Competitiveness in International Food and Agricultural Markets

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Why an issue at this time?

- Strengthening of Canadian dollar.
- Much of Canada is resource and export commodity driven
- Significant change in competitiveness of auto industry
- Importance of greenhouse exports to provincial economy
Canadian dollar has steadily strengthened from less than US$0.65 in 2001 to about parity or better in the past year.
Trade Theory
*Wealth is set by endowments*
- Adam Smith

Extensions
- Ricardo, H&O, Leontief
- Vernon, Lancaster
- Krugman

Debate
- Thurow
- Krugman

Competitiveness Theory
*Wealth is created by choices*
- Michael Porter
Determinants of National Competitiveness

Five Factor Model

- Firm Strategy, Structure and Rivalry
- Factor Conditions
- Demand Conditions
- Related and Supporting Industries
- Chance
Why attractive?

In the mid 20th century, Ghana was a middle income country. South Korea and Singapore ranked among the least developed countries. Late in the 20th century, Ghana ranked among the least developed, South Korea ranked as a middle income country and Singapore was almost a developed country.

Provided an alternative analytical path to the resource determined outcomes of trade theory.
But, not without controversies:
• How is competitiveness measured?
• How is national welfare and policy outcomes measured?

Krugman: Competitiveness leads to a wrong policy set. Loses sight of the potential of trade to create wealth. A beggar-thy-neighbor set of policies. Increased productivity, and supporting policies, is the current path.
Applications reveal shortcomings of National Diamond

Early 1990s, studies of Canada, Singapore and South Korea proposed what turned out to be erroneous conclusions and wrong-headed policy prescriptions.

Conclusions:

• Skills of workers, professionals and technocrats (human resources) was not adequately considered.

• The National Diamond did not adequately consider pressures and forces from outside national borders.
Nine Factor Model

Government

Endowed Resources

International Competitiveness

Demand Conditions

Related and Supporting Industries

Entrepreneurs

Workers

Professionals

Chance
Reformulation to capture importance of management systems and competitiveness:

\[ \Pi = P(Q \mid MS_i) \cdot Q - \Gamma(MS_i) \cdot C(Q) - TC(Q \mid MS_i) \]

<table>
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<tr>
<th>Profit</th>
<th>Total Revenue</th>
<th>Total Cost</th>
<th>Transaction Cost</th>
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Conclusion:

Management systems, as well as firm strategy, are important element of competitiveness and of increasing productivity through time.

Competitiveness, and official concern for it, drives the policy agenda in most countries.
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Selected References:
