



The Puerto Rico Chamber of Commerce  
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# Puerto Rico Global Competitiveness Potential: World Economic Forum 2012

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- **Competitiveness: what it is and why is it important**

The World Economic Forum 's Global Competitiveness Report (GCR) is recognized as the most important comparative study of countries in the world in terms of the factors that influence the potential for economic competitiveness.

First published in 1979, the report provides the most comprehensive assessment of competitiveness of 144 developed and emerging economies.



# Puerto Rico Competitiveness

World Economic Forum GCR 2012



- In Puerto Rico:



# Puerto Rico Competitiveness

## World Economic Forum GCR 2012



### • Competitiveness: what it is and why is it important

- ✓ Competitiveness is a complex and controversial issue in a very complex and uncertain world and global economy.
- ✓ Intensity of spread and response to globalization forces, rapid technical change, shrinking economic distances, and market liberalization.
- ✓ Governments concerned with retaining technological and economic lead seek *benchmarks*.
- ✓ Many countries, provides and states produce local competitiveness rankings.

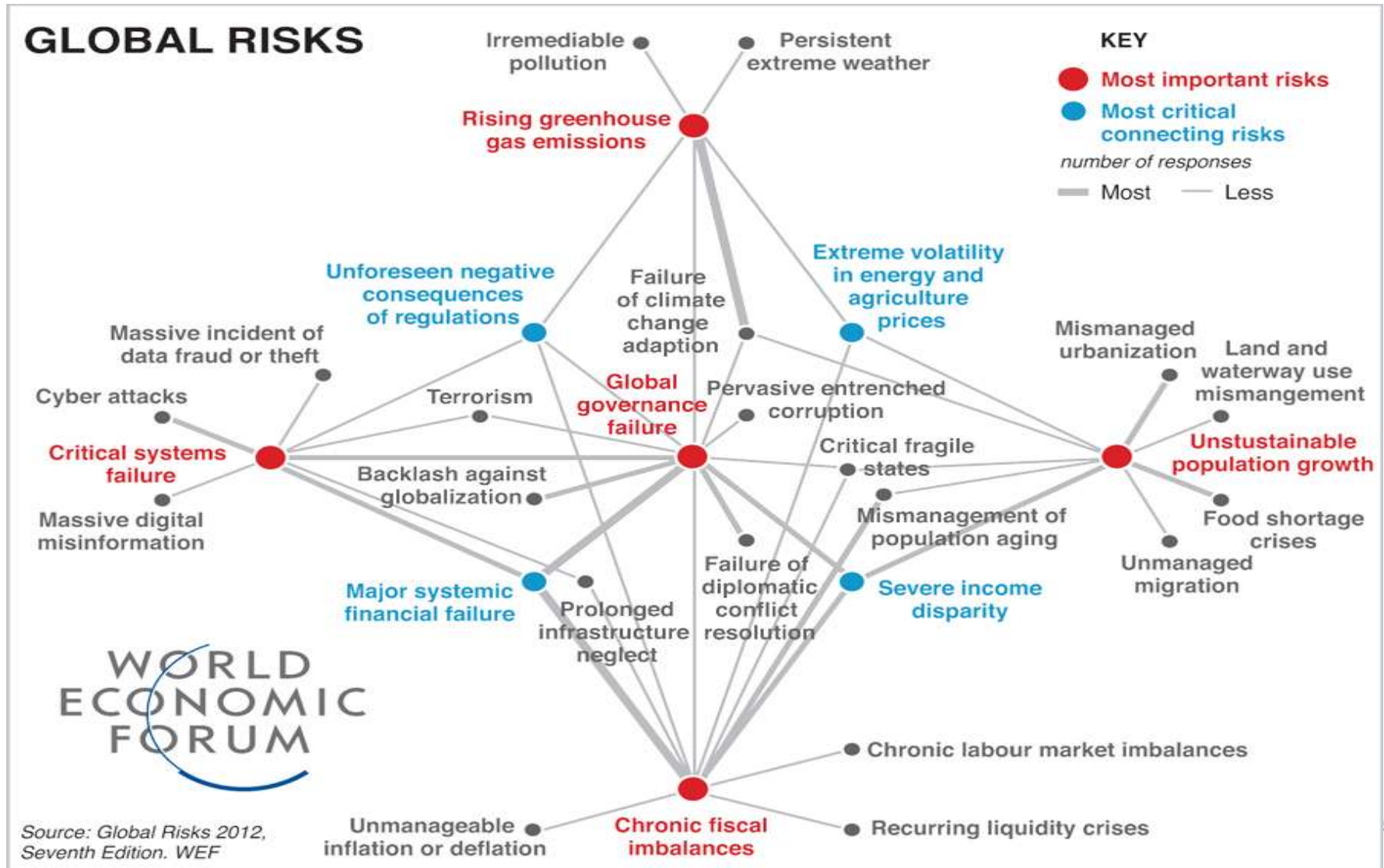


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## • We live in turbulent world...

