

TABLE 15.1 Indexes of revealed comparative advantage for certain broad product categories

	U.S.	U.K.	Japan	Switzerland	Canada	Australia	Taiwan
Cereals	+0.83	-0.24	-0.99	-0.99	+0.80	+0.97	-0.78
Mineral fuels	-0.82	-0.11	-0.93	-0.50	0.41	+0.26	-0.54
Pharmaceuticals	-0.25	+0.19	-0.51	+0.34	-0.32	-0.34	-0.78
Vehicles	-0.41	-0.25	+0.81	-0.68	+0.04	-0.69	+0.31
Aerospace	+0.58	-0.14	-0.44	-0.13	+0.26	-0.70	-0.50
Electrical and electronic equipment	-0.26	+0.08	+0.41	-0.02	-0.30	-0.74	+0.25
Optical, photo, medical and scientific equipment	+0.09	-0.02	+0.21	+0.37	-0.36	-0.46	+0.20
Apparel (woven)	-0.92	-0.61	-0.96	-0.40	-0.59	-0.92	-0.29
Finance and insurance	-0.10	+0.56	+0.08	+0.69	-0.08	+0.05	-0.85

Note: Revealed comparative advantage for each product group is measured as: (exports less imports)/(exports + imports).

Source: OECD.

Porter's *national diamond* framework identifies four key factors that determine a country's competitive advantage within a particular sector (see Figure 15.3):⁸

Factor Conditions Whereas the conventional analysis of comparative advantage focuses on endowments of broad categories of resource, Porter emphasizes the role of highly specialized resources many of which are "home-grown" rather than "endowed." For example, in analyzing Hollywood's preeminence in film production, Porter points to the local concentration of highly skilled labor, including the roles of UCLA and USC schools of film. Also, resource constraints may encourage the development of substitute capabilities: in post-war Japan, raw material shortages spurred miniaturization and low-defect manufacturing; in Italy, restrictive labor laws have stimulated automation.

FIGURE 15.3 Porter's national diamond framework