

Improving Competitiveness Through Private Sector Dynamism

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What is competitiveness?

- **For firms:** The ability to succeed against the relevant competitors in ways that lead to higher profits.
- **For a nation as a whole:** The ability of the nation to support productivity that allows a high and rising standard of living
- **The latter usually involves competitiveness in a “sufficient” range of firms and industries to foster economic growth and development**

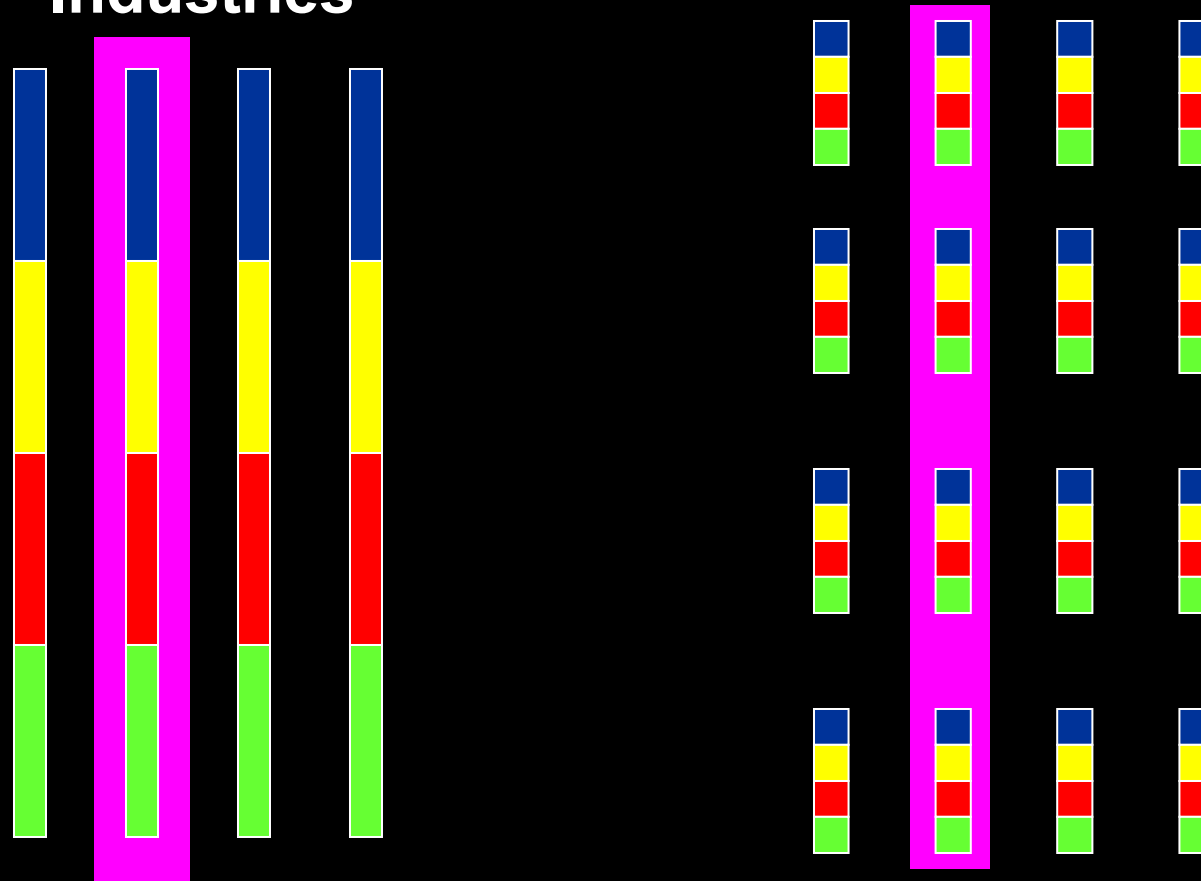
Why is competitiveness important?

- **Pressures**
 - Globalization of competition
 - The rise of China and India as competitors
 - The rise of the knowledge economy and the IT revolution
 - Increasing resource prices
- **Opportunities**
 - Emergence of new markets
 - Decentralization of production and other activities
 - Fragmentation of production chains
 - Ability to leverage advantages into larger markets
- **Pressures and opportunities both place a high premium on competitiveness**

Competitiveness in...