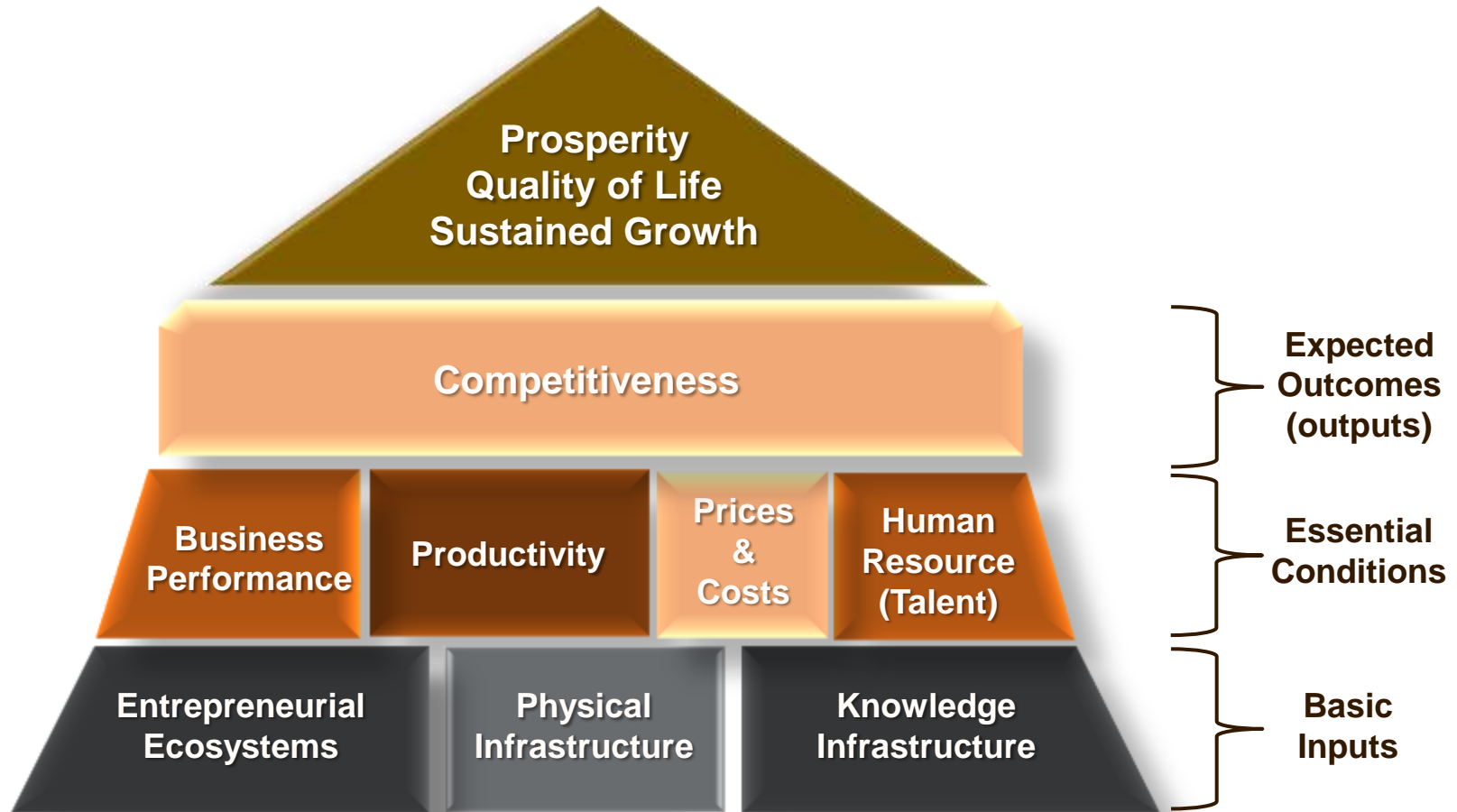


# Puerto Rico Competitiveness

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- **Competitiveness:**



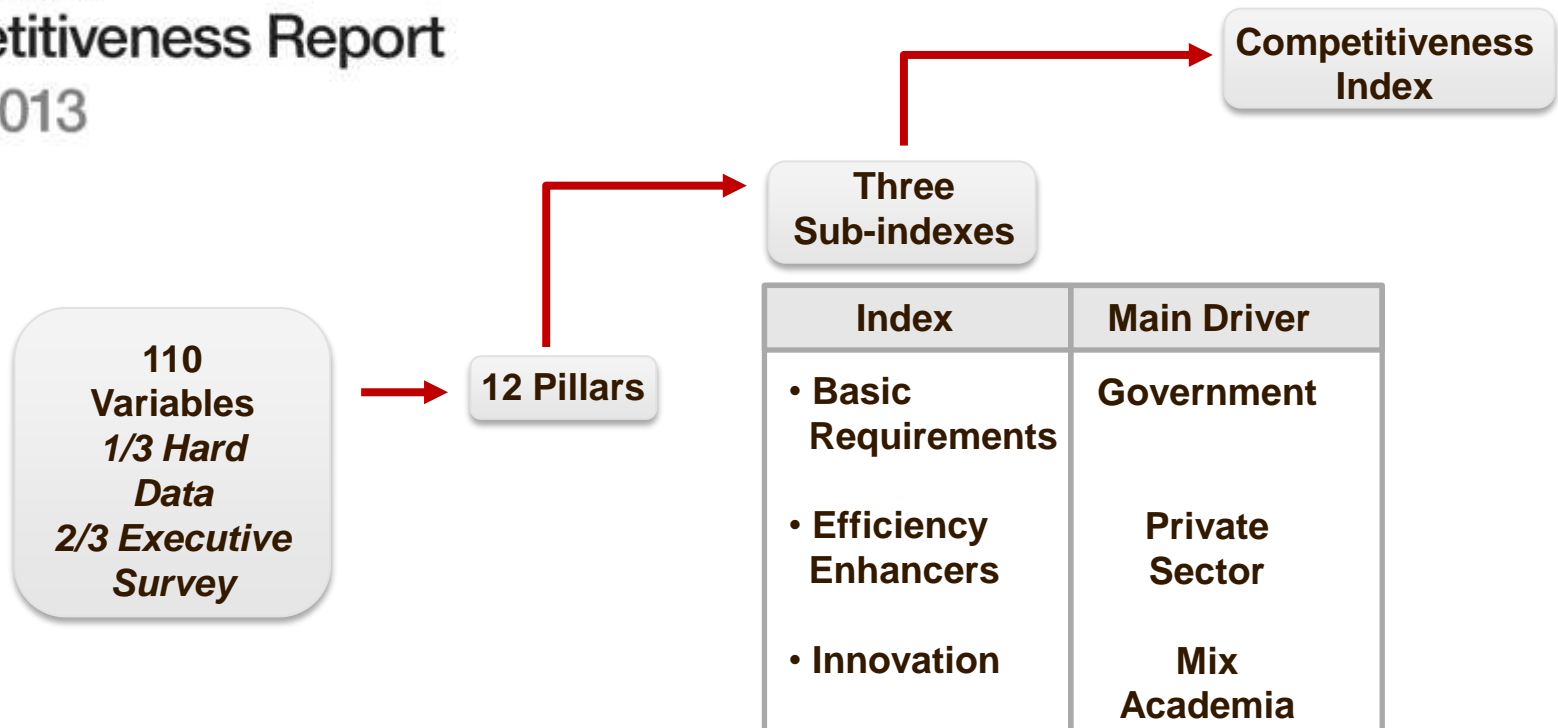
# Puerto Rico Competitiveness

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## • Methodology:

