

AMERICAS COMPETITIVENESS FORUM

Summary Report



“Working together to promote open markets, create jobs, and encourage investment is strongly in the long-term best interest of all our citizens, ... In bringing together over 900 government and private-sector decision makers, this forum presents a unique opportunity for us to generate new forward momentum in the Western Hemisphere.”

**—U.S. Secretary of Commerce
Carlos M. Gutierrez at the inaugural
Americas Competitiveness Forum,
June 11, 2007**

Introduction

High-level government officials from 30 countries in the Western Hemisphere participated in the Americas Competitiveness Forum (ACF) along with hundreds of representatives from the business community, academia, and non-government and multinational organizations.

The ACF explored four main themes that were identified by the U.S. Department of Commerce are integral to improving the state of competitiveness in the Western Hemisphere:

- Education and workforce development
- Innovation
- Small business development
- Global supply chain strategies

Through a diverse program featuring distinguished speakers with a broad range of expertise and knowledge, together with breakout sessions focused on case studies and best practices, participants were exposed to cutting-edge ideas and were inspired by new concepts. This report summarizes the key objectives, themes, and conclusions of the ACF.

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Introduction	1
Global Supply Chain Strategies	2
Small Business Development	4
Innovation	5
Education and Workforce Development	6
A Framework for Future Action: Next Steps	8



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U.S. Secretary of Commerce Carlos M. Gutierrez at the inaugural Americas Competitiveness Forum, June 11, 2007. (U.S. Department of Commerce photo)

Global Supply Chain Strategies

The Global Supply Chain Strategies (GSCS) track focused on the following themes: (a) successful global supply chain management, (b) government policies to enhance supply chain networks, and (c) public-private partnerships to improve supply chain capacity.

Panels

Panelists in the GSCS track discussed contemporary issues affecting the competitiveness of supply chains. During their discussions, a number of themes emerged.

To succeed in the integrated economy of the 21st century, companies must better manage their supply chains in terms of stability, agility, connectivity, and speed. Governments must facilitate the efforts of the private sector by ensuring that regulatory requirements and information, from customs to professional licensing, are more transparent and consistent, thereby allowing companies to

adjust their supply chain networks to comply with regulatory requirements in a timely and efficient manner. Ultimately, supply chain challenges can be overcome through the synergy created when the government, academia, and the private sector work together to address logistical challenges.

Supply Chain Challenges

- **Cross-border trade.** A recent McKinsey & Company study estimates that by 2020, more than 80 percent of produced goods will cross international borders. Companies' supply chains are expanding, with many companies using thousands of suppliers more than 5,000 miles away.

- **Infrastructure.** Infrastructure is simply not keeping up with the pace of globalization. Supply chains are under pressure from a lack of port capacity, a shortage of skilled logistics professionals, high-energy prices, and fuel shortages.

- **Costs.** Regional markets in the Western Hemi-

sphere are affected by high logistics costs of 24 to 25 percent of gross domestic product versus costs of 8 to 9 percent in member states of the Organization for Economic Cooperation and Development. In the Western Hemisphere, 25 percent of goods do not reach their intended destination because they are destroyed or spoiled in transit, in comparison with 0.5 to 1 percent of goods in other developed markets.

- **Governmental policies.** In some cases, restrictive governmental policies and regulatory actions (for example, those regarding customs and trade facilitation) are further compounding pressures on the global supply chain.

- **Security concerns.** Companies must address increased security requirements and must make contingency plans for operational recovery in the event of a disruption.

Addressing Supply Chain Challenges

Private-sector efforts to improve the supply chain include the following:

- Obtaining accurate data and synchronizing data with suppliers (which is becoming more important as companies manage supply chains in near real time)
- Maintaining effective communications channels within and outside of the company
- Creating contingency plans with multiple sourcing options; diversification of ports, transport methods, and suppliers; and outreach plans in the event of terrorist activity or natural disaster

Public-sector efforts to improve supply chain management include the following:

- Transparent regulatory and licensing procedures so that companies can engineer their supply chains to accommodate the specific requirements of different markets.



