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The kaleidoscope *of competitiveness*

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Competitiveness has become one of the main “standards” governing the ever-changing interplay of interests at the international level. Trade liberalization, structural adjustments, the retooling of production, intelligent coexistence with our natural resources, the struggle to eliminate poverty –all are viewed, in one way or another, through the prism of competitiveness. This has transformed competitiveness into some sort of compulsory principle by which international status is measured and which influences the formulation and implementation of business strategies and national policies. The literature on competitiveness offers a wide array of definitions, ranging from ones that focus on economic aspects to others that attempt to link up the techno-economic, sociopolitical and cultural aspects of the competitive process. The differences among them lie in the way in which they look at the relationship between development and competitiveness. The author contends that it is possible to fashion a “map” of competitiveness: a network of key, inter-linked concepts whose objective remains the same regardless of how competitiveness is defined, i.e., to gain, hold onto, and expand one’s market share. This map depicts an ordered yet flexible set of concepts –a territory and its roads– which can be adapted to the interests and objectives of the user and which, like a kaleidoscope, serves innumerable purposes and permits suitable concepts to be devised to cope with specific problems.

I

A concept and a map

There are words that have the gift of seeming to be extremely precise and specific while at the same time being extremely generic and loose; these concepts are highly operative and measurable but are at the same time exceedingly abstract and extensive. Be that as it may, they all have the knack of shaping behaviour and attitudes and, as tools of evaluation, of influencing our daily lives. One of these magic words is "competitiveness". Perhaps one way of comprehending the magical qualities of this word is to distinguish it from another: "competition".

Competition may be viewed as part of the economic struggle, and the ability to compete may be seen as a process which leads to rivalries between groups of merchants. We could, therefore, draw a distinction between "competition" and "competitiveness", with the latter being regarded as the set of skills and qualities required in order to engage in competition. Competition would thus be the result of competitiveness and would be subsumed into it.

This might be a valid explanation if it were not for the existence of a comprehensive perspective that encompasses both the result and the process. Competition may be understood as a process of confrontation among various sources of capital, i.e., among the powers of enhancement of value and economic expansion which the ownership of capital confers. Competition should be viewed "as an integral, inseparable part of the global process of capital accumulation"; it is, therefore, "the basic engine of the capitalist dynamic" (Possas, 1985). Furthermore, this confrontation among blocs of capital occurs in the marketplace, which is by definition the arena for capitalist competition.

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Viewed in this way, competition and competitiveness would be interchangeable; their use would simply be a matter of preference. And the word "competitiveness" would be nothing more than a term that is currently in fashion, or, as it is defined in a Spanish-language dictionary of economic terms: "competitiveness –cacophonous term introduced in the 1980s meaning *ability to compete*, especially in external markets. In English: *competitiveness*"; this definition suggests that it is an exclusively economic term equivalent in meaning to "competition" (Tamanes, 1988).

Although we could take the view that the global process of capital accumulation encompasses all spheres of capitalist society –and on that basis deem the issue being considered here to have been resolved– we would be lacking an integrated concept of competition to aid us in understanding the new types of issues being addressed by a number of contemporary authors who are looking at competitiveness from a different angle.

We could draw a clear distinction between competition and competitiveness, or we could use the concept of global capital accumulation to join the two terms together –which might be of great help in understanding the multiple meanings currently attributed to the word "competitiveness"– if such a frame of reference were available. In any event, after having examined a portion of the voluminous literature on the subject, it appears worthwhile to present some of the different ways in which the term has been conceptualized, examine their connotations, and compare them with the facts. What does appear to be possible is to devise a "map" of competitiveness, rather than to develop any single concept of the term that would be valid in all cases.

Competitiveness can be better understood with the help of a map or a network of interlinked concepts whose objective remains the same regardless of how competitiveness is defined: gaining, holding onto and expanding one's market share. This map is similar to a kaleidoscope in that it represents an ordered yet flexible set of concepts that can be adapted

to the interests and objectives of the person wishing to use it. And, like a kaleidoscope, the map serves innumerable purposes: it depicts a territory and its roads, as well as the unknown areas found along

those imperfectly known roads, but it does not provide us with the specific elements needed to explore particular problems. To do that, we need to develop the appropriate concept.

