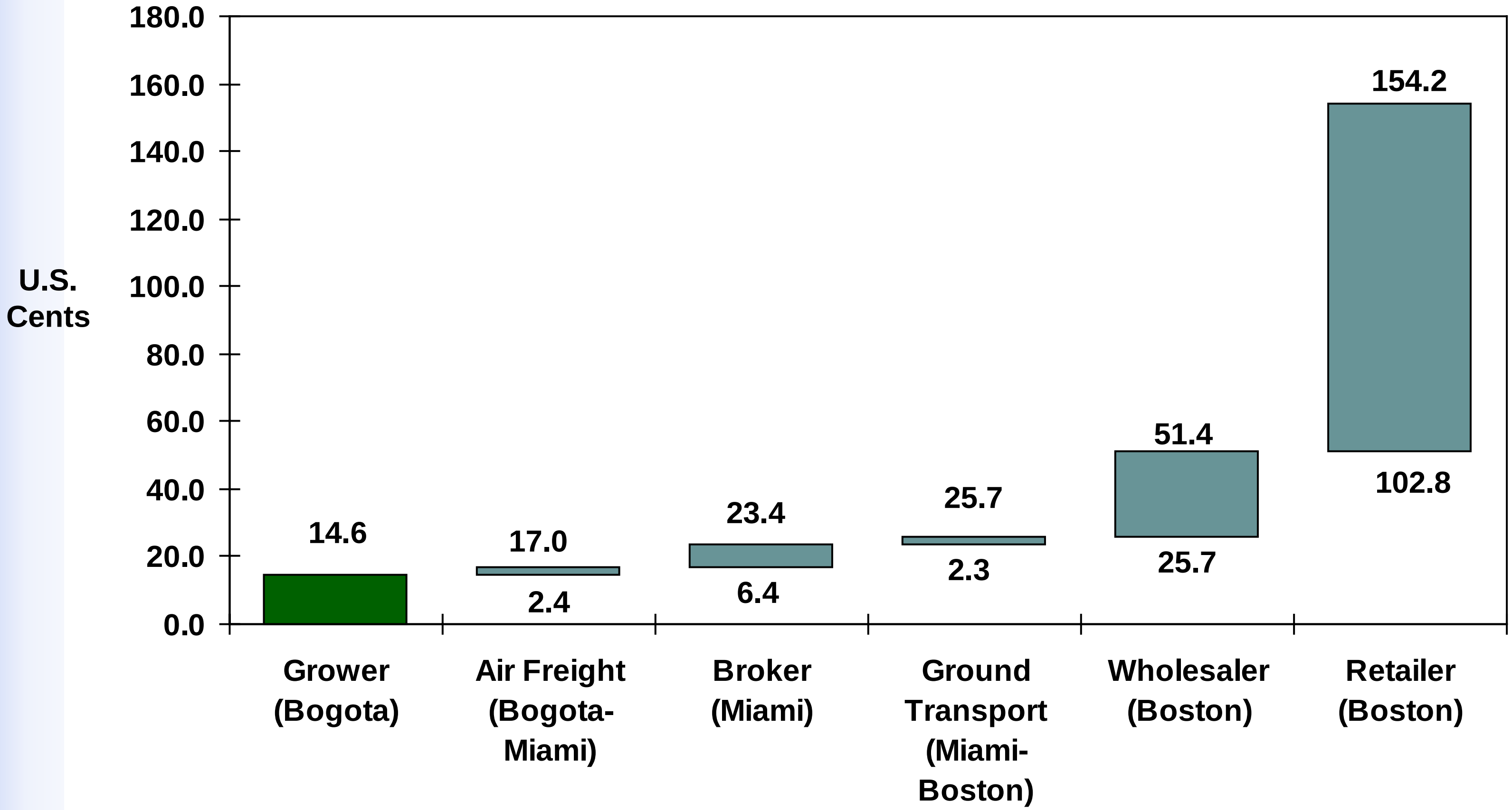
- **VALUE CHAINS**
- **MARKET SEGMENTATION**
- **RELATIVE POSITIONING**
- **GAP ANALYSIS**
- **EFFECTIVE PRIVATE-PUBLIC DIALOGUE**

STRATEGY => ACTION INITIATIVES=> RESULTS

1. VALUE CHAINS

COLOMBIA CUT FLOWER VALUE CHAIN

Net Revenue Per Rose Stem for Each Component of Value System



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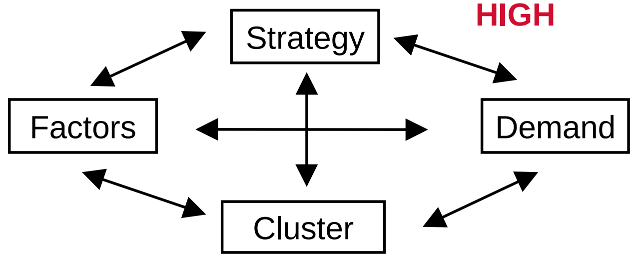
Source: Interviews in Mexico, Colombia, Miami, Boston, Monitor Analysis

Dutch Flower Diamond

+ Heavy domestic rivalry (9,350 cut flower nurseries, 1900 exporters)
+ Technology leaders
+ Differentiated product strategy

HIGH



+ Favorable proximity to European markets
+ Low transport costs to European markets
+ Gas relatively inexpensive
+ High productivity of workers
- Heated greenhouse cultivation essential; government considering energy levy
- Expensive land
- Fertilizer and pesticide emissions to the soil, air, and water meet increasingly stringent environmental standards
- High labor costs
- Scarcity of labor
+ Excellent roadway and airport network
+ Advanced computer networks to track auction transactions (95% of production goes through auctions)
+ Extensive advanced training courses and research; adequate capital to fund research
+ Many growers have in-house research facilities

HIGH

+ High local demand-- 61% of families buy flowers at least once every 4 months
+ Strong local demand for new products

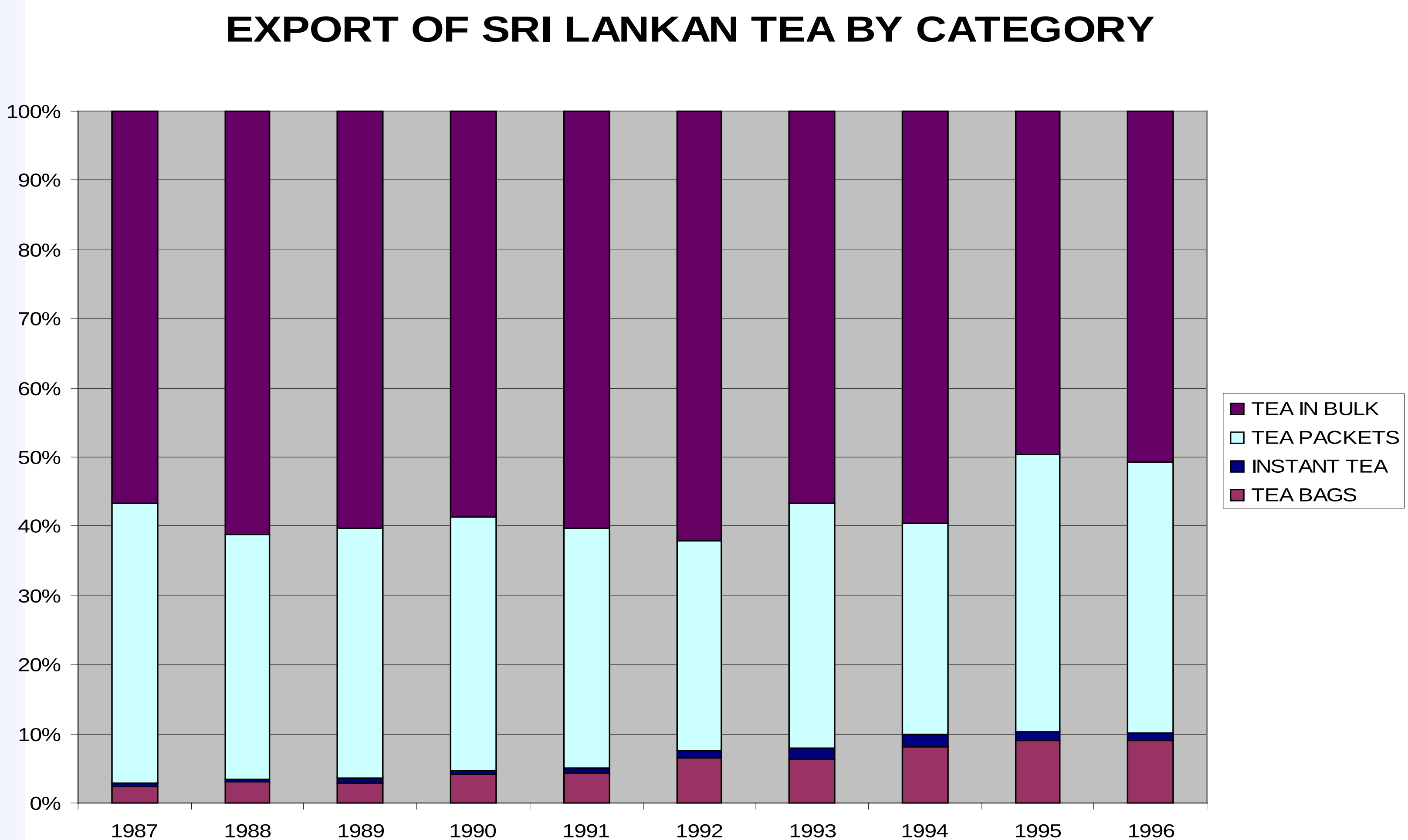
HIGH

+ Logistics coordinated through auction houses; two largest auction houses account for 81% of production
+ High proportion of costs incurred by grower offset by extremely efficient logistics system
+ Research and technology from related sectors, i.e. vegetables
+ Shared distribution channels with flower bulb and tree nursery sectors
+ Strong position in breeding and propagation
+ Information and innovation pass quickly through network of sectors

HIGH

2. MARKET SEGMENTATION AND CUSTOMER PROFILING

Strategic Repositioning: Sri Lanka's Tea Industry

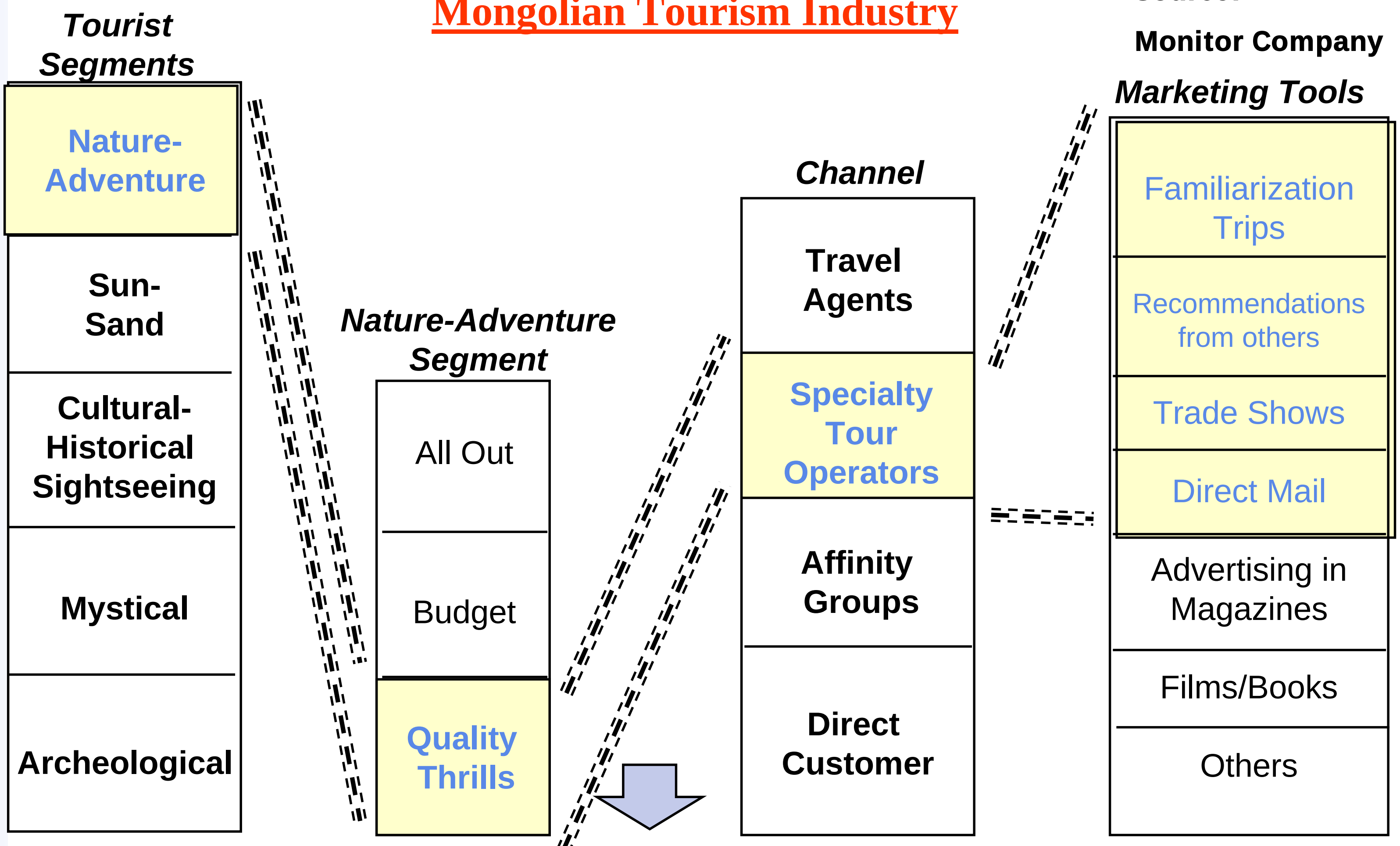


Customer Profiling: Mongolian Tourism

Mongolian Tourism Industry

Source:

Monitor Company

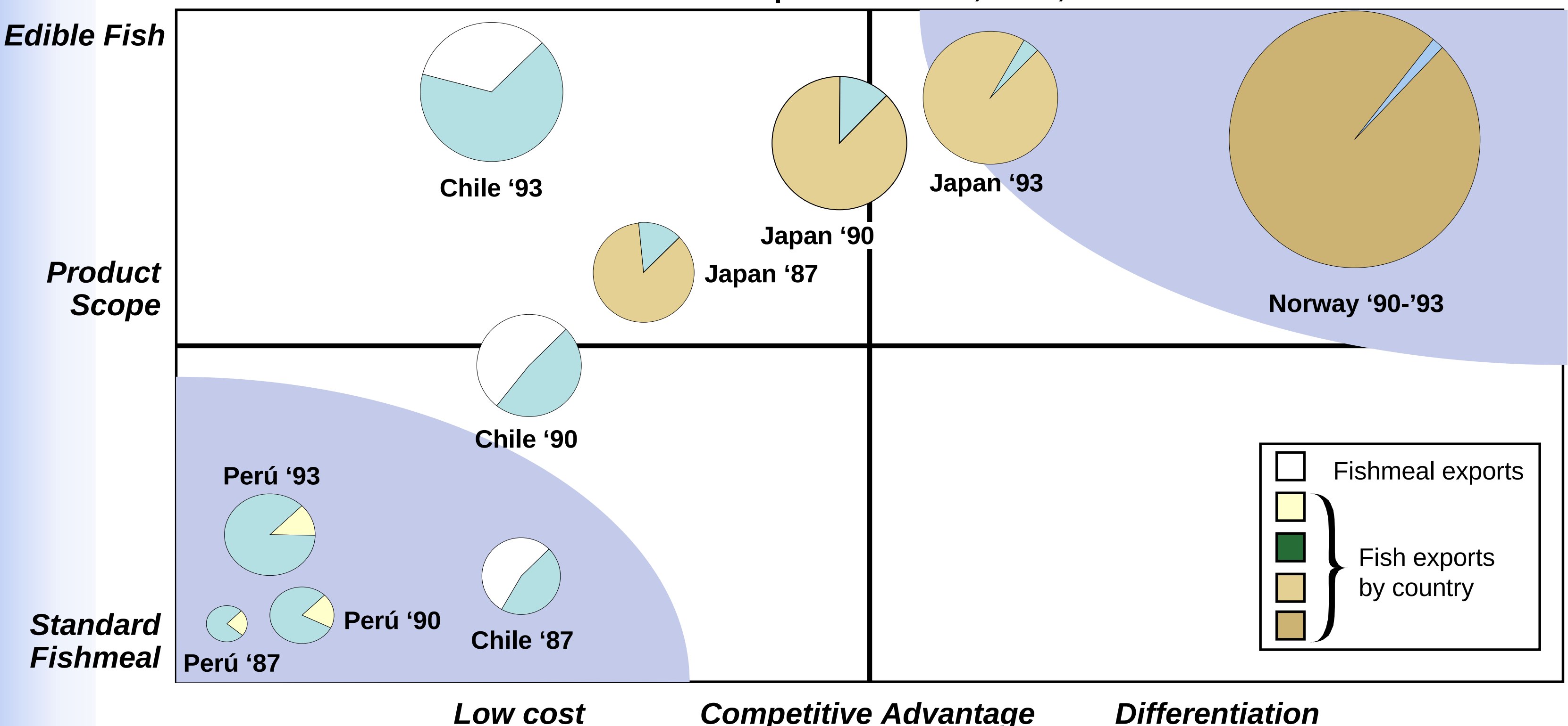


Profiling a sub-segment helps a company or an industry to improve customer learning and make strategic choices about who to serve and how to reach them

3. COMPETITIVE POSITIONING

Opportunity: Understand Competitive Position: Peru's Fish Industry

Fish and Fishmeal Exports for 1987, 1990, 1993 in $U.S.

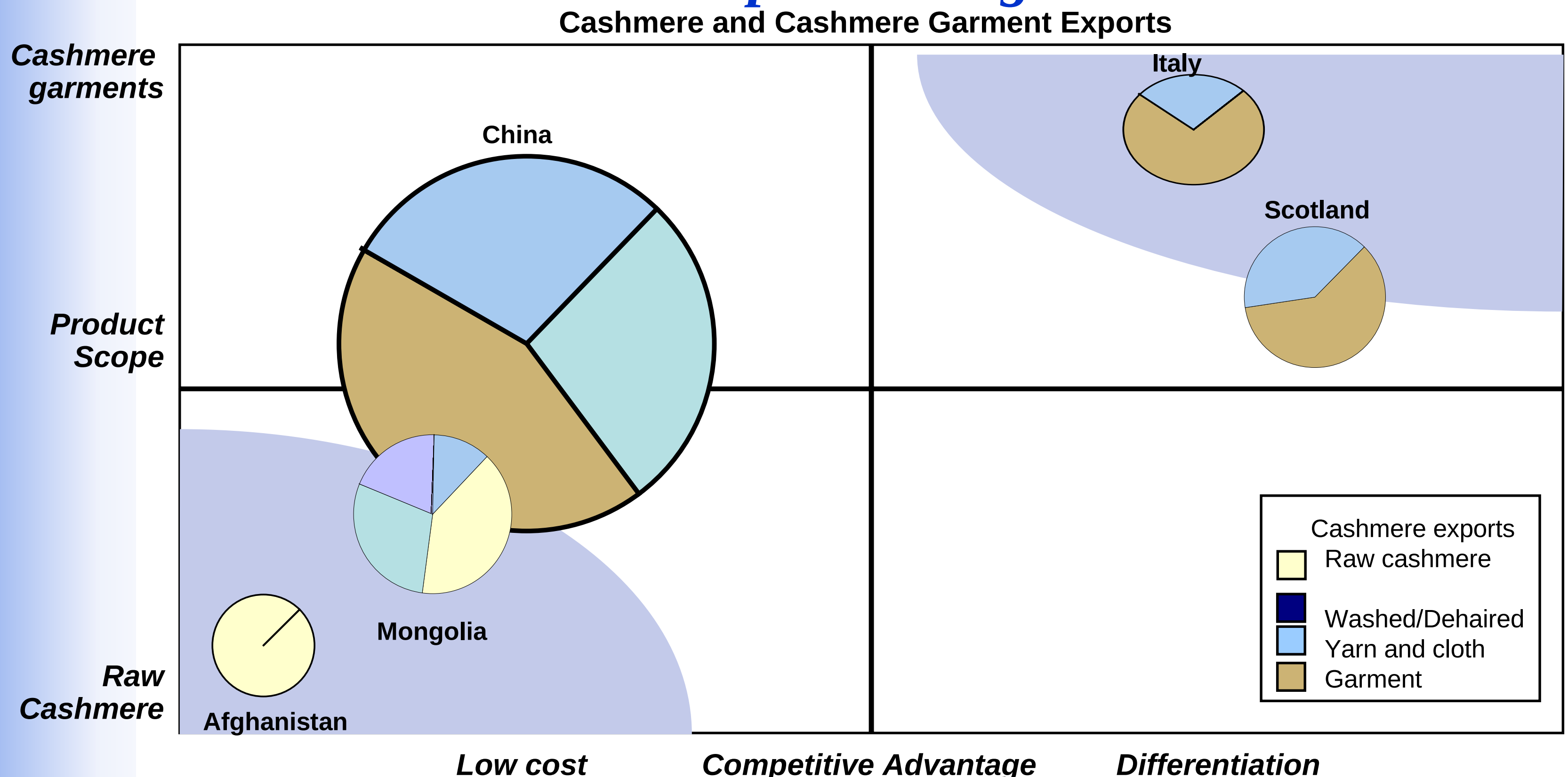


While Peruvian manufacturers are very competitive within the fishmeal segment, other producers have increased total fish export volume by migrating toward more edible fish production

= $1 Billion in Total Fish Exports

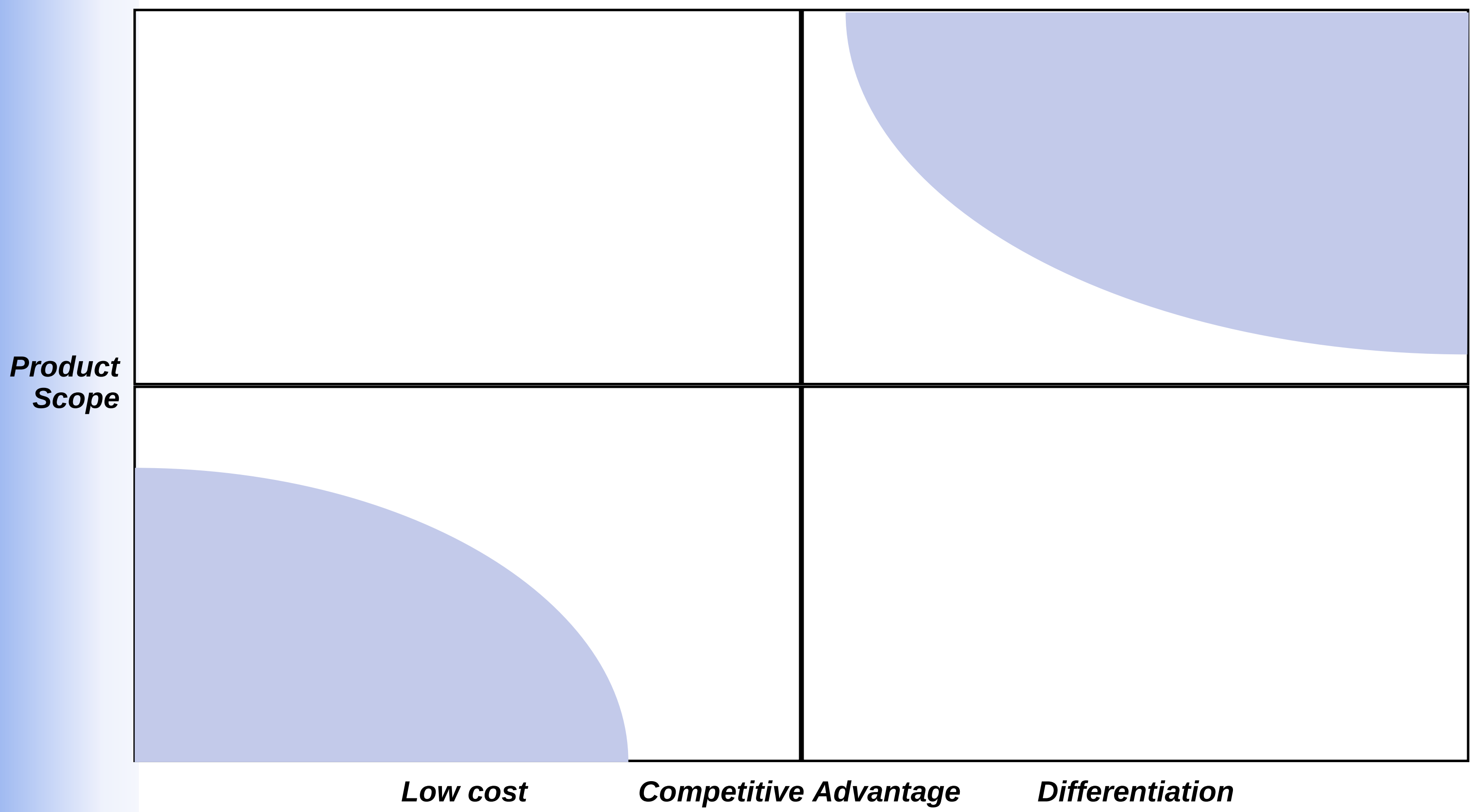
SOURCES: UNITED NATIONS TRADE STATISTICS; NATIONAL MARINE FISHERIES SERVICE; MANEDSSTATITIKK OVER UTENRIKSHANDELEN; MONITOR ANALYSIS

Understand Competitive Position and Choose Where to Compete: Mongolia's Cashmere



Mongolian cashmere is a competitive product in its raw form, but Mongolia competes in the same mass market segment as China, a bigger producer

What is Ukraine's Competitive Position?

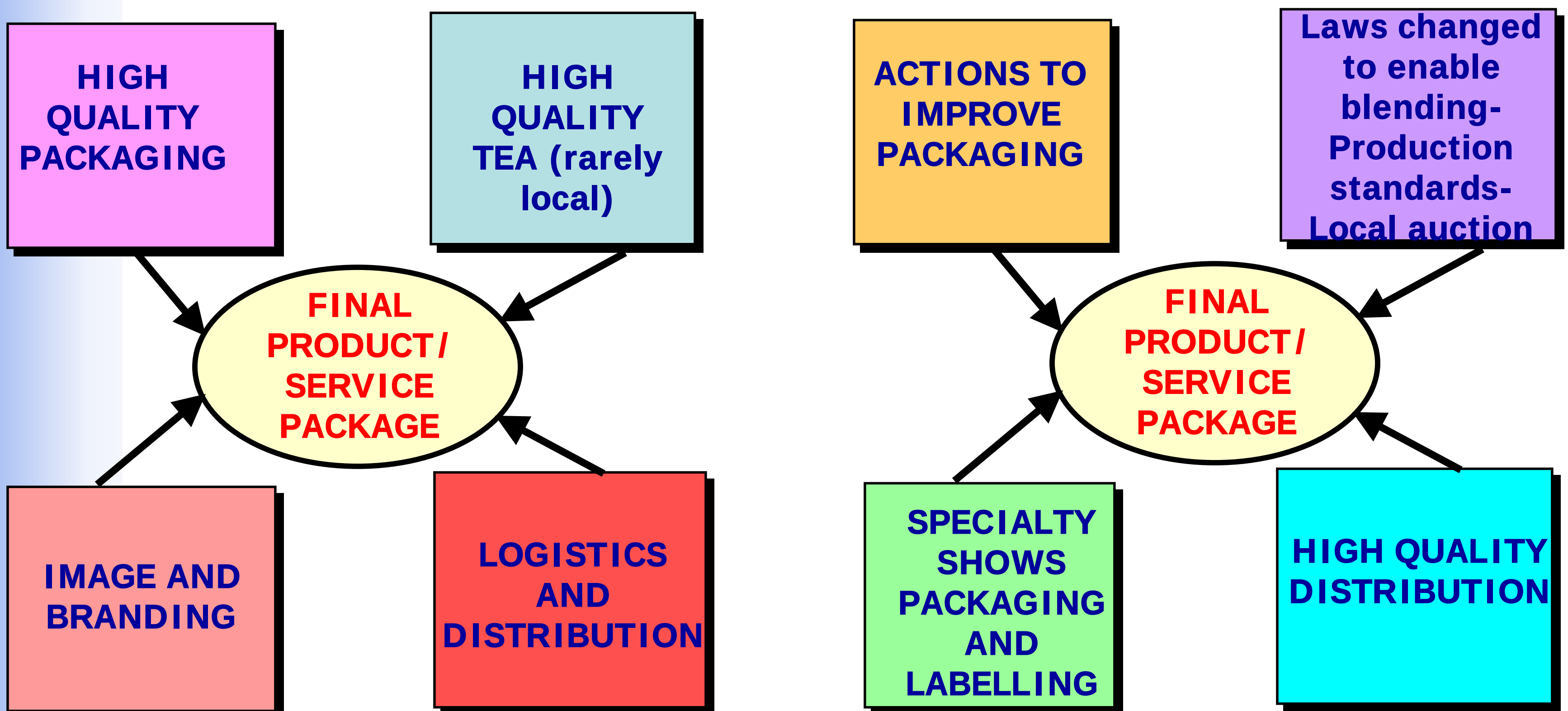


4. GAP ANALYSIS

Sri Lanka's Tea Industry – Gap Analysis

WORLD LEADERS

SRI LANKA



5. STRATEGIC REPOSITIONING

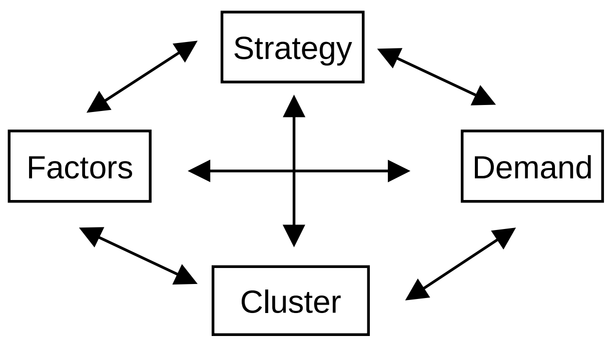
SEE River Freight Transporter Diamond

- \+ Strategy of client differentiation
- \+ Specialized and high quality service strategy
- \+ Understand market context of shipments
- \+ Build network of customer contacts
- \+ Reinvest in business
- \+ Invest in staff training, equipment
- \+ Sought strategic outside investors
- \+ Strong regional rivalry/poor domestic rivalry

HIGH

+/- Skills available, but need improvement
+ Large assets are available
+ Invest in maintaining equipment
+ Invest in market information
- River blockages
+ Competing transport modes are high cost
- Few sources of domestic finance
+ Low cost labor

BASIC – MEDIUM
ADVANCED – MEDIUM/HIGH



- Variable demand
+ Prospects for increased demand
+ Large mass-volume market
+ Significant specialized market
+ Market willing to pay more for special services
+ Regional nature of market – extends to Western Europe

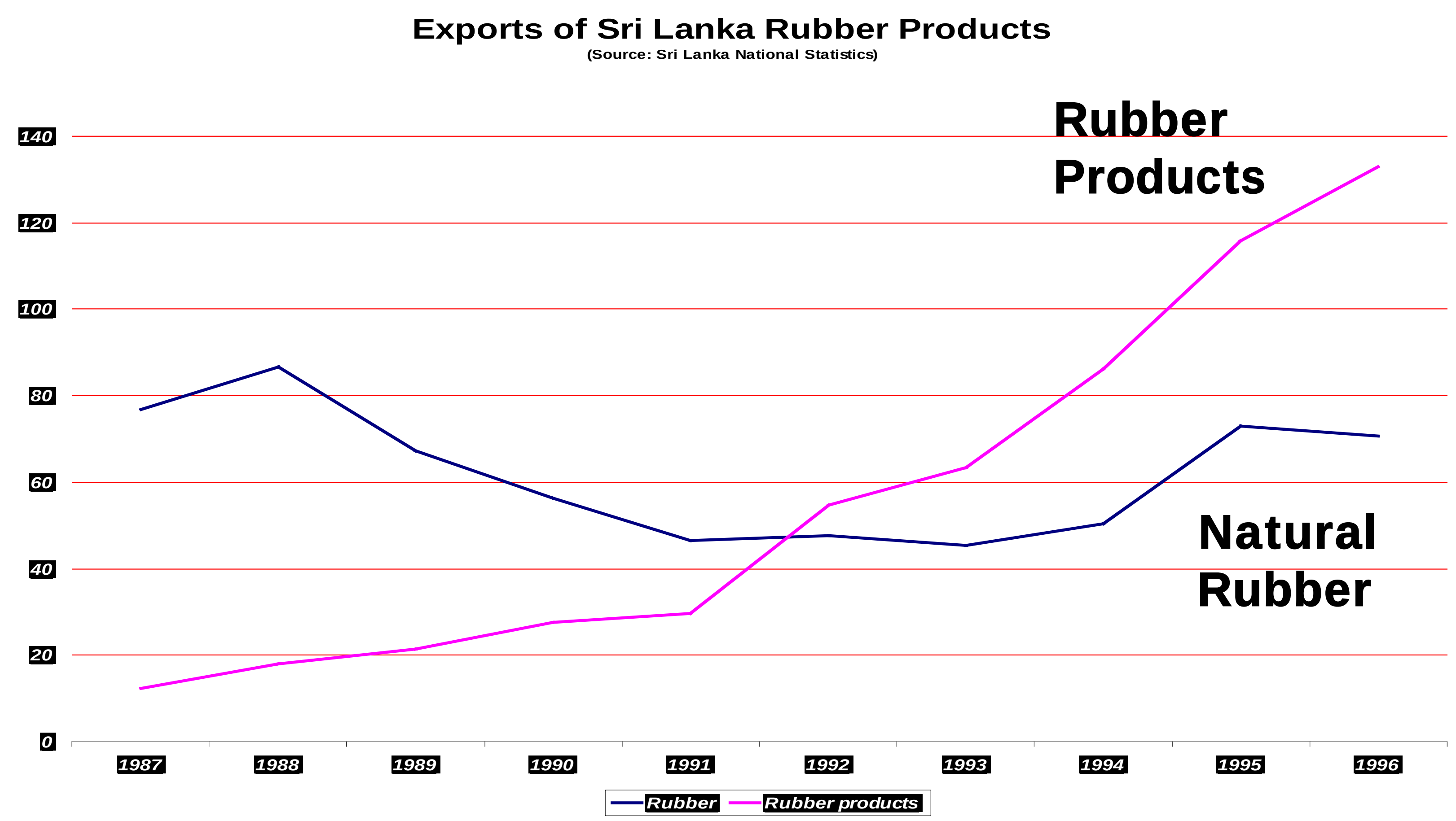
DOMESTIC – LOW
EXTERNAL – MEDIUM/HIGH

+/- Regional licensing restrictions
- Dependencies on inefficient adjacent services
+/- Reasonably good software and communications support
+ Careful to meet all EU standards
+/- Availability of maintenance and repair facilities
+/- Sources of fairly good skills and training
+/- Few institutional linkages

SOURCE IME and JAA

LOW/MEDIUM

Strategic Repositioning: Sri Lanka Rubber



Benchmarking

Benchmarking Introduction

Many countries have instituted policies and developed a favorable operational environment that encourages ceramic industry development without creating dependency

- Global Value Indicators
  - Country level
  - Industry level
  - Cost Build-up

Global Benchmarks – Country Level: Ceramics Industry

While the quantitative analysis gives the best measure of the gap between current levels and global benchmarks, the environment and policies of other countries can illustrate valuable qualitative benchmarks as well

COUNTRY	OPERATIONAL ENVIRON	POLICIES
United States	▪ Associations work to influence legislation ▪ Among high tech ceramics manufacturers and research universities, there is a vibrant culture of	▪ Department of Energy funds research and development on ceramics specifically in the Energy and Water Appropriations bill ▪ Government funds research into materials sciences at the tertiary level
Italy	▪ Flexible labor environment ▪ Creation of Industrial Districts for small scale enterprises ▪ Division of production process among many SMEs ▪ Cluster concentration of firms, human resources and training institutions. ▪ Associations act as intermediary with local and national administrations to promote firm needs.	▪ Policies largely implemented at the regional or local level where small businesses have the most power -- seldom at the national level. ▪ No coherent policy among various industrial districts.

Source: The Competitiveness Initiative (TCI) research and analysis

Global Benchmarks – Country Level: Ceramics Industry

COUNTRY	OPERATIONAL ENVIRON	POLICIES
Malaysia	▪ Training institutions customize their training curriculum and program to meet industry demand by offering courses in quality control, materials development and preparation, materials characterization and evaluation, decoration and glazing technique, instrumentations and computer aided-design and manufacturing operations ▪ High quality training programs for ceramics engineering ▪ Industries have access to facilities that allow processing and converting natural resources to high-value raw materials	▪ Policies on environmental, health and safety issues that industry must comply with ▪ Support for the expansion, diversification and modernization (through technology upgrade) of the traditional ceramics producers that tend to be SMEs ▪ incentive programs that enable the industry to move to high value-added products by technology acquisition, R&D, plant modernization and human resource development ▪ Strengthening public and private sector capacity in R&D and commercialization of prototypes ▪ Promoting R&D in leading edge technologies and design ▪ Establishment of a specialized R&D institute for ceramics and advanced ceramics

Source: The Competitiveness Initiative (TCI) research and analysis

Global Benchmarks – Country Level: Ceramics Industry

Top performers in the global ceramics industry use some of the following methods to enhance their business practices:

- **Use of periodic kilns for fast firing sanitaryware;**
- **Tie-ups with technology providers;**
- **Using piped gas as a supply to reduce energy costs;**
- **Maintain a critical level of raw material inventory;**
- **Ability to offer the latest designs and varieties;**
- **Demand forecasting, production planning, inventory management and logistics management critical to keep inventory costs low;**
- **ISO 9000 and 14000 certification;**
- **E-commerce initiatives to gain wider market access**

Source: The Competitiveness Initiative (TCI) research and analysis

Global Benchmarks – Country Level: Ceramics Industry

We have identified two top-performing firms in the industry worldwide and have performed a more detailed benchmarking analysis on each

AMERICAN STANDARD

- Leading producer of bathroom and kitchen fixtures and fittings
- Company performance initiatives have led to improved performance and reduced costs.

MIKASA, INC.

- Upscale product line
- Diversified sources of supply
- Recognized as a marketing, distribution and retail operation (rather than manufacturing)

Source: The Competitiveness Initiative (TCI) research and analysis

Global Benchmarks – Country Level: Ceramics Industry

American Standard Value Chain Analysis

Administrative and Management Functions
(includes strategy function, process innovation and technology improvement)

Research & Development	Procurement	Production	Distribution	Sales & Marketing	Customer Service
• Majority of R&D spent outside of plumbing products segment.	• Initiative to decrease no. of vendors and improve supplier logistics • Just in time supply delivery schedules	• Sigma Six initiative launched to improve manufacturing processes. • Demand flow initiated to streamline production and improve quality control. • Shift of manufacturing to lower-cost facilities	• Efficient and flexible distribution system.	• Programs to expand presence in high-quality showrooms featuring higher end products • Growing retail home center industry market channel boost sales	• Industry-leading order-to-order delivery cycle times. • Technological leadership & product innovation for changing customer needs

Source: The Competitiveness Initiative (TCI) research and analysis

Global Benchmarks – Country Level: Ceramics Industry

Mikasa value chain analysis

Administrative and Management Functions
(includes strategy function, process innovation and technology improvement)

Research & Development
- A significant amount of research focuses on product design

Procurement
- Some short-term contractual arrangements with many suppliers expiring after 1 year.
- Products manufactured by companies with long-term relationship (>30 yrs) with the Company.

Production
- Production contracted out to geographically diverse group of manufacturers.
- >90% of products manufactured outside U.S.
- Rigid quality control program

Distribution
- Mainly through its Company owned and operated retail store network.
- Internationally, sold through authorized distributors.
- Large inventory base due to broad product line and need to service retail accounts

Sales & Marketing
- Design products to meet customer preference
- Company product development team travels extensively to Europe, Asia and major fashion/design shows around the world
- Utilization of retail store network to test new products
- Offers products on a limited time basis

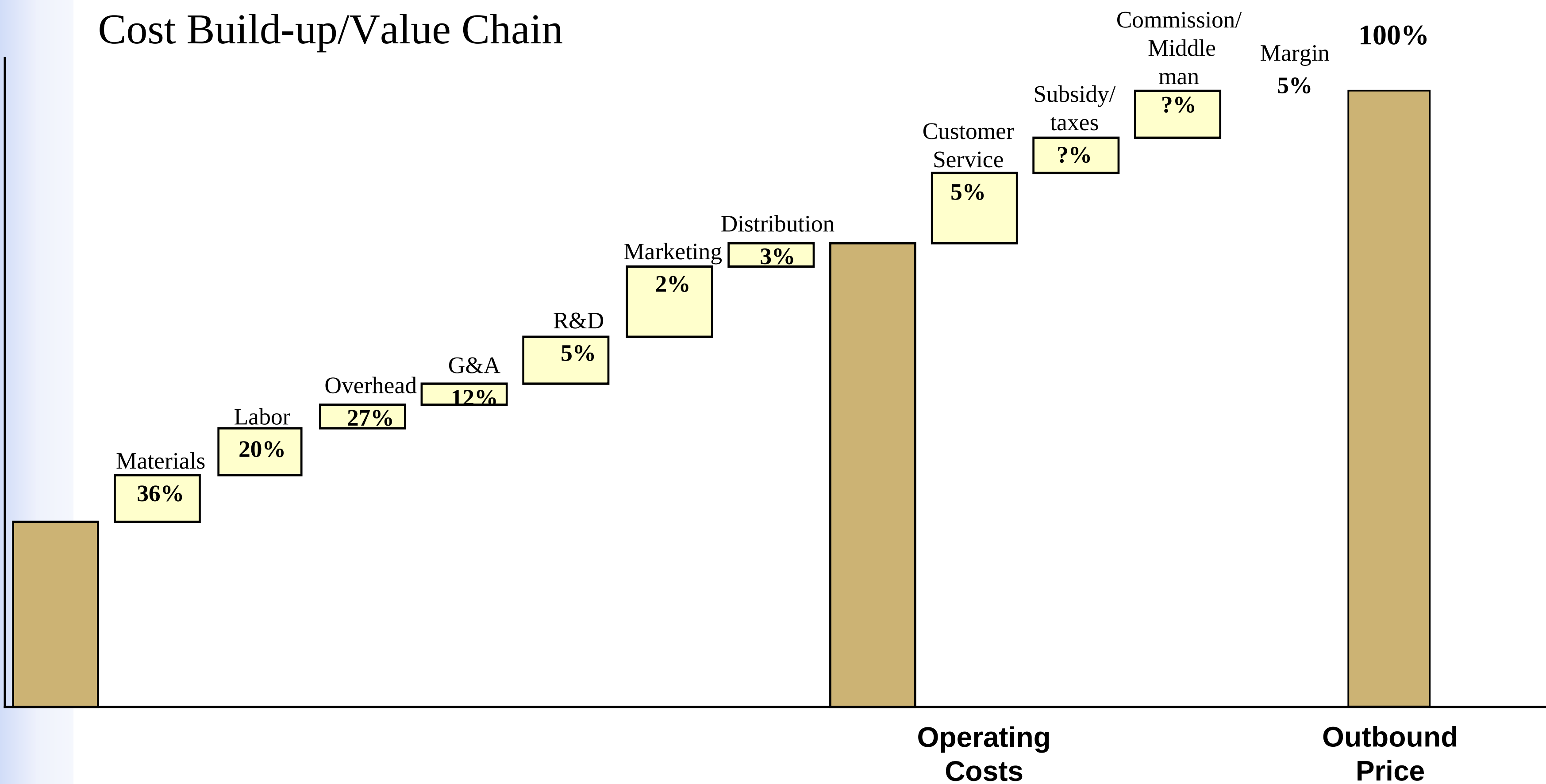
Customer Service
- MIS designed to serve customer service needs.

Source: The Competitiveness Initiative (TCI) research and analysis

Global Benchmarks – Country Level: Ceramics Industry

The cost build-up for a typical best practice company in the ceramics industry

Cost Build-up/Value Chain



Source: The Competitiveness Initiative (TCI) research and analysis

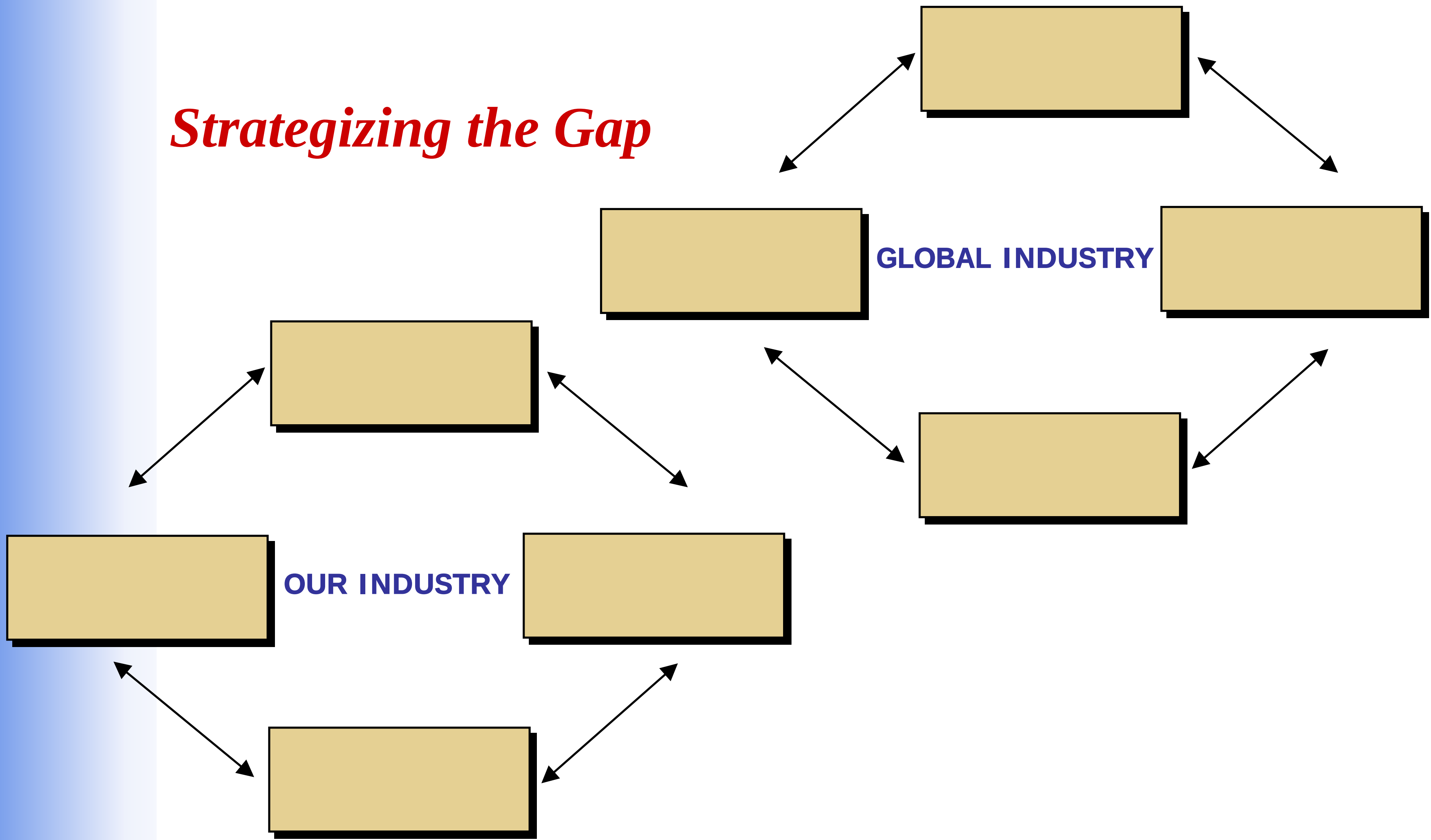
Sri Lanka Value Indicators – Industry Level: Ceramics Industry

While value chain analysis is generally applied at the company level, going through the exercise using an indicative national ceramics producer is instructive

Administrative and Management Functions
(includes strategy function, process innovation and technology improvement)

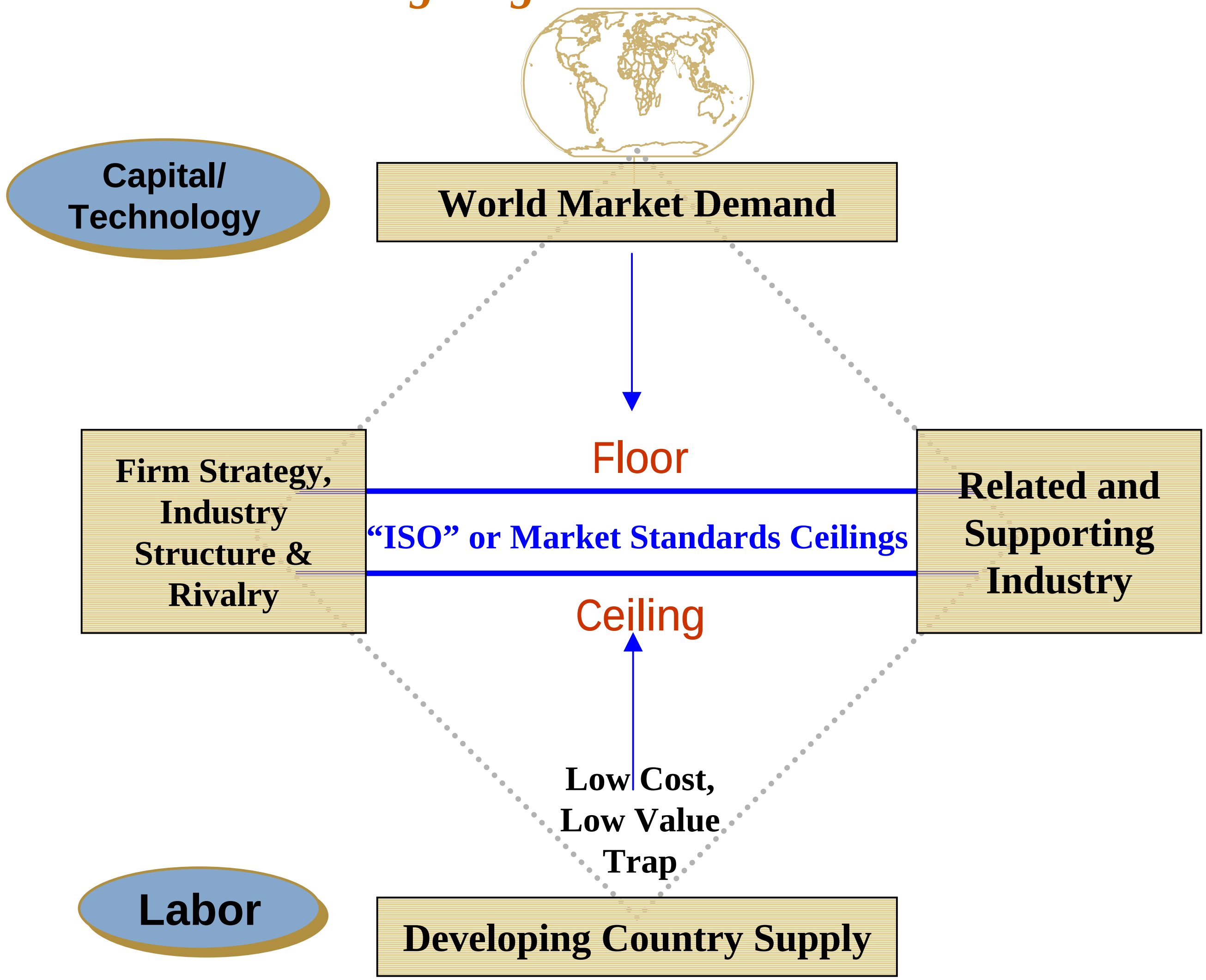
Research & Development	Procurement	Production	Distribution	Sales & Marketing	Customer Service
• Very small percentage spent on R&D • Low levels of joint support • Low levels of public support • Lack of access to existing lab	• 20-50% is outsourced. • World class quality of raw materials • Individual procurement. • Inconsistent quality of material • Quasi monopoly on raw material	• Although not cutting edge, high level of tech. • Low labor costs • Low capacity • High quality output	• Buying offices in other countries • Lack of financing for cost and risk of distribution • Diversification of of distribution channels lacking	• Lack of marketing in the end users territories. • Lack of exposure in regional publications	• Little direct contact with the end customer

Strategizing the Gap



The Strategy Diamond

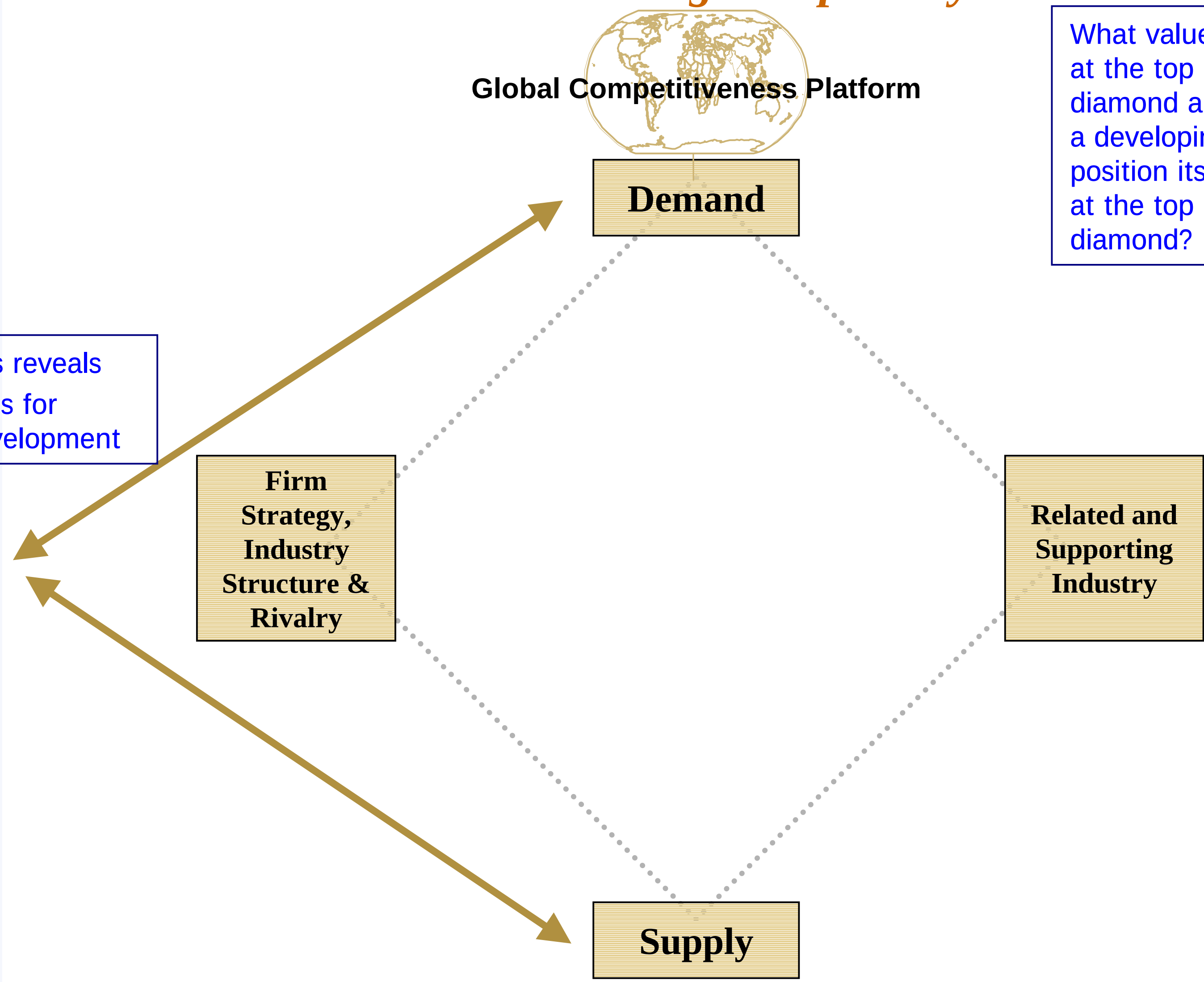
Targeting Global Standards



The Strategy Diamond

Benchmarking – Gap Analysis

What values are added at the top of the diamond and how can a developing country position itself to work at the top of the diamond?



