leaves the House of Representatives and begins another chapter in his life of public service.

ESTABLISHING A NATIONAL COMPETITIVE ADVANTAGE THROUGH DYNAMIC COMPETITION

HON. MAURICE D. HINCHEY

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Tuesday, September 24, 1996

Mr. HINCHEY. Mr. Speaker, professors Nathan Mao and Winstan Yang have called to my attention an interesting discussion of the Republic of China's economic competitiveness written by ROC Vice President/Premier Lien Chang. Vice President Lien's discussion takes the form of a review of Michael Porter's book, ''The Competitive Advantage of Nations.'' He found that the book has much to say about Taiwan's future role in the global economy. I hereby ask permission that Vice President/Premier's review of ''Establishing a National Competitive Advantage Through Dynamic Competition'' be printed in the RECORD.

ESTABLISHING A NATIONAL COMPETITIVE ADVANTAGE THROUGH DYNAMIC COMPETITION

(By Lien Chan, Vice-President/Premier, R.O.C.)

The nearly 600,000-word book, ''The Competitive Advantage of Nations,'' by Harvard University professor Michael E. Porter is an examplar of works on the leading edge of contemporary academic thought that can influence current government policy.

A book is considered a classic if its author raises profound questions and offers penetrating insights that enlighten the reader. One may disagree with some of its theses but must give serious consideration to their implications.

At this juncture when the whole country is vigorously working toward attaining supreme global competitiveness, reading Porter's epochal masterwork, ''The Competitive Advantage of Nations,'' greatly bolsters our confidence and, during the process of government policymaking, helps us confront the following major questions:

What is a national competitive advantage?

What role should government play vis-a-vis industry regarding international competition?

How should government and industry work together to create a national competitive advantage?

How can industry seek an industrial competitive advantage?

What efforts should be made with the private sector to cultivate a healthy, aggressive, and full competitive macroenvironment?

Reading this book has made me keenly aware that the pattern of economic competition has changed with the times.

Traditionally, competition was static, and success or failure hinged on production factors. Modem competition is dynamic, and new technologies, new products, new market demarcations, new production processes, and new management concepts are constantly emerging to change and even undermine a national and industrial competitive advantage.

This book also reminds me of some of the theses proposed many years ago by Bruce R. Scott, also a professor at Harvard. After comparing the United States, France, and some developing nations, including the Republic of China, Scott formulated his ''dynamics of comparative interest.'' He maintained that some postwar countries, such as Japan and the Republic of China, have advanced and prospered rapidly because they were able to transcend the concept of static comparative interest and break through their resource limitations through scientific and technological innovation, enlarging the scale of production, and actively expanding foreign trade. Scott particularly cited Japan as an example. The Japanese understand that comparative interest can be created and renewed through the enhancement of skills, capital, and the workforce. In addition, an environment conducive to economic development can be established through institutional reform.

These experiences confirm that in the midst of modern dynamic competition, it is paramount to raise national, social, industrial, and private-sector competitiveness.

DIAMOND SYSTEM

Over the past dozen years, Porter has published three books on ''competitive advantage.'' The first two focused on industry, while this one concerns nations. This change is quite meaningful. Porter discovered that a nation's macroenvironment crucially affects industrial competitiveness; it can either help or hinder industrial development. He astutely pointed out that the relationship between national and industrial competitiveness directly correlates with how the nation stimulates industrial improvement and innovation.

After spending three years comparing the industrial development of ten nations (the United States, Germany, Sweden, Switzerland, Denmark, Italy, the United Kingdom, Japan, South Korea, and Singapore), Porter proposed his well-known Diamond Theory.

He argued that two sets of determinants affect the industrial competitive advantage and, despite the rushing tide of strong globalization, the importance of these factors in determining national competitive advantage has not diminished, but in fact has become more definite.

