



WHAT IS THE KEY TO GLOBAL COMPETITIVENESS IN THE EMERGING INTERNET ECONOMY?

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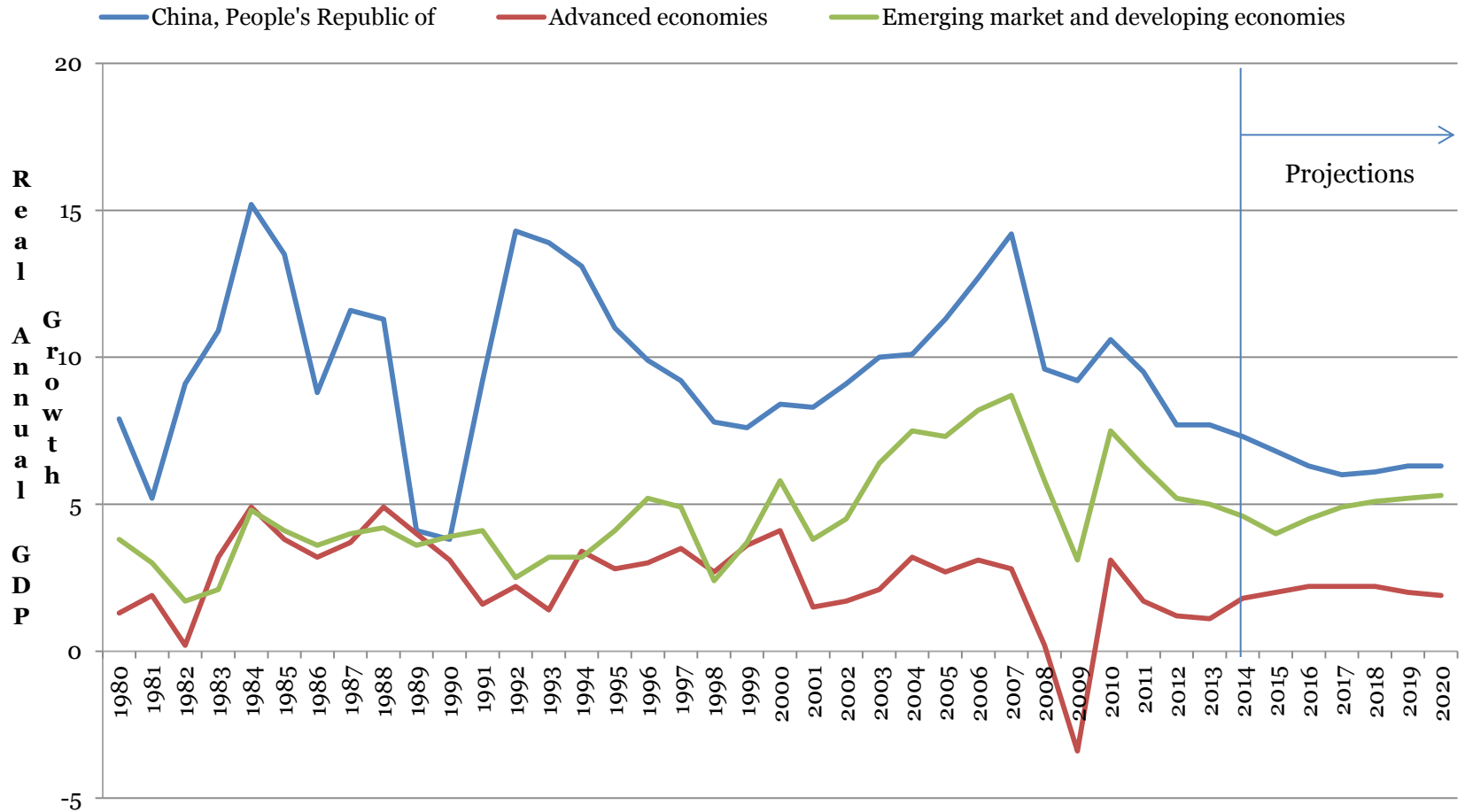


Overview

1. My comments are from the perspective of developing countries
2. Will go beyond competitiveness in the internet economy
3. Will focus on four key enablers of the internet economy
4. Will go beyond taking advantage of the internet economy to making innovation work for developing countries



Growth slowdown: Actual and Projected :China vs Advanced and Emerging Market & Developing Economies



Source: IMF Datamapper accessed 28/10/2015



The Internet Economy and Developing Countries

- The internet can affect developing countries in many ways
 - Can enable leap frogging
 - Can greatly reduce transactions costs and improve efficiency of use of capital
 - **But** can also be disruptive to existing activities
 - **And failing to take advantage of it can lead to losing competitiveness relative to other countries that do**
- Key for a country is to develop strategies to take advantage of the positive impacts and reduce the negative. This includes role of government in
 - Stimulating the effective use
 - Addressing the disruptions and facilitating restructuring