Gap Analysis reveals Opportunities for Strategy development

What is Competitiveness?

THE NEW COMPETITIVENESS PARADIGM

Political, Legal, and Macroeconomic Context

Sophistication of Company Operations and Strategy

Quality of the Microeconomic Business Environment

Microeconomic Foundations

Source: Michael Porter, 1998

MACROECONOMIC PLATFORM:

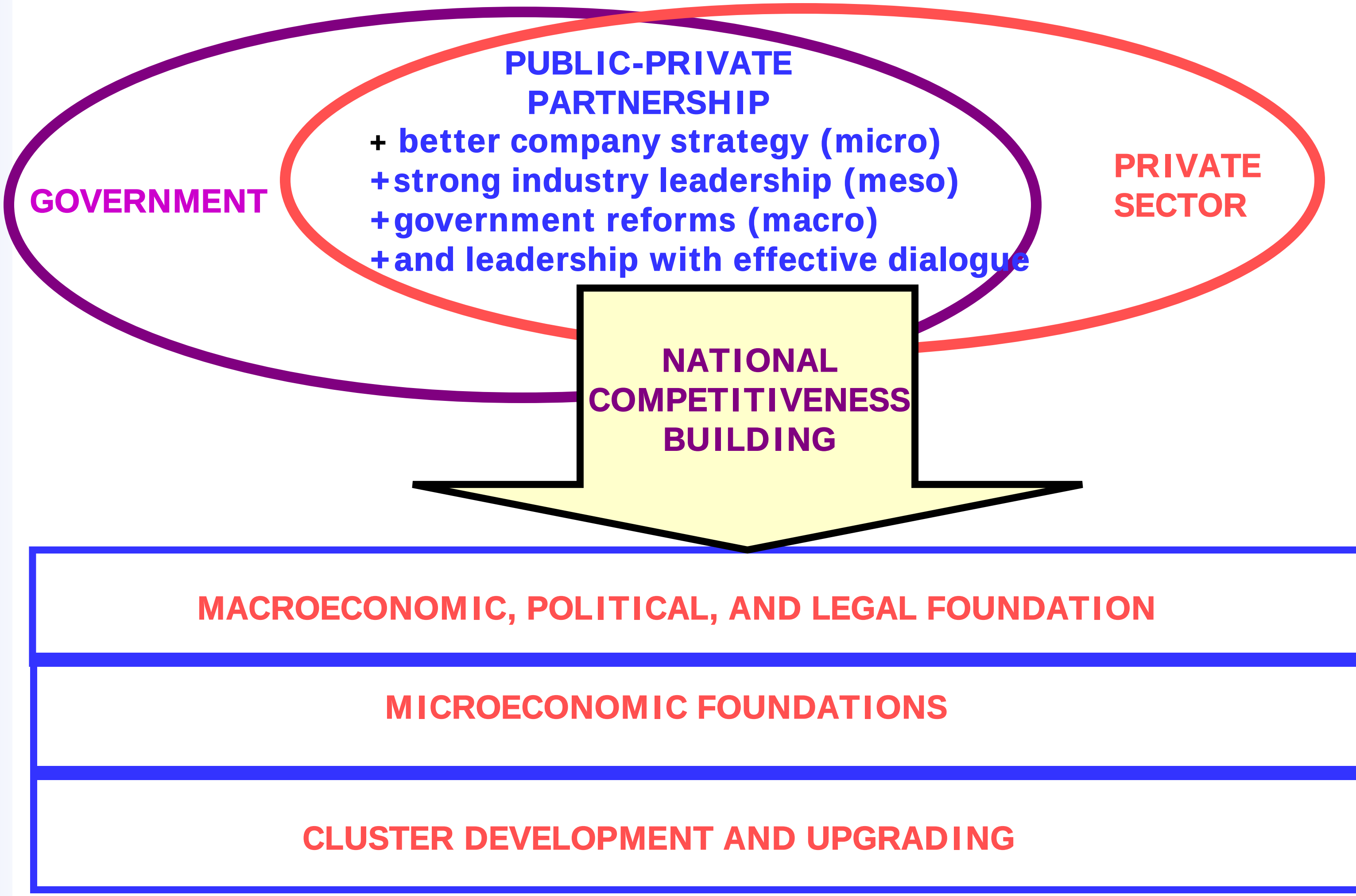
• Monetary Policy:	Low Inflation
• Fiscal Policy:	Controlled Budget Deficits
• Trade:	Low Tariffs
• Foreign Exchange	Good Convertibility

But…private investment response is not automatic!!!

Micro Economic Environment

- Privatization
- Banking Reform
- Rule of Law
- Commercial Law / Judicial Recourse / Arbitration
- Anti-Corruption
- Trade / Investment Promotion
- Small Business Facilitation
- Civil Service Reform
- Education Reforms
- Workforce Development
- Industrial Parks, FTZs, EPZs
- IT-Knowledge Parks
- Labor Laws and Mediation
- Infrastructure PPI / PPP / BOT
- Standards Bureaus
- Telecom, IT and E-commerce
- Intellectual Property Rights
- Sector-Specific Initiatives
  - Agriculture
  - Industry
  - Tourism, etc.

PUBLIC–PRIVATE PARTNERSHIP ON COMPETITIVENESS BUILDING



Pursuing Effective Dialogue

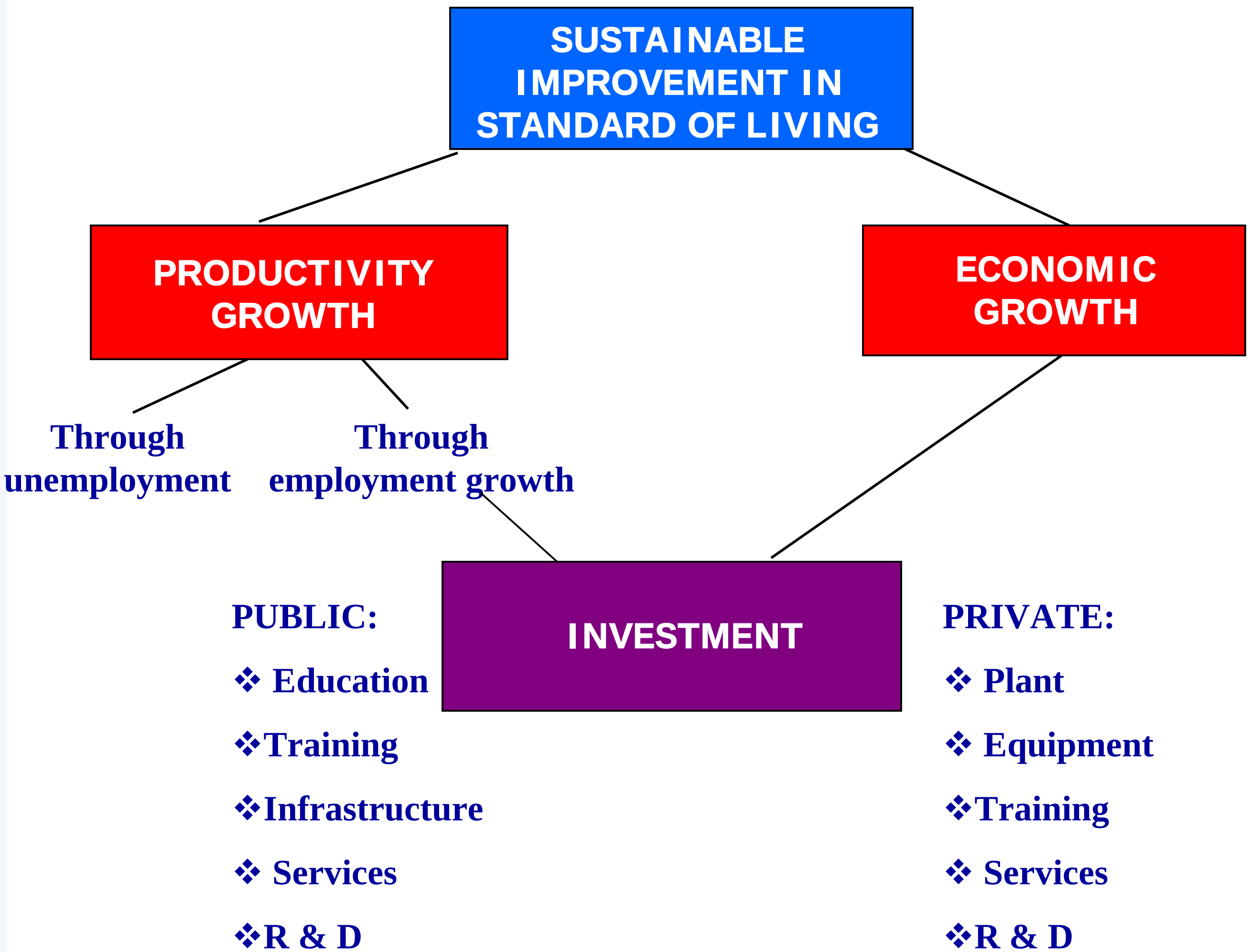
INEFFECTIVE

- Individual Company
- Ad-hoc Complaints
- Operational Level
- Laundry Lists
- Anecdotal Evidence
- Concessions
- Opposite Sides

Pursuing Effective Dialogue

INEFFECTIVE	EFFECTIVE
• Individual Company	• Industry Clusters
• Ad-hoc Complaints	• Comprehensive Vision
• Operational Level	• Strategy
• Laundry Lists	• Priorities
• Anecdotal Evidence	• Data and Analysis
• Concessions	• Co-Responsibility
• Opposite Sides	• Same Side of Table

COMPETITIVENESS FLOWCHART



Source: Adapted from Howard Rosen, Former Executive Director of US Competitiveness Council and Consultant to J. E. Austin Associates

SETTING NATIONAL GOALS

In order to dramatically increase Ukrainian GDP per capita to $**** and achieve full employment**

- **Achieve GDP growth of 6-10 percent annually**
- **Increase national investment to 30 percent of GDP**
- **Increase FDI to 5-10 percent of GDP**

Source: Adapted from Howard Rosen, Former Executive Director of US Competitiveness Council and Consultant to J. E. Austin Associates

Why Emphasize Competitiveness Councils?

- **Business cannot do it alone; Public sector cannot do it alone**
- **Other vital partners**
- **Common vision; not fragmented approaches**
- **National strategy**
- **Leadership and champions; not just the traditional organizations**
- **Transparent monitoring and evaluation**
- **Non-partisan, impartial**
- **Can be replicated at regional levels**

Elements of a Competitiveness Council Approach

- Leadership Map
- Competitiveness Benchmarking
- Inform Ukrainians about competitiveness
- Industry strategy
- Setting national objectives
- National accords
- Implementation by business, government, educators

Typical Tasks of the Competitiveness Council

- ❖Primary national institution for economic policy dialogue
- ❖Strategic recommendations for promoting competitiveness
- ❖Advise / monitor actions to improve business environment
- ❖Assess Ukraine's economic growth and competitiveness
    - ❖Annual Competitiveness Report
    - ❖Annual Competitiveness Challenge Report
- ❖Support programs to enhance competitiveness

(cont'd)

Typical Tasks of the Competitiveness Council

(cont'd)

- **Promote productivity and quality excellence**
- **Deepen cooperation**
- **Support critical improvements in education and training**
- **Provide guidance for legislative and policy framework**
- **Encourage strategy re competitive and productive FDI**
- **Encourage investment in R&D, technology, innovation**
- **Help to institutionalise public - private dialogue and transparency**

WHAT HAVE COMPETITIVENESS COUNCILS ACHIEVED?

- **Impact on Policy Reform**
  - Tone of the Debate
  - Setting the Right Objective (Change in Focus)
  - Prioritization
  - Implementation
  - Mobilization of Support for Change
- **Impact on Private Sector Productivity**
  - Entrepreneurship and Business Formation
  - Cooperation Among Industry Clusters
  - Strategies of Existing Corporations (Governance)
  - Mobilization of Investment
  - Reduction of Administrative Barriers
  - Micro-Macro Linkages

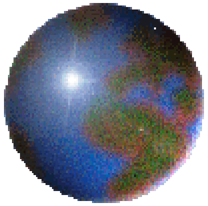
(cont'd)

WHAT HAVE COMPETITIVENESS COUNCILS ACHIEVED? (cont'd)

- **Impact on Business-Government Dialogue**
  - **Effective Versus Ineffective Dialogue**
  - **Building Trust and Social Capital**
- **Impact on Mindsets and Attitudes of People**
  - **Productivity**
  - **Flexibility**
  - **Cooperation**
  - **Emigration**
  - **Savings**
  - **Entrepreneurship**
  - **Role Models**
  - **Popular Culture**

Implications for Ukraine:

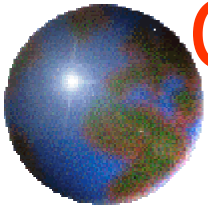
- **Is it *relevant* to Ukraine?**
- **Is there *receptivity* among leadership?**
- ***Who* should be involved?**
- ***Which* industry clusters?**
- **Are there specific cases of “*champions*”?**
- **What are the *next steps*?**



Competitiveness Projects' Websites

Southeast Asia:	**www.seasia-strategy.com**
Sri Lanka:	**www.competitiveness.lk**
Bulgaria:	**www.competitiveness.bg**
Mongolia:	**www.tcimongolia.org**

THANK YOU



Створювання конкурентноздатності в Україні

Презентація

Мартіна Веббера та Джана Тютюнчи

J.E. Austin Associates

Контактувати Джана Тютюнчи,

2101 проспект Уілсона, С'юіт 1100, Арлінгтон, VA 22201

www.jeaustin.com

ctutuncu@jeaustin.com

програма

- Введення та обговорення цілей
- Хто заплатить більше? – поєднання зі стратегією конкуренції
- Інструменти діагностики конкурентноздатності
- Розуміння “Діаманту глобальної конкурентноздатності”
- Випробувальна Стратегія Зусиль
- Державно-приватний діалог та роль державного сектору
- Підхід до створення конкуренції. Очікувані результати

Загальне бачення

- **Українські компанії впроваджують стратегії, що дозволяють конкурувати з найкращими в світі в рамках диференційованої продукції, якості та рівня обслуговування.**
  - **Впізнати та продати тим споживачам, що згодні платити більше за обслуговування та якість**
- **Згруповані зусилля підтримують ці стратегії**
- **Бізнес середовище розвиває стратегію конкуренції та інвестування**

ЧОМУ ДЛЯ ЛІДЕРІВ КОНКУРЕНЦІЯ ВИНИКАЄ ЯК ПРОБЛЕМА №1?

- **Вступ до ЄС**
- **Глобалізація**
- **Лібералізація**
- **Приватизація**
- **ВОТ/Регіональні Торгові Угоди**
- **Технологічні зміни**
- **Необхідність для перехідних економік**

Наслідки для України

- **Чи це суттєво?**
- **Чи є *чутливість* серед лідерства?**
- ***Хто* має бути залученим?**
- **Чи є “чемпіони”?**

Створювання конкурентноздатності України

Що такe конкуренція?

- **Конкуренція може бути визначена як можливість економіки виробляти товари та послуги, які випробуються на міжнародних ринках, тоді як рівень життя громадян покращується і залишається стабільним на протязі тривалого періоду.*(Рада з Конкуренції США)***

- **Конкуренція – це якість середовища на інвестування та зростаючу продуктивність в умовах макроекономічної стабільності та інтеграції в міжнародну економіку. *(Міжамериканський Банк Розвитку, Бізнес Зростання, 2001)***

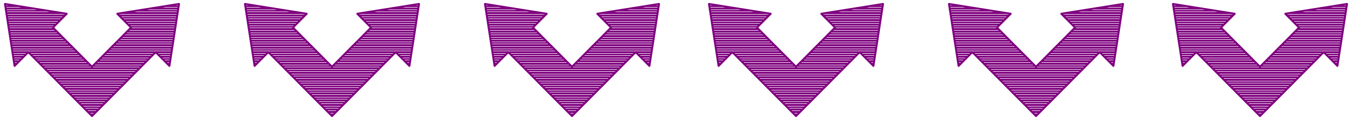
- **Конкуренція може бути визначена як постійне зростання в продуктивності, що веде до покращення середнього рівня життя громадян. *(Майкл Портер)***

Що таке конкуренція?
Конкуренція НЕ є…

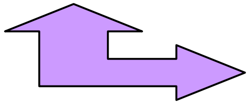
- **Багаті природні ресурси**
- **Дешева робоча сила**
- **Дешевий доступ**
- **Знецінення національної валюти**
- **Чудове розташування**
- **Кращі державні “стимули”**
- **Економічне зростання**
- **Позитивні торгові баланси**

Створювання конкурентноздатності України

Гондурасська асоціація легкої промисловості



Зростання 502% 30% 18% 37% 16.7% 18.9%



Через п'ять років

джерело: IDS

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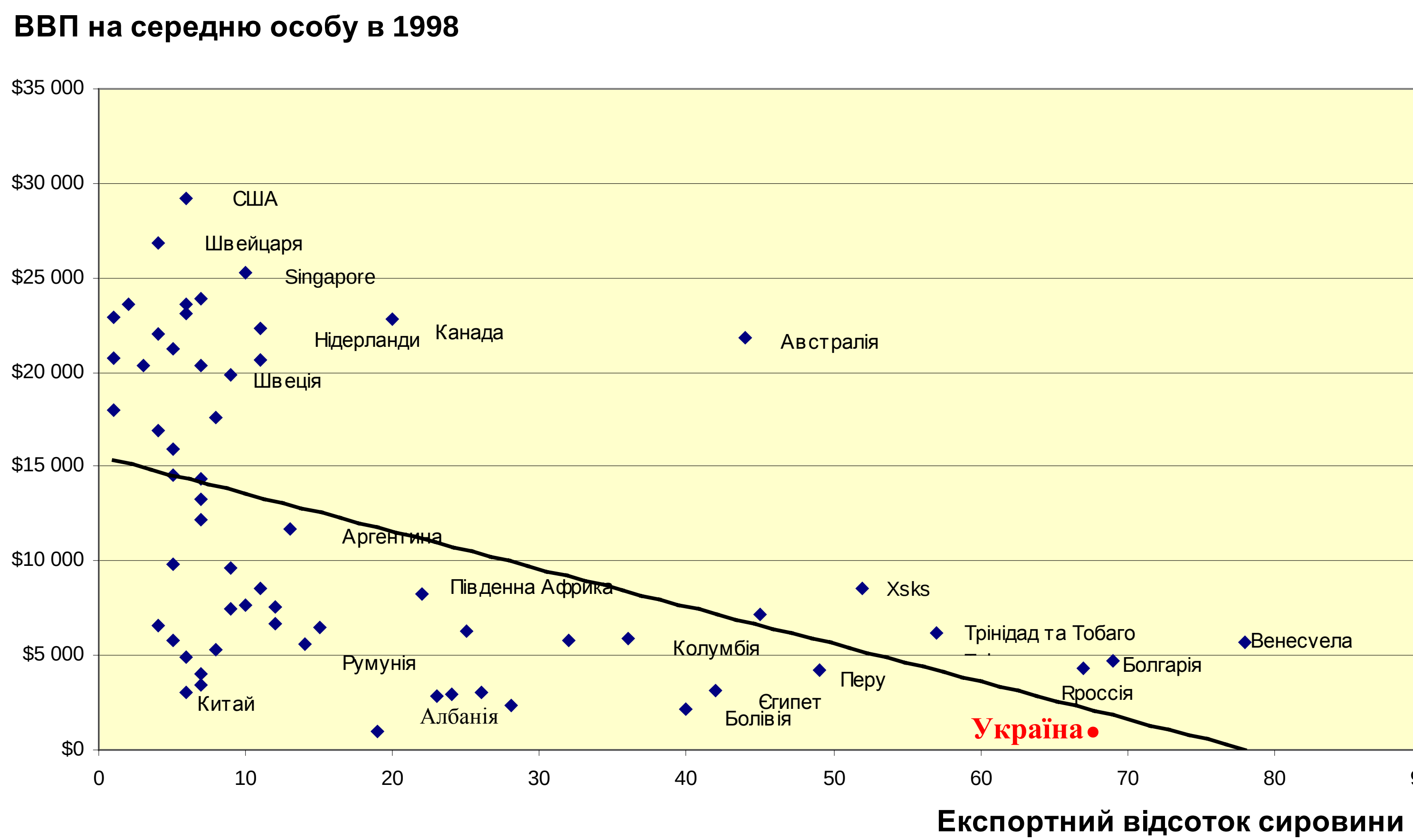
Створювання конкурентноздатності України

Відношення залежності від природних ресурсів до ВВП на середню людину



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Туристичний капкан

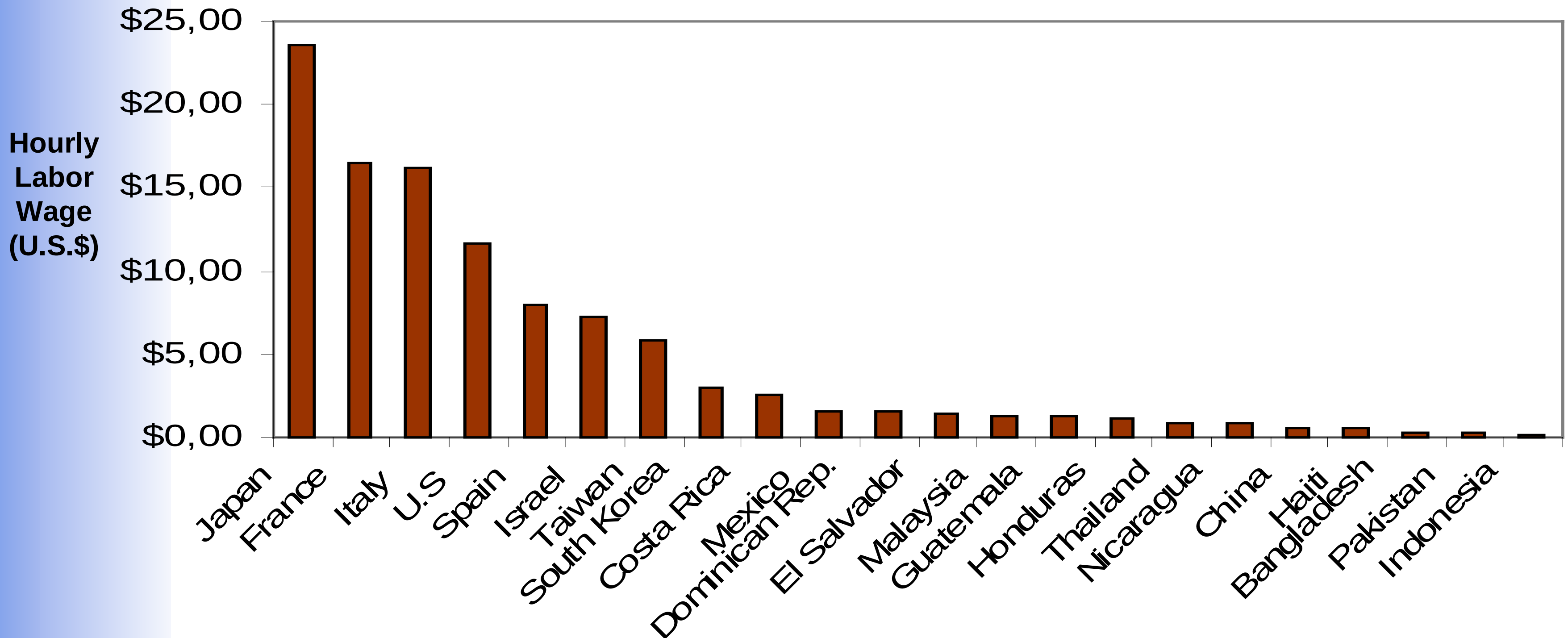
- **Залежність від чартерних перевізників**
- **Боротьба за створення іміджу**
- **Невдача захопити найвищу цінність**
- **Легко повторювана стратегія**
- **Стійкий рівень низької заробітної платні**

Створювання конкурентноздатності України

Що таке конкуренція?

Стратегія низьких цін, що заснована на стратегії низької зарплатні, не забезпечує постійну конкурентну перевагу

Рівень зарплатні в текстильній індустрії



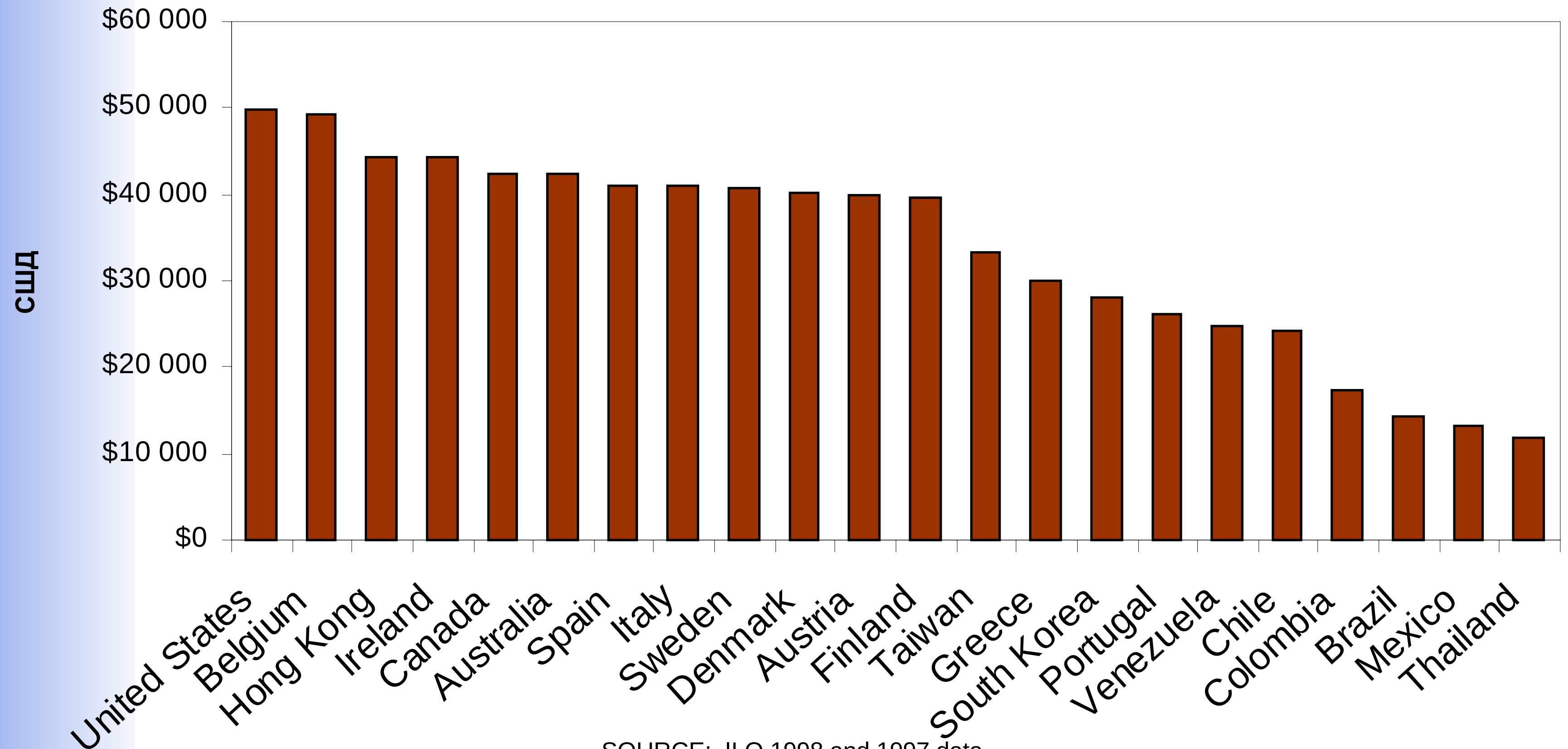
SOURCE: Bobbin Magazine 1999 averages,developed countries statistics are from Gherzi Textile Organization

Створювання конкурентноздатності України

Що таке конкуренція?

Конкуренція як продуктивність

Додаткова вартість на кожного працівника



SOURCE: ILO 1998 and 1997 data

Створювання конкурентноздатності України

Високотехнологічна продукція домінує над експортним розширенням

(Середньорічний зріст експорту, 1985-98)

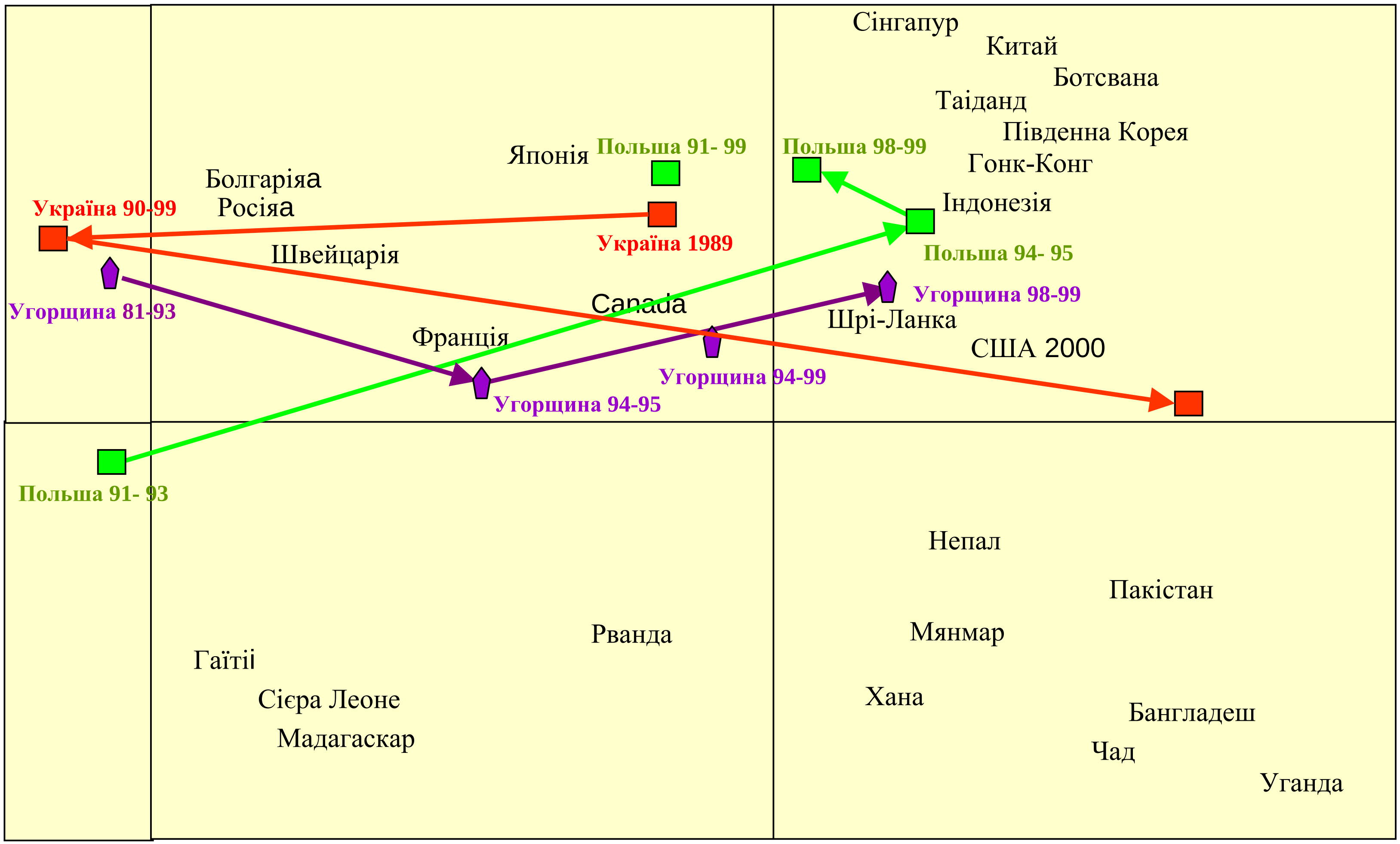
сфера	Високотехнол. виробники	Середньотехнол виробники	Низькотехн. виробники	Виробники зале-жні від ресурсів	сировина
Світ	13,1	9,3	9,7	7,0	3,4
Країни, що розвиваються (a)	21,4	14,3	11,7	6,0	1,3
Високий дохід OECDs (b)	11,3	8,5	8,5	7,0	4,4

a. Включає країни Східної Європи та Співдружність Незалежних Держав
b. Включає Кіпр, Ізраїль та Мальту

Джерело: Звіт про людський розвиток , 2001

Продуктивність інвестицій

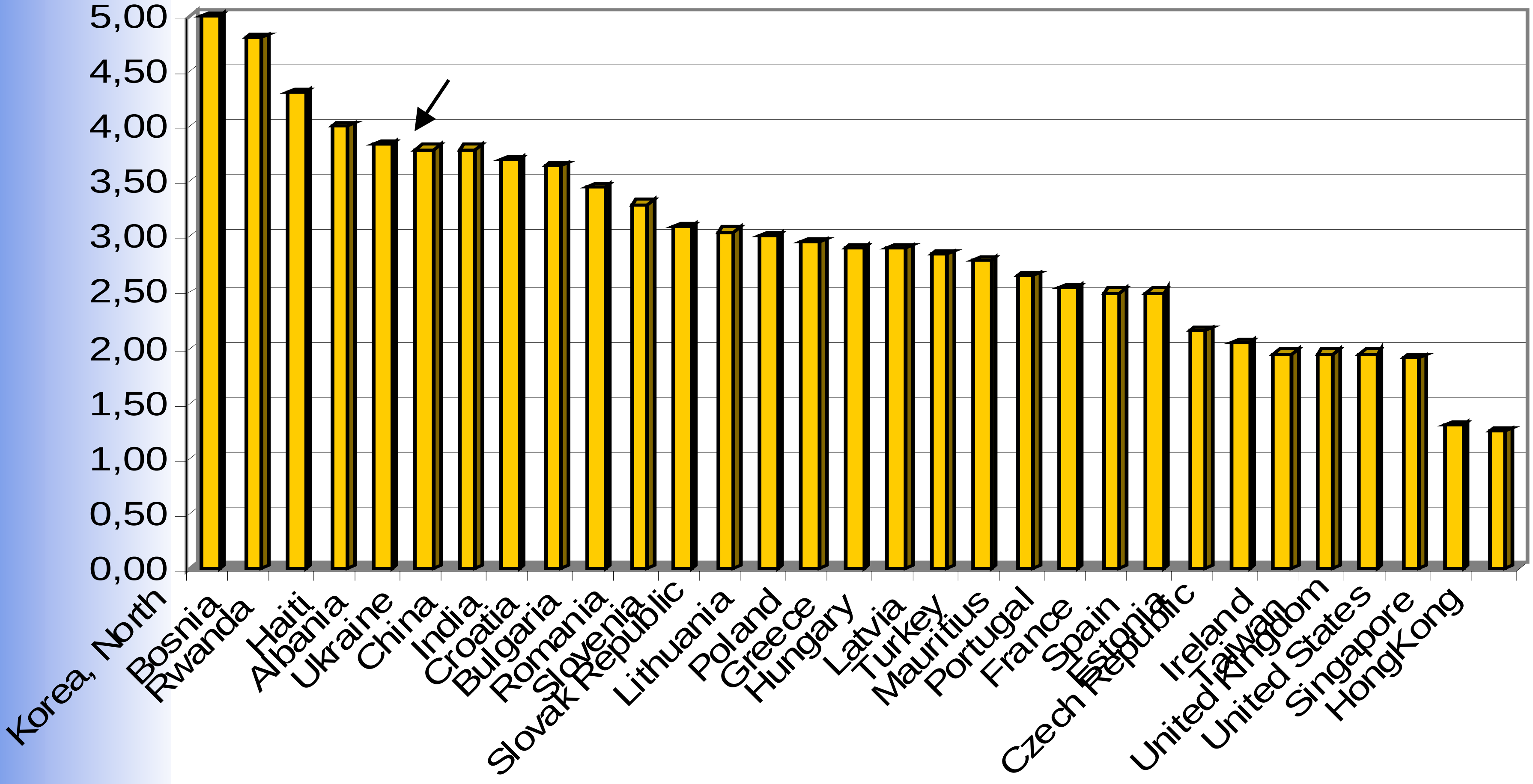
Інвестиції/ вихід продукту



Source: JAA's updates and analysis, inspired by the Monitor Company

Створювання конкурентноздатності України

Індекс Незалежної Фундації Економічного Спадку : обрані країни



Source: 1999 Index of Economic Freedom, The Heritage Foundation, 1999.

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Деякі ключові питання

Які напрямки опанування застосовують найвищі світові виробники?

За які саме якості споживач здатний додатково заплатити?

Ринок/Ланцюг дистрибуції ?

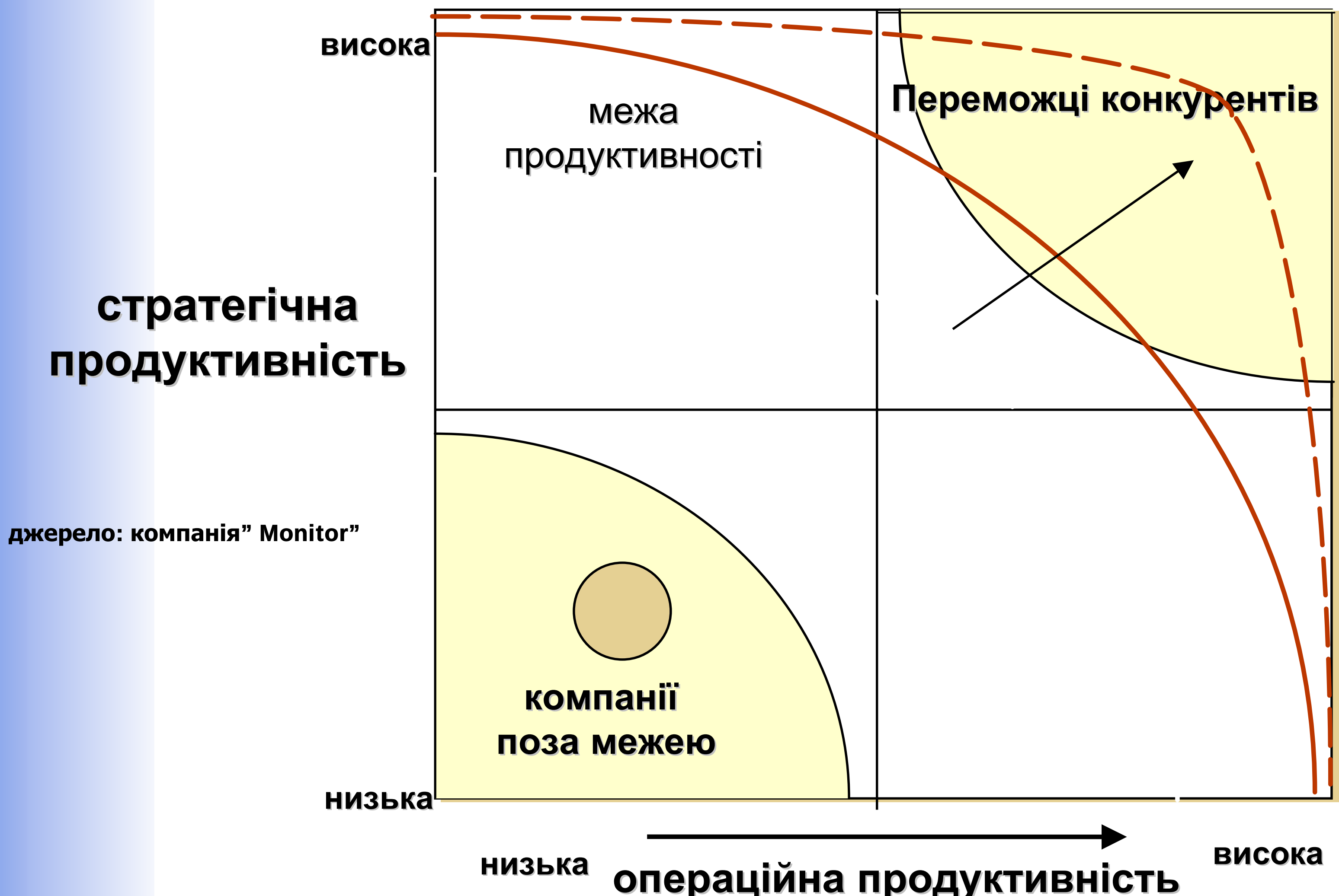
Кінцевий споживач?

Послуги?

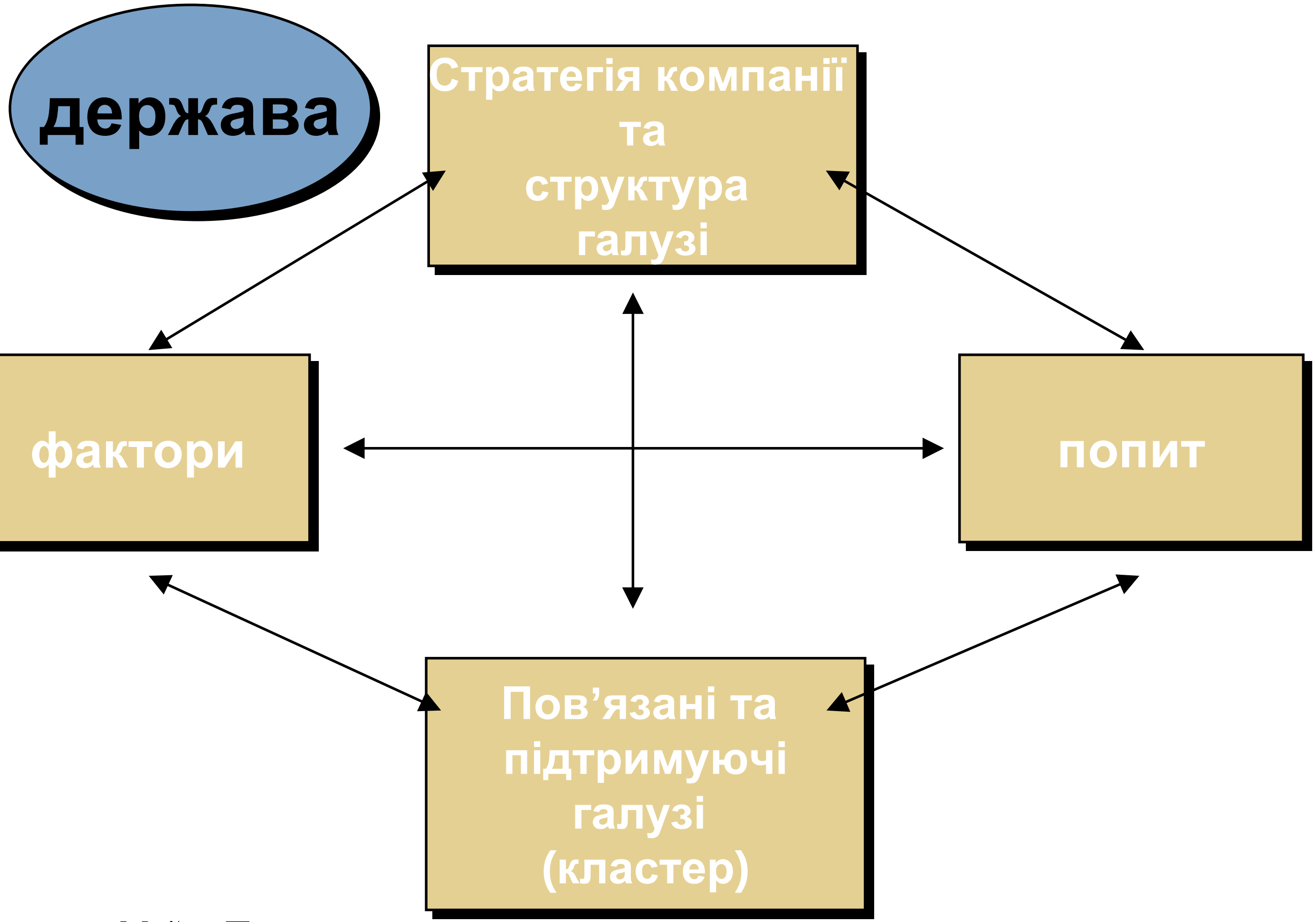
Чи легше робити бізнес в бізнес середовищі і чи залучає воно інвестиції?

Створювання конкурентноздатності України

Компанія: правильна стратегії <u>та</u> успішна діяльність



Діамант конкурентноздатності



Джерело: Майкл Портер
J. E. Austin Associates

Діамант конкурентноздатності

Компанії та індустрії частіше всього встановлюються, базуючись на наявних базових факторах.

фактори

Джерело: Майкл Портер

Діамант конкурентноздатності

Компанії та індустрії мають бути сфокусовані на потребах конкретних споживачів.