II

Conceptualizations of competitiveness

An examination of the literature yields a wide array of definitions. At one extreme, there are definitions that reflect a greater concern with the economic aspects of competitiveness and that emphasize its most immediate and measurable manifestations; at the other extreme, there are definitions that seek to link up the techno-economic, sociopolitical and cultural aspects of the competitive process.

It makes no sense to try to decide which are the "true" or "correct" conceptualizations, inasmuch as all of them view competitiveness as an empirical phenomenon in the light of a given body of theory. What we can say is that the two extremes in this continuum of definitions reflect different interests, different concerns and different theoretical foundations; perhaps one complements the other. We can also say that their differences lie in the way in which they look at the relationship between development and competitiveness from their distinct vantage points, which are not only theoretical in nature but include strategies, policies and social values as well.

1. Conceptualizations with an economic emphasis

In the specialized literature, the predominant approach is an economic one which includes precise working definitions and focuses on the quantitative measurement of the components of the competitive process with a view to the use of comparative methods. The figure of Ricardo and international trade theory have shaped this approach to the analysis of competitiveness.

Let us consider a few examples: "competitiveness is the ability of a country, a sector or a particular firm to participate in external markets" (Feenstra, 1989, introduction); "competitiveness is the ability to derive profit from export activity" (Helleiner, 1989, p. 3); "since for a number of reasons (macroecon-

omic country analyses, a technological capacity for innovation, product quality, etc.) these factors are extremely difficult to measure in quantitative terms, we can look at the concept in terms of relative competitive positions that are clearly associated with international cost and price differentials or, more precisely, the relative changes in these indicators" (Durand and Giorno, 1987, p. 149); "competitiveness is the sustainable ability to realize gains and maintain market share and is thus defined in a way that has three major measurable dimensions: gains, market share and, through the use of the word "sustainability", the dimension of time" (Duren, Martin and Westgren, 1992, p. 2).

From an economic standpoint, understanding the concept of competitiveness requires not only an examination of domestic and external market shares but also a comparative analysis of production costs and prices, exchange and interest rates, market power and "non-price" dimensions, such as market data, product design, packaging, quality control, customer service, marketing and distribution. In short, it includes the efficiency of the exporting economy (sector, firm, country).

In the area of policy, research points to the importance of relating marginal national income to the marginal social cost of a given exportable product and its negative or positive externalities (Helleiner, 1989, pp. 7 and 16), i.e., the welfare implications or those costs that are not fully registered by the market and pricing system (Bannock, Baxter and Davis, 1987).

The use of this concept of competitiveness in the preparation of baseline studies and projections is its most common and practical application. There is no reason to object to this usage so long as we introduce the proviso of *ceteris paribus* and clearly set forth the relevant externalities. Seen from this perspective, the economic system remains linked to the other systems

making up society via the concept of externalities; social costs are no doubt taken into account in the economic system, but because they are difficult to quantify they do not generate feedback for the economy in the form of information of fundamental importance for the viability, continuity and modification of the sociocultural system of which it is a part.

Industrial pollution, the use of forest streams as water sources, the socio-economic exclusion of large groups of poor people, and issues such as those of political representation, democracy and human rights cannot, according to another group of social scientists, be regarded as exogenous to the economy (when dealing with the notion of competitiveness) but must instead be viewed as elements of the sociocultural system.

Actually, there is nothing new about this critical observation. The consideration of economic contingencies in relation to cognition, culture, the social structure and public institutions has a long tradition in a number of the social sciences, including economics. It would seem that these disciplines have now "awakened" from their conceptual slumber. Or perhaps it would be closer to the mark to say that they have been called upon to deal with new types of empirical situations (see, for example, Zukin and DiMaggio, 1990). In regard to the various social sciences—such as anthropology, economics, political science, sociology and history—we may well ask if there are criteria that will allow us to draw fairly clear and sustainable boundaries between them. "On the basis of an analysis of world systems, the answer to this question is a resounding *no*. All the supposed criteria—level of analysis, object of study, methods, theoretical assumptions—lack practical validity or, if not lacking in validity, represent obstacles to the expansion of knowledge rather than stimulating its development" (Wallerstein, 1990, pp. 398-417).

The ascendancy of the economic perspective presupposes the existence of forces that are manipulated by "invisible hands" which are sufficiently powerful to maintain, reform and expand the existing sociocultural system. This hypothesis might be acceptable if, in fact, the world system functioned "properly", as it did during the first three decades after the Second World War. The fact of the matter, however, is that what sets the current world system apart is precisely the need to re-establish the basic assumptions underlying its operation, as is indicated by the high degree of randomness that obliges econ-

omic agents and Governments to engage in continual improvisations. What had been external to a given sub-system "became" internal, thus making it necessary to re-think the rationale of economic activity.