### The Global Competitiveness Report 2012-2013

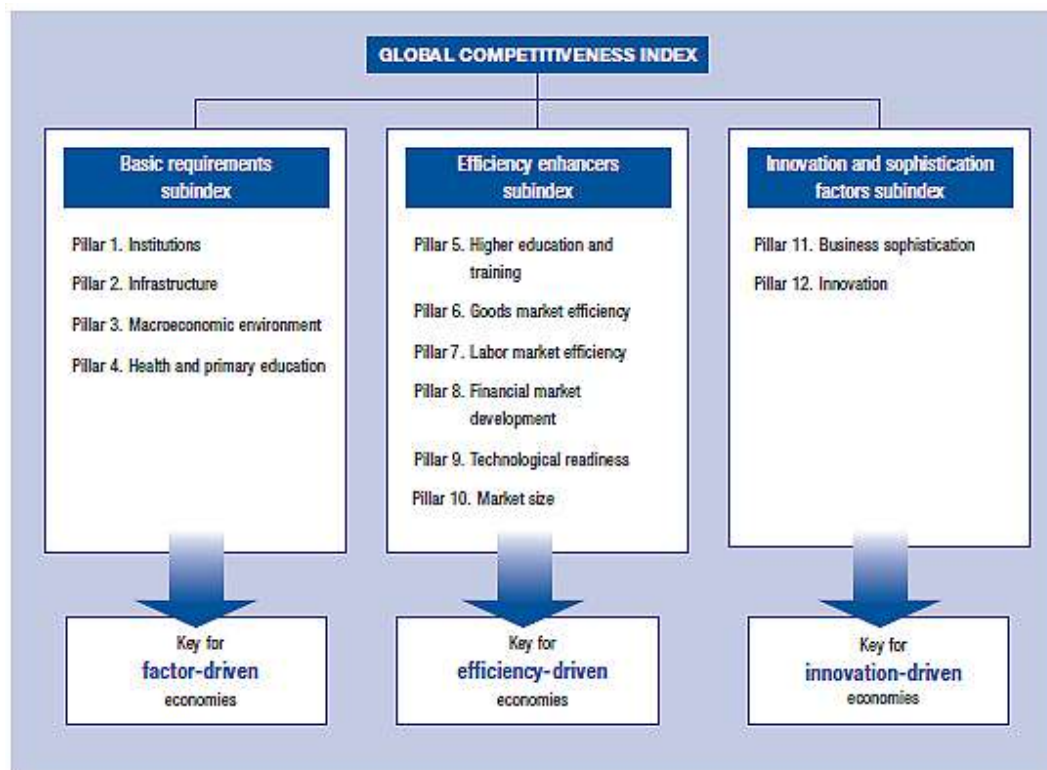


# Puerto Rico Competitiveness

## World Economic Forum GCR 2012

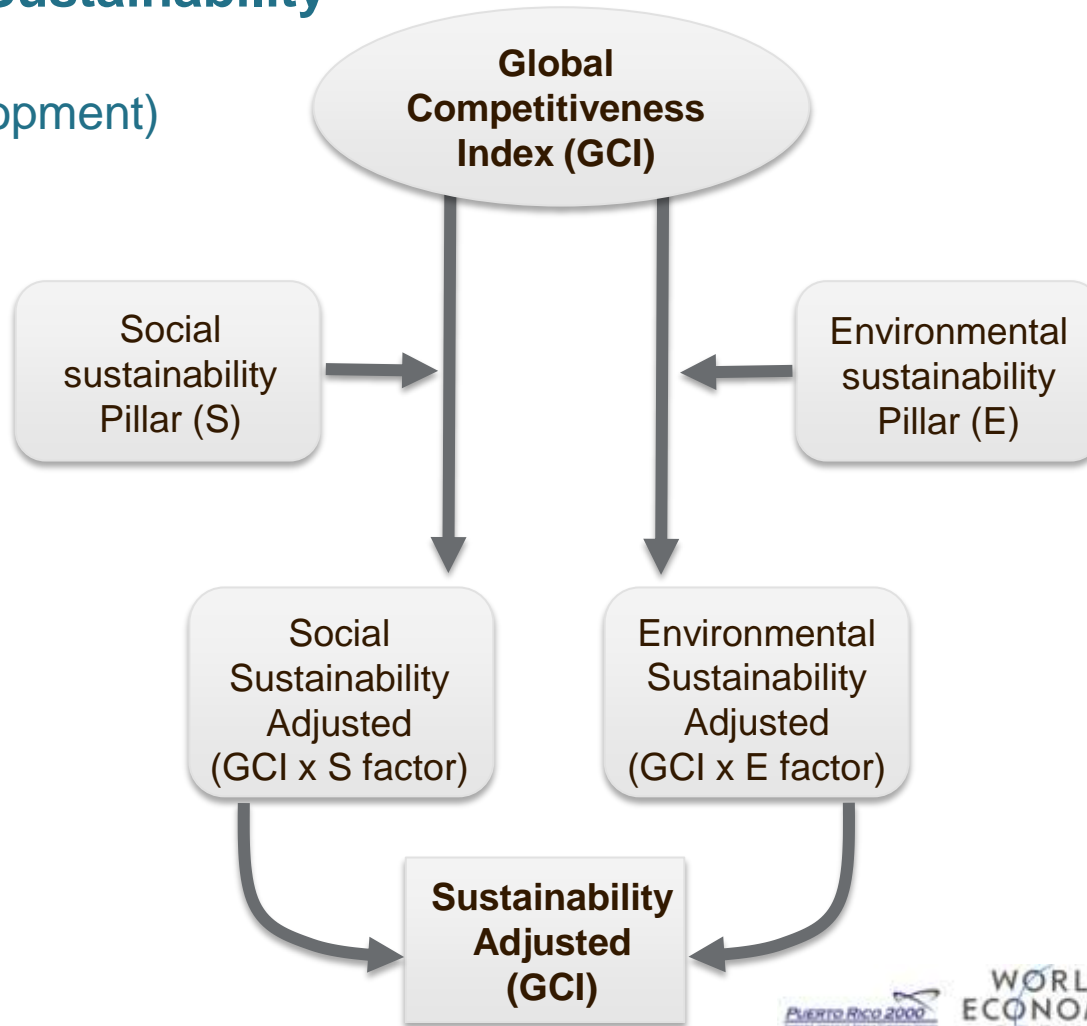
### • Methodology:

	STAGES OF DEVELOPMENT				
	Stage 1: Factor-driven	Transition from stage 1 to stage 2	Stage 2: Efficiency-driven	Transition from stage 2 to stage 3	Stage 3: Innovation-driven
GDP per capita (US\$) thresholds*	<2,000	2,000–2,999	3,000–8,999	9,000–17,000	>17,000
Weight for basic requirements subindex	60%	40–60%	40%	20–40%	20%
Weight for efficiency enhancers subindex	35%	35–50%	50%	50%	50%
Weight for innovation and sophistication factors	5%	5–10%	10%	10–30%	30%





- **Global Sustainability Index:**  
(in development)



# Puerto Rico Competitiveness

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### • WEF GCR – Most competitive potential



#### Puerto Rico

Population 3.7 M  
 GDP 2010 \$98.8B  
 Per capita \$26,500  
 Stage 3

- Basic Requirements (+4%)
- Efficiency Enhancers (+2%)
- Innovation (+7%)

**31 (+4) ↑**  
 de 144

	2012	2011	
Switzerland	1	1	→
Singapore	2	2	→
Finland	3	4	↑
Sweden	4	3	↓
Holland	5	7	↑
Germany	6	6	→
United States	7	5	↓
United Kingdom	8	10	↑
Hong Kong SAR	9	11	↑
Japan	10	9	↓
China	29	26	↓
Chile	33	31	↓
Brazil	48	53	↑
México	53	58	↑
Panama	40	49	↑

