

Press Release

Embargo Date: May 4, 2004 at 18:30 Local time

PUBLICATION: IMD WORLD COMPETITIVENESS YEARBOOK 2004

The WCY analyzes and ranks the ability of nations to create and maintain an environment that sustains the competitiveness of enterprises. Articles should refer to the official IMD site: www.imd.ch/wcy.

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FORGET OFFSHORING, IT'S MORE SERIOUS THAN THAT!

*A new breed of competitors is reshaping the world
(All quotes can be attributed to Professor Stéphane Garelli, IMD)*

Offshoring triggers new deficits

For every dollar invested in the US, four dollars are invested by American enterprises abroad. Competitiveness has so far thrived on exploiting low cost opportunities around the world. Asia is attracting 60% of the investments going to developing countries. China has become the first recipient of direct investment and the 4th largest exporter of manufactured goods in the World. The US balance of trade is plunging to a staggering deficit of \$581bn. However, about half of the imports entering the US are actually American products, manufactured abroad by American corporations and shipped back to the US.

Investments move from West to East

Investments move East, and not only to Asia. Most industrialized nations are paying more than \$20 an hour for their labor cost. Germany peaks at \$30. China, India and Russia fare on average under \$1. Estonia, a mere 30 minute flight away from Finland, pays its workforce \$2.7! The new European member states, especially the Slovak and Czech republics and the Baltic States closely follow the path of Ireland, where direct investment flows account for 20% of GDP. But in Ireland, the labor cost has surged to \$18!

Beyond offshoring, a new breed of competitors

A new breed of local competitors emerges, mainly from Asia, and soon from Russia and Central Europe. They don't only provide manufacturing or services to western companies; they compete in their own right with their own brands. They will assail western markets, just as Japan did before, but on a much wider scale. Such nations are quickly absorbing world standards in management and technology, which are spread by offshoring activities. Contrary to many industrialized nations, especially in Europe, they are eager to succeed. They often rank very high in accepting the need for economic and social reform or in having values that sustain competitiveness. They reshape world competitiveness. Others will dearly suffer.

THE 2004 WORLD COMPETITIVENESS RANKINGS

THE TOP TEN (OUT OF 60)			
Score 04	Country/Region	Rank 04	Rank 03
100.0	USA	1	1
89.0	Singapore	2	4
86.6	Canada	3	6
86.0	Australia	4	7
86.0	Iceland	5	8
85.8	Hong Kong	6	10
84.4	Denmark	7	5
83.6	Finland	8	3
83.1	Luxembourg	9	2
80.3	Ireland	10	11

THE BIG MOVERS (GLOBAL)			
Change	Country/Region	Rank 04	Rank 03
+ 19	Zhejiang	19	38
+ 16	India	34	50
+ 11	Bavaria	20	31
+ 6	Maharashtra	38	44
+ 6	Slovak Republic	40	46
+ 5	Taiwan	12	17
+ 5	Malaysia	16	21
+ 5	China Mainland	24	29
+ 4	Hong Kong	6	10
+ 4	Russia	50	54

The IMD World Competitiveness Yearbook 2004 provides several customized rankings, whether global, by size, by wealth, by regions, etc. In the overall ranking, for example, the US ranks 1st, Singapore 2nd, Finland 8th, Switzerland 14th, the Netherlands 15th, Germany 21st, the UK 22nd, Japan 23rd, China 24th, Chile 26th, France 30th, Korea 35th, South Africa 49th, Russia 50th, Italy 51st, Brazil 53rd, Mexico 56th and Venezuela 60th. On the other hand, those whose position has improved the most are: Zhejiang 19th, Bavaria 20th, India 34th and Maharashtra 38th. Here are two samples of customized rankings split by population size:

POPULATION GREATER THAN 20 MILLION				POPULATION LESS THAN 20 MILLION			
Score 04	Country/Region	Rank 04	Rank 03	Score 04	Country/Region	Rank 04	Rank 03
100.0	USA	1	1	89.0	Singapore	1	3
86.6	Canada	2	2	86.0	Iceland	2	5
86.0	Australia	3	3	85.8	Hong Kong	3	7
79.5	Taiwan	4	4	84.4	Denmark	4	4
75.9	Malaysia	5	7	83.6	Finland	5	2
74.3	Zhejiang (China)	6	14	83.1	Luxembourg	6	1
73.4	Germany	7	6	80.3	Ireland	7	8
72.2	United Kingdom	8	5	79.6	Sweden	8	9
71.9	Japan	9	9	78.9	Austria	9	11
70.7	China Mainland	10	11	78.8	Switzerland	10	6

(NB: The Scores are actually indices (0 to 100) generated for the unique purpose of constructing charts and graphics.)

WHAT IS THE WCY?

<ul style="list-style-type: none"> • Competitiveness of 60 economies, using 323 criteria • Focuses primarily on Hard data (from international, regional and national sources) • Survey data – from the annual WCY Executive Opinion Survey 2004 	<ul style="list-style-type: none"> • Published since 1989 without interruption and earliest publication every year • Worldwide reference point with objective benchmarking • Reliable and up-to-date data with unique network of 57 Partner Institutes worldwide
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WHAT IS IMD?

IMD is an independent not-for-profit foundation located in Lausanne, Switzerland. For over 50 years it has trained managers of leading international companies. Its proven “Real World. Real Learning” philosophy is designed to enhance leadership in every area of management. IMD helps executives and companies find new and innovative ways in which to sustain global competitiveness.

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