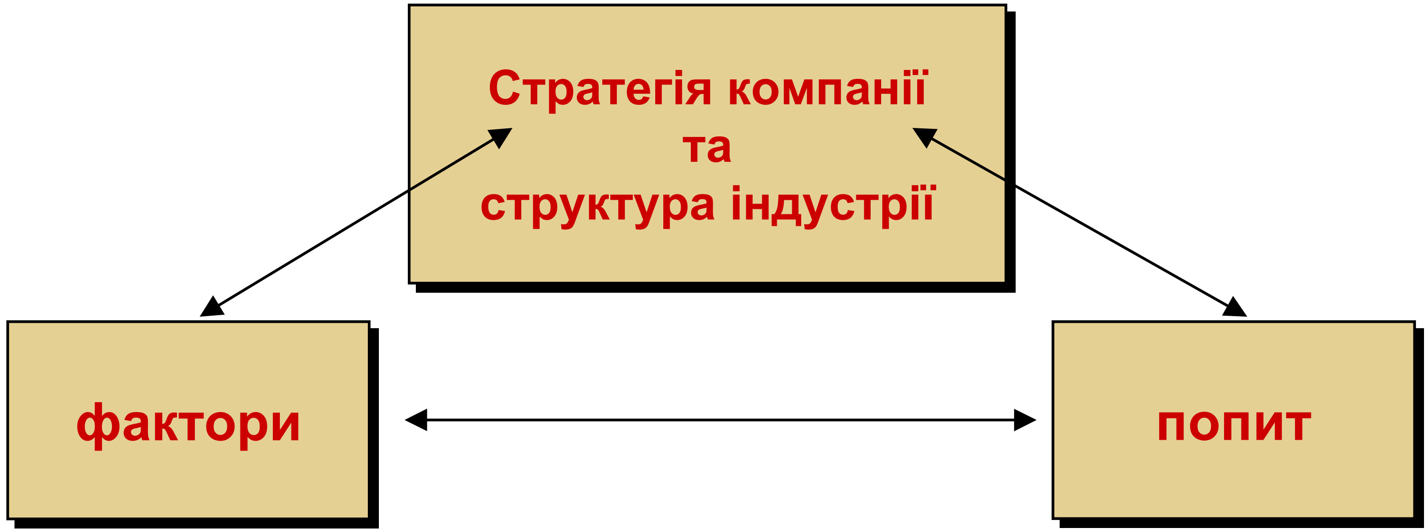
фактори

попит

Джерело: Майкл Портер

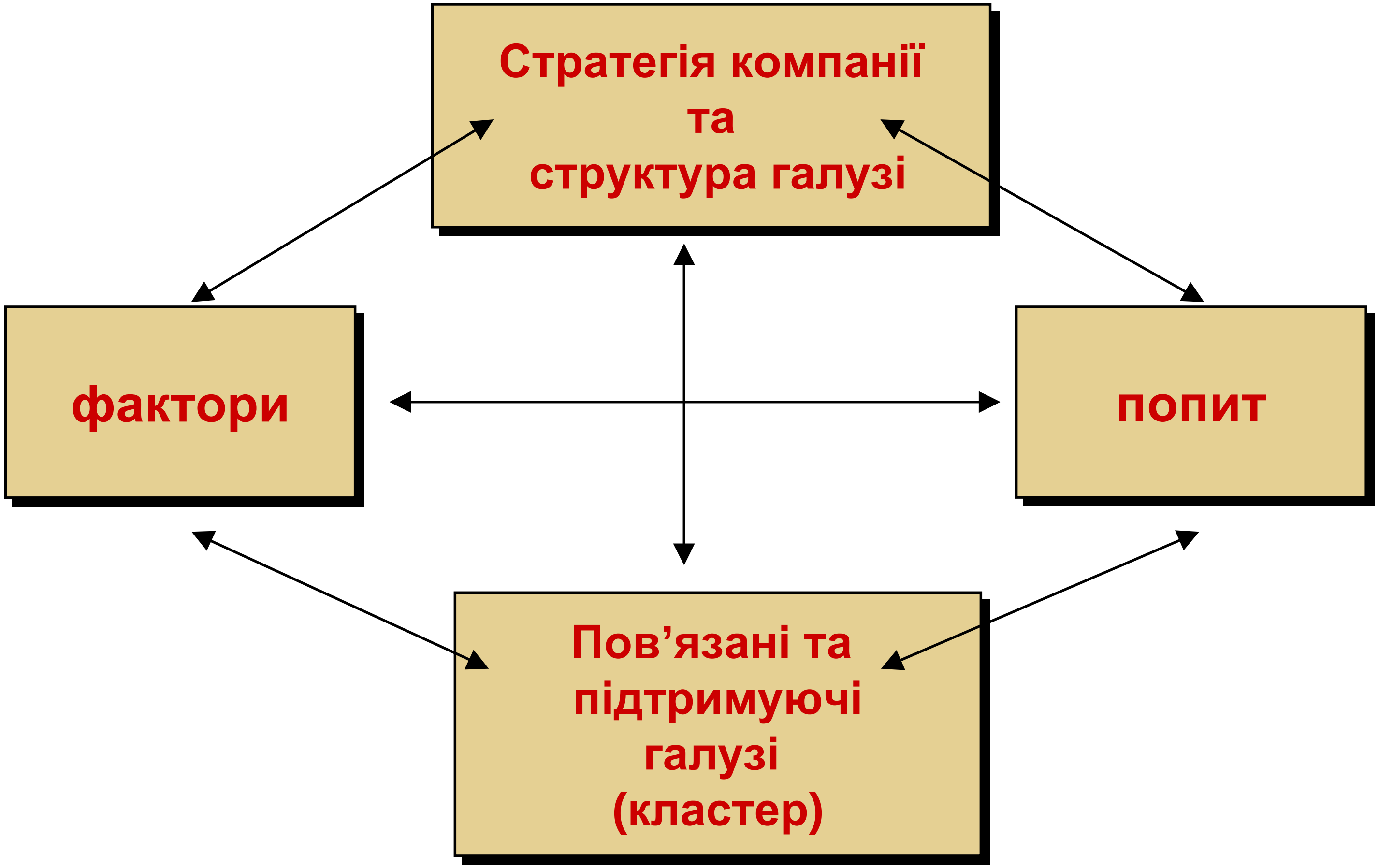
J. E. Austin Associates

Діамант конкурентноздатності



Джерело: Майкл Портер J. E. Austin Associates

Діамант конкурентноздатності

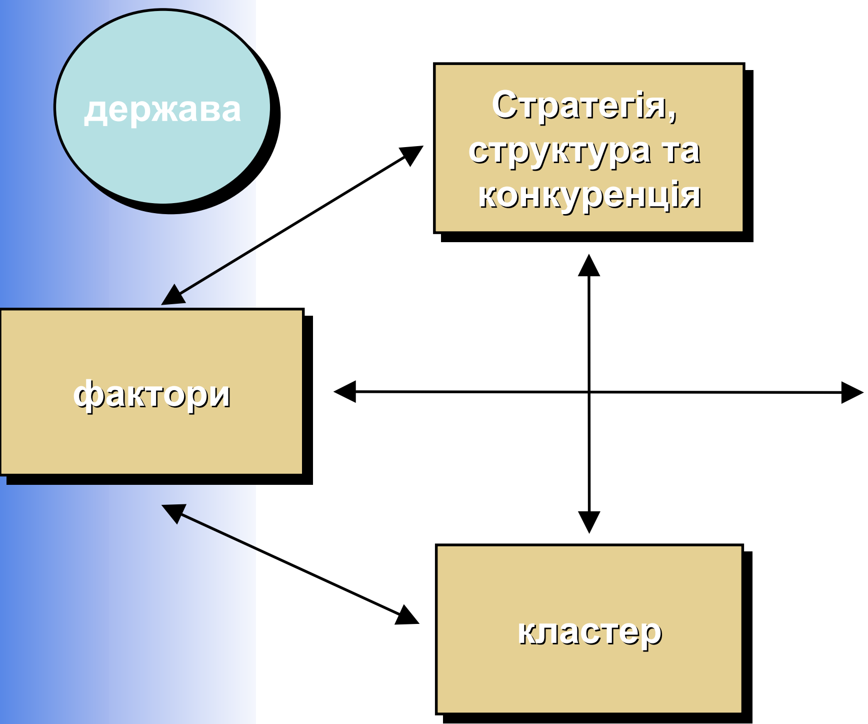


Джерело: Майкл Портер

J. E. Austin Associates

Створювання конкурентноздатності України

Починаючи з попиту :
дізнайся про споживачів та ринки



- Прямий контакт з вже обізнаним та потребуючим споживачем
- Розмір та сегментація місцевого попиту
- Кількість незалежних покупців
- Швидкість зросту
- Як швидко внутрішній ринок стає насиченим
- Споживачі, що користуються Інтернетом
- Рухливі місцеві покупці
- Здібність знайти та зреагувати на головні напрямки

Приклади: Експорт взуття та риби

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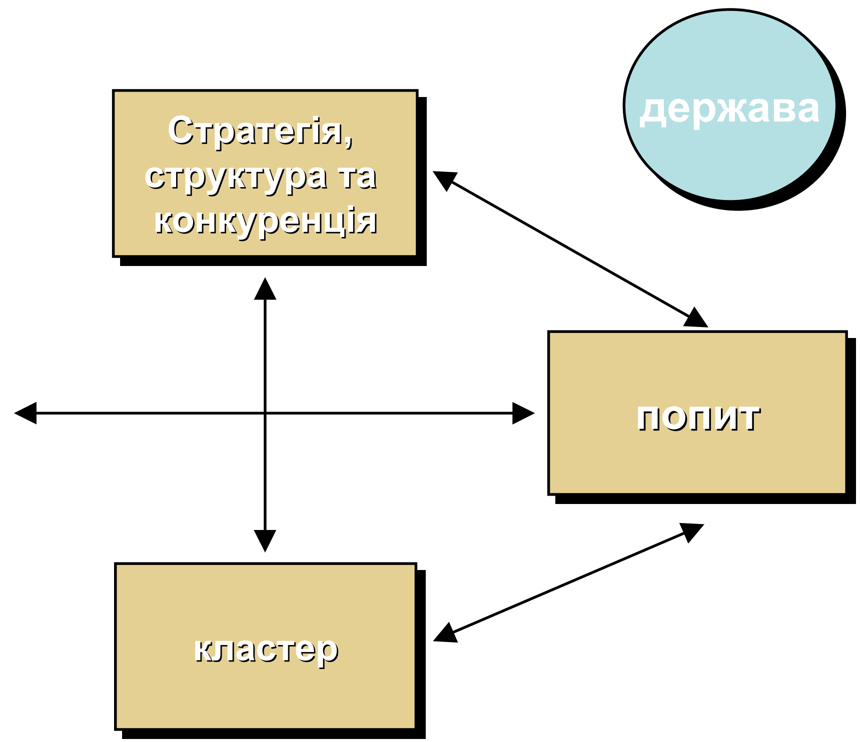
Створювання конкурентноздатності України

Також покращуйте фактори продукції

- Базові
  - Клімат
  - Родюча земля
  - Близькість розташування
  - Наявність базових резервів
  - Постійні та здорові екологічні умови
  - Робоча сила
- Просунуті
  - База знань
  - Доступ до власних фондів
  - Інфраструктура:наявність порту
  - Можливість досліджувати
  - Телещільність
  - Менеджмент та технології



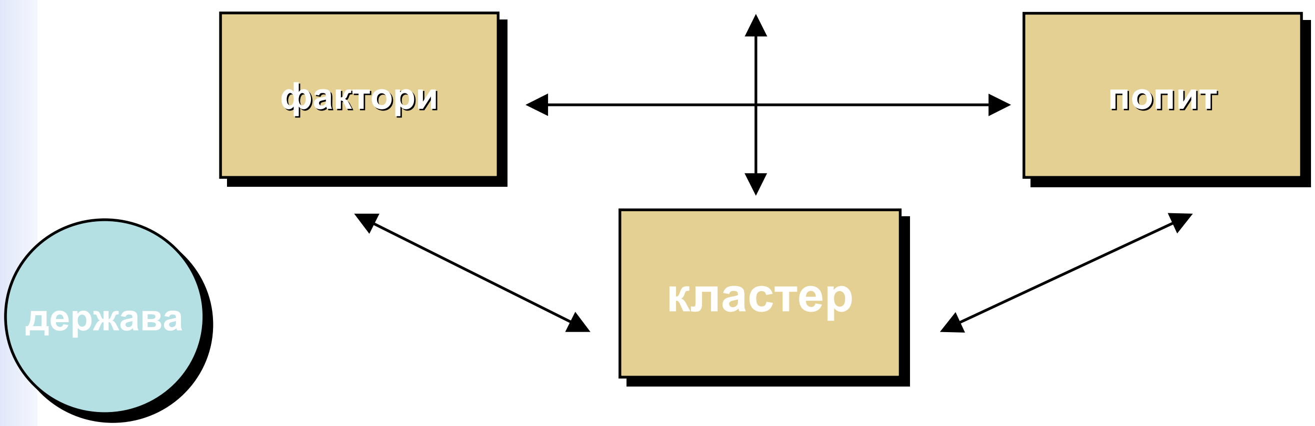
Приклади : Гондурасський текстиль, туризм

Створювання конкурентноздатності України

Покращуйте стратегію

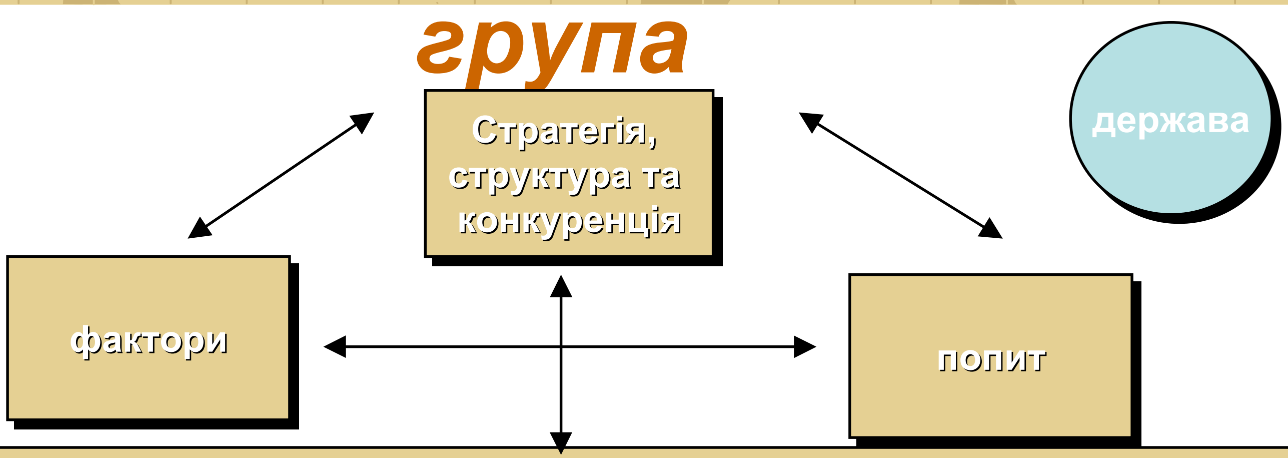
- Компанія і стратегії
- Постійне дотримання якості капіталу та ресурсів
- Галузева співпраця
- Рівень внутрішньої конкуренції
- Можливість формування нового бізнесу
- Природа діалогу з трудовими ресурсами
- Чесність місцевої конкуренції
- Монополії
- Лідерські риси

- Захист
- Якість стратегії компанії
- Реагуючий чи попереджуючий?
- високий результат чи низький?
- Ціна чи диференціація?
- Канали дистрибуції
- Комерція
- Кількість конкуруючих компаній
- Товари чи спеціалізована продукція



Приклади: Гумова та чайна галузі Шрі-Ланки

Створювання конкурентноздатності України



❖Конкурентний чи з високою якістю постачальник ?

❖Фінансовий сектор?

❖Бізнес послуги?

❖Сильні бізнес асоціації?

❖Тісні взаємини з дослідницькими закладами?

❖Якість державно-приватного діалогу?

❖Якість освітніх та тренінгових установ?

❖Ланцюг якості

❖Ланцюг попиту

❖Внутрішній та зовнішній

Приклад: Монгольський кашемір, шкіра, чай Шрі-Ланкі

Створювання конкурентноздатності України

Вплип груп на створювання конкурентноздатності

Операційна ефективність

Стратегічне позиціювання

кластер

- кластери допомагають покращити діяльність та підвищити продуктивність

 - швидке розсіювання кращих практик

 - можливості досвіду з новими конфігураціями та напрямками

- кластери стимулюють стратегічну конкуренцію замість імітації та урізання цін

 - Відмінності важка підтримувати в кластери

 - схожість перешкоджає імітацію чи переслідування різних стратегій.

- кластери можуть створювати кращі середовища, в яких є нові потреби та сегменти

-- присутність місцевих постачальників, пов’язані компанії та підтримуючі заклади the presence of local suppliers, related firms, and supporting institutions стимулюють стратегічні відмінності

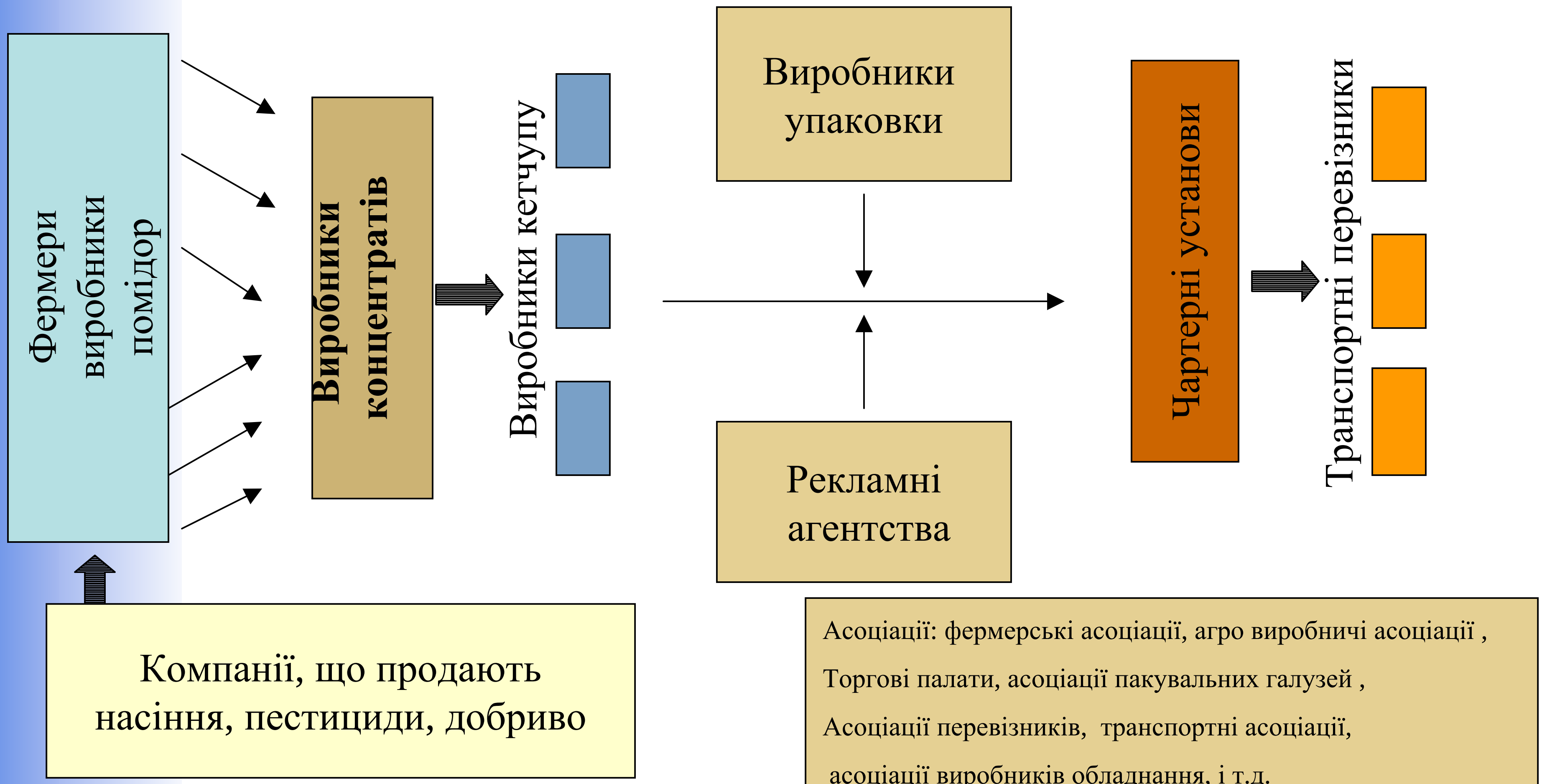
Source: Michael Porter

J. E. Austin Associates

Кластери, що створюють попит

Кластери створюються основними галузями. Кластери дозволяють індустріям відповідати краще на попит.

Приклад групи: Кластер компаній з виробництва кетчупу в м. Стара Загора (Болгарія)



J. E. Austin Associates

Створювання конкурентноздатності України

SIRMA

Стратегія (Висока)
+ інвестиції в зростаючі інновації
+ Визначення нових компонентів
+ Фокус на якості-боротися за досконалість
+ Інвестування в дослідження та розвиток
+Розміщення поблизу до споживачів, щоб вивчати та обслуговувати

•Стан виробничих факторів (Високий)
- доступ до фінансових факторів
+Стратегії управління людськими ресурсами для підтримки лояльності
+ Наявність кваліфікованих кадрів
+ Добрі дослідження та розвиток
+ Досвідчений менеджмент

•Потреби (Високі)
+ Визначити якісну базу клієнтів
+ Намагатися бути на вже обізнаних ринках
+ Визначити ринкові ниши
- Маленький внутрішній ринок

•Група (Змішана)
+ Прогресивна інтеграція в межах групи
+ Бути однією командою з користувачами
- Маленький акцент на груповій ефективності
- Забутий ринок

Вплив державної політики
На Сірму (Змішана)
+/- Робоча сила та освіта
+/- Бізнес клімат
0 Приватизація
+ Економічна свобода

J. E. Austin Associates

Створювання конкурентноздатності України

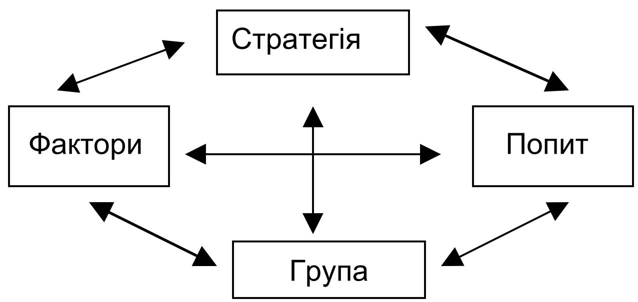
Діамант харчової промисловості Болгарії

+ Стратегія Високої Якості продукту
+ Визначити професіональних оптовиків
+ Інвестувати в контракти та тренінги виробників
+ Інвестувати в обладнання та тренування персоналу
+ Працювати з виробниками упаковок
+ Здібність власника управляти потребами на ринку
+ Ефективний масштаб операцій

Висока

+/- Наявність росту високоякісного продукту, але різного;
+/- Розумна схожість х Європейськими ринками
- Доволі високі транспортні кошти, щоб дістатися Європейських ринків
+/- Низько оплачувана робоча сила
- Низька продуктивність
+ Хороші базові навички
+/- Сезонна продукція/Сезонний ввіз продукції
+/- Базова операційна система проста в застосуванні, але застара
+ Інвестувати в тренінги постачання
+ Інвестувати в спеціальне обладнанняt
+ Інвестувати в розвиток персоналу

Базові – Низькі/Середні
Просунуті – Середні



- Добрий внутрішній попит, але низь якість
- Якість внутрішнього ринку обмежен
+ Великий зовнішній ринок з диференційованою якістю

Внутрішній – Низький
Зовнішній – середній

+/- Транспортний сектор достатньо добро розвинений
- Місцеві стандарти якості не досконалі
+ Стандарти ЄС ретельні.
+/- Виробники можуть виробляти якісніше.
- Низька якість місцевих виробників упаковок.
- Доволі низький рівень розвитку схожих галузей
+/- Контакти з постачальниками короткотермінові
+/- Продукція груп покращується дуже повільно, контакти тільки починаються.

Низькі

Джерело: IME та JAA

Інструменти: Приклади з інших країнах

Ілюстрація розвитку кластеру в досвідченій країні

Використати головні інструменти конкурентноздатності:

- **ЛАНЦЮГ ЦІННОСТЕЙ**
- **СЕГМЕНТАЦІЯ РИНКУ**
- **СХОЖЕ ПОЗИЦІОНУВАННЯ**
- **АНАЛІЗ ТЕПЕРІШНЬОГО ТА ПОТЕНЦІАЛЬНОГО СТАНУ**
- **ЕФЕКТИВНИЙ ДІАЛОГ ДЕРЖАВИ З ПРИВАТНИМ СЕКТОРОМ**

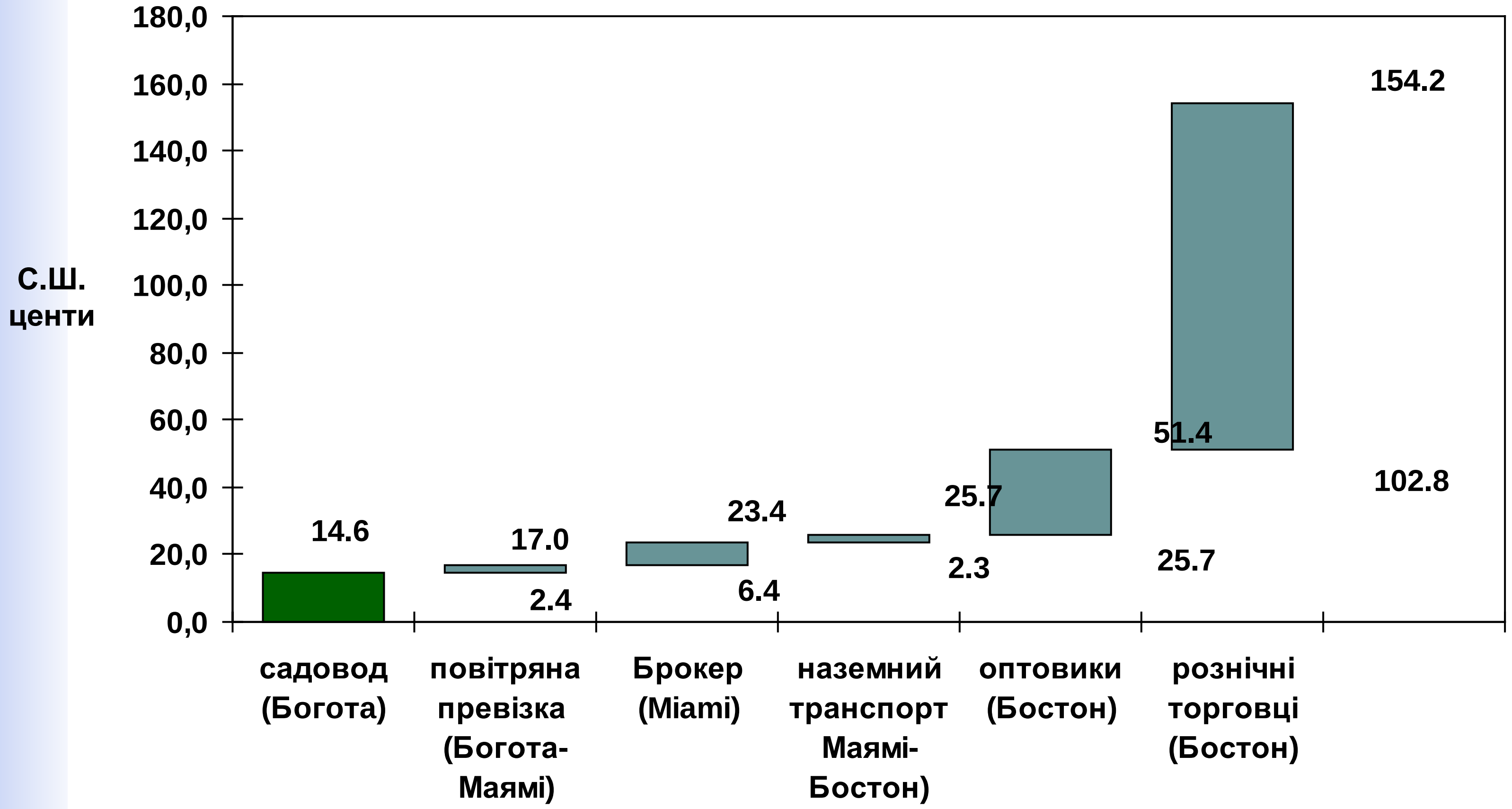
СТРАТЕГІЯ => ПЕРШІ ДІЇ=> РЕЗУЛЬТАТИ

1. ПОЕТАПНИЙ ЛАНЦЮГ

Створювання конкурентноздатності України

Ланцюг етапів компанії “CUT FLOWER” (Колумбія)

Чистий прибуток на одну троянду на кожному етапі



J. E. Austin Associates

Source: Interviews in Mexico, Colombia, Miami, Boston, Monitor Analysis

Створювання конкурентноздатності України

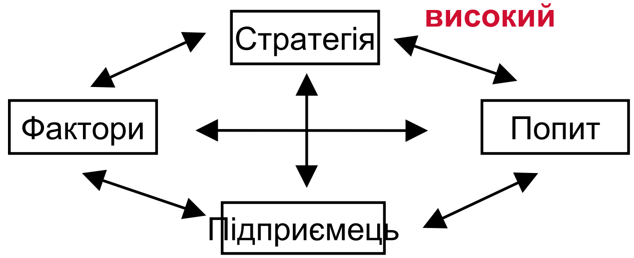
Діамант голландської квітки

+ Сприятлива близькість до Європейських ринків
+ Помірна вартість транспортування на Європейські ринки
+ Відносно недорогий газ
+ Висока продуктивність праці
- Тепличне вирощування рослин; Збори за використання енергії
- Дорога земля
- Строгі вимоги до використання пестицидів та удобрювачів
- Дорога робоча сила
- Недостатність робочої сили
+ Розвинута система залізничного та повітряного транспорту
+ Розвинуті комп'ютерні мережі для проведення аукціонних продажів (95% продається через систему аукціонів)
+ Всесторонні дослідження та тренінги; наявність достатнього фінансування досліджень та тренінгів
+ Більшість садоводів має власне устаткування

високий

+ Значна місцева конкуренція (9,350 розсадників, 1900 експортерів)
+ Технологічні лідери
+ Диференційована стратегія

високий



+ Значний місцевий попит-- 61% сімей куплять квіти щонайменше раз у 4 місяці
+ Високий попит на новий продукт

високий

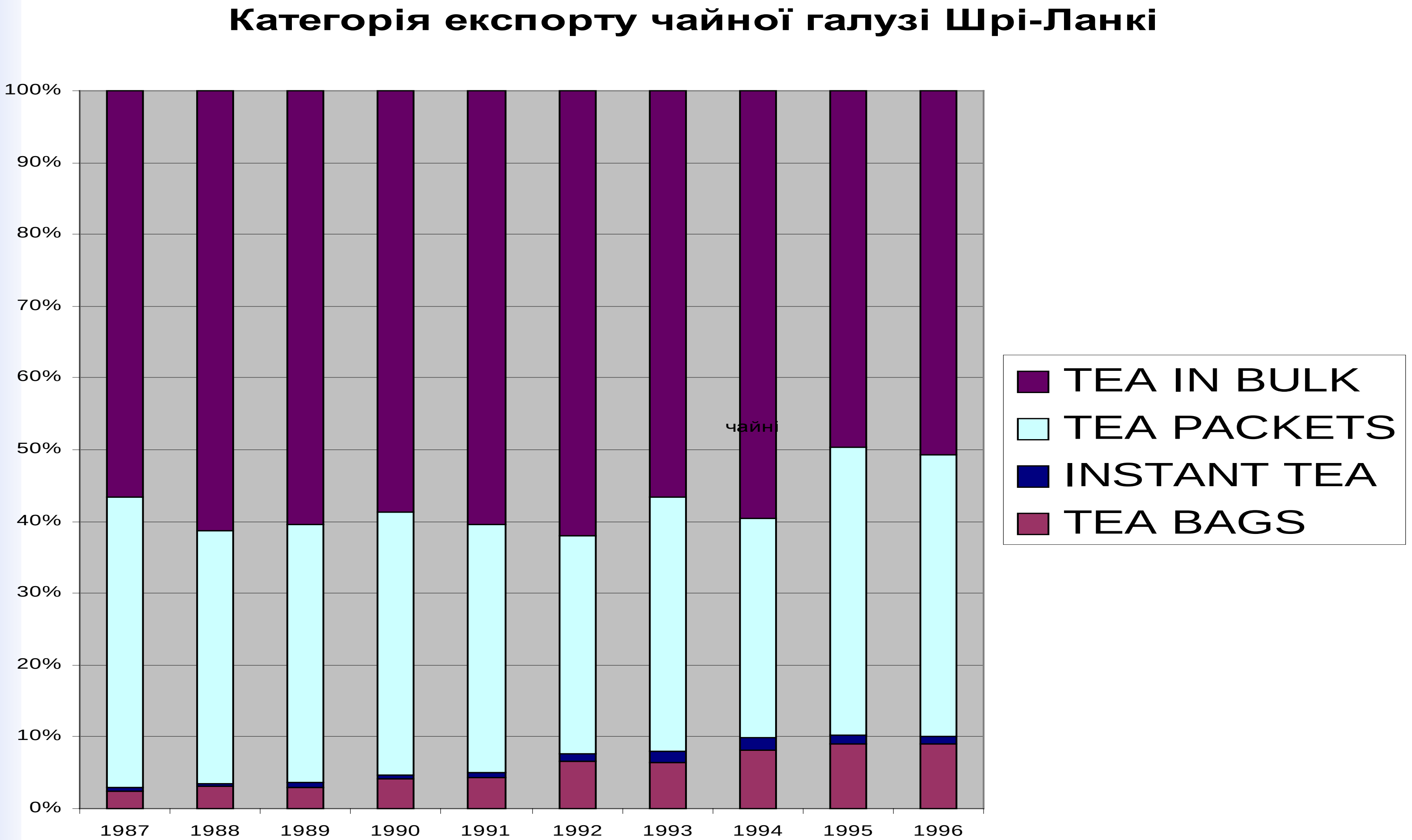
+ Матеріально-технічне забезпечення координується через систему аукціонів; через два найбільші аукціони проходить 81% продукції
+ Значна частина затрат садоводів компенсується ефективною системою матеріально-технічного забезпечення
+ Дослідження та технології суміжних секторів, наприклад, овочі
+ Спільна система розповсюдження квітів та дерев
+ Сильні позиції у розмноженні та розповсюдженні
+ Швидке поширення інформації та інновацій

високий

ДЖерело: компанія "Monitor"

2. СЕГМЕНТАЦІЯ РИНКУ ТА ПРОФІЛЯЦІЯ СПОЖИВАЧІВ

Зміна стратегії : Чайна галузь Шрі-Ланкі



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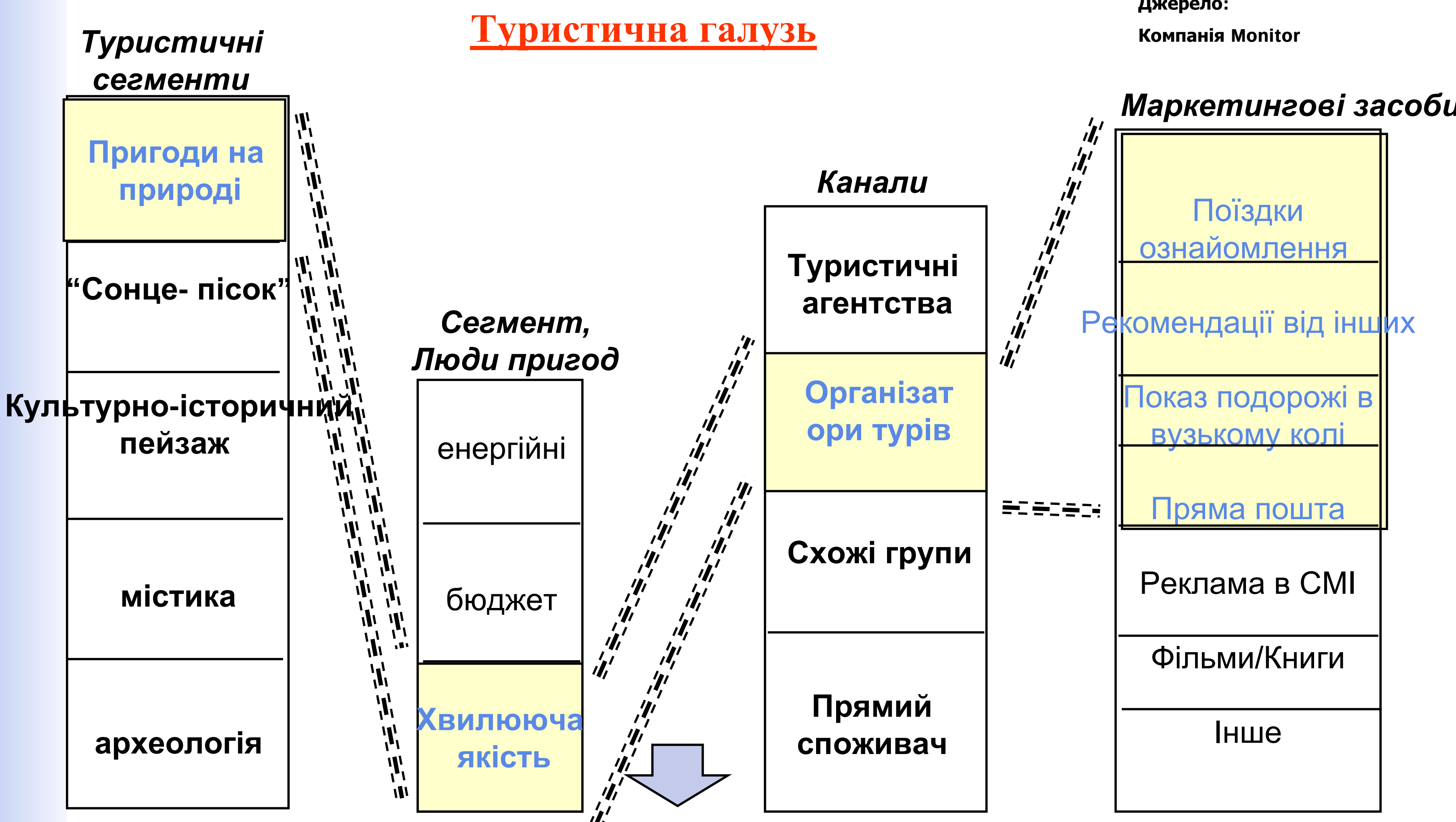
Профіляція споживачів: Туризм Монголії

Джерело:
Компанія Monitor



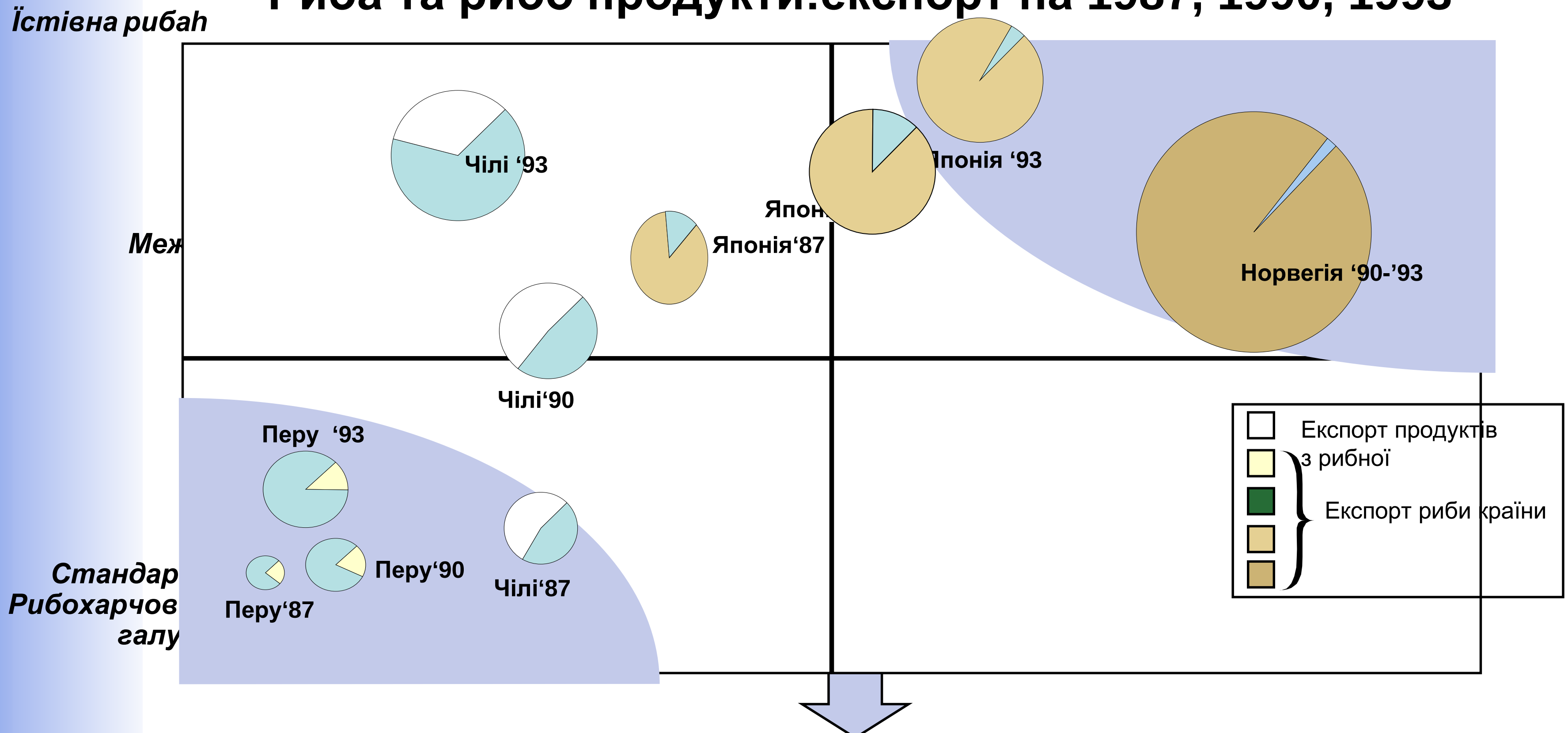
Профілювання під-сегментів допомагає компанії вивчити споживача і зробити стратегічні рішення щодо того, на кого саме орієнтуватися та кого обслуговувати

3. ПОЗИЦІОНУВАННЯ КОНКУРЕНЦІЇ

Створювання конкурентноздатності України

МОЖЛИВОСТІ: Розуміння конкурентної позиції: Рибна галузь Перу

Риба та рибо продукти:експорт на 1987, 1990, 1993

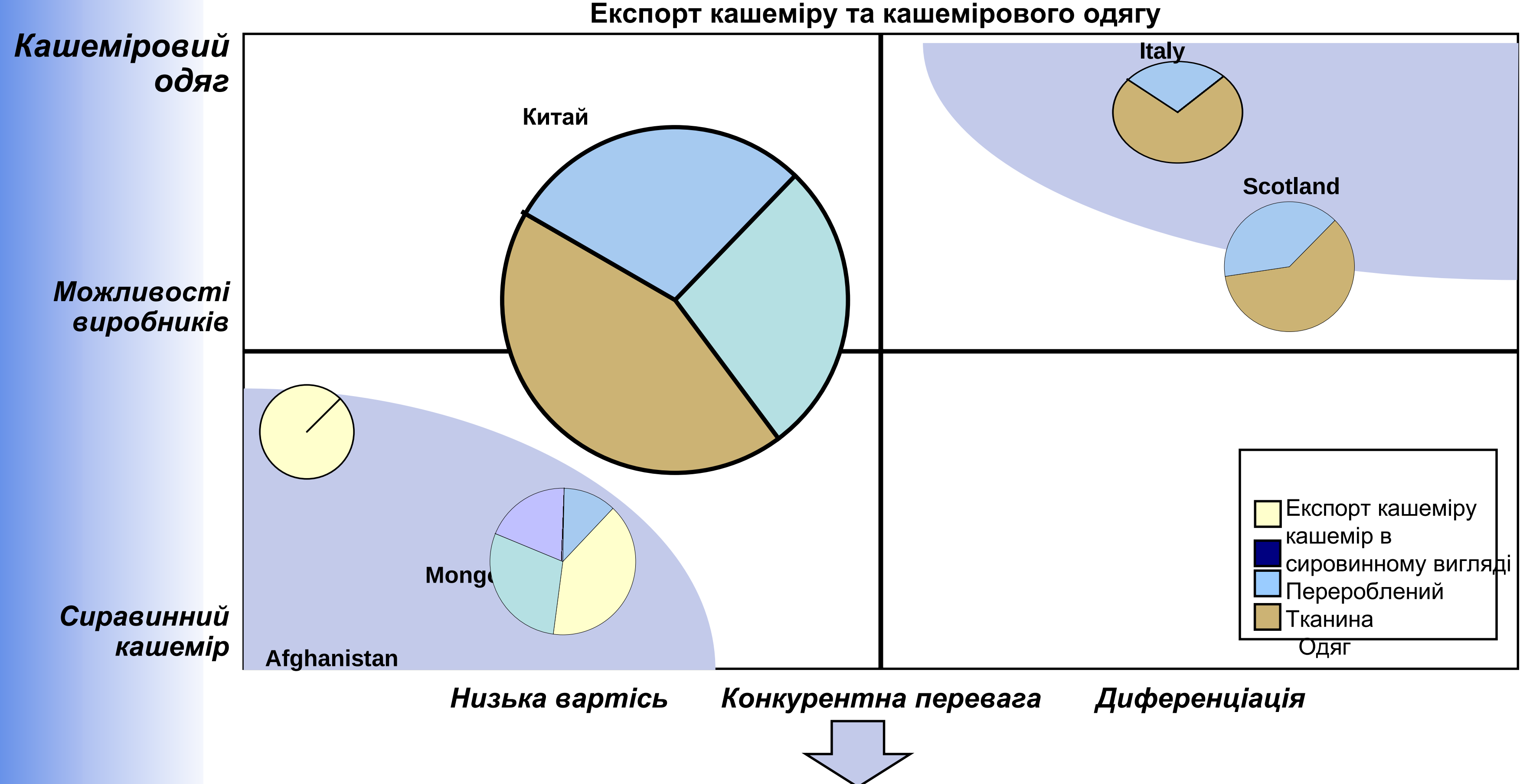


Тоді як виробники Перу є доволі конкурентноспроможні в галузі рибо продуктів, інші виробники збільшили загальний об'єм експорту риби шляхом виробу більш їстівної рибо продукції.

Джерела : Статистика з Торгівлі Сполучених Штатів, Національна Служба Охорони Моря; MANEDSSTATITIKK OVER UTENRIKSHANDELEN;

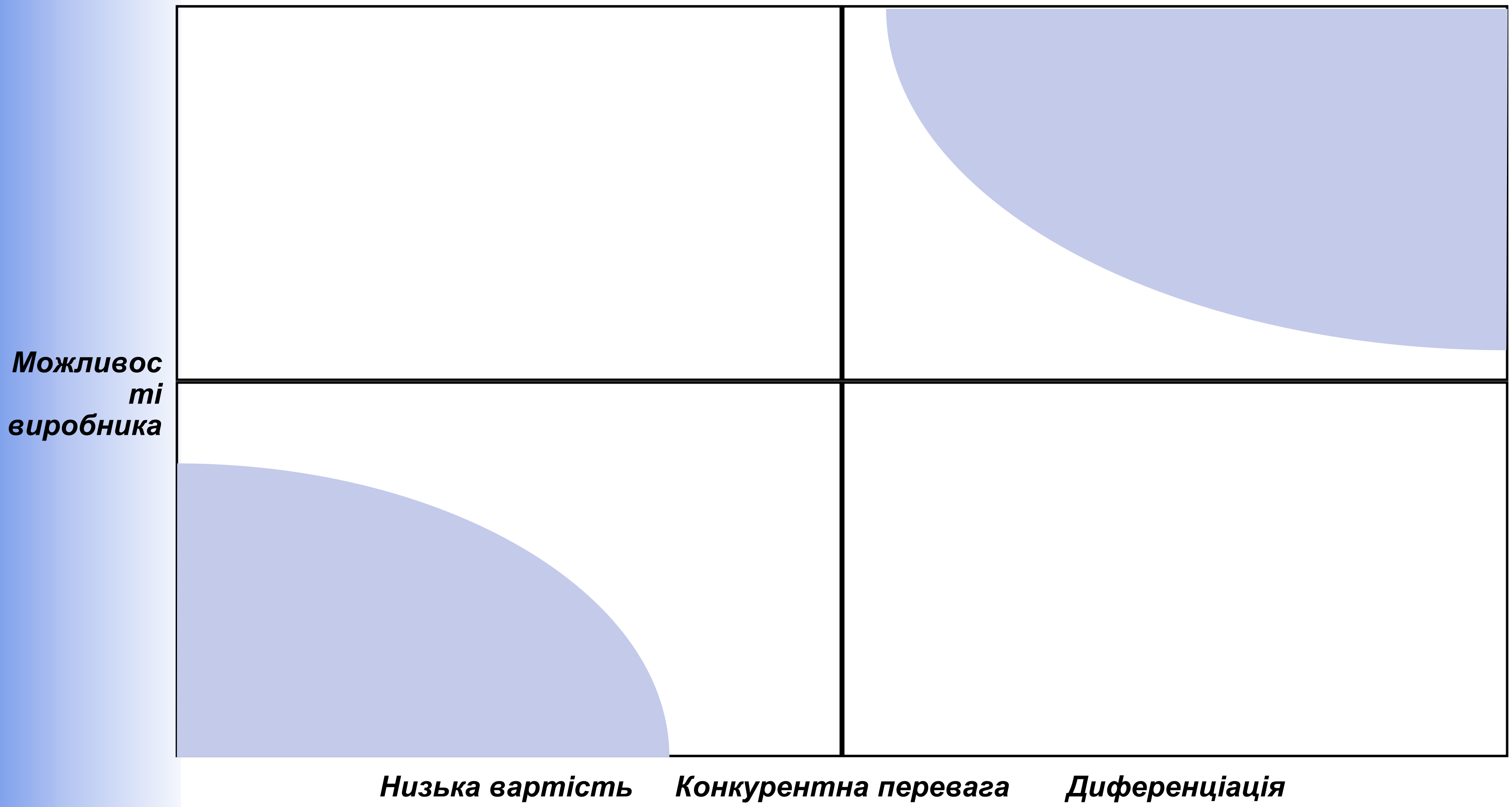
Створювання конкурентноздатності України

Зрозуміти конкурентну позицію та обрати де саме змагатися: Монгольський кашемір



Монгольський кашемір конкурентноспроможний продукт в сировинному стані , але Монголія конкурує на тих цільових масових сегментах ринку що і Китай, який є більшим виробником

Яка є конкурентна позиція України?

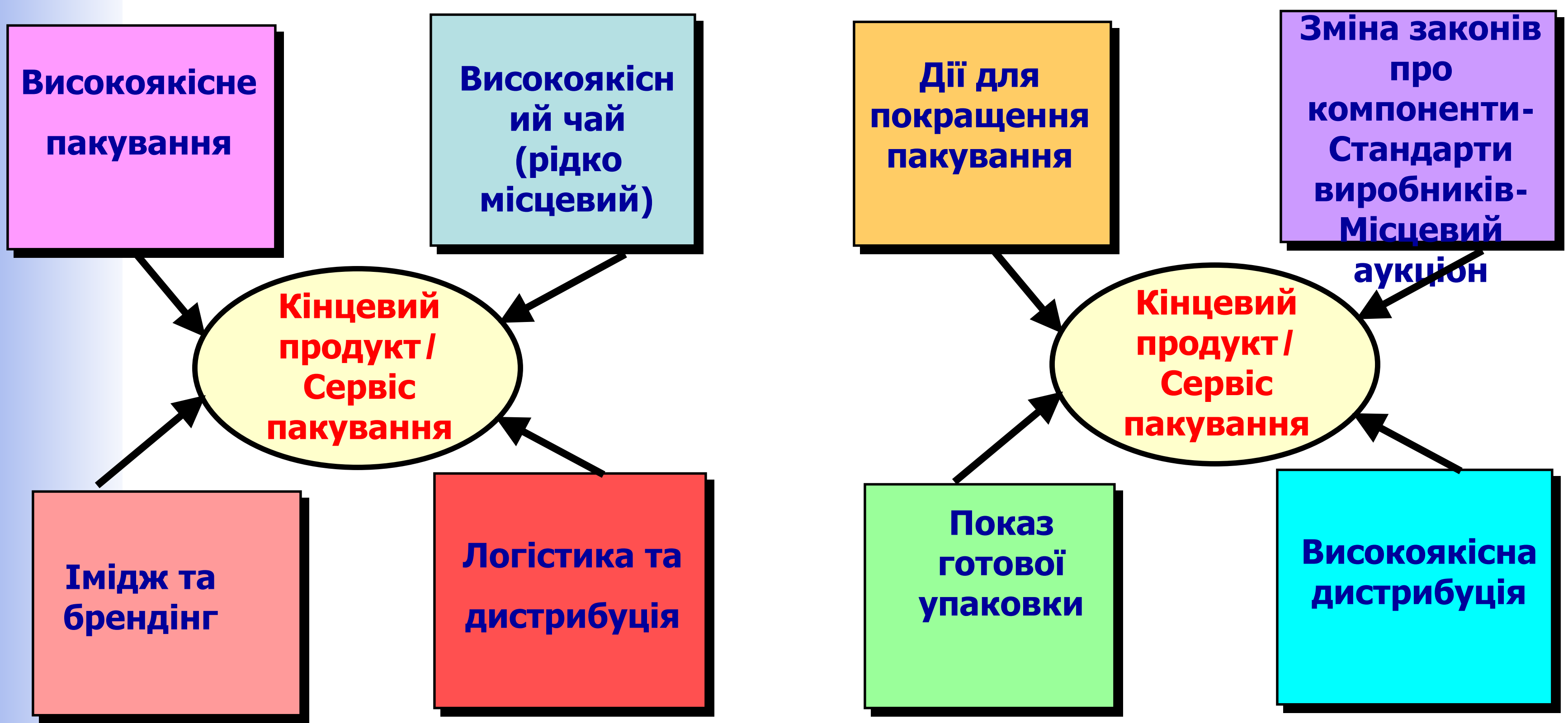


4. Аналіз відмінностей

Чайна галузь Шрі-Ланки – Аналіз відмінностей

Світові лідери

Шрі-Ланка



5. <u>Стратегічна зміна позиціювання</u>

ПОБУДОВА КОНКУРЕНТОЗДАТНОСТІ УКРАЇНИ

Структура діаманту компанії “SEE River Freight Transporter”

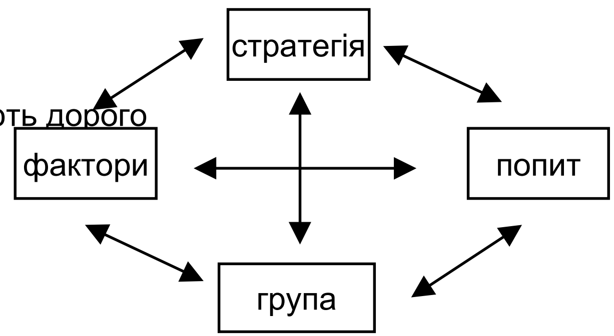
\+ Стратегія диференціації клієнтів

\+ Високоякісна та ефективна стратегія надання послуг
\+ Усвідомте зміст морських перевезень з точки зору маркетингу
\+ Будуйте систему контактування із клієнтами
Реінвестуйте в бізнес
Інвестуйте у тренінги персоналу та обладнання
\+ Шукайте стратегічних зовнішніх інвесторів
\+ Потужна регіональні конкуренція/незначна внутрішня конкуренція

високий

+/- Наявні знання, що потребують покращення
\+ Наявні значні активи
\+ Інвестуйте в обладнання
\+ Інвестуйте в маркетингові дослідження
\- Блокування річок
\+ Конкуруючі види транспортування коштують дорого
\- Недостатнє внутрішнє фінансування
\+ Дешева робоча сила

база –середній рівень
сучасний – середній/високий



\- Змінний попит
\+ Можливості для підвищення попиту
\+ Великий, об’ємний ринок
\+ Значний спеціалізований ринок
\+ Ринок, готовий платити більше за особливі послуги
\+ Регіональна природа ринку – він простягається до Західної Європи

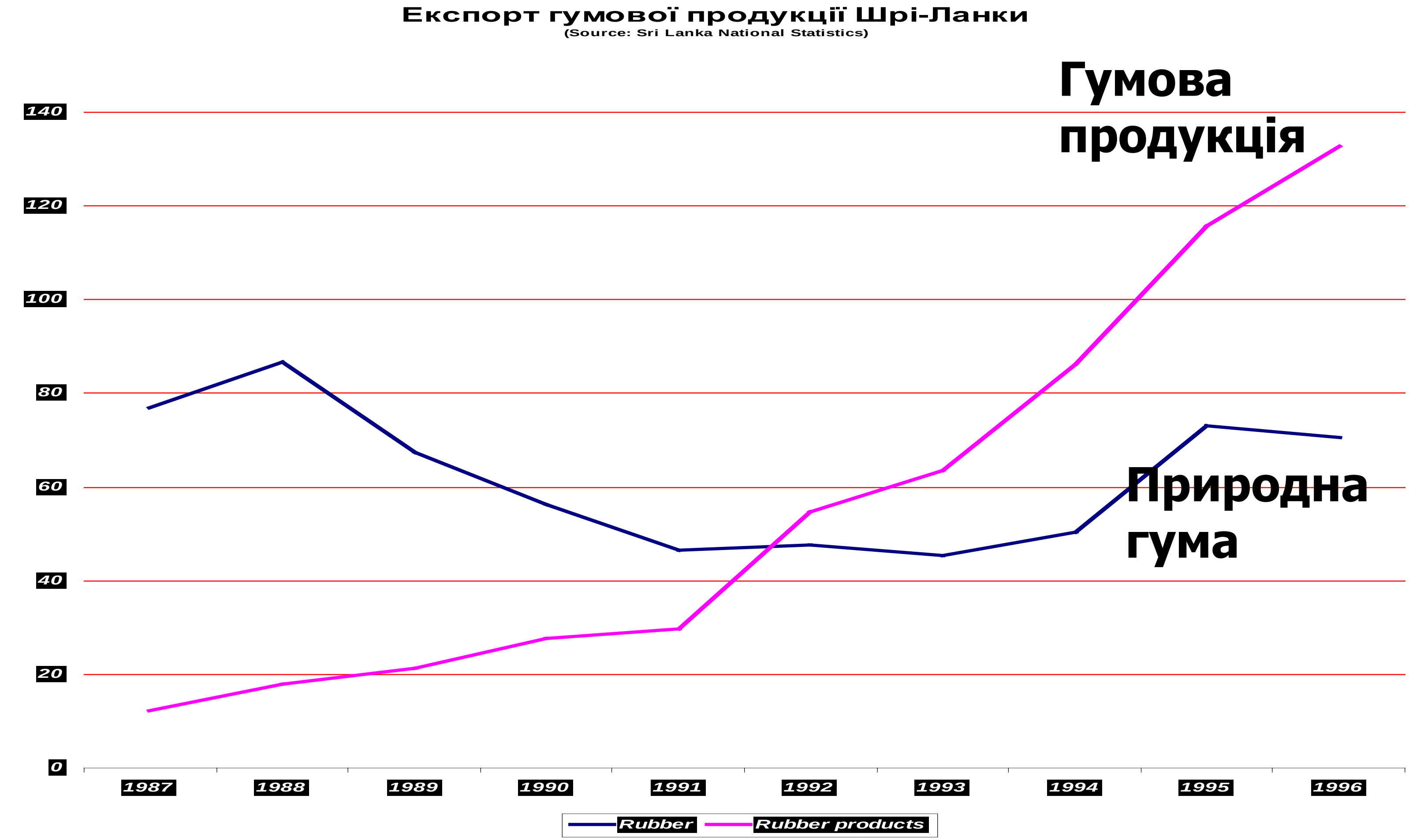
внутрішній– низький
зовнішній – середній/високий

+/- Регіональні труднощі ліцензування
\- Залежність від суміжних неефективних послуг
+/- Достатньо добре програмне забезпечення та підтримка обміну даними
\+ Обережність у ставленні до стандартів ЄС
+/- Наявність засобів для поточного та капітального ремонту
+/- Добра база знань та тренінгів
+/- Незначні інституційні зв’язки

низький/середній

SOURCE IME and JAA

Стратегічна зміна позиціювання: Гумова галузь Шрі-Ланки



J. E. Austin Associates

Порівняльний аналіз

Введення в Порівняльний аналіз

Багато країн встановили таку політику і таке бізнес середовище, що підштовхує розвиток керамічної галузі , не створюючи ніяку залежність.