Industries

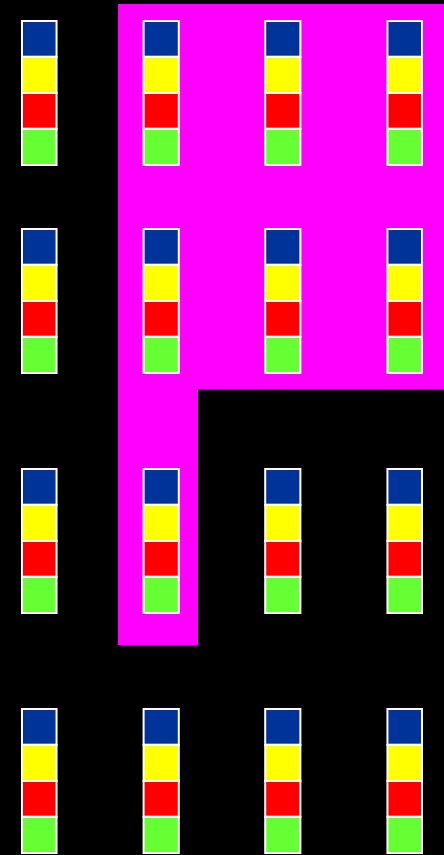
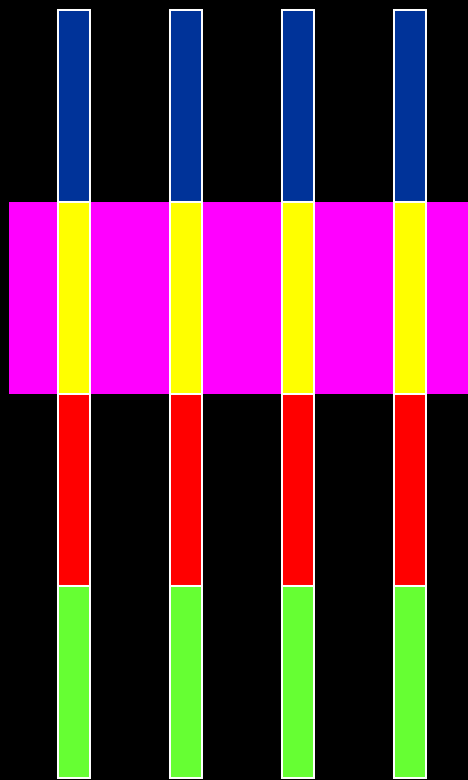
Activities



Competitiveness in...