# Puerto Rico Competitiveness

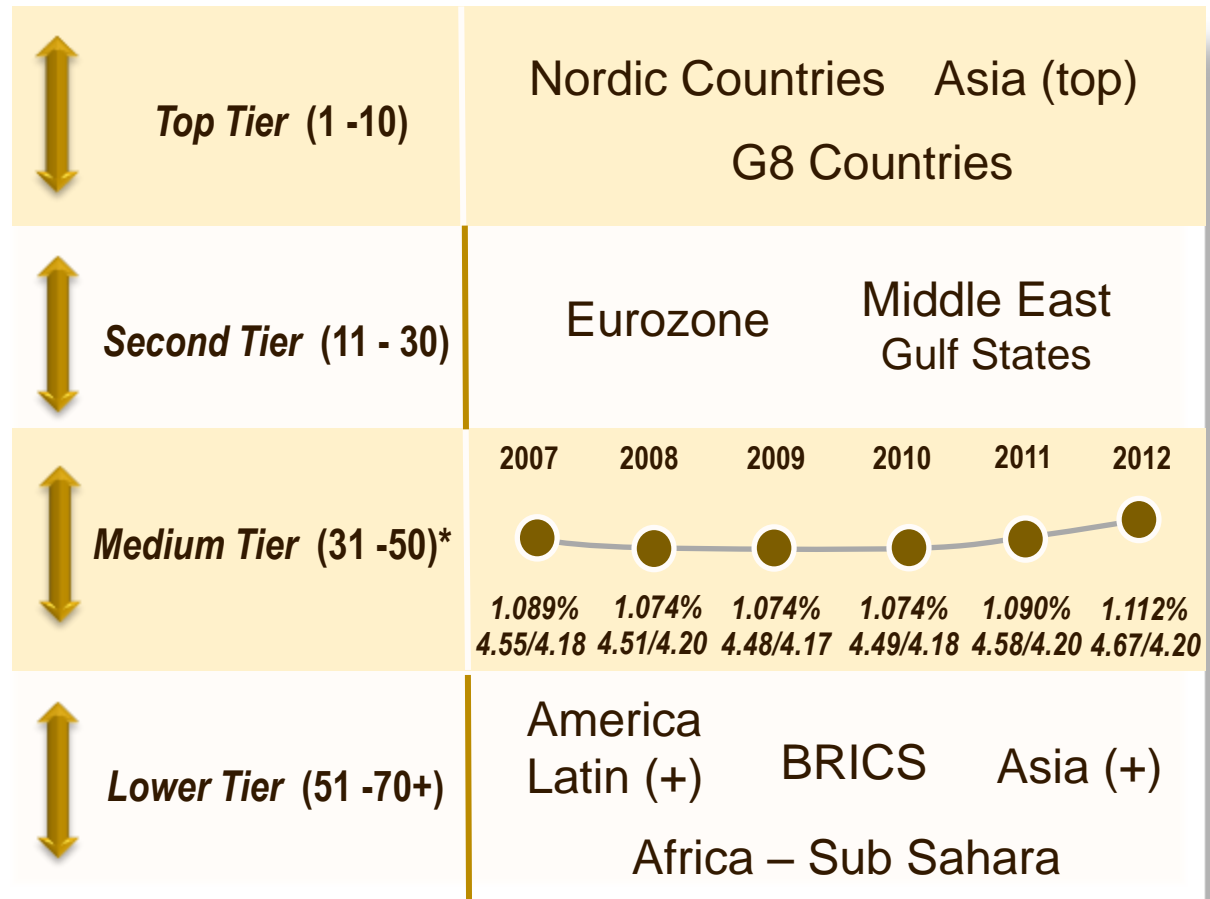
## World Economic Forum GCR 2012



### • Historical Trends:



Puerto Rico



# Puerto Rico Competitiveness

## World Economic Forum GCR 2012

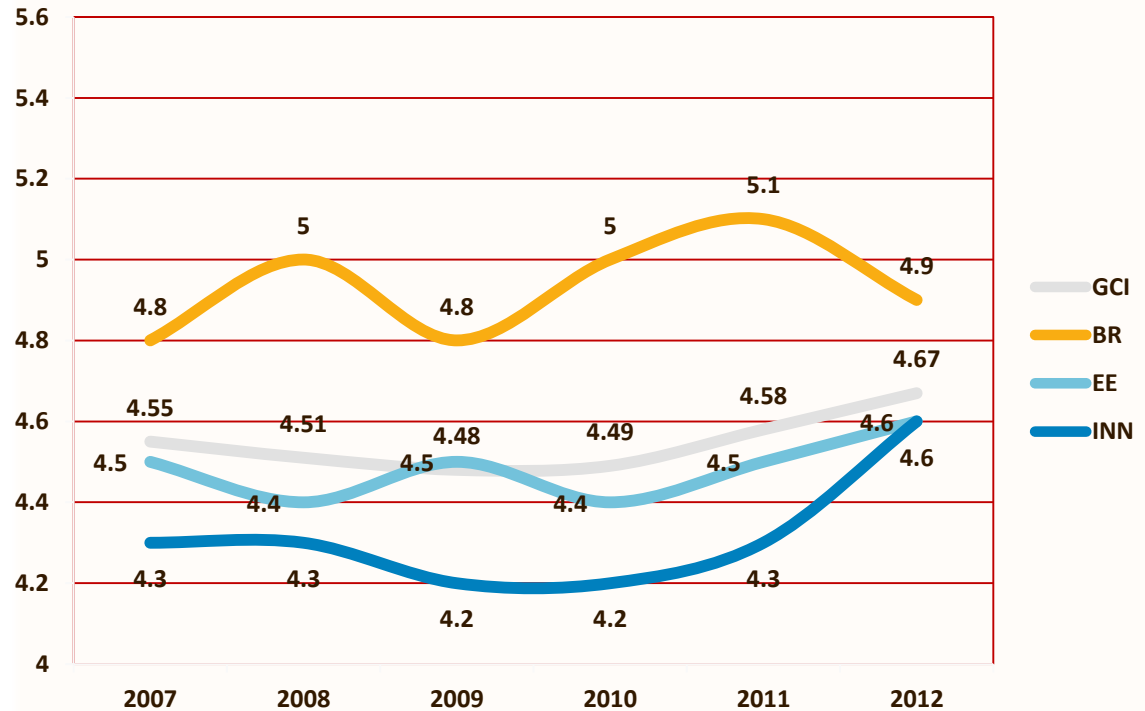


### • Historical Trends:



**Puerto Rico**

BR – Basic Requirements → Government  
 EE – Efficiency Enhancers → Private Enterprise  
 INN – Innovation → Private Enterprise & Academia



