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Insight Report

The Global Competitiveness Report 2013–2014

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Table 1: Performance of ASEAN members in the 2013–14 GCI and the 12 composing pillars, rank out of 148 economies

Country/economy	GLOBAL COMPETITIVENESS INDEX	BASIC REQUIREMENTS				EFFICIENCY ENHANCERS						INNOVATION AND SOPHISTICATION FACTORS	
		1st pillar: Institutions	2nd pillar: Infrastructure	3rd pillar: Macroeconomic environment	4th pillar: Health and primary education	5th pillar: Higher education and training	6th pillar: Goods market efficiency	7th pillar: Labor market efficiency	8th pillar: Financial market development	9th pillar: Technological readiness	10th pillar: Market size	11th pillar: Business sophistication	12th pillar: Innovation
Singapore	2	3	2	18	2	2	1	1	2	7	34	17	9
Malaysia	24	29	29	38	33	46	10	25	6	51	26	20	25
Brunei Darussalam	26	25	58	1	23	55	42	10	56	71	131	56	59
Thailand	37	78	47	31	81	66	34	62	32	78	22	40	66
Indonesia	38	67	61	26	72	64	50	103	60	75	15	37	33
Philippines	59	79	96	40	96	67	82	100	48	77	33	49	69
Vietnam	70	98	82	87	67	95	74	56	93	102	36	98	76
Lao PDR	81	63	84	93	80	111	54	44	91	113	122	78	68
Cambodia	88	91	101	83	99	116	55	27	65	97	92	86	91
Myanmar	139	141	141	125	111	139	135	98	144	148	79	146	143

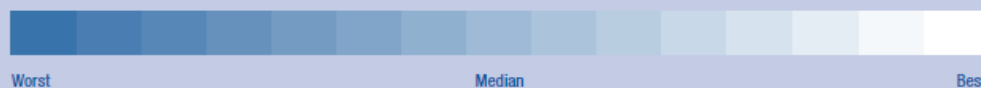
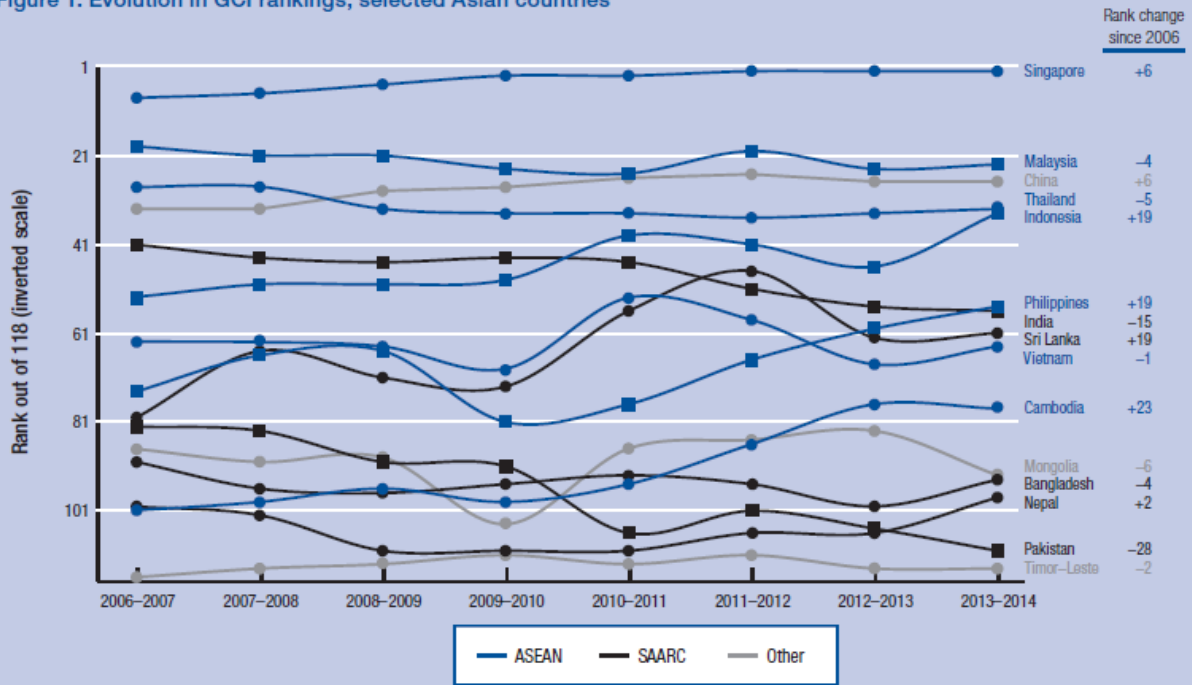