- Загальні показники на певних етапах
  - Рівень країни
  - Рівень галузі
  - Створювання вартості

Створювання конкурентноздатності України

Глобальний поділ – рівень країни: Керамічна галузь

В той час, як кількісний аналіз визначає розбіжності між державними рівнями та глобальним поділом, середовище та політика інших країн також може ілюструвати поділ на рівень країни.

КРАЇНА	ОПЕРАЦ. СЕРЕДОВИЩЕ	ТАКТИКА
США	▪ Для впливу на законодавство створюються спеціальні асоціації ▪ Між виробниками кераміки та дослідницькими університетами, існує культура енергійної співпраці	▪ Департамент енергетики фінансує дослідження та розвиток керамічної промисловості ▪ Уряд організовує дослідження сировини на рівні надання послуг
ІТАЛІЯ	▪ Гнучкий ринок праці ▪ Створення індустріальних районів для малих підприємств ▪ Розподіл процесу виробництва між багатьма асоціаціями ▪ Згуртування підприємств, людських ресурсів та тренінгові інституцій. ▪ Асоціації представляють інтереси підприємств у місцевих та національних адміністраціях.	▪ Політика переважно застосовується на регіональному рівні, де малий бізнес має найбільші потужності – рідко на національному рівні ▪ Немає погодженої політики між різними індустріальними районами .

Джерело: дослідження інституту TCI

Глобальний розподіл – рівень країни: Керамічна галузь

КРАЇНА	ОПЕАЦІЙНЕ СЕРЕДОВИЩЕ	ТАКТИКА
Малайзія	▪ Тренінгові компанії зустрічають потреби галузей, бо пропонують тренінгові програми з контролю якості, покращення матеріального забезпечення та оцінювання, декорування, комп"ютерного дизайну та менеджменту виробничих операцій. ▪ Високоякісні тренінги для інжиніринга керамічної галузі. ▪ Галузі мають доступ до виробничих фондів, що дозволяють переробку природних ресурсів на високоякісну сировину.	▪ **Напрямок компанії на охорону середовища та здоров"я.** ▪ **Підтримка для розширення, диверсифікації та модернізації сучасної керамічної галузі (шляхом поновлення технологій)** ▪ **Мотиваційні програми, що примушують компанії рухатись у напрямок продукції з високою додатковою вартістю шляхом придбання нових технологій, науково-дослідницької модернізації, розвитку кадрів.** ▪ **Посилення можливостей державного та приватного сектору в науково-дослідницькій діяльності та комерції** ▪ **Просування науково-технічній діяльності в сфері ведучих технологій та дизайну** ▪ **Встановлювання спеціалізованого інституту з науково-дослідницької діяльності для керамічної галузі та просунутої кераміки.**

Джерело: дослідження інституту TCI

Створювання конкурентноздатності України

Глобальний поділ – рівень країни: Керамічна галузь

Провідні представники глобальної керамічної індустрії використовують такі методи вдосконалення бізнес-практики:

- **Використання пічок періодичної дії для швидкісного обпалювання санітарного фаянсу;**
- **Зв'язки із постачальниками технологій;**
- **Постачання газу трубами для скорочення цін на енергоносії;**
- **Підтримання критичного рівня забезпеченості сировиною;**
- **Вміння запропонувати найновіші розробки та можливості;**
- **Вимагання прогнозування, виробничого планування, управління матеріально-технічним забезпеченням для стримування цін на матеріально-технічні запаси;**
- **Сертифікація ISO 9000 та 14000;**
- **Е-комерція для ширшого доступу на ринки**

Джерело: дослідження інституту TCI

Глобальний розподіл – рівень країни: Керамічна галузь

Ми виявили двох найкращих представників в світовій індустрії та зробили більш детальний аналіз розподілу по кожному.

АМЕРИКАНСЬКИЙ СТАНДАРТ

- Провідні виробники обладнання для ванних кімнат та їдалень.
- Ініціативна діяльність компанії веде до загального покращення операцій та до зниження затрат.

Компанія “Mikasa, Inc.”

- Високоякісна виробнича спеціалізація
- Різні джерела забезпечення
- Вважається маркетинговою компанією – дистриб'ютором роздрібної торгівлі більш, ніж компанією-виробником

Джерело: дослідження та аналіз інституту TCI (більш детально про джерело в останньому слайді)

Створювання конкурентноздатності України

Глобальний поділ – рівень країни: Керамічна галузь
Аналіз етапного ланцюга згідно американських стандартів

Адміністративні та організаційні функції
(включає стратегічне планування, інновації та технологічне вдосконалення)

Дослідження & Розвиток	**Постачання**	**Виробництво**	**Розповсюдження**	**Продаж & Маркетинг**	**Служба по обслуговуванню клієнтів**
• Більшість науково-дослідних робіт проводиться поза поточною сферою застосування товару.	• Ініціатива збільшити кількість продавців та покращити постачання • Вчасне постачання товарів.	• Програма Sigma Six для покращення виробництва. • Модернізація виробництва та покращення контролю якості. • Перехід виробництва на зниження витрат.	• Ефективна та гнучка система розповсюдження.	• Представлення продукту у популярних виставкових залах • Зростаюча мережа ринку роздрібної торгівлі	• Розвинуті цикли постачання. • Технологічне лідирування та інновація продукту відповідно до вимог покупців

Джерело: дослідження інституту TCI

Створювання конкурентноздатності України

Глобальний поділ – Рівень країни: Керамічне вир-во

Аналіз ланцюга етапів компанії “Mikasa”

Адміністративні та організаційні функції
(включає стратегічне планування, інновації та технологічне вдосконалення)

Дослідження & Розвиток
- Дослідження насамперед фокусуються на дизайні продукту

Постачання
- Короткострокові контракти із багатьма постачальниками укладаються тільки на рік.
- Товари, що виробляються компаніями за довгостроковими контрактами (>30р) із Компанією.

Виробництво
- Вироблення продукції за контрактами виробниками різних географічних районів.
- >90% товарів виробляються за межами США.
- Програма контролю якості.

Розповсюдження
- Переважно через систему роздрібних магазинів, якими володіє та керує Компанія.
- На міжнародному рівні - через уповноважених дистриб'юторів.
- Потужна матеріально-технічна база.

Продаж & Маркетинг
- Моделювання продукту для задоволення вимог покупців.
- Команда просування товару рекламує товар у країнах світу.
- Використання роздрібних магазинів для тестування нового продукту.
- Продаж товарів у кредит.

Служба по роботі із клієнтами
- Управлінська інформаційна служба досліджує потреби покупця

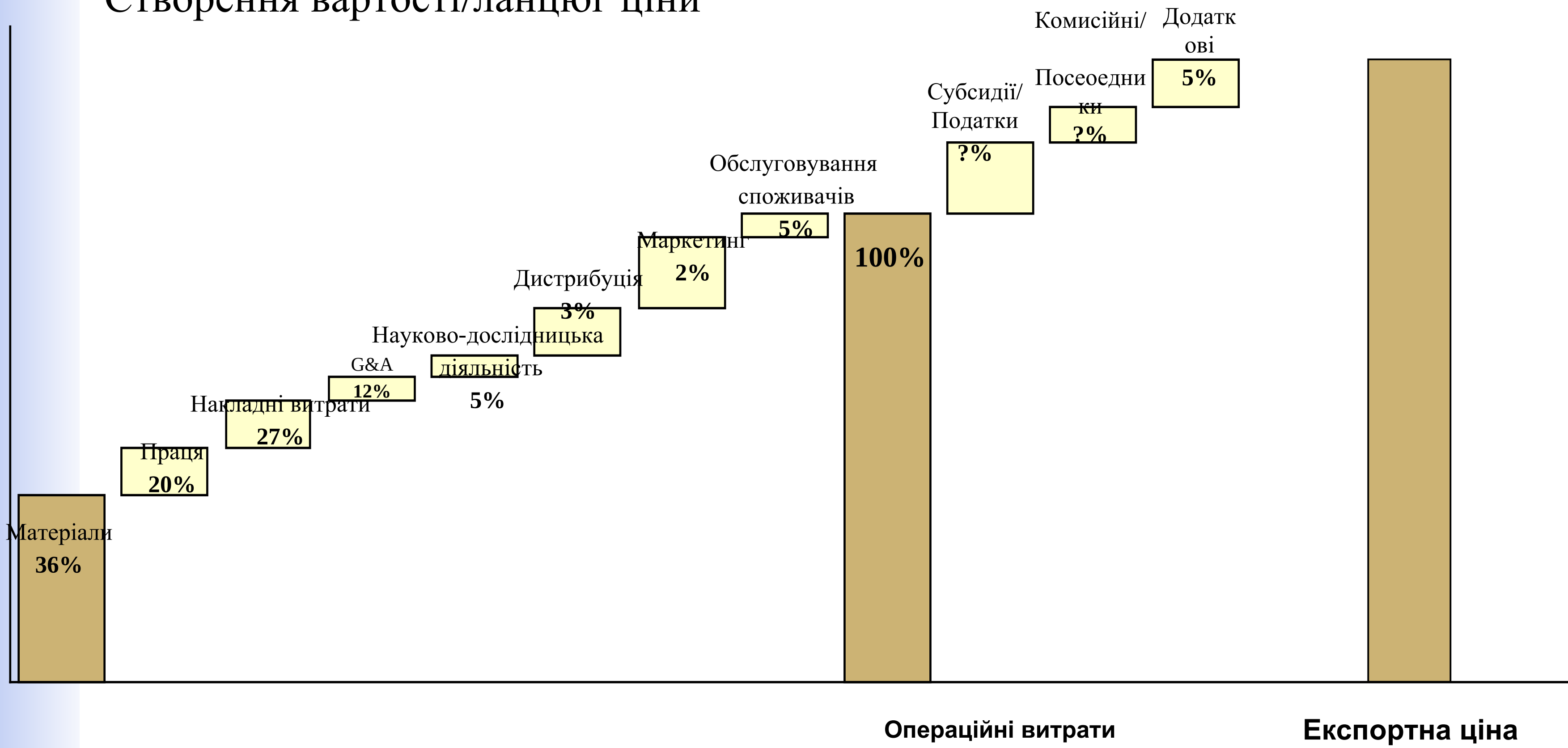
Джерело: дослідження інституту TCI

Створювання конкурентноздатності України

Глобальний розподіл – рівень країни: Керамічна галузь

Створення вартості продукції в типовій компанії керамічної галузі

Створення вартості/ланцюг ціни



Джерело: дослідження та аналіз інституту TCI (більш детально про джерело в останньому слайді)

Створювання конкурентноздатності України

Індикатори цінностей Шрі Ланки – Індустріальний рівень: Керамічне вир-во

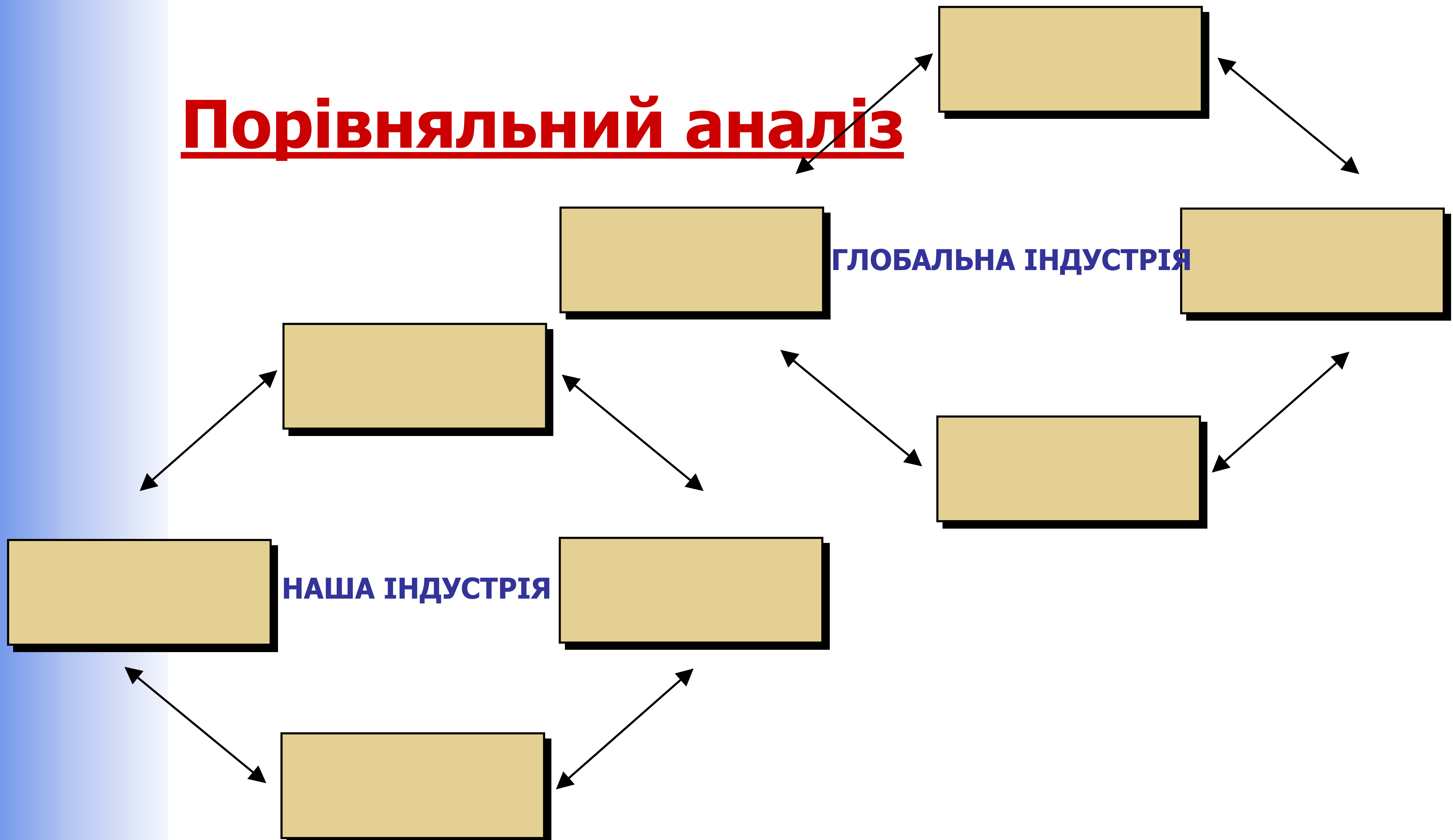
Так як ціннісний аналіз переважно застосовується на рівні компанії, ми, для прикладу, проаналізуємо роботу провідного виробника кераміки

Адміністративні та організаційні функції
(включає стратегічне планування, інновації та технологічне вдосконалення)

Дослідження & Розвиток	**Постачання**	**Вироб-во**	**Розповсюдження**	**Продаж & Маркетинг**	**Служба по роботі із клієнтами**
• Недостатнє фінансування досліджень Низький рівень співпраці • Відсутність громадської підтримки • Недостатній доступ до інновацій	• 20-50% зарубіжного походження. • Відмінна якість сировини • Індивідуальне постачання. • Мінлива якість матеріалу • Квазімонополія на сировину	• Високий рівень технологій • Дешева робоча сила • Низькі потужності • Високоякісне виробництво	• Створення офісів у інших країнах • Недостатнє фінансування ризиків • Низький рівень диверсифікації видів дистриб'юції	• Недостатній маркетинг для кінцевого споживача. • Низький рівень реклами у регіональних ЗМІ	• Незначний прямий контакт із кінцевим споживачем.

Джерело: дослідження інституту TCI

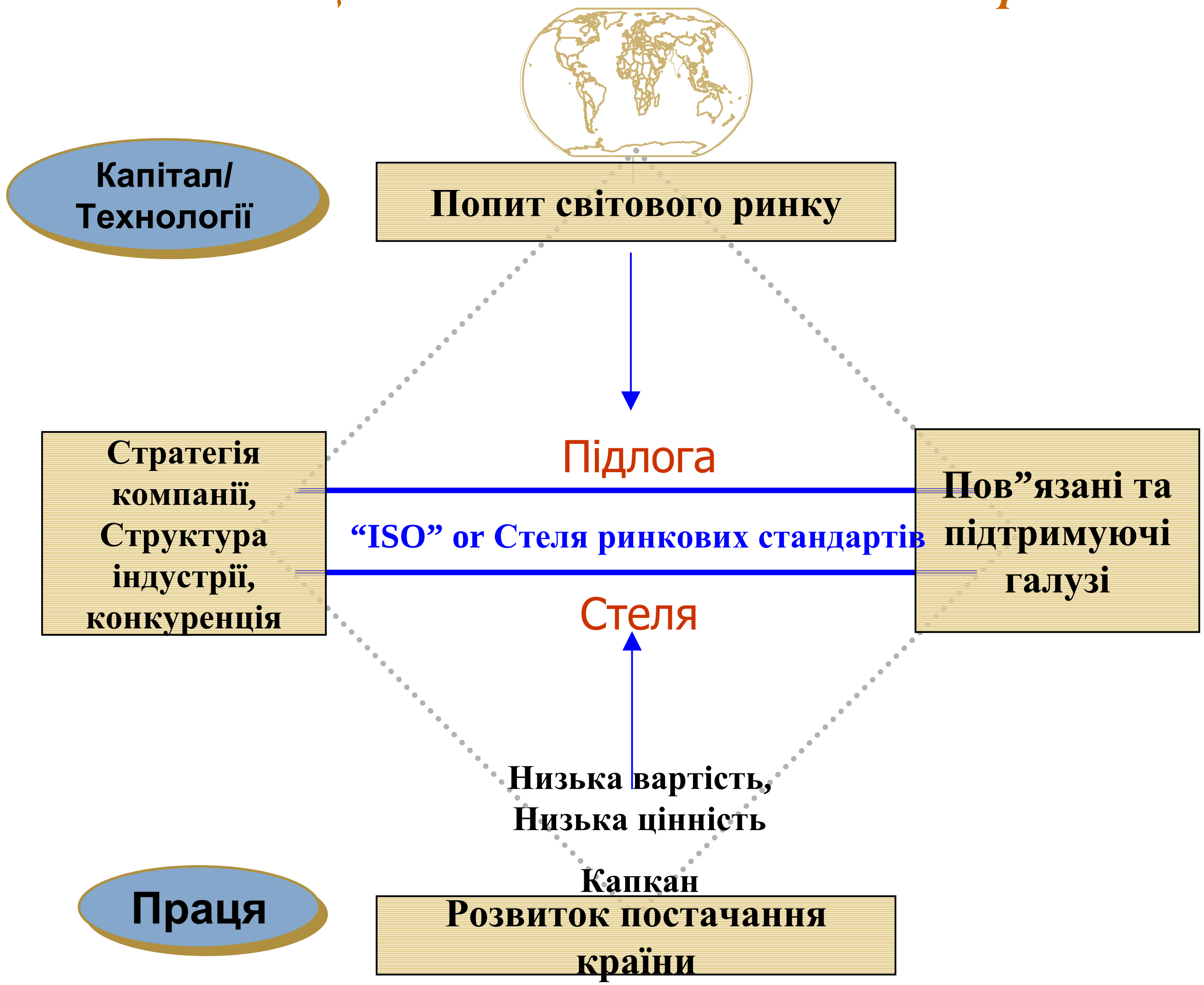
Порівняльний аналіз



Створювання конкурентноздатності України

Стратегічний Діамант

Націлювання на глобальні стандарти

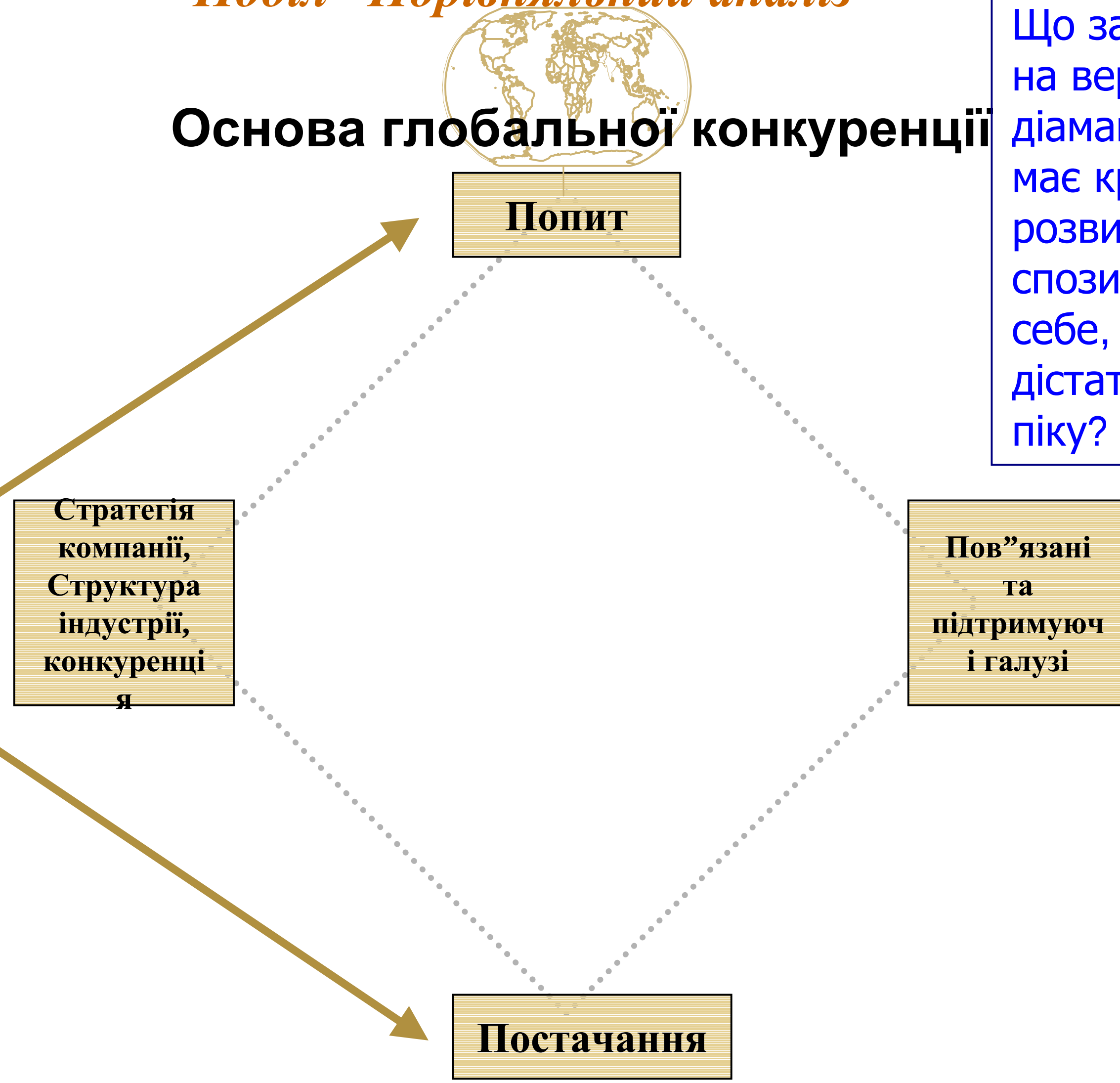


Створювання конкурентноздатності України

<u>Стратегічний Діамант</u>

Поділ –Порівняльний аналіз

Що за критерії на верховині діаманту і як має країна, що розвивається, спозиціонувати себе, щоб дістатися цього піку?



Аналіз теперішнього стану і потенціалу виявляє можливості для розвитку стратегії

Створювання конкурентноздатності України

Що таке конкуренція?

ПАРАДІГМА НОВОЇ КРНКУРЕНЦІЇ

Правовий, юридичний та макроекономічний контекст

Досвіт діяльності компанії та стратегії ⟷ **Стан мікроекономічного бізнес середовища**

Мікроекономічні основи

Джерело:Майкл Портер, 1998

Макроекономічна платформа:

- Грошова політика: Низька інфляція
- Фіскальна політика: Контрольований бюджетний дефіцит
- Торгівля: Низькі тарифи
- Іноземний обмін: Добре конвертування

Але…відповідь на все це у вигляді приватних інвестицій не є автоматичною!!!

Мікроекономічне середовище

- Приватизація
- Банківська реформа
- Верховенство закону
- Комерційне право/Правничі джерела/Арбітраж
- Антикорупційна діяльність
- Заохочення інвестицій та торгівлі
- Сприяння малому бізнесові
- Реформа державної служби
- Реформа освіти
- Розвиток робочої сили
- Промислові парки, зони закордонної торгівлі, експортні зони
- Парк промислової технології
- Трудове право та захист
- Інфраструктура PPI/PPP/BOT
- Бюро стандартизації
- Телекомунікації, промислові технології та Е-комерція
- Право інтелектуальної власності
- Особливі сектори
  - С/г
  - Промисловість
  - Туризм, тощо.

Створювання конкурентноздатності України

ПАРТНЕРСТВО ДЕРЖАВНОГО ТА ПРИВАТНОГО СЕКТОРУ В СТВОРЕННІ КОНКУРЕНЦІЇ

ДЕРЖАВА

ПАРТНЕРСТВО ДЕРЖАВНОГО ТА ПРИВАТНОГО СЕКТОРУ

+ Краща стратегія компанії (мікро)
+потужне лідерство індустрії (мезо)
+державні реформи (макро)

+та лідерство з ефективним діалогом

ПРИВАТНИЙ СЕКТОР

Будування національної конкуренції

МАКРОЕКОНОМІЧНА, ЮРИДИЧНА ТА ПОЛІТИЧНА ОСНОВА

МІКРОЕКОНОМІЧНА ОСНОВА

РОЗВИТОК СПІЛЬНИХ ГРУП ТА ПОКРАЩЕННЯ ЇХ ДІЯЛЬНОСТІ

В ПОШУКАХ ЕФЕКТИВНОГО ДІАЛОГУ

неефективно

- Індивідуальна компанія
- Додаткові скарги
- Операційний рівень
- Перелік самообслуговування
- Анекдотичні докази
- Непотрібні поступки
- Протилежні сторони

В ПОШУКАХ ЕФЕКТИВНОГО ДІАЛОГУ

неефективно	ефективно
• Індивідуалізована компанія • Додаткові жалоби • Операційний рівень • Перелік самообслуговування • Анекдотичні докази • Поступки • Протилежні сторони	• Групи галузей • Ясне бачення • Стратегія • Пріоритети • Дані та аналіз • Спів-відповідальність • Той ж бік таблиці

Створювання конкурентноздатності України

СХЕМА КОНКУРЕНТНОЗДАТНОСТІ

ЗНАЧНЕ ПОКРАЩЕННЯ В РІВНІ ЖИТТЯ

ЗРІСТ ПРОДУПРОДУКТИВНОСТІ

ЕКОНОМІЧНИЙ ЗРІСТ

Через незайнятосі

Через зріст зайнятості

ІНВЕСТИЦІЇ

ДЕРЖАВНИЙ СЕКТОР:

- ❖ Освіта
- ❖Тренінги
- ❖Інфраструктура
- ❖Обслуговування
- ❖Науково- дослідницька діяльність

ПРИВАТНИЙ СЕКТОР:

- ❖ Завод
- ❖ Тренінги
- ❖ Training
- ❖ Обслуговування
- ❖ Науково- дослідницька діяльність

Джерело: адаптовано з слів Говарда Розена, в минулом виконавчого директора Ради з Конкуренції США до J. E. Austin Associates

Встановлювання національних цілей

Для потужного зросту Українського ВВП на душу населення в $**** та досягнути повної зайнятості:**

- **Досягати 6-10 % зросту ВВП щорічно**
- **Збільшити національне інвестування до 30 % від ВВП**
- **Збільшити банківське страхування до 5-10 % від ВВП**

Джерело: адаптовано з слів Говарда Розена, в минулом виконавчого директора Ради з Конкуренції США до J. E. Austin Associates

Чому Ради наголошують на конкуренції?

- **Бізнес не може робити це сам; Держава не може робити це сама**
- **Інші важливі партнери**
- **Спільне бачення; неподілені напрямки**
- **Національна стратегія**
- **Лідерство та чемпіони; не тільки традиційні організації**
- **Прозоре оцінювання та моніторинг**
- **Не на чиємусь боці, справедлива**
- **Може бути ідентичною на регіональному рівні**

Елементи підходу Ради з Конкуренції

- ❖**Мапа лідерства**
- ❖**Розподіл на конкурентоспроможність**
- ❖**Інформувати українців про конкуренцію**
- ❖**Стратегія індустрії**
- ❖**Встановлення національних стандартів**
- ❖**Національні угоди**
- ❖**Впровадження бізнесом, державою та освітою**

Типові завдання Рада з Конкуренції

- **Перший національний заклад для економічного діалогу**
- **Стратегічні рекомендації для посилення змагальності**
- **Поради, моніторинг для покращення економічного клімату**
- **Оцінка економічного зросту та конкурентноздатності України**
    - **Щорічний звіт з конкуренції**
    - **Щорічний звіт з конкурентних змагань**
- **Підтримка програм для заохочення конкуренції**

Типові завдання Ради з Конкуренції

(продовження)

- **Рекламувати продуктивність та відмінну якість**
- **Глибока співпраця**
- **Підтримувати інновації в освіті та тренінгах**
- **Забезпечувати керівництво для законодавчої та політичної бази**
- **Підтримувати стратегію змагальності та продуктивності інтерфейсу гнучкого диску (FDI)**
- **Заохочувати інвестиції у науку, технології, інновації**
- **Робити прозорий державно-приватного діалог**

Створювання конкурентноздатності України

ЧОГО ДОСЯГЛА РАДА З КОНКУРЕНЦІЇ?

- **Вплив на політичні реформи**
  - **Тон дискусії**
  - **Вибір правильної цілі (на черзі - зміни)**
  - **Намітка пріоритетів**
  - **Імплементація**
  - **Мобілізація підтримки змін**
- **Вплив на продуктивність приватного сектору**
  - **Підприємництво та економічні утворення**
  - **Співпраця промислових груп**
  - **Стратегії корпорацій, що склалися (керівництво)**
  - **Мобілізація інвестицій**
  - **Подолання адміністративних бар'єрів**
  - **Мікро- та макрозв'язки**

(продовження)

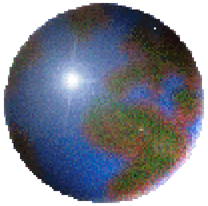
ЧОГО ДОСЯГЛА РАДА З КОНКУРЕНЦІЇ? (продовження)

- **Вплив на економічний діалог з урядом**
  - **Порівняння ефективного та неефективного діалогу**
  - **Побудова довіри та соціального капіталу**
- **Вплив на позицію та відношення людей**
  - **Продуктивність**
  - **Гнучкість**
  - **Співпраця**
  - **Еміграція**
  - **Заощадження**
  - **Підприємництво**
  - **Моделювання ролей**
  - **Популярна культура**

Результати для України:

- **Чи це *суттєво* для України?**
- **Чи є *вплив на лідерів*?**
- ***Кого* потрібно залучати?**
- ***Які* промислові групи?**
- **Чи є особливі випадки у "*чемпіонів*"?**
- **Які *наступні кроки*?**

Створювання конкурентноздатності України



Веб-сайти проектів з конкуренції

Південно-східна Азія: www.seasia-strategy.com
Шрі-Ланка: www.competitiveness.lk
Болгарія: www.competitiveness.bg
Монголія: www.tcimongolia.org

ДЯКУЄМО

Competitiveness:

Building Kyrgyz Republic's Prosperous Future

(English)

Competitiveness:
Building Kyrgyz Republic's Prosperous Future

J.E. Austin Associates

November 2002

The Agenda

1. **Principles and Tools of Competitiveness**
2. Competitiveness Tools: Examples and Lessons from Around the World
3. Competitiveness work with 3 Industries in Mongolia
4. Relevance to Kyrgyz Republic and Your Industries

Solid Results: Sri Lanka Rubber

Higher values and sales through:

- Crepe rubber repositioning – work directly linkage with U.S. buyers and marketers. Quality improvement.
- Joint task forces with government – institutional reform for the industry
- Strengthen rubber supply/quality through backward integration
- Industry-Moratuawa University partnership for new products – 3 projects with business

Solid Results: 3 Industries in Mongolia

Meat Processing

- $3 Million in first year trial exports
- 4 new export markets; new export products

Cashmere

- Manufactured value added increased by 30% to $22 million per year

Tourism

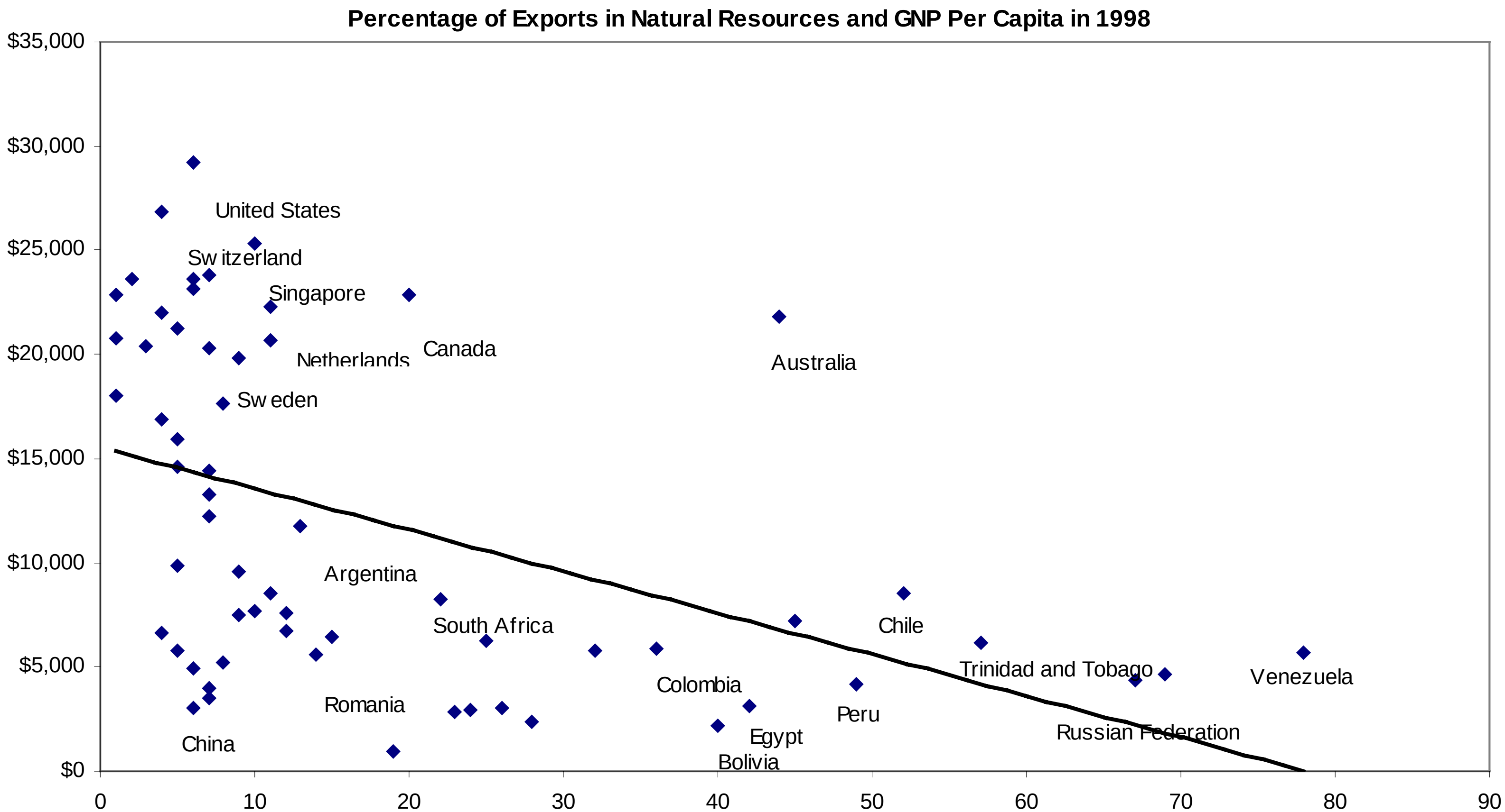
- 35% Increase in arrivals
- Contribution from GDP increased from $17 to $40 million

Why is Competitiveness Emerging as the #1 Issue for Leaders?

- Globalization
- Liberalization
- Privatization
- WTO Accession
- Technological Change
- Transition from Central Planning

What is Competitiveness?

Kyrgyz Republic is Currently Dependent on Natural Resource Exports

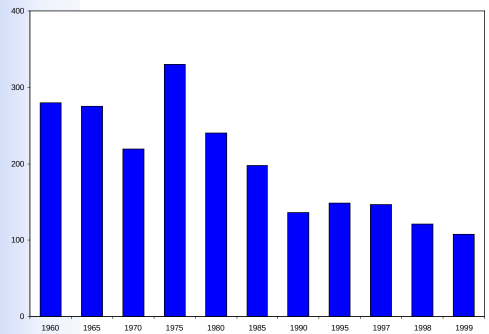


Percentage of exports in raw materials calculated as the percentage of merchandise exports in agricultural raw materials, metals and ores, and fuels.
Source: World Development Report 2000.

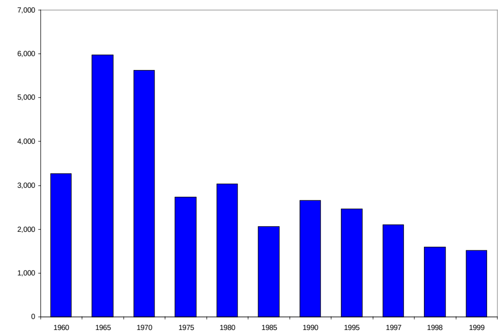
What is Competitiveness?

Selected Global Commodity Prices 1960-1999 (1990=100)

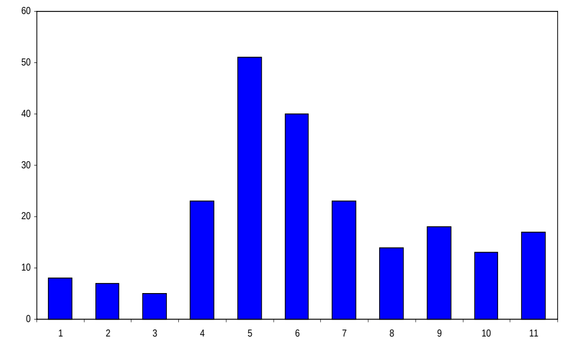
Wheat



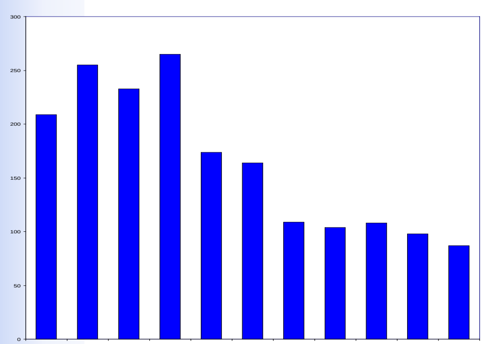
Copper



Petroleum

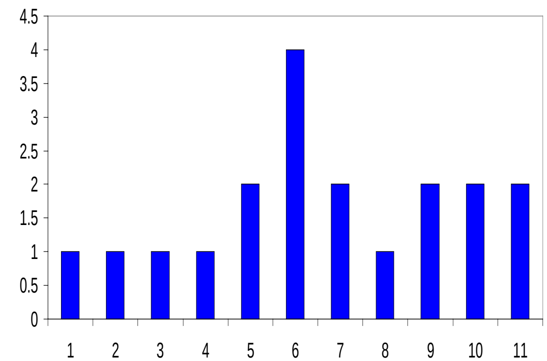


Corn



Trend = Relentless Price Pressure

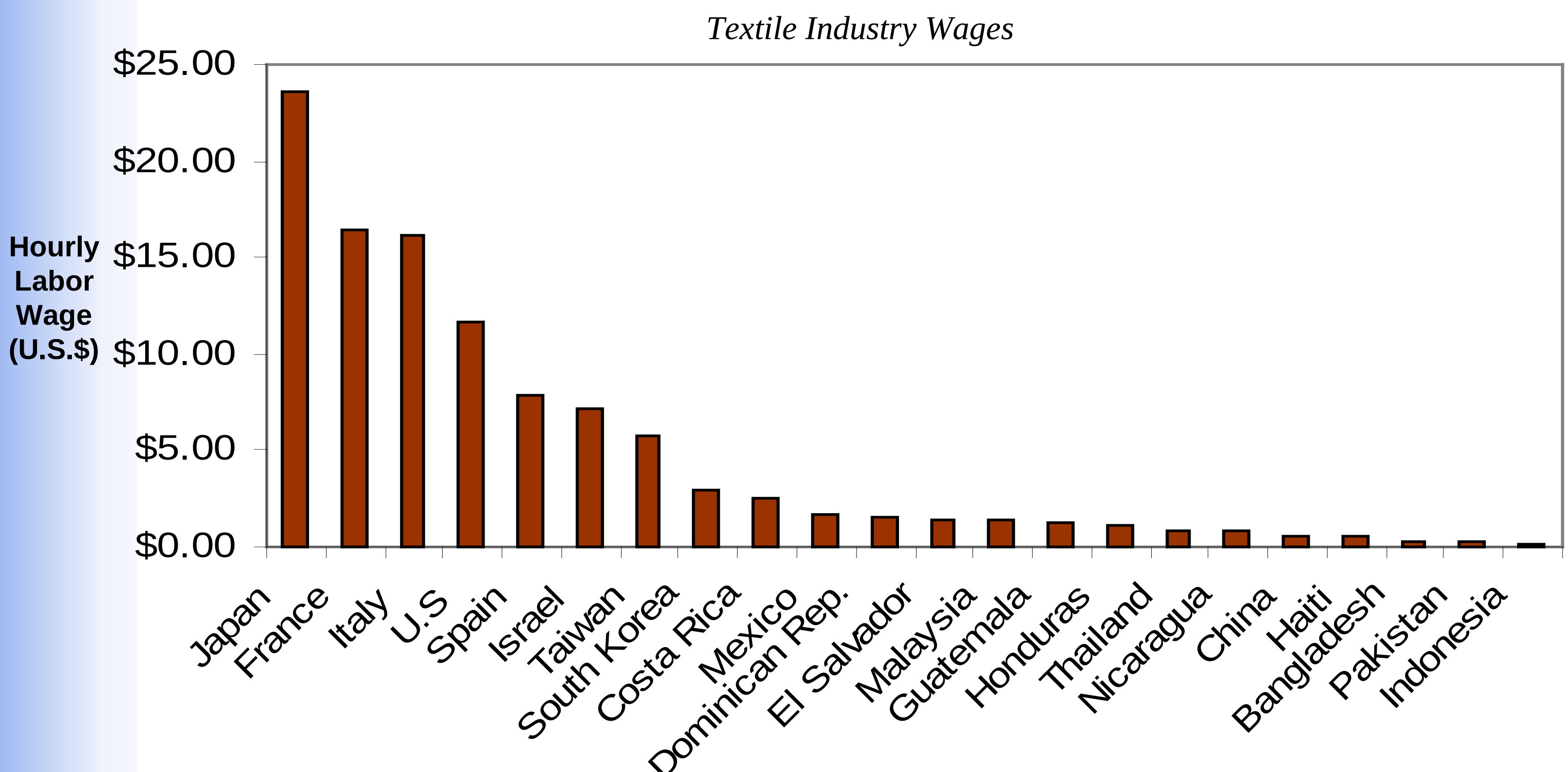
Natural Gas



Source: World Bank Development Indicators

What is Competitiveness?

Low cost strategies based on low cost wages provide an unsustainable competitive advantage



SOURCE: Bobbin Magazine 1999 averages,developed countries statistics are from Gherzi Textile Organization

What is Competitiveness?

Competitiveness Is NOT…

- Abundant Natural Resources
- Cheap Labor
- Depreciated Currency
- Government “Incentives”

Some Key Questions for Competitive Success

- What trends are the world's top performers mastering?
- What qualities will the customer pay a premium for?

