

Competitiveness: Creating a Mongolian Economic Strategy

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This presentation draws on ideas from Professor Porter's articles and books, in particular, [The Competitive Advantage of Nations](#) (The Free Press, 1990), "Building the Microeconomic Foundations of Competitiveness," in [The Global Competitiveness Report 2006](#) (World Economic Forum, 2006), "Clusters and the New Competitive Agenda for Companies and Governments" in [On Competition](#) (Harvard Business School Press, 1998), and ongoing research on clusters and competitiveness. No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means - electronic, mechanical, photocopying, recording, or otherwise - without the permission of Michael E. Porter.

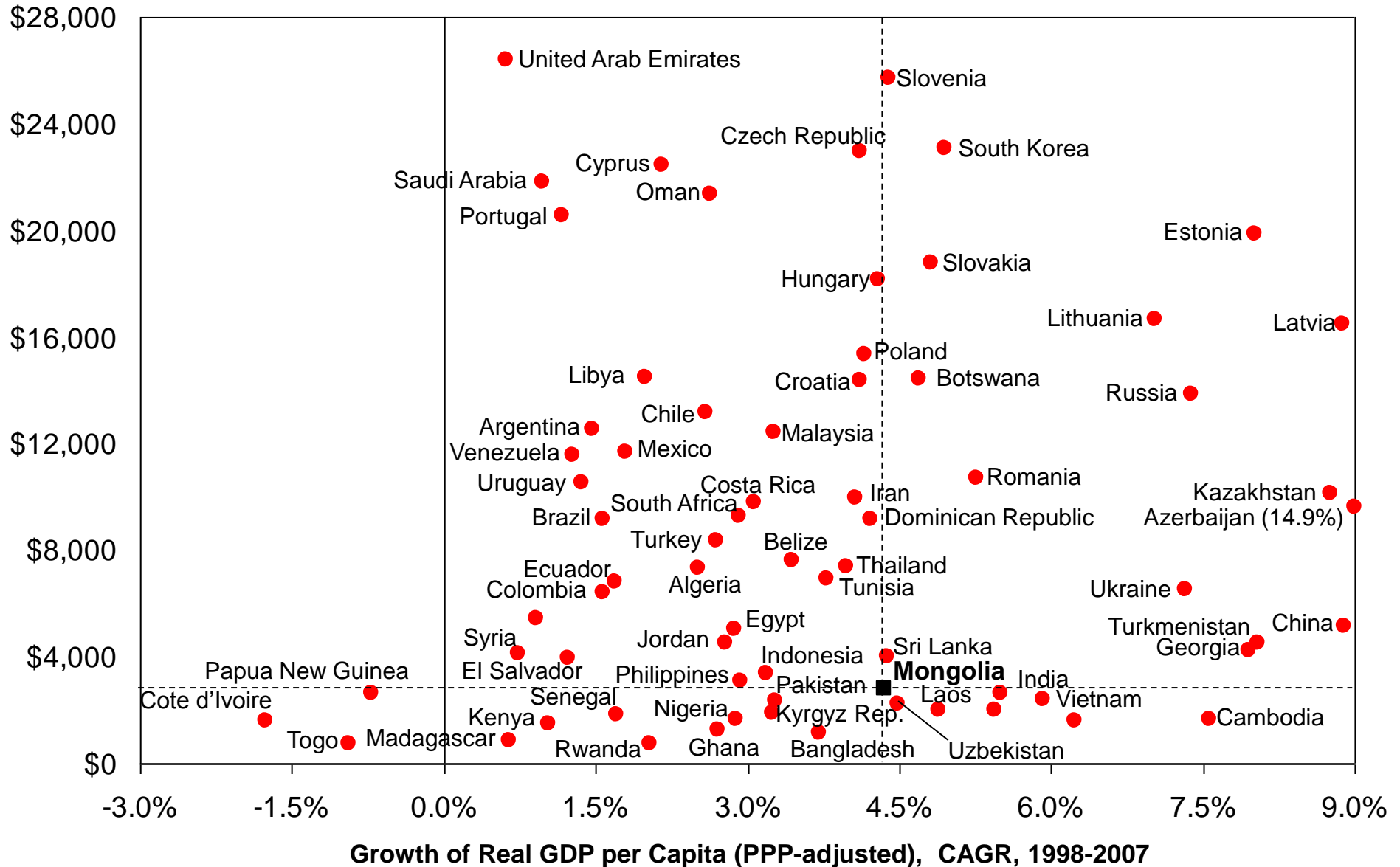
Further information on Professor Porter's work and the Institute for Strategy and Competitiveness is available at www.isc.hbs.edu

Version: July 21, 2008, 4pm

Prosperity Performance

Selected Middle- and Lower-Income Countries

PPP-adjusted GDP
per Capita, 2007



Source: EIU (2008), authors calculations. Mongolia data for 1998-2006, from World Development Indicators

Mongolia's Competitive Position in 2008

- Mongolia has experienced **fast GDP growth** since 2000, reaping the benefits of earlier reforms and benevolent external conditions

However

- Growth is **narrowly based** on few sectors of the economy and driven by external factors, i.e. world prices of natural resource
- The macroeconomic challenges of fast growth are **not under control** with inflation at high and rising levels
- Political pressure to move focus from economic reforms towards the **distribution** of windfall gains from exports



- Mongolia needs a new **focus on upgrading competitiveness**

What is Competitiveness?

- Competitiveness depends on the **productivity** with which a nation uses its human, capital, and natural resources.
 - Productivity **sets the sustainable standard of living** (wages, returns on capital, returns on natural resources) that a country can sustain
 - It is not **what** industries a nation competes in that matters for prosperity, but **how productively** it competes in those industries
 - Productivity in a national economy arises from a **combination of domestic and foreign firms**
 - The productivity of **“local” or domestic industries** is fundamental to competitiveness, not just that of export industries



- Nations compete to offer the **most productive environment for business**
- The public and private sectors play **different but interrelated roles** in creating a productive economy

Sources of Prosperity

Inherited Prosperity

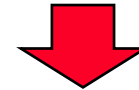
- Prosperity is derived from selling or exploiting **inherited natural resources**
- Prosperity is **constrained**



- **Government** is the central actor in the economy as the owner and distributor of resource wealth
 - Resource revenues allow **unproductive policies and practices to persist**
- **Government's role** gravitates towards the **distribution of wealth** as interest groups seek a bigger share of the pie

Created Prosperity

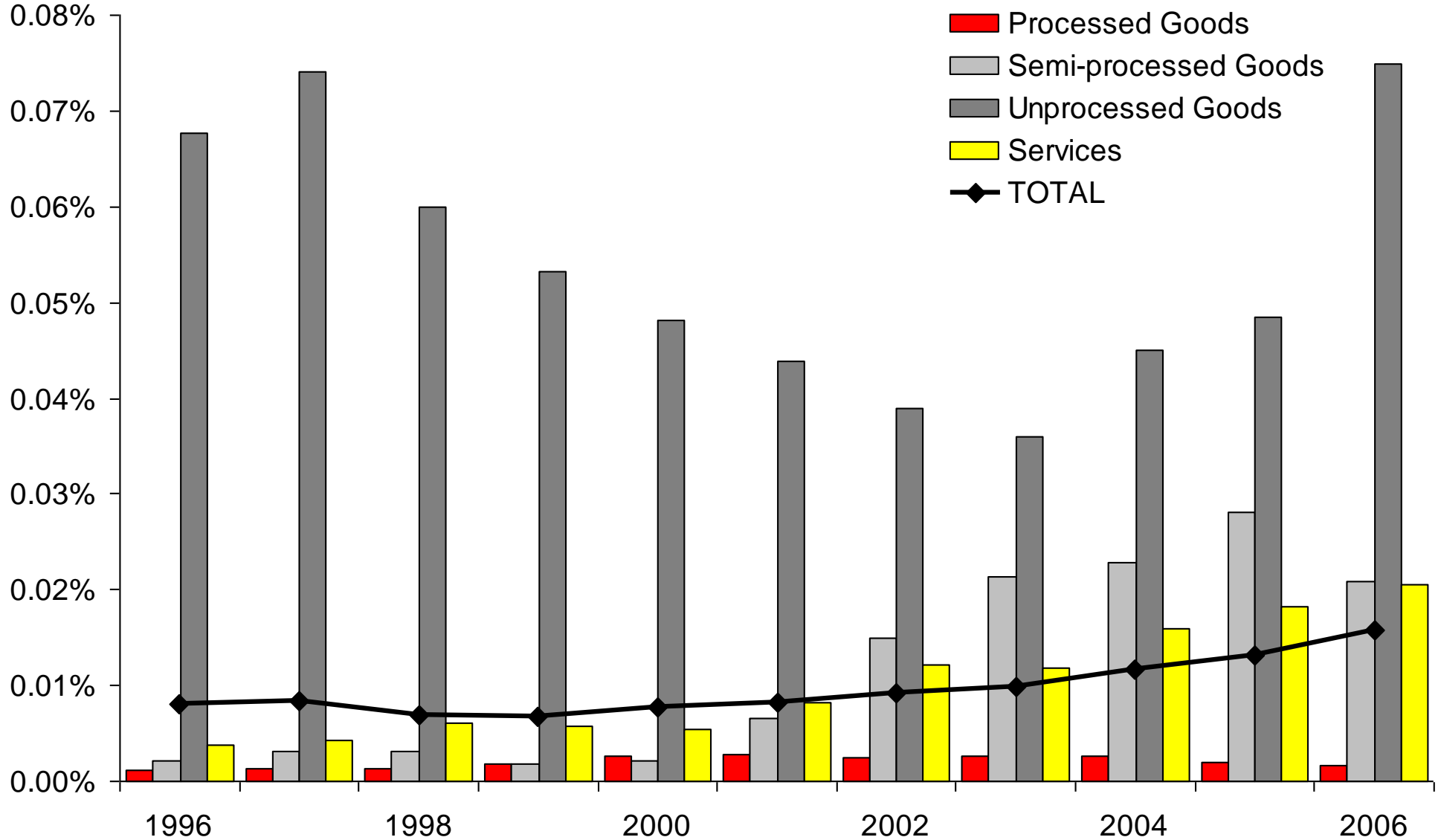
- Prosperity is derived from **creating more and more valuable products and services with rising efficiency**
- Prosperity is **unlimited**



- **Companies** are the central actors in the economy
 - Prosperity can only be created by **firms**
- **Government's role** is to create the **enabling conditions for productivity** and foster private sector development

Mongolia's Export Share Trends

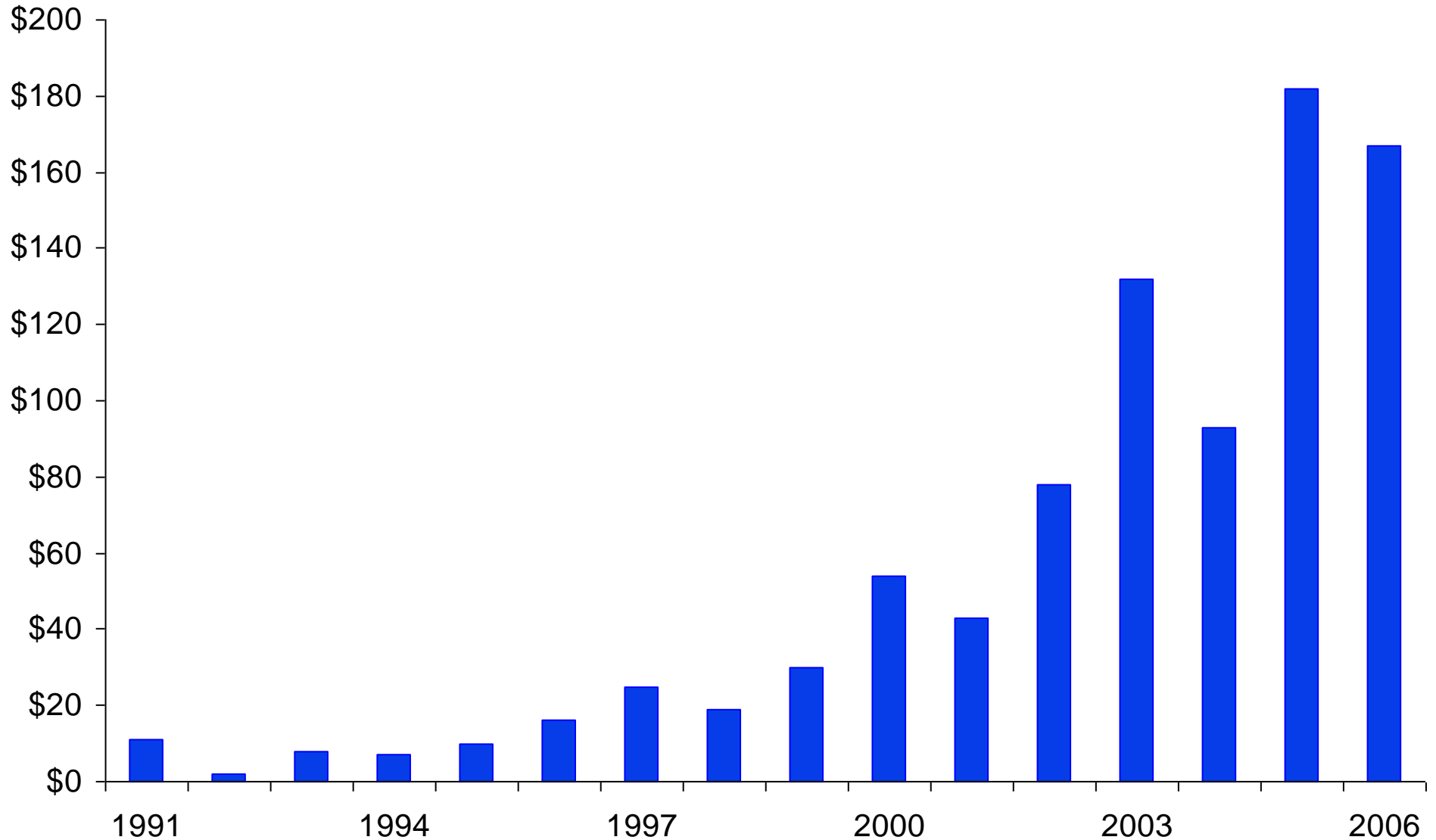
World Export Market Share (current USD)



Inward Foreign Investment Flows

Mongolia, 1991 - 2006

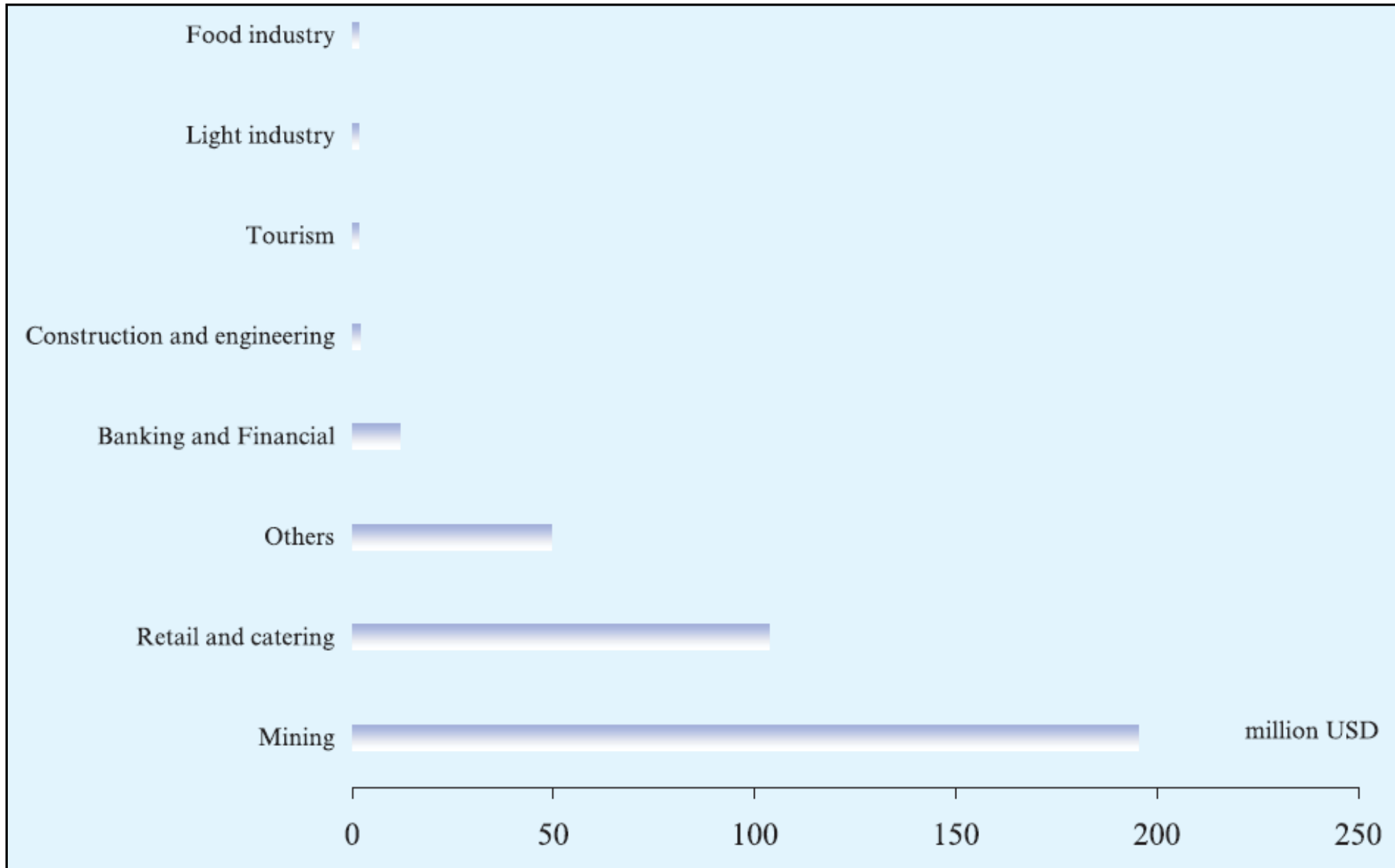
Inward FDI
(USD, millions)