Industries

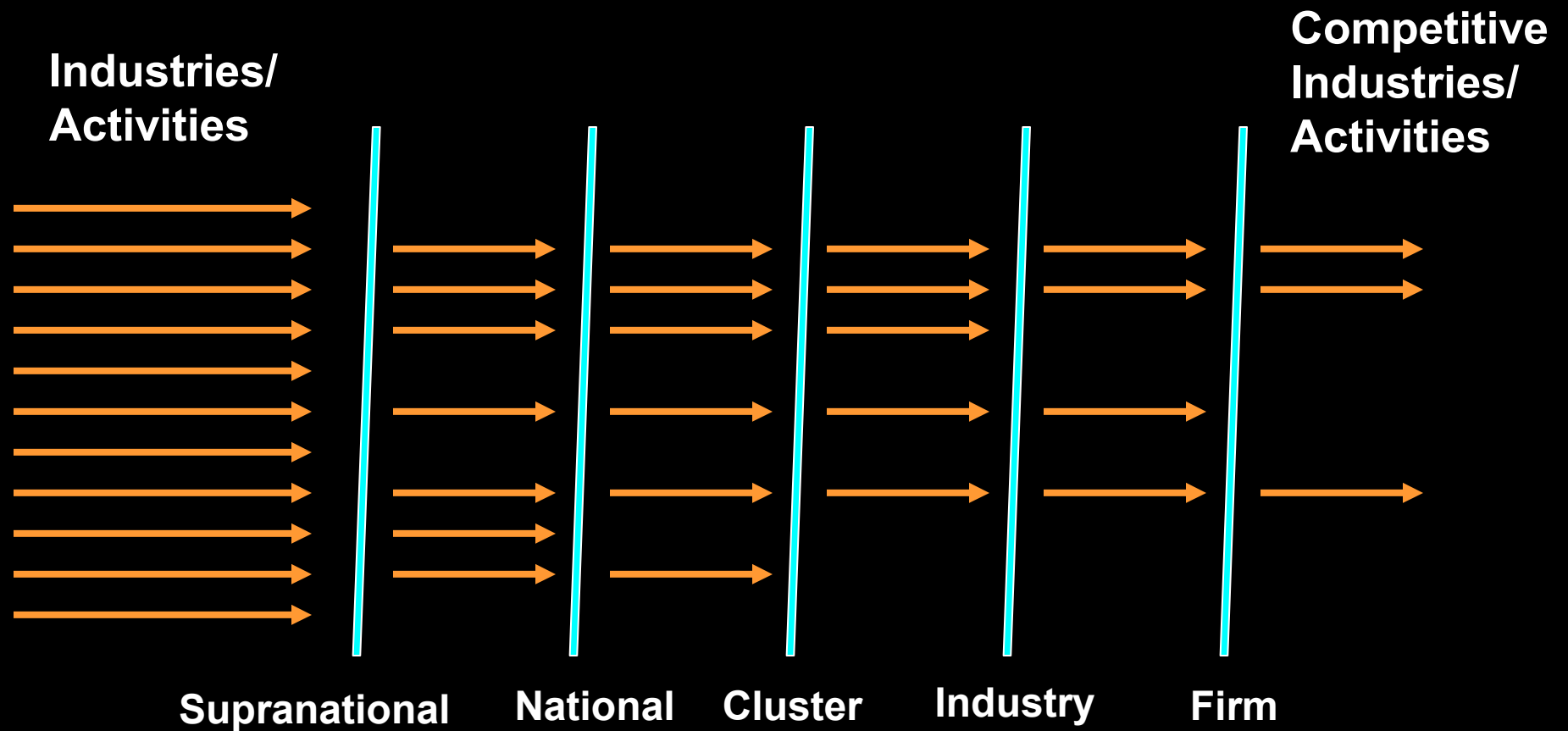
Activities



Competitiveness is systemic



No single level can make a nation competitive, any single level can make a nation uncompetitive



Competitiveness today

- **Importance**
 - **Crucial to economic success**
 - **Nations can run, but not hide**
- **Varying scope**
 - **Business (firm, network, alliance)**
 - **Economic (activity, industry, cluster)**
 - **Geographic (city, region, nation)**
- **Systemic nature**
 - **All parts of the system are important**
 - **All must be operating effectively**
 - **There are no “magic bullet” solutions**

Public and private sectors

- **The public sector is absolutely crucial**
 - International negotiations, relations
 - Domestic policies (macroeconomic, regulatory, industrial, trade, etc.)
 - Implementation (administration, institutions, etc.)
 - Investments (infrastructure, education, etc.)
- **The private sector is absolutely crucial**
 - On the competitiveness firing line
 - 90% of employment in DCs is in the private sector
 - Firm strategies, organizations, capabilities, etc.
 - Articulation of demand for public services