The Agenda

1. Principles and Tools of Competitiveness
2. **Competitiveness Tools: Examples and Lessons from Around the World**
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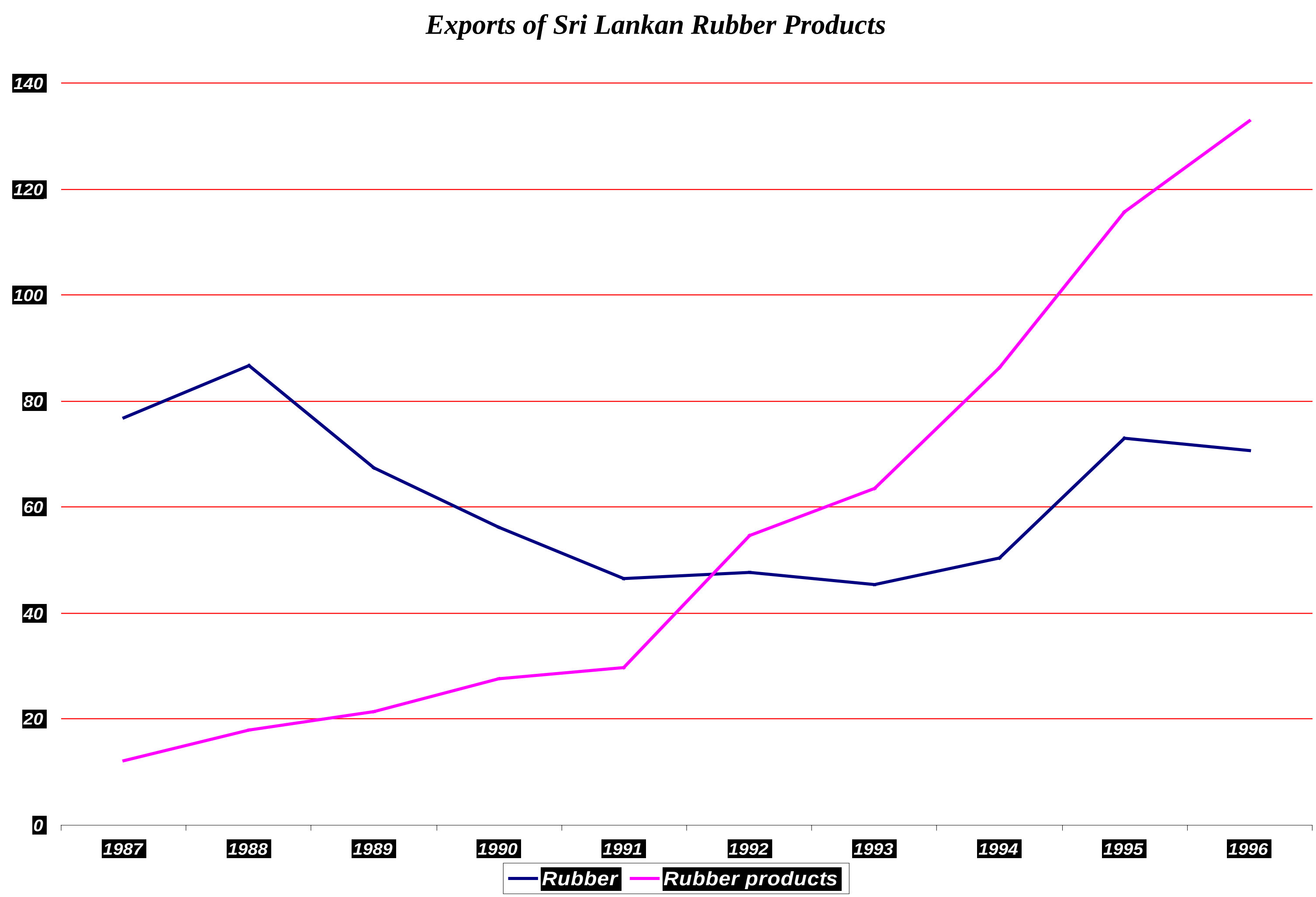
The Competitiveness Diamond

Businesses and industries are often established on the basis of available basic factors and have supply orientation

Factors

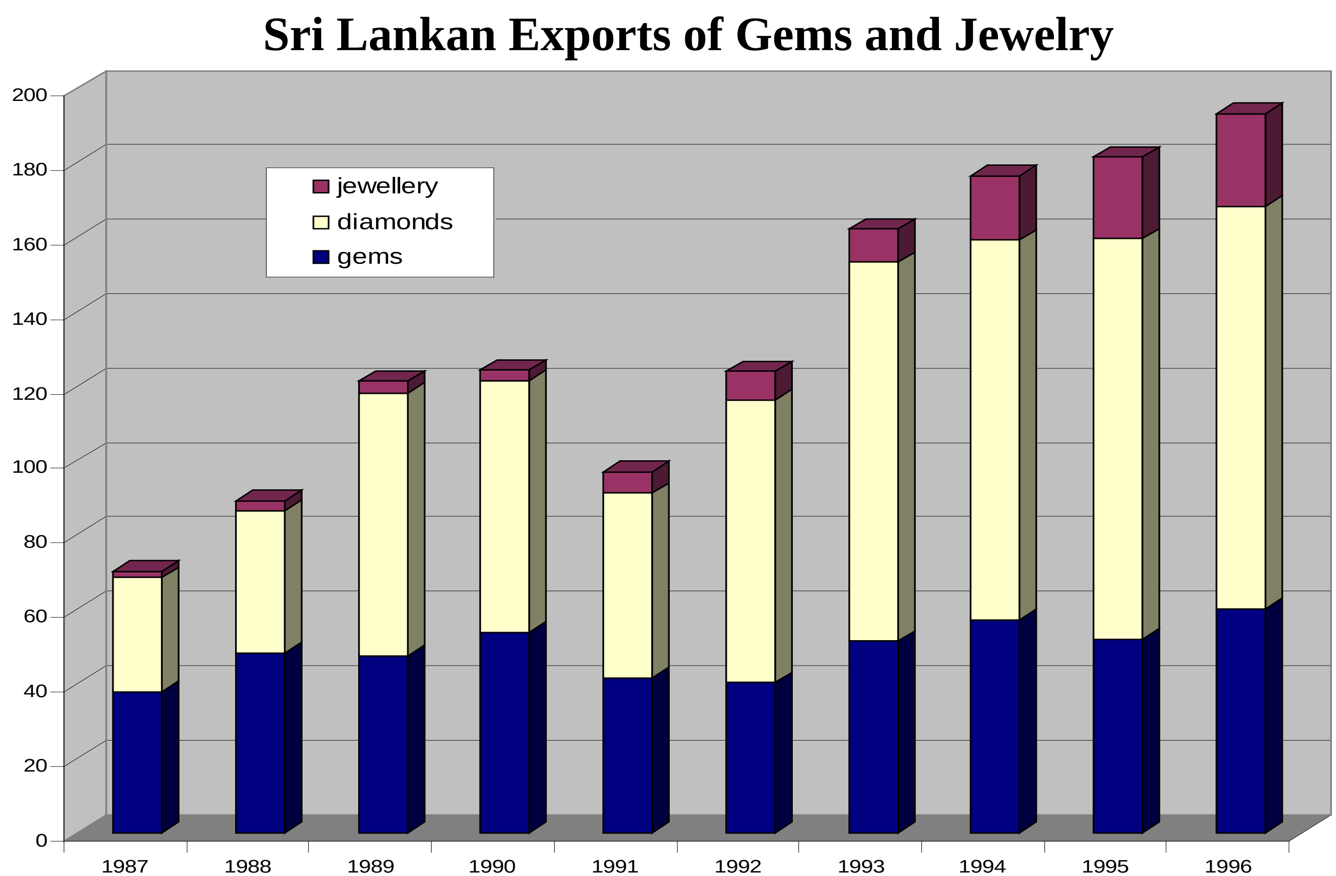
Source: Michael Porter

EXPORT OF SRI LANKA RUBBER Vs. RUBBER PRODUCTS



Source: Sri Lanka National Statistics

Opportunity: Build Complex Exports Avoid Over-Relying on Basic Factors



Source: Sri Lanka Industry Statistics

The Competitiveness Diamond

Businesses and industries should be focused on needs of specific types of customers

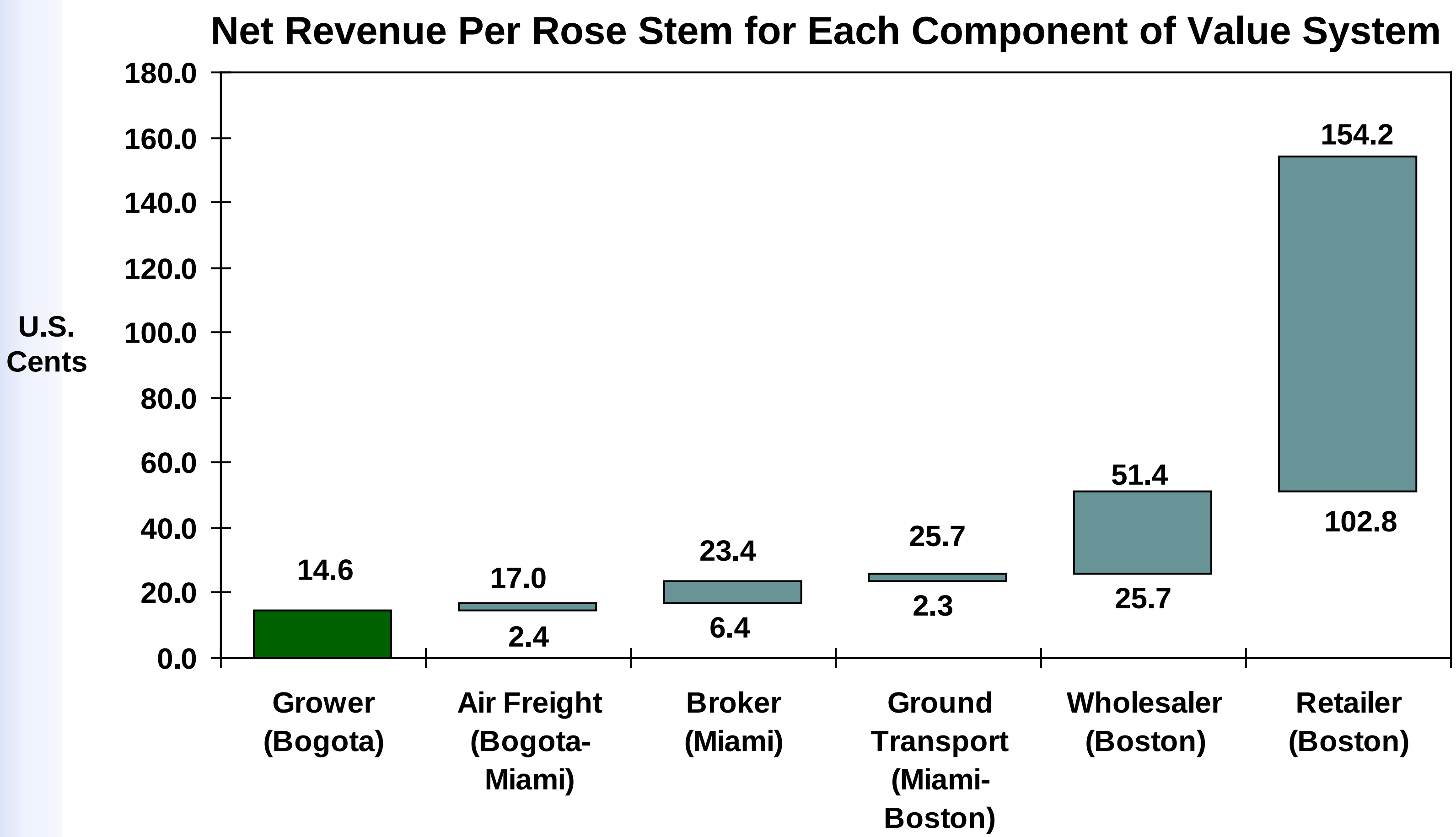
Factors

Demand

Source: Michael Porter

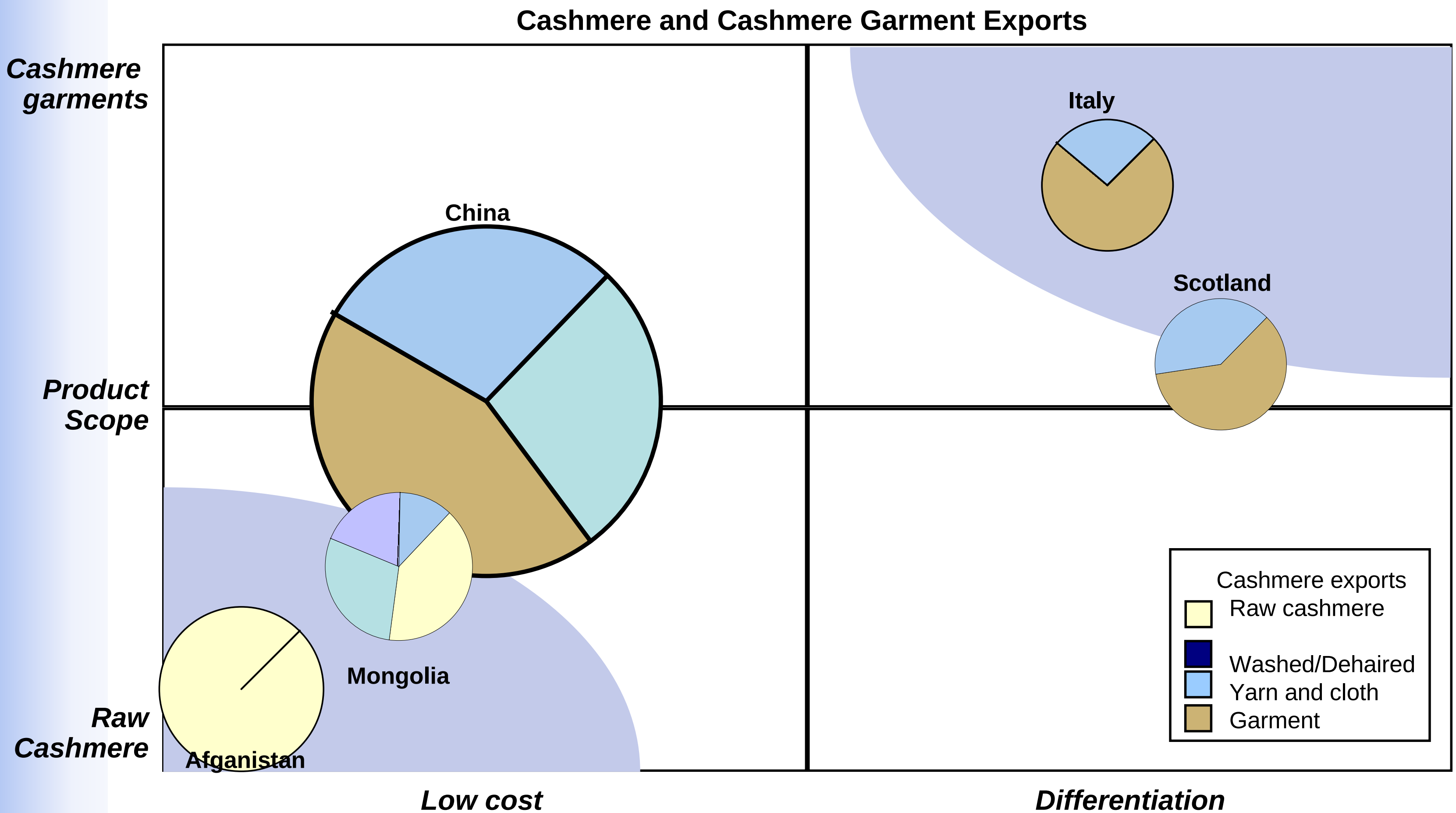
Value Chains — The Colombia Cut Flowers

Colombia Cut Flower Value Chain



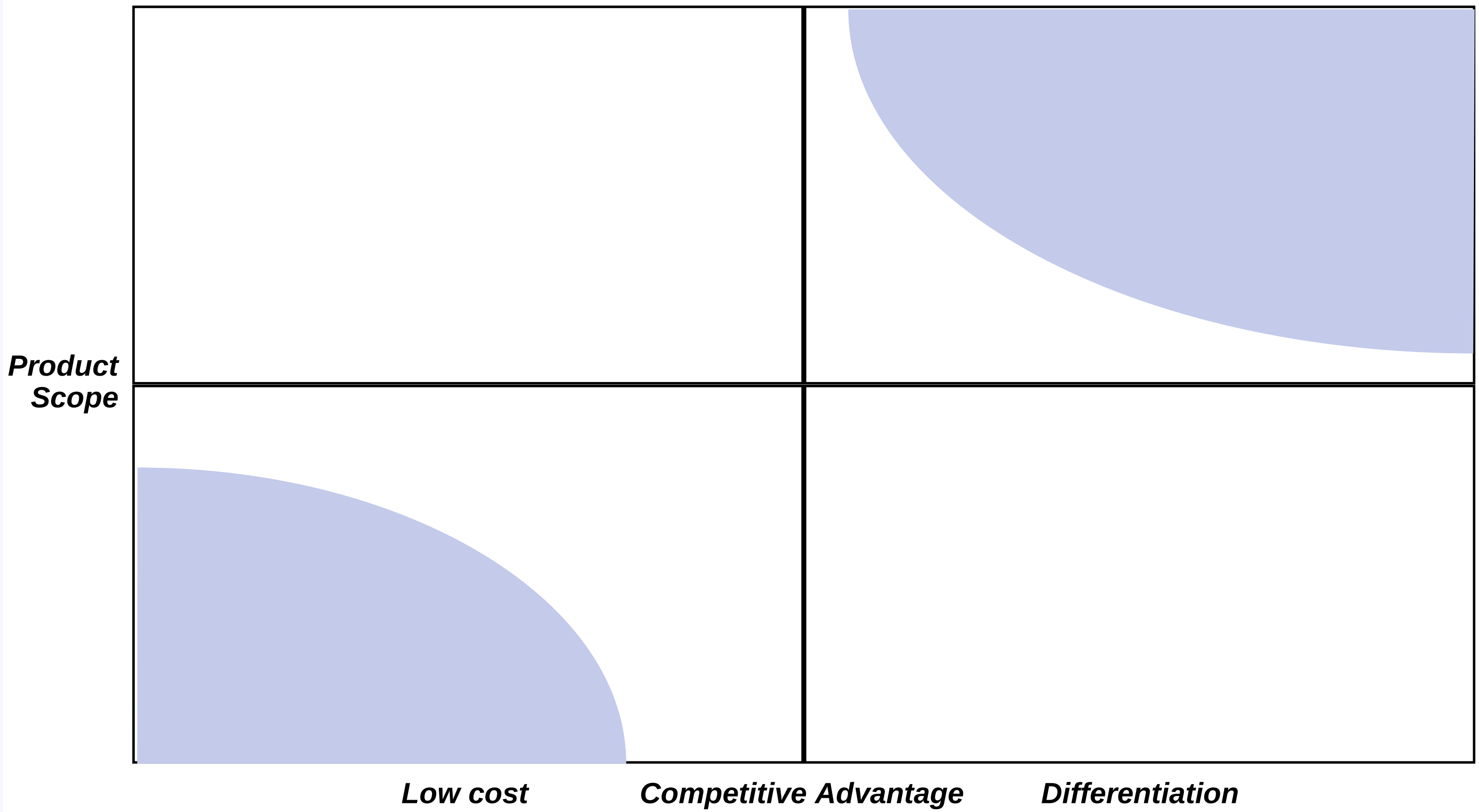
Source: Interviews in Mexico, Colombia, Miami, Boston, Monitor Analysis

Mongolian Cashmere Industry



Mongolian cashmere is a competitive product in its raw form, but it competes in the same mass market segment as China, a bigger producer.

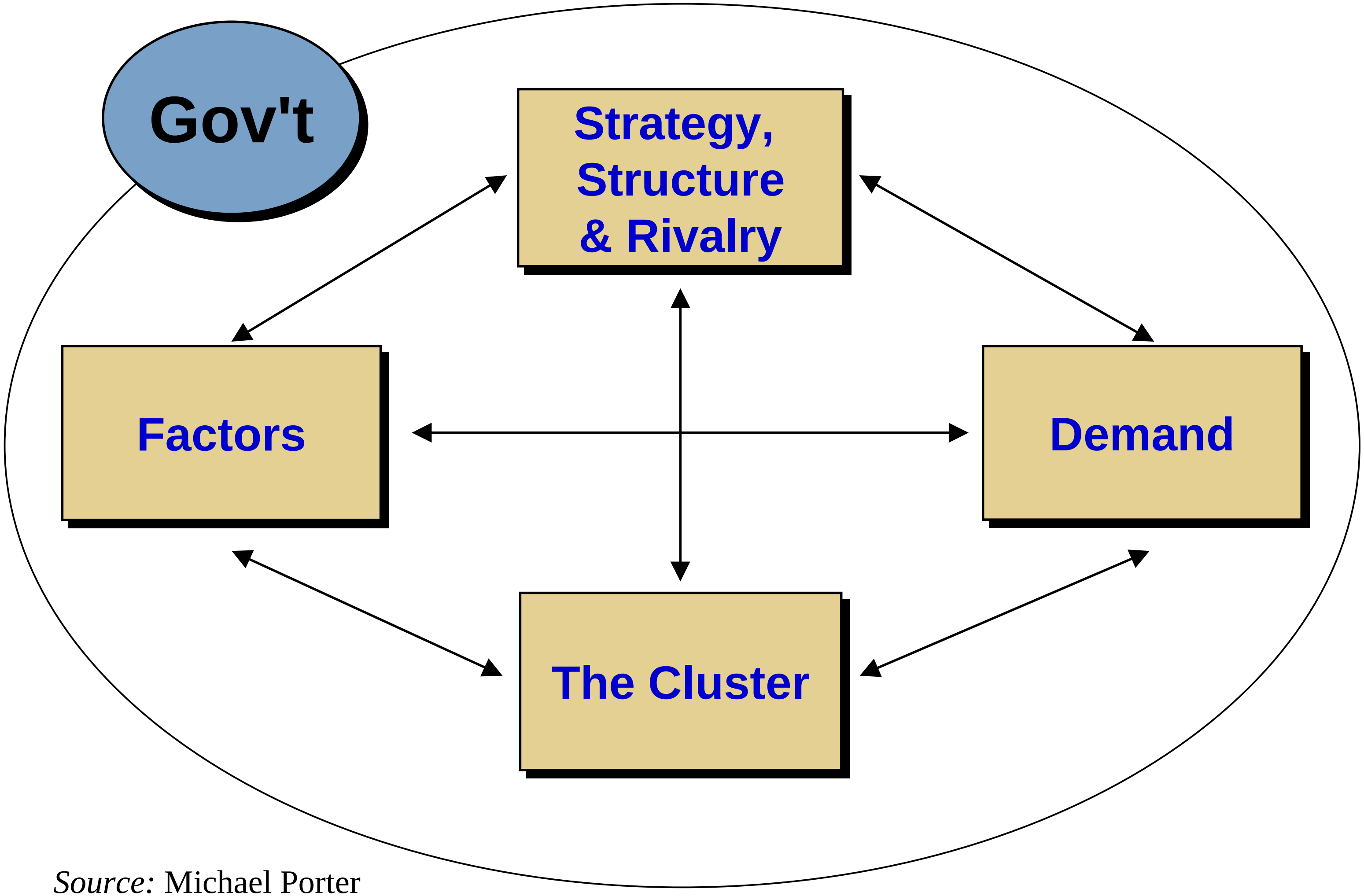
What is your cluster's Competitive Position?



Strategy Choices for the Firm

- Choice of scope:
  - Geographic
  - Segment
  - Forward Integration
  - Business
- Choice of advantage:
  - Cost
  - Differentiation (design, quality)
  - Customer Service
- Choice of trend or technology:
  - Leader
  - Follower

The Competitiveness Diamond



Source: Michael Porter

SIRMA

Strategy (High)

+ Aim at sophisticated markets
+ Identify new applications
+ Quality focus – strive for perfection
+Get close to customers, to learn and service

Factor Conditions (Mixed)

-Access to finance
-Far away from Markets
-+ Skilled staff are available
-+ Skilled management

Demand (High)

+ Identify quality client base
+ Identify market niches
- Little domestic market

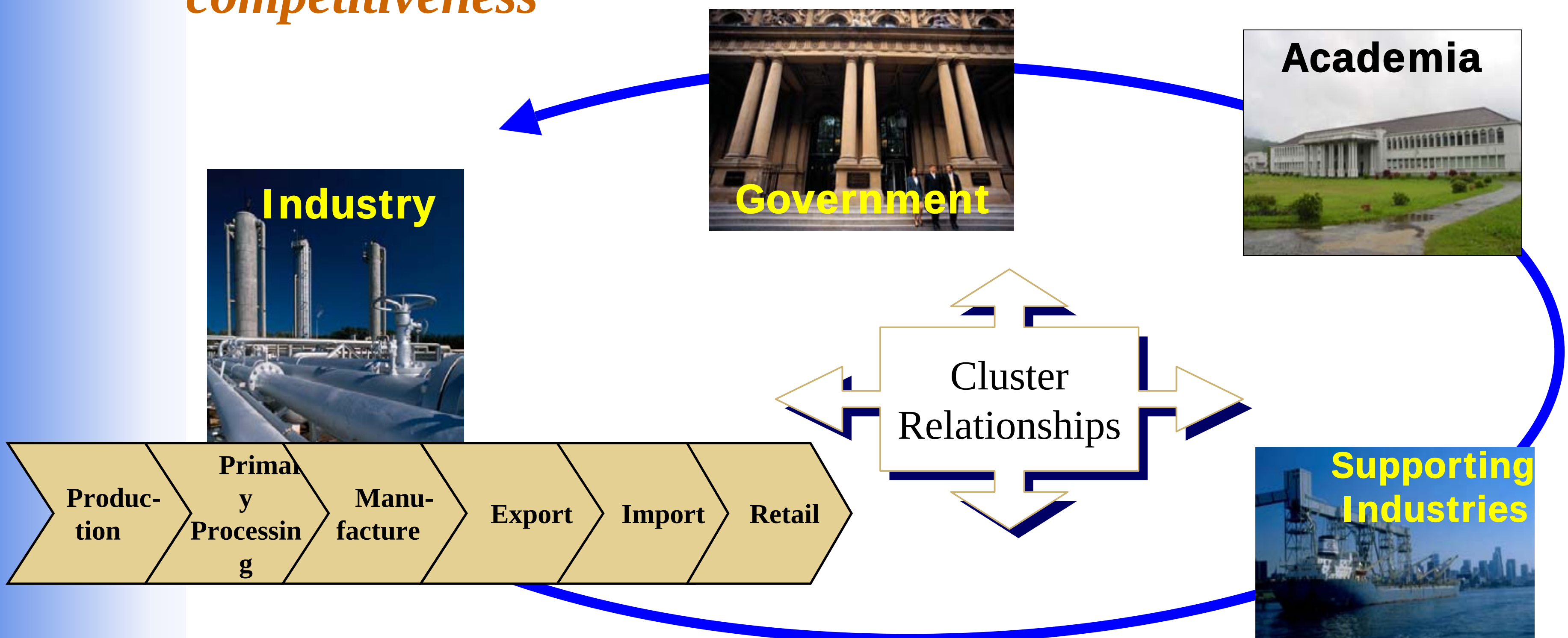
Cluster (Mixed)

+ Forward integration within the group
+ Teaming with users
- Little focus on cluster effectiveness

Industry Clusters

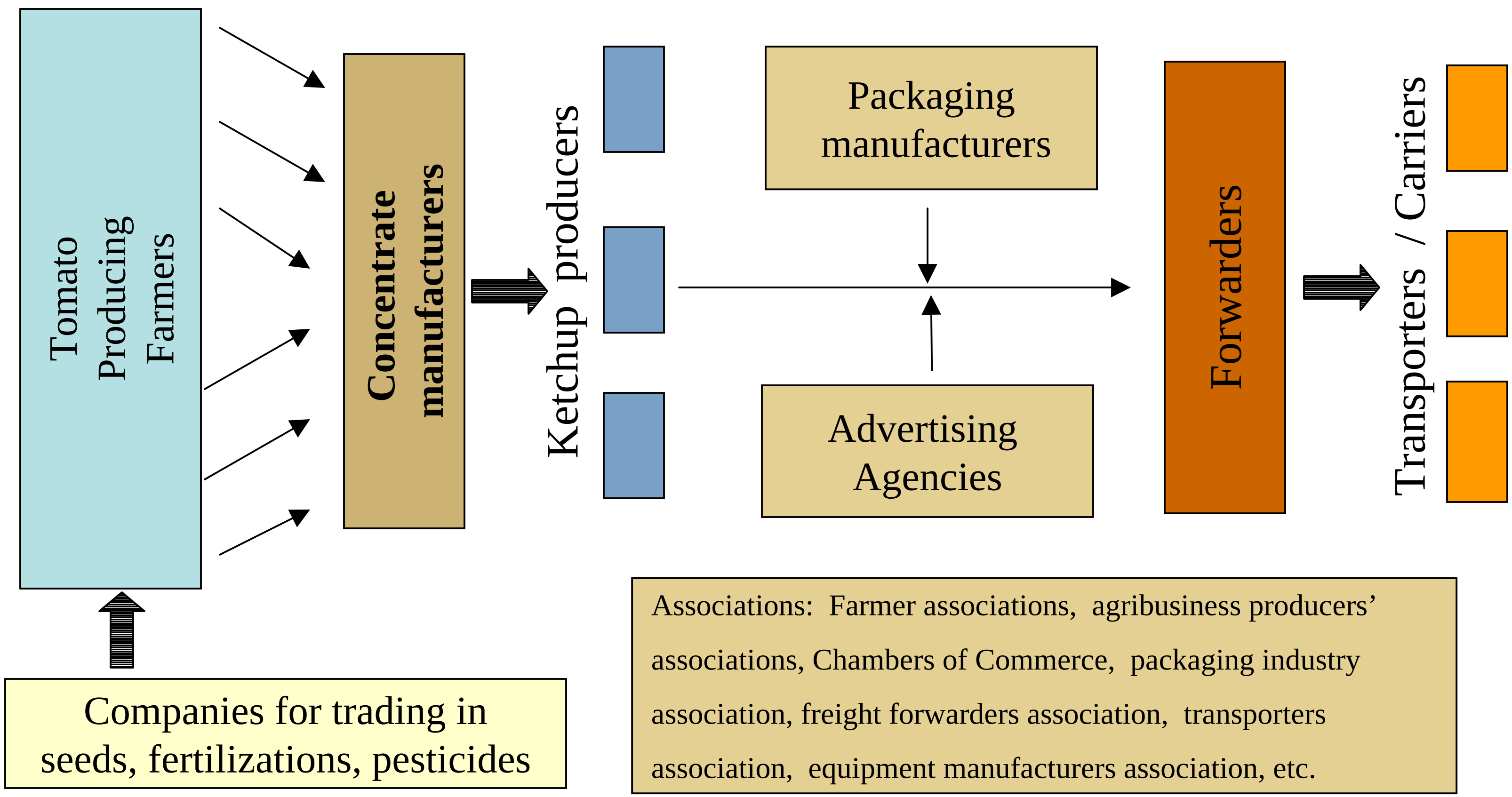
The cluster is one method with proven success

Cluster: a concentration of interconnected companies and institutions, both public and private, striving for competitiveness



Once objectives are set and strategies formulated, more direct interaction with government, academia and other supporting industries is essential

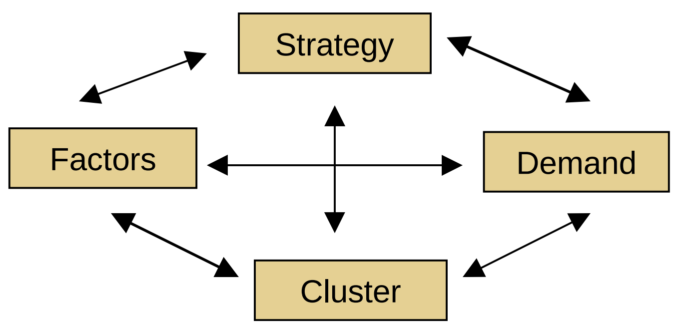
Sample cluster: The ketchup cluster in the Stara Zagora Region (Bulgaria)



Bulgarian Food Processor Diamond

+ High Quality product strategy
+ Identify high-end wholesalers
+ Invest in producers through contracts, training
+ Invest in equipment, staff training
+ Work with packaging industry
+ Owner's ability to track/lead market's needs
+ Efficiency of scale of operations

HIGH



+/- High quality grown products available; but high quality variability;
+/- Reasonable proximity to European markets
- Relatively high transport costs to European markets
+/- Low cost labor
- Low productivity
+ Good basic skills
+/- Seasonal production/Seasonal imports
- Land ownership in flux
+/- Basic processing technology is simple, but out of date
+ Invested in supplier training
+ Invested in special equipment
+ Invested in worker training

BASIC – LOW/MEDIUM
ADVANCED – MEDIUM

- Good internal demand, but for lower quality
- Domestic quality market is limited
+ Large external market for quality, differentiation

DOMESTIC – LOW
EXTERNAL – MEDIUM

+/- Transport sector is relatively efficient
- Local quality standards are not rigorous
+ EU standards are rigorous.
+/- Producers are capable of high quality.
- Poor quality of local packaging and labeling.
- Relatively low level of development of related industries
+/- Supply and placement contacts are in short-term stable with respect to exports, less so for domestic sales
+/- Cluster production improving slowly, links just beginning

LOW

Source: IME and JAA

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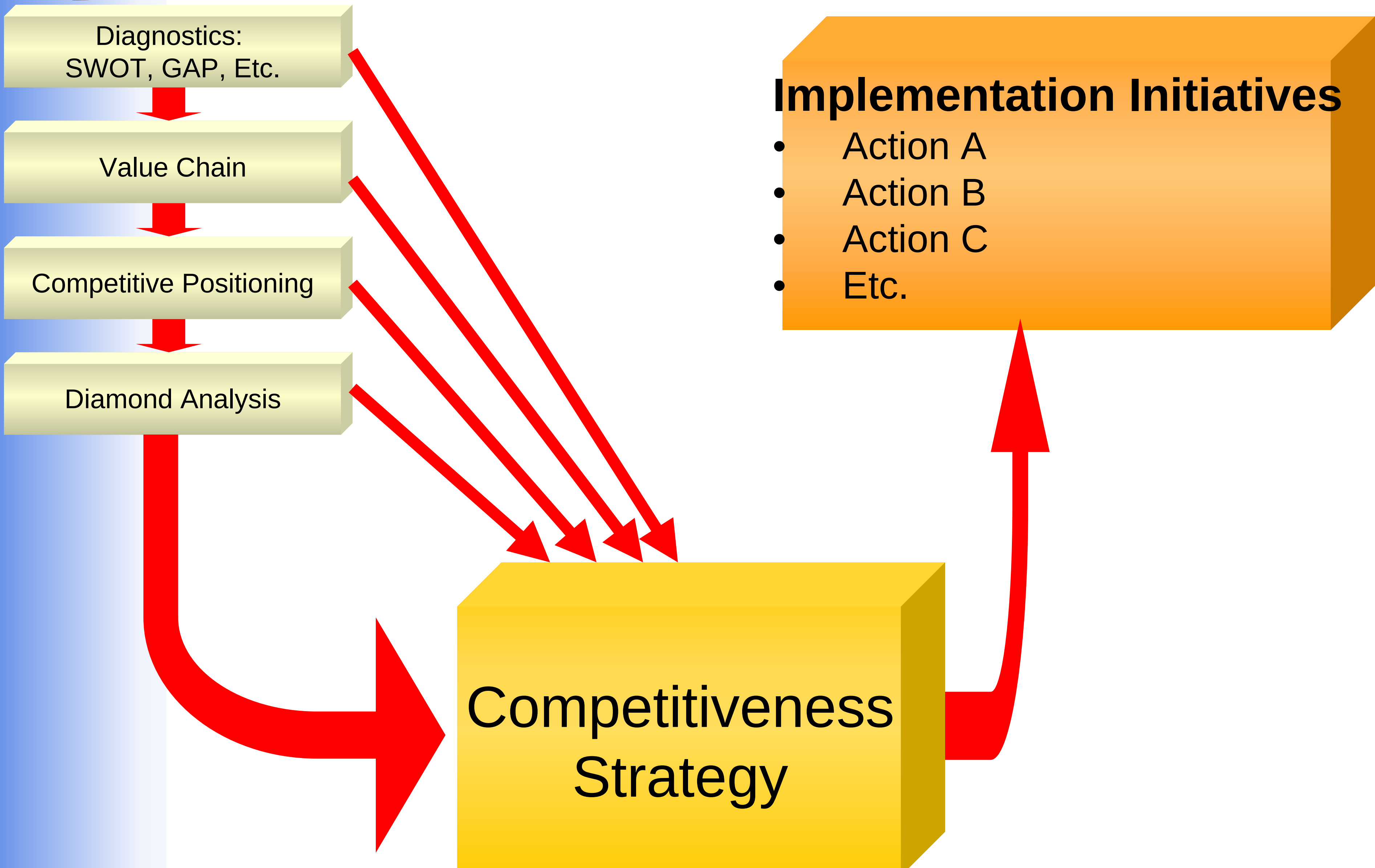
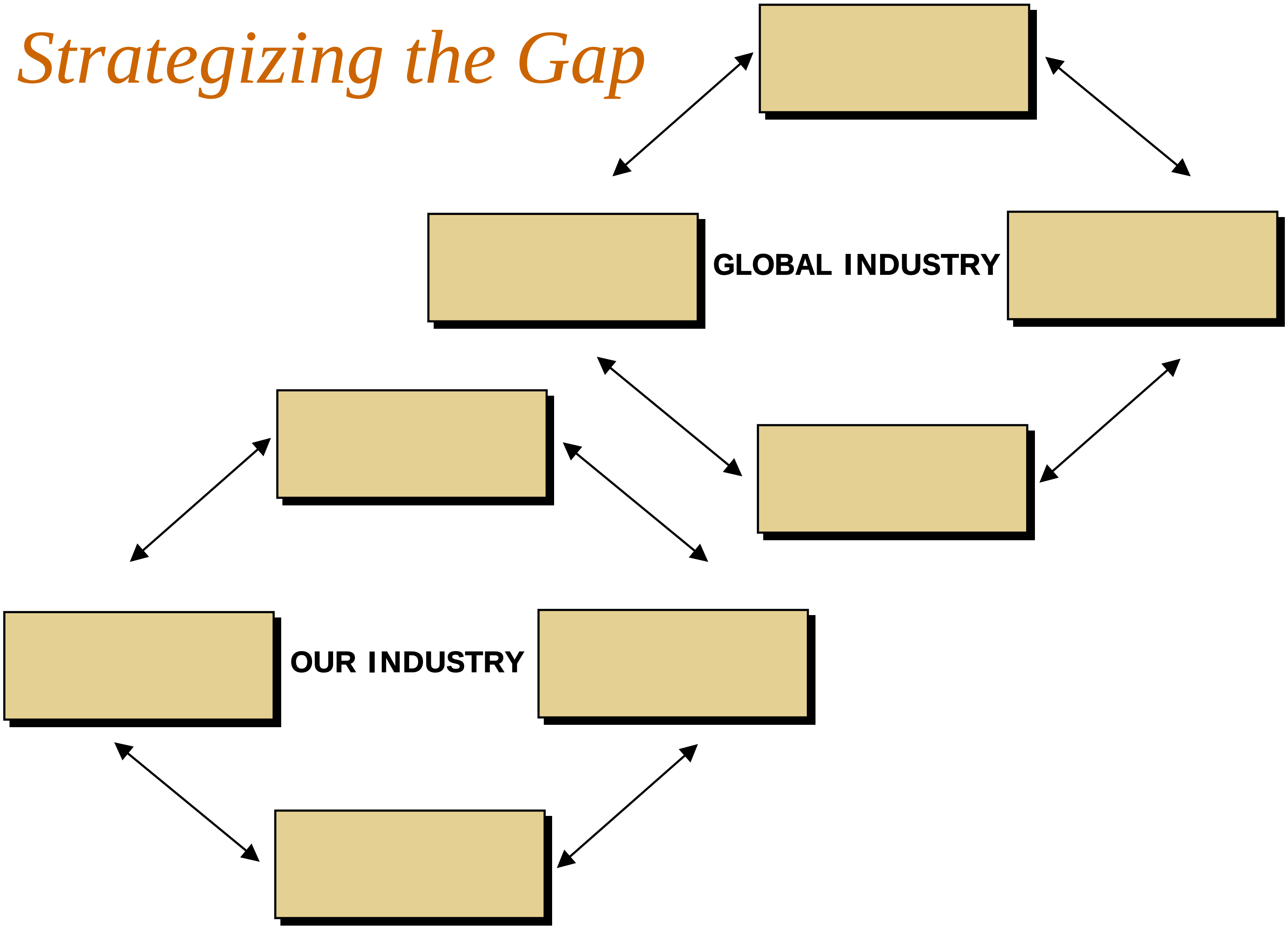
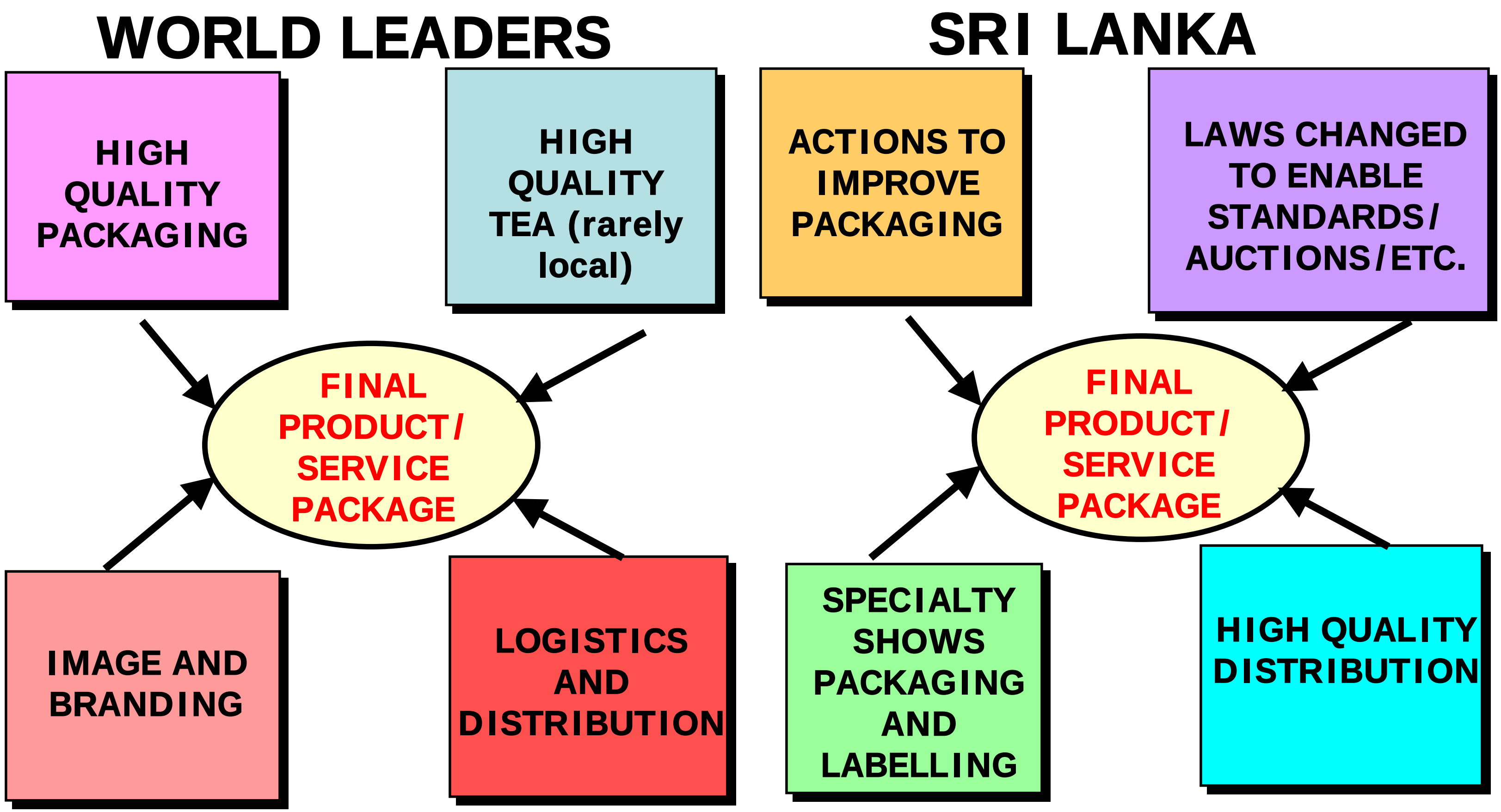
Strategic Tools



Strategizing the Gap



Sri Lanka's Tea Industry – Gap Analysis



What is Competitiveness?

The New Competitiveness Paradigm

Political, Legal, and Macroeconomic Context

Sophistication of Company Operations and Strategy ⟷ **Quality of the Microeconomic Business Environment**

Microeconomic Foundations

Source: Michael Porter, 1998

What is Competitiveness?

Pursuing Effective Dialogue

INEFFECTIVE	EFFECTIVE
Individual Company	Industry Clusters
Ad-hoc Complaints	Comprehensive Vision
Operational Level	Strategy
Laundry Lists	Priorities
Anecdotal Evidence	Data and Analysis
Concessions	Co-Responsibility
Opposite Sides	Same Side of Table

Typical Action Improve:

- Market access
- Market intelligence
- Policy change
- Supply chain management
- Branding and image
- Standards
- Cluster investments
- Workforce – certifications, skills
- Producer-marketer collaboration
- Investment in technology

Why does it work?

- The participants own the agenda
- Committed leadership; vision
- Elevated field of vision – looking at new customers, bigger pie
- See the benefit – some issues can only be tackled at the cluster level
- Not an exchange for donor support

Thank you

Competitiveness Projects' Websites

- **Southeast Asia:** **www.seasia-strategy.com**
- **Sri Lanka:** **www.competitiveness.lk**
- **Bulgaria:** **www.competitiveness.bg**
- **Mongolia:** **www.tcimongolia.org**

Competitiveness:
Building Kyrgyz Republic's Prosperous Future
(Russian)

Конкурентоспособность:
Построение перспективного будущего Кыргызстан

J.E. Austin Associates

Содержание

1. **Принцепы и инструменты конкурентоспособности**
2. Презентация инструментов конкурентоспособности - Практические примеры со всего мира
3. Решение вопросов конкурентоспособности с 3 индрустиями в Монголии

4 Применима ли конкурентоспособность в Кыргыстане и Вашем индустрии?

Конкретные Результаты - Каучуковой промышленности Шри-Ланка

- Партнерство Промышленного Университета Маратуава для исследования и развития - 3 проекта с бизнесами
- Перегруппировка крап резины– прямая связь с покупателями и маркетологами из США. Улучшение качества.
- Совместная рабочая группа специалистов и правительственно-институциональной реформы
- Усилить поставку резины через обратную интеграцию

Конкретные Результаты - Монголия

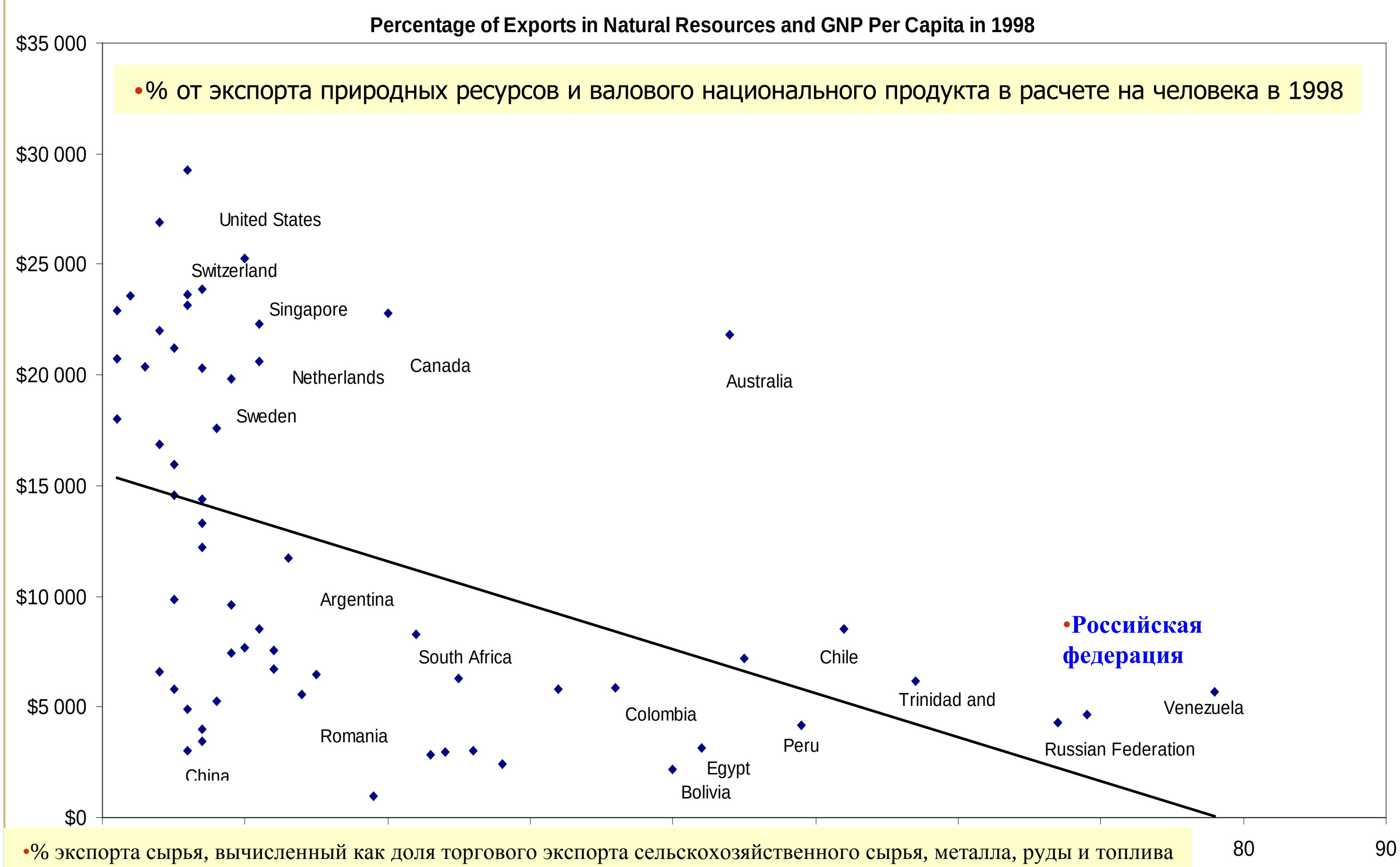
- Мясо Производство
  - 3 мил за первый год
  - 4 новых экспортных рынков и новые экспортирумые товары
- Кашимир
  - Промышленность более высокого качества увеличелась на 30% до 22 мил Долларов США в год
- Туризм
  - 35% увелечение приезжих

Почему конкурентоспособность - вопрос номер 1, стоящий перед руководителями?

- Глобализация
- Либерализация
- Приватизация
- ВТО
- Изменение технологий
- Переходный период от централизованного планирования

Что такое конкурентоспособность?

Зависимость от экспорта природных ресурсов в настоящее время



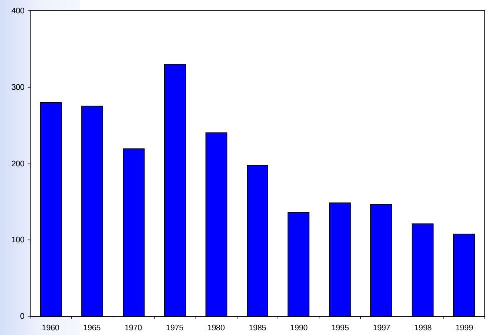
•% экспорта сырья, вычисленный как доля торгового экспорта сельскохозяйственного сырья, металла, руды и топлива

•Источник: Отчет о мировом развитии, 2000

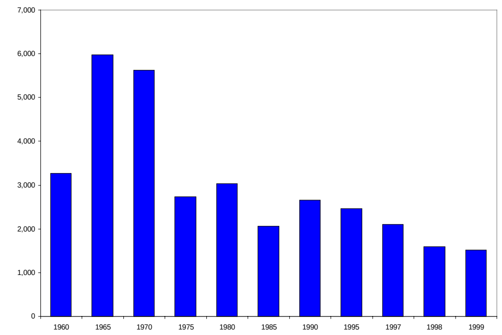
Что такое конкурентоспособность?

Приведены общие торговые цены за 1960-1999 (1990=100)

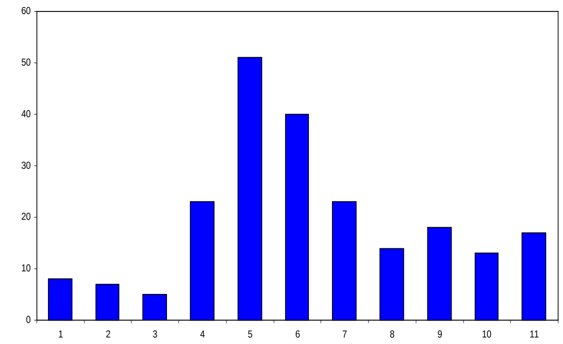
Пшеница



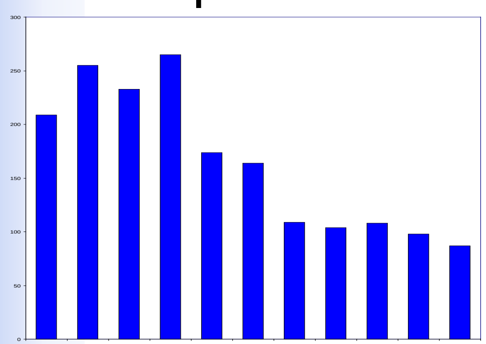
Медь



Нефть

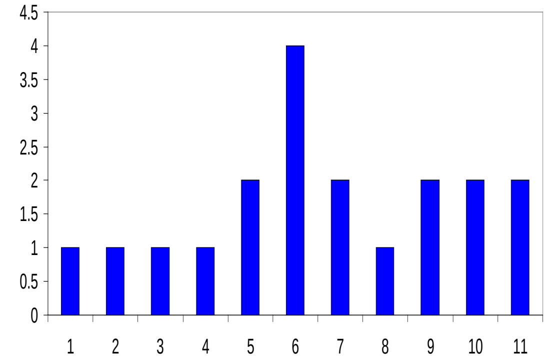


Зерно



Тенденция = Жестокое Ценовое Давление

Природный газ

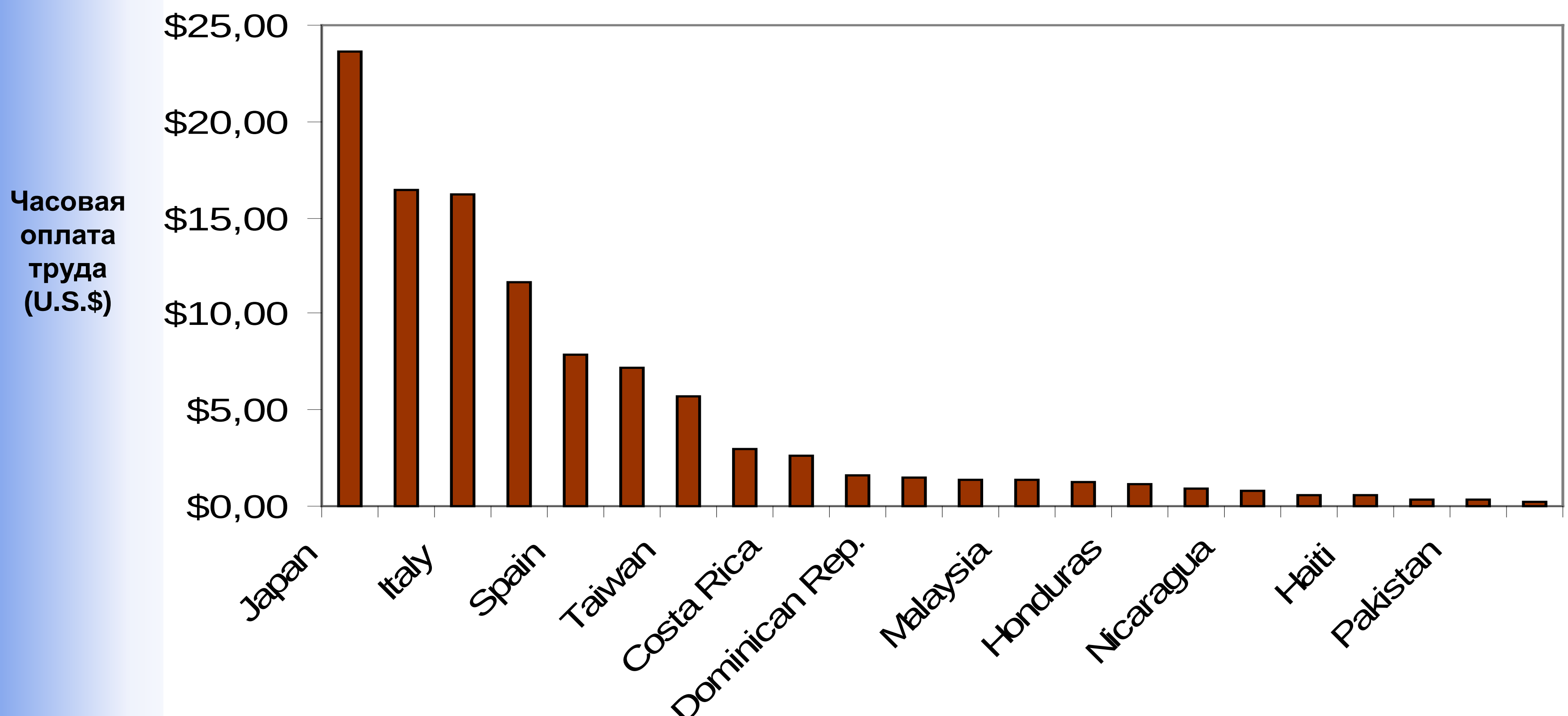


•Источник: Индикаторы развития Мирового банка

Что такое конкурентоспособность?

Стратегии низких затрат базируются на низких заработных платах и не обеспечивают стабильное конкурентное преимущество

•Уровень заработных плат в текстильной промышленности



•Источник: Bobbin Magazine 1999, средние значения, статистические данные по развитым странам - Gherzi Textile Organization

Что такое конкурентоспособность?

Конкурентоспособность - это НЕ…

- Изобилие природных ресурсов
- Дешевая рабочая сила
- Обесценивание денежных средств
- Государственное “стимулирование”

Несколько основных вопросов для успеха, ориентированного на рынок

- Какие направления осваивают мировые лидеры?
- За какие качества клиенты будут платить больше?