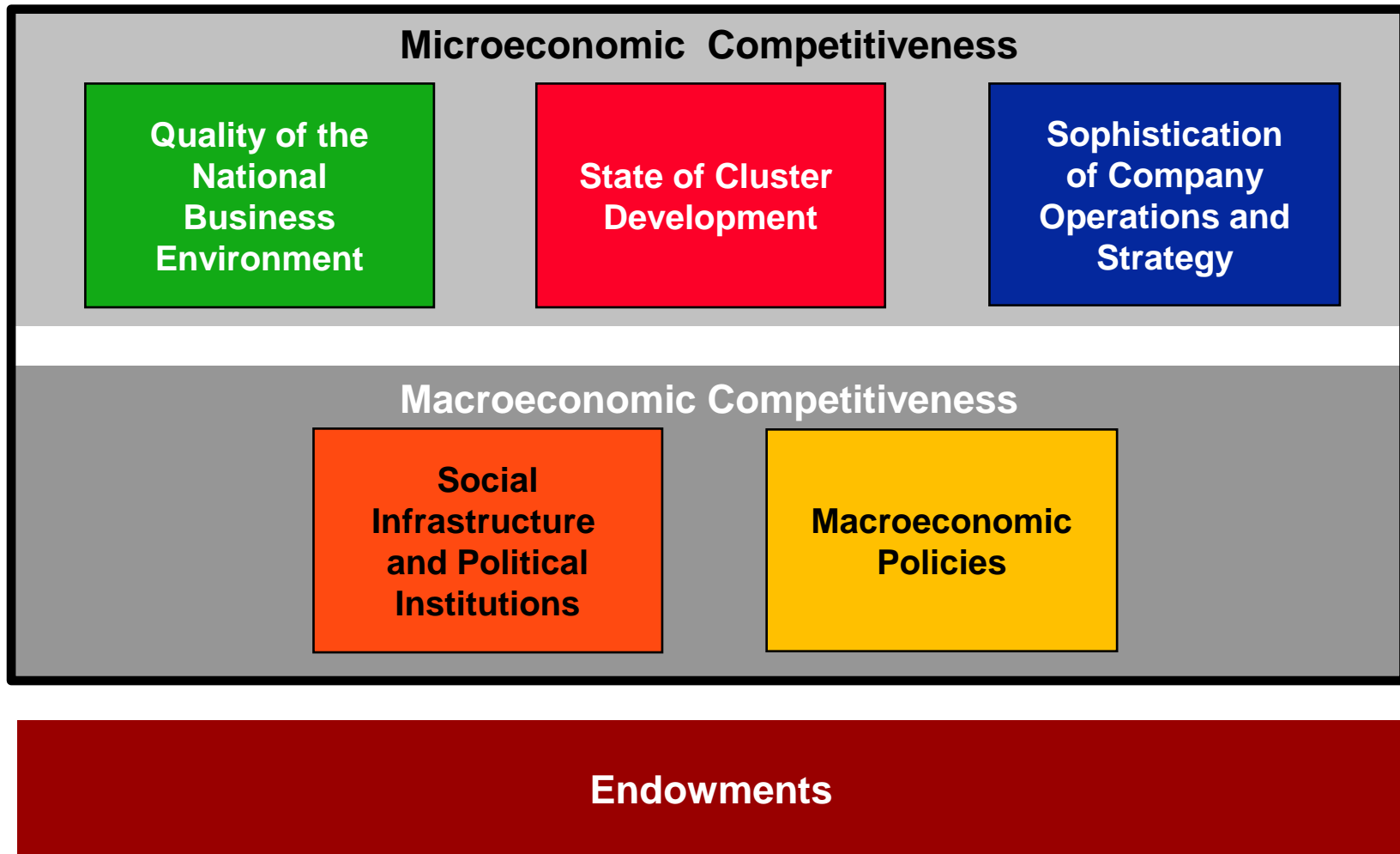
Note: Data not available for 1994.

Source: UNCTAD (2007)

Foreign Direct Investment By Industry Destination, 2006



Determinants of Competitiveness



- Macroeconomic competitiveness creates the potential for high productivity, but is **not sufficient**
- Productivity ultimately depends on improving the **microeconomic capability** of the economy and the **sophistication of local competition**

Macroeconomic Competitiveness

Social Infrastructure and Political Institutions

- **Basic human capacity**
 - Education
 - Health
- **Safety and security**
- **Political institutions**
- **Rule of law**

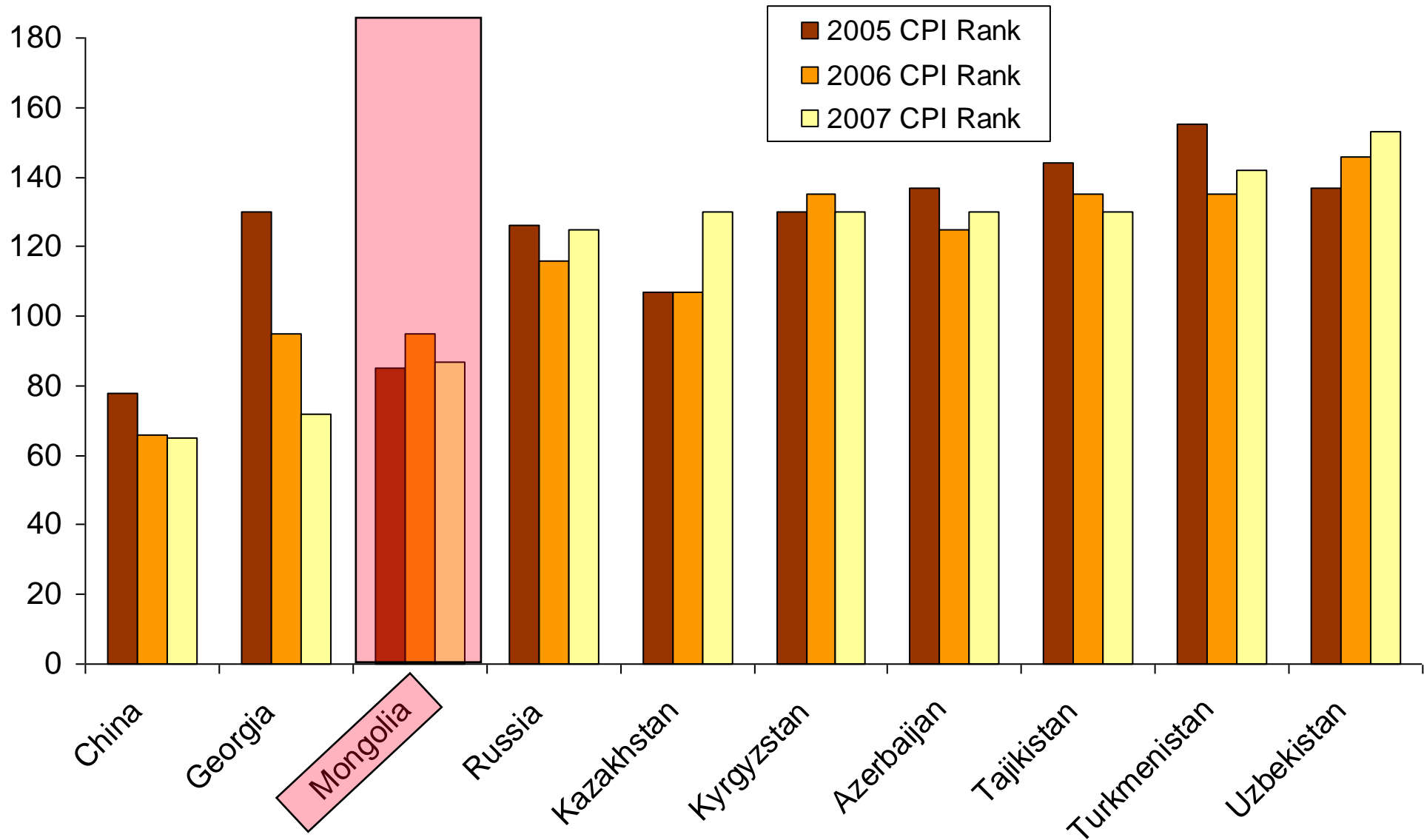
Macroeconomic Policies

- **Fiscal policy**
- **Monetary policy**
- **Economic openness**

Corruption Perception Index

Central Asian Countries

Ranking (constant sample, 158 countries)

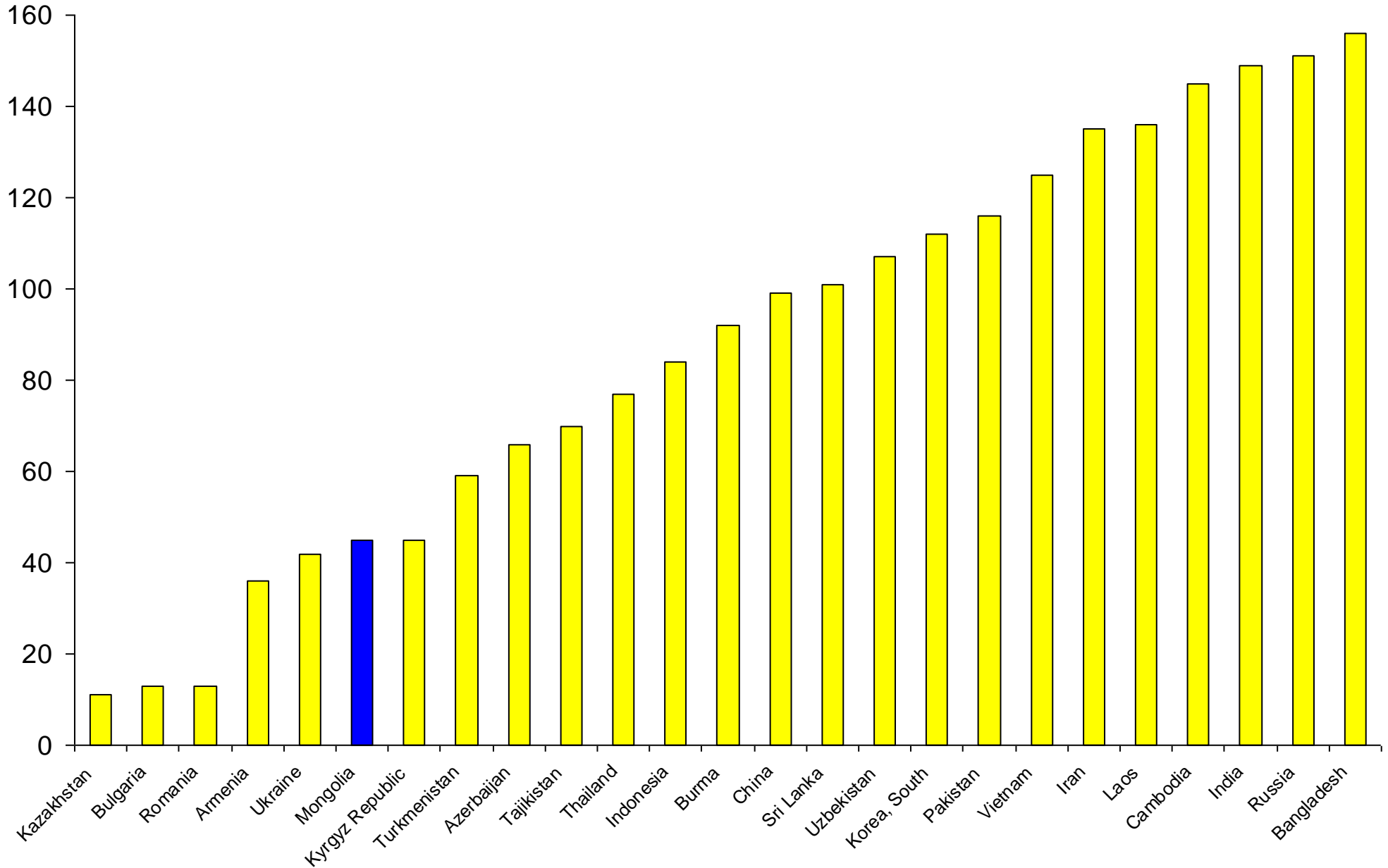


Note: Ranks only available starting in 2005 for all 5 countries
 Source: Global Corruption Report, 2007

Openness to Trade

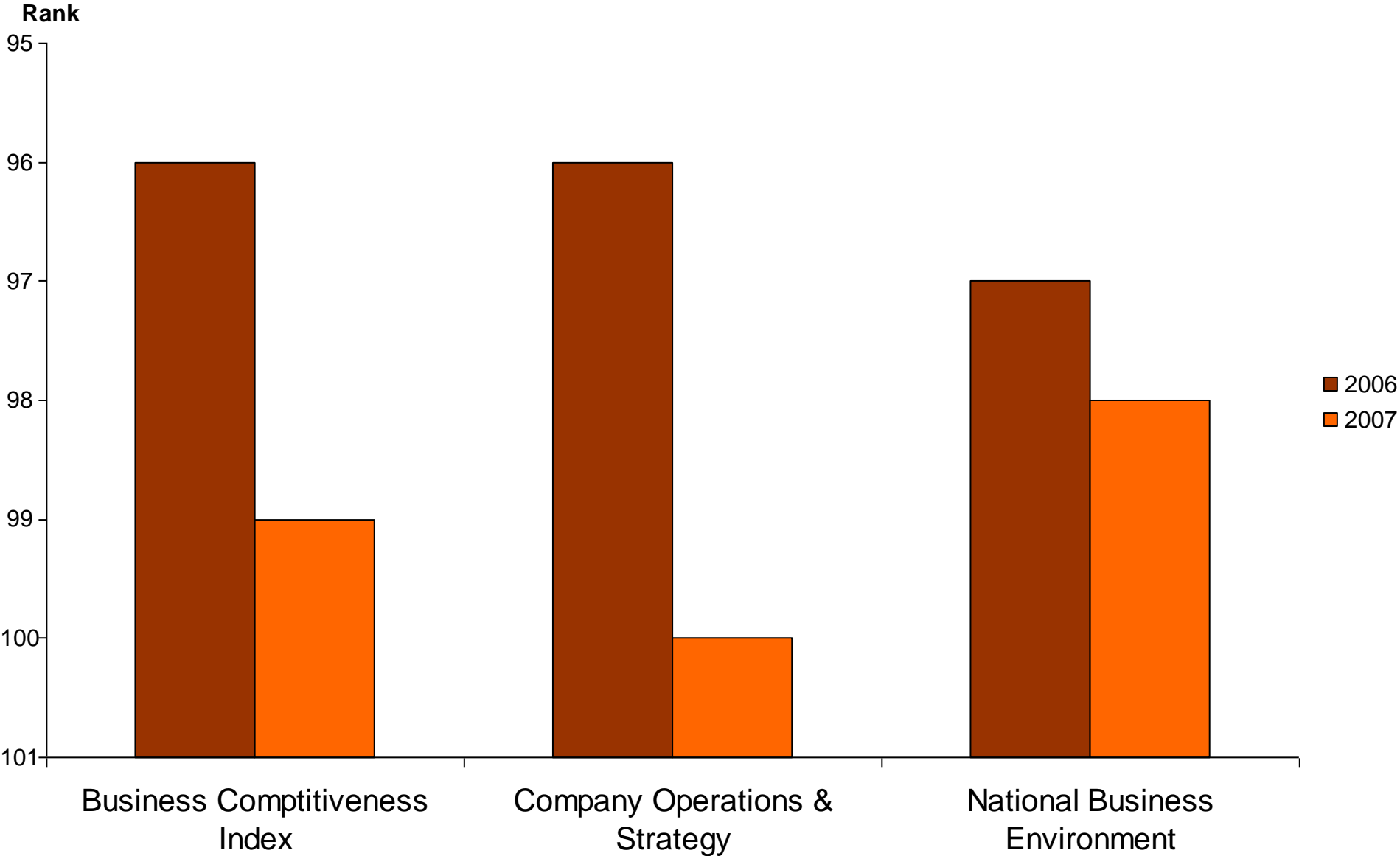
Selected Countries, 2008

Rank (157 countries)