2. Conceptualizations with a sociocultural emphasis

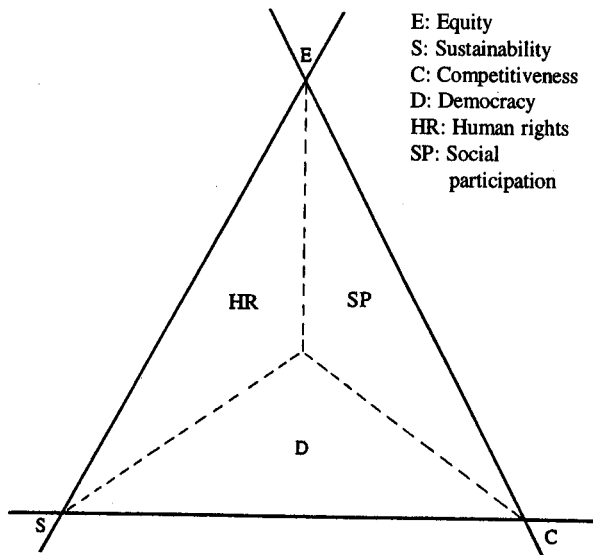
The main thrust of this approach may be grasped by referring to the most basic criticism made of the preceding one: an economic conceptualization of the situation does not allow itself to be sullied by any other dimension of the social system, which means, in practice, that it does not permit the formulation of the "integrated strategy of economic and social reforms" required by an "innovative society" (Bradford, 1992, p. 18). The point of departure for the sociocultural approach (Buckley, 1971, p. 15) may be described as follows: For Latin America, the 1990s are a time during which the region's poor and its Governments are reaching towards broader objectives than would have been feasible in the 1980s. There are now new imperatives of social equity, international competitiveness and environmental sustainability which must be satisfied within a democratic framework marked by increasing social participation and a respect for human rights. In order to fulfil these new imperatives, an effort will have to be made to stimulate economic growth while at the same time consolidating recent achievements in the areas of economic stabilization and adjustment (Bradford, 1992, p. 3).

This approach, which was developed during the 1980s by ECLAC and is broadly summarized in ECLAC (1990), is based on the work of Fernando Fajnzylber and has been taken up by Colin Bradford at the Development Centre of the Organization for Economic Cooperation and Development (OECD). It may be summed up in two main points: i) new technological, organizational, institutional, legal, political and cultural imperatives are shaping contemporary thought and action and make it possible to design a particular future configuration for the sociocultural system; and ii) competitiveness is being given greater weight in terms of how it relates to other concepts (equity and sustainability) and social values (democracy, human rights and social participation) (see figure 1).

We might say that the authors of this proposal are performing the same function as ideologists and scholars did in other eras. They profit from past ex-

FIGURE 1

The relationship between competitiveness and other concepts and social values



Source: Prepared by the author.

periences by making a critical analysis of them, they question the existing state of affairs, they take advantage of material and cultural opportunities, and they advocate the material expression of values inherited from Western culture. The implementation of this development model entails a change in societal attitudes and behaviour in all social segments as they head towards an innovative society (Bradford, 1992, p. 7).

Although we cannot rule out the possibility of a civilizing regression of sociocultural systems, the ideology of the proposed development model, which is buttressed by the principle of participatory democracy, is entirely compatible with competitiveness based on continuing innovations or, as F. Fajnzylber called it, authentic competitiveness. This raises a crucial question (which we will return to later on), primarily for those who would define competitiveness as the absence of power or coercion. Moreover, it is a more complex view of how the competitive process is configured, inasmuch as it does not focus solely on the structural determination of production but also includes, in addition to the issue of power, aspects relating to the control of national and international security, of credit and of knowledge, beliefs and ideas (Strange, 1988, pp. 24-29).

In this sense, competitiveness is not interchangeable with competition, nor can it boast a conceptual status of its own. In fact, it must struggle to defend its very identity and strive to form part of a body of theory in which: i) it is relevant to a problem area or issue for which it can provide a valid solution; ii) it is capable of providing an explanatory frame of reference; and iii) it is capable of furnishing hypotheses that lend themselves to simulation. This struggle also extends to the realms of ideology and praxis.