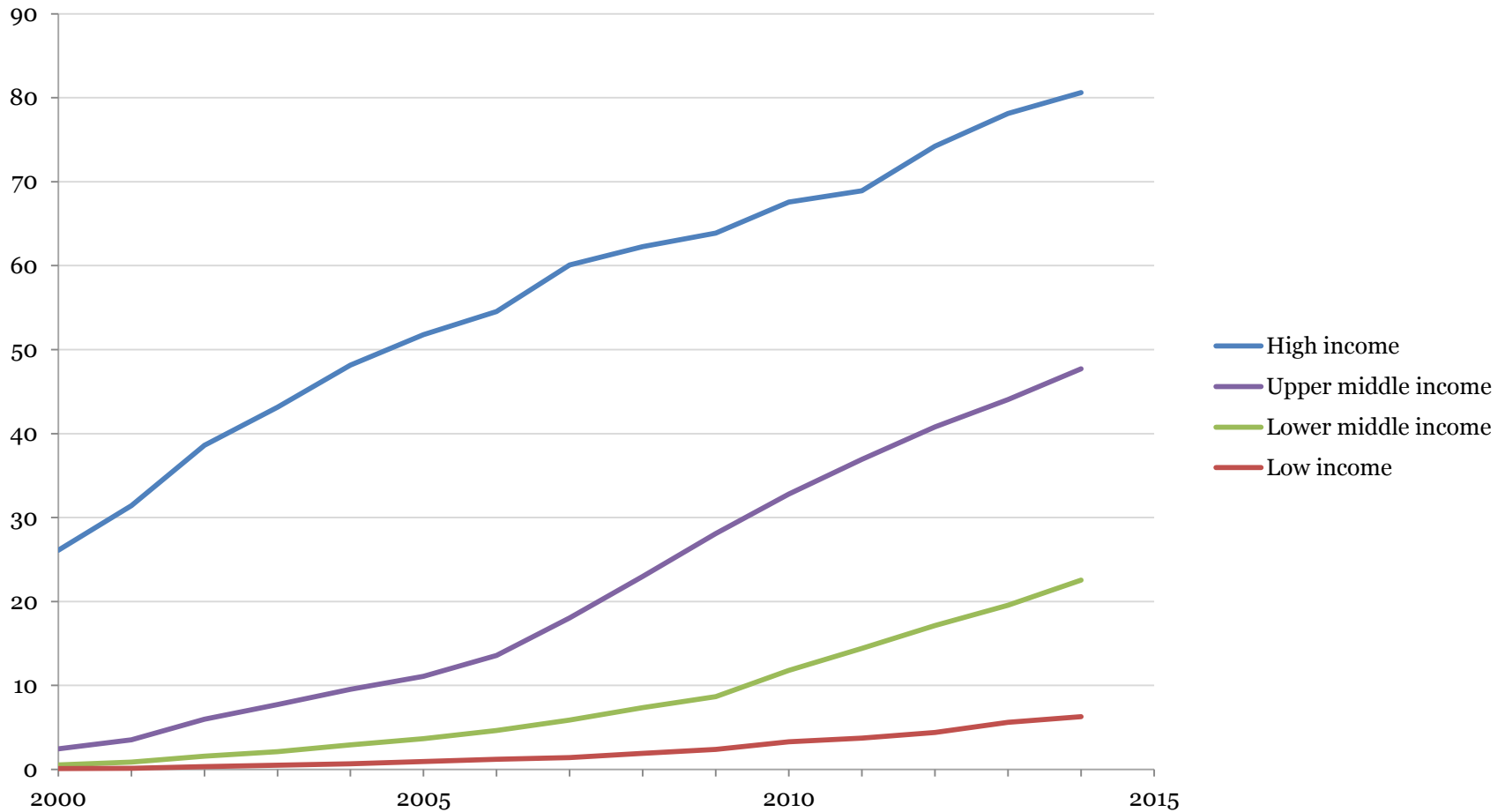


Four Key Enablers of the Internet Economy in addition to Macro Stability and Favourable Business Environment

Infrastructure <ul style="list-style-type: none">• Hardware• Data	Regulation <ul style="list-style-type: none">• Competition policy• Privacy• Security
Skills <ul style="list-style-type: none">• ICT Researchers• ICT professionals• ICT literacy in the population	Finance <ul style="list-style-type: none">• Public grants• Private lending• Venture capital• Equity finance