Microeconomic Competitiveness

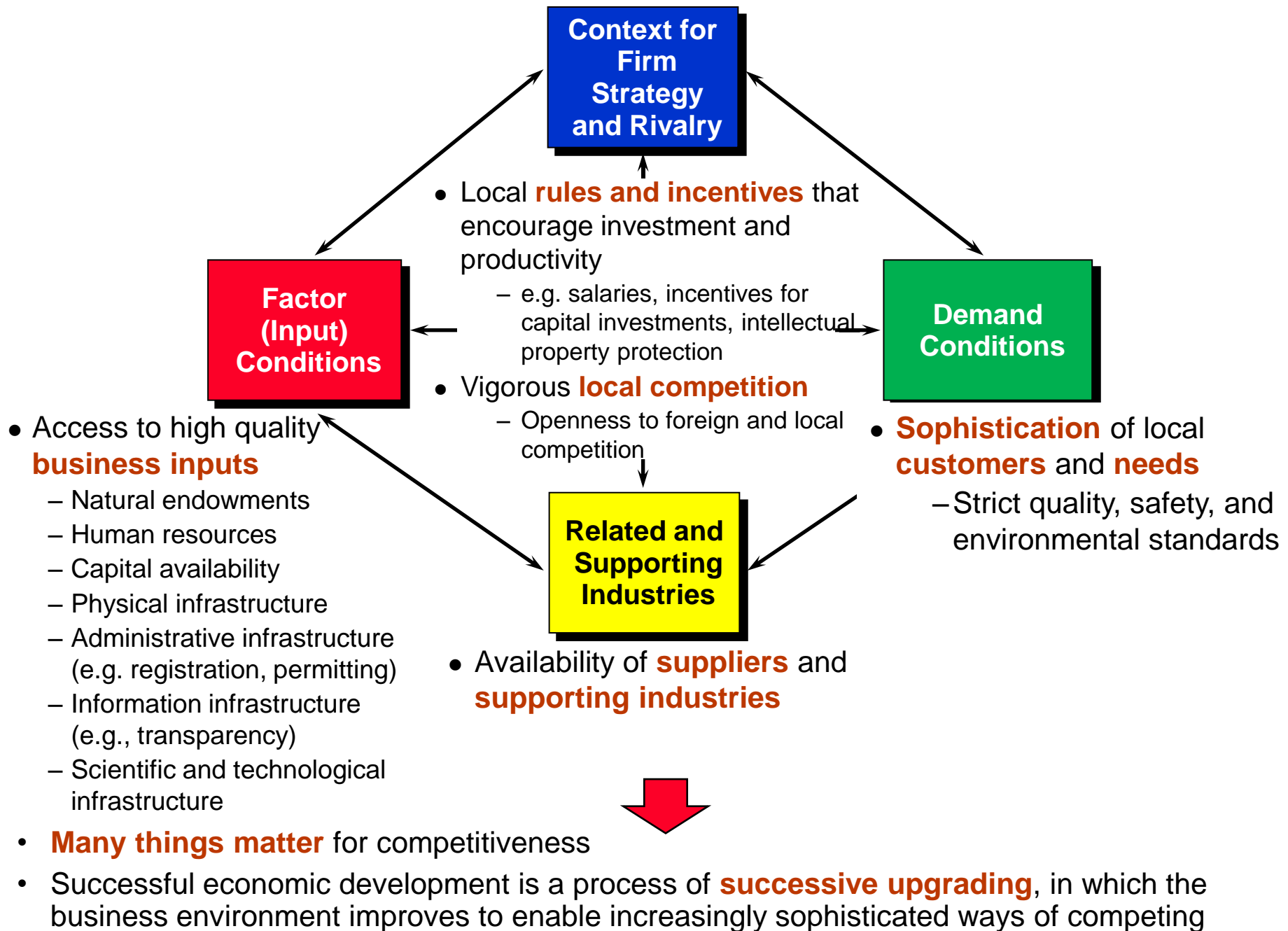
Mongolia's Position over Time



Note: Rank versus 111 countries; overall, Mongolia ranks 90th in 2007 PPP adjusted GDP per capita and 99th in Business Competitiveness.

Source: Institute for Strategy and Competitiveness, Harvard University (2007), Mongolia GDP from the World Bank

Microeconomic Competitiveness: Quality of the Business Environment

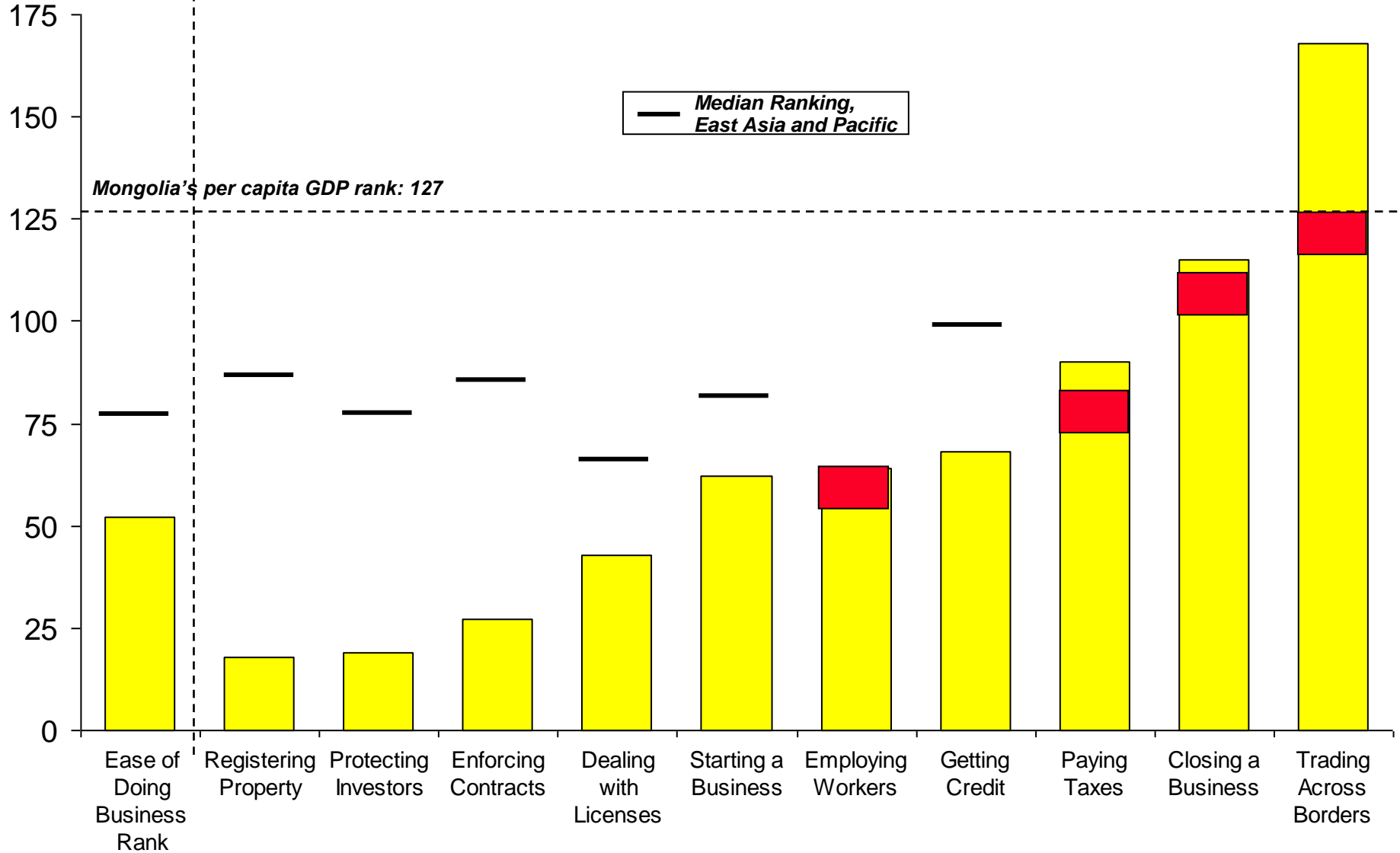


Ease of Doing Business Mongolia, 2007

Ranking, 2007
(of 178 countries)

Favorable

Unfavorable



Factor (Input) Conditions

Mongolia's Relative Position 2007

Competitive Advantages Relative to GDP per Capita

Availability of scientists and engineers	46	↑
Quality of math and science education	58	↑
Railroad infrastructure development	64	↓
Business costs of corruption	67	↓
Cooperation in labor-employer relations	68	
Freedom from corruption	72	↓
University/industry research collaboration	74	↓
Local equity market access	79	↓
Quality of scientific research institutions	81	↑
Quality of public schools	88	↓



Change up/down of more than 5/10 ranks since 2006

Competitive Disadvantages Relative to GDP per Capita

Port infrastructure quality	110	↓
Ease of access to loans	110	
Venture capital availability	110	↓
Overall infrastructure quality	109	
Air transport infrastructure quality	107	
Quality of management schools	107	↓
Efficiency of legal framework	99	↑
Quality of electricity supply	97	
Telephone/fax infrastructure quality	96	
Reliability of police services	96	
Judicial independence	96	↓
Laws relating to ICT	95	
Financial market sophistication	94	↓

Note: Rank versus 111 countries; overall, Mongolia ranks 90th in 2007 PPP adjusted GDP per capita and 99th in Business Competitiveness.

Source: Institute for Strategy and Competitiveness, Harvard University (2007), Mongolia GDP from the World Bank

Context for Strategy and Rivalry

Mongolia's Relative Position 2007

Competitive Advantages Relative to GDP per Capita



Change up/down of more
than 5/10 ranks since 2006

Competitive Disadvantages Relative to GDP per Capita

Property rights	108	↓
Prevalence of trade barriers	108	
Decentralization of corporate activity	107	
Intellectual property protection	103	
Favoritism in decisions of government officials	101	↓

Note: Rank versus 111 countries; overall, Mongolia ranks 90th in 2007 PPP adjusted GDP per capita and 99th in Business Competitiveness.

Source: Institute for Strategy and Competitiveness, Harvard University (2007), Mongolia GDP from the World Bank

Demand Conditions



Mongolia's Relative Position 2007

Competitive Advantages Relative to GDP per Capita



Change up/down of more
than 5/10 ranks since 2006

Competitive Disadvantages Relative to GDP per Capita

Stringency of environmental regulations	111
Presence of demanding regulatory standards	101 
Government procurement of advanced technology products	90 

Note: Rank versus 111 countries; overall, Mongolia ranks 90th in 2007 PPP adjusted GDP per capita and 99th in Business Competitiveness.

Source: Institute for Strategy and Competitiveness, Harvard University (2007), Mongolia GDP from the World Bank

Related and Supporting Industries

Mongolia's Relative Position 2007

Competitive Advantages Relative to GDP per Capita

Local availability of specialized research and training services 78 ↓



Change up/down of more than 5/10 ranks since 2006

Competitive Disadvantages Relative to GDP per Capita

Local supplier quantity 110
 Local supplier quality 109
 Local availability of process machinery 100 ↓

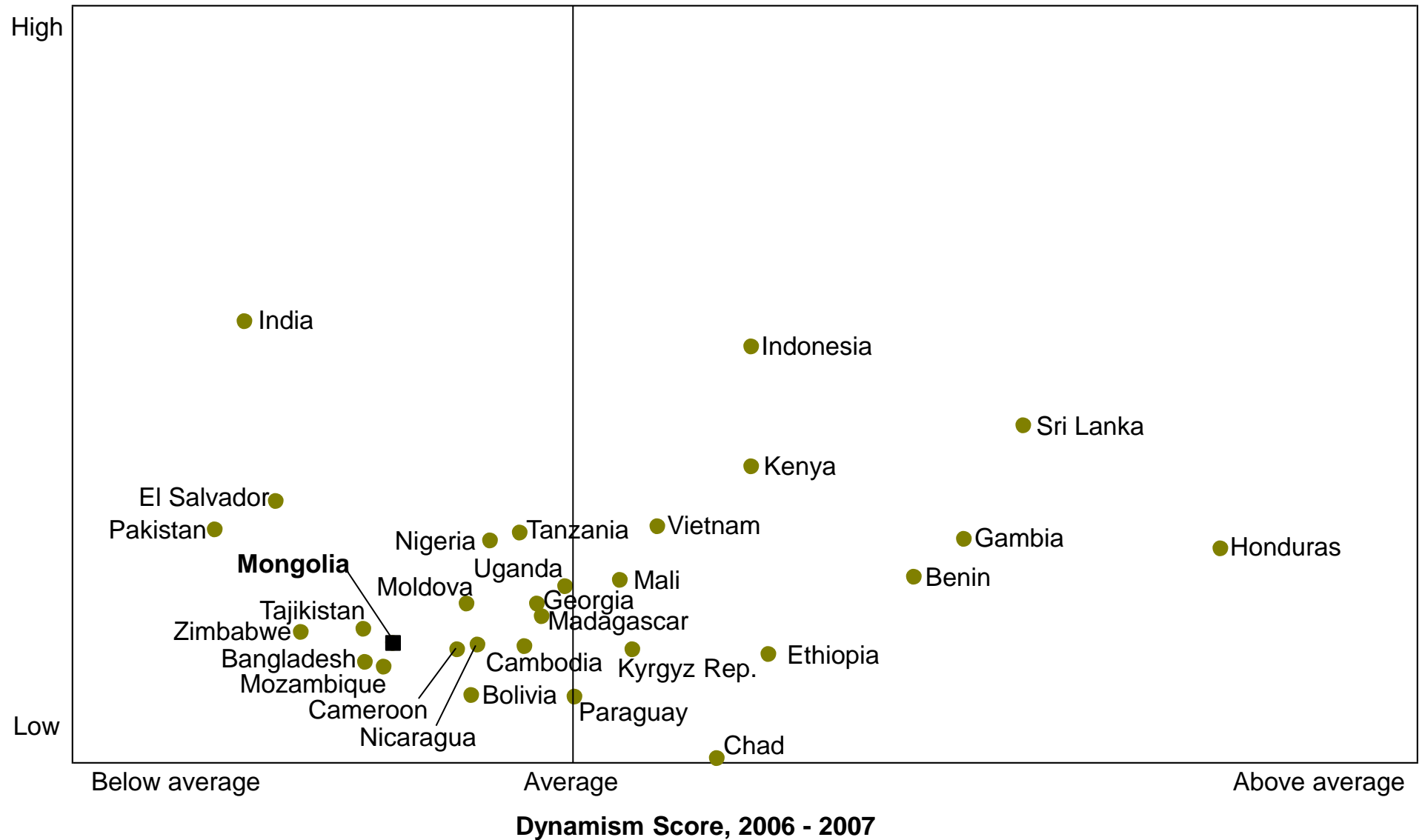
Note: Rank versus 111 countries; overall, Mongolia ranks 90th in 2007 PPP adjusted GDP per capita and 99th in Business Competitiveness.

Source: Institute for Strategy and Competitiveness, Harvard University (2007), Mongolia GDP from the World Bank

Rate of Competitiveness Improvement

Low Income Countries, 2006 - 2007

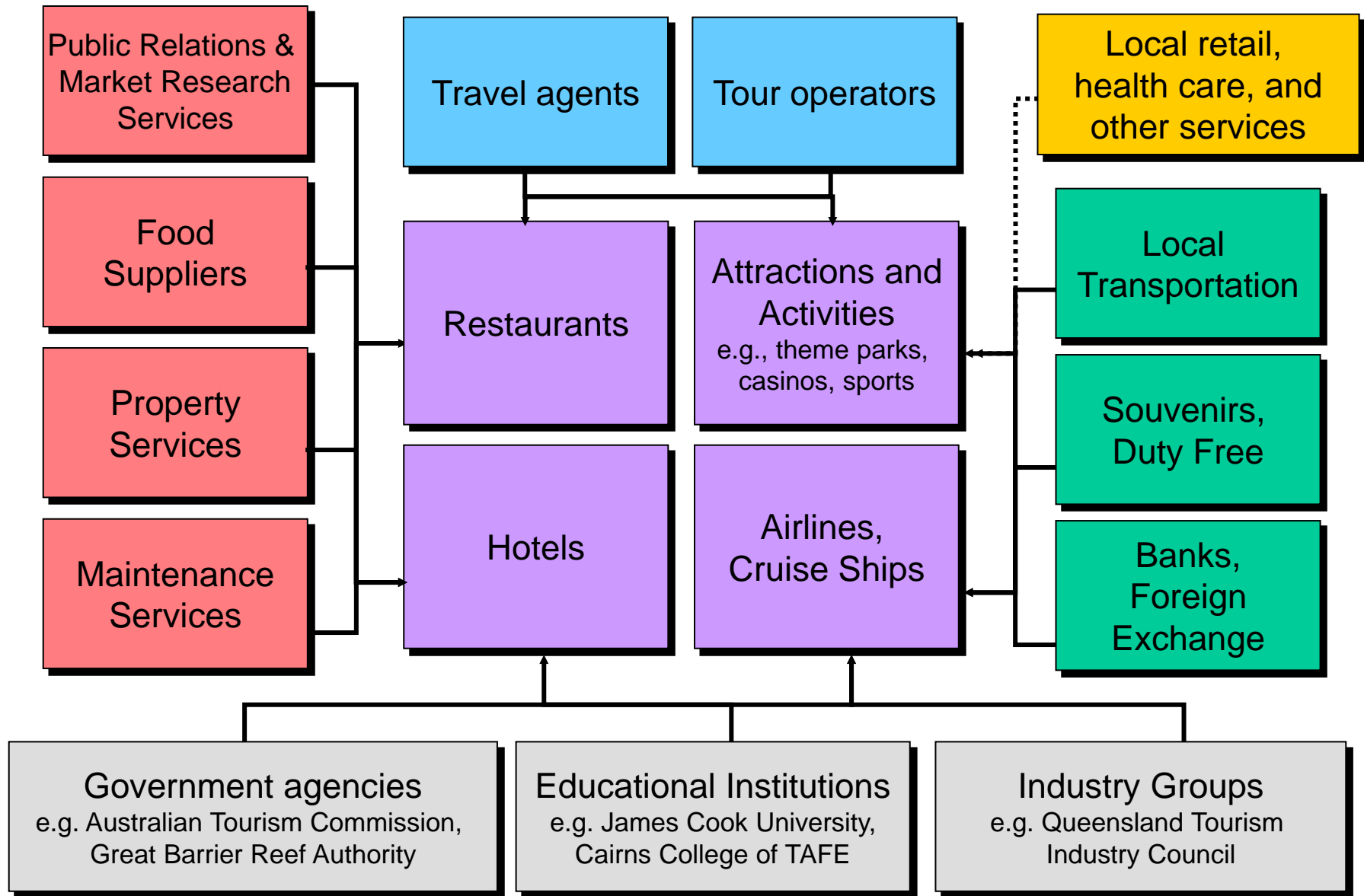
BCI Value, 2007



Note, dynamism score uses moving average, using data from 2005 – 2007. Source: Global Competitiveness Report 2007