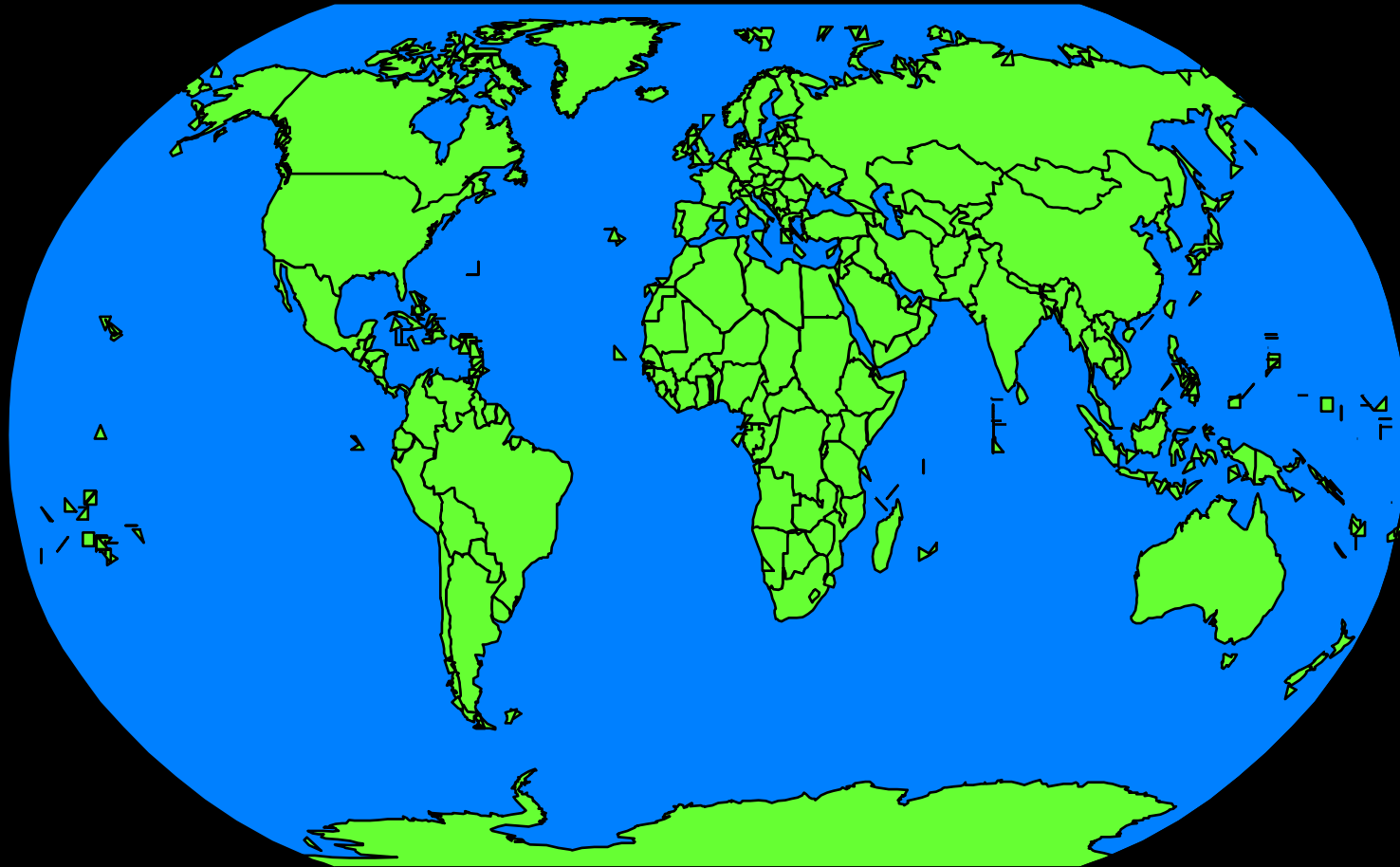
Unleashing the private sector

- **Basic enabling conditions**
 - **Infrastructure (physical, business including finance)**
 - **Regulatory, legal, administrative environments**
 - **Workforce**
- **Scope for private sector**
 - **Openness**
 - **Privatization**
- **Support for the private sector (overcoming market failures)**
 - **Impacted information**
 - **Managerial myopia**
 - **Underprovision of public goods**
 - **Coordination failure**

Engaging the private sector

- **Ascertain the scope of action**
- **Identify or create the private dialogue partners**
- **Work to create public-private and private-private trust**
- **Move beyond special interests to general interests**
- **Identify practical goals and some short-term gains**
- **Start with the bottlenecks**
- **Articulation of private sector demand for public services**
- **Identify public-private paths to overcoming difficulties**
- **Encourage the emergence of private sector champions**
- **Combine carrots and sticks**

Examples



What is required?

- **Private sector capacity**
- **Public sector capacity**
- **Ability to move beyond parochial interests**
- **Willingness to move into the future**
- **Neutral parties to facilitate interaction**
- **Firepower to analyze and strategize**
- **Sensitivity to context**

What about Pakistan?

- **Facing the issues of an opening economy...**
 - **Trade and market liberalization**
 - **Policy changes and reforms**
 - **Need for physical and business infrastructure**
 - **Increasing focus on competitiveness**
 - **Emphasis on private sector development**
- **...with challenges and positives**
 - **Need to overcome legacies of the past**
 - **Government willing to move**
 - **Business environment improving**
 - **An active private sector to engage**
 - **A great deal of good work already in progress**

Thank you

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