Internet Users Per 100 people by Income Category of Country





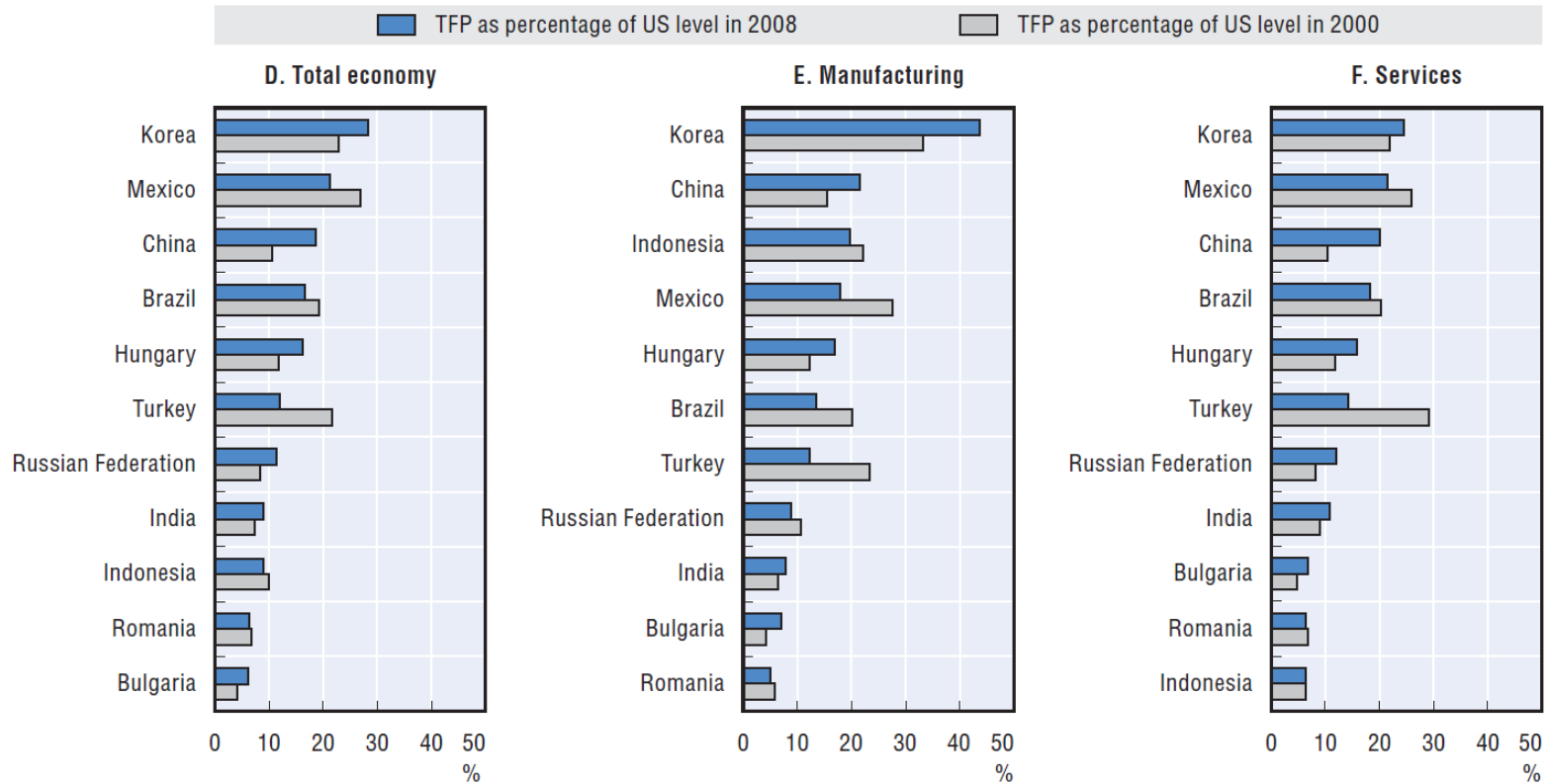
Making Innovation Work for Developing Countries

- Innovation is much more than R&D or productivity improvement and it is not necessarily based on R&D (STI has done a lot of work on this)
- Productivity in developing countries is far below that in advanced countries so there is a tremendous potential to tap existing global knowledge (PGD 2014)



Total factor productivity gap with advanced countries is significant

Total factor productivity as a percentage of the United States level, 2000 and 2008 (%)