Among the first set of fundamental determinants are:

Factors of production, including human resources, physical resources, knowledge resources, capital resources, and infrastructure;

Demand conditions;

Related and supporting industries; and

Firm strategy, structure, and rivalry.

The second set comprises two additional variables:

Chance; and

Government.

Porter described the rhombic relationship formed by the four determinants in the first set as a national ''diamond.'' He emphasized that a country cannot rely on unique competitive advantages such as low-cost labor. Such reliance is risky because it can be replaced by even cheaper labor in less developed nations. When this situation occurs, the diamond may be said to be in ''static disequilibrium,'' and the competitive advantage cannot be maintained. Accordingly, Porter points out, a nation's competitive advantage should be firmly rooted in a durable diamond configuration. That is, both set of determinants should develop in relation and coordination with one another, stimulating and upgrading each other in the process. This kind of national diamond can be said to be in a state of dynamic development. It is the optimal combination for continual national progress.

Professor Porter also enumerated four stages of national competitive development:

a factor-driven stage;

an investment-driven stage;

an innovation-driven stage; and

a wealth-driven stage.

In order to move from one stage to the next, the government and private sector must carry out a complete metamorphosis of industrial infrastructure, international distribution the financial system, technological standards, and conventional ways of thinking. On top of this, I personally believe that even more profund consideration should be given to the cultural ethics and values behind the initiating and sustaining forces for the creation and distribution of wealth and value.

In their research on the culture of capitalism British scholar Charles Hampden-Turner and Dutch scholar Alfons Trompenaars once declared that different cultures engender different cultural ethics and values, and thereby diverse ways of creating and distributing wealth. Thus, to be able to comprehend the success of similar systems adopted by different countries, one must have a profound understanding of the cultural ethics and social values of these nations. This is a point all of us should consider and study further. However, in the transitional stage of national development, it is indisputable that the government should act as healthy promoter and courageous challenger. Porter has said with great profundity that the world today needs great leaders and great executives rather than great housekeepers.

NATIONAL REINVENTION PROJECT

According to Porter's four stages of national competitive development, Taiwan may be between the second, or investment-driven; stage and the third, or innovation-driven, stage. In promoting national competitiveness at this time, we hope to build our base on the strengths of the private sector, and thereby push forward comprehensive reform and accomplish the goal of national modernization. However, after comparing several countries for the growth or diminution of their national competitiveness, Professor Porter has proposed a concept mirroring the situation that deserves our vigilance.

Professor Porter believes that in the first three stages of economic development, national competitiveness grows continuously, while at the forth stage, or turning point, the economy may decline. After entering the wealth-driven stage, domestic competitive activities diminish; management strategies change from aggressive to conservative; industrial re-investment willingness decreases; major businesses manipulate government protection policies to insulate themselves from their competitors. The first generation of entrepreneurs, who became rich from scratch die out and are replaced by a new generation used to operating within the system. Personnel do not work hard due to their high incomes. Labor-management relations stiffen as each party tries to retain its own vested interests. At this stage, people are far more interested in other professional fields rather than industry. The educational concept of pragmatism gradually disappears. The negligence of education by society and family results in a deterioration of educational standards. The proportion of investment in the factors of production is greatly reduced.

Hovever, investment in other areas increases. The government tends to heavily tax rich people, further reducing their willingness to invest. Business capital exceeds internal deeds, yet such businesses are not willing to risk investment in setting up new businesses, but instead change their goals to merging with or buying up other businesses. Porter states that wealth-driven stage will lead to economic recession since existing wealth is not sufficient to support the needs of the economy. The ambitions of investors,

managers, and people change, innovation based on sustained investment disappears, and economic improvement is sluggish. National economic goals during this stage differ from before. Emphasis is placed on pursuing social welfare, but may people overlook the fact that social welfare is based on continual economic progress. I feel that these alarming observations are very meaningful.