Microeconomic Competitiveness: State of Cluster Development

Tourism Cluster in Cairns, Australia

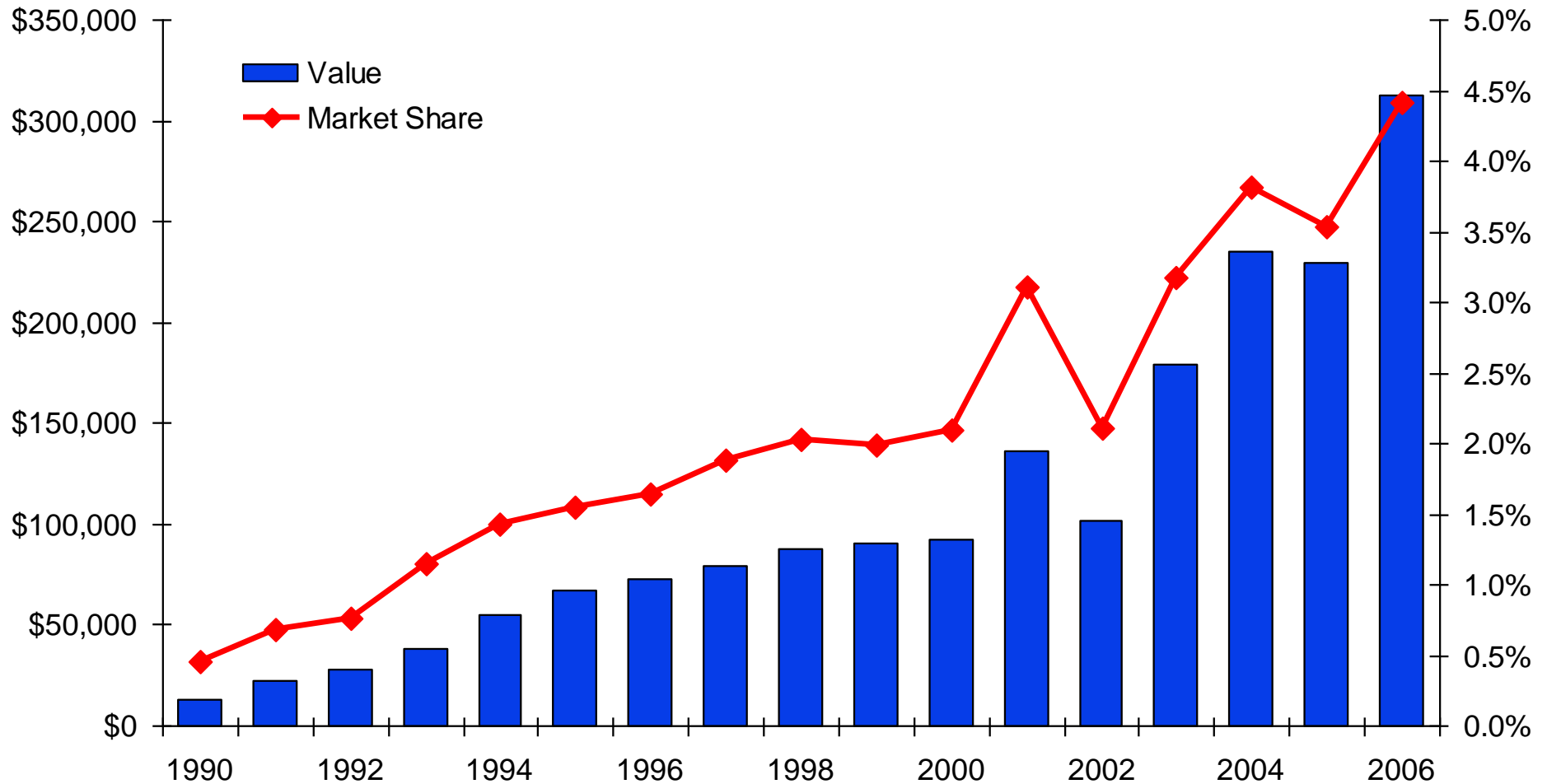


The Kenyan Cut Flower Cluster

Trade Performance

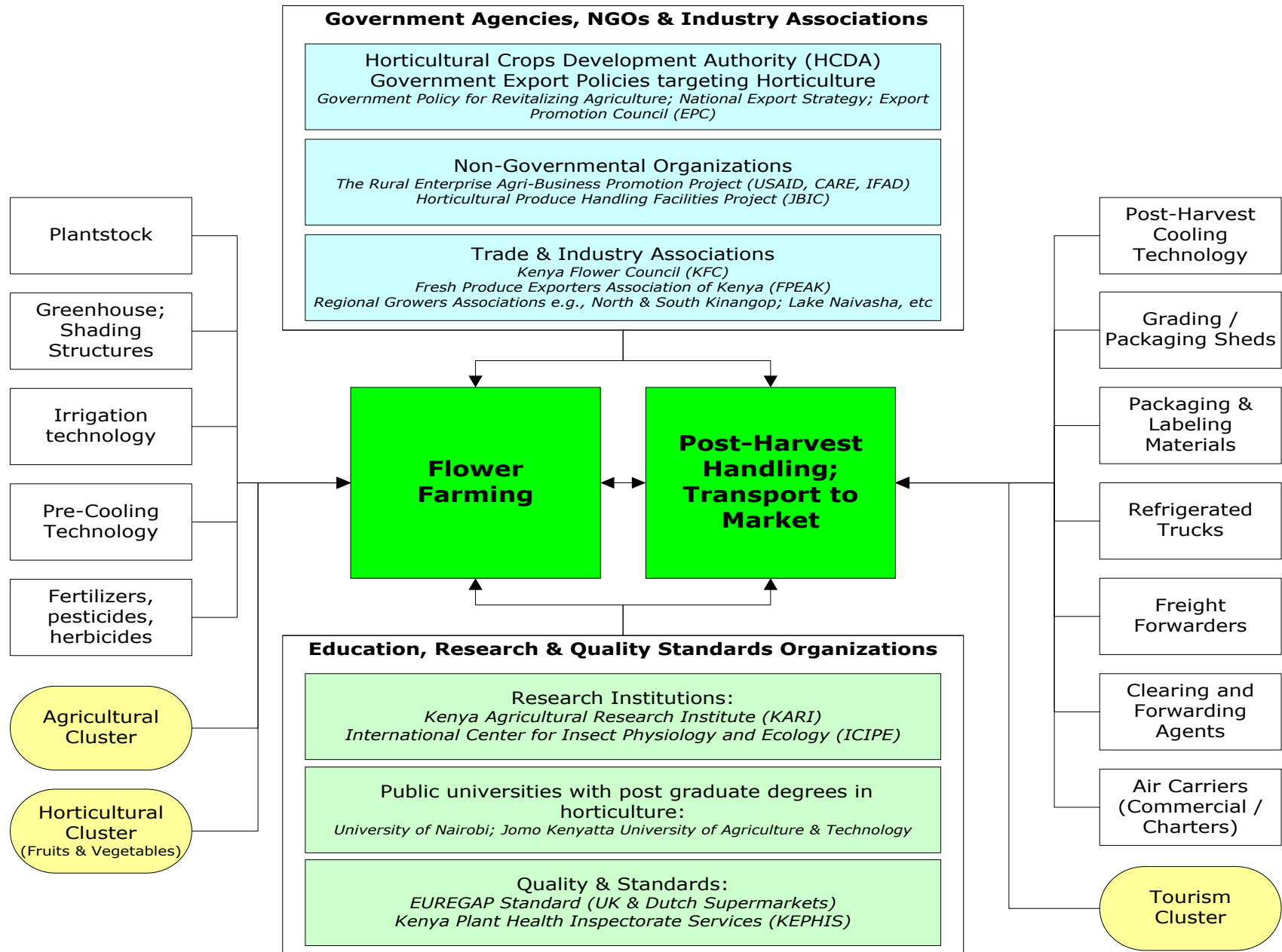
Kenyan Cut Flower Exports in thousand US \$

Kenyan Cut Flower World Export Market Share



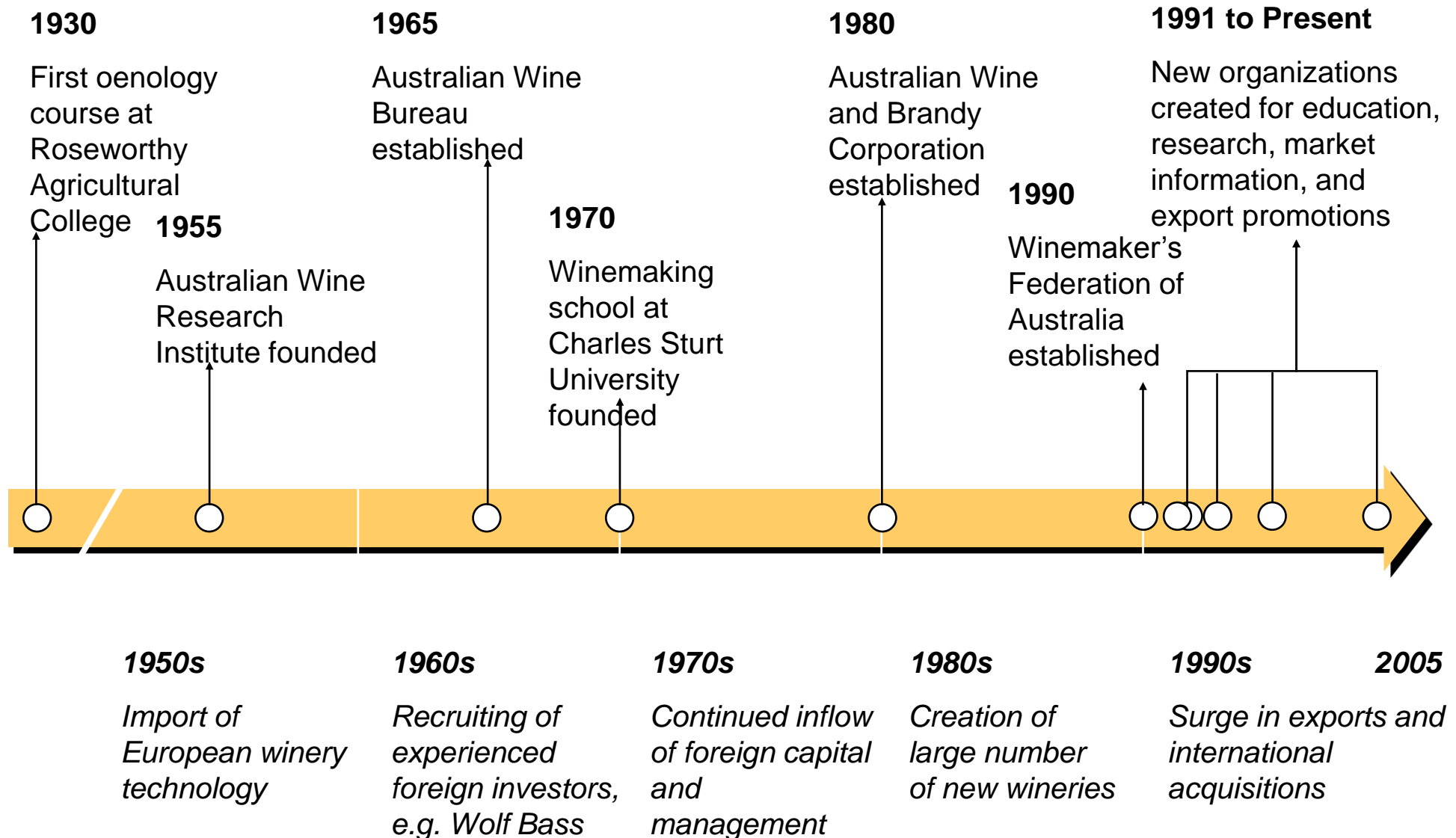
Source: International Cluster Competitiveness Project, Institute for Strategy and Competitiveness, Harvard Business School; Richard Bryden, Project Director. Underlying data drawn from the UN Commodity Trade Statistics Database.