Содержание

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Бриллиант конкурентоспособности

Торговые и промышленные предприятия учреждаются на основе доступных основных факторов и ориентированы на доставку

Факторы

Source: Michael Porter

Шри-Ланка: экспорт каучука и изделий из каучука

- Каучук
- Изделия из каучука

Источник: национальная статистика Шри-Ланка

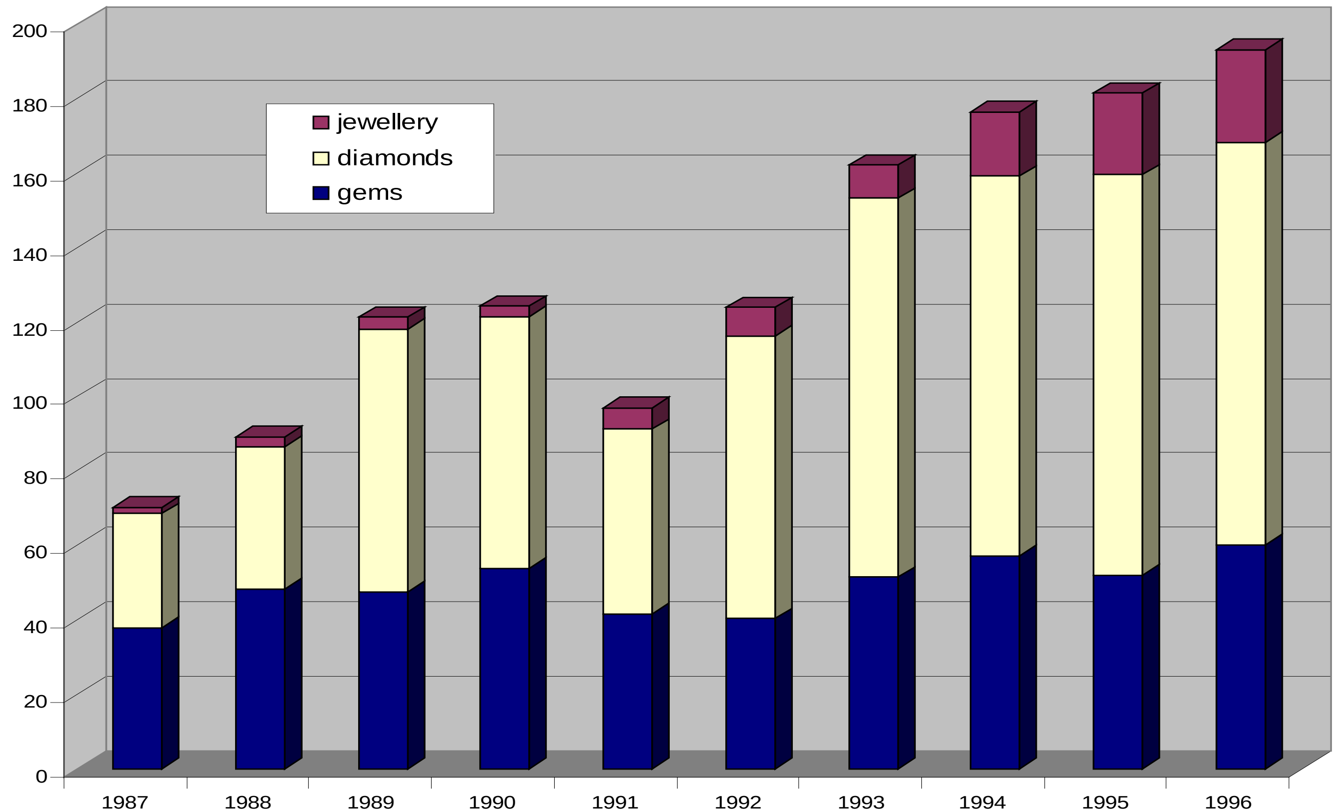
Возможности: Создавать комплексный экспорт Не полагаться чрезмерно на основные факторы

ювелирные изделия

бриллианты

драгоценные камни

Шри-Ланка: экспорт драгоценных камней и ювелирных изделий



Источник: статистика промышленности Шри-Ланка

Бриллиант конкурентоспособности

Торговые и промышленные предприятия должны сосредоточится на потребностях определённого круга покупателей

Факторы

Спрос

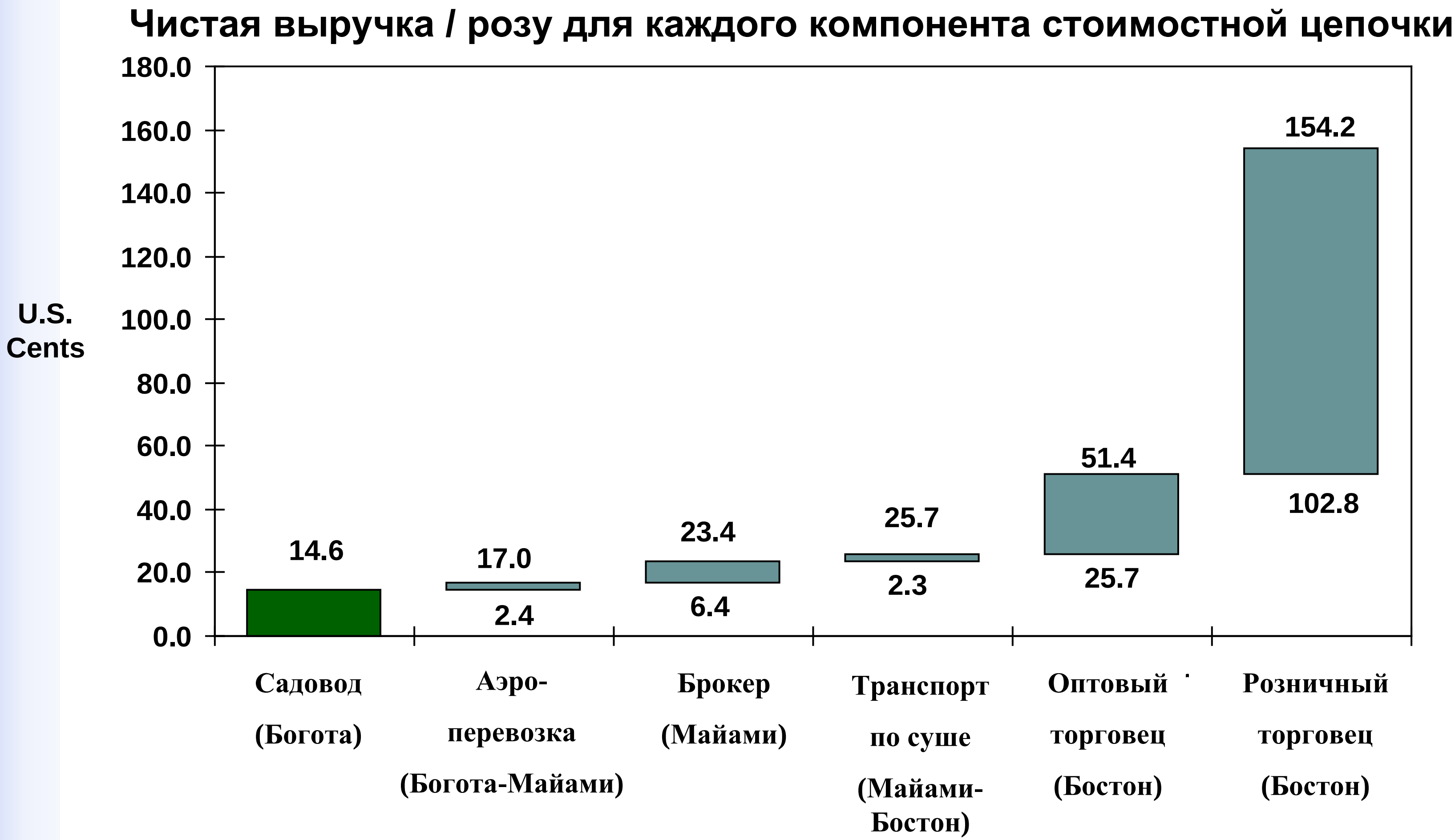
Source: Michael Porter

Инструменты стратегии

Value Chain (Стоимостные цепочки)

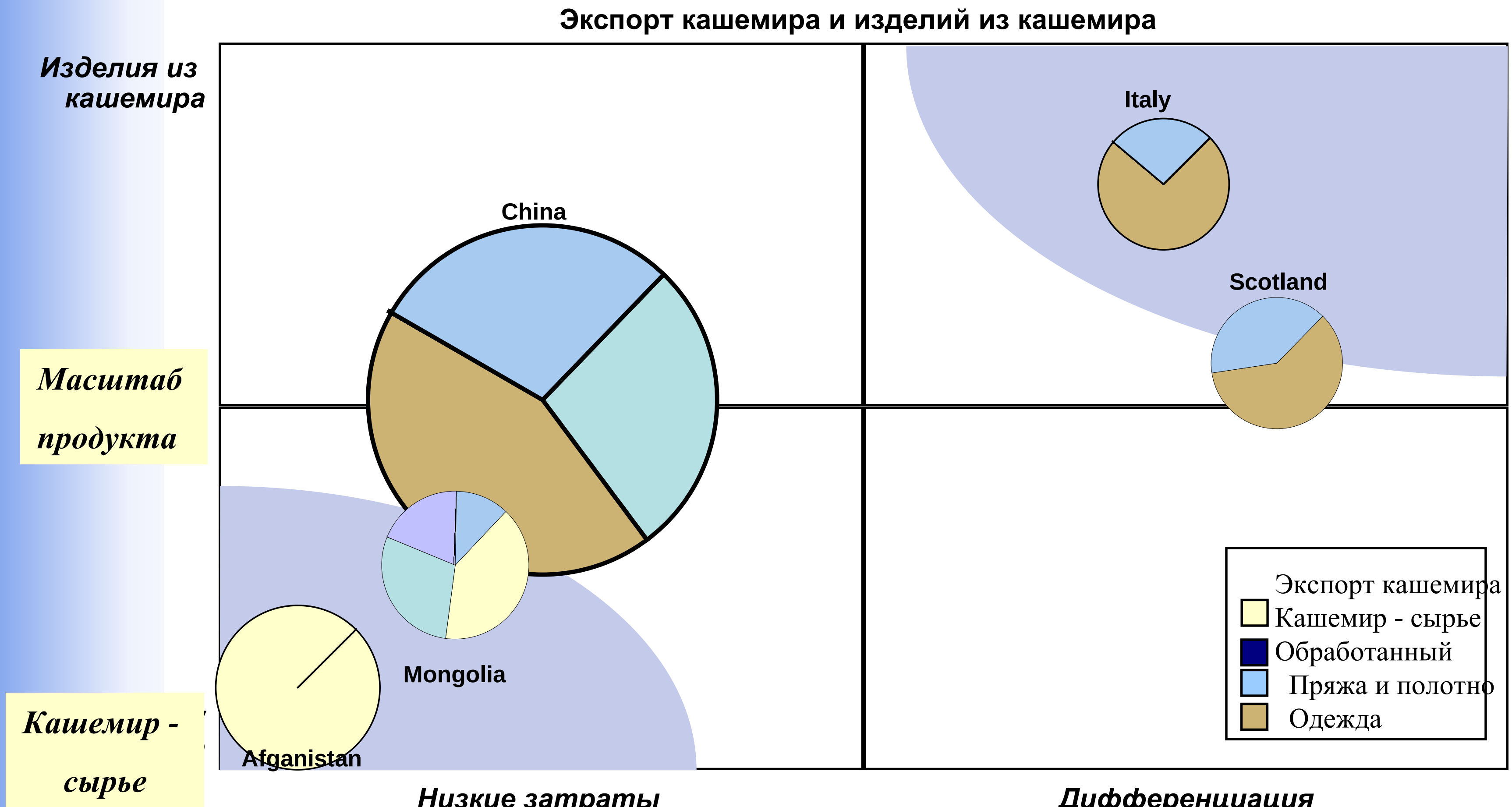
опыт Колумбии

Стоимостные цепочки для колумбийских срезанных цветов



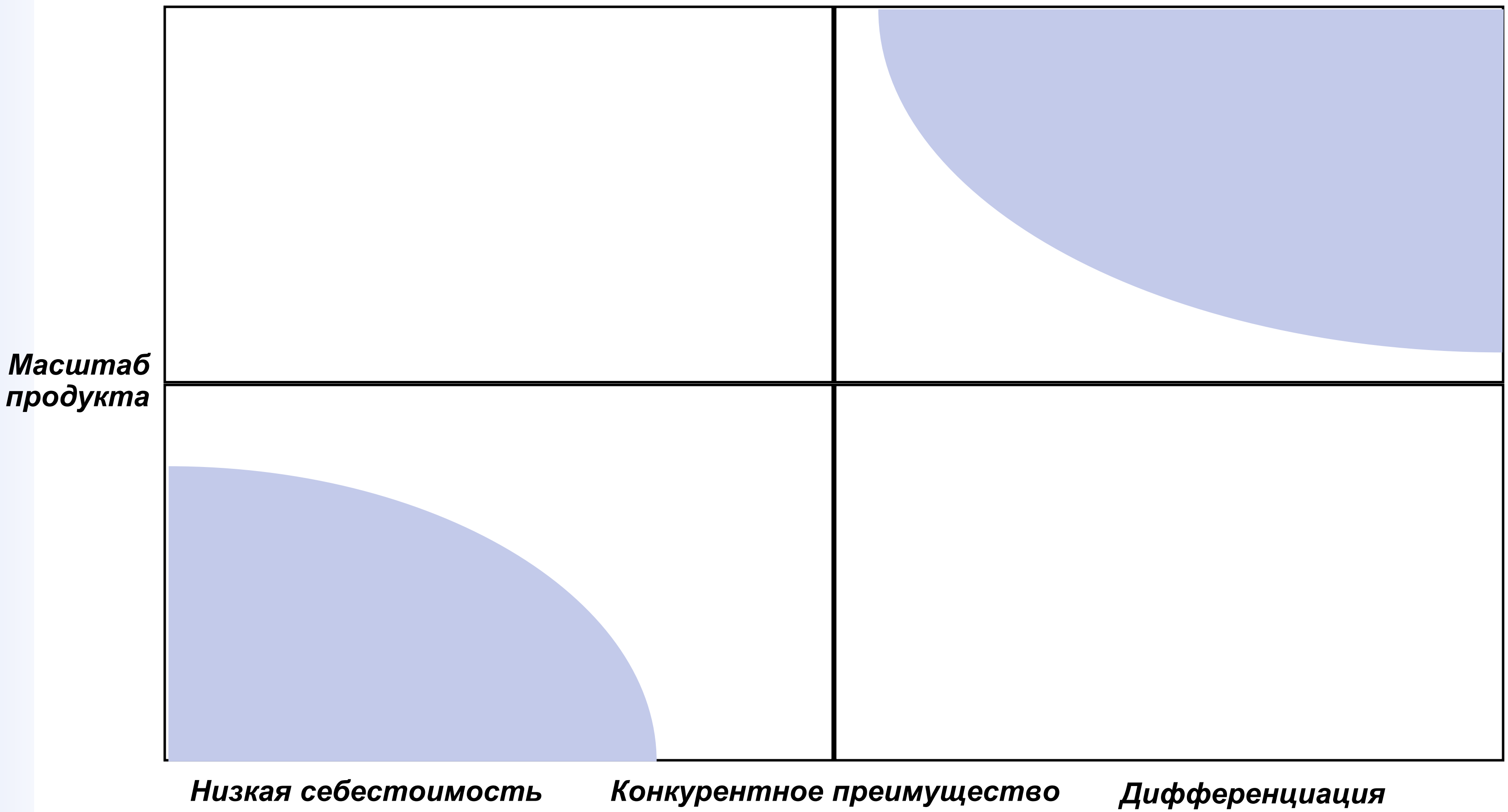
Источник: Интервью, проведенные в Мехико, Колумбии, Майами, Бостоне, мониторинговый анализ

Производство кашемира в Монголии



Кашемир из Монголии - конкурентоспособный продукт в форме сырья, однако он конкурирует в равном по объему сегменте рынка, что и Китай, являющийся более крупным производителем.

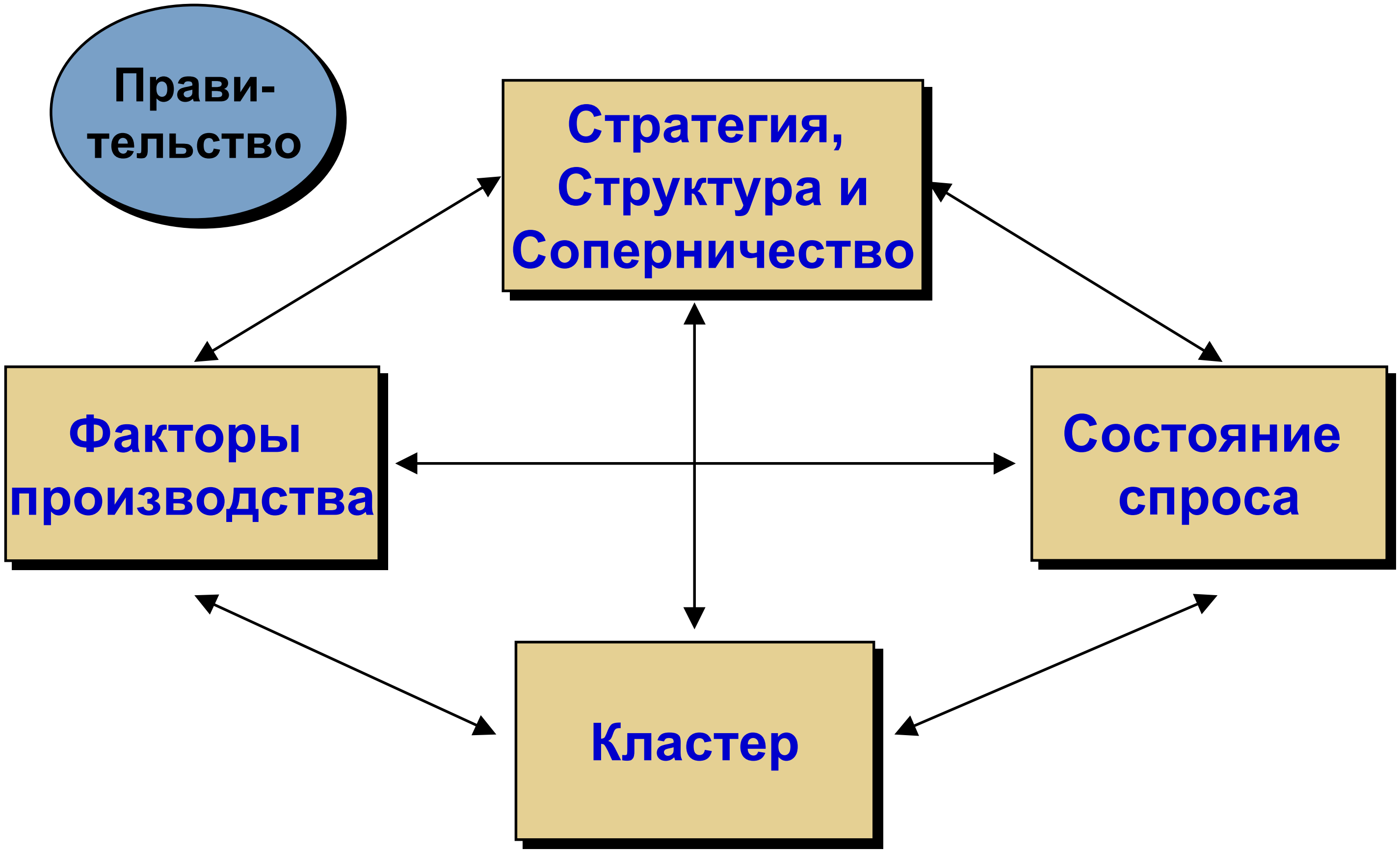
Каково конкурентное позиционирование вашего кластера?



Выбор стратегий для фирмы

- Выбор области:
  - Географический
  - Сегментный
  - Интегрированный вперед
  - Бизнес
- выбор преимуществ:
  - Себестоимость
  - Дифференциация (дизайн, качество)
  - Служба работы с покупателем
- Выбор тенденций или технологий :
  - Лидер
  - Последователь

Бриллиант конкурентоспособности



Источник: Майкл Портер

SIRMA

Strategy (High)

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+ Identify new applications
+ Quality focus – strive for perfection
+Get close to customers, to learn and service

Factor Conditions (Mixed)

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-Far away from Markets
-+ Skilled staff are available
-+ Skilled management

Demand (High)

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+ Identify market niches
- Little domestic market

Cluster (Mixed)

+ Forward integration within the group
+ Teaming with users
- Little focus on cluster effectiveness

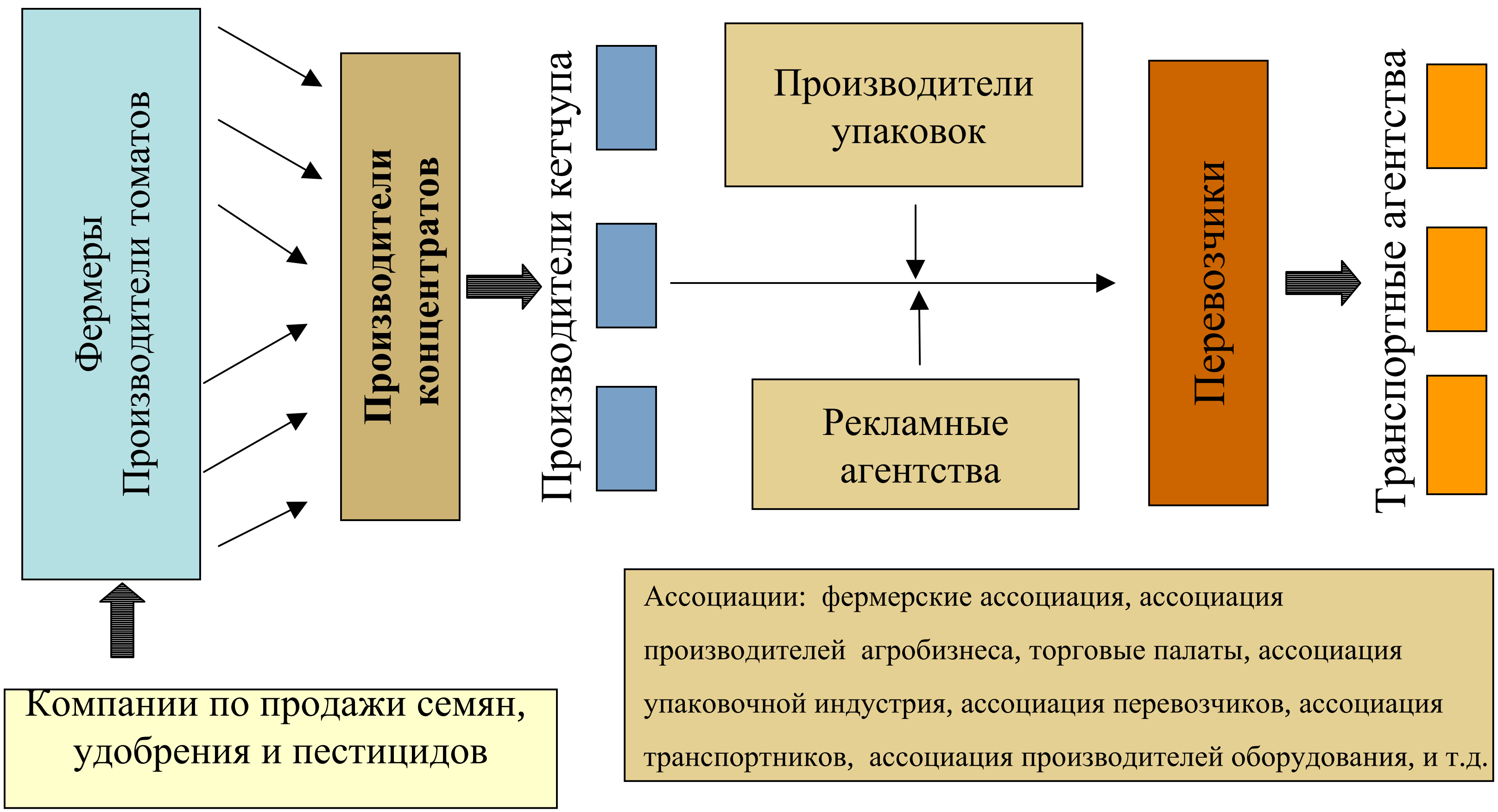
Индустриальные кластеры

Кластер - метод с подтвержденным успехом

Кластер: группа взаимосвязанных компаний и связанных с ними организаций, как государственных, так и частных, стремящихся к конкурентоспособности

После того, как поставлены цели и сформулированы стратегии, необходимо более тесное и прямое взаимодействие с правительством, академией и другими поддерживающими индустриями

Образец кластера: Кластер кетчупа в Стара Загора (Болгария)



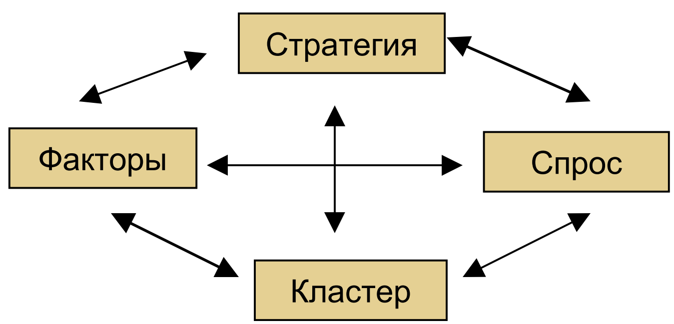
Бриллиант Болгарского пищевого производителя

+ Стратегия высококачественной продукции
+ находить конечных оптовиков
+ Инвестировать в производителей через контракты и тренинги
+ Инвестировать в оборудование, обучение персонала
+ Работать с упаковочной промышленностью
+ Способность владельцев отслеживать/вести рыночные потребности
+ Эффективность масштабов производства

высокая

+/- Есть продукция, выращенная на высокого качества, но высокое качество изменчиво
+/- Приемлемая близость к европейским рынкам
- Относительно высокая себестоимость на европейские рынки
+/- Низкая себестоимость рабочей силы
- Низкая производительность
+ Хорошие основные навыки
+/- Сезонная производство/ Сезонный импорт
- Собственность на землю меняется
+/- Основная перерабатывающая технология проста, но устарела
+ Инвестировали в обучение поставщиков
+ Инвестировали в специальное оборудование
+ Инвестировали в обучение работников

Основной – НИЗКИЙ/СРЕДНИЙ
РАЗВИТЫЙ– СРЕДНИЙ



- Хороший внутренний спрос, но более низкого качества
- Внутренний качественный рынок ограничен
+ Большой внешний рынок для качества и дифференциации

Внутренний - НИЗКИЙ
Внешний - СРЕДНИЙ

+/- Транспортный сектор относительно эффективный. Местные стандарты по качеству не жесткие
+ Стандарты Европейского Союза по качеству не жесткие
+/- Производители способны на высокое качество. Низкое качество по упаковке и маркированию. Относительно низкий уровень развития родственных сфер промышленности
/- Контакты по экспортным поставкам и размещению стабильны на короткий срок, и меньше для внутренних продаж, то ситуация лучше
+/- Кластер производство улучшается медленно, связи только нарастают

Source: IME and JAA

НИЗКИЙ

Содержание

1. Принцепы и инструменты конкурентоспособности
2. Презентация инструментов конкурентоспособности - Практические примеры со всего мира
3. **Решение вопросов конкурентоспособности с 3 индрустиями в Монголии**
4 Применима ли конкурентоспособность в Кыргыстане и Вашем индустрии?

Содержание

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Инструменты стратегии

Диагностика:
SWOT, GAP, и т.д.

Стоимостные цепочки

Конкурентное позиционирование

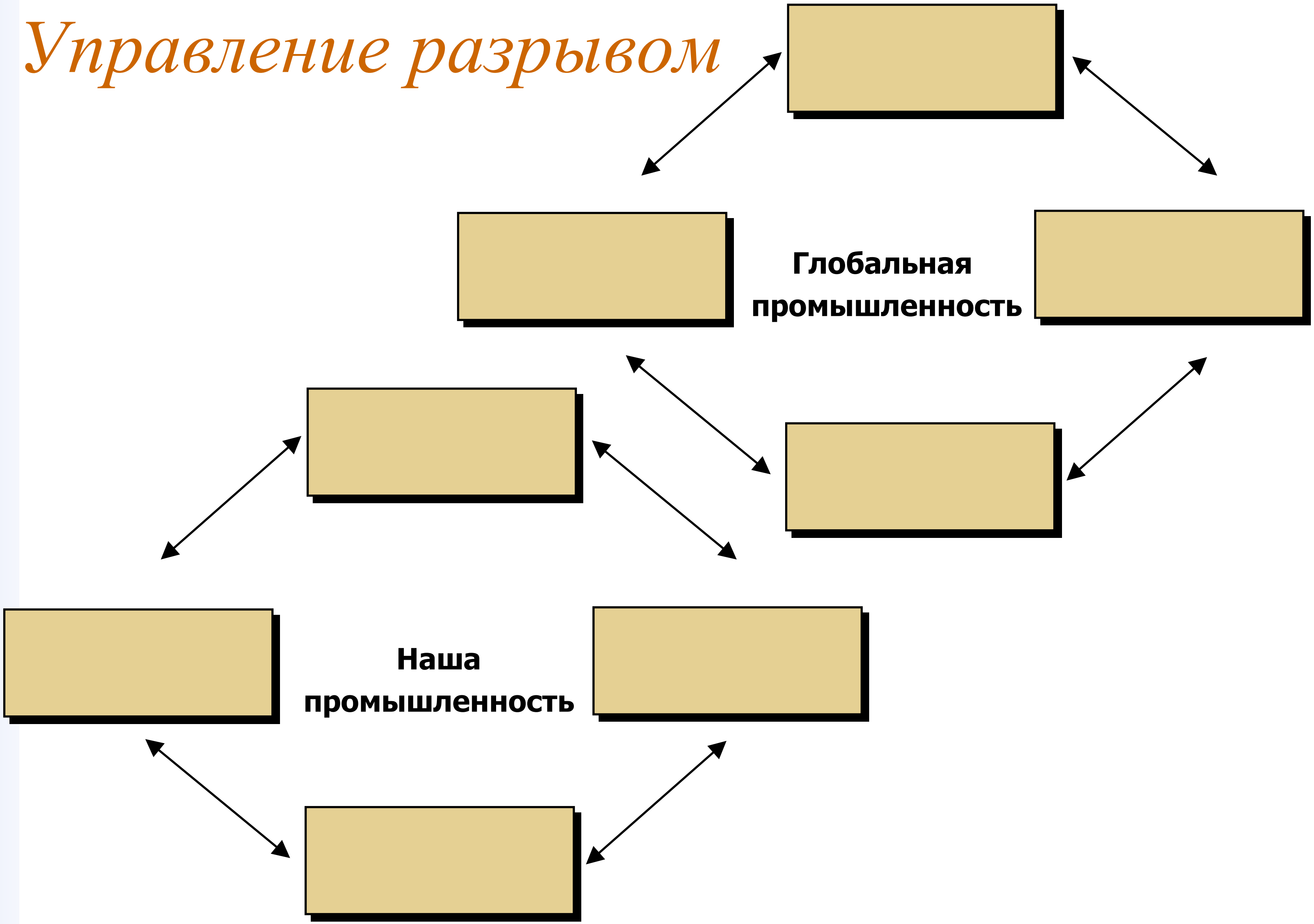
Diamond Analysis

Инициативы по внедрению

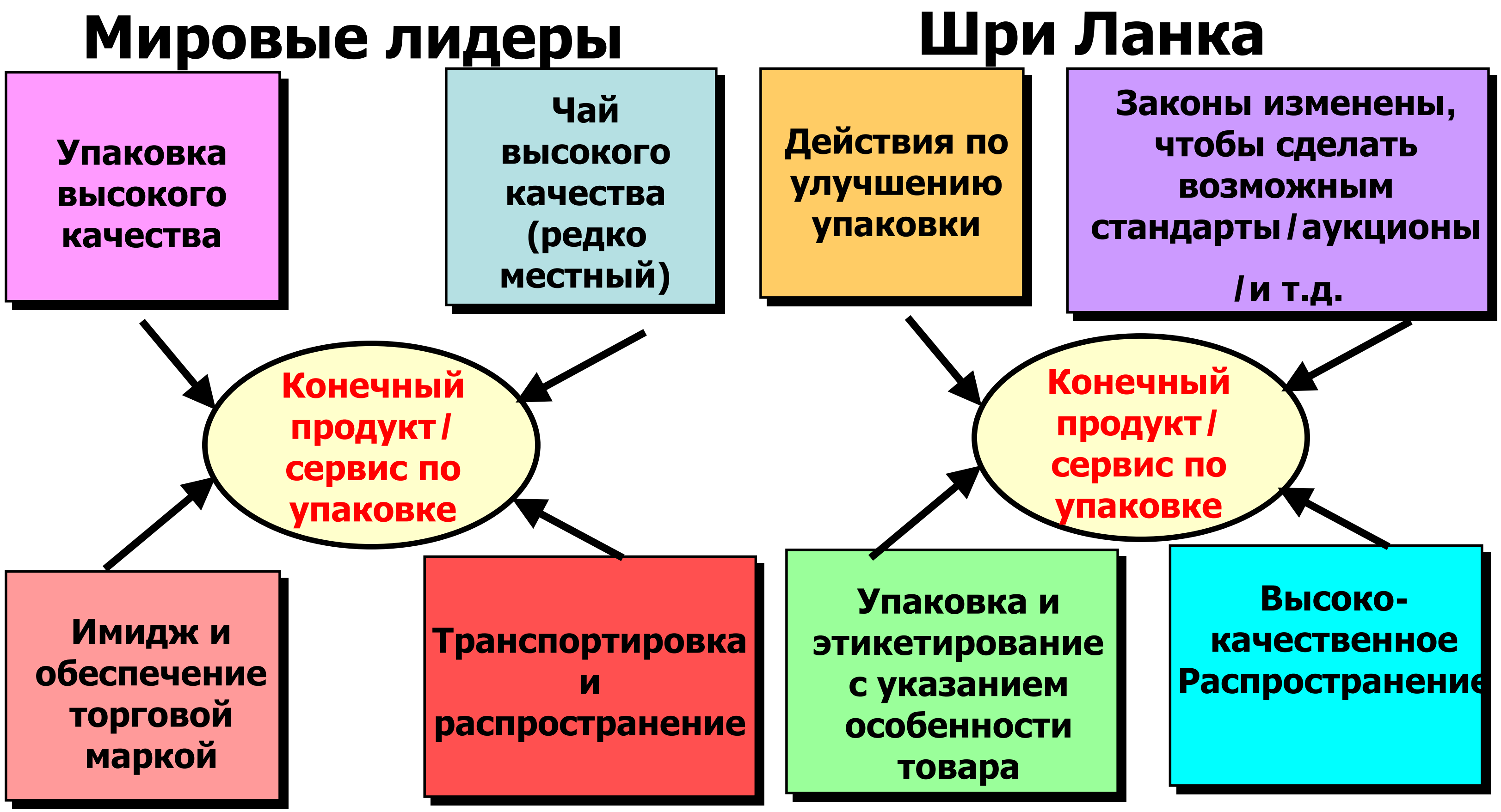
- Действие А
- Действие В
- Действие С и т.д.

Стратегия конкурентоспособности

Управление разрывом



Чайная промышленность Шри-Ланки– анализ просчетов



Что такое конкурентоспособность?

Парадигма новой конкурентоспособности

Политические, правовые и макроэкономические контексты

Качественный уровень управления компанией и ее стратегий

Качество микро-экономического бизнес-окружения

Микроэкономические основы

Источник: Майкл Портер, 1998

Что такое конкурентоспособность?

Вести эффективный диалог

НЕЭФФЕКТИВНО	ЭФФЕКТИВНО
➢ Индивидуальная компания	➢ Индустриальные кластеры
➢ Жалобы “один-на-один”	➢ Всестороннее видение
➢ Управленческий уровень	➢ Стратегия
➢ “Черные” списки	➢ Приоритеты
➢ Недостоверные данные	➢ Данные и анализ
➢ Уступки	➢ Взаимная ответственность
➢ Противоположные стороны	➢ Одна сторона “стола”

Типичные темы действий

- Рыночный доступ
- Рыночная прозорливость
- Изменении политики
- Менеджмент сетью поставок
- Имидж и снабжение торговой маркой
- Стандарты
- Кластер инвестиции
- Рабочая сила – сертификация, навыки
- Сотрудничество между производителем – маркетологом
- Инвестиции в технологию

Почему это работает?

- Участники знают повестку дня
- Активное лидерство; видение
- Высокое поле видения– неразделенный, больший пирог
- Видеть пользу– некоторые проблемы могут быть остановлены на кластер уровне
- Не на обмен за донорскую поддержку

Спасибо

Веб-сайты Проектов по Конкурентоспособности

- **Юго-Восточная Азия:** **www.seasia-strategy.com**
- **Шри-Ланка :** **www.competitiveness.lk**
- **Болгария:** **www.competitiveness.bg**
- **Монголия:** **www.tcimongolia.org**

The Celtic Tiger
By
Dr. Garret Fitzgerald

THE CELTIC TIGER

Why Ireland's Recent Growth Rate

Has Been **Three Times** Higher

Than In The Rest of Europe

Dr. Garret FitzGerald

MAIN POINTS

- **The Irish Background**

- **Sources of High Growth**

  I. Exceptional Short-Term Labor Supply Factors
  II.Long-term Labor Demand Factors
  III.Related Labor Productivity Increases
  IV. Impact of Work-Force Growth on Dependency Ratio, And Thus on Per Capita GDP.

THE IRISH BACKGROUND

1922 to 1957

First 35 Years Of Independence

Inward – Looking Protectionist Policies ⇨

Slow Growth and High Emigration

1957 to 1972

Policy Reversal

a. Moves Towards Free Trade

b. Freeing Up Foreign Investment

c. Low Corporate Tax

THE IRISH BACKGROUND contd..

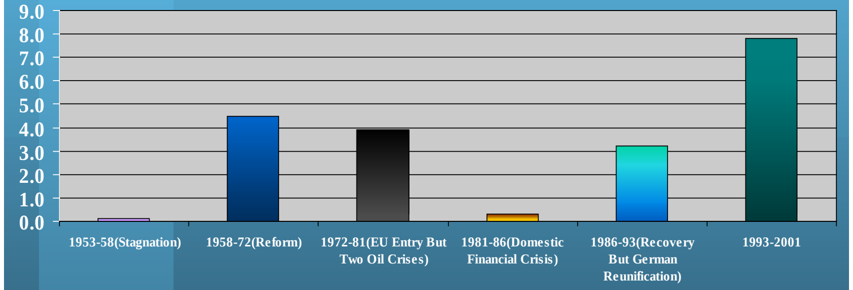
1973 EU Membership

Benefits: Price And Market Access Boost to Agriculture
EU Structural Funds For Infra-structural Investment
Access To Continental EU Market For Manufactures

1979-1982
Economic Crisis

1982-1989
Turn-Around

IRELAND: AVERAGE ANNUAL GNP INCREASE 1953-2001



SOURCES OF RECENT HIGH GROWTH

1. Temporary Exceptional Supply Of Labour

+

2. High Demand For Irish Labour In Ireland,
   Taking The Form Of Extensive Foreign
   Industrial Investment
3. Impact of Work-Force Growth on Dependency Ratio
   and Thus on GNP Per Head.

⇓

4. High Productivity

Almost 40% of 3.84 Mn Population Under 25

60% More 18-Year-Olds Than Elsewhere in Europe

Irish Birth Rate Peaked In 1980. In late 1990's, The Proportion Of 18 Year-Olds In The Population Has Been Almost 2%, Much Greater Than 1.2% Average In The Rest Of The EU

Exceptionally Large Pool Of Unemployed

Since 1993 Irish Unemployment Has Dropped by over 12 percentag points, as against less than 3 points in the EU

Large Number Of Women Still At Home, But Anxious To Work

The Proportion Of Women Aged 15 to 64 In Employment Rose By 40%, viz., 6 to 7 Times Faster Than In The Rest Of The EU

Many Emigrants Anxious To Return

In the past 5 years, net immigration of 25 – 64 year-olds has been adding over 1% each year to the Irish workforce

EXCEPTIONAL LABOUR SUPPLY

Conclusion:

Since 1993, The Cumulative Effect Of These Four Labour Supply Factors Has Been A 5.3% p.a Increase In Employment, As Against 1% a Year In The Rest Of The EU, viz. A 5 Times Faster Rate Of Employment Growth.

(Four Times Greater In The Past Three Years)

DEMOGRAPHICS

Age Breakdown of Estimated 3,839,000 Population in 2001

Population by Age Group – 2001 Estimates

Age	Total	% of Total
00 - 14	821.7	22 %
15 - 24	660.7	17 %
25 - 44	1124.5	29 %
45 +	1232.1	32 %
Total	3838.9	100 %

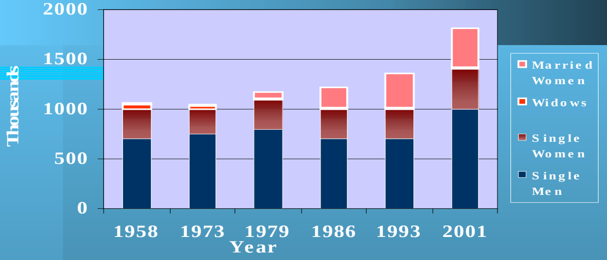
DEMOGRAPHICS

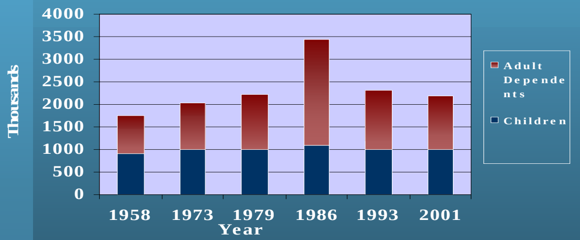
Country	%
Ireland	33.7
United Kingdom	31.0
France	30.1
Netherlands	28.7
Portugal	28.6
Germany	24.4
Spain	24.3
U S A	34.2
Japan	25.3

Future Availability Of Work-force: Population Under 25 In Year 2010

Source for Ireland Figure (CSO 18.6.2001)

EMPLOYMENT AND DEPENDENCY 1958-2001





Dependency Ratio 1958-2001

	Workers	Dependents	Dependency Ratio
1958	1,088	1,762	1.62
1973	1,048	2,026	1.93
1979	1,151	2,221	1.93
1986	1,092	2,451	2.24
1993	1,151	2,322	2.02
2001	1,647	2,192	1.33


HIGH LABOUR DEMAND
A. NATURAL ADVANTAGES
1. Part Of EU Market
2. English Speaking
3. Favorable Climate For Investment
Political Stability
Well Developed Administration
Welcoming Public Opinion
Public Opinion By Merit Only
Bribery Almost Unknown
4. Low Social Costs – By Comparison With Continental EU Countries
13

HIGH LABOUR DEMAND

B. CONSISTENT APPLICATION OF KEY POLICIES

1956	Low Corporation Tax
1959	Priority for Industrial Promotion
1968	Expansion of Education
1973	EU Accession
1982	Fiscal Rigor
1987	Social Contract

HIGH LABOUR DEMAND

POLICY DECISIONS

1. Low Corporation Tax

1957	50% Reduction In Export Profit Tax
1960	Abolition Of Tax On Export Profits
1973	10% Tax On Industrial Profits
2003	12.5% On All Corporate Profits

HIGH LABOUR DEMAND

2. Priority For Industrial Promotion

Well-financed, Specialised, Business-Oriented Organisation:

Industrial Development Authority (IDA)

Functions: Research, To Identify Future Key Sectors, Promotion, Through 14 Offices World-Wide; Construction Of Industrial Premises; Grants for Liaison With Education And Training Bodies; Grants for: Employment, New Skills And Technologies, Training, Expansion, Research& Development, Modernisation, Innovation.

ACHIEVEMENTS OF IDA

IDA Has Attracted:

•Pharmaceuticals (9 out of 10 US major multinationals)

•Chemicals (Including Viagra)

•Electronics

•Computers (supplying 1/3 of all Europe's needs

•Software (World's largest exporter in 2000)

•Financial Services (Dublin IFSC)

•Tele-centres & Back Offices

IDA Secured Ireland since 1993 Over 20% of All New US Investments In Europe

HIGH LABOUR DEMAND

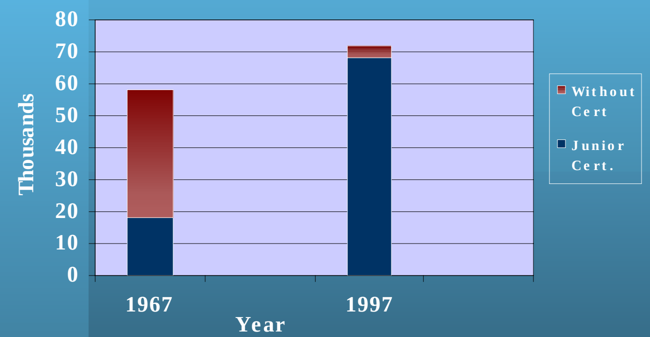
3. **Educational Expansion**

1968 – 2000 Almost All Private Education Made Free

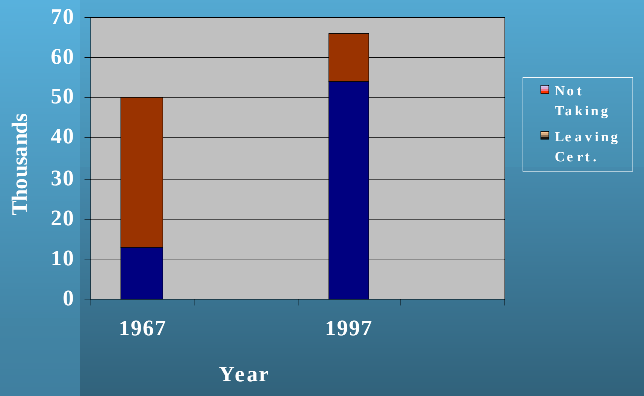
a. Second Level Expanded Four-Fold : School Leaving Exam Participation Up From 21% to 82%

b. Higher Education Expanded Six-Fold, Made Free Six Years Ago, 50% Now Enter, Plus 3% to UK

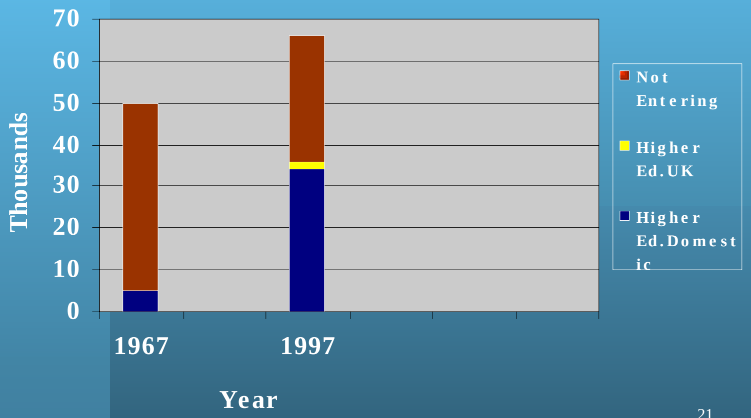
JUNIOR CERT. PROPORTION OF AGE COHORT



LEAVING CERT. PROPORTION OF AGE COHORT



ENTERING HIGHER EDUCATION



EDUCATION

Public Expenditure on Education as % of total Public Expenditure by level of education (OECD, 1999)

Country	Total % All levels	Primary & Secondary %	Tertiary %
Ireland	13.5	9.0	3.1
UK	12.6	8.7	2.7
France	11.1	7.8	2.0
Germany	9.5	6.0	2.2
Netherlands	8.8	5.5	2.6
Spain	12.8	9.3	2.3
Portugal	12.6	8.7	2.7
USA	14.4	9.8	3.6
Japan	9.8	7.8	1.2

HIGH LABOUR DEMAND

4. EU Accession

- Application July 1961
  (Vetoed with UK 1963 & 1967)
- Review Of Viability Of Industry 1961 to 1965
- Anglo Irish Free Trade Area 1966
- Accession 1973
- Tariffs and Quotas Gone by 1977

So: 16 Years Preparation

HIGH LABOUR DEMAND

5. Fiscal Correction

a. Fiscal Crisis 1971 to 1982

- 1974 – First Oil Crisis
- 1977 to 1981 – Over spending, Taxes Abolished
- 1979 – Second Oil Crisis

Result : Borrowing towards 21% of GNP

b. Fiscal Correction 1981 to 1989

Three Elections in 1981 to 1982

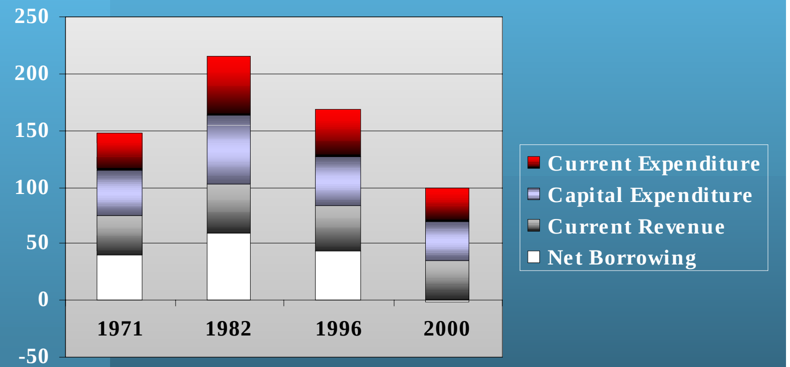
1981 to 1987 (My Government)

- Inflation Down From 21% to 3%
- 16% Deficit In BOP eliminated
- Unprofitable Public Investment Slashed
- Borrowing Rate Down To 10% of GNP

1987 to 1989 (Successor Government)

- Current Spending Cut
- Borrowing down to 2% of GNP

PUBLIC FINANCES
Correction Of Overspending
Share Of GNP



HIGH LABOUR DEMAND

6. **Social Contract**

1987 to 2000 – Five National Agreements: Government, Unions, Management

Pay Moderation In Exchange For Cuts In Personal Taxation and Improvements In Social Provision

IMPACT OF NATURAL ADVANTAGES AND POLICIES ON FOREIGN INVESTMENT

Influx Of Foreign Firms Mainly From The United States In:

Chemicals,
Pharmaceuticals,
Healthcare,
Electronics,
Computers and
Software

FOREIGN INVESTMENT

Manufacturing Employment

	1961	1999	1999
Irish-Owned Firms	179,400	126,100	50.8%
US-Owned Firms	------	74,800	30.1%
Other Foreign	------	47,500	19.1%
Total	179,400	248,350	100%

FOREIGN INVESTMENT

Employment In Key Hi-tech Sectors 1999

	US Companies	Other Foreign Companies	Domestic Companies
Chemicals/Pharmaceuticals	48%	32%	20%
Computers	68%	20%	12%
Electrical Equipment	52%	27%	21%
HealthCare	73%	13%	15%

EXPORTS 1972 to 2001

€ 2001 Bn.

Ireland has more than doubled exports in the period of 1995 to 2000 while also being able to maintain a trade surplus.

	1972	2001
Computers	.17	23.88
Electrical Equipment	.08	9.67
Pharmaceuticals/Chemicals	--	23.24
Healthcare	.15	13.72
Other Manufactures	--	1.91
Food, Drink, Tobacco	1.37	7.37
Software	4.55	15.37
TOTAL	6.22	73.66

EXTERNAL TRADE

Balance of Trade (€Bn.)

Year	Imports	Exports	Trade Surplus
1996	28,480	38,609	10,130
1997	32,863	44,868	12,005
1998	39,715	57,322	17,607
1999	44,327	66,956	22,629
2000	55,860	83,810	27,950
2001	57,105	92,269	35,164

LABOUR PRODUCTIVITY

Annual Increase 1993 to 2001 : 4%

- Impact Of Foreign Investment

  1. Change In Industrial Mix Towards High-Tech
  2. Transfer Of Modern Work-Practices to Domestic Firms
  3. Spin-Off Effect: New Irish High-Tech Firms
  4. Impact of Foreign Firms' Purchasing On Domestic Firms

PRODUCTIVITY

Employment legislation in Ireland governs a few crucial and basic areas. Statutory leave has been increased gradually over the last number of years in Ireland and now the statutory minimum is 4 weeks per annum.

Country	*Legal max. Working hrs p/w*	*Actual avg. Working hrs P/w*	*Statutory Holidays*	*Typical Holidays*
Ireland	48	39	20 days	29 days
UK	48	35-40	20 days	31 days
France	39	35	25 days	36 days
Germany	48	35-38	20 days	42 days
Netherlands	45	35-38	4 x days wkd. P/w	33 days
Spain	40	34-38	22-25 days	35 days
USA	No limit	40	Nil	10 days
Japan	40	Not applicable	20 days	Not applicable

LABOUR PRODUCTIVITY

B. Privatisation

Still State-Owned Monopolies :

Airports, Rail and Bus Services and Gas Distribution

With Partial Competition : *Electricity*

With Competition : *Air transport,Hotels, Banking for farming & Industry, Nitrogenous fertilizers*

Already Privatised :

Steel, Shipping, Telecommunications, Life and General Insurance, Dairy Products, Sugar & Industrial Alcohol.

These measures, together with introduction of competition with a number of other State Enterprises, have increased the productivity in the indigenous sector.

LABOUR COSTS

Ireland has a competitive wage environment. A series of wage agreements between employers and employees ensure that wage inflation is low. A recent study of salary costs in Finance & Administration shows Ireland to have the lowest costs in all job categories of the 5 European locations surveyed.

Total Hourly Compensation costs in € For production workers in Manufacturing

Country	*Total*
Ireland	14.43
United Kingdom	17.07
France	17.60
Germany (unified)	25.80
Netherlands	20.51
Spain	11.66
USA	21.34
Japan	23.64

OUTPUT GROWTH

Since 1993, *employment has risen by 5.3%* a year, and even with hours worked falling by 1.2% a year, available *labor supply has risen by 4%* a year.

