

## The Changing Global Competitiveness Landscape



Last month I discussed some highlights from a report released by the [Council on Competitiveness](#) on Nov. 14, 2006 titled [Competitiveness Index: Where America Stands](#). This month I will discuss some more of the findings from the report. I think it is vitally important to understand these macro trends and how they will impact our businesses and the products we develop.

Emerging markets are rapidly growing their economies, exports and share of global investment. Over the past two decades, the global economy has changed dramatically. In the mid-1980s, China, India and the Soviet Union were all planned economies closed off to most international trade. Today they are major exporters and recipients of foreign direct investment. These three economies, together with other fast-growing emerging economies primarily in Asia and Latin America, have rapidly come to play a critical role in the global economy. In the past five years these countries have averaged almost 7 percent annual growth compared with just 2.3 percent average growth in developed economies. These economies not only present serious competition to us, but also a tremendous opportunity to expand the markets for our products.

Emerging markets already have the largest, fastest growing population. While the US population recently passed 300 million, China now has 1.3 billion and India 1.1 billion citizens. And most emerging economies are projected to grow rapidly while all of the largest developed economies (apart from the United States) are projected to see their populations shrink due to aging and low birth rates. China's population is not projected to peak until 2032. Fast-growing populations mean that per capita income will grow slowly, despite rapid growth in output. Even with 50 years of 7.5 percent growth, China's per capita GDP will still be less than that of the United States today. But the sheer size of many emerging economies means that many are already important consumer markets and their growth potential is significantly larger than that of the developed economies. In 2005 there were just over 1.3 billion middle income consumers worldwide. According to projections by A.T. Kearney, by 2020 the number will rise to 2.3 billion. The industrialized world will add about 100 million new consumers, while the developing world will add over 900 million new consumers. China alone will add 572 million consumers. By 2020, 80 percent of the middle consumers will live outside of the industrialized world. Emerging markets already lead in certain consumer markets. China already has the world's largest market for mobile phones. In 2004 China had 335 million mobile phones in use compared to 171 million in the US. In China that number is projected to rise to 807 million by 2010. By that date China is projected to have 336 million Internet users, the United States 306 million and India 585 million.

The world is changing and it's changing quickly. Supplying professional services and products to these emerging markets is an opportunity to grow your business. [Innovative Thermal Solutions](#) has affiliates in both India and China. Please call us at (517) 424-7107 to explore opportunities for your business in these emerging markets.