Kenya's Cut Flower Cluster



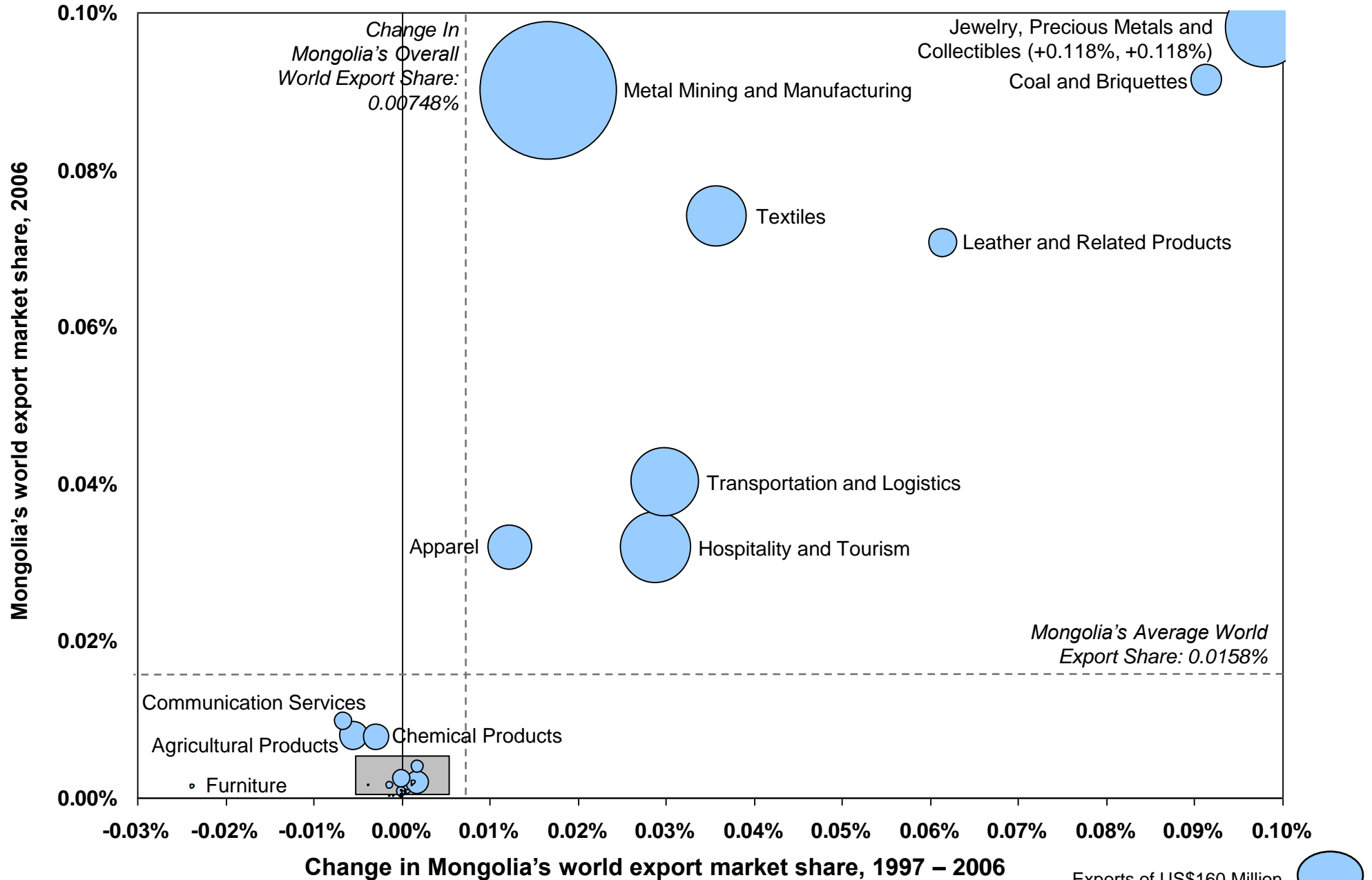
Process of Cluster Development

The Australian Wine Cluster



National Cluster Export Portfolio

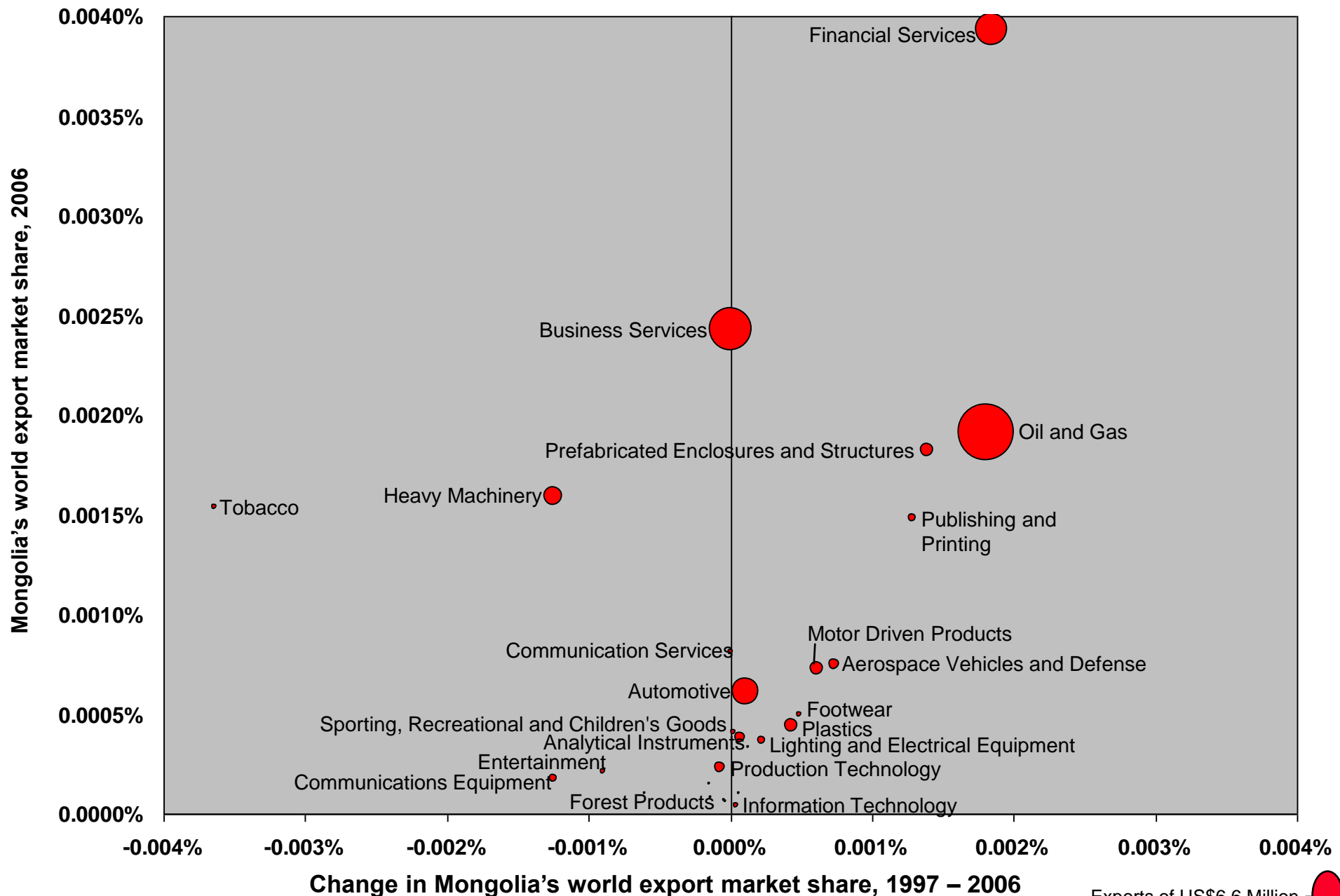
Mongolia, 1997-2006



Source: Prof. Michael E. Porter, International Cluster Competitiveness Project, Institute for Strategy and Competitiveness, Harvard Business School; Richard Bryden, Project Director. Underlying data drawn from the UN Commodity Trade Statistics Database and the IMF BOP statistics.

National Cluster Export Portfolio

Mongolia, 1997-2006

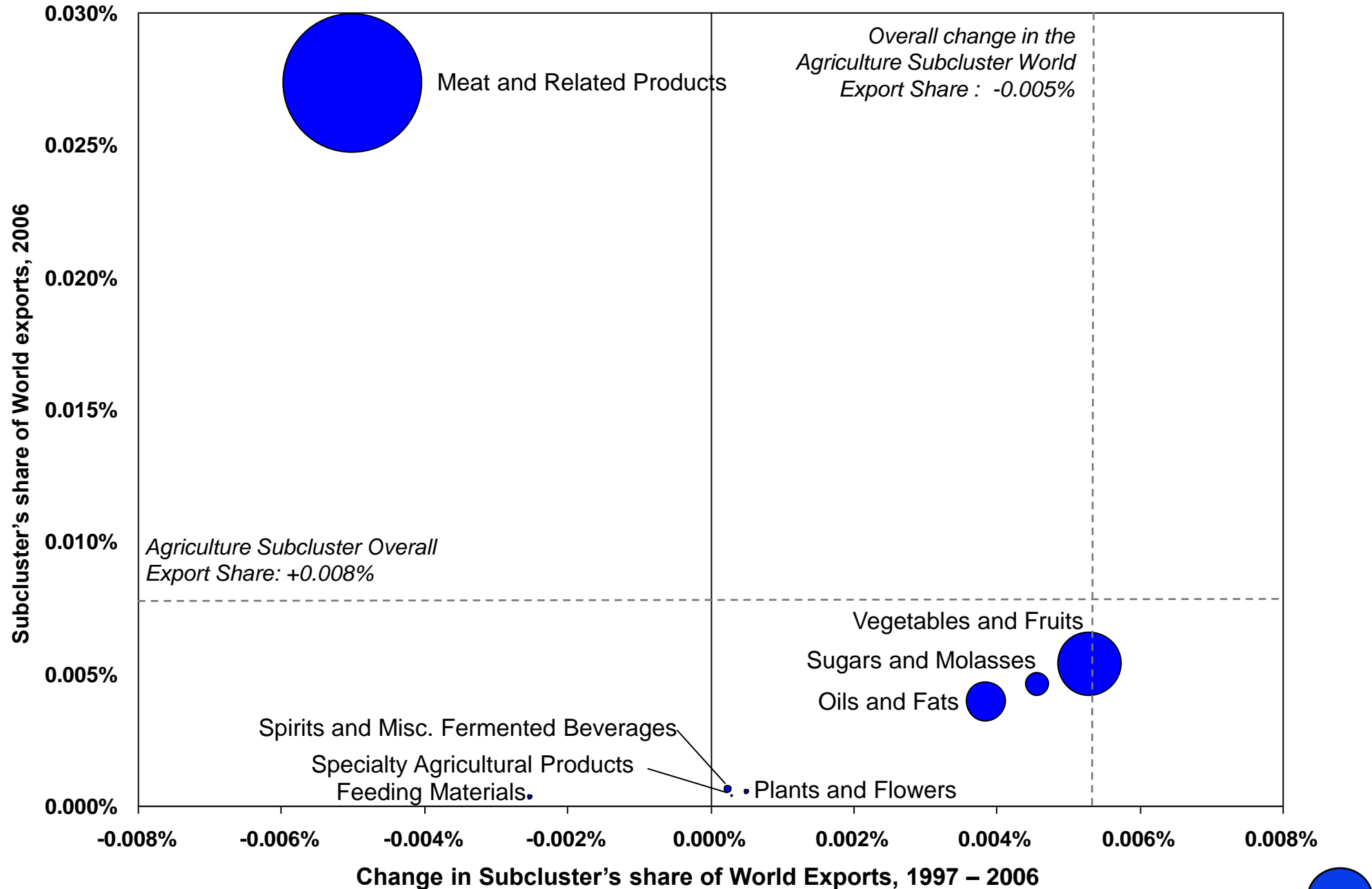


Exports of US\$6.6 Million = 

Source: Prof. Michael E. Porter, International Cluster Competitiveness Project, Institute for Strategy and Competitiveness, Harvard Business School; Richard Bryden, Project Director. Underlying data drawn from the UN Commodity Trade Statistics Database and the IMF BOP statistics.
Competitiveness Master - 2008-05-22.ppt

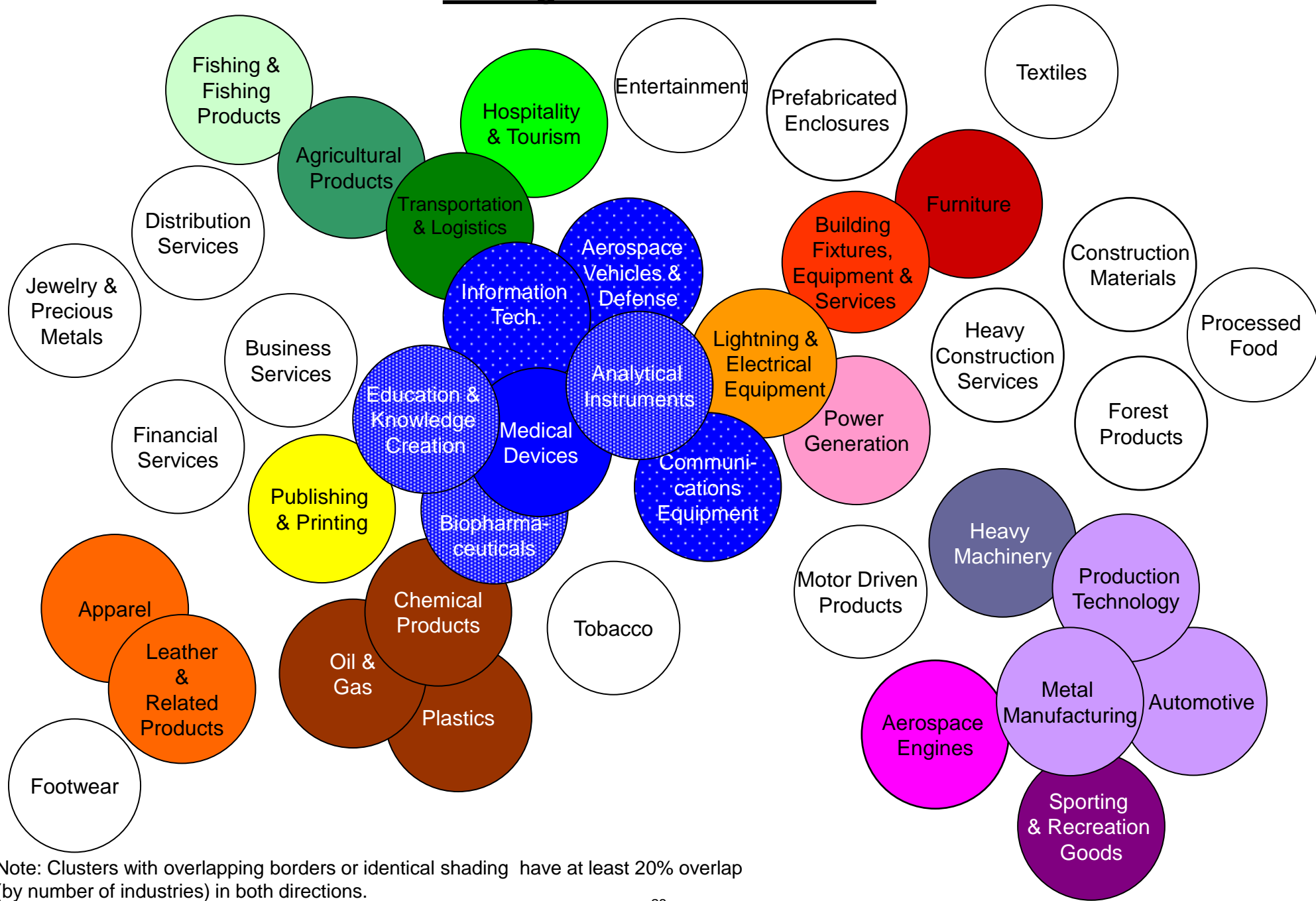
Mongolia Exports by Subcluster

Agriculture, 1997 - 2006



Creating Competitiveness

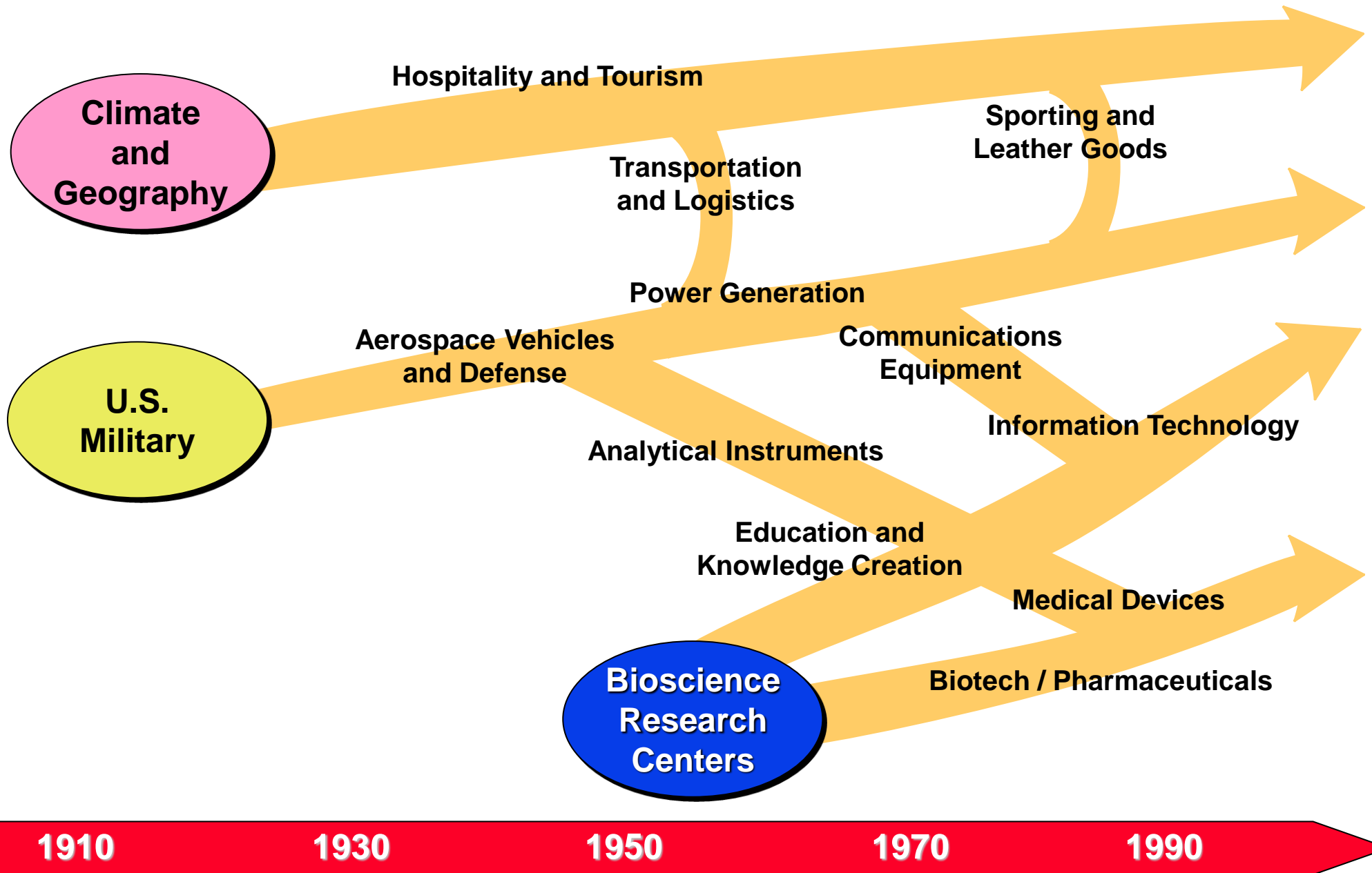
Linkages Across Clusters



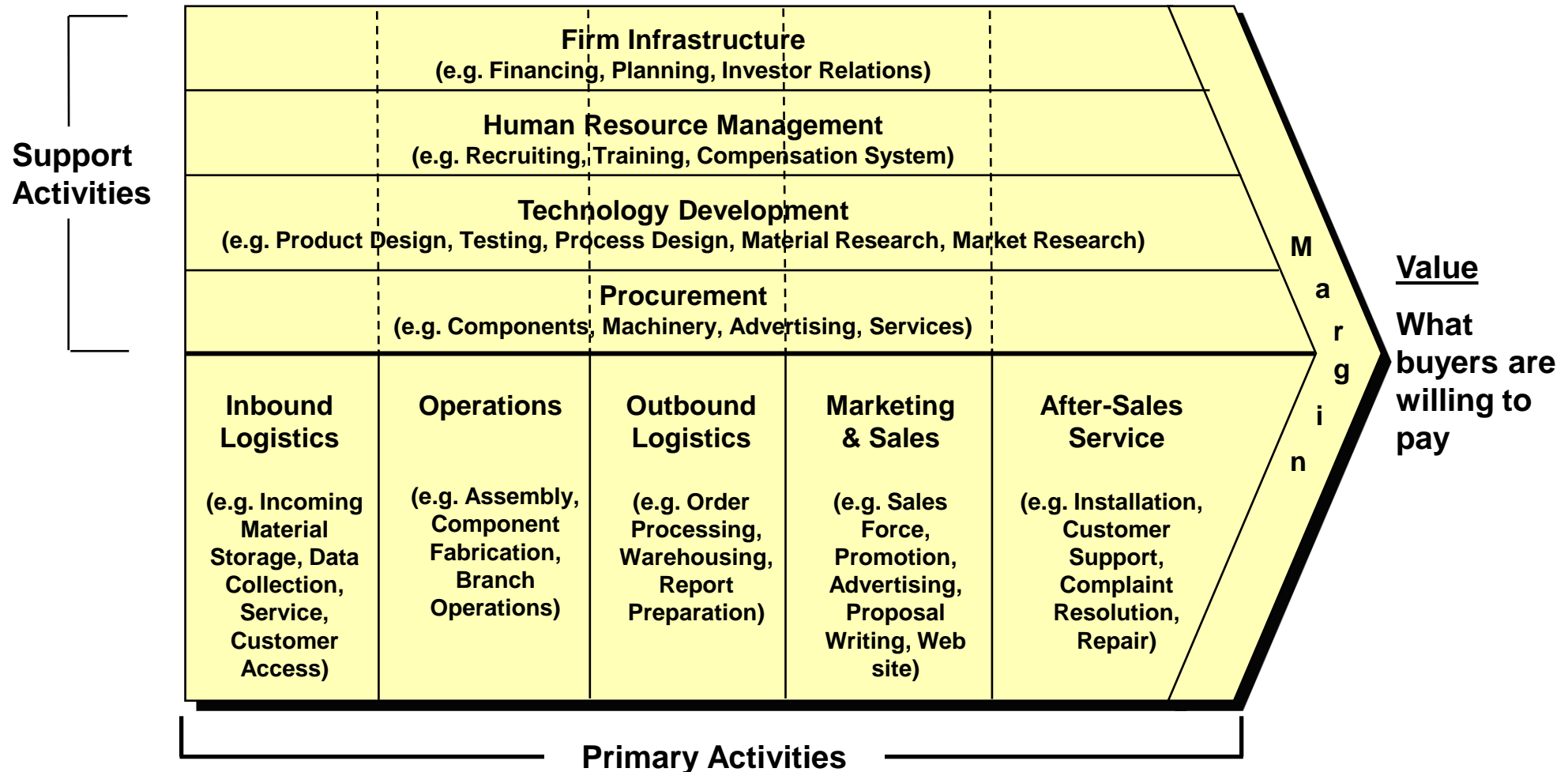
Note: Clusters with overlapping borders or identical shading have at least 20% overlap (by number of industries) in both directions.