Labor productivity (output per worker hour) *has risen by an annual 4%.* Average o*utput growth* since 1993 *has been 8.2% a year.*

ECONOMIC GROWTH

	Actual (1993 to 2001)		Forecast (2001 to 2007)
	Annual Growth	Total Increase	Annual Growth
Nos. at Work	+ 4.6%	+ 44%	+ 1.4%
Hours per worker	- 1.1%	- 8.7%	NA
Total Hours Worked	+ 3.5%	+ 32%	NA
Output per Worker hr	+ 4.2%	+ 32%	+ 2.4%

Total output growth since 1993 has been 7.8% a year

ECONOMIC GROWTH

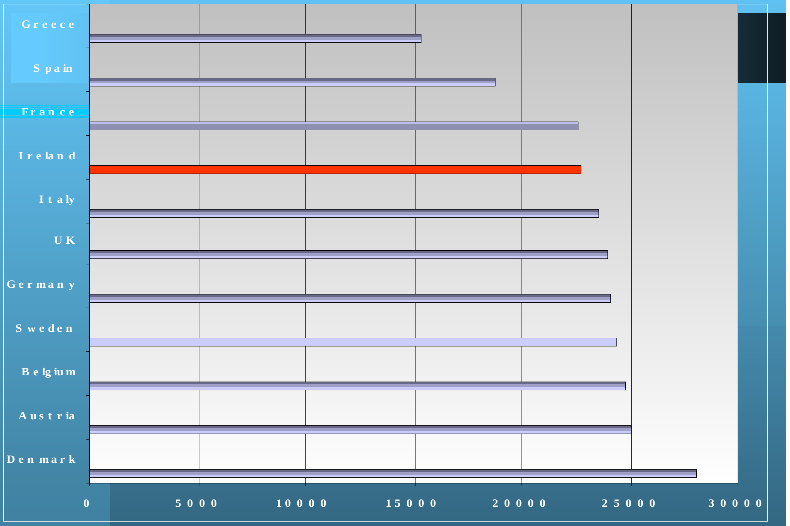
	Actual 1993-2001		Forecast 2002-2007	
	Annual	Total	Annual	Total
Nos at Work	+4.6%	+43%	+2.2%	+11.5%
Hours Per Worker	-1.1%	-9%	NA	NA
Total Hours Worked	+3.5%	+31%	NA	NA
Output per Hour	+4.2%	+39%	+2.8%	NA
TOTAL GNP	+7.8%	+82%	+5.05%	+28%
Output per Worker	+3.2%	+27%	+2.8%	+15%

ECONOMY

Over the past seven years, Ireland's economic performance has been spectacular (International Monetary Fund, 2000). The average annual rate of increase in Irish GNP has been 7.8% over the 8-year period 1993 - 2001

Country	Real GDP	2001
Ireland	11.0	7.8
USA	5.0	4.1
Spain	4.1	3.8
Netherlands	3.9	4.2
Portugal	3.2	3.0
France	3.2	3.1
UK	3.0	2.9
Germany	3.0	1.7
Japan	1.7	1.0

GNP per Head 2001 (€ 2000)



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EU Average = 22,850

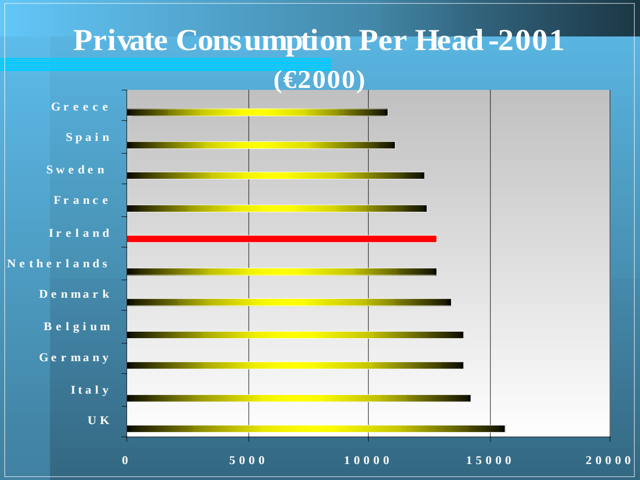
GNP per Head (€ 2000)

The richest countries in Europe in terms of GNP
per head are Luxembourg (not shown on the chart)
Denmark, Belgium, Netherlands, and Austria.
By 2001 Ireland, (which as late as 1989 had a level of
GNP per head less than 60% of that of the rest
of the EU and now slightly surpasses the EU average),
attained the EU average level of GNP per head,
with a figure slightly above that for France and close to
those for Germany, Italy and Britain.

LIVING STANDARDS

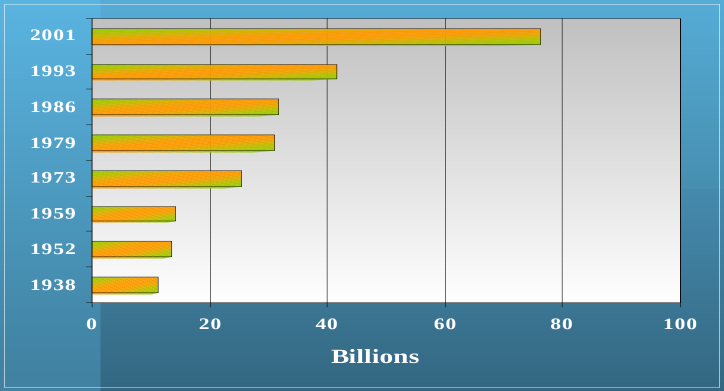
	Actual (1993 to 2001)		Forecast (2001 to 2007)
	Annual Growth	Total Increase	Annual Growth
Personal Consumption	+ 6.5%	+ 65%	+ 3.3%
Population Increase	+ 1.0%	+ 8%	+ 0.9%
Consumption per head	+ 5.5%	+ 53%	+ 2.4%
Consumer Price Index	+ 2.9%	+ 25%	+ 3.4%

LIVING STANDARDS

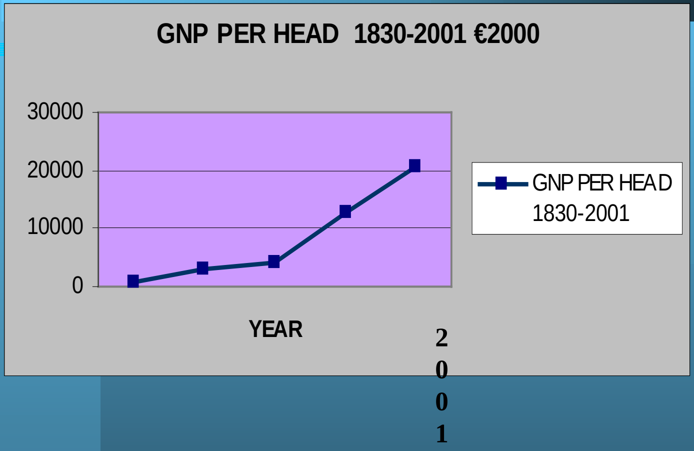


EU Average = 13325

GNP 1938-2001 (Irish Pounds 2001)



GNP Per Head 1830-2001 (Euro 2000)



Irish Living Standard

Since 1993 Irish living standards have been rising by about 6% a year - more slowly than the increase in GNP per head. This reflects a growing diversion of resources to investment. The result of this considered policy has been to produce a situation where, in contrast to its relatively favourable situation vis a vis other EU countries in terms of GNP per head, Irish living standards are still at the bottom end of the EU scale. By virtue of its low levels of investment and also of public spending, the UK - despite having a level of GNP per head only fractionally higher than that of Ireland - has the highest level of private consumption per head in Europe - one-fifth higher than in Ireland.

Irish Living Standard Cont'd

The British invest one-third less per head of population than the Irish, and Italy's living standards are one-sixth higher than those of Ireland because its investment per head is more than a quarter below that of Ireland.

So, in both Britain and Italy, living standards are high, but at the expense of not planning adequately for the future. Certainly in the British case there is clear evidence of an inadequate infrastructure attributable to under-investment. In the Irish case money is being put into developing infrastructure for the future, but at the cost of slower growth in living standards in the meantime.

FUTURE PROSPECTS

Ireland's GNP per head in the first half of the 19^{th} century was amongst the lowest in Europe - at about the same level as in Turkey's Balkan Empire, and two-thirds below that of Vietnam to-day. As explained earlier, post-Famine emigration and land reform helped to raised Irish output per head, and further progress, especially in recent times has no raised Irish productivity to-day to almost thirty times the level of 170 years ago.

In the present recession Ireland, like the rest of Europe, is being adversely affected, and because some high-tech sectors of industry, e.g computers and software are particularly badly hit, Irish growth will be low or even negligible this year.

FUTURE PROSPECTS, cont’d

But because the Irish labour supply, although growing much more slowly in future, will still be increasing faster than in the rest of Europe during the decade ahead, and because Ireland will still attract high-tech sectors, its growth should remain above the EU average level during this period - bringing Ireland to the top end of the EU per capita GNP table.

However, because a high proportion of GNP will continue to be allocated to investment, Irish living standards will remain below the EU average level for some time to come.

CONCLUSION – PRINCIPAL LESSONS FROM IRISH EXPERIENCE

Whilst Ireland's rapid growth of output owed much to an exceptional labour supply situation, its rapid increase in GNP per head derived primarily from two other factors:

A. A very high rate of growth of labour productivity caused by:
   - i. Growth of high-tech industries through attraction of industrial investment
   - ii. Spin-off to domestic sector from externally-owned firms.
   - iii. The education factor, including:
     Gradual substitution of young well-educated workers for under-educated retiring workers
   - iv. (Not very well-handled) privatisation of inefficient state industries

B. Movement of dependents (and under-employed) into work-force - thus rapidly reducing the dependency ratio

GROWTH RISKS

Domestic Problems And Risks

a. Infrastructural bottlenecks like housing and transport
b. Imported Inflation – low Euro value
c. Excessive pay increases
d. Pressure for excessive tax cuts?

External Risk

US recession impact on US investments
and output/exports of US firms

Building Competitive Advantage: Practical Experiences and Results

By

Kevin X. Murphy

Building Competitive Advantage: Practical Experiences and Results

Budapest, March 26, 2002

Kevin X. Murphy

President J.E. Austin Associates

A USAID Sponsored Project

Presentation Objectives

- Present Practical Tools
- Provide Examples of Strategies
- Examine the Results
- Discuss Relevancy to Region

Competitiveness as a Development Tool

- Poverty Alleviation ➔ Economic Growth
- Sustainable Economic Growth ➔
  - Macro-Economic Environment
  - Legal and Institutional Reforms
  - Industries That Upgrade
  - Industries That Reposition Themselves
- How To Achieve Leveraged Impact?

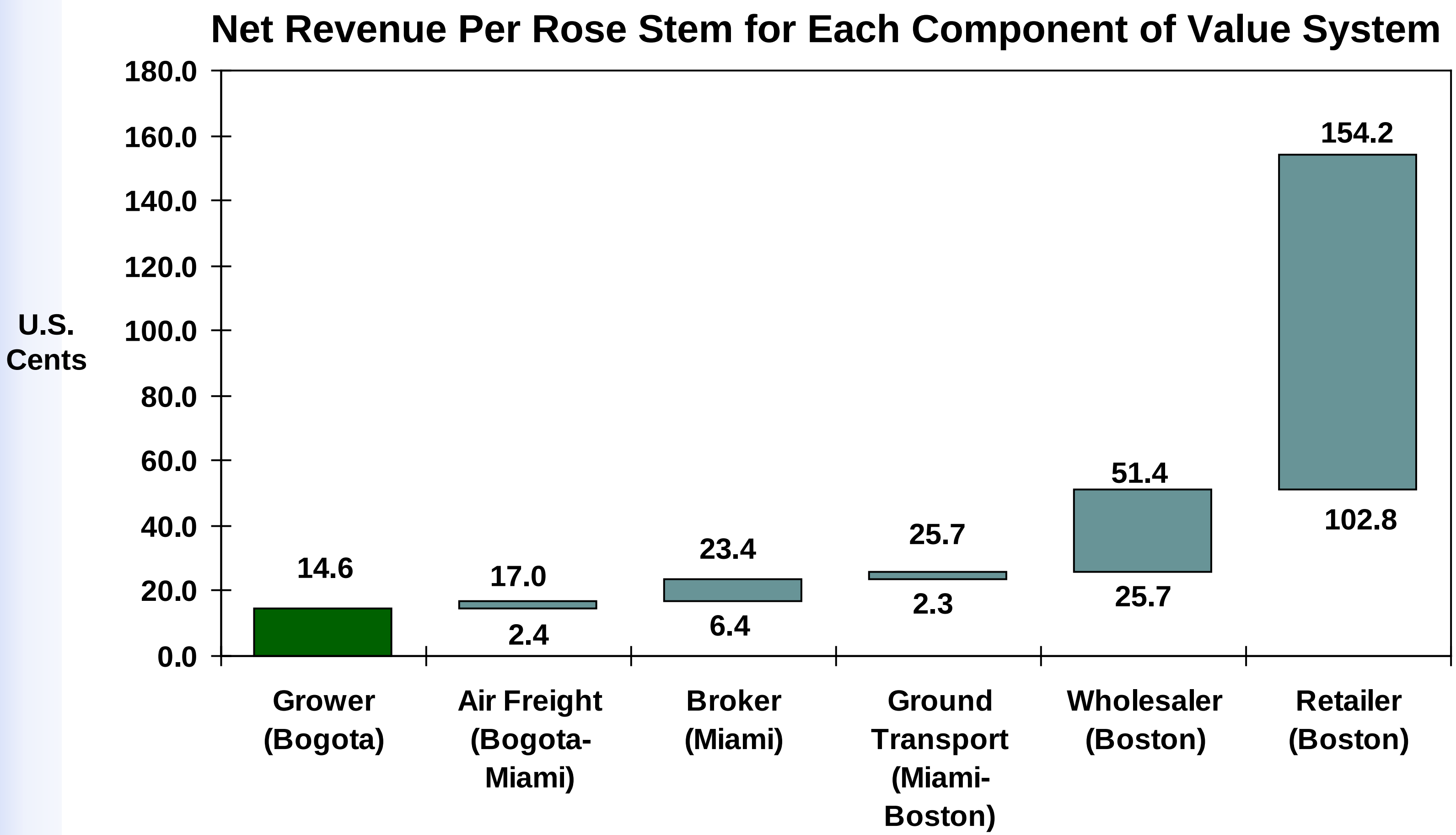
Cluster Formation → Diagnostic Tools

- **VALUE CHAINS**
- **MARKET SEGMENTATION**
- **RELATIVE POSITIONING**
- **GAP ANALYSIS**
- **STRATEGY => ACTION INITIATIVES**

1. VALUE CHAINS

VALUE CHAINS:
Columbia Experience

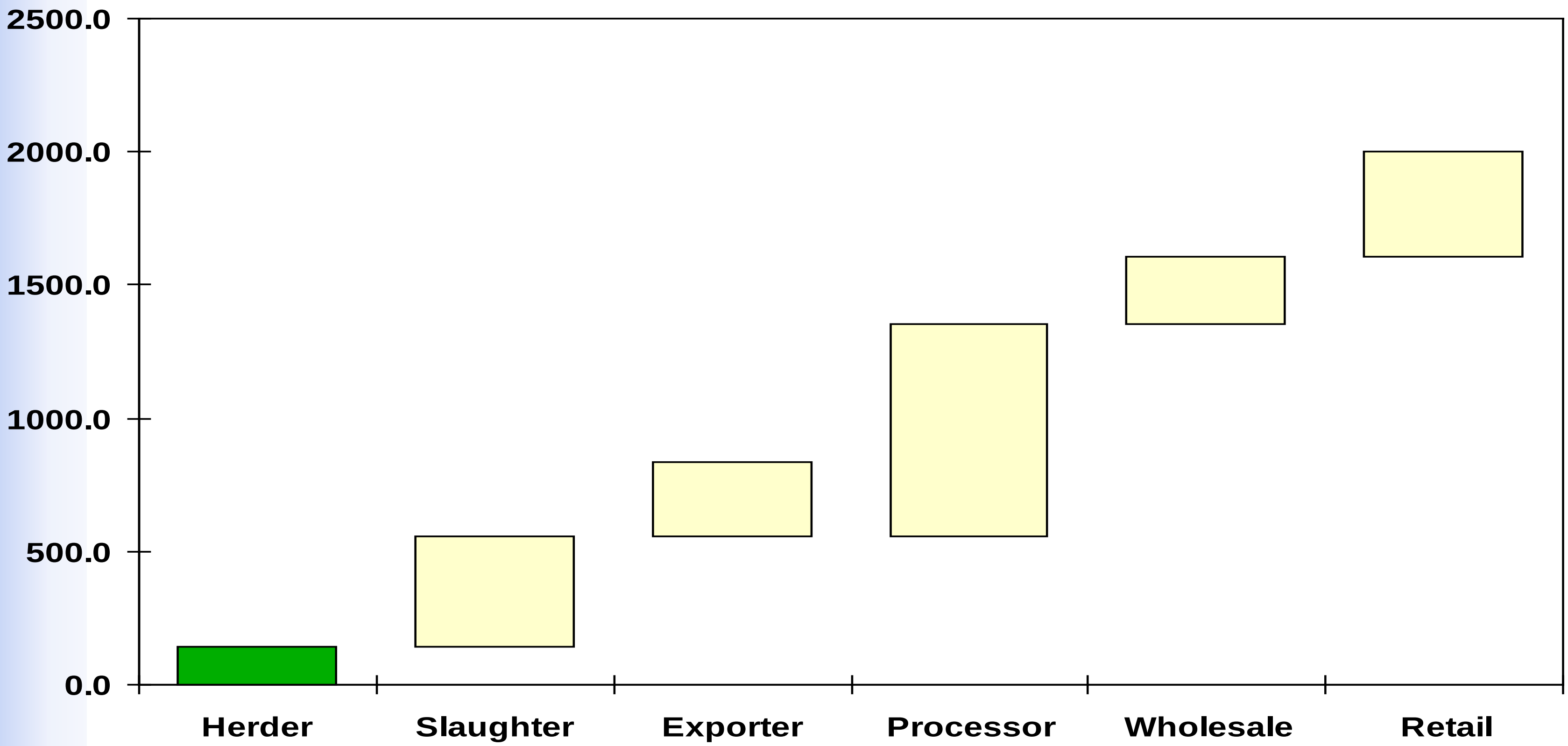
Colombia Cut Flower Value Chain



Source: Interviews in Mexico, Colombia, Miami, Boston, Monitor Analysis

Value Chain Applied to Mongolian Meat Industry

MONGOLIA: Cash Flow per KG of Meat for Each Component of the Value System



Example of Meat Processed Into Sausage Sold At 2000 Tugriks/kilo

VALUE CHAINS: Mongolia Experience

Mongolian: Forward Integration and Increased Production Processes Produces More Incomes = Savings = Investment

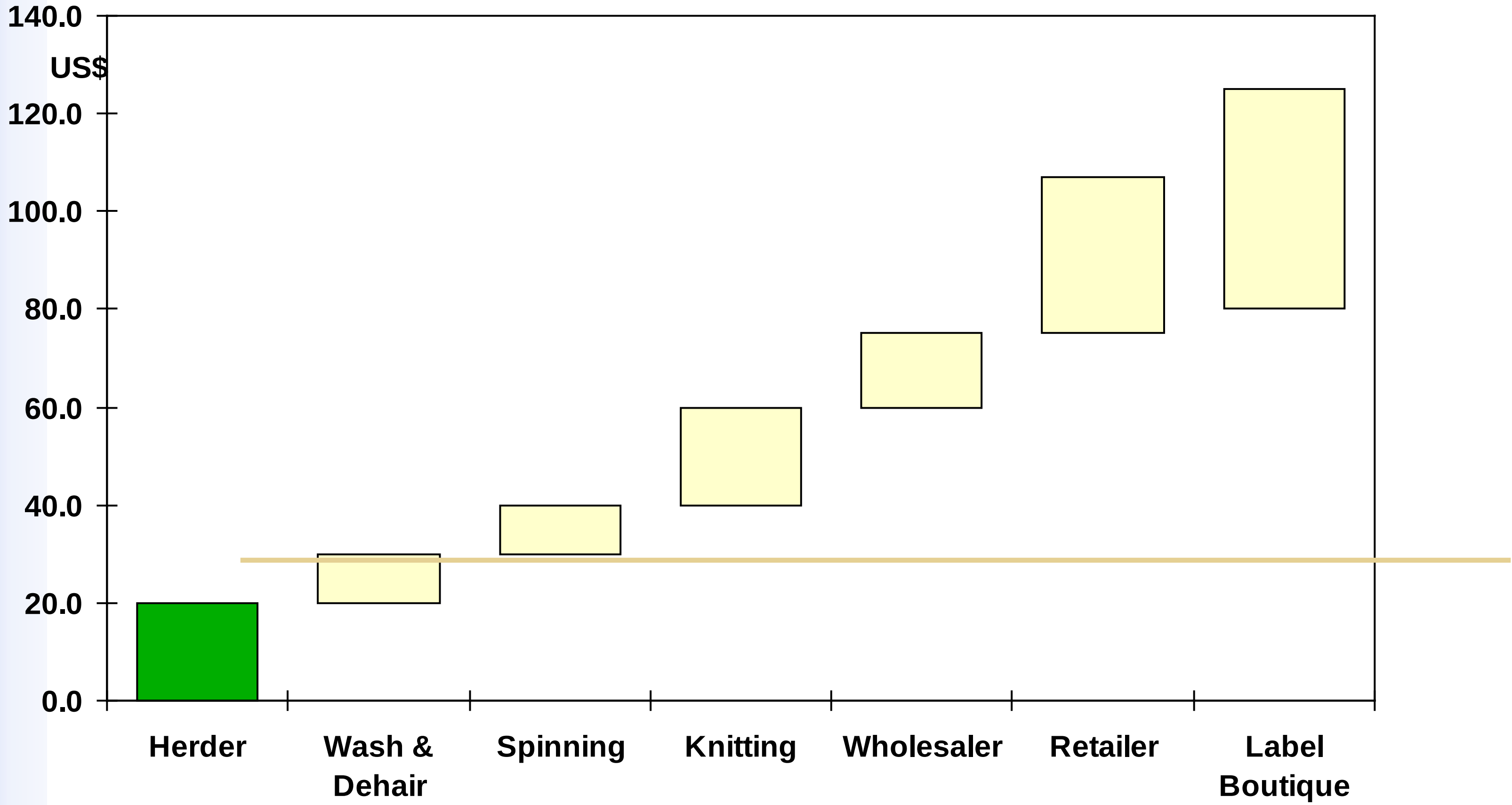
Herder	Slaughter House	Exporters Freight Forwarders	Frozen Carcass Exports to Traditional Market
T 290	T 410	T 281	Earnings to Economy = T 981

Herder	Veterinarian	Slaughter House Meat Inspectors	Processors Packaging Labeling	Exporters Marketing Firms Freight Forwarders	Processed Meats Exported To Demanding Markets
T 290	T 30	T 480	T 500	T 305	Earnings to Economy = T 1605

Value Chain Applied to Mongolian Cashmere

VALUE CHAINS:
Mongolia Experience

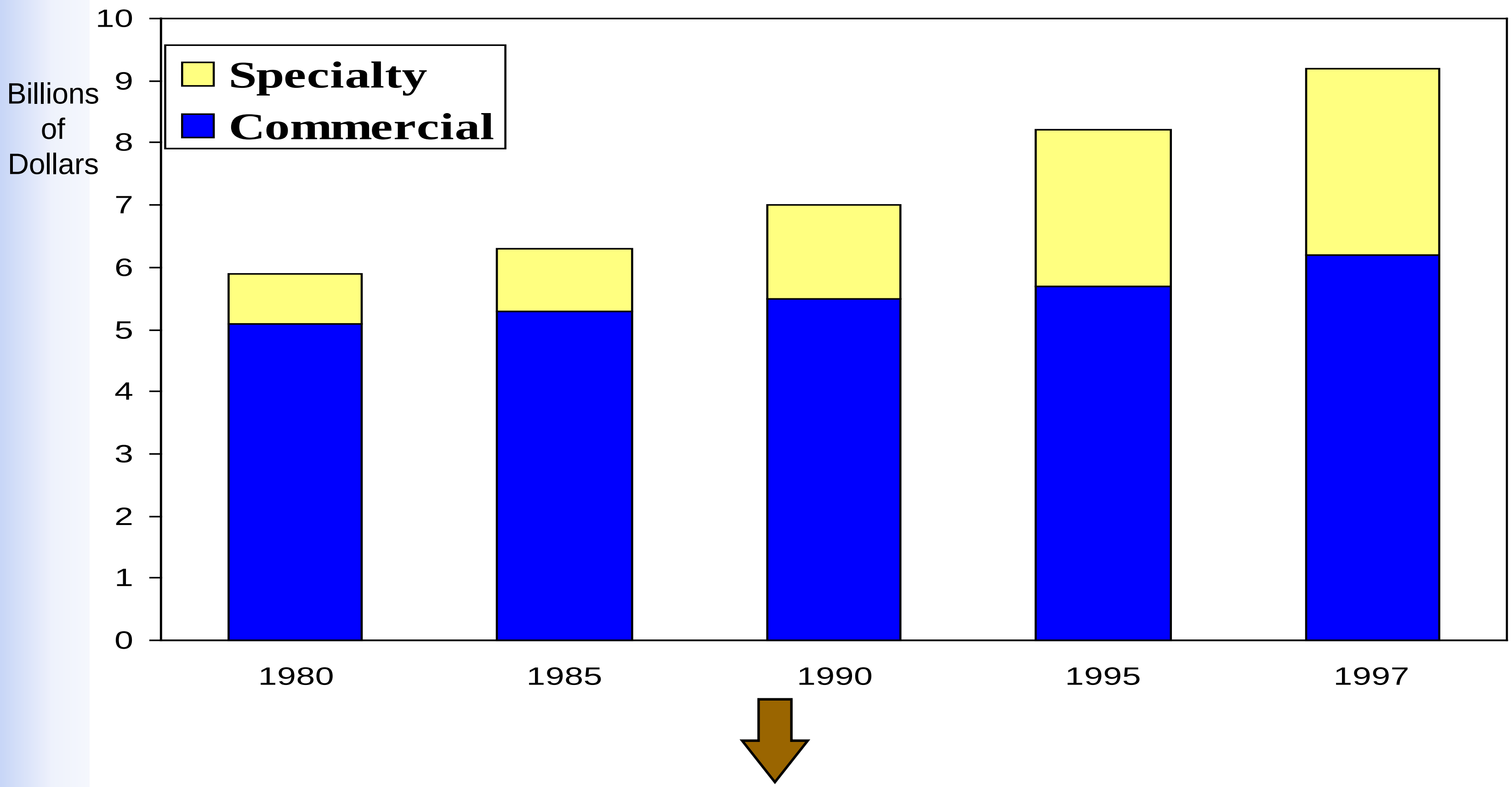
Mongolian Cashmere Industry: Value added per KG of Cashmere for Each Component of the Value System



2. MARKET SEGMENTATION AND CUSTOMER PROFILING

Market Segmentation: Coffee Industry

UGANDA: BANCAFE



While commercial coffee consumption stagnated, specialty coffees boomed

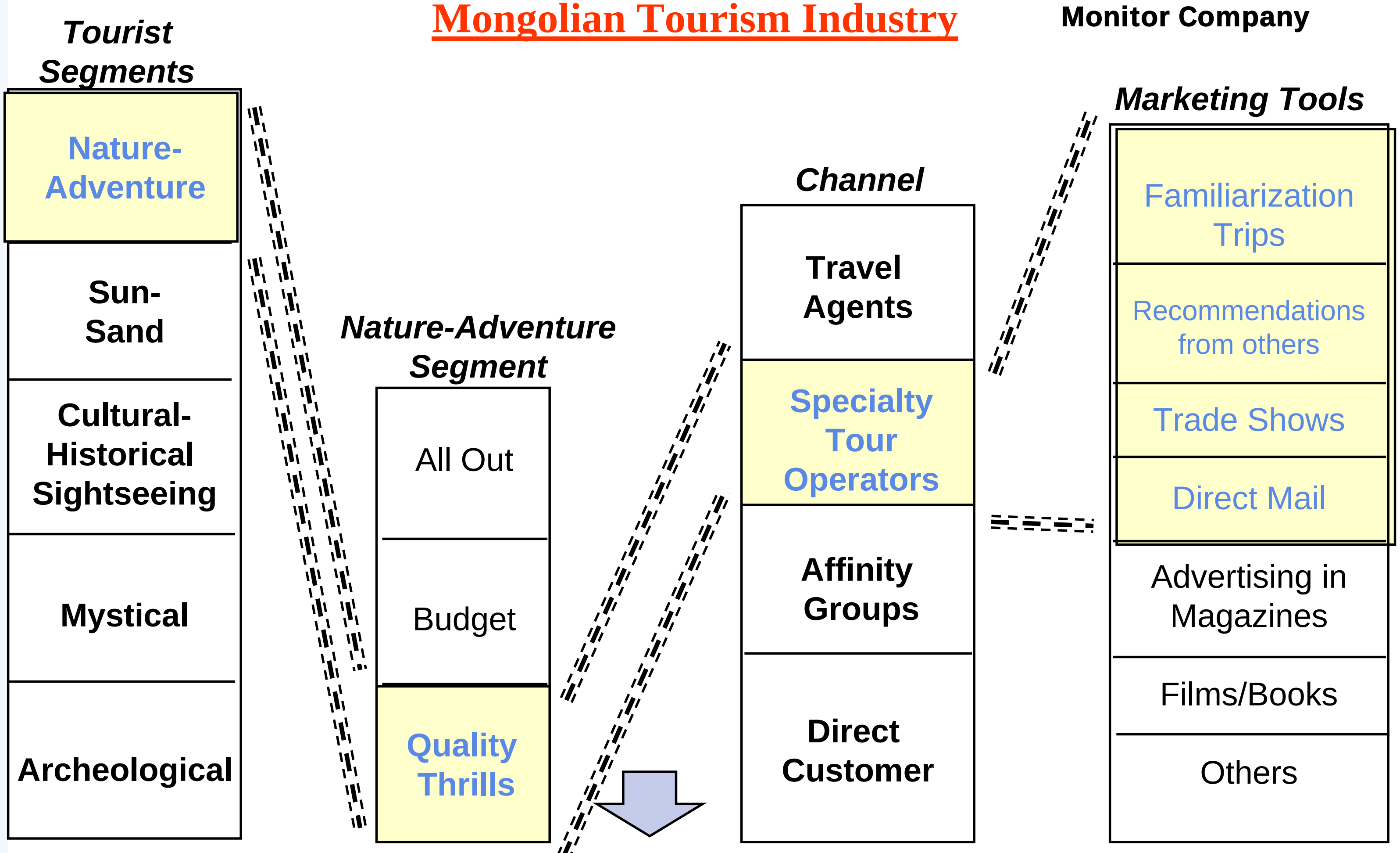
SOURCE: Specialty Coffee Association of America, Merrill Lynch

Customer Profiling: Mongolian Tourism

Source:

Monitor Company

Mongolian Tourism Industry

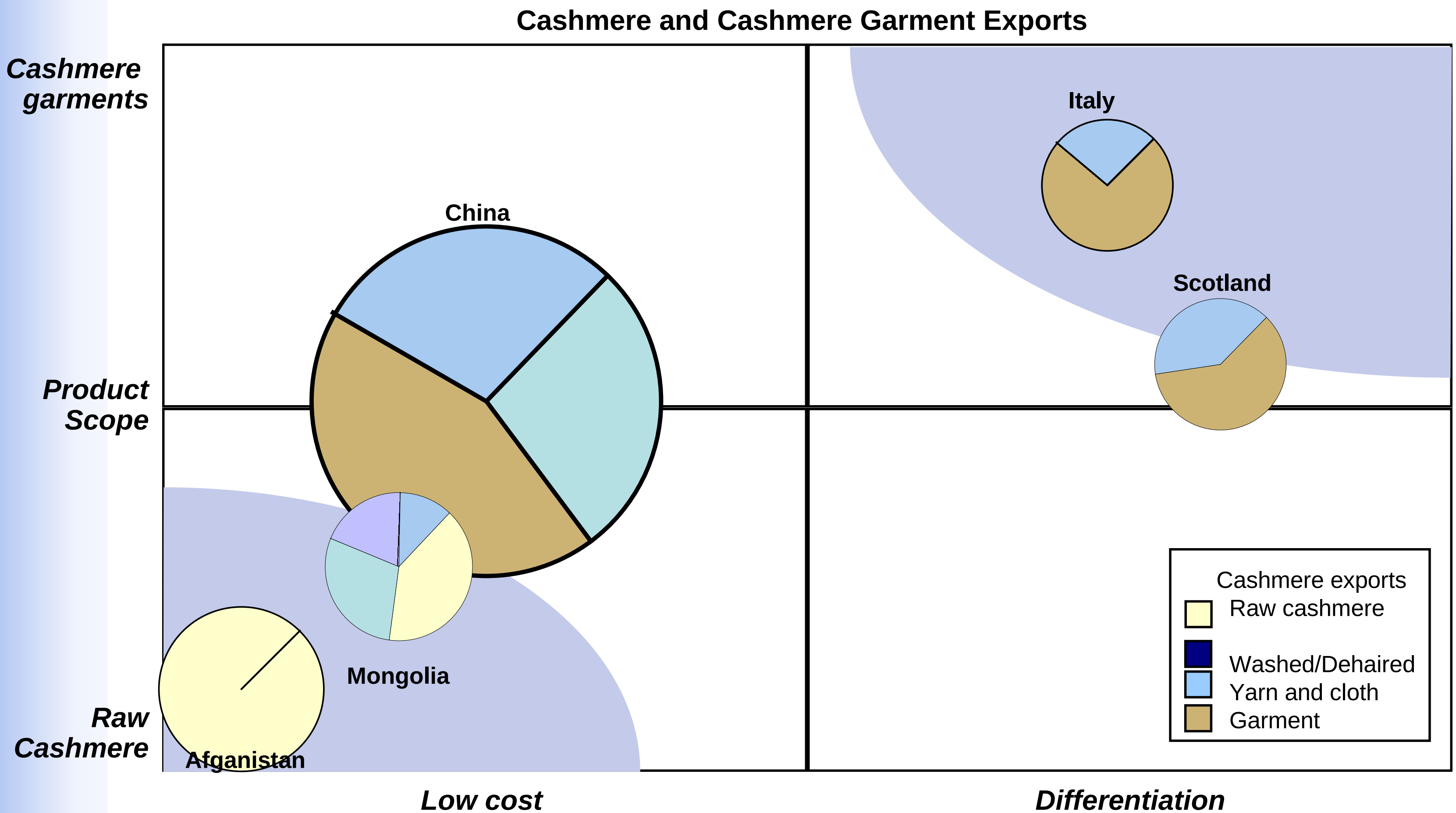


Profiling a sub-segment helps a company or an industry to improve customer learning and make strategic choices about who to serve and how to reach them

3. COMPETITIVE POSITIONING

Competitive Positioning: Mongolian Cashmere

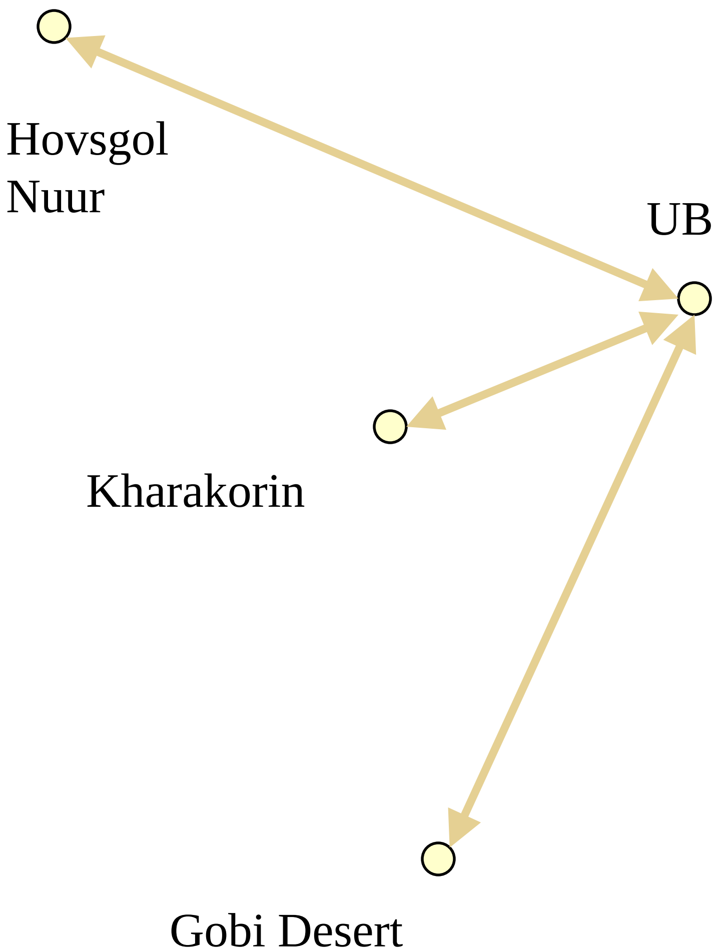
Mongolian Cashmere Industry



Mongolian cashmere is a competitive product in its raw form, but it competes in the same mass market segment as China, a bigger producer.

4. GAP ANALYSIS

Mongolian Tourism Industry Initiatives: Cooperation Increases Efficiency



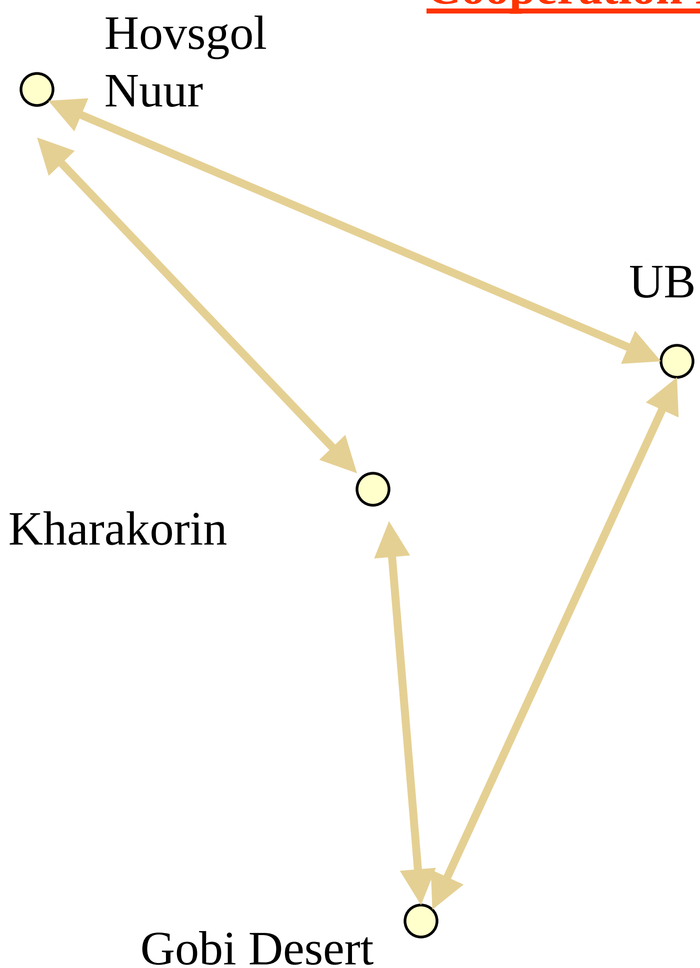
Typical 10 Day Itinerary

Day 1 UB
Day 2 Hovsgol
Day 3 Hovsgol
Day 4 UB
Day 5 Karakorin
Day 6 UB
Day 7 Gobi Desert
Day 8 Gobi Desert
Day 9 UB
Day 10 Departure

Vacation Days = 5
Flights = 6

STRATEGY/ ACTION INITIATIVES:
Mongolia Experience

Mongolian Tourism Industry Initiatives: Cooperation Increases Efficiency



Typical 10 Day Itinerary

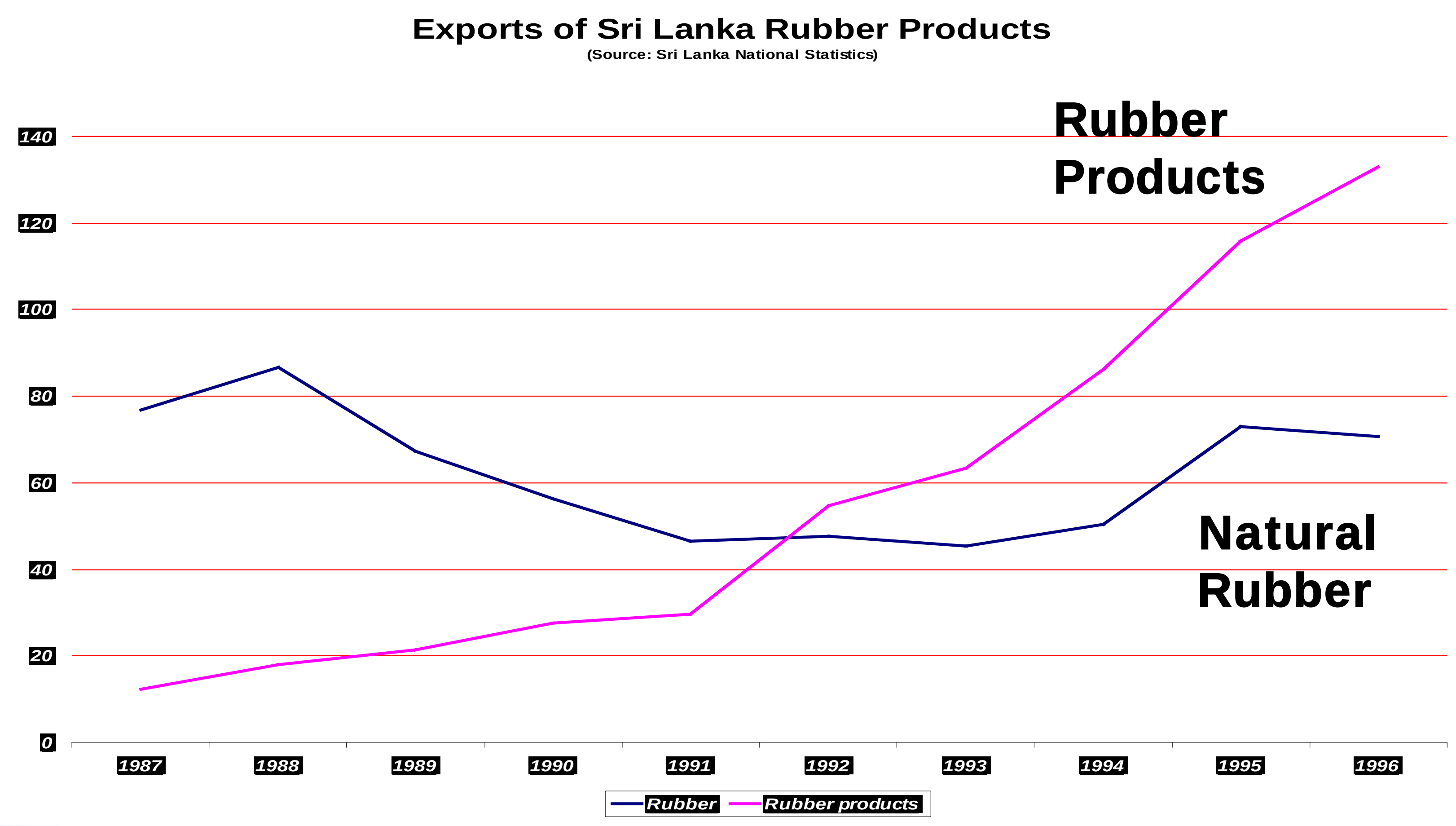
Day 1	UB
Day 2	Hovsgol
Day 3	Hovsgol
Day 4	Hovsgol
Day 5	Karakorin
Day 6	Karakorin/Gobi
Day 7	Gobi Desert
Day 8	Gobi Desert
Day 9	UB
Day 10 Departure	

Vacation Days = 8
Flights = 4

5. STRATEGIC REPOSITIONING

Strategic Repositioning: Sri Lanka Rubber

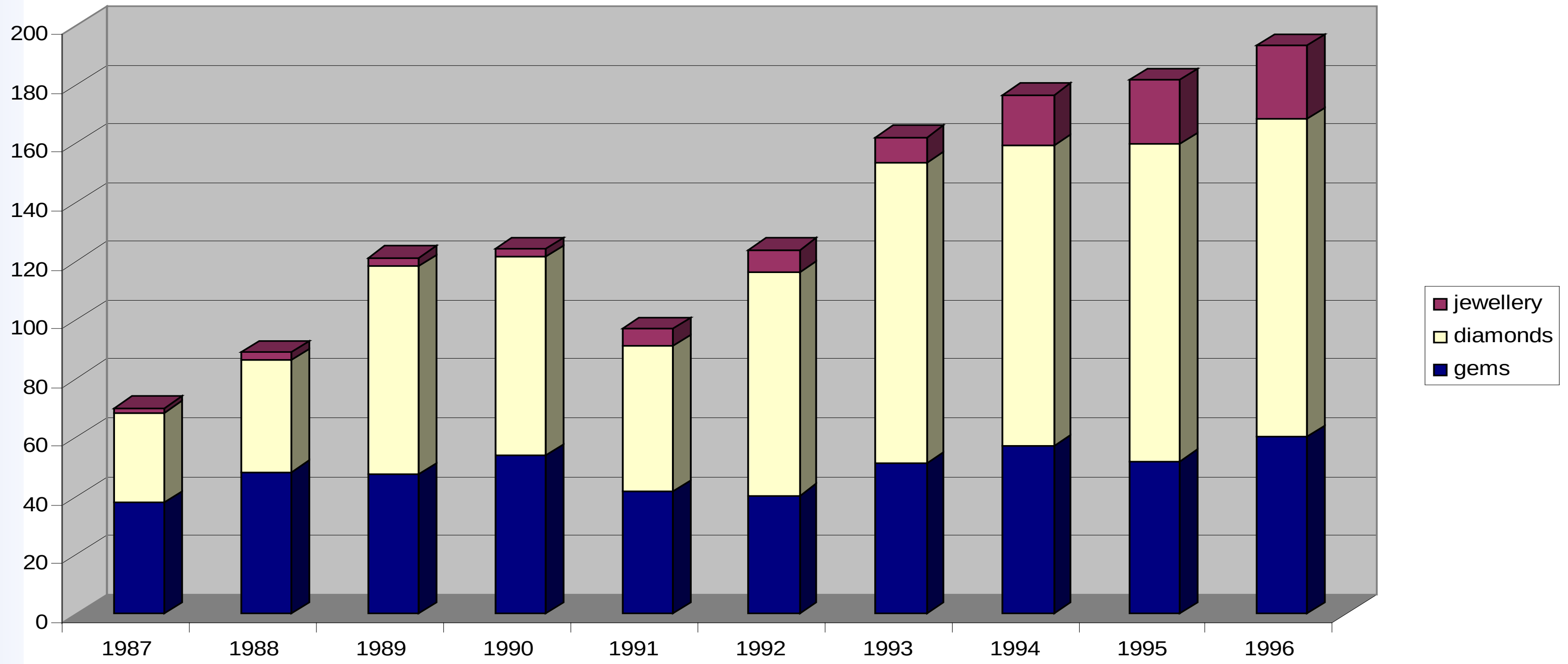
Sri Lanka: Exports of Rubber and Rubber Products



Sri Lanka: Exports of Gems and Jewelry

Opportunity: Build Complex Exports
Avoid Over-Relying on Basic Factors

Sri Lanka Exports of Gems and Jewelry
(Source: Sri Lanka Industry Statistics)

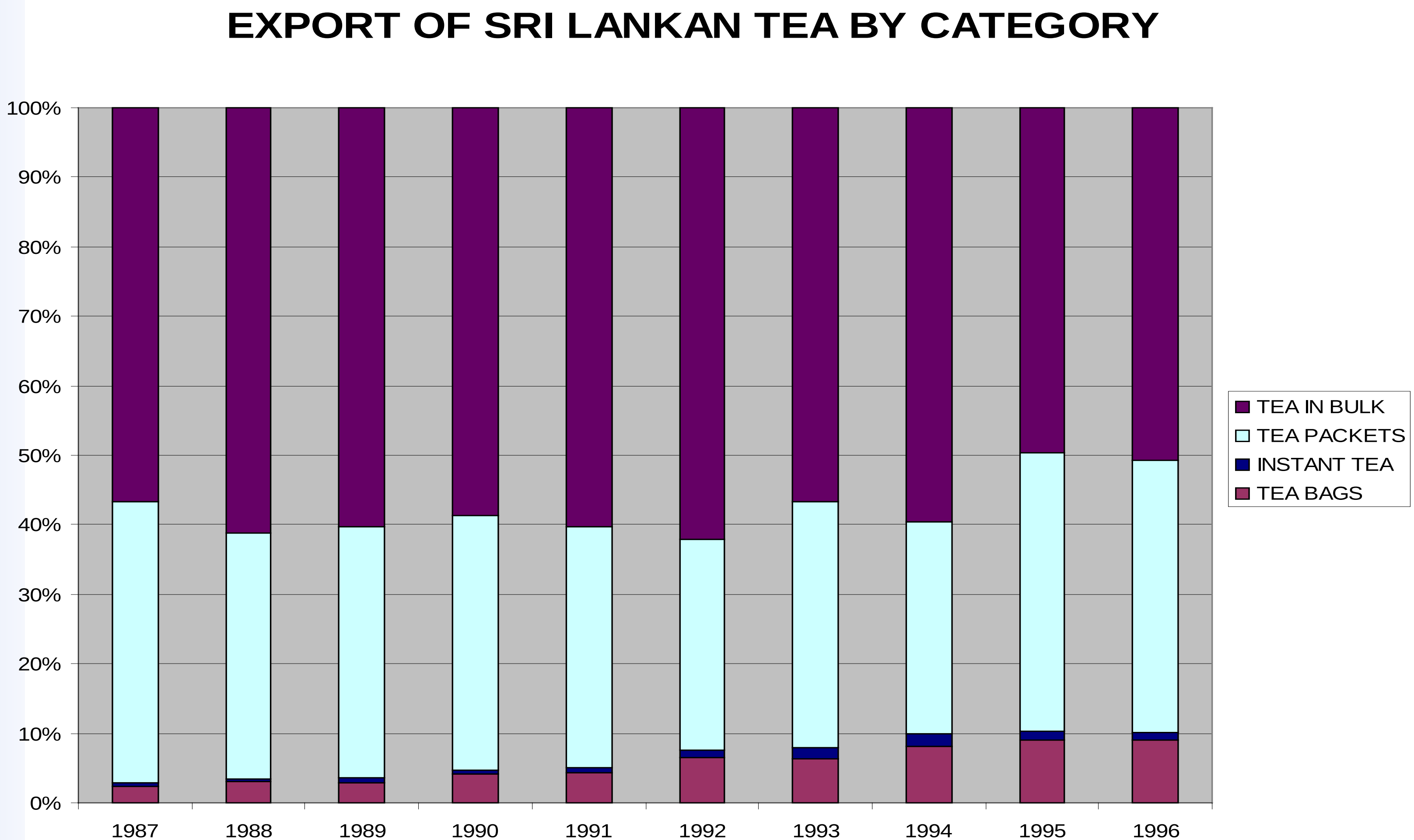


Strategic Action Initiatives

Sri Lanka’s Gem and Jewelry Industry Initiatives

- Certification ➔ 20% Increase in Value
- Design Alliance with leading overseas designer
- Survey of Sri Lanka's gemstone deposits
- Establish a gemstone laboratory with an overseas alliance
- Establish a CAD-CAM center for the industry
- Establish a web portal for the gem and jewelry industry
- Improve designs through alliances with top design schools overseas
- Improve training and design schools
- Education programs to create discerning Sri Lankan consumer
- Develop a good Market Intelligence Service
- Improve gemstone cutting qualities
- Promotion along with the tourism sector; targeting the tourist

Sri Lanka: Exports of Tea



STRATEGY/ ACTION INITIATIVES:
Sri Lanka Experience

Sri Lanka's Tea Industry Initiatives

- **Market Oriented R&D Center: Privately managed and self-funding to cater to industry demand. To take the forefront in creating new products (health related & alternative applications) in keeping with global demand trends.**
- **Market Intelligence Unit: Continuous gathering and dissemination of tea-related data from domestic and foreign sources. A one-stop-shop for customer intelligence and trends on a country, regional and global basis.**
- **Information Missions: To US market by primary industry contact for promotion (Director, Tea Promotions Bureau). Cluster Coordinator and key industry personnel to visit major tea consuming markets to gather retail information, new product opportunities, market entry barriers, value chain & distribution info etc.**

(cont'd)

STRATEGY/ ACTION INITIATIVES:
Sri Lanka Experience

Sri Lanka's Tea Industry Initiatives (cont'd)

- **Collaboration with Printing/Packaging Sector:**
  - **Task force in implementing collaborative initiatives between the Tea Industry and Packaging Sector in accessing sophisticated high value markets.**
  - **Capacity report to be done by the Packaging Sector to be disseminated amongst Tea Industry players.**
  - **Incorporation of vacuum packaging at all levels of manufacture/ processing to produce consistent quality in end product.**
- **Logistical Tracking Systems: Set up at individual firm level to monitor passage of goods from the estate to the end user.**
- **External Educational Programmes: For the producer sector through existing training facilities such as PIM, NIPM, NIBM etc. Possible computer link up to classroom lectures.**
- **Industry participation/presentation at specialty tea events.**

STRATEGY/ ACTION INITIATIVES:
Mongolia Experience

Mongolian Tourism Industry Initiatives

- **Business**
  - Understand market segmentation, industry trends, and marketing channels within tourism industry
  - Develop innovative products and packaging and improve the quality of marketing
- **Government**
  - Preservation of natural and cultural heritage
  - Regulation of safety issues
- **Area for Cooperation**
  - Address transportation constraints, particularly in aviation
  - Promote "Mongolia" as a tourism destination

STRATEGY / ACTION INITIATIVES:
Sri Lanka Experience

Sri Lanka's Tourism Industry Initiatives

- ***Ecotourism:*** **Pilot project to develop a world-class eco-lodge within the buffer areas of Sinharajah rainforest - establish a model for conservation of buffer zone areas. The ecolodge will be the first in a network of high quality options for ecotourists.**
  - **Study trip to Sabah in Malaysia**
  - **Formation of team to develop the lodge to ensure standards and instant international appeal by bringing in international conservation NGOs and other experts.**
  - **Forming of a joint holding/management company to bring together industry players in ownership and investment.**
  - **Establish policy framework for implementation of similar projects**

- ***Cruise market:*** **Develop specialized cruise facilities to service smaller high end cruise vessels of 10,000 tons and under. Key source market being Indian travelers from ports of Goa and Cochin.**

(Cont'd)

STRATEGY/ ACTION INITIATIVES:
Sri Lanka Experience

Sri Lanka's Tourism Industry Initiatives (cont'd)

- *MICE market:* Develop this industry initially on the regional level with focus on small meetings from India/Pakistan.
  - Organisation of a "round table" forum in New Delhi to discuss opportunities for Indian businesses interested in investing in this industry by establishing a hub/base in Sri Lanka.