In the field of economics, the complexity of the meanings and viewpoints associated with the use of the term is evident. "Obligatory references in the recent literature to industrial policy, performance analysis and the outlook for industry notwithstanding, these authors do not hold the same view of competitiveness. The differences among them are born of their differing theoretical foundations, views of industrial dynamics and even ideologies, and they have implications for the evaluation of industry and of any policy proposals that may be formulated" (Haguenaer, 1990, pp. 327-328).

Following an analysis of the definitions of competitiveness, its conceptual uses and the issues it raises, other authors have concluded that "the evaluation of competitiveness calls for an approach that goes beyond traditional trade theory to determine the nature of the trade matrix and how it is influenced by corporate strategies and government intervention. Innumerable factors have been identified in addition to competitive pricing, and various levels of analysis have been presented. Some authors feel it is futile to research a new paradigm to take the place of traditional trade theory, but the political importance of devising a new 'strategic' trade theory has already been acknowledged. An important lesson to be drawn from this literature is that specific industrial sectors are of special importance. We need detailed case studies, prepared by business strategists, to complement the theoretically rigorous studies we already have, which are based on general equilibrium theory and are highly aggregated in terms of both macroeconomics and trade" (Abbot and Bredahl, 1992, pp. 19-20). These authors are uneasy about explaining the reasons for the patterns of production and trade observed between nations, although the discussion that has followed upon the debate concerning the Leontief paradox continues to be of key importance.

An exploration of the concept of competitiveness from what we may call a sociocultural stand-

point goes far beyond the issue of international trade, although such trade is certainly a part of competitiveness.

For over a decade now, a number of authors have defended the idea of an explicit relationship between efficiency, productivity, competitiveness and rising living standards. Porter, for example, says: "My theory begins from individual industries and competitors and builds up to the economy as a whole ... The theory presented in this book attempts to capture the full complexity and richness of actual competition, rather than abstract from it ... I have sought here to integrate the many elements which influence how companies behave and economies progress. The result is a holistic approach whose level of complexity may be uncomfortable to some" (Porter, 1990, foreword).

It is worth taking a moment to examine two ideas that have been championed by this and other authors, both of which underscore the sociocultural perspective: one associates competitiveness with productivity, and the other regards competitiveness as a national ability rather than as an ability possessed by any one individual firm.

Productivity is the master key to competitiveness and is founded upon technological, organizational and institutional innovations. Although technological innovations may not be the "cause" of economic development, they are a core element of such development (Labini, 1989, pp. 22 and 33). These innovations do not come from empirical, random sources but are instead brought about by organizations commonly known as national innovation systems.

These systems entail what Dosi (according to Villaschi, 1992, pp. 51-76) identifies as three interlinked domains: the technological domain (the educational system, laboratories and research), the economic domain (the forms taken by production units) and the domain of socio-political institutions

sees the situation differently: "Companies are not the only ones competing in the international marketplace. Confrontations also occur between production systems, institutional schemes and social organizations, in which business enterprises are an important element but one that is integrated into a network of linkages with the educational system, technological infrastructure, relations between management and labour, the public and private institutional apparatus, the financial system, etc." (Fajnzylber, 1988, pp. 22-23). And to emphasize this point: "In sum, in today's world products not only compete with one another but are the manifestation of competition between different production, technological and educational systems" (Rosales, 1990, pp. 711-712).

In the final report of a seminar on international competitiveness coordinated by the Economic Development Institute (EDI) of the World Bank and held in the Republic of Korea in April 1990, one of the rapporteurs, Irfan ul Haque, states that it is not enough to understand the competitiveness of manufactured products in terms of their basic elements, such as price and quality, because, in actual fact, these products cannot easily be compared with one another; there is no direct relationship between price and quality, since it is quite difficult to specify the quality of differentiated products. Nor can competitiveness be defined simply as the ability to export or to generate trade surpluses, since this can also be accomplished by artificial means (e.g., lowering the exchange rate or reducing domestic expenses, such as wages) (Haque, 1991, p. 5).

Haque critically appraises the positions taken by Porter (1990) and Pérez (1989). Porter's interpretation is founded upon the absence of any universally suitable system of technological development, which means that each nation must devise its own system based on its own history, culture and values; however, technological advances being almost universal

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