



## **The World Today**

### **Export Competitiveness and CARICOM Economies**

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Although competitiveness is by no means a new construct, it has, in the current globalised trading environment, emerged as a key indicator and determinant of “successful” nations. Competitiveness is now regarded as the benchmark by which success at the firm level is measured, and the mechanism through which socio-economic development and overall prosperity at the national level can be attained. The prosperity and viability of nations and firms now appear to be intricately linked to their ability to achieve and sustain international competitiveness. It is not surprising that competitiveness has become an urgent imperative for CARICOM governments that are grappling with the profound changes that economic globalisation has occasioned. However, devising *appropriate* policies that facilitate competitiveness building in CARICOM economies is proving to be a formidable task.

A major challenge to policy makers arises because there is no *universally* accepted definition of national competitiveness. This makes the process of measuring competitiveness and devising policies to effect and sustain national competitiveness extremely difficult. Economists differ in their interpretation of competitiveness and so definitions tend to reflect specific perspectives that often ignore other critical factors, or have limited universal applicability.

Some approaches define national competitiveness in terms of strong macroeconomic performance and sustained economic growth; others emphasise countries’ ability to increase their share of world markets, while others link competitiveness to superior national productivity performance. Another approach emphasises the importance of “non-price factors” in addition to macroeconomic factors. Factors such as skilled human capital and technological, entrepreneurial and managerial capabilities in the state and private sectors are viewed as critical inputs into national productivity and thus country competitiveness.

Despite the divergence of opinions as to what constitutes competitiveness, there appears to be growing consensus that increased domestic productivity engenders national competitiveness. In today’s globally competitive environment, the ability of domestic firms to sustain productivity in new or high value areas at the levels and quality that translates into global competitiveness is ultimately determined by the appropriate “mix” of firm strategies and supporting macroeconomic policies.

In the contemporary global economy, driven as it is by technological innovations, the very *nature* of competitiveness has changed. The Ricardian notion of inherited factor endowments as determinants of country comparative advantage is being replaced by competitive advantage that is *created* from the value added to goods and services arising from knowledge inputs and or technological innovations in the product's value chain. As such, increased domestic productivity should be based on knowledge, high-skill and technology inputs and should be concentrated in high value, high growth sectors. This, in Porter's view, is what leads to sustained competitiveness.

Competitiveness however, is not an end in itself, but a mechanism through which countries expand their share of international markets so as to increase national economic growth that must be translated into sustainable national development.

The challenge for countries including CARICOM states is recognising that a policy framework that facilitates export competitiveness can no longer be based solely on macroeconomic policies but must incorporate social sector policies, since these ultimately influence the level and quality of national productivity. This requires a more synchronised approach to policy making in which education, research and development, along with constant upgrade of entrepreneurial and managerial skills, and the well-being of human capital can consistently support the activities of specific economic sectors.

However, a holistic approach to policy making is not sufficient to foster export competitiveness without a clear understanding of the determinants for competitiveness today. The issue is that while globalisation is rapidly transforming the international economic landscape, introducing new competitive areas of trade and new determinants of competitiveness, CARICOM export strategies do not reflect these changes. CARICOM exports of both goods and services still continue to be concentrated in low value, low growth areas, which are largely uncompetitive. This trend is worrisome because it suggests that the export strategies of most CARICOM countries remain predicated on old assumptions and concepts of competitiveness.

Developed countries and some of the more successful emerging economies on the other hand are building competitive advantage and global market presence in a range of manufactures and service-oriented exports that are primarily skill and/or knowledge intensive and are reaping the benefits of early entry into these "new areas.

Undoubtedly building competitiveness in targeted goods and services sectors will be a formidable task for economies like those of CARICOM whose characteristic rigid production structures, narrow resource bases, limited skilled resources and financial capital make them unable to quickly adjust their economies and other supporting sectors (technological infrastructure, educational policies, R&D capacity) to capture the advantages of a knowledge and innovation –driven global economy. This situation is compounded by commitments under WTO to dismantle both tariff and non-tariff barriers to trade not just in manufactures, but in services which for most CARICOM countries (except Suriname, Guyana and Trinidad & Tobago) accounts for over 60% of GDP.

Policy makers need to identify and develop specific industry segments based on a clear understanding of new determinants of competitiveness. At the macro level, this will necessitate tailoring economic and social policies, particularly education and training, to support these niches. The process may involve continuous monitoring of international market trends, related technologies and business strategies to determine which high growth activities to move into and when this should occur. Competitive strategies may warrant a pooling of resources as envisaged under the CSM or at firm level, creating alliances with regional and international players.