Figure 1: Evolution in GCI rankings, selected Asian countries



Source: World Economic Forum, *The Global Competitiveness Report*, various years.

Notes: The ranks are among the 118 countries covered in every edition since 2006–2007. SAARC = South Asian Association for Regional Cooperation.

(Cont'd.)

Box 5: ASEAN's competitiveness landscape: A mixed picture with encouraging trends

To any observer of the region, the developmental gap within the Association of Southeast Asian Nations (ASEAN) is striking. No other regional integration initiative has deeper disparities among participating members. Founded in 1967 by Indonesia, Malaysia, Singapore, Thailand, and the Philippines, the subsequent accession of Brunei Darussalam, Vietnam, Lao PDR, Myanmar, and Cambodia have made ASEAN's developmental landscape even more disparate. For example, Singapore is 80 times richer than Myanmar, where infant mortality rate is 25 times higher. Singapore's population also lives 20 years longer than Cambodia's.

Despite this diversity, ASEAN has embarked on an ambitious journey toward regional integration. The ASEAN Economic Community (AEC) is one of the three pillars of this integration effort, alongside the ASEAN Political-Security Community and the ASEAN Socio-Cultural Community. The AEC vision is for ASEAN to become, by 2015, a single market and production base, a highly competitive economic region, a region of equitable economic development, and a region fully integrated into the global economy. Progress is real. By its own account, ASEAN has implemented nearly 80 percent of the measures set out in the AEC Blueprint of 2007.¹

Although it remains to be seen whether the AEC vision will be fully realized by 2015, the fast-approaching deadline should motivate ASEAN leaders, and boosting competitiveness should be a priority. Competitiveness will foster economic development, which in turn will reduce disparities and accelerate regional and global integration—the other goals of the AEC.

the positive consequences of the 1997 Asian financial crisis, which created havoc across ASEAN nations and inspired reforms.

All in all, the assessment is very mixed. Much remains to be done for ASEAN to become a more competitive, prosperous, and harmonious group. Although ASEAN economies have enjoyed brisk economic growth over the past decade, the foundations remain relatively shaky for a number of countries. Yet there is reason for optimism.

First, since the 2006–2007 edition of the GCI, the competitiveness trends for ASEAN have been overwhelmingly positive, as seen in Figure 1, which depicts the evolution in rank of selected developing Asian countries within a constant sample of 118 economies.² The seven ASEAN members (identified by solid blue lines) covered since 2006 have either improved or maintained their standing over the eight-year period to 2013.³ Cambodia has leapfrogged 23 ranks, the fourth largest gain within the entire sample. Indonesia and the Philippines each progress 19 places. Indonesia posts the biggest progression among the group of 20 major economies (G20). It is all the more encouraging that these two nations are also the most populous in ASEAN, accounting for more than half of the group's population. Furthermore, Singapore has improved steadily from 8th in 2006 to 2nd in 2011—behind Switzerland—and has retained its rank since then. Malaysia and Thailand have slightly declined, losing four and five places, respectively, but they have done so from a relatively high base and both countries have progressed in the last year. Meanwhile, Vietnam has seen important improvements

