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THE NATIONAL COMPETITIVENESS – ATTRACTIVENESS OR/AND AGGRESSIVENESS

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Abstract

The object of the article is the National competitiveness, which we relate to the understanding that it is the possibility for maintaining high levels of labor and capital efficiency, and to reach stable economical progress through systematic innovations, and this to be combined with an increase of the real income of the population. It includes a certain level of competition and thereby it is the subject of the research. The purpose is to find out the prerequisites of the competition in progress and the reaching of the high competitiveness. They could be found in the model pursuit and followed by the businesses – of attractiveness or of aggressiveness.

Keywords: World Economy, Competitiveness, Competitive Advantages, Direct Foreign Investments

1. Introduction

When defining the categorical contents and the understanding of competitiveness, the accent may be stressed on the issue that it is one of the basic characteristics of the world economy. It provides economical independence of the participants and at the same time it creates conditions for self-realization, following the development and the establishment of new competitive products and services. The issues related to the National competitiveness step forward considering the modern conditions of intensified processes of inter-nationalization and globalization.

The clear and the complete definition of the categorical contents of competitiveness is not an easy process¹. This is at least because the different levels of economy, the factors it is defined by, the terms and the conditions the business subjects are put under and faced with, the criteria for its measurements, etc. should be taken into an account. Therefore, the definition and the review of the National competitiveness as a term and as a matter is related to the understanding that it is a possibility to maintain high levels of labor and capital efficiency, and to

¹ The difficulty in the definition of the competitiveness category comes out first from the fact that there is not always a distinguishable line between competition and competitiveness. There is support to the understanding that there is a separation line between these two terms, as under the term competition the classic theory understands an element of the market mechanism that allows the balance between the demand and the supply, and Smith (2007) also speaks of the so called "market's invisible hand." The competition is also reviewed in the modern representations as a level of dependence of the general market terms from the behavior of the participants, as a criteria that sets the type of the industry market, considering the condition of the business subjects, whereby their influence effectively limits the possibility of any of them to unilaterally affect on the general terms of purchase and sale, etc. While competitiveness is something more – this is the possibility for competition.

reach stable economical progress through systematic innovations, and this to be combined with an increase of the real income of the population. The competitiveness is something more – a mechanism for development, which includes rivalry between parties or economical unions, and the essence holds the fact if one of the parties has departed from or has gained positions in respect to the other party in the competitive contest.

2. Analysis of the National competitiveness and definition of the categories of aggressive and attractive economies

The attention shall be directed towards some important issues when analyzing the nature of the National competitiveness. At first, the competitiveness is related to the productivity, i.e. the quantity of real products produced by a unit of production factor invested or the efficiency by which goods and services are produced, based on a given set of inputs such as labor and capital (Dimian and Danciu, 2011). And due to the fact that productivity may also be reviewed as a function of the intensity of the factors used, the management efficiency, the technologies, and also of the capacity of the work force, which may be influenced by differentiated remunerations and labor stimuli, the conclusion may be drawn that this criteria provides one of the proofs of the rank and the share of any business among the other businesses in competition. Or in other words, the bigger increase of the productivity stated, would probably lead to a bigger competitiveness.

The implementation of innovations, the application of certain inventions in the process of production of new products, without which the competition between the different entrepreneurs, industries, businesses and regions would hardly be possible come secondly. This sounds especially loud now, in the 21st century, when the rates of technological changes are very rapid, and the business progress is one of the priority goals set in the developed businesses.

On the third place, the definition of competitiveness shall be searched in its final significance, and precisely this would be the increase of the real income of citizen and the improvement of their living standards or “ability to achieve certain overall outcomes, such as a high standard of living and economic growth.” (Delgado *et al.* 2012, p.6). In the opposite, it would lead to unjust distribution of income and to a breach in the economical efficiency of the market business model established.

On the fourth place, we relate the understanding of competitiveness to competitive contest, and this is because traditionally, the competition is related to certain aggressiveness in the business theory and practice. Competitiveness is the possibility to compete. Certain stimuli to attract bigger flows of foreign investments, to realize bigger profits and to increase export are the base that lies under such competitive economies of countries that we define as aggressive.

From another point of view, economies of other countries reach high level of competitiveness because they are more attractive. They have qualities that signify, and ease direct foreign investments, and the possibilities for realization of profits and export.

The question that comes up is what after all lies on the grounds of the limitation of these two categories: aggressive and attractive², when both of them aim and achieve similar levels of competitiveness? The answer, at first glance, is hidden in the stimuli available in different countries. This, however, is not enough, and may partially answer the question. Let us start with the attractiveness for direct foreign investments. A country becomes a desirable destination for direct foreign investments depending on multiple factors, and the main of which are basically related to global worldwide investment flows trends and to the investment climate established in the country they were directed to. The specific social-economical, administrative-legal and organization-managerial prerequisites in the recipient country, as the gross domestic product, population' purchase capacity, the capacity of the government to regulate DFI (Direct Foreign Investments) through provision of possibility to the foreign investor to access the market, the refund of the capital invested, of loyal competition, of profit repatriation, of easy currency exchange matter. Labor expenses – the taxes and the security related expenses payable in the

² For the first time the question "Attractiveness versus Aggressiveness" is set by Garelli (2006).

respective businesses are of greatest significance to the direct foreign investors. If the data of the first 20 countries in the Global Foreign Direct Investment Country Attractiveness Index is tracked, we shall be able to observe that the countries of relatively low labor costs and security related payments take part in the forming of attractiveness for direct foreign investments (Delgado *et al.* 2012). This is especially noticeable for countries like the USA, United Kingdom, Hong-Kong, Korea, Denmark, New Zealand, etc. (See Table 1)

Table 1. A Global Foreign Direct Investment Country Attractiveness Index 2014

Rank	Country	Index Value
1	United States	73
2	United Kingdom	68
3	Germany	67.6
4	Switzerland	67
5	Netherlands	65
6	Sweden	63.8
7	Hong Kong	63.7
8	Denmark	63.6
9	Japan	62
10	Korea	61.6
11	Finland	61.5
12	France	60.8
13	Canada	60.7
14	Belgium	60
15	Singapore	59.5
16	Austria	58.9
17	New Zealand	58.9
18	Ireland	58.6
19	Australia	58.4
20	Norway	57.5

Source: Riadh (2014)

This group of countries, which is more desirable for direct foreign investments, than other countries of similar macro-economical characteristics, is relatively better presented due to labor taxes and the social payments that participate in the so called "GFICA Index". It includes a large part of identified measurable and comparable macro-economical aspects of the direct foreign investments. The index ranks 111 countries representing 92% - 95% of the worldwide direct foreign investments and reserves that are directed to countries in accordance with their attractiveness for direct foreign investments. The index attractiveness components are indefiniteness and macro stability, financial progress, public management, business environment, market access, human and natural resources, expenses related components, including labor expenses and security related payments, logistics representation, telecommunications and scientific-technology progress, agglomeration effect, differentiation and technological progress.

These countries are aggressive, as they form the direct foreign investments, as at the same time it may be observed that they are characterized of high level of competitiveness. (See Table 2)

Table 2. The Global Competitiveness Index 2014–2015 rankings

Rank	Country/Economy	Value
1	Switzerland	5.7
2	Singapore	5.65
3	United States	5.54
4	Finland	4.5
5	Germany	5.49
6	Japan	5.47
7	Hong Kong SAR	5.46
8	Netherlands	5.45
9	United Kingdom	5.41
10	Sweden	5.41
11	Norway	5.35
12	United Arab Emirates	5.33
13	Denmark	5.29
14	Taiwan, China	5.25
15	Canada	5.24
16	Qatar	5.24
17	New Zealand	5.2
18	Belgium	5.18
19	Luxembourg	5.17
20	Malaysia	5.16

Source: World Economic Forum (2014)

Table 3. A Global Foreign Direct Investment Country Attractiveness Ranking and Labor tax & Contributions

Rank	Country	Labor tax and contributions (score)
1	United States	18
2	United Kingdom	21
3	Germany	70
4	Switzerland	50
5	Netherlands	54
6	Sweden	50
7	Hong Kong	14
8	Denmark	6
9	Japan	51
10	Korea	15
11	Finland	79
12	France	111
13	Canada	37
14	Belgium	110
15	Singapore	48
16	Austria	98
17	New Zealand	5
18	Ireland	34
19	Australia	65
20	Norway	47

Source: Riadh (2014)

Another group of countries like Germany, Switzerland, Sweden, Japan, Finland, etc., which form high levels of competitiveness could not be defined as National economies at the

same time, as the base of direct foreign investments are the low labor and security related costs, and even the opposite (See Table 3).

We come to a paradox, if we review the tax levels of labor and security related payments in Germany, Switzerland, Sweden, Japan, Finland, Belgium, etc., and we shall see that these levels are high, but their competitiveness is of high level too. These countries, however, are attractive and they “put the stake” on something else and that is that they are the ones forming the “competitiveness factors” (World Economic Forum, 2016).

The most complete research of the factors related to the National competitiveness is presented by the World Economy Forum (WEF), which annually publishes its sequel competitiveness reports. Different approaches are used in their drafting in order to reach to presentation of the Global Competitiveness Index – the GCI for more than 140 countries. It reflects the macro economical aspects of competitiveness, and different factors are set to measure this index that are of different weight in respect to the different components used. In accordance with those drafting the report, the factors are decomposed into 12 pillars in three groups of factors:

“Basic requirements

- Institutions
- Infrastructure
- Macroeconomic environment
- Health and primary education

Efficiency enhancers

- Higher education and training
- Goods market efficiency
- Labor market efficiency
- Financial market development
- Technological readiness
- Market size

Innovation and sophistication factors

- Business sophistication
- Innovation” (World Economic Forum, 2014, p.9)

There is a possibility to entirely research competitiveness of different countries based on the above factors. At the same time, it provides information of the business and the policies conducted, and of the availability of an instrument to objectively evaluate the strong and the weak parts of the National economies and their rank among the others in the competitive contest. The report results are also a possibility to amend policies of governments in correspondence of the data that may be observed in the higher levels of competitiveness of the different economies. This is mostly the stake of the National economies that we define as those that form competitiveness factors. Methodologically reviewed, the data are extremely valuable as they include a full spectrum of possible competitiveness factors that the acts and the policies of the countries are set upon, and that are finally derived as an assessment for competitiveness set by the global competitiveness Index. This index aggregates the newest economical ideas related to competitiveness and at the same time it accounts the complexity of the process for achievement of economic growth, including average weighed values of a great number of different components, all of which reflect in certain aspects of competitiveness.

3. Conclusion

The National economies differ in accordance with the way they manage their challenges and interrelations in the competitive contest within the world economy and thereby achieve their competitiveness. In terms of globalization of the world economy, many of the challenges and

interrelations influencing the National competitiveness lead to vividly expressed dynamics in the behavior of the economies. They are more and more oriented towards a behavior to attract bigger flows of direct foreign investments, realization of bigger profits and export increase.

Changes of economic policies conducted by governments, the technological changes, the industrial progress and National specifications related to setting and transforming the countries to the new requirements, the world markets development, and the overcome of the pressure between the countries in competition, etc., are of significance on this. New set-up and managerial schedules are adopted in stages of changes, and they become valid for more fields of industry and groups of society.

Furthermore, the efforts are directed to higher levels of competitiveness of business organizations and strategic sectors of the National economy. Thereby, National models of market economy are formed, and they include the respective characteristics and competitive advantages in respect to other economies of market type, which may be characterized by aggressiveness and/or attractiveness. In case they have adopted to apply a model that would characterize them as aggressive, they shall generate income in the country, but they shall generate not enough jobs due to low labor and security related costs. They shall search for the stability of the current prosperity in their countries, for progress and future prosperity. The competitiveness of another group of countries that are included in the attractive model, which generates occupation in the country accepting foreign investments, but generate not enough income due to the higher labor and security related costs, shall also be of high level. The goals therein shall also be related to economic progress, stability and fortune, but the means to accomplish this shall be different.

This means that the organizational model stakes on and may review new politics, technological and structural changes, market developments concepts, improvement of managerial approaches and further development of work interrelations organizing are being given new. The grounds for such statements are that the elements of the companies and the State, of the existing economical models are modified in long-term aspect, they start a sharp competition in respect to expenses, problems related to social politics of the State or of the environment, etc., are being resolved.

Attention should be paid on the capacity of the countries to retain the positive sides of their models and that their transformations depend on the challenges of the technological changes, the world economy, the social groups, the long-term planning of progress processes, etc. The market economies aim at achievement of higher level of interrelations and competency among the most important participants, which establish technical-organizational and social terms related to dynamic orientation of world markets progress. And this is nothing else, but acceptance of economical challenges and realization of national competitive advantages.

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