The Evolution of Regional Economies

San Diego



Microeconomic Competitiveness: Company Sophistication




- Competitiveness requires that local companies upgrade the quality of the value chain






Company Sophistication

Relative Position of Mongolian Companies, 2007

Competitive Advantages Relative to GDP per Capita

Nature of competitive advantage	75
Production process sophistication	80
Company spending on research and development	83
Extent of staff training	84 

Competitive Disadvantages Relative to GDP per Capita

Value chain presence	111
Breadth of international markets	108
Reliance on professional management	106 
Control of international distribution	105 
Extent of marketing	101 
Degree of customer orientation	100
Extent of incentive compensation	97
Willingness to delegate authority	96 
Extent of regional sales	94
Prevalence of foreign technology licensing	94 

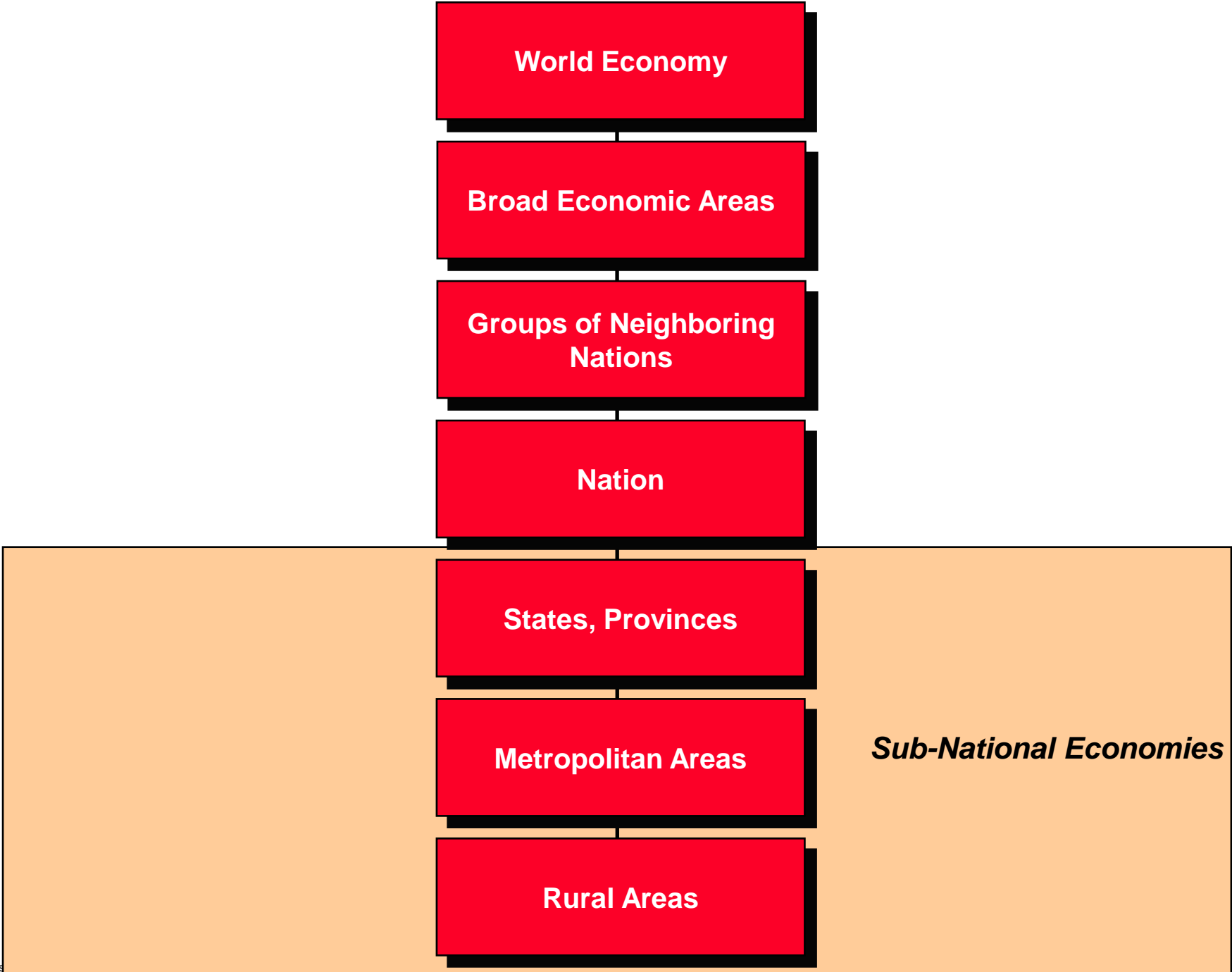


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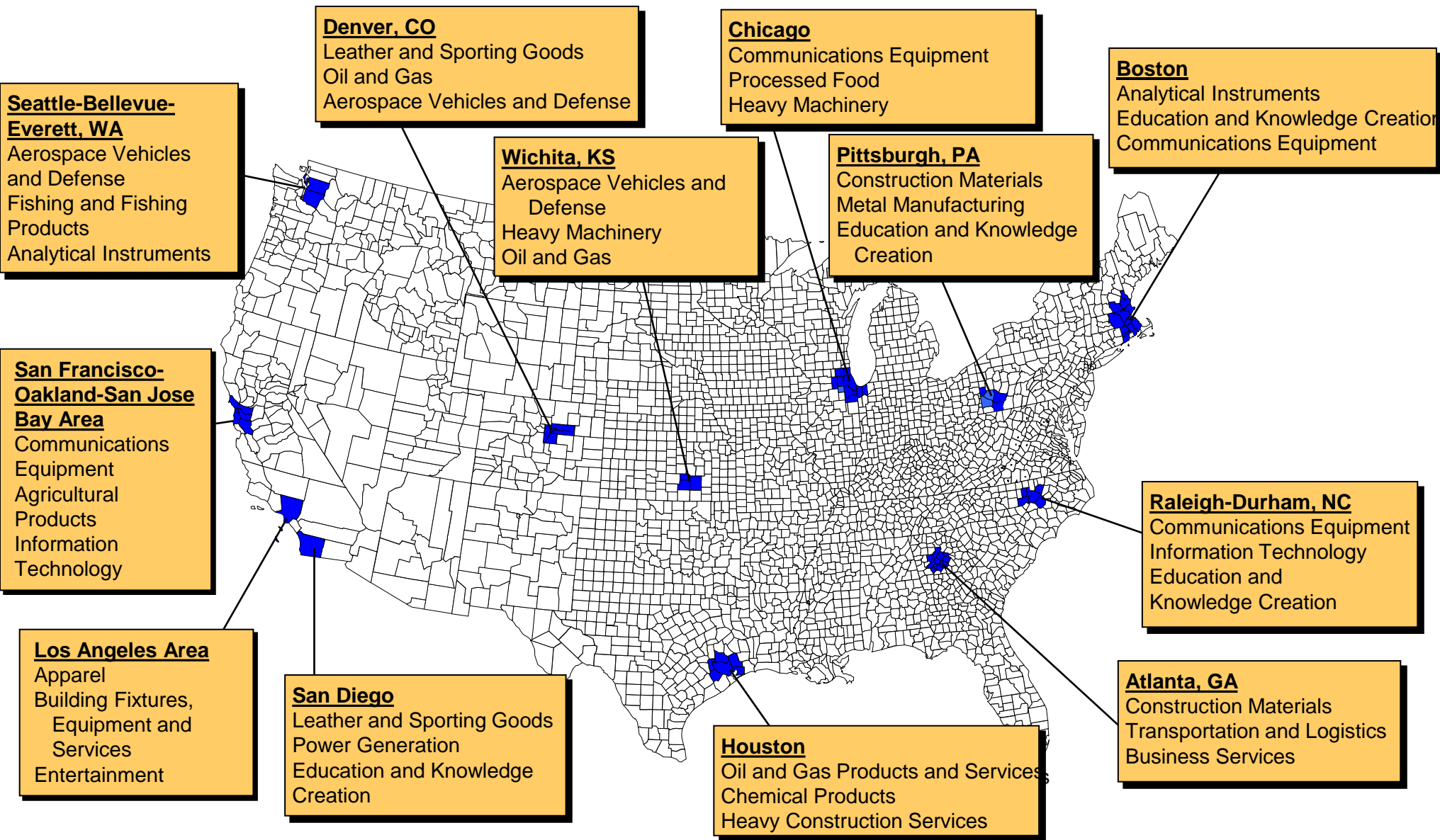
Source: Institute for Strategy and Competitiveness, Harvard University (2007), Mongolia GDP from the World Bank

Geographic Influences on Competitiveness



Specialization of Regional Economies

Selected U.S. Geographic Areas



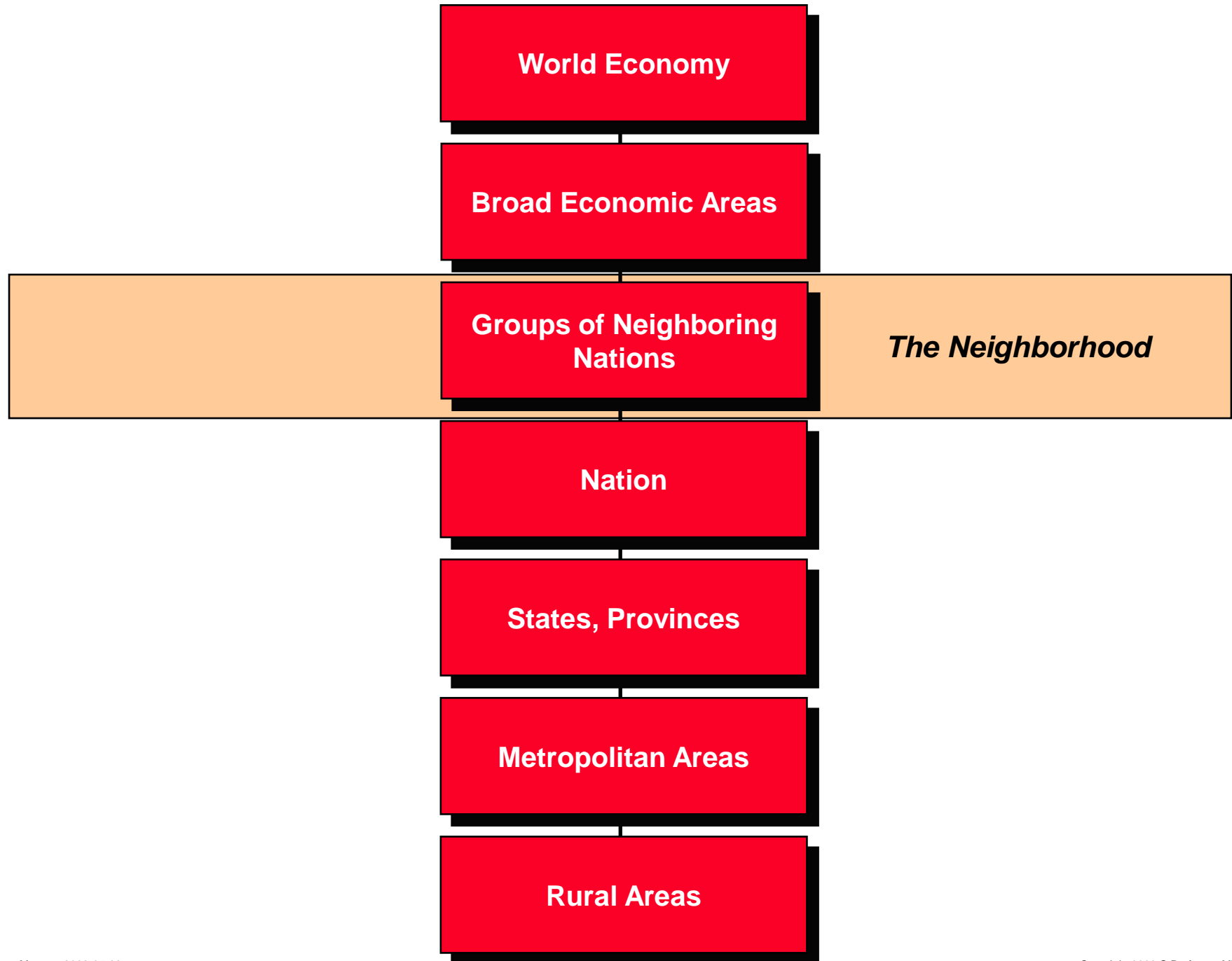
Note: Clusters listed are the three highest ranking clusters in terms of share of national employment.

Source: Cluster Mapping Project, Institute for Strategy and Competitiveness, Harvard Business School, 11/2006.

Mongolia's Provinces (Aimags)



Geographic Influences on Competitiveness



The Neighborhood

Northeast Asia



- Economic coordination among neighboring countries can significantly enhance competitiveness
- Integration offers greater opportunities than participation in broader economic forums (e.g., APEC)

Regional Economic Strategy

- Defining a strategic role for the region in the continent and the world economy
- Opening internal trade and investment
- Achieving synergies in enhancing the business environment
- Facilitating cross-border cluster development
- Enhancing company capabilities and non-traditional exports



- Raising productivity
- Increasing the attractiveness of the region as a whole for foreign investment
- Winning greater support from the international community
- Accelerating economic policy at the national level

But

- Cross-national collaboration is not a substitute for national microeconomic reforms

Economic Coordination Among Neighbors

Capturing Synergies

Factor (Input) Conditions

- Improving regional **transportation infrastructure**
- Creating an efficient **energy** network
- Enhancing regional **communications** and **connectivity**
- Linking **financial markets**
- Opening the movement of students for **higher education**
- Harmonizing administrative **requirements** for businesses

Context for Strategy and Rivalry

- Eliminating **trade and investment barriers** within the region
- Simplifying and harmonizing **cross-border** regulations and paperwork
- Coordinating **anti-monopoly** and **fair competition policies**

Demand Conditions

- Harmonizing **environmental standards**
- Harmonizing product **safety standards**
- Establishing reciprocal **consumer protection laws**
- Opening **government procurement** within the region

Related and Supporting Industries

- Facilitating **cross-border cluster upgrading**, e.g.
 - Tourism
 - Agribusiness
 - Transport & Logistics
 - Business services

Macroeconomic Competitiveness

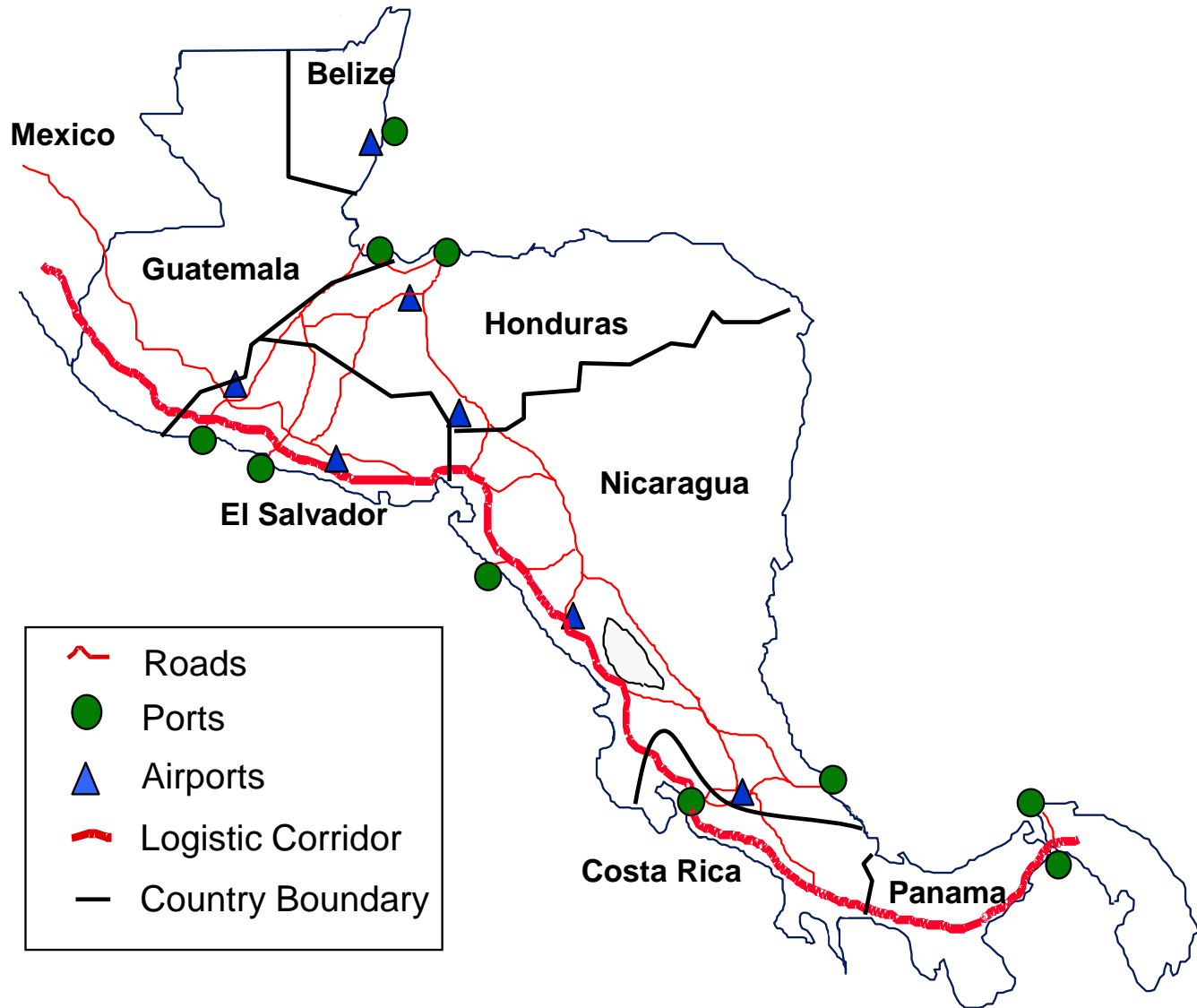
- Coordinating programs to improve **public safety**
- Coordinating **macro-economic** policies