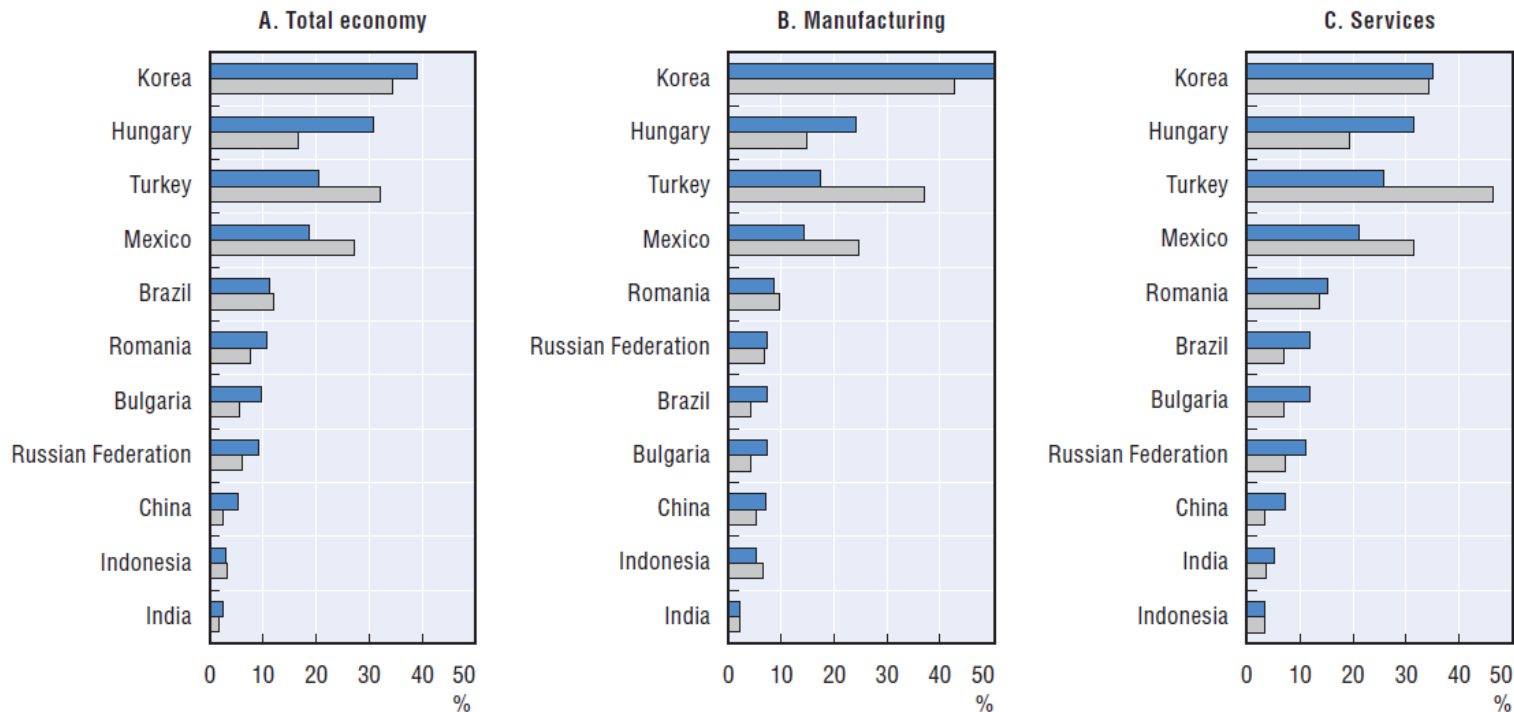




...so as the gap in labour productivity

Labour productivity (value added per employee in constant 2002 USD)
as percentage of the United States level, 2000 and 2008 (%)

■ Labour productivity as percentage of US level in 2008 ■ Labour productivity as percentage of US level in 2000





Developing countries can Acquire Existing Knowledge through:

- Direct foreign investment
- Technology licensing
- Acquisition of technology embodied in capital goods, components and products
- Consulting and management services
- Technical assistance
- Foreign education and training
- Copying and reverse engineering
- Technical literature and databases



But we are also in a Period of Rapid Technological change and Disruption

- Have been discussing the disruptive impact of the internet economy
- As Alistar has noted (NPR), there are also game changing technological development in other areas including biotechnology and nanotechnology
- Developing countries need to develop the capability to take advantage of the potential of those technologies and to address the challenges



Developing Countries Need to:

- Be aware of these trends and the potential as well as the risks they may pose for their countries
- What are some of the key elements they need to take advantages and reduce the risks
 - Infrastructures: ICT, data, networks
 - Capabilities: R&D, education, skill upgrading, entrepreneurship
 - Institutions: Universities, R&D institutes, standards institutions; venture capital, legal system for technology issues
 - Policies: Competition and regulation policies, privacy, security, restructuring and social protection poliices
 - Programs: special support programs for relevant areas, international agreements



Moving Forward

- Would be useful to have:
 - Good case studies of how countries have acquired and made effective use (including dissemination) of existing global knowledge to improve their performance
 - Trends, potential and risks of some of the new technologies
 - Tool kits of policies and programs to take advantage of the potential and address the risks
 - Greater global efforts to stimulate innovation that addresses global public goods



THANK YOU!

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