- *Sigiriya Sound & Light Show:* A pilot project to upgrade a unique highly visited cultural heritage site. To be managed by a public/private joint venture company.

Competitiveness Building: Competitiveness Councils

FIVE COUNTRIES AND THEIR COMPETITIVENESS RANKINGS FOR MOST RECENT YEARS

Country	Name of council	Established by	Date	2000 WEF Ranking	2001 IMD Ranking
United States	Competitiveness Policy Council (CPC)	Omnibus Trade and Competitiveness Act of 1998	1988	**1**	**1**
Ireland	National Competitiveness Council	Partnership 2000 Agreement	1997	**5**	**7**
Singapore	Committee on Singapore's Competitiveness (CSC)	Directive of the President of Singapore	1997	**2**	**2**
Hong Kong	Hong Kong Productivity Council (HKPC)	Official Statute	1967	**8**	**6**
Malaysia	National Productivity Council (NPC)	Act 408: National Productivity Council Incorporation Act	1966	**25**	**29**

LESSONS FROM SRI LANKA:

8 INDUSTRY CLUSTERS PRESENTED STRATEGIES

PRIME MINISTER EXPANDING APPROACH TO 15 CLUSTERS

NEW GOVERNMENT ACTING ON POLICY ACTION INITIATIVES OF INDUSTRY CLUSTERS

"STRATEGY DRIVES POLICY"
"CLUSTERS LEAD"

LESSONS FROM CROATIA:

CROATIAN COMPETITIVENESS COUNCIL 2002

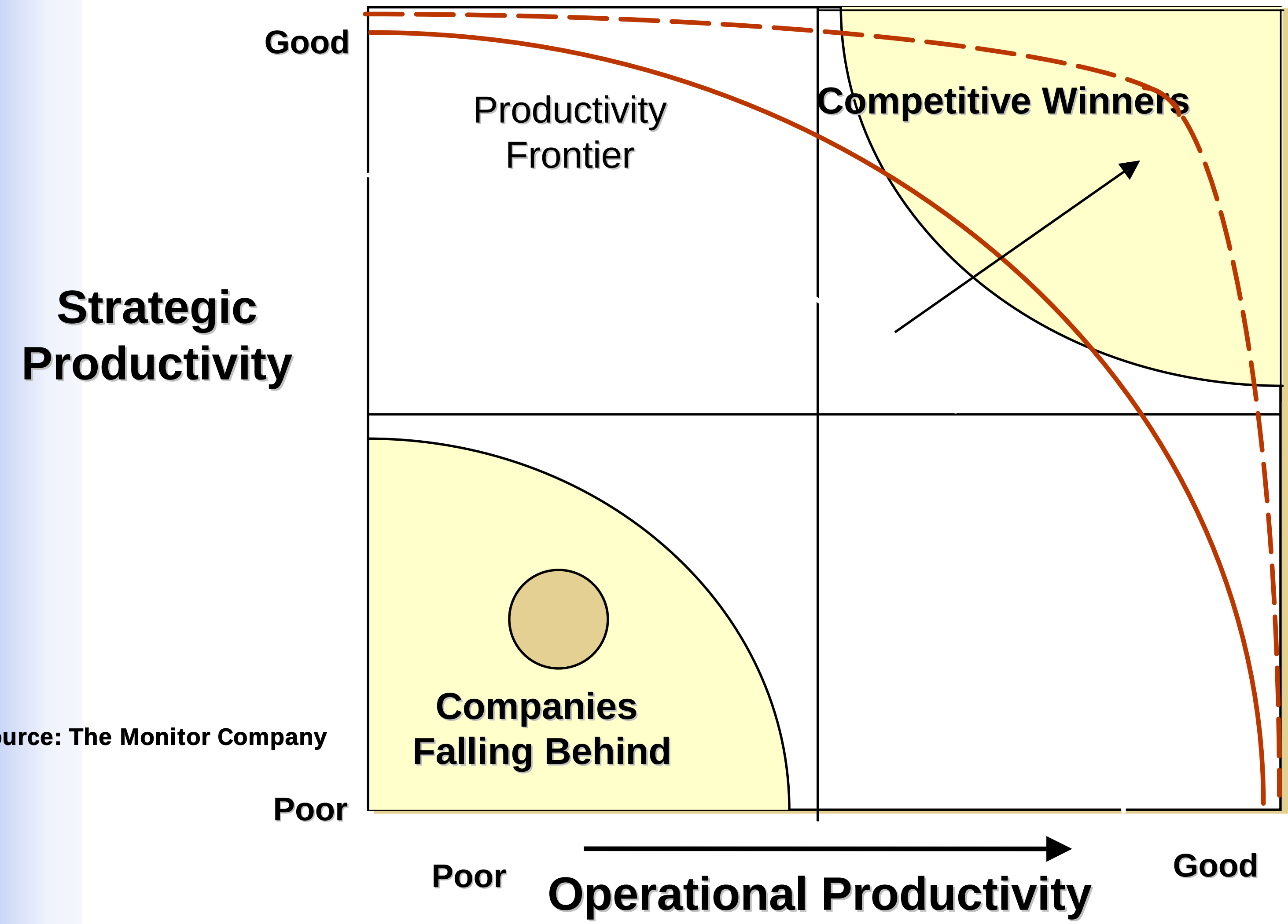
NATIONAL COMPETITIVENESS COUNCIL 2002

Implications for Europe and Eurasia

- Is it *relevant* ?
- Is there *receptivity* among leadership?
- *Who* should be involved?
- Are there "*champions*" ?

THANK YOU

Firm: Good Strategy *and* Good Operations



A Model for Enhancing National Competitiveness:

Lessons from the United States

By

Howard Rosen

A Model for Enhancing National Competitiveness:

Lessons from the United States

A Presentation by
Howard Rosen
JE Austin and Associates

March 26, 2002

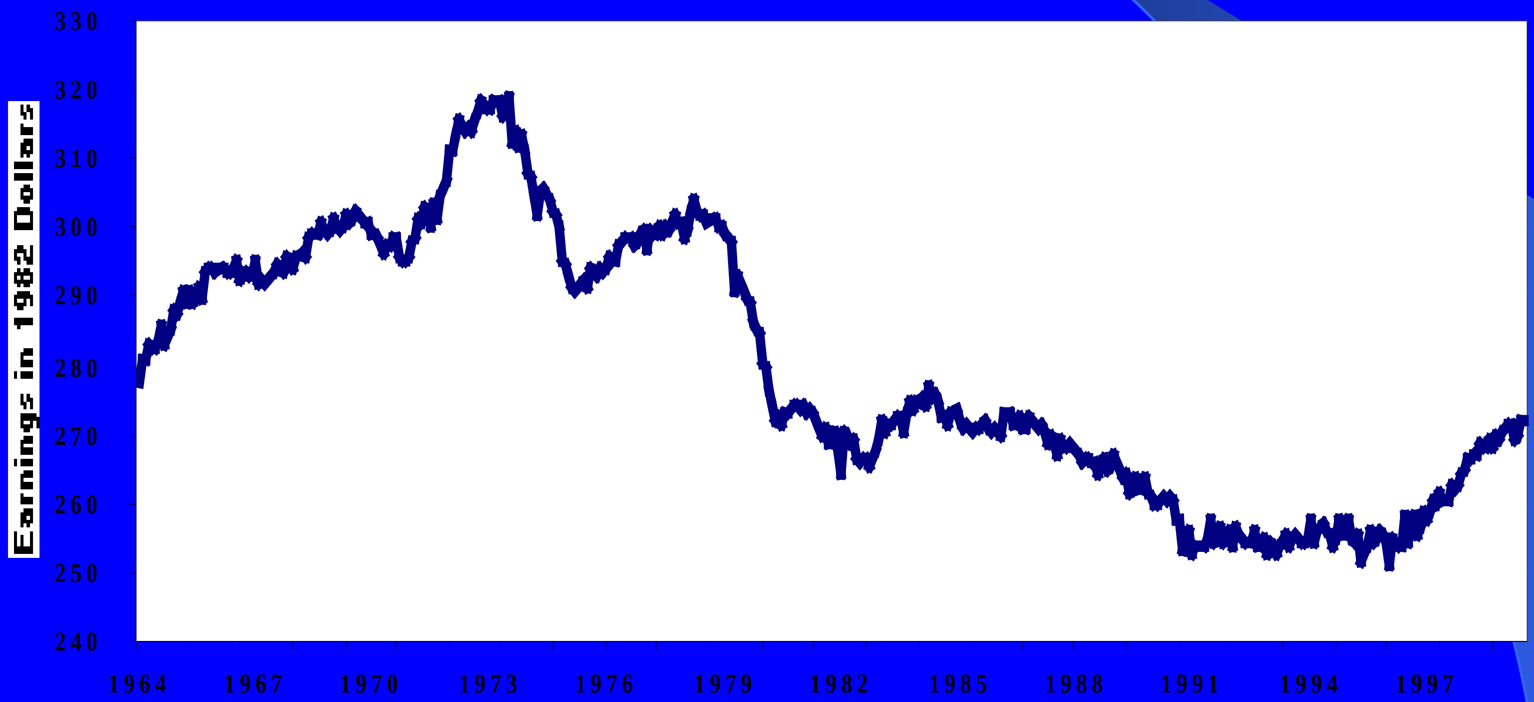
Competitiveness

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.

Competitiveness: Different Meanings for Different Groups

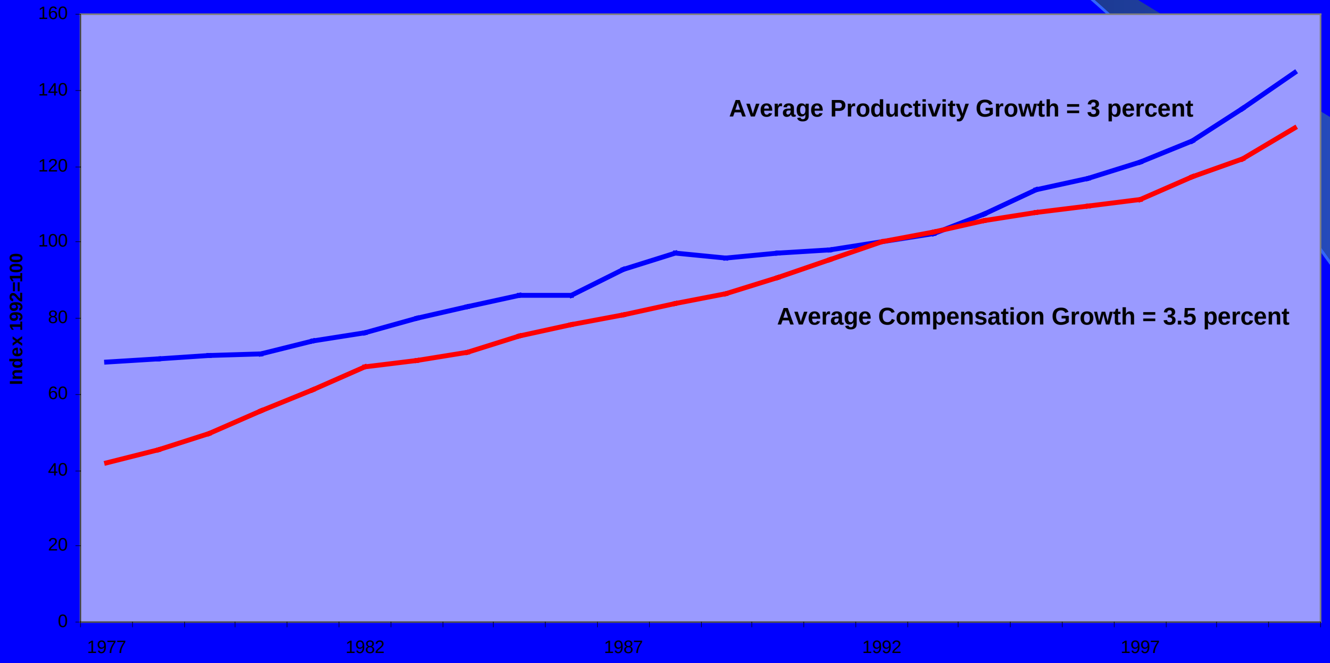
- Economy-Wide — Sustainable Improvement in Standard of Living
- Industry Cluster — Capture Dominant Market Position through the Sale of High Quality Products
- Firm — Long-run Growth in Profits and Sales through Rising Market Share

US Real Weekly Wages



Productivity growth enables wages to rise without pushing up inflation

US Productivity and Compensation



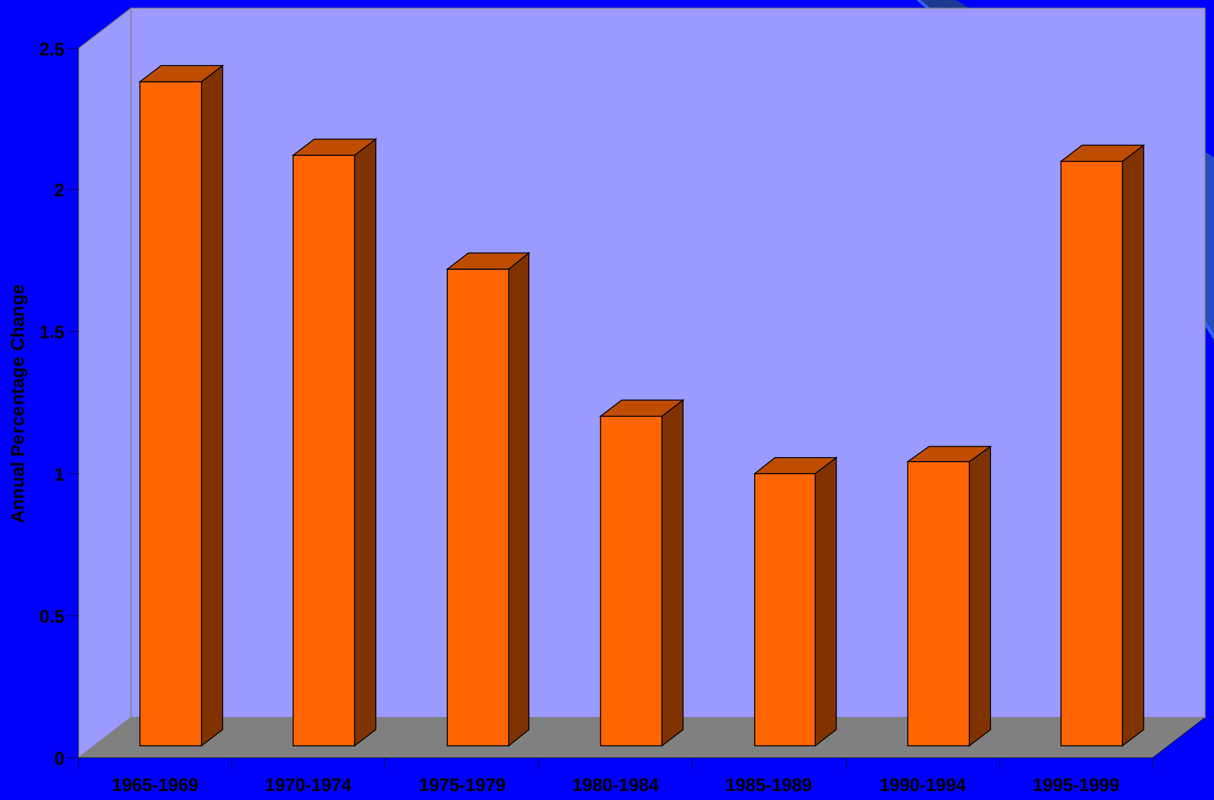
Productivity

the efficiency by which an economy utilizes

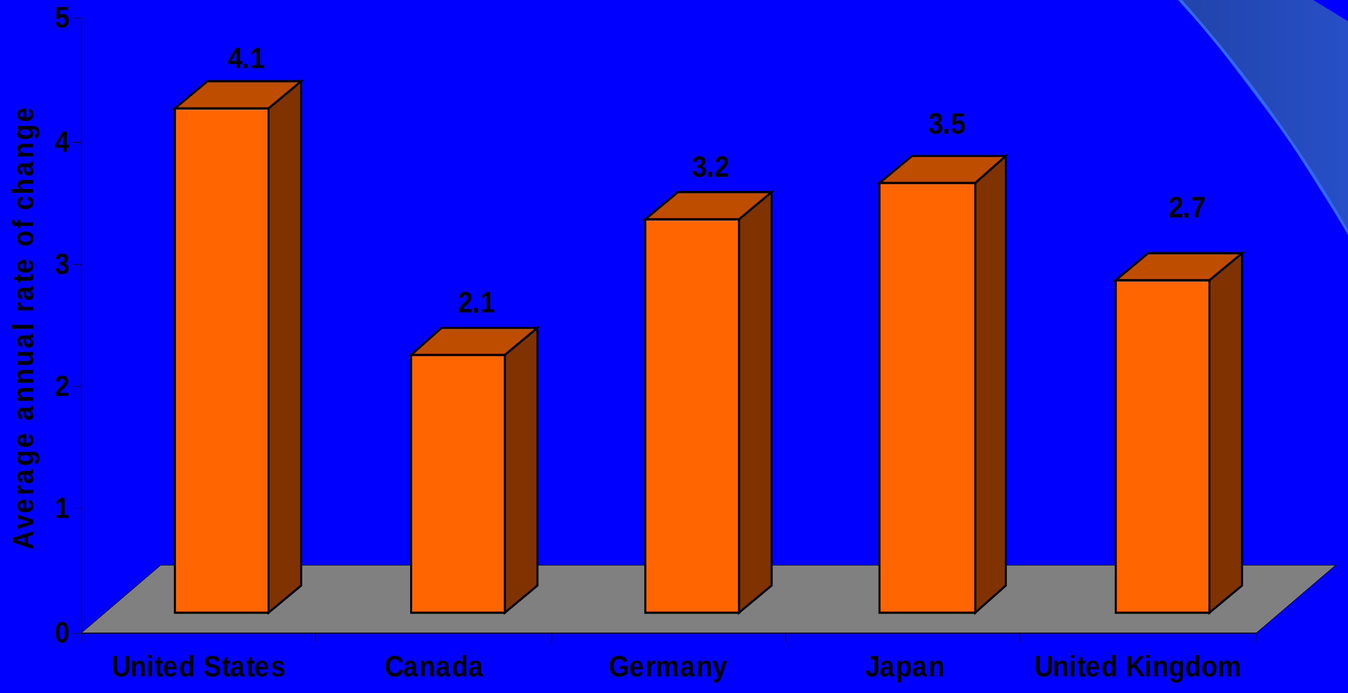
its natural resource, labor, capital and technology

to produce goods and services

US Productivity Growth



International Comparison of Manufacturing Productivity Growth 1990 to 2000



Competitiveness Flowchart

SUSTAINABLE IMPROVEMENT IN STANDARD OF LIVING

PRODUCTIVITY GROWTH

through unemployment

with employment growth

ECONOMIC GROWTH

INVESTMENT

Public:
- Education
- Training
- Infrastructure

Private:
- Plant
- Equipment
- Training

RESEARCH AND DEVELOPMENT

SAVING

Public:
- Federal, State and local budgets

Private:
- Household
- Corporate

Prepared by Howard Rosen
J.E. Austin and Associates

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

Six Elements of a Competitiveness Strategy

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

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

Investment in Human Capital

Education

- Standards and Assessments
- Math and Science

Training

- School-to-Work Transition
- Worker Training Programs
- Skill Certification

Investment in Physical Capital

Access to Capital

- Low interest rates/ low inflation
- Reduce budget deficit
- Attract foreign Capital

Capital Allocation

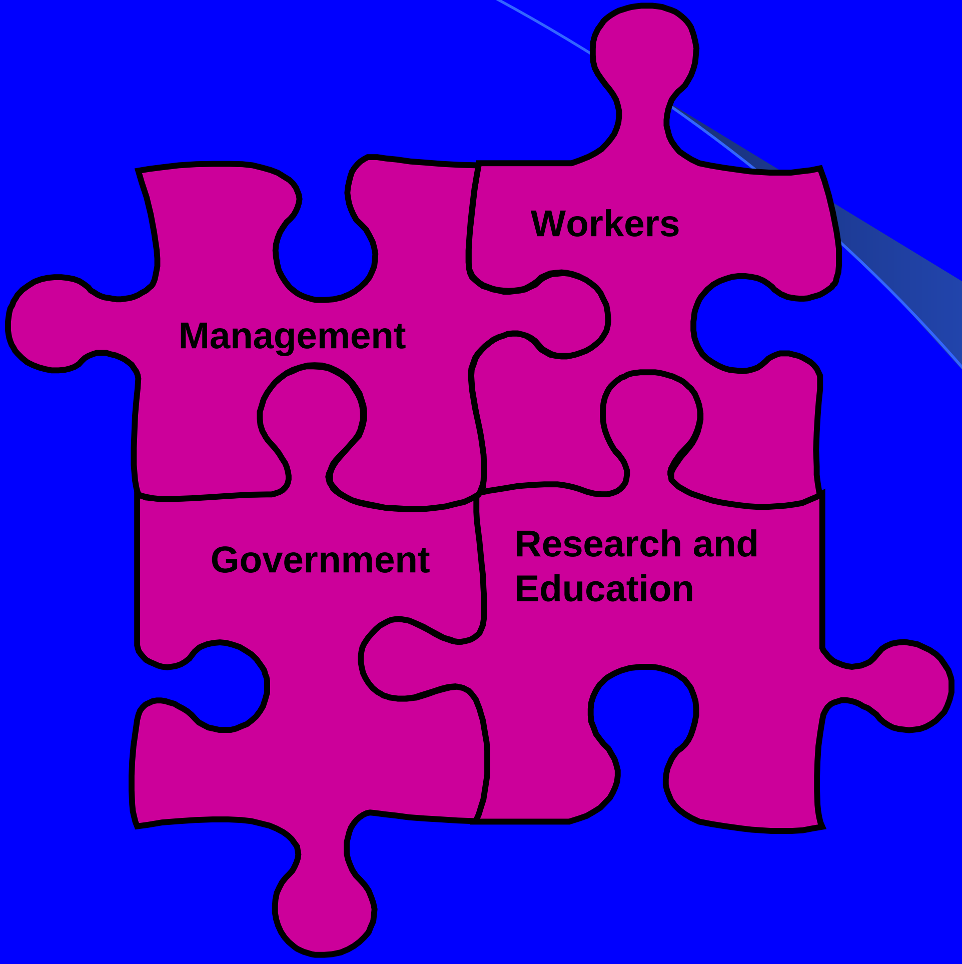
- Capital market reform
- Tax policy

Physical Infrastructure

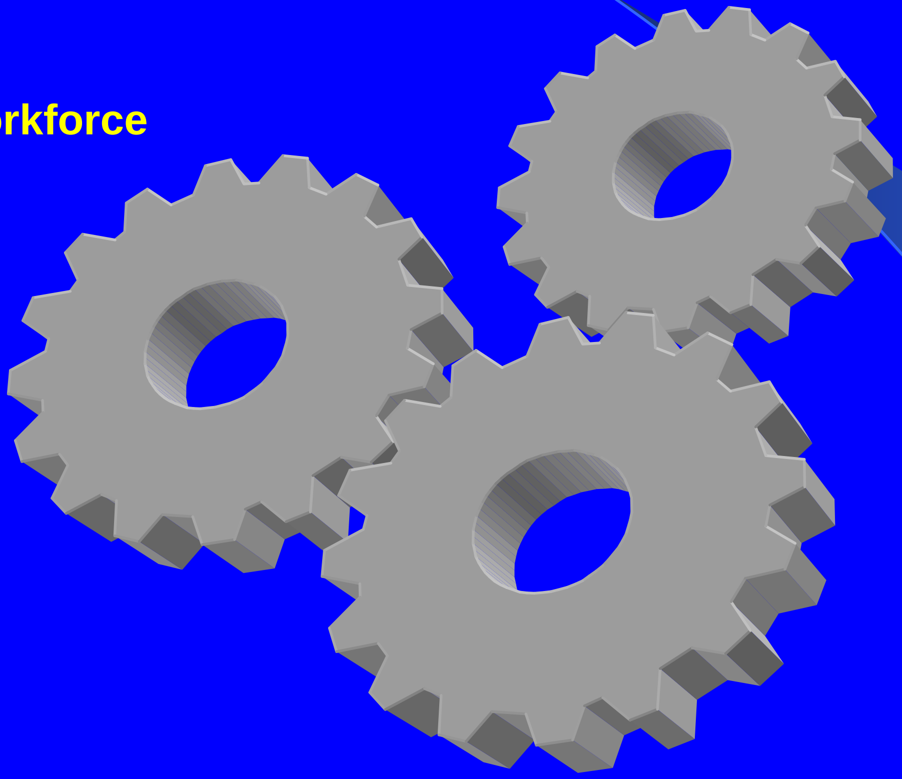
Investment in Technology

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

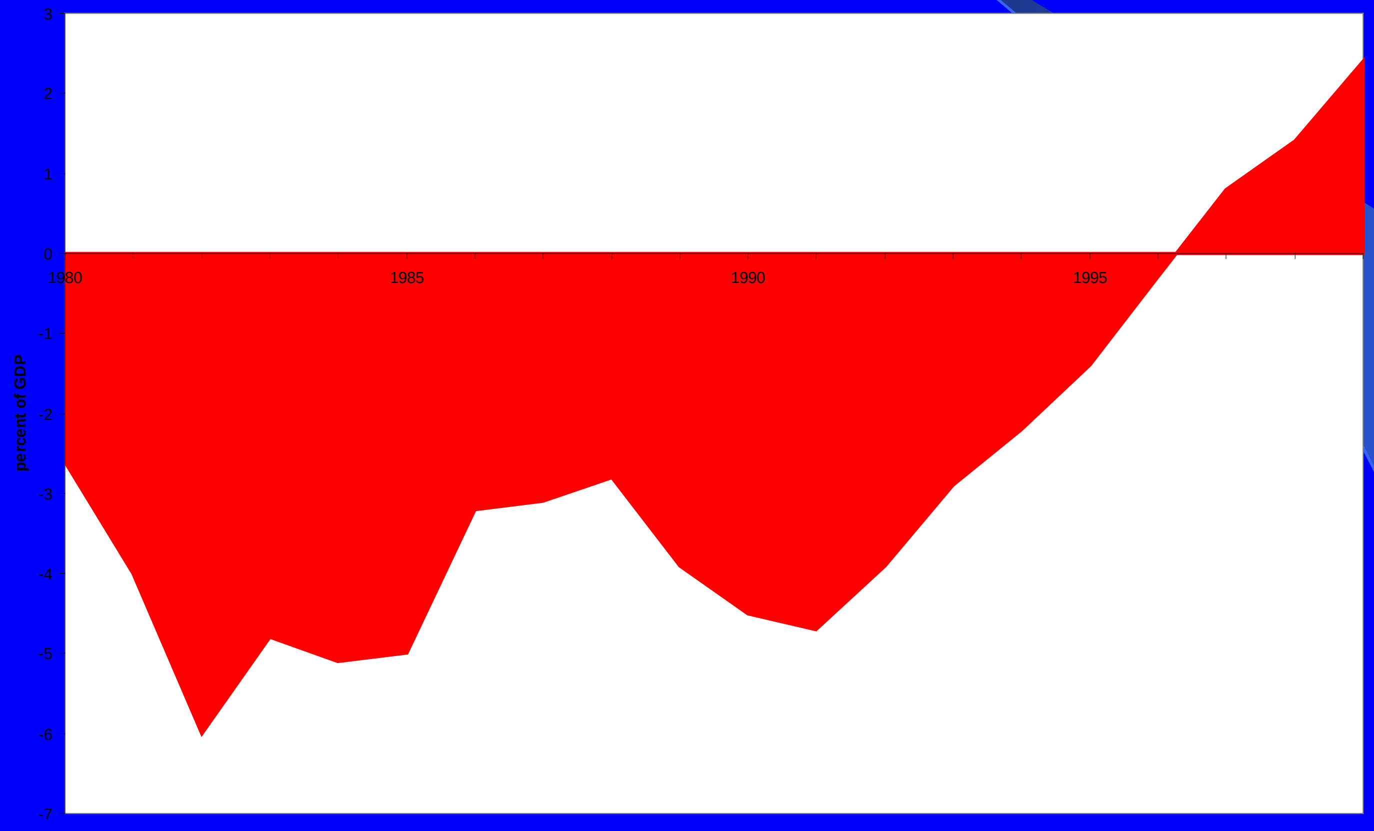
The Partners



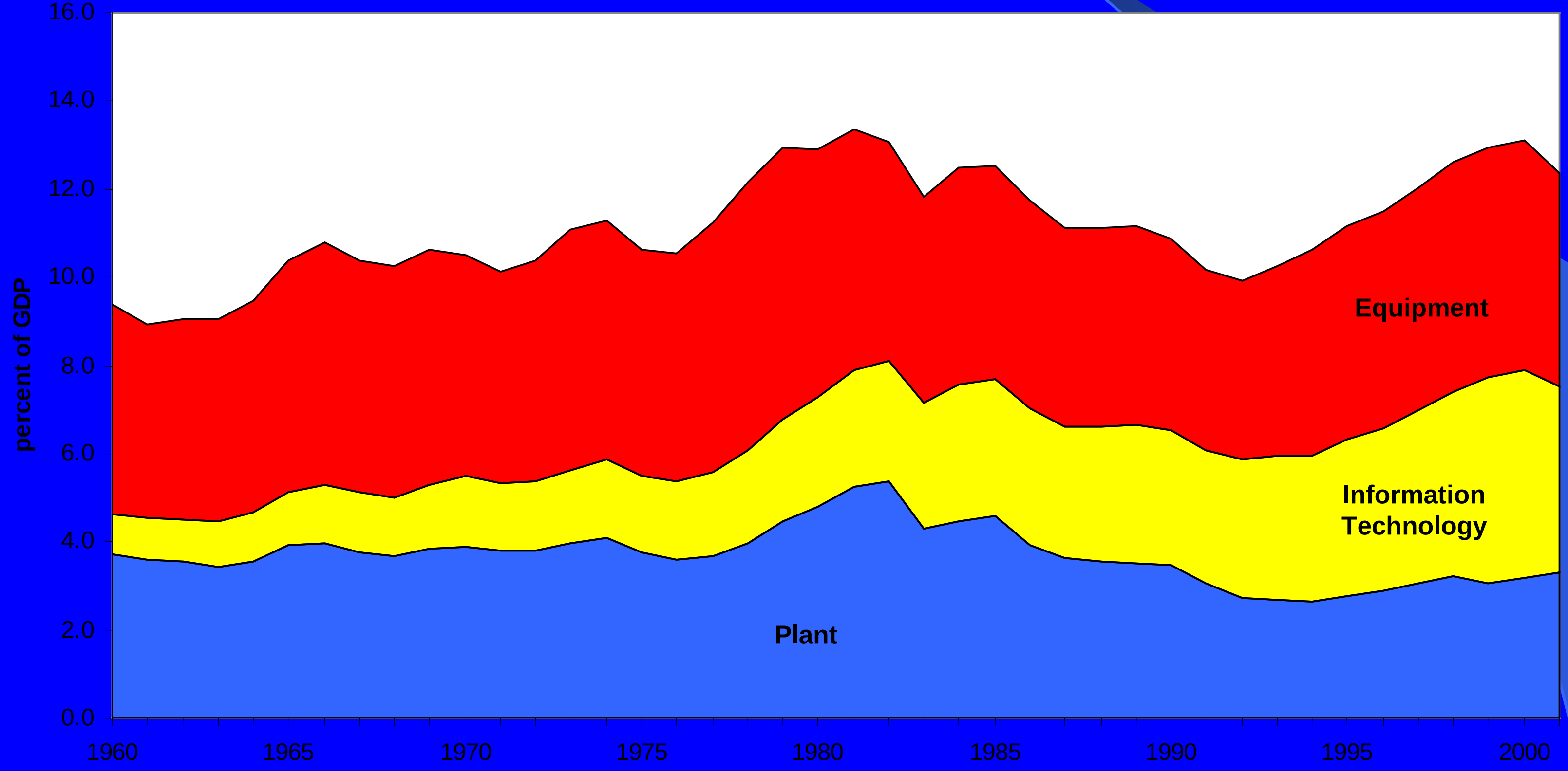
Productivity Outcomes



US Budget Deficit

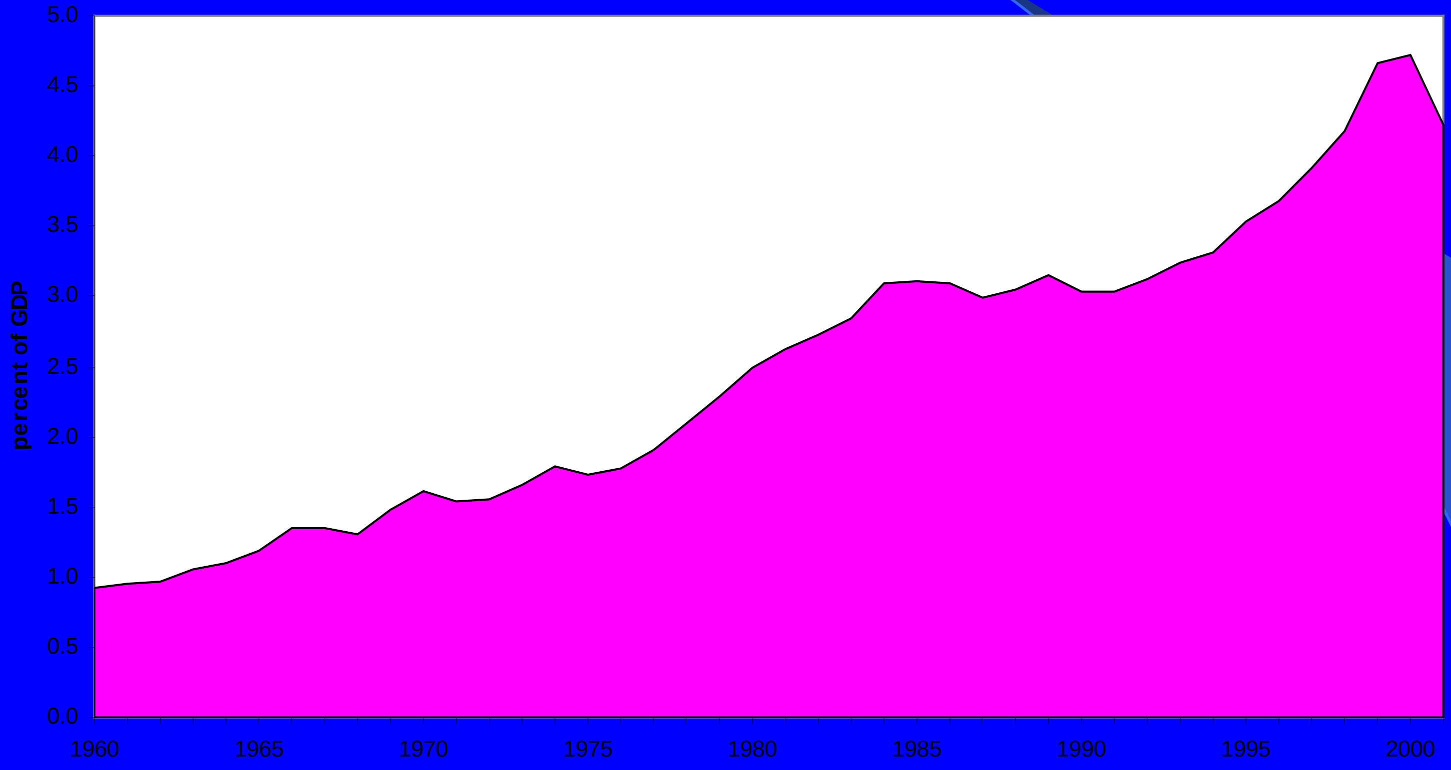


US Investment in Plant and Equipment

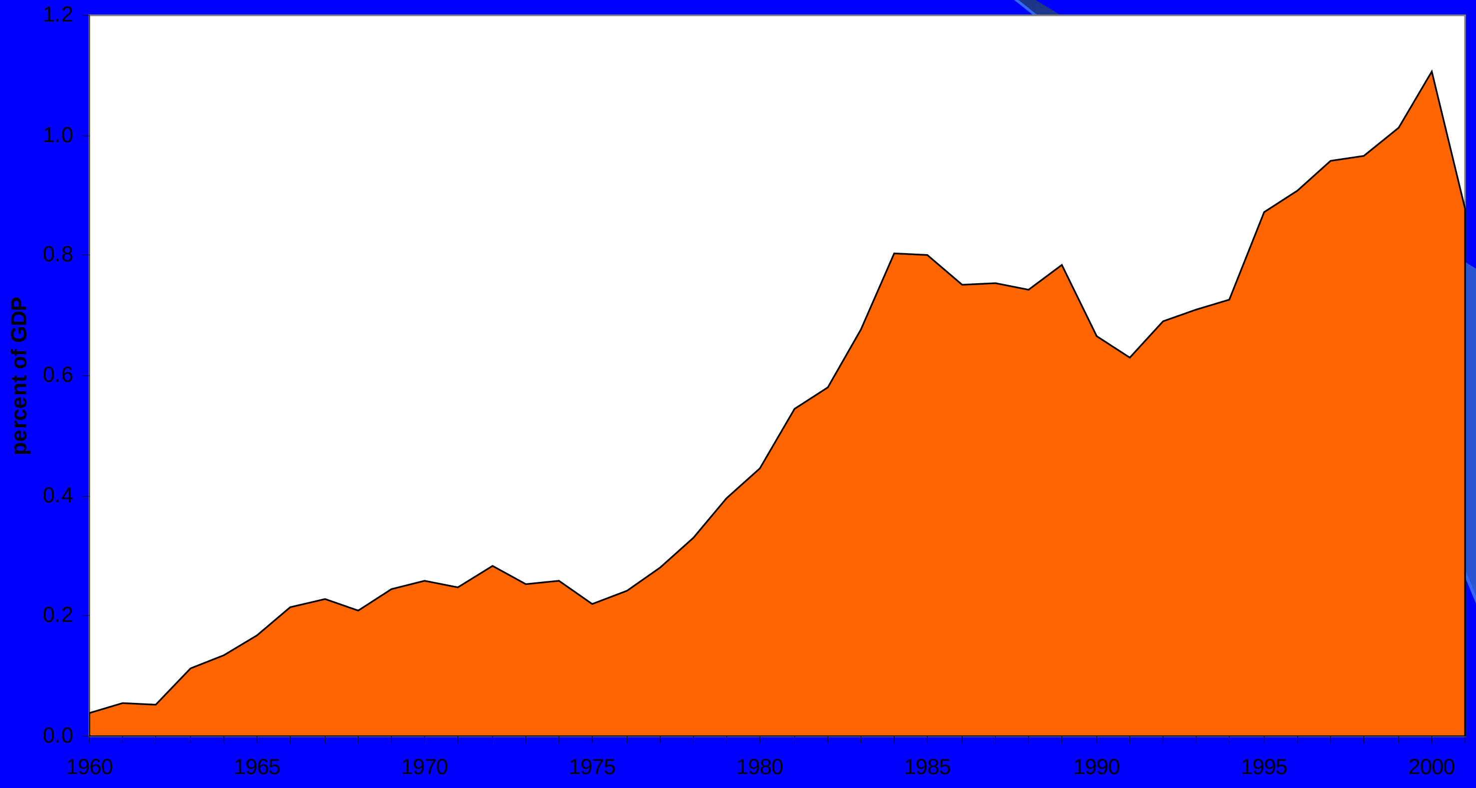


Prepared by Howard Rosen
J.E. Austin and Associates

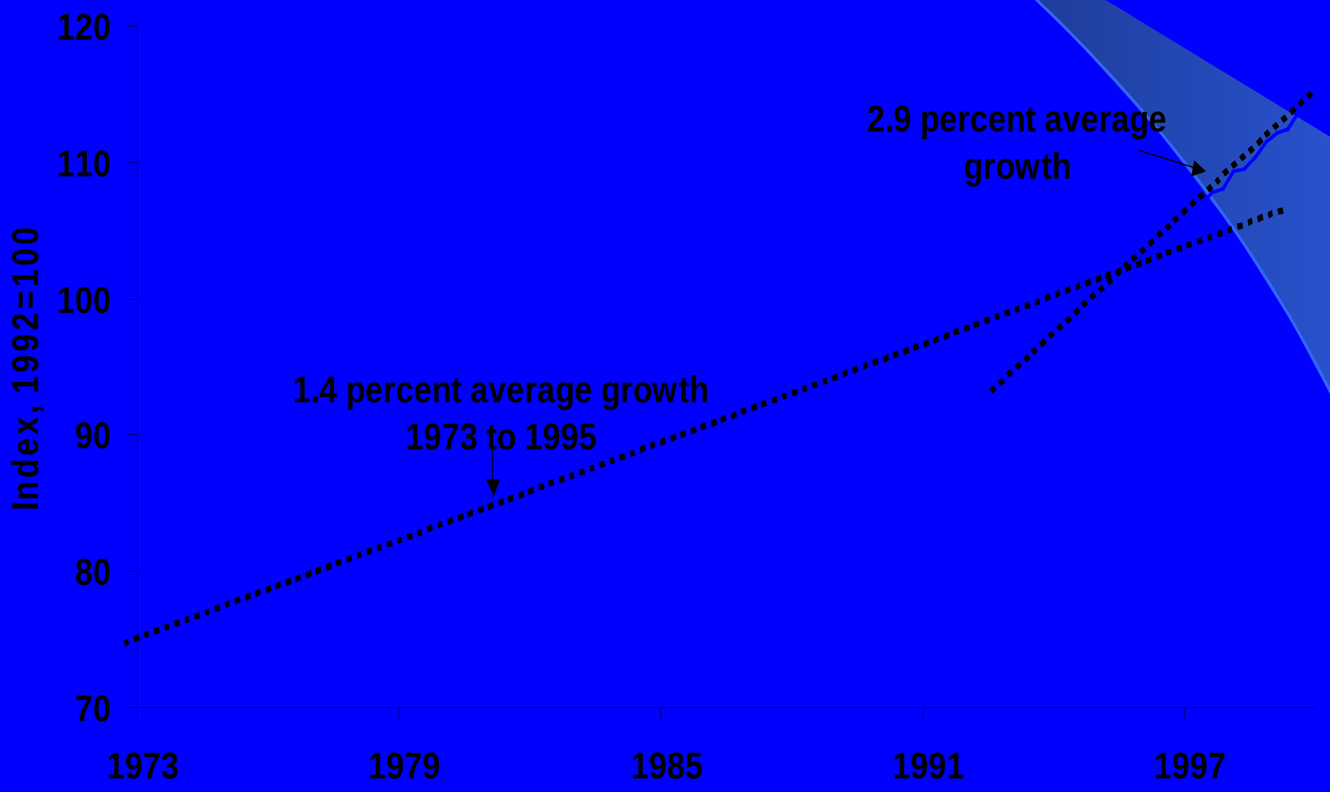
US Investment in Information Technology



US Investment in Computers



US Labor Productivity Growth



Annex III
List of Persons Met

Annex III: LIST OF PEOPLE MET

RUSSIA

- Dr. Alexander Auzan, President, National Project Institute – Social Contract
- Mr. Kevin Armstrong, Office of Business Development and Investment, USAID Moscow
- Mr. Miroslav Nikokur, Rector, Director of Morozov Project, Adacemy of Management and the Market
- Mr. Mixail Shishkin, Academy of Management and the Market and Morozov Project
- Mr. Oleg Paramonov, Chief, Services quality deparment of regional agencies, Russian Small Business Support Agency
- Mr. Paul Mulligan, Director, Office of Business Development and Investment, USAID Moscow
- Mr. Raymond Lewman, Chief, Business Development, Office of Business Development and Investment, USAID, Moscow
- Mr. Sergei Pustovor, Akademy of Management and the Market
- Mr. Valeriy Grushenko, Rector, Smolensk Institute of Business and Entrepreneurship
- Mr. Veniamin Kaganov, Director, Institute for Entrepreneurship and Investments and Academy of Management and the Market, Morozov Project
- Mr. Victor Ermakov, President, Russian Small Business Support Agency
- Mr.Neil Nathanson, Chief of Party, Integrated Business Services, USAID Project implemented by CDC.
- Ms. Anastasia Ovsiannikova, Executive
- Ms. Brooke Isham, Director, Office of Economic Policy Reform, USAID Moscow

UKRAINE

- Andrew Taylor, Managing Partner, Ernst and Young, FIAC director
- Bill Penoir, USAID
- Bleyzer Foundation: Mr. Victor Gekker, Director, and Ms. Yaroslava Chapko
- Dr. Olena Gerasymenko, Director of International Programs and Economic Research Department, Ukrainian Chamber of Commerce
- European Business Association: Mr. Yuriy Petrus, Executive Director, Ms. Oksana Stoianova, Health Care Committee Coordinator, and Mr. Mikhael Yevtushenko, Technical Coordinator
- Institute of Competitive Society: Mr. Dmitry Lyapin, Vice President, and Ms. Ksenija Lyapina, Projects Coordinator.
- Institute of Reform: Mr. Oliynyk Oleksandr, First Deputy Director, Mr. Marko Dacyshyn, Deputy Director, and Ms. Tetyana Shvydko, SME Development Expert

- Kyiv Chamber of Commerce and Industry: Mr. Mykola V. Zasulsky, President, and Mr. Oleksandr Shorubalka, Vice President
- Mr. Andrei Vorobyov, Deputy Head of Secretariat, Government Agrarian Policy Coordination Council Secretariat
- Mr. Andriy Nesteremko, USAID/Kharkiv Partnership offices
- Mr. Bohdan Senchuk, Business Policy Analyst, IFC
- Mr. Darrin Hartzler, Senior Operations Manager, IFC
- Mr. Marko Dacyshyn, Deputy Director, Institute of Reforms
- Mr. Pavlo Sheremata, Dean, Kyiv Mohyla Business School
- Mr. Peter Levine, Project Manager, Vice President, Financial Markets International, Inc, USAID Project
- Mr. Rick Ernst, Support for Economic and Fiscal Reform (SEFR), USAID Program implemented by DAI
- Mr. Stanislav Sokolenko, Chairman of the Board, UKRIMPEX JSC
- Mr. Stanislav Sokolenko; Chairman of Board of Ukrimpex and President of International Market Support Foundation
- Mr. Victor Spiridonov, Executive Director of Ukrainian Association of Software Developers
- Mr. Yaroslav Yurtsaba , BIZPRO
- Ms. Motria Onyschuk-Morozov, Corporate Governance Project Manager, IFC
- Ms. Oksana Panchuk, Deputy Director, American Chamber of Commerce in Ukraine
- Ms. Vira Nanivska, Director, Information Center for Policy Studies (ICPS)
- Pavlo Sheremata, Dean, Kyiv Mohyla Business School
- PFTS Association: Ms. Irina Zarya, President and Mr. Bohdan Lupiy, Director Department of Administration and Control,
- Rebecca Neff, US Embassy, Economic Section
- Tom Rader, USAID
- Ukrainian Association of Business Support Centers: Mr. Igor Kabuzenko, Executive Director and Ms. Irina Moriakina, Project Development Manager
- Ukrainian Chamber of Commerce, Mr. Serguiy Skrypchenko, President, Mr. Olexiy Zhytnyk, Senior Expert, International Economic Relations Department, Dr. Petr Suprun, General Director of Ukrainian-Bavarian Training Center of Enterprise, and Dr. Olena Gerasymenko, Director of International Programs and Economic Research Department
- USAID Kiev: Mr. Gary Linden, Mr. Paul Bruning, Mr. Thomas Raider, Mr. Andriy Nesterenko, and Dr. Peter Luzik
- World Bank: Ms. Olha Onyshko, Third Sector Activities Coordinator, and Mr. Dimitro Derkatch, External Affairs Officer

KAZAKHSTAN

- Mark Grubb, Chief of Party, SME Development Project in Central Asia
- Mr. Ashley Moretz, Director, Business Advisory Services, Kazakhstan, SME Development Project, USAID Project implemented by Pragma

- Mr. Berry Pitts, Country Representative for Kazakhstan, The Pragme Corporation
- Mr. Damir Karassayev, President, Kazakhstan Stock Exchange
- Mr. David Kerry, Regional Director, Business Advisory Service, SME Development Project
- Mr. David Lucterhand, Chief of Party, Financial Protection Initiative, USAID Project implemented by Pragma
- Mr. Paul Pieper, Chief of Party, Trade and Investment Project, USAID Project implemented by the Pragma Corporation
- Mr. Rick Gurley, Private Enterprise and Financial Markets, USAID Almaty
- Ms. Kimberly Rosen, Deputy Director, Office of Enterprise and Finance, USAID Almaty
- Ms. Mary Norris, Director, Office of Enterprise and Finance, USAID Almaty

KYRGYZSTAN

Osh

- Pragma Enterprise Development Team in Osh.
- Pragma Trade and Investment Promotion Team in Osh.
- Yakubjon Alimjanov, one of the business leaders in Nookat (Osh region). He is one of the leading wholesale traders of apples and packaging materials provider.
- Mamirjan Rakhmanberdiev, Owner of "Raxmanberdi", one of the largest Ag processing plants in Osh. His main markets are Kazakhstan, Kyrgyzstan and Russia. The company produces pickles, pickled tomatoes, tomato juice and paste, kompots (from apricot, plums and apples), jams and paprika. His son, who is in charge of marketing at the plant, participated in Nookat workshop.
- Shukurbek, Head of Farmers Association from Aravan, Osh Region.

Bishkek

- Pragma Enterprise Development Team in Bishkek
- Pragma Trade and Investment Project Team in Bishkek
- Tracy Atwood, Country Representative, USAID Bishkek
- Erkin Boobekova, General Director, Baipak Joint-stock Company
- Ian Claytor, The Celestial Mountains Tour Company
- Batyrbek N. Davlesov, Director, The State Inspection for Standardization and Metrology
- George Deikun, Mission Director, USAID, Central Asia
- Eamon Doran, Private Sector Advisor, USAID Bishkek
- Talaibek S. Dusheev, Vice-Director, The State Inspection for Standardization and Metrology
- Erkinbek A. Dzhamanbaev, Chief Executive Officer, Center for Training and Consulting, Bishkek
- Giorgio Fiacconi, President, Zum Aichurek Department Store
- David Grant, Team Leader, Kyrgyzstan SME Development Programme, TACIS

- Rafkat Hasanov, Advisor to Deputy Prime Minister, USAID Fiscal Reform Project
- David Huwiler, President, American University in Kyrgyzstan
- Kumen I. Isakov, Vice Rector for Education Process, Kyrgyz-Russian Slavic University
- Ernest M. Kadyrov, Chairman, Association of Consulting Companies.
- Yury Karchin, Vice President, of Chamber of Commerce and Industry of the Kyrgyzstan
- Kubanychbek N. Kasymaliev, General Director, “Plant of Drills” joint stock company, Bishkek. Chairman of the Exporters’ Association.
- Danyiar Kazakhov, Chairman, Central Asian Tourism Corporation. Chairman of one of the Tourism Associations.
- Dean Killock, General Director, Insurance Group of Central Asia
- Valery M. Lelevkin, Prorector, Kyrgyz-Russian Slavic University
- Arslanbek Maliev, Member of the Legislative Assembly.
- Dr. Sabyrbek A. Moldokulov, Deputy Minister, Ministry of Finance
- Svetlana Ni, Project Management Assistant, Enterprise and Finance, USAID, Bishkek.
- Hon. Otorbaev, Deputy Prime Minister
- Boris Perfiliev, President of Chamber of Commerce and Industry of the Kyrgyzstan
- Jyrgalbek Surabaldiev, President, Entrepreneurs’ Association of Kyrgyzstan
- Emil Umetaliev, Business Associations Congress, Chairman of Coordination Council. Mr. Umetaliev is also one of the leaders of the Bishkek Chamber of Commerce. President, Kyrgyz Concept.
- Uzakbaev Emilbek Uzakbaevick, Chairman, State Commission on Antimonopoly Policy

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J.E. Austin Associates, Inc.

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