STRATEGIES AND SOURCES OF COMPETITIVE ADVANTAGE FOR LATVIA

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The paper deals with the theoretical aspects of international trade and its manifestations in real life processes, basically on the example of Latvia. Most of the arguments of the international trading benefits, one way or another, are based on the Ricardian model of comparative advantage. But the Ricardian model has strict limitations. A necessary condition for comparative advantage is the borders for the flow of resources. In global world with free movement of capital and labour there is no comparative advantage. One can observe this in real life processes in modern world. Millions of people are leaving their native countries, seeking for absolute advantage, as with free capital flows they do not have comparative advantage any more. Politicians and mainstream economists still are speaking about benefits of comparative advantage that really does not exist. One of the arguments in favour of international trade is competitive advantage model, developed by M. Porter. Unlike absolute advantage and comparative advantage models, Porter's model does not consider trading benefits for both sides. Therefore, competitive advantage usually is defined as advantage that allows an organisation to outperform its competitors in a certain market. For such countries as Latvia the basic way to compete is to do things in a different way.

Introduction

A widespread conventional wisdom declares that export is one of the main driving forces of economy, and the larger is the share of exports in GDP, the better it is for the national economy. The economic policy of Latvia, at least in words, during the time period after 2008, has been best on this conventional wisdom. But foreign trade is a two-way road. It is impossible that all the countries of the world have positive trade balance. The benefits of exports in Latvia have been declared without deeper analysis of the process, which may present different conclusions. The first part of the paper deals with the analysis of Latvian exports. The second part considers the theoretical aspects of international trade. It shows that the global processes of the present, which clearly indicate that things happen not in the best way, largely depends of the present economic paradigm, and misinterpretation of Ricardo's comparative advantage model may be on the basis of the present misfortunes.

Still if one is in favour of globalisation and increasing international trade, the theoretical basis of it is the competitive advantage mod-

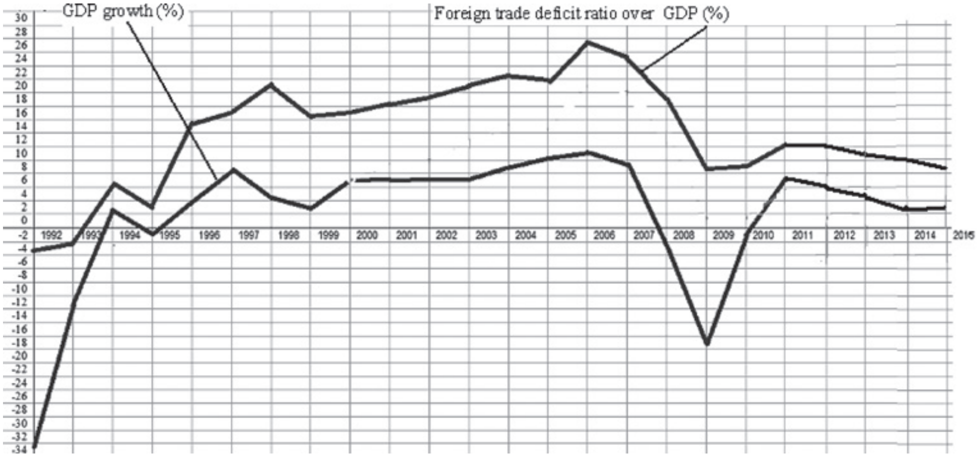

Figure 1. The correlation between the economic growth and foreign trade deficit in Latvia. Source: Author's calculations based on information of Central Statistical Bureau of Latvia, www.csb.gov.lv

el, first developed by M. Porter. Nevertheless, looking at the origins, it becomes rather obvious that M. Porter's original explanations of competitive advantage significantly differ from its common explanation in Latvia. The third and the main part of the paper deals with the competitive advantage model trying to keep possibly close to M. Porter's ideas. It considers the strategies and possible sources of competitive advantage for Latvia. The goal of the paper is to show that keeping close to M. Porter's ideas, the basic strategy should be differentiation, and not only in the last stage of the value chain, if one keeps close to the broad target approach in the spirit of the conventional wisdom, or even to change the paradigm and prefer the narrow target approach.

The methodology of the paper is based on statistical data analysis in the first part of the paper. The second and the third parts of the paper are mainly library-based studies, containing possibly deep investigation of the original texts of the authors, in combination with the explanation and interpretation of real life processes both on a local and global level.

The analysis of the Latvian foreign trade processes have been discussed in various international events, such as International Forum on Finance and Banking in Jachranka, Poland, on 20–21 November 2014, organised by Szkola Glowna Gospodarstwa Wiejskiego, and others. The ideas of competitive strategies, particularly for Latvia, have been discussed with doctoral students and master's level students of Sczcecin University, Poland, master's level students of Ventspils University College, and bachelor's level students of the BA School of Business and Finance in Riga.

Particularities of foreign trade in Latvia

Latvia as a small country has a large share of foreign trade in its economy. According to the data of CSB of Latvia, in 2014, the share of exports of goods in GDP was 43.5%, and the share of imports of goods 53.7% (not including exports and imports of services). It is necessary to point out that during the last 3–4 years these figures, especially the share of imports, are declining; still the imports of

Latvia exceed exports, as it has been for more than 20 years.

Is there any correlation between the economic growth and foreign trade deficit? A typical answer may be: yes, if the trade balance is more positive, there will be higher economic growth, and vice versa. But if we consider the statistical data of Latvia, we have just the opposite conclusion: there indeed is a very strong correlation between these indicators, but just on the opposite — the higher is the foreign trade deficit, the higher is the economic growth, and vice versa. Figure 1 clearly shows the fairness of this conclusion even without calculations.

Surely, this may be not a general trend, but rather a specific feature of economy of Latvia. The explanation and more detailed analysis of this fact are described in one of the articles by the author.[1] There one can see that this correlation differs for such countries as Denmark, Finland, Belgium, the Netherlands, Czech Republic, Hungary, and Slovakia on the one side, and Latvia, Bulgaria, and Romania, on the other. It means that the economic growth in these countries significantly differs. High economic growth in Latvia goes hand in hand with large foreign trade deficit, and this tendency is obvious.

Latvia had the largest economic growth in Europe in the time period 2004–2007, and the largest decline was in 2008–2009. This explains, that a "story of success" hardly could be considered as a real success, since 5% increase after 20% decline, obviously, is less than 2% increase after 4% decline. However, let it be. The main engine of the story of success was explained by the growing exports of Latvia. Therefore, let us look at the main export markets and dynamics of that process.

The data from the table obviously overturn another conventional wisdom — that after entering the European Union the vector of exports of Latvia turned from the East to the West. Surprisingly fast just the opposite happened. The main export markets of Latvia before 2004 were Germany, Great Britain, and Sweden; after entering the EU, they were substituted by Lithuania, Estonia, Russia, and Poland. The official politics declares that the share of the EU in Latvia's exports

Table 1. The largest export markets of Latvia, 2000–2015 *

Country / year	00	01	02	03	**04**	05	06	07	08	09	10	11	12	13	14	15
Lithuania	4	4	4	4	4	1	1	1	1	1	1	1	1	1	1	1
Estonia	6	7	5	5	5	2	2	2	2	2	2	2	2	2	2	2
Russia	7	5	6	7	6	5	4	3	3	3	3	3	3	3	3	3
Germany	2	1	1	2	2	3	3	4	4	4	4	4	4	4	4	4
Poland	-	-	-	-	8	8	9	8	8	7	6	6	5	5	5	5
Sweden	3	3	3	3	3	6	6	5	5	5	5	5	6	6	6	7
Great Britain	1	2	2	1	1	4	5	6	7	8	8	9	8	8	7	6
Denmark	5	6	7	6	7	7	7	7	6	6	7	7	7	7	8	8

Source: Central Statistical Bureau of Latvia, www.csb.gov.lv

* The numbers in the table indicate the position of each country in exports of Latvia. The year of entering of Latvia in the EU is marked in bold. Dash means that the country was not among the top ten export markets.

has increased after its entering the EU, and it is true, as Lithuania, Estonia, and Poland entered the EU at the same time as Latvia.

From here one may conclude that participation in some kind of economic union does not necessarily mean closer trade contacts between the countries. Is the Latvian case an exclusion from the general tendency again? If not, then Great Britain's *Brexit* will not be the reason for the foreign trade decline between Great Britain and other EU countries, as it is widely declared. Anyway, an investigation of foreign trade tendencies clearly indicates that trade relations in a lesser degree depend from belonging to one or another union, but in a larger degree may be explained by the theoretical international trade models.

Another tendency is rather obvious that the comparatively large increase of GDP of Latvia in 2011–2013 has a close correlation with the increase of exports of particularly two countries — Russia and Poland. This was the real engine of the "story of success". If exports still will be considered as the main engine of economy, than the question appears — what is next? If Russia is not a "good" trading partner, should it be substituted by someone else — perhaps China, as our politicians proudly declare? Does it fit with the economic theory? The easiest way is to deny any theoretical models of international trade, especially, if they are not in favour of political slogans. Still the analysis of international trade processes, permanently provided during the study course of International Business with the students, show that these models do not explain the trade processes for 100% (as does not any model), but still are rather adequate and clearly maintain the tendencies. During a discussion with a successful Latvian entrepreneur, who has succeeded in international business, we came to a conclusion, that theoretical models, at least for 60%, determine the basic trends of trade, and no more than 40% depends on subjective factors, and this is true for a micro level. On a macro level the role of models should be even larger.

Theoretical basis of international trade and the actual real-world processes

Most of the arguments of the international trading benefits, one way or another, are based on the Ricardian model of comparative advantage. The benefits of trading and specialisation usually are referred to A. Smith's absolute advantage model, though the roots of it goes back to Aristotle — if a person can produce a certain product with less costs than another person, it has an absolute advantage in producing that product. D. Ricardo showed that for mutually beneficial trading it is not necessary to have an absolute advantage; it is enough to have comparative advantage — to produce a product with less opportunity costs — i.e. costs of production in terms of resources necessary to produce another product. And as one side has comparative advantage in product A, another side should have it in product B. From there comes a conclusion that specialisation and trading between any two subjects, either on micro- or macro levels is always beneficial.

First, it is necessary to point out the way how the costs are measured. If it is done in monetary units, then a question arises: which of the two countries, Germany and India, has an absolute advantage in the production of, let us say, shoes? Obviously, the costs in India should be less than in Germany. Therefore, the true understanding of costs is not in monetary units, but in units of efficiency, just saying in time units. This fact is rather important to understand the comparative advantage model and M. Porter's competitive advantage as well.

But Ricardian model has strict limitations described by the author. "In one and the same country, profits are, generally speaking, always on the same level; or differ only as the employment of capital may be more or less secure and agreeable. It is not so between different countries. If the profits of capital employed in Yorkshire should exceed those of capital employed in London, capital would speedily move from London to Yorkshire, and an equality of profits would be effected; but if in consequence of the diminished rate of production in the lands of England, from the increase of capital and population, wages should rise, and profits fall, it would not follow that capital and population would necessarily move from England to Holland, or Spain, or Russia, where profits might be higher." [2]

It means that a necessary condition for comparative advantage is the borders for the flow of resources. In the global world with free movement of capital and labour there is no comparative advantage. The same as Yorkshire does not have a comparative advantage to London, Latgale does not have a comparative advantage to Riga, and in modern Europe Latvia does not have a comparative advantage to Germany of France. To have the mutual benefits from trading it is necessary to search for absolute advantage again. American economist H. Daly has given a perfect explanation of it.

"… modern economists seem to have forgotten one of the premises. Ricardo was very careful to base his comparative advantage argument for free trade on the explicit premise that capital was immobile between national communities. Capital, as well as labor, stayed at home, only goods were traded internationally. It was the fact that capital could not, in this model, cross national boundaries that directly led to replacement of absolute advantage by comparative advantage. … The argument for globalisation based on comparative advantage is therefore embarrassed by a false premise."[3]

The truth of Ricardo and Daly one can observe in real-life processes in modern world. Millions of people are leaving their native countries seeking for absolute advantage, as with free capital flows they do not have comparative advantage any more. Politicians and mainstream economists still are speaking about benefits of comparative advantage that really does not exist.

This problem in the strict sense has become the question of life and death in the world, particularly in Europe in the last years. Thousands of refugees are overflowing Europe, causing a lot of social, political, and economic problems. It cannot be denied that the way of living in the Western Europe — France, Belgium in the most degree, but other EU countries as well has significantly changed this year, and one may speak even about the belligerency in this part of the world. The easiest but not the correct way is to blame the refugees for this, or just the opposite — local people, who are not satisfied with this process. But the explanation indeed has an economic background — globalisation has destroyed the comparative advantage of trading. Institutional factors, such as lifestyle influences the process as well. The Western way of living, which has been celebrated and even pressed to the people, has destroyed their lifestyle. As a result there appear local conflicts, which make the situation even worse, and the refugees are desperately trying to save their lives. But their injection in Europe is not a solution, because it would only further complicate the situation, destroying the lifestyle of Europeans. There is no fast and easy solution to this problem, and the Western world now has to pay for the globalisation, which has been the source of economic growth for almost a century, but has turned out to be not sustainable. Surprisingly, but big economic minds, such as A. Smith, J. St. Mill, J. M. Keynes, J. A. Schumpeter, have warned the mankind about this threat, but this direction of their thoughts has been concealed or explained as faulty.

It is rather obvious that the change of the economic paradigm, which can be hardly accepted by the human minds, and even more dangerous for those relatively few people, who largely benefit from this, is inevitable. The economic growth earlier or later should not be considered as the objective, as it has little to do with the people's well-being. This problem has been explored and explained in another paper by the author.[4]

If there is no more comparative advantage, maybe other arguments in favour of international trade could be found? One of such arguments is the competitive advantage model, developed by M. Porter and first described in his *Competitive Advantage*[5]. M. Porter has pointed out that he has been largely influenced by sport competitions, particularly NBA plays, and therefore, the author of this paper also will widely explain his arguments, using analogies in the field of sports. But before doing this in the next chapter, let us have a brief look on the gravity theory and Hecksher–Ohlin theory of international trade.

The gravity model of international trade predicts bilateral trade flows based on the economic sizes (often using GDP measurements) and distance between two units. The model was first used by Jan Tinbergen in 1962.[6]

The Heckscher–Ohlin model is a model of international trade, developed by Eli Heckscher and Bertil Ohlin at the Stockholm School of Economics. It builds on the Ricardian theory by predicting patterns of commerce and production based on the factor endowments of a trading region.[7]

The model essentially says that countries will export products that use their abundant and cheap factors of production and import products that use the countries' scarce factors.

The exports of a capital-abundant country will be from capital-intensive industries, and labour-abundant countries will import such goods, exporting labour-intensive goods in return.

An often used argument against the Hecksher–Ohlin model is the so-called Leontief's paradox. American economist W. Leontieff showed that H–O theory is not true for the American economy. But Leontieff called it "paradox", which means that he himself recognised H–O theory — a paradox means an exception from the general regularities that does not deny, but only confirms them. Indeed, the investigations in this area show that the gravity theory and H–O theory in a large measure explain the tendencies of international trade.

These models are valid. Therefore, it is hardly possible, that China's gravity is large enough to become one of the largest export markets for Latvia. (Unlike the European countries with larger economies, China is only at the end of the list of the top ten Latvia's importers.) Latvia's possibilities to compete in the West European markets with capital-intensive products are rather exclusion. As unpopular as it may seem, but the real-life processes clearly prove this: Latvia successfully exports to West European countries raw wood, iron, and other mainly labour-intensive products, at the same time importing machinery and other capital-intensive products. The thesis that the president and 20 entrepreneurs should visit China, and it would become the main export market for Latvia, is rather futile.

Michael Porter and strategies of competitive advantage

Presumably economists, who have studied Ricardo, understood that the theoretical basis of international trade has been compromised. It became necessary to find new arguments to prove the benefits from international trade. One way was to turn against Ricardo, claiming that his "Ricardian scheme", or 2×2×2 scheme (two producers, two products, two consumers) is not valid for the modern world, and clear deductive thinking in modern economics is impossible or even harmful.

The new theoretical basis of international trade has become Michael Porter's competitive advantage model. It is necessary to point out that unlike absolute advantage and comparative advantage models, Porter's model does not consider trading benefits for both sides. Indeed, if we do not recognise the Ricardian scheme, the producer does not care about the benefits of other, as the other side of trading now is rather abstract. Therefore, competitive advantage usually is defined as an advantage that allows an organisation to outperform its competitors in a certain market. "Competitive advantage" has become a fashion thing, just like "agro-industrial complex" in the Soviet times, and the author, mainly because of ethical considerations, will avoid quoting the publications about this item that have been produced the last years, preferring to quote the original work of Michael Porter.

Very often in the Latvian literature "competitive advantage" goes together with "value added", usually "high value added". Nevertheless, in the book of M. Porter one can find "value added" only once. "An analysis of the value chain rather than value added is the appropriate way to examine competitive advantage. (...) Value added is not a sound basis for cost analysis… Moreover, value added fails to highlight the linkages between a firm and its suppliers that can reduce cost or enhance differentiation."[8] As one can see, Porter mentions value added only to explain that he will not consider it in his book, and so it is wrong to explain competitive advantage based on value added.

Porter's basic idea is to define three generic strategies of competitive advantage, two of them being cost leadership and differentiation for broad target, and the third one — focus strategy for narrow target. The focus strategy has two variants, cost focus and differentiation focus. M. Porter strictly warns from being stuck in the middle: "…achieving competitive advantage requires a firm to make a choice — if a firm is to attain a competitive advantage, it must make a choice about the type of competitive advantage it seeks to attain and the scope within which it will attain it. Being "all things to all people" is a recipe for strategic mediocrity and below-average performance, because it often means that a firm has no competitive advantage at all. (…) A firm that engages in each generic strategy but fails to achieve any of them is "stuck in the middle"." [9]

Porter describes cost leadership strategy as the clearest of the three generic strategies. "In it, a firm sets out to become the low-cost producer in its industry."[10] But for a reader there appears a question: is Porter considering costs in monetary units? In domestic trade perhaps there is no significant difference; either we consider monetary costs, or costs in terms of efficiency. But in international trade the same problem appears as with comparative advantage — with free movement of resources, if a cost leadership is achieved by lower costs of labour (lower salaries), this advantage will never be sustainable. Particularly for Latvia this aspect is rather important. It happened in the beginning of the "story of success", when in radio news a journalist proudly declared: "I have good news — the salary in Latvia is decreasing. It means that our producers become more competitive in export markets." And he was right, only the consequences were not so good — thousands of Latvians left their country seeking for higher salary for the same job.

So cost leadership strategy may be sustainable only if we consider costs in terms of efficiency. But it cannot be obtained in the short run. Perhaps a good example for obtaining sustainable cost leadership is South Korea. Cambridge professor with Korean roots Ha-Joon Chang has written interesting books about the way, how Korea managed in competitive advantage. One of them, *Bad Samaritans*, has been published in Latvian with a preface to Latvian readers. Following are some quotes from the book.

"Years later, in 2003, when I was on leave from Cambridge and staying in Korea, I was showing my friend and mentor, Joseph Stiglitz, the Nobel Laureate economist, around the National Museum in Seoul. We came across an exhibition of beautiful black-and-white photographs showing people going about their business in Seoul's middle-class neighbourhoods during the late 1950s and the early 1960s. It was exactly how I remembered my childhood. Standing behind me and Joe were two young women in their early twenties. One screamed, "How can it be Korea? It looks like Vietnam!" There was less than 20 years' age gap between us, but scenes that were familiar to me were totally alien to her."[11]

But the changes did not take place by themselves. Ha-Joon Chang is proud about the economic policy of Korea, which has resulted in these changes, and widely describes these in his book, as well as in another book, which is also translated in Latvian: *23 Things They Don't Tell You About Capitalism*. It is necessary to note that this policy was significantly different from the economic policy of Latvia during the last 25 years.

"The Korean economic miracle was the result of a clever and pragmatic mixture of market incentives and state direction. The Korean government did not vanquish the market as the communist states did. However, it did not have blind faith in the free market either. While it took markets seriously, the Korean strategy recognized that they often need to be corrected through policy intervention."[12]

Briefly summing up the conclusions of both Ha-Joon Chang books and using the terms of M. Porter, the way to the cost leadership in broad target may be reached through cost focus in narrow target.

The second generic strategy is differentiation, which, at least in the short run, is the most important for Latvia. In a differentiation strategy, a firm seeks to be unique in its industry, to do things differently. Discussing the differentiation strategy, Porter points out: "Despite the importance of differentiation, its sources are often not well understood. Firms view the potential sources of differentiation too narrowly. They see differentiation in terms of the physical product or marketing practices, rather than potentially arising anywhere in the value chain."[13] How important this quote is for Latvia, where differentiation strategy sometimes is called "product differentiation". It is a large mistake, as there may be differentiation without product differentiation, but such a narrow understanding leaves aside a lot of possibilities for competitive advantage through the differentiation strategy.

The third generic strategy — focus strategy is described by Porter in the following way. "This strategy is quite different from the others because it rests on the choice of a narrow competitive scope within an industry. (…) By optimizing its strategy for the target segment, the focuser seeks to achieve a competitive advantage in its target segments even though it does not possess a competitive advantage overall."[14]

Michael Porter has made a comment that he is a great fan of basketball, particularly NBA matches. He has come to his ideas about competitive strategies, watching basketball, where he asked himself: "How it is possible, that the team, who does not have so good players, still can compete and even win the team, which on the whole, is stronger?"

The same question was put by the author to himself while watching football matches of the Latvian national team in European preliminary tournament, where the Latvian team lost to the Netherlands with 0:6 (in away game), and after a short time — in the game with Czech national team, also an away game, the Czechs managed to get draw only in the last minute of the game; the score was 1:1. The Czech team surely was not weaker than that of the Netherlands, which did not qualify, although the Czechs did. The result of the game for the Czechs was no less important as for the Dutch team. The Latvian team had the same players, so the different scores hardly can be explained by the significant improvement of Latvian players' skills.

The answer to this problem may be the following. With the Dutch team Latvian players tried to play in the same way as with other competitors. But Dutch players have much better skills. Therefore, the Latvian team cannot play better than the Dutch team. The only chance to compete is to play in a different way, which the Latvian team did with the Czechs.

The same is true for economy. The previous year the leading representatives of an industry of Latvian economy (because of ethical considerations the author will not call on behalf) told the following: they will increase the total output for more than 40% during the next 4–5 years, doing the things just like the Dutch producers do. As the Latvian market is too small to consume such quantity of product, it will be exported to China, where our producers will outperform the Dutch. In analogy with football the score of the game should be 0:6 and not in Latvia's favour. The only way to compete with the Dutch and other producers is to do it in a different way. Latvian statesmen of the first period of independence were not familiar with M. Porter's ideas, but still they recognised that — and succeeded. Latvia was the sixth larger exporter of butter in the world; Latvia could compete with other products as well.

But if Latvia cannot win the Netherlands and the Czech teams, maybe they should not try to do it? May be it is better to play with Estonia and Lithuania, with whom we can compete, trying to play better? (This is the core idea of the focus strategy.) Thereby in a clever and pragmatic way, not in a short time period, do the necessary jobs for getting a possibility to do the things better. That is what Iceland has done in football and Korea in economy.

"…the free-trade, free-market policies are policies that have rarely, if ever, worked. Most of the rich countries did not use such policies when they were developing countries themselves, while these policies have slowed down growth and increased income inequality in the developing countries in the last three decades. Few countries have become rich through free-trade, free-market policies and few ever will."[15]

As it was mentioned by Porter, it is a mistake to consider that differentiation means only product differentiation — it could take place in any stage of the value chain. What may serve as a source for differentiation on an international level? Perhaps the main source for doing things different is national identity. The slogan of the European Union "unity in diversity" in words declares it, but in real life the things are just the opposite — "diverse in uniformity". The Former British Prime-Minister Margaret Thatcher, in her famous "The Bruges speech" in 1988, pointed out: "To try to suppress nationhood and concentrate power at the centre of a European conglomerate would be highly damaging and would jeopardise the objectives we seek to achieve. Europe will be stronger precisely because it has France as France, Spain as Spain, Britain as Britain, each with its own customs, traditions and identity. It would be folly to try to fit them into some sort of identikit European personality. …our pride lies in being British or Belgian or Dutch or German. …it must be in a way which preserves the different traditions, parliamentary powers and sense of national pride in one's own country; for these have been the source of Europe's vitality through the centuries." [16] Now, 28 years later, one can see the clairvoyance of the "Iron Lady". Europe has become much weaker, Great Britain has experienced *Brexit*, and the loss of the national states probably will lead to the collapse of the old continent.

The same idea was conveyed also by the former President of the Czech Republic Vaclav Klaus. "Long before the advent to the

Hrad *(Vaclav Klaus)* loudly warned that the unification of Europe, whose vault was to be agreed at Maastricht monetary union (1992), contains a risk of long-term weakening of the old continent." (Translation from Czech language.)[17]

Conclusion

The three generic strategies of competitive advantage may be described in the following way: 1) "Do it better", 2) "If you cannot do it better, do it in a different way", or 3) "Do it where you can do it better".

The way, the strategy, and the source for competitive advantage for Latvia lies in the following. First, focus strategy, alongside with differentiation strategy in some industries, if one considers that a country cannot do without international trade, and then in a 10–15 year period obtaining cost leadership in the focus strategy industries.

National identity, virtues, institutions, culture, religion certainly makes the surest foundation for competitive advantage through differentiation strategy. It seems that a large part of Europeans more and more recognise this.

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LATVIJAS KONKURENCES PRIEKŠROCĪBU STRATĒĢIJAS UN AVOTI

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Anotācija

Atslēgvārdi: *ārējā tirdzniecība, eksports, konkurētspējas priekšrocība, diferencēšanas stratēģija*

Rakstā iztirzāti starptautiskās tirdzniecības teorētiskie aspekti un to izpausmes reālajā ekonomikā, galvenokārt balstoties uz Latvijas piemēru. Vairums argumentu par starptautiskās tirdzniecības izdevīgumu atsaucās uz D. Rikardo salīdzinošās priekšrocības modeli. Taču Rikardo modelim ir noteikti ierobežojumi. Nepieciešamais nosacījums salīdzinošajai priekšrocībai ir ierobežojumi resursu plūsmām. Globālajā ekonomikā pie brīvas kapitāla un darbaspēka kustības salīdzinošā priekšrocība nepastāv. Pasaulē notiekošie procesi to skaidri apliecina. Miljoniem cilvēku atstāj savu dzimto zemi, meklējot absolūto priekšrocību, jo pie brīvām kapitāla plūsmām salīdzinošās priekšrocības vairs nav. Politiķi un valdošā virziena ekonomisti runā par salīdzinošās priekšrocības izdevīgumu, kāds patiesībā neeksistē. Viens no argumentiem par labu starptautiskajai tirdzniecībai ir konkurētspējas priekšrocības modelis, kurš balstīts uz M. Portera idejām. Atšķirībā no absolūtās un salīdzinošās priekšrocības modeļiem Portera modelis neapskata tirdzniecības abpusējo izdevīgumu. Tāpēc konkurences priekšrocību parasti izprot kā tādu, kas ļauj organizācijai konkurences cīņā pieveikt savus konkurentus noteiktā tirgū. Lai to varētu izdarīt tādas valstis kā Latvija, jāmeklē ceļi, kā rīkoties atšķirīgi no citām zemēm.