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**CHALLENGES OF GLOBALIZATION,  
INNOVATION AND COMPETITIVENESS FOR