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The World Competitiveness Report 1989.
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The ninth in a series, this Report represents the beginning of a fruitful collaboration of two internationally well-known organizations based in Switzerland: IMEDE and the World Economic Forum. The expressed purpose in the Preface of the Report is three-fold: (1) to enable business leaders and senior government bureaucrats to comprehend the national context and competitive environment within which competition amongst enterprises is played out; (2) to analyse the fundamental changes and mega-trends occurring in the world's major economies; (3) to provide a preview of "the shape of things to come".

The Report is organized under eleven substantive headings from "Competitiveness Scoreboard" to "What is International Competitiveness?" to "Data Processing Methodology" plus detailed notes and references as well as a very useful index. For a report of this nature, it is almost as comprehensive and exhaustive as the reader expects it to be. For the convenience of this review, the contents of the report can be examined under two parts:

(a) The quantitative and other results as reflected in the diverse analytical illustrations (scoreboard charts, statistical tables), viewed from an ASEAN perspective, and

(b) the conceptual considerations of international competitiveness.

In mid-1980s, the ASEAN economies (particularly, Indonesia, Malaysia, the Philippines, and Thailand) suffered a serious set-back in their economic performance with the decline in commodity prices. This stimulated government efforts to diversify their economies, increase efficiency through the deregulation of the private sector and programmes of privatization, and increase foreign investment. The efforts of promoting growth with stability have produced favourable outcomes. In 1988 Thailand's (and Singapore's) real economic growth rate was 11.0 per cent leading the economic resurgence of the economies in the region. The growth rates of Malaysia and the Philippines were 7.9 and 6.9 per cent respectively; Indonesia did reasonably well with 4.7 per cent.

Aside from the growth-cum-stability stimulus role of the government, booming exports have been the main source of new growth. There was a recovery of commodity prices, and major primary exports like rubber, sugar, palm oil, tin, and copper increased substantially in 1988. Manufactured exports grew strongly as well. The competitiveness of manufactured exports from the ASEAN countries increased notably because of the appreciation of the yen, won, and New Taiwan dollar and also because of improved incentives for export-oriented producers. Besides, there was some acceleration of growth impetus in Europe dra-

matically heading towards its single European market 1992 along with a significant and rapid expansion of world trade. In these ASEAN economies, domestic demand also strengthened and both investment expenditures and private consumption increased substantially in 1988. In Singapore, Thailand, and Malaysia inflation rates have remained very low and in Indonesia and the Philippines they are still within single-digit figures.

The dramatic acceleration of economic growth in Thailand and Singapore, the recovery of a relatively prosperous Malaysia and the progress of the Philippine recovery and Indonesia's success at stimulating non-oil exports to compensate for decreases in petroleum earnings — all generated a good feeling of confidence and optimism.¹

Indeed, the scoreboards of the *World Competitiveness Report 1989* (henceforth “the Report”), affirmed and highlighted the outstanding economic performance and international competitiveness of the ASEAN economies; while its international competitive statistical tables (pp. 61–189) and individual country profiles (pp. 32–39) provide deeper analyses and details in a highly condensed and concise manner.

The competitiveness scoreboard, computed on the basis of 292 criteria covering 32 countries, shows the overall performance ranking of world competitiveness. This overall scoreboard intergrates two major components of the Report:

1. the “factual” elements of competitiveness drawn from official statistics;
2. the “perceived” elements of competitiveness which are based on a worldwide Business Confidence Survey, specially conducted for the Report. Twenty-three developed countries (all OECD countries) and ten Newly Industrializing Economies have been selected because of their impact on the world economy.

From the region's perspective, it is notable that four of the ASEAN countries: Singapore, Malaysia, Thailand, and Indonesia (Brunei and the Philippines are omitted) are selected

to be among these “10 Newly Industrializing Economies”. However, in the current academic and journalistic literature, Singapore tends to be included together with South Korea, Taiwan, and Hong Kong in the NIE group, popularly known as “the Four Tigers”; while Malaysia, Thailand, Indonesia, and the Philippines (“the ASEAN-4”) have been called the “Next-NIEs” in Asia. In the Report it is more significant to note that in terms of their ranking: Singapore emerged first, above Hong Kong, Taiwan, and Korea; Malaysia and Thailand, fifth and sixth, above India and Brazil; Indonesia, ninth above Mexico.

The Report defines “competitiveness” as: “the ability of entrepreneurs to design, produce and market goods and services, the price and non-price qualities which form a more attractive package than that of competitors”. It emphasizes the distinction between competitiveness consequent of the internal efficiency of an enterprise, and competitiveness that is strengthened or weakened by national environment; and indicates, that both are complementary. The Report focuses on: “How national environments are conducive or detrimental to the domestic and global competitiveness of enterprises operating in those countries.” To put the same essential point differently, international competitiveness can arise from three major sources:

1. the effectiveness and efficiency of the national economic system, involving the use or orchestration of *macroeconomic* controls for achieving competitiveness. A partial list of important considerations includes: trade and budget deficits, tariffs and quotas, currency exchange rates, tax rules for both domestic and international activities, and anti-trust laws.
2. industrial competitiveness, which encompasses the broad diversity of *micro-economic* firm and union policies. A partial list of issues include quality and costs of production, innovation, market share, union and management negotiations, supplier relations, export sales, and import content.

3. Societal competitiveness, which includes such tangible and not-so-tangible variables or factors as family structure, education, health care, savings and consumption, personal freedoms, crime, and individual happiness.

The 292 criteria in the Report comprehensively included all these main criteria as enumerated above. However, the criteria of exchange rate policy and fluctuations especially in recent times need to be underscored. A recent study pointed out that for many multinational companies with operations in different countries, doing all the right things right had failed to protect them from possible and serious losses resulting from foreign exchange rate fluctuations in the short- and long-term.²

Also, as Kenichi Ohmae puts it.³

On a political map, the boundaries between countries are as clear as ever. But on a competitive map, a map showing the real flows of financial and industrial activity, more boundaries have largely disappeared Global needs lead to global products. For managers, this universal flow of information puts a high

premium on learning how to build the strategies and the organizations capable of meeting the requirements of a borderless world.

This important and implied point concerning the crucial role of information and information technology (IT) in the arena of international competitiveness in an increasingly borderless world could be given greater attention in the Report, with more analytic details both at the micro-level of firm/manager decision-making in terms of corporate competitiveness, and at the micro-level of information technology policy and strategies of governments in terms of the heightening pressure of globalization of production and global competitiveness. Despite these remarks, *The 1989 World Competitiveness Report* lives up to the reader's expectations *vis-à-vis* its three-fold purpose mentioned above and has even won the praise of some eminent captain of industry or state.

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NOTES

1. *Asian Development Outlook 1989*, Asian Development Bank, Manila, 1989, *Pacific Economic Outlook 1989-1990*, Pacific Economic Co-operation Conference, 1989.

2. Raj Aggarwal and Luc A. Soenen, "Managing Persistent Real Changes in Currency Values: The Role of Multinational Operating Strategies", *Columbia Journal of World Business*, Fall 1989, pp. 60-67.

3. Kenichi Ohmae, "Managing in a Borderless World", *Harvard Business Review*, May-June 1989, pp. 152-61.