This year for the first time, with the inclusion of Lao PDR and Myanmar, the Global Competitiveness Index (GCI) offers a complete picture of ASEAN's competitiveness landscape, and it is a landscape that demonstrates much greater contrast than exhibited in earlier GCI editions. Lao PDR comes in 81st and Myanmar ranks 139th, some 50 places behind Cambodia, which at 88th place is ranked second lowest in ASEAN. Table 1 allows for a more granular analysis of the GCI results by reporting the rank achieved by ASEAN Member States in the overall GCI and its 12 pillars. The different shadings allow for a ready identification of strengths and weaknesses and of regional patterns. Plain white and dark blue colors correspond to the 1st and 148th rank, respectively.

The table reveals that Singapore is in a league of its own. Malaysia performs consistently well, although room for improvement remains. Myanmar is ASEAN's lowest ranked nation on all the pillars except market size. In technological readiness, it even ranks last among the 148 economies studied. The table also reveals that the competitiveness of most ASEAN countries is still impeded by poor transport, inadequate energy and communication infrastructures, low enrollment rates and/or mediocre quality in education, and low levels of technological readiness. With the exception of Singapore and Myanmar, performance tends to be inconsistent across the different pillars of the Index. Finally, the macroeconomic environment (3rd pillar) is rather sound in a majority of ASEAN countries, much more so than in many troubled advanced economies. In fact, Brunei Darussalam—an oil-rich economy—tops this pillar. More prudent and sustainable macroeconomic management is probably one of

followed by similar declines—partly reflecting the fragility of its economy—and now sits just one notch below its 2006 rank.

Second, in terms of competitiveness levels and trends, the ASEAN nations fare much better than most developing Asian nations, especially when compared with South Asian Association for Regional Cooperation (SAARC) countries (identified by solid black lines in Figure 1). With the notable exception of Sri Lanka, which has gained 19 ranks, the historical performance of other SAARC countries is disappointing. India has lost 15 places since 2006. The Philippines, once 40 places behind, is now ahead of India, and its rank differential with China—the other BRIC in the region—is 29, up from just 8 in 2006. Meanwhile Pakistan, the second largest country in South Asia, has slumped 28 positions, the fourth biggest decline out of all economies in the sample, over the 2006–2013 period. Mongolia, like Vietnam, exhibits erratic trends, owing to an unstable macroeconomic environment and investment climate, and posts a net loss of six places over the period.

Third, the fact that ASEAN membership spans the entire development ladder and includes competitiveness champions can benefit the less competitive countries in the group. Indeed, there are many stories of member countries successfully addressing key competitiveness issues in ways that could be emulated by others. For instance, Singapore is a competitiveness champion. Its administration is one of the world's least corrupt and most efficient. Malaysia has been tackling excessive regulation as part of its Government Transformation Programme, and the Philippines—where a national competitiveness council was set up in 2006—has made significant strides against corruption. Furthermore, a

1.1: The Global Competitiveness Index 2013–2014

Box 5: ASEAN's competitiveness landscape: A mixed picture with encouraging trends (cont'd.)

number of regional initiatives, launched in the 1990s following the accession of less developed members and aimed at reducing the developmental gap, have proven quite effective. These include the Initiative for ASEAN Integration and the Master Plan on ASEAN connectivity.

Although the responsibility for addressing the structural issues described above lies primarily with national actors, regional cooperation is critical. Efforts at the country and regional levels are complementary and reinforce each other. They enable Member States to leverage growth opportunities and strengthen their respective competitive advantages to

move up the value chain, thus reducing the intra-ASEAN developmental gap.

Notes

- 1 See ASEAN 2013
- 2 The ranking based on the constant sample of 118 countries differs from the ranking of the 2013–2014 edition of the GCI, which comprises 148 economies.
- 3 For the sake of readability, we refer only to the first year (e.g., 2006 instead of 2006–2007) of the Index edition that corresponds to the release year.