Regional Strategy & Governance

- Creating a regional strategy and marketing program
- Sharing **best practices** in government operations
- Creating regional **institutions**
 - Dispute resolution mechanisms
 - Regional development bank
- Developing a regional position with **international organizations**

Strategy for Cross-National Regions

Central American Logistical Corridor

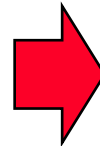


The Process of Economic Development

Shifting Roles and Responsibilities

Old Model

- **Government** drives economic development through policy decisions and incentives



New Model

- Economic development is a **collaborative process** involving government at multiple levels, companies, teaching and research institutions, and private sector organizations

- Competitiveness must become a **bottom-up process** in which many individuals, companies, and institutions take responsibility
- **Every** community and cluster can take steps to enhance competitiveness
- The **private sector** must become more engaged in competitiveness to improve rapidly

Role of the Private Sector in Economic Development

- A company's competitive advantage depends partly on the **quality of the business environment**
- A company gains advantages from being part of a **cluster**
- Companies have a strong **role to play** in upgrading their business environment



- Take an **active role** in upgrading the local infrastructure
- Nurture **local suppliers** and attract foreign suppliers
- Work closely with local **educational and research institutions**, to upgrade their **quality and create specialized programs addressing the cluster's needs**
- Inform government on **regulatory issues and constraints** bearing on cluster development
- Focus **corporate philanthropy** on enhancing the local business environment



- An important role for **trade associations**
 - Greater influence if many companies are united
 - Cost sharing between members

Defining an Economic Strategy

National Value Proposition

- What is the **unique competitive position** of the nation or region given its location, legacy, and existing and potential strengths?
 - What roles with neighbors, the region, and the broader world?
 - What unique value as a business location?
 - For what types of activities and clusters?

Developing Unique Strengths

- What **elements of macroeconomic competitiveness** and the **business environment** are crucial priorities?
- What **existing** and **emerging clusters** should be developed first?

Achieving and Maintaining Parity with Peers

- What **weaknesses** must be addressed to achieve parity with peer countries?

- 
- Priorities and sequencing are necessity in economic development

Toward A Rwandan Economic Strategy

What is Unique about Rwanda?

- Low corruption
- Stable
- Secure and safe
- Clean
- Responsive
- Integrated economic and social development
- Unique climate and growing conditions
- Central location on the African continent
- Established positions in tea, coffee, tourism
- Opportunity to lead the region in ICT and services
- Social innovator in health, education, reconciliation, gender equality, and other areas
- Disproportionate external interest in the country

Some Implications

- Rwanda must maintain stability, safety, orderliness, and lack of corruption at all costs
- Rwanda must accelerate improvement of skills and business infrastructure, managerial skills, ease of doing business
- Kigali must become a vibrant capital city
- Rwanda should seize the opportunity to transform agriculture
- Rwanda is unlikely to be competitive in exporting bulky goods with low value-to-weight
- Rwanda should develop air freightable goods and services exports to nullify its logistical disadvantages
 - eg, silk, flowers
- Rwanda is inextricably linked with its neighbors



- A new model of African development

Rwanda's Competitiveness Agenda

Business Environment

- Land use
- Physical infrastructure
 - Airport / air service
 - Connectivity
 - Economic zones
- Energy
 - Renewable
- Skills development
- Build towns and increase urbanization outside of Kigali
- Institutional capacity building
- Improve government efficiency and cross agency coordination

Cluster Development

- Activate a formal cluster development program led by the private sector
- Established clusters
 - Tea
 - Coffee
 - Tourism
 - Mining
- Emerging clusters
 - Logistics and transport
 - Construction and real estate
 - ICT services
 - Specialty agriculture (e.g., silk, flowers)
 - Health and other social services
 - Arts and culture (Hillywood)

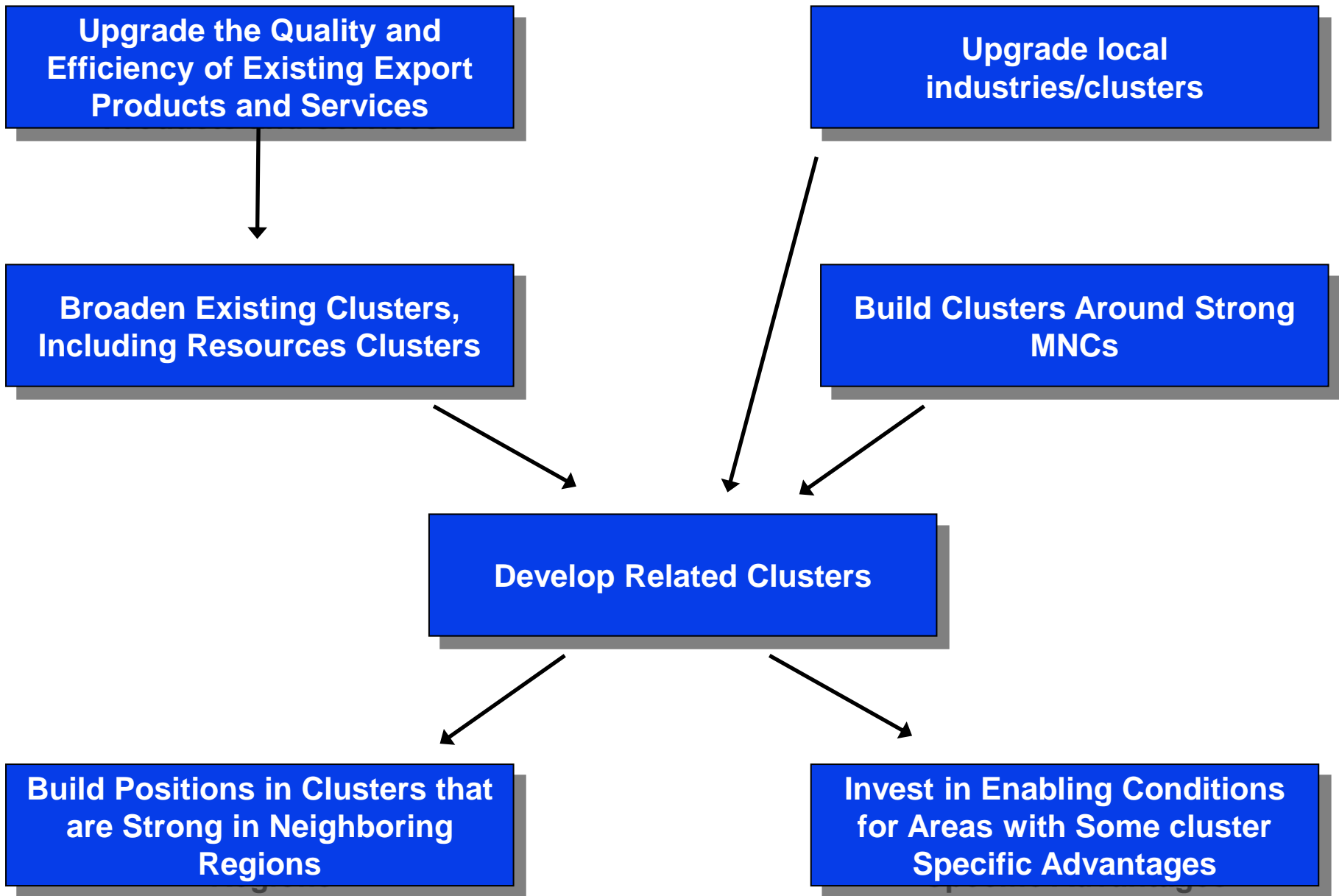
Private Sector

- Upgrade private sector capabilities
- Engage the private sector in economic development
- Support cooperative private investment funds to jumpstart the private equity market

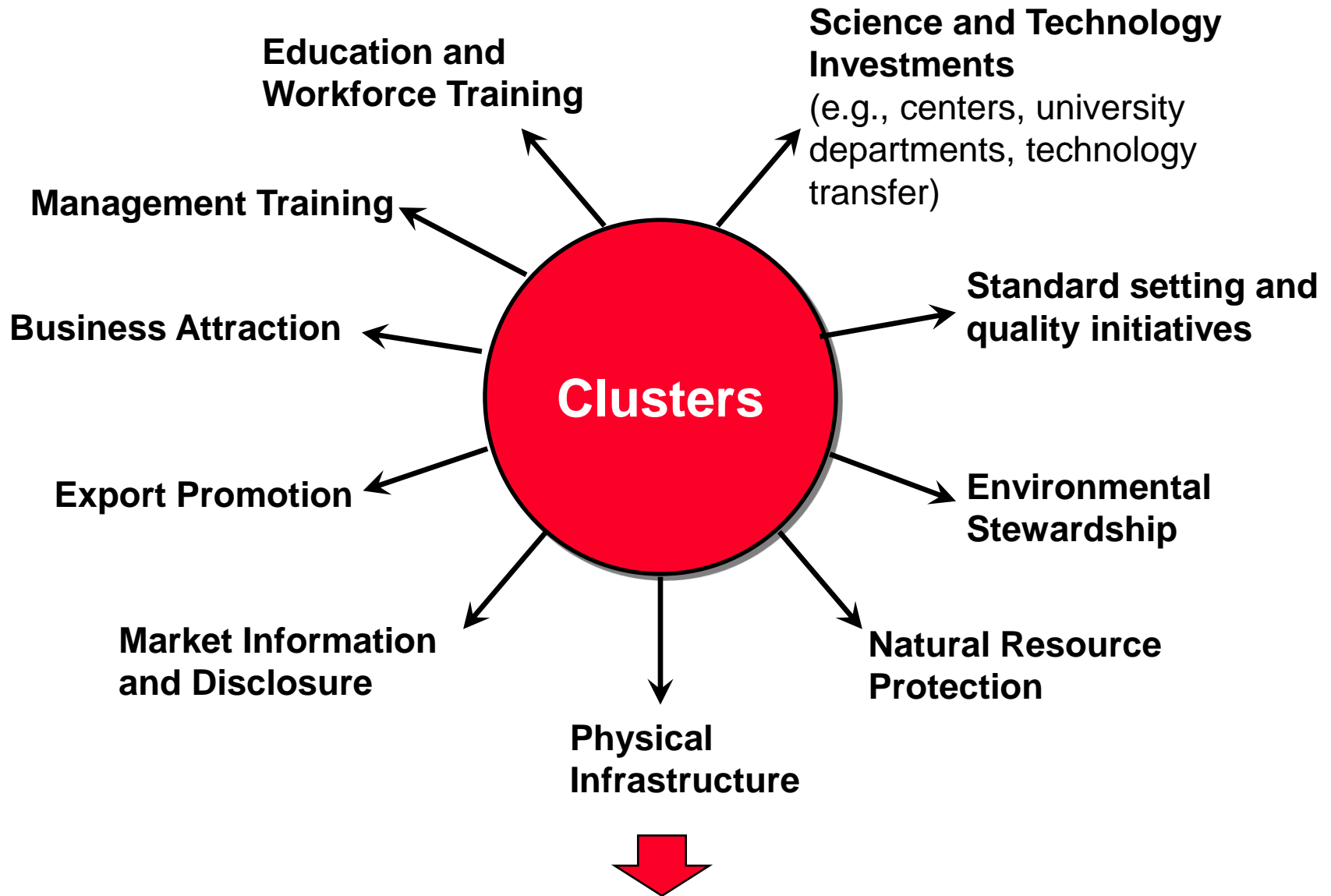
Neighborhood

- Lead economic integration with neighboring countries
 - e.g., Road transportation efficiency
 - Railway development
 - Energy grid

Economic Diversification



Clusters and Economic Policy



- Clusters provide a framework for **implementing public policy** and **organizing public-private collaboration** to enhance competitiveness

“Mongolia is at a critical juncture. Having completed its transition to a market-oriented economy, the challenge now is to attain global competitiveness. This requires a concerted and coordinated effort among all stakeholders, private and public, domestic and foreign.”

David Dollar,
Country Director for Mongolia, World Bank,
29. January 2008

Established Mongolian Export Products

Leading Exports by Value, 2006

	Industry	Cluster	World Export Share	Change in Share (1997-2006)	Export Value (in \$thousands)
1	Copper ores and concentrates	Metal Mining and Manufacturing	2.16%	-1.62%	\$ 635,426
2	Gold, non-monetary, excluding ores	Jewelry, Precious Metals and Collectibles	0.53%	0.53%	\$ 270,105
3	Wool, other animal hair	Textiles	3.11%	2.15%	\$ 157,305
4	Zinc ores and concentrates	Metal Mining and Manufacturing	1.08%	1.08%	\$ 91,140
5	Ores and concentrates of molybdenum, etc.	Metal Mining and Manufacturing	0.51%	-0.48%	\$ 47,793
6	Coal, not agglomerated	Coal and Briquettes	0.09%	0.09%	\$ 45,076
7	Quartz, mica, feldspar, fluor spar, etc.	Chemical Products	3.85%	-0.09%	\$ 35,067
8	Sheep, lamb skin leather	Leather and Related Products	2.26%	2.26%	\$ 24,578
9	Crude petroleum oils	Oil and Gas Products	0.00%	0.00%	\$ 19,841
10	Women's trousers, breeches and shorts	Apparel	0.09%	0.07%	\$ 18,183
11	Jerseys, pullovers, cardigans, knitted	Apparel	0.06%	0.02%	\$ 17,617
12	Copper, copper anodes and alloys	Metal Mining and Manufacturing	0.03%	-0.01%	\$ 16,202
13	T-shirts, other vests, knitted	Apparel	0.05%	0.05%	\$ 13,241
14	Other meat, meat offal	Agricultural Products	0.03%	0.03%	\$ 11,488
15	Iron Ore and Concentrates	Metal Mining and Manufacturing	0.04%	0.04%	\$ 11,478
16	Men's or boys' shirts	Apparel	0.11%	0.05%	\$ 10,390
17	Goat or kid skin leather	Leather and Related Products	1.34%	1.34%	\$ 7,985
18	Women's suits, dresses, skirts, knitted	Apparel	0.06%	0.06%	\$ 6,908
19	Fruit, nuts excluding oil nuts	Agricultural Products	0.01%	0.01%	\$ 6,428
20	Other bovine, equine leather	Leather and Related Products	0.04%	0.04%	\$ 6,285
21	Petroleum Oils	Oil and Gas Products	0.00%	0.00%	\$ 5,317
22	Hides, skins (excluding furs), raw	Agricultural Products	0.09%	-0.33%	\$ 5,219
23	Other animal materials	Agricultural Products	0.10%	-0.02%	\$ 4,830
24	Men's trousers, breeches and shorts	Apparel	0.02%	0.02%	\$ 4,748
25	Bovine meat	Agricultural Products	0.02%	-0.05%	\$ 4,734

Top 25 Industries (by value) as % of Mongolia's total goods exports: 95.79%

	Processed
	Semi-Processed
	Unprocessed

Source: Prof. Michael E. Porter, International Cluster Competitiveness Project, Institute for Strategy and Competitiveness, Harvard Business School; Richard Bryden, Project Director. Underlying data drawn from the UN Commodity Trade Statistics Database.