At a plenary session on competitiveness (left to right): Luis Alberto Moreno, president, Inter-American Development Bank; Hernando de Soto, president, Institute for Liberty and Democracy; Eduardo Solozano Morales, president and chief executive officer, Wal Mart de México; Ana Vilma de Escobar, vice president, El Salvador. (U.S. Department of Commerce photo)

- Improved efficiency of customs processing to allow products to move through customs within hours as opposed to days. Using risk assessment software enables customs officials to inspect more goods at a higher frequency while providing more time to focus on problem shipments. Examples of operational best practices for moving goods safely include the U.S. Container Security Initiative and Customs-Trade Partnership against Terrorism.

- Raising of *de minimis* levels on value of goods entering the country.

Public Sector–Private Sector Collaboration

Experts highlighted several private-public partnerships to emphasize the value of resource collaboration to address logistical challenges:

- TransMilenio, a bus rapid transit system in Bogotá, Colombia, incorporated private-sector operators to create a world-class public-private system that transports up to 1.3 million people per day.
- Highway 2000, a road project partnership between the government of Jamaica and the private sector, connects major tourism destinations in Jamaica with large population centers. The project has generated more than 54,000 jobs with only a portion of the phases completed.

Panelists indicated that the government and the private sector both play roles in facilitating an increased movement of products. Panelists noted that productivity levels vary in different markets and cited examples in Asia, where some ports move more than twice the amount of containers that are moved in other markets. Governments can help improve productivity, for example, by reviewing the hours of operations at customs entry points and deciding whether moving freight by using a 24/7 time frame or by using an 8-to-5 time frame best meets consumer demands. The private sector can also work to improve productivity, for example, by moving shipments through alternative gateways as opposed to simply expanding infrastructure at an already congested port. Many of those challenges can be overcome through the synergy created when the government, the private sector, and academia use their respective strengths to address supply chain challenges.

Small Business Development

The Small Business Development track explored the following topics: (a) small business financing, (b) fostering an entrepreneurial environment, and (c) innovative government policies and programs that promote small business growth.

Small Business Financing

Difficulty in accessing technical assistance was cited as a major impediment to small business financing. Often, before a business is able to productively use a loan, the business owner needs to acquire the technical expertise to manage the growth of the business. When small businesses possess the technical know-how, a bank's risk and its cost of lending to small businesses are both lower, thereby making small business lending more attractive. Panelists pointed out that organizations like Agora Partnerships are working to provide some of that much-needed technical support. Agora Partnerships identifies promising entrepreneurs in Nicaragua and pairs them up with business students in the United States to help the entrepreneurs form solid business strategies.

Fostering an Entrepreneurial Environment

Panelists agreed that trust is a critical component in an environment that enables entrepreneurs. A lack of trust between companies or individuals and their lenders significantly drives up the cost of doing business. A reliable and effective regulatory environment is also important—so that people are encouraged to do business beyond their smaller network of personal relationships. One panelist noted that clusters of similar businesses can improve trust. For example, the Cuenca Leather Cluster in Ecuador, after a little support from the U.S. Agency for International Development and the Corporación Andina de Fomento, saw a 300 percent increase in its production of hats and a 525 percent increase in its production of handbags.

Panelists also identified the closed nature of the business networks in some countries as an obstacle to creating an effective entrepreneurial environment. The non-governmental organization Endeavor was discussed as an example of an organization that fosters the development of small businesses by identifying business leaders who are interested in helping entrepreneurs gain access to networks. A representative of Endeavor explained how the organization also helps link entrepreneurs with resources for technical training and mentoring.



Michael L. Eskew, chairman and chief executive officer, UPS, delivering a keynote address on supply chain strategies. (U.S. Department of Commerce photo)

Innovative Government Policies and Programs

This panel explored how innovative government policies can encourage growth of small businesses by mitigating the weaknesses in a specific business environment. For example, panelists noted that corruption is harmful to successful enterprises because corruption creates the impression that money does not result from hard work alone or from producing a good product. The speakers noted that corruption also harms efficiency when contracts are awarded to the company able to pay the largest bribe rather than to the most innovative and efficient supplier. A representative from ChileCompra, Chile's online procurement system, demonstrated how such a system can help governments take action to increase transparency and competition. ChileCompra's online portal (www.chilecompra.cl) enables small businesses to compete successfully against larger businesses. In addition, ChileCompra makes the results of the procurement process available online to the public as one mechanism for combating corruption.