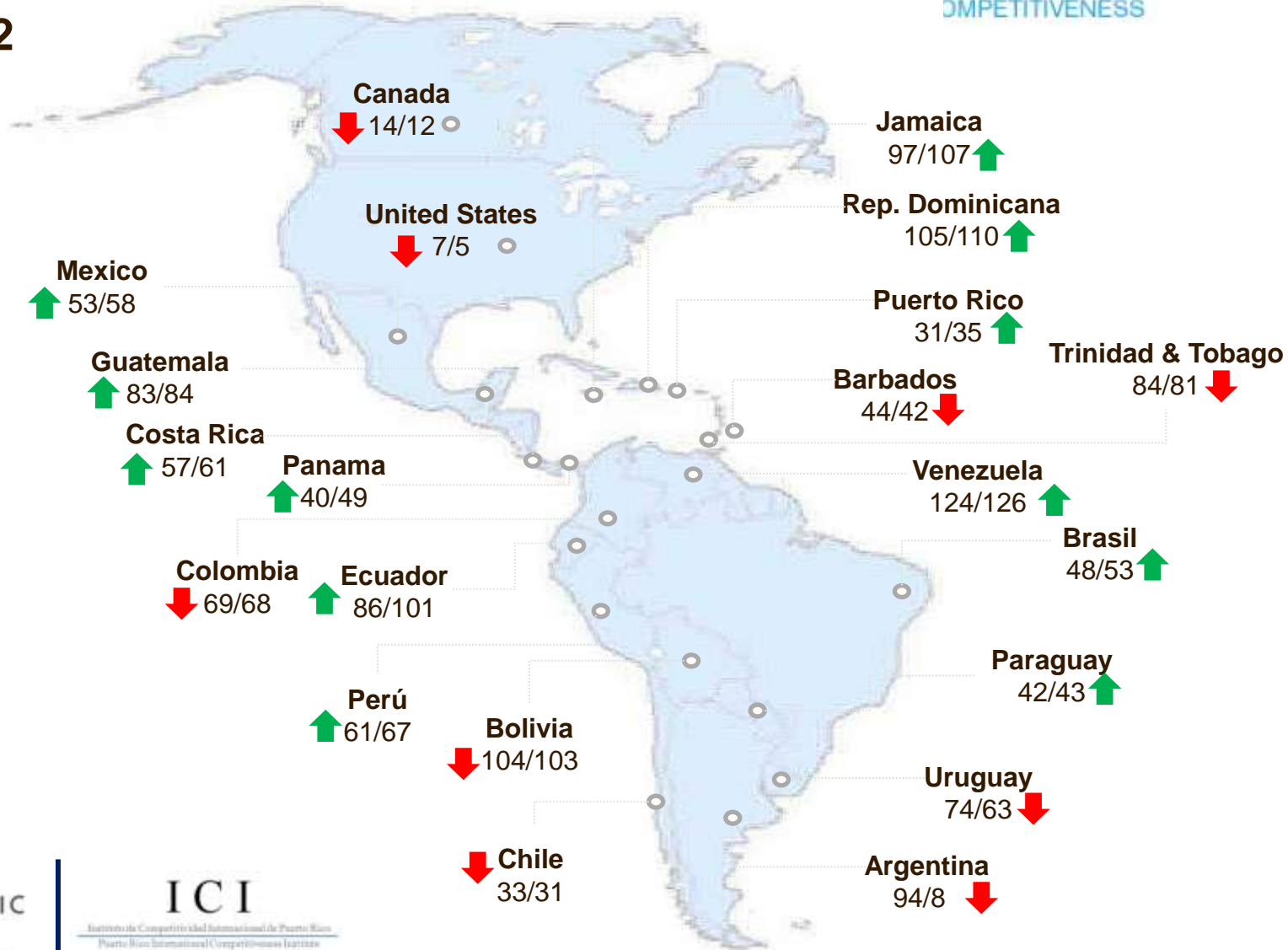
# Puerto Rico Competitiveness

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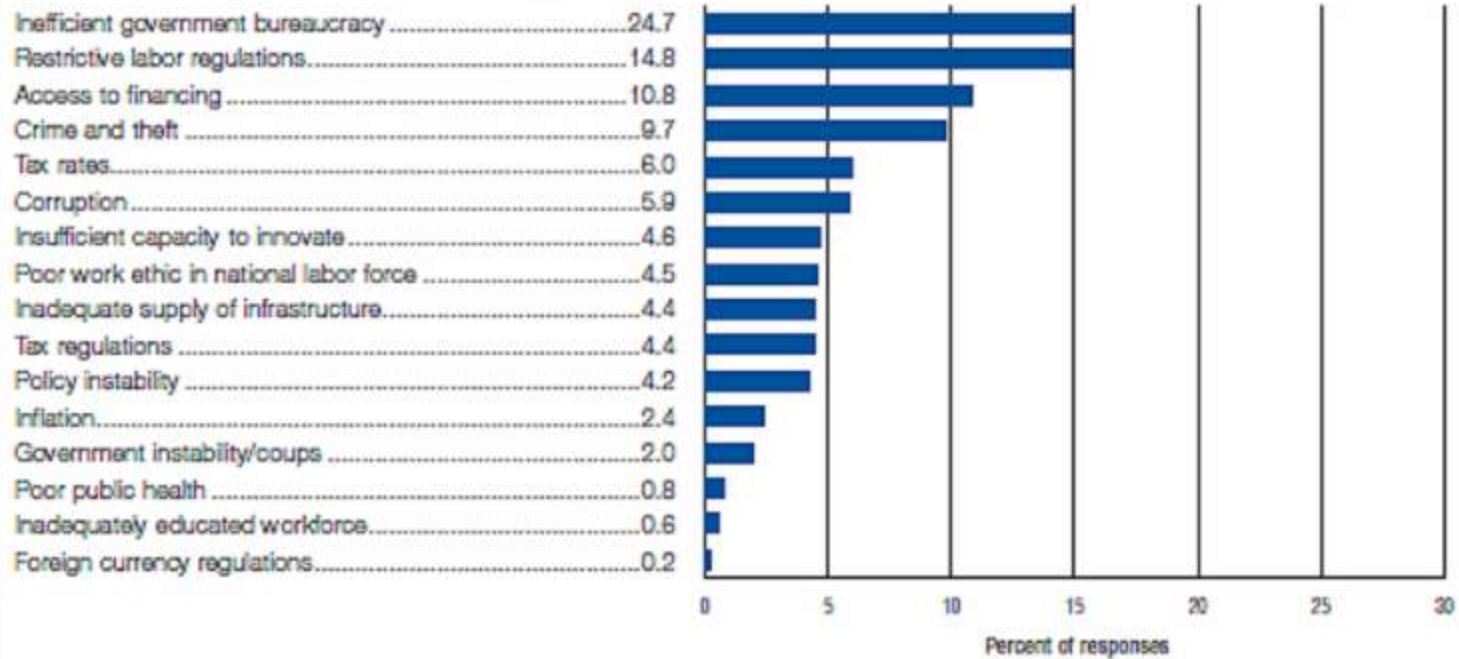
### Americas 2012

Country  
Rank/Rank  
2012 2011



- **Executive Survey: Puerto Rico**

### The most problematic factors for doing business







**Note:** From the list of factors above, respondents were asked to select the five most problematic for doing business in their country and to rank them between 1 (most problematic) and 5. The bars in the figure show the responses weighted according to their rankings.

# Puerto Rico Competitiveness

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### • Historical Trend: Puerto Rico\*

WEF 12 Pillars	Strengths	Challenges
Institution		
Infrastructure		
Macroeconomic Environment		
Health & Primary Education		
Higher Education & Training		
Goods Market Efficiency		
Labor Market Efficiency		
Financial Market Efficiency		
Technological Readiness		
Market Size		
Innovation		
Business Sophistication		

\* GCI 2007 to 2012 results vs. average median results for total participating countries

## • Puerto Rico: Strengths

- ✓ **Business sophistication factors:**
  - Local supplier quality
  - Production process sophistication
  - Extent of marketing
  - Willingness to delegate authority
  
- ✓ **Technological readiness factors:**
  - Firm-level technology absorption
  - Internet usage
  
- ✓ **Goods market efficiency factors:**
  - Intensity of local competition
  - Degree of customer orientation
  - Buyer sophistication
  
- ✓ **Innovation factors:**
  - Availability of scientist and engineers
  - Capacity for innovation



## • Puerto Rico: Strengths (continued)

- ✓ **Institutional, Health and Infrastructure factors:**
  - Property rights
  - Intellectual property protection
  - Efficiency of legal framework
  - Strength of auditing standards
  - Quality of air transport infrastructure
  - Tuberculosis and Malaria
  
- ✓ **Labor market efficiency factors:**
  - Reliance on professional management
  
- ✓ **Financial market efficiency factors:**
  - Availability and affordability of financial services
  - Regulations and securities exchanges
  - Legal rights
  
- ✓ **Higher education factors:**
  - Tertiary enrollment
  - Availability of research and training services

## • Puerto Rico: Challenges

### ✓ Institutional, Health, Infrastructure and Macroeconomic factors:

- Burden of government regulations
- Business cost of crime and violence
- Wastefulness of government spending
- Transparency of government policymaking
- Quality of electrical supply
- Government debt as % of GDP
- National savings as % of GDP
- Prevalence of HIV % of adult population
- Business impact of HIV/AIDS

### ✓ Labor market efficiency factors:

- Brain drain
- Hiring and firing practices

### ✓ Financial market efficiency factors:

- Ease of access to loans
- Perception – soundness of banks
- Venture capital availability

## • Puerto Rico: Challenges (continued)

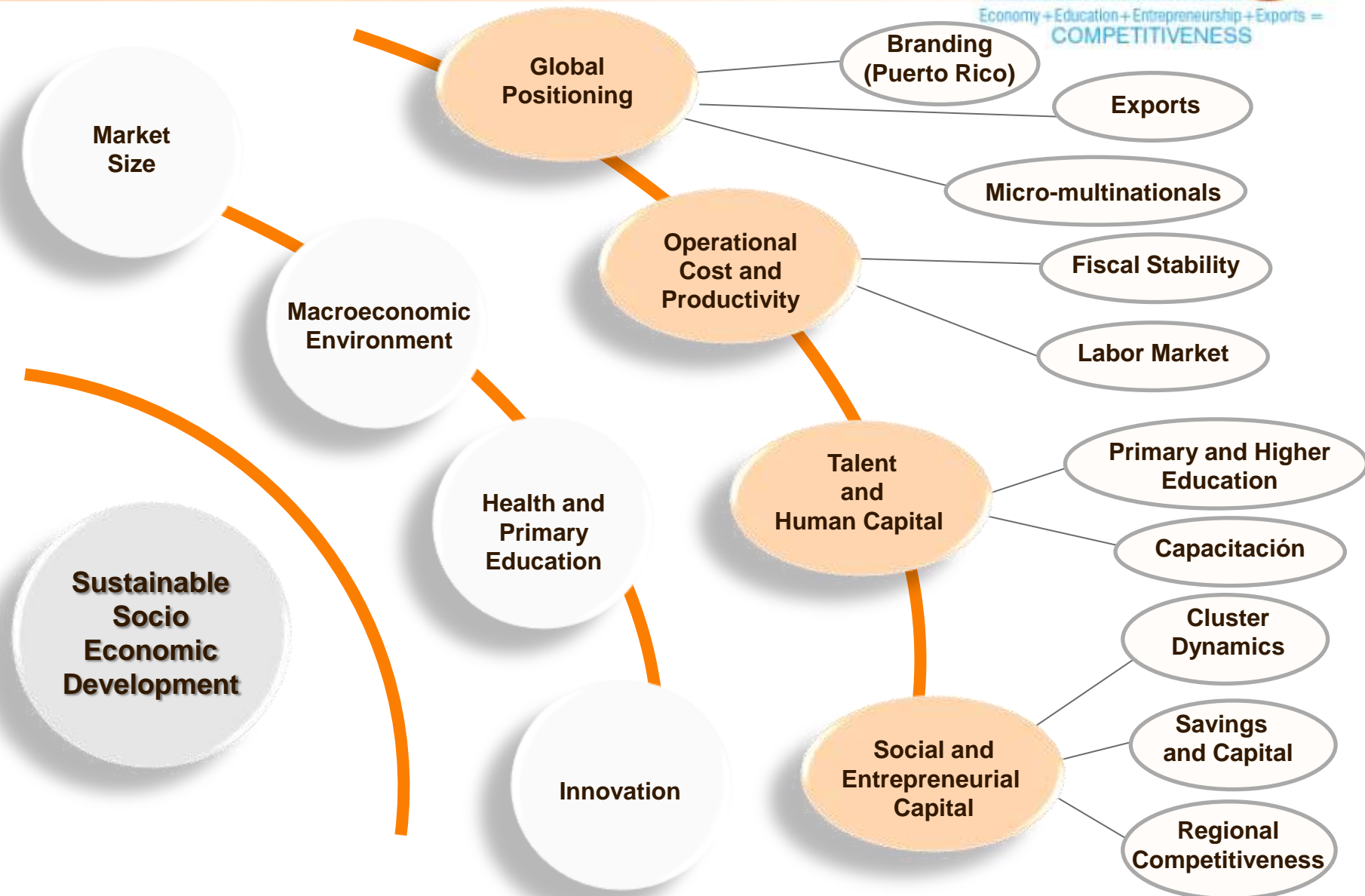
- ✓ **Primary and Higher education factors:**
  - Quality of primary education system
  - Quality of math and science education
  
- ✓ **Innovation factors:**
  - Government procurement of advanced tech products
  - Company spending on R&D
  
- ✓ **Market size factors:**
  - Domestic market size
  - Foreign market size

## • Competitiveness - Golden Rules:

- ✓ Create a stable and predictable legislative environment.
- ✓ Invest in traditional and technological infrastructure.
- ✓ Promote private savings and domestic investment.
- ✓ Develop aggressiveness on the international markets as well as FDI
- ✓ Maintain a relationship between wage levels, productivity and taxation.
- ✓ Preserve the social fabric by reducing wage disparity - strengthened middle class.
- ✓ Invest heavily in education and life-long training of the labor force.
- ✓ Ensure substantial wealth creation, while preserving the value systems that citizens desire.

## • Policy implications for Puerto Rico:

- ✓ Address the brain drain
- ✓ Increase national savings rate (banks and credit unions)
- ✓ Enhance business and entrepreneurial clusters
- ✓ Increase contribution from government procurement of advance technology
- ✓ Reduce overall tax rate
- ✓ Improve labor regulations



# Puerto Rico Competitiveness

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# Thank You!



**Recinto de Bayamón**  
UNIVERSIDAD  
**INTERAMERICANA**  
DE PUERTO RICO

# ICI

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