Established Mongolian Export Products

Leading Exports by Share, 2006

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1	Quartz, mica, felspar, fluorspar, etc.	Chemical Products	3.85%	-0.09%	\$ 35,067
2	Wool, other animal hair	Textiles	3.11%	2.15%	\$ 157,305
3	Sheep, lamb skin leather	Leather and Related Products	2.26%	2.26%	\$ 24,578
4	Copper ores and concentrates	Metal Mining and Manufacturing	2.16%	-1.62%	\$ 635,426
5	Goat or kid skin leather	Leather and Related Products	1.34%	1.34%	\$ 7,985
6	Zinc ores and concentrates	Metal Mining and Manufacturing	1.08%	1.08%	\$ 91,140
7	Gold, non-monetary, excluding ores	Jewelry, Precious Metals and Collectibles	0.53%	0.53%	\$ 270,105
8	Ores of molybdenum, titanium, zirconium	Metal Mining and Manufacturing	0.51%	-0.48%	\$ 47,793
9	Balloons, and other non-powered aircraft	Aerospace Vehicles and Defense	0.24%	0.24%	\$ 63
10	Bones, horns, ivory, coral and like products	Agricultural Products	0.12%	-0.65%	\$ 379
11	Men's or boys' shirts	Apparel	0.11%	0.05%	\$ 10,390
12	Other animal materials	Agricultural Products	0.10%	-0.02%	\$ 4,830
13	Other non-ferrous ores and concentrates	Metal Mining and Manufacturing	0.10%	0.03%	\$ 1,249
14	Carpets and other floor coverings, knotted	Textiles	0.10%	0.10%	\$ 1,467
15	Coal, not agglomerated	Coal and Briquettes	0.09%	0.09%	\$ 45,076
16	Hides, skins (excluding furs), raw	Agricultural Products	0.09%	-0.33%	\$ 5,219
17	Women's trousers, breeches and shorts	Apparel	0.09%	0.07%	\$ 18,183
18	Lignite	Coal and Briquettes	0.08%	0.08%	\$ 124
19	Women's blouses, and shirts, knitted	Apparel	0.08%	0.08%	\$ 4,548
20	Other plastic waste and scrap	Plastics	0.07%	0.07%	\$ 1,448
21	Men's or boys' shirts, knitted	Apparel	0.06%	0.05%	\$ 3,109
22	Women's suits, dresses, skirts, knitted	Apparel	0.06%	0.06%	\$ 6,908
23	Jerseys, pullovers, cardigans, knitted	Apparel	0.06%	0.02%	\$ 17,617
24	Men's or boys' jackets and blazers	Apparel	0.06%	0.05%	\$ 2,309
25	Women's or girls' suits and ensembles	Apparel	0.05%	0.05%	\$ 1,557

Top 25 Industries (by share) as % of Mongolia's total goods exports: 90.38%

	Processed
	Semi-Processed
	Unprocessed

Source: Prof. Michael E. Porter, International Cluster Competitiveness Project, Institute for Strategy and Competitiveness, Harvard Business School; Richard Bryden, Project Director. Underlying data drawn from the UN Commodity Trade Statistics Database.

Upgrading Mongolian Export Portfolio

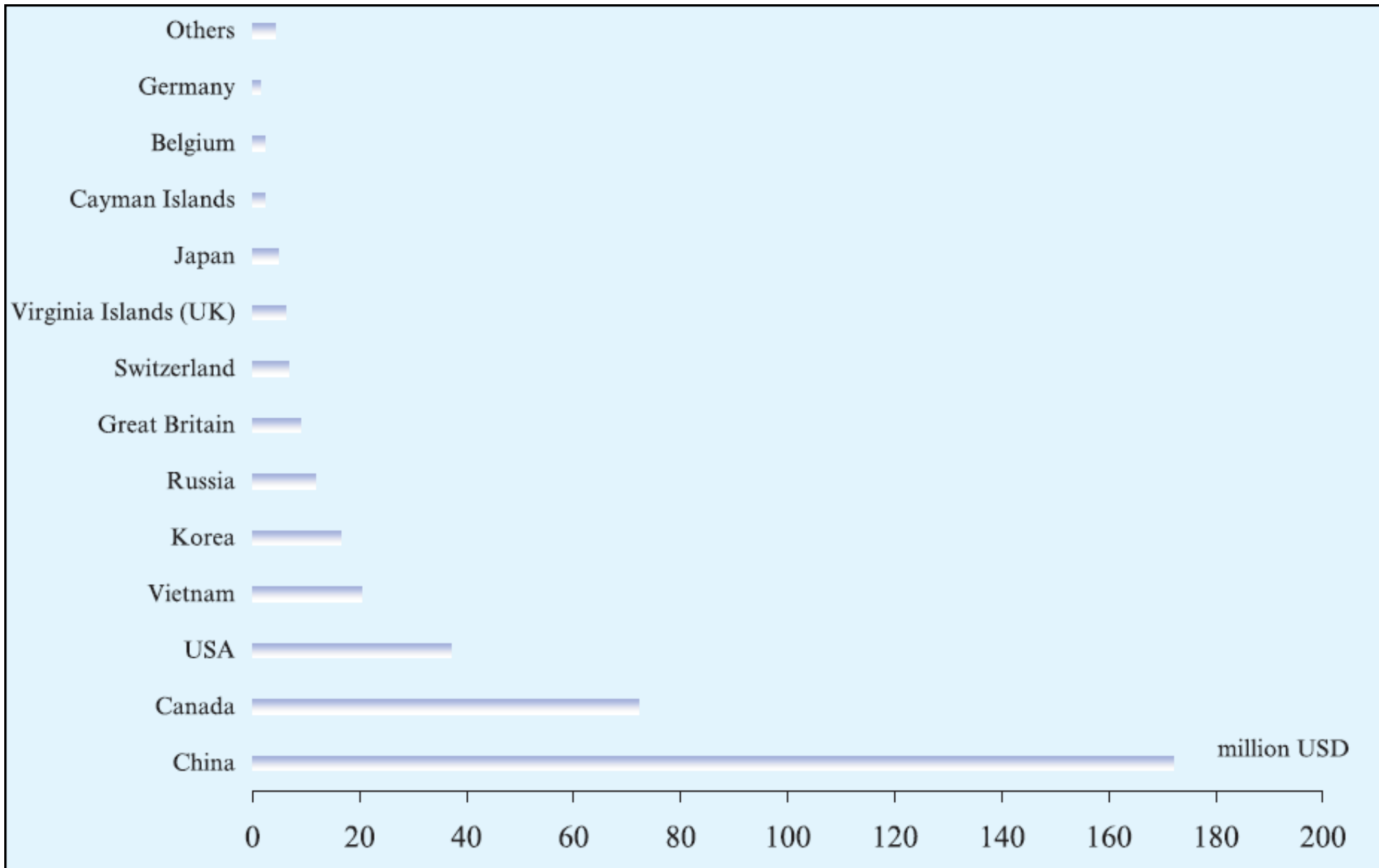
Niche Positions Outside of Leading Clusters

Cluster	Cluster World Export Share	Subcluster	Industry	Industry Share of World Exports	Change in Share (1997-2006)	Export Value (in \$thousands)
Agricultural Products	0.008%	Meat and Related Products	Bones, horns, ivory, coral, etc.	0.12%	-0.65%	\$ 379
		Meat and Related Products	Other animal materials	0.10%	-0.02%	\$ 4,830
		Meat and Related Products	Hides, skins (excluding furs), raw	0.09%	-0.33%	\$ 5,219
		Meat and Related Products	Other meat, meat offal	0.03%	0.03%	\$ 11,488
		Meat and Related Products	Bovine meat	0.02%	-0.05%	\$ 4,734
Chemical Products	0.008%	Misc. Crude Materials	Quartz, mica, felspar, fluorspar, etc.	3.85%	-0.09%	\$ 35,067
Oil and Gas Products	0.002%	Oil and Gas Machinery	Other boring machinery, not self-propelled	0.03%	0.03%	\$ 641
		Oil and Gas Machinery	Rock drills, earth borers	0.02%	0.02%	\$ 404
Prefabricated Enclosures and Structures	0.002%	Prefabricated Buildings	Prefabricated buildings	0.02%	0.01%	\$ 1,101
Heavy Machinery	0.002%	Mining Machinery	Rock/tunneling machinery, not self-propelled	0.02%	0.02%	\$ 85
Furniture	0.001%	Wood Furnishings	Wood for domestic use, not furniture	0.05%	0.05%	\$ 1,483
Aerospace Vehicles and Defense	0.001%	Aircraft	Balloons, and other non-powered aircraft	0.24%	0.24%	\$ 63
Motor Driven	0.001%	Appliances	Sewing machines and parts	0.03%	0.03%	\$ 1,230
Automotive	0.001%	Motor Vehicles Assembly	Other special purpose vehicles	0.03%	0.03%	\$ 1,195
Plastics	0.000%	Plastic Waste	Other plastic waste and scrap	0.07%	0.07%	\$ 1,448

	Processed
	Semi-Processed
	Unprocessed

Source: Prof. Michael E. Porter, International Cluster Competitiveness Project, Institute for Strategy and Competitiveness, Harvard Business School; Richard Bryden, Project Director. Underlying data drawn from the UN Commodity Trade Statistics Database.

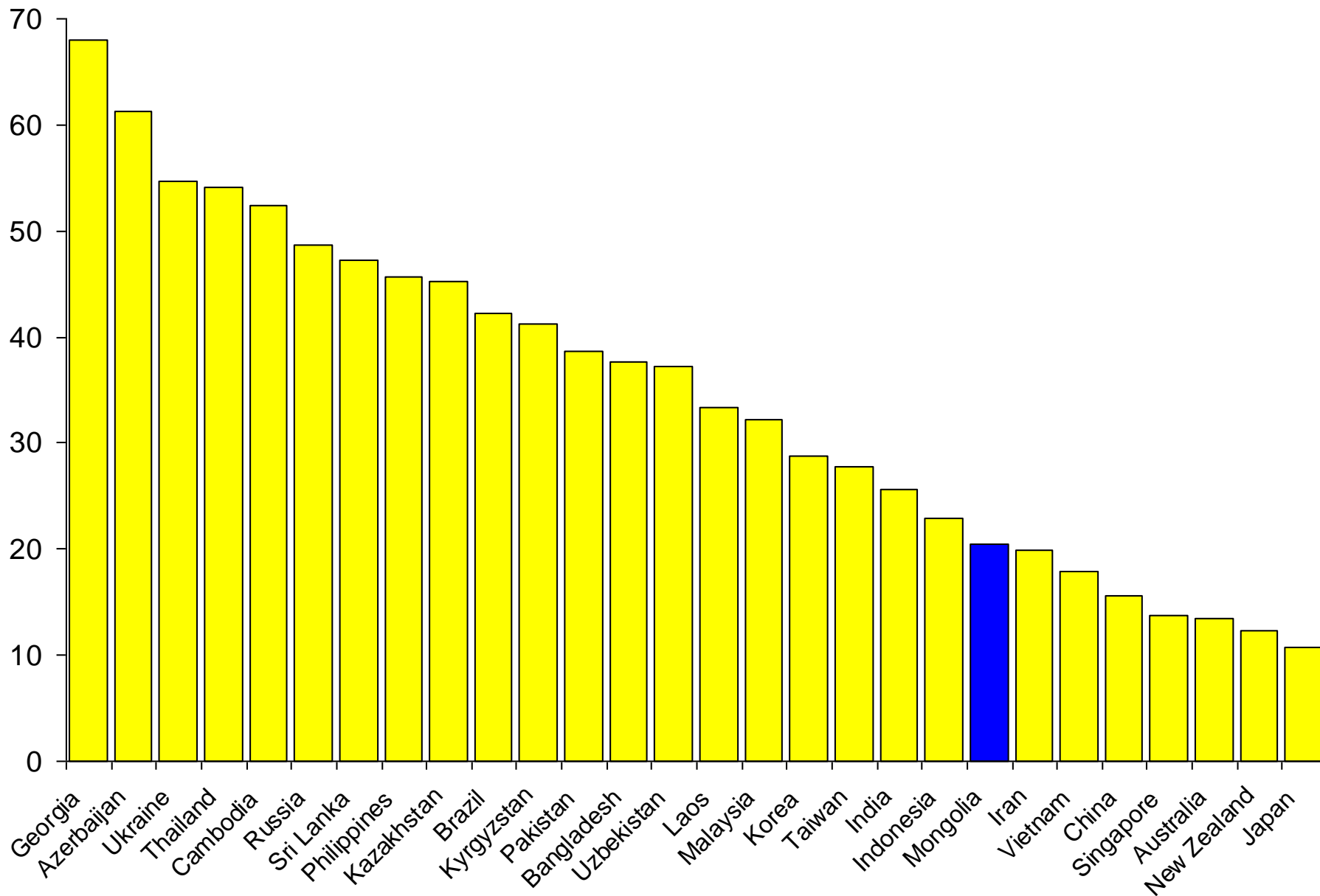
Foreign Direct Investment By Source Country, 2006



Size of the Informal Economy

Selected Countries

% of GDP in the Informal Economy, 2003

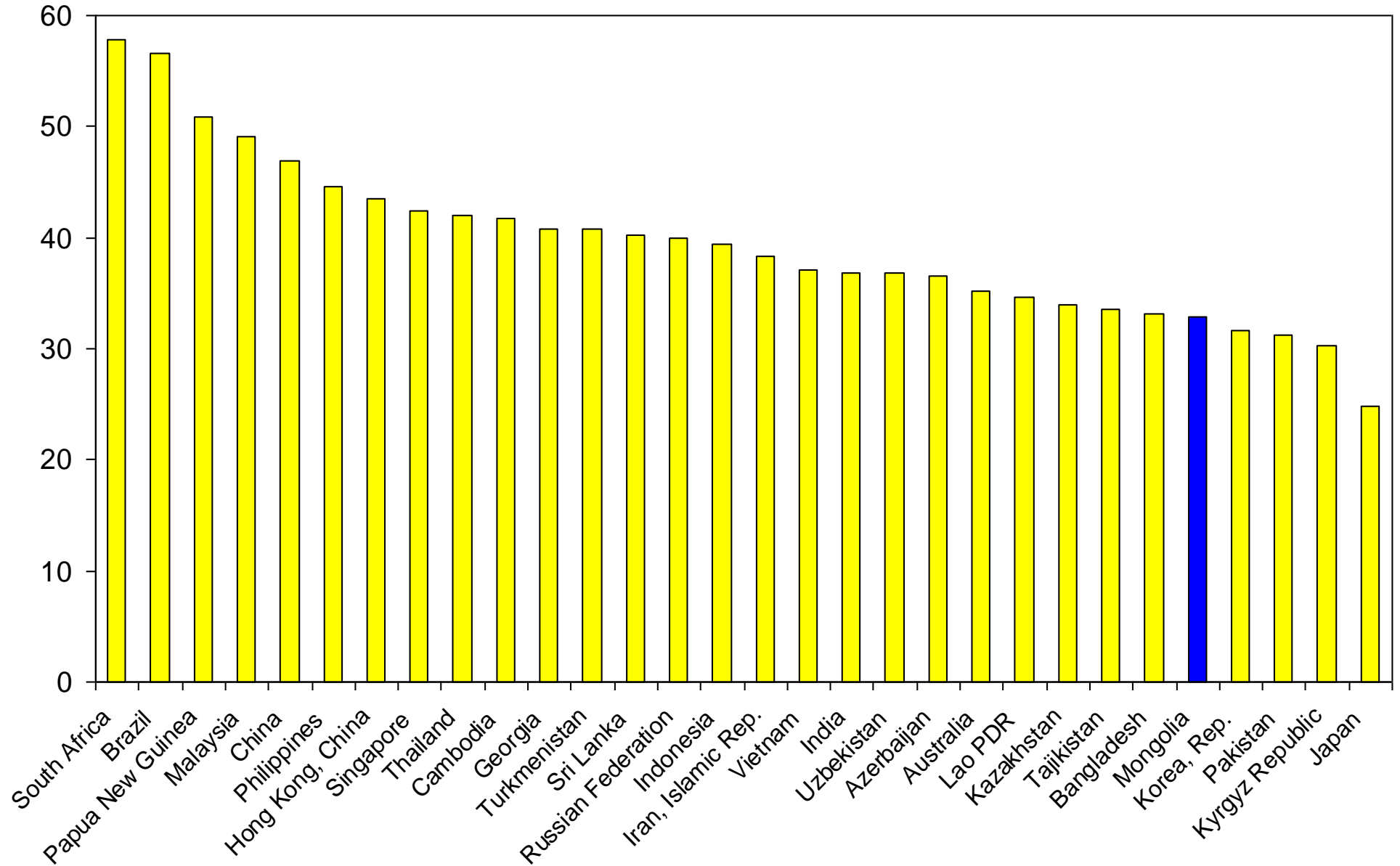


Source: World Bank Doing Business and Friedrich Schneider

Income Inequality

Selected Countries

Gini Index



Note: Most recent Gini index data available for each country (1999 – 2003).

Source: World Bank, World Development Indicators, 2007.

Tests of a National Economic Strategy

- Has the country articulated a **distinctive** position?
 - That will create a positive **identity** for the country?
 - That will **inspire** citizens?
- Does the strategy build on **strengths**?
 - Are the strengths **realistic** versus neighbors and other peer countries?
- Does the strategy **fit with trends** in the region and the world economy?
- Is the strategy realistic given the country's **weaknesses**. Can those weaknesses inconsistent with the strategy be **neutralized**?
- Are **social** and **political** reforms integrated with **economic** reforms pursued simultaneously?
- Is there the **political will** and the **political consensus** to implement the strategy?

Tests of a National Economic Strategy – cont'd

- Do the **policy priorities** fit the strategy?
 - The **choice of policies** to address
 - The **sequence** in which policies are implemented?
- Has the strategy been **communicated clearly** to the stakeholders?
- Is the **private sector** engaged?
- Is **government organized** around the strategy?
- Is there an **overall coordinating structure** for economic development?
- Is the **quality** of governmental agencies and other institutions sufficient for effective implementation?
- Are there mechanisms to **measure progress** and **review / modify** the strategy as prosperity improves or conditions change?