Innovation

The Innovation track explored the following topics: (a) alternative energy technologies, (b) sustainability, (c) national and subnational policies that foster innovation, and (d) trends in the process of ideation to commercialization.

Alternative Energy Technologies

Participants and speakers agreed that two items would assist the region in taking full advantage of its alternative energy sources: (a) surveys and feasibility studies to identify the rich alternative energy sources present and (b) robust competition policy changes that would enable the growth of new energy sources beyond the current local and regional monopolies. Successful regional examples discussed by the panel included biofuels initiatives in Brazil, Canada, Chile, Mexico, and the United States.

Sustainability

Participants and speakers agreed that the issue of sustainability and the need for businesses to cre-

ate new, greener products and services are critical to the Americas, given the Western Hemisphere's biodiversity. For example, Brazil contains 22 percent of the world's biodiversity, while Mexico contains 10 percent. According to the panelists, businesses and consumers should embrace a broader definition of sustainability—one that represents much more than reducing waste, protecting wildlife, and recycling and that instead is considered a process for doing business, purchasing, and consuming.

Panelists cited the sustainable operations approach developed by InterfaceFLOR—a leading U.S. manufacturer of carpet using recycled materials—and the renewable programs launched by the Commission on Environmental Cooperation in Canada, Mexico, and the United States as valuable practical examples of how the Western Hemisphere is reducing its footprint on the environment.

National and Subnational Policies That Foster Innovation

Several panelists and participants agreed that innovation can take place in any company or industry, but asserted that the public sector should consider regional approaches to encouraging innovation. One suggested example of a regional approach to innovation was the development of multicountry strategies by express delivery systems. Such strategies are more effective at a broader level than either city or statewide systems.

Panelists noted that innovative policy initiatives such as economic gardening—as pursued by the municipality of Littleton, Colorado—helped develop and foster a nurturing environment for business growth. Littleton's innovative approach to the traditional economic development practice of recruiting industries combines key factors to developing home-grown businesses. Those factors include developing a multifaceted delivery system for business-specific information and using Littleton's networking capability to provide connections between trade associations, think



Hazel Manning, minister of education, Trinidad and Tobago, giving closing remarks on the first day of the ACF, June 11, 2007. (U.S. Department of Commerce photo)

tanks, academic institutions, and private companies with similar products and goals (industry clusters).

Trends in the Ideation-to-Commercialization Process

Participants and speakers agreed that innovation is the intersection between business insight and invention. The discussion revealed several ingredients important to promoting innovation in any economy: (a) the extent to which risk-taking is embraced culturally, (b) the acceptance of failure as an important and valuable contribution to innovation, and (c) the levels of national and regional support for entrepreneurs through the development of adequate, affordable financing sources, and extensive networks of like-minded businesses that can connect to the consumer.

Panelists praised the Chilean salmon industry, Uruguay's success in developing new rice crops, and the development of pharmaceutical research and development through public-private partnerships in Brazil and Colombia as three examples of different mechanisms for bringing commercially viable ideas to the marketplace.

Education and Workforce Development

The Education and Workforce Development track featured the following topics: (a) understanding the link between education and business, (b) using public-private partnerships to improve results, (c) modeling of global best practices, and (d) measuring the quality of education in the Americas.

Building a Bridge: The Link between Education and Business

This panel highlighted Western Hemisphere examples of successfully integrated partnerships between educational systems and the business community. For example, Hewlett-Packard's partnerships with universities help to advance Hewlett-Packard's technology solutions while furthering industry-related research and serving as an effective recruiting tool for the company. The founder of Operación Éxito discussed how the organization's public-private partnerships with ministries of education in Puerto Rico, Chile, Spain and several school districts in the United States enable Operación Éxito's science and math interactive video learning programs to adapt to local curriculum and needs. Junior Achievement showed how a non-profit organization can bring together the business community and its future employees through education in entrepreneurship, work readiness, and financial literacy.

Maximizing Public-Private Partnerships

This panel focused on a variety of mechanisms that governments use to engage stakeholders in workforce development programs. Panelists included representatives from workforce development programs in the Brazil, Mexico, Peru, and the United States. Their programs illustrated different structures for funding and decision-making among actors in the public and private sectors. The moderator identified several ways to promote public-private partnerships in workforce development, including the following: (a) creation of collaborative funding mechanisms supported by both the public and private sectors, (b) provision of government incentives such as tax credits, (c)



At a plenary session on innovation (left to right): William Jeffrey, former director, National Institute for Standards and Technology, U.S. Department of Commerce; Roberto Newell, chief executive officer, Institute of Competitiveness of Mexico; Marcos Kulka, chief executive officer, Fundación Chile; Deborah L. Wince-Smith, president, Council on Competitiveness; Jorge Gerdau Johannpeter, president, Brazilian Competitiveness Movement; G. Wayne Clough, president, Georgia Institute of Technology; José Tadeu Alves, president, Latin America Human Health, Merck & Co. (US. Department of Commerce photo)

identification of competency models for those sectors in the highest demand, (d) collection and analysis of adequate and updated labor market information. Participants from professional and technical education schools and programs in Brazil, Mexico, and Peru agreed on the need for private-sector involvement to assist in the long-term forecasting of labor market needs.

The Global Model: What Can We Learn from Other Regions?

This session focused on two global programs that could have applicability in the Americas. First, the World Economic Forum's Global Education Initiative (GEI), which currently operates in Egypt, India, and Jordan, integrates technology into classrooms so that students are technologically prepared to enter the workforce immediately after graduation. A panelist from Cisco Systems, one of the corporate sponsors of the GEI, echoed the

program's benefits to the business community, stating that private-sector partners benefit by introducing their technology and products to students. Students' familiarization with a company's specific technologies helps prepare them to be employees. Another example highlighted in the session was the work of the International Youth Foundation, which focuses on increasing the employability of youth through education.

Quality of Education in the Americas

This panel brought together experts from several multinational organizations and national ministries who specialize in research and analysis of educational systems in the region. The discussion centered on a recent World Bank study, conducted in Latin America and the Caribbean, which calculated the positive influence of formal education on both economic income and quality of life. The World Bank study highlights cultural and social

“... we all had a common goal, and that is to create a better life for each of our people, to create prosperity, to create growth, to create jobs, to be more competitive, to give people a better shot for education—that was the agenda. And everything else took a back seat. And I think that for me was one of the most impressive things that I experienced over the last couple of days.”

—U.S. Secretary of Commerce Carlos M. Gutierrez at the closing of the ACF, July 12, 2007

challenges that threaten the opportunities provided by formal education. One major challenge is the need for standardized assessment testing to evaluate the overall success of educational systems and to help direct important resources to the most crucial areas. The correlation between the quality of education and economic prosperity was one of the key observations made by both the panelists and members of the audience. Panelists agreed that Latin American and Caribbean countries would ultimately benefit from participating in international assessments on teacher and student achievement.

Another challenge presented during the discussion dealt with the strength of teachers’ labor unions and their impact on the issue of addressing teacher quality. The discussion was moderated by a representative from The Partnership for Educational Revitalization in the Americas (PREAL), a hemisphere-wide public-private partnership to promote better educational policies. PREAL could serve as a basis for further discussion, along with studies conducted by both the World Bank and the Inter-American Development Bank.

In conclusion, a country’s economic success clearly depends in large part on its policies toward education and workforce development. Leaders from all sectors should continue to explore how those critical elements will best be incorporated into their broader competitiveness strategy. Education and workforce development are cross-cutting themes that hold the key to advances in small business development, innovation, and creative solutions in the supply chain. A comprehensive approach that builds on existing forums in the Western Hemisphere and includes strong public-private partnerships lays the foundation for a more promising future for all citizens of the Americas.

A Framework for Future Action: Next Steps

One of the points raised most frequently throughout the ACF was the need for Western Hemisphere governments to establish partnerships with the private sector to improve the state of competitiveness across the region. The public and private sectors must communicate more openly and effectively to address the opportunities and challenges of participating in today’s global economy. The goal of the ACF was not to replicate the significant accomplishments of existing mechanisms and institutions, but to complement existing work and highlight new ways to address the competitiveness issue in the Western Hemisphere. As a result of this approach, the U.S. Department of Commerce continues to work both domestically and internationally to deepen the dialogue among various stakeholders in the region and to lay the groundwork for stronger competitiveness in many of the countries in the Americas.

The International Trade Administration's mission is to create prosperity by strengthening the competitiveness of U.S. industry, promoting trade and investment, and ensuring fair trade and compliance with trade laws and agreements.



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