Raising national competitiveness is for us the core of our reform, and is in line with professor Porter's ideas. However, we have not just established a national diamond of ''dynamic development,'' we have in fact instituted a project of national reinvention from a much broader angle. This task of raising national competitiveness is unique in concept and action, and deserves further elaboration for those people concerned about national competitiveness. First of all, it is global. Today, we are a member of the global village and neither can nor will exclude ourselves from international competition. Therefore, we must fully join in the globalization trend. There are many yard sticks and authoritative agencies for assessing international competitiveness, such as the International Institute for Management Development in Switzerland, and the World Economic Forum. They differ in the categories they evaluate and rank, and many factors tend to be subjective, but this is no excuse for our not pursuing competitiveness. If we want to compete in this world, we need to keep an eye on these evaluation factors, make judgments according to our own need, and decide on which evaluation categories we shall strive for. This way we can avoid being subjective and meet out real needs.

Second, it is comprehensive. When we talk of competitive advantage, many people immediately associate it with such economic meanings as an increase in national financial might or a boots in productive power.

Undoubtedly, these factors constitute a major portion of what national competitive advantage means. However, we believe that competitive advantage means more than just economic issues; education, public safety, the quality of life, and technical might are all part of the concept. In particular, at this present stage.

PROVIDING FOR CONSIDERATION OF CONFERENCE REPORT ON H.R. 3610, DEPARMENT OF DEFENSE APPROPRIATIONS ACT, 1997, AND PASSAGE OF H.R. 4278, OMNIBUS CONSOLIDATED APPROPRIATIONS ACT, 1997

SPEECH OF

HON. CARDISS COLLINS

OF ILLINOIS

IN THE HOUSE OF REPRESENTATIVES

Saturday, September 28, 1996

Mrs. COLLINS of Illinois. Mr. Speaker, on Saturday, September 28, 1996, the House of Representatives was presented with the conference report to H.R. 3610 containing the omnibus appropriations for Federal fiscal year 1997. At the time that the bill was called up on the House floor for a vote, no Member had yet read and analyzed the entire bill, with groups of staff members working on various parts of that legislation. When we were presented with the legislation, I stated that because I had not been offered the opportunity to be advised of numerous provisions about which I have particular concern, I would vote against the measure.

Between the time my statement was given for the RECORD, and the time at which I cast my vote, some of my concerns had been resolved. Therefore I cast my vote in favor of H.R. 3610.

VETERANS' HEALTH CARE ELIGIBILITY REFORM ACT OF 1996

HON. TIM Y. HUTCHINSON

OF ARKANSAS

IN THE HOUSE OF REPRESENTATIVES

Monday, September 30, 1996

Mr. HUTCHINSON. Mr. Speaker, it is with great pride and a resounding sense of accomplishment that I stand in support of H.R. 3118, as amended, the Veterans Health Care Eligibility Reform Act of 1996. This bill represents the culmination of strong bipartisan efforts to move Veterans' Administration [VA] health care into the 21st century. I want to extend my appreciation to Chairman STUMP for his leadership and to the ranking members SONNY MONTGOMERY and CHET EDWARDS of the Veterans Affairs' Committee for their steadfast support in doing what is right for America's veterans.

H.R. 3118, within appropriations, directs VA to provide all needed hospital and medical care services and establish and manage health care programs to promote the cost-effective delivery of health services to veterans with compensable service-connected disabilities, former prisoners of war, veterans exposed to toxic substances and environmental hazards, veterans meeting the ''means test'' as provide under existing law, and veterans of World War I.

The bill requires VA to manage the provision of health care services through an annual patient enrollment system that is reflective of the priority system, which provides the highest priority for enrollment to those with service-connected conditions and also requires that effective October 1, 1998, veterans enroll in a VA managed care plan to receive health care services. Veterans in need of care for a service-connected condition of 50 percent or more service-connected disabled are exempt from the enrollment requirement.

The bill eliminates restrictions on VA providing prosthetics, but requires VA to establish guidelines for providing hearing aids and eyeglasses.

