

GLOBAL COMPETITIVENESS REPORT 2018: ANALYSIS

One way to recognize how competitive an economy is, is to measure its productivity. The World Economic Forum believes that a competitive economy is a productive one, as productivity is a prerequisite and a very important factor contributing towards growth. Growth, in turn, increases income levels and allows a country to develop sustainably and inclusively, resulting in a society that would be more able to benefit from the fruits of economic growth. In simpler words, increasing competitiveness means rising prosperity, security and, therefore, standard of living.

The World Economic Forum has been measuring the economic competitiveness of a country since 1979 and it defines it as “the set of institutions, policies and factors that determine the level of productivity of a country”. The WEF measures this by breaking down a country’s competitiveness into 12 distinct pillars which are then divided into 3 sub-indexes or stages: Basic Requirements/ factor driven stage, Efficiency Enhancers/ Efficiency Driven Stage, Innovation and Sophistication/ Innovation Driven Stage. The impact of each pillar on economic competitiveness varies across countries and is measured with respect to their stage in economic development. In 2018, the WEF introduced new methodologies where it lay its emphasis on the role and importance of human capital, innovation and technology as major features of economic success.

Over the past years, South Asia has showed continuing economic growth and an improved macroeconomic position. South Asia has been seen as the fastest-growing region in the world, with an average, and increasing, GDP growth rate of 7.1%. Although a few countries in the region have been able to localize segments of global industries in terms of manufacturing, services and distribution, all South Asian countries need to enhance their technological capabilities and innovation capacities in order to generate more value-added products and services. Similar to the 2017 findings, in 2018, infrastructure and innovative readiness remains the regions weakest pillar. Innovation capacities, technological capabilities and ICT adoption are main areas where the region lags behind the rest of the world. When it comes to innovative capabilities, India, South Asia’s thriving and prospering country, is ranked 31st, followed by Pakistan, the second best, further below at the 75th position.

Although India is considered as South Asia’s driving force, Pakistan too has grown economically over the past year. In 2018, Pakistan’s ranking improved 9 points to 107 (out of 140) with a score of 51.1(out of 100) as compared to its ranking at 122 (out of 138) in 2017, with a score of 3.49 (out of 7). Competitiveness Rank for Pakistan was averaged at a score of 111.92 through the years 2007-2018, with its all-time high of 133 in 2014, and its lowest score 83 in 2007. In 2017, Pakistan, along with 35 other economies, was placed in the first stage of economic development, the factor-driven stage, where it remains also in 2018. Pakistan was ranked at 109/140 for the first pillar, Institutions, which was an increase from its 2017 ranking of 111/138. It is at 127 for

ICT Adoption, 93 at Infrastructure, 103 for macroeconomic stability, 109 at health, 125 at Skills, 122 for product market, 121 for Labour Market, 89 for financial system, 67 for business dynamism, and was ranked at 75 for innovation capability. Pakistan's ranking for its mean years of schooling is at 121, its skillset of secondary-education graduates is at 47, whereas its ranking for the skillset of graduates is at 51. Not only this but, Pakistan's Diversity of Workforce was ranked at 107, its growth of innovative companies at 56, and was ranked at 94 for soundness of banks.

For Freedom of Press, the country scored the worst with a ranking of 112. Meanwhile, for Judicial Independence, where the best index is from 1-7, Pakistan was ranked at 70, with a budget transparency score of 77. With respect to terrorism, Pakistan was close to the bottom. For transportation and connectivity, train efficiency was placed at 52, airport connectivity was placed at 41, and its road quality was ranked at 69. On incidents of corruption, Pakistan was reduced down to 3 points to 99 in 2018 as compared to 102 in 2017. This was due to the recent developments by NAB which not only increased transparency and accountability in the country, but also increased the nations' trust in their leaders and public officials.

Pakistan's annual (average) GDP growth rate is 3.6%, while its GDP per Capita stands at \$1,541.1. Moreover, its 5-year average FDI inward flow as a percentage of GDP is at 0.7%.

In 2018, the United States topped the rankings, with an average score of 85.6 points, and confirmed its position as a highly productive, competitive and innovative economy. The US was praised by the WEF for its entrepreneurial culture, its relatively stable financial system and its strong economy. Although its score is well above the world average of 60, however, it is still far away from what the World Economic Forum considers as a competitive economy.

While presenting the report to the Chairman NAB, Justice (R) Javed Iqbal and to CEO Mishal Pakistan, Amir Jahangir, the World Economic Forum congratulated the National Accountability Bureau on adopting and implementing tools, techniques and methods in order to improve Pakistan's competitiveness. However, the government still needs to make further developments and advances in improving our processes and framework, strengthening our Judicial System and enhancing our Legislative Branch.

By Amal Khurram.