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The IPS-NTU ASEAN 9 +1 Economic Competitiveness Ranking Indices*

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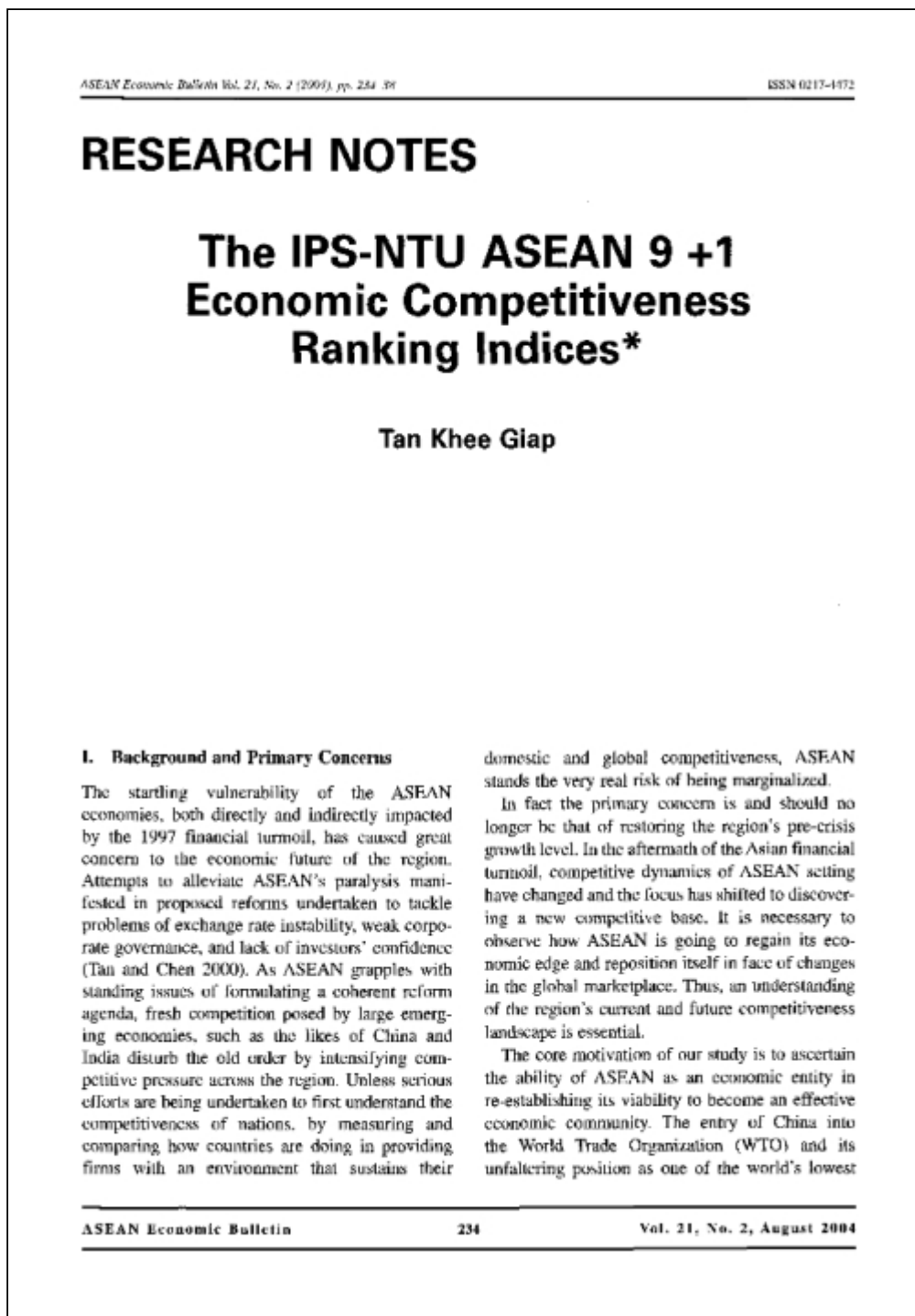
In lieu of an abstract, here is a brief excerpt of the content:

ASEAN Economic Bulletin Vol. 21, No. 2 (2004), pp. 234-38 ISSN 0217-4472 RESEARCH NOTES The IPS-NTU ASEAN 9 +1 Economic Competitiveness Ranking Indices* Tan Khee Giap I. Background and Primary Concerns The startling vulnerability of the ASEAN economies, both directly and indirectly impacted by the 1997 financial turmoil, has caused great concern to the economic future of the region. Attempts to alleviate ASEAN's paralysis manifested in proposed reforms undertaken to tackle problems of exchange rate instability, weak corporate governance, and lack of investors' confidence (Tan and Chen 2000). As ASEAN grapples with standing issues of formulating a coherent reform agenda, fresh competition posed by large emerging economies, such as the likes of China and India disturb the old order by intensifying competitive pressure across the region. Unless serious efforts are being undertaken to first understand the competitiveness of nations, by measuring and comparing how countries are doing in providing firms with an environment that sustains their domestic and global competitiveness, ASEAN stands the very real risk of being marginalized. In fact the primary concern is and should no longer be that of restoring the region's pre-crisis growth level. In the aftermath of the Asian financial turmoil, competitive dynamics of ASEAN setting have changed and the focus has shifted to discovering a new competitive base. It is necessary to observe how ASEAN is going to regain its economic edge and reposition itself in face of changes in the global marketplace. Thus, an understanding of the region's current and future competitiveness landscape is essential. The core motivation of our study is to ascertain the ability of ASEAN as an economic entity in re-establishing its viability to become an effective economic community. The entry of China into the World Trade Organization (WTO) and its unflinching position as one of the world's lowest ASEAN Economic Bulletin 234 Vol. 21, No. 2, August 2004 cost producers are clear signs that pricing pressures will continue building up within the region. II. Objectives, Scope and Expected Contributions Classical economists evaluate the competitiveness among nations using statistics on factors of production such as land, capital, natural resources, and labour. It is widely acknowledged that a country's competitiveness cannot be reduced to only gross domestic products, productivities, or some combinations of "hard" quantitative macro aggregates. Firms must also cope with other "soft" attributes such as the social, political, cultural, governmental, environmental, institutional, and educational dimensions of countries. OECD defines a nation's competitiveness as "the degree to which a country can, under free and fair market condition, produces goods and services which meet the test of international markets, while simultaneously maintaining and expanding the real incomes of its people over the long term". Quite clearly such a definition, which emphasizes greater market liberalization and increased trade globalization, are inextricably linked to a country's rising standard of living. However, in some countries, such positive relationships between trade globalization and rising standard of living may not hold true, and in fact the reverse could happen. Hence, when one speaks of a nation's competitiveness, both "hard" and "soft" attributes ought to be included in the computation of criteria. Competitiveness of a nation is more than just developing an efficient export-oriented economy, or moving aggressively to attract foreign direct investments (FDIs). It must also include the ability to develop its attractiveness for wealth creation, creating both "hard" conditions and "soft" environments by making a country into a land of opportunities that can attract and retain profit-

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making enterprises, drawing the attention of value-creating individuals and producing value-adding goods and services. In a highly mobile globalized world, enterprises, individuals, and production process are quite free to choose their locations, and enormous choices are being offered by nations of the world. The fundamental raison d'être for our study correlates with the desire to address an area previously overlooked. While there are annual publications such as the Global Competitive Report and the World Competitiveness Yearbook, these studies actually lump all economies across geographical locations and attend to global competitiveness issues across region. Multinational corporations (MNCs) that are constantly looking for best location to directing their FDIs may find it more...



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