The bill directs the VA to maintain its capacity for specialized services at the current level and within distinct programs and facilities dedicated to the specialized needs of those veterans. It also requires VA to consult with the Advisory Committee on Prosthetics and Special Disabilities Programs and the Committee on Care of Severely Chronically Mentally Ill Veterans in the assessment of these activities. Furthermore, the VA is required to report to the House and Senate Veterans' Affairs Committees by April 1 of the years 1997, 1998, and 1999 on VA's compliance with the specialized services provisions of the bill.

To ensure the budget neutrality of the eligibility reform provisions of this bill, the authorizations for appropriations are capped at the following amounts: $17.25 billion for fiscal year 1997 and $17.9 billion for fiscal year 1998.

The bill requires that no later than March 1, 1998, VA report to the House and Senate Veterans' Affairs Committees on the impact of the implementation of eligibility reform.

The bill authorizes the following major projects for a total amount of $358.15 million: construction of an ambulatory care facility and renovation of ''E'' wing, Tripler Army Hospital, Honolulu HI, $43 million; addition of ambulatory care facilities, Brockton, MA, $13.5 million; addition of ambulatory care facilities, Shreveport, LA, $25 million; addition of ambulatory care facilities, Lyons, NJ, $21.1 million; addition of ambulatory care facilities, Tomah, WI, $12.7 million; addition of ambulatory care facilities, Asheville, NC, $26.3 million; addition of ambulatory care facilities, Temple, TX, $9.8 million; addition of ambulatory care facilities, Tucson, AZ, $35.5 million; construction of an ambulatory care facility, Leavenworth KS, $27.75 million; environmental improvements, Lebanon, PA, $9.5 million; environmental improvements, Marion, IL, $11.5 million; environmental improvements, Omaha, NE, $7.7 million; environmental improvements, Pittsburgh, PA, $17.4 million; environmental improvements, Waco, TX, $26 million; environmental improvements, Marion, IN, $17.3 million; environmental improvements, Perry Point, MD, $15.1 million; environmental enhancement, Salisbury, NC, $18.2 million; and seismic corrections of building number 324 at the Department of Veterans Affairs medical center, Palo Alto, CA, in the amount of $20.8 million. The authorization covers the fiscal years 1997 and 1998.

The bill authorizes the following major medical facility leases for a total of $12.236 million: Allentown, PA, $2.159 million; Beaumont, TX, $1.94 million; Boston, MA, $2.358 million; Cleveland, OH, $1.3 million; San Antonio, TX, $2.256 million; and Toledo, OH, $2.223 million.

The bill requires the VA to develop a 5-year strategic plan for its health care system which specifically addresses the integration of planning efforts at the grassroots level, coordinated within the prescribed geographic network, and then formulated into a national plan. The plan is required to be updated annually.

The VA is also required to submit to the House and Senate Veterans' Affairs Committees an annual report on the top 20 major medical construction projects of the Department which includes the justification of the projects and any changes to the report, such as the addition, deletion, or change in rank order of any of the projects.

The bill expands the required documentation and justification of each major project and major facility lease proposed in the President's budget. The bill redefines a major medical construction project as costing at least $4 million and repeals effective fiscal year 1998, a provision of law exempting certain previously funded construction projects from the law's authorizations requirement. The bill also provides that amounts in excess of $500,000 may not be obligated from the VA's Advance Planning Fund until VA reports such proposed obligations to the House and Senate Veterans' Affairs Committees.

The provision of Health Care Sharing and Administration broadens and expands VA's ability to share health care resources while ensuring that services to veterans are not adversely affected by contractual agreements or sharing arrangements that may be established between the VA and other health care providers.

The bill makes permanent VA's ability to enter into sharing agreements with the Department of Defense under provisions of DOD's CHAMPUS program. The bill clarifies VA's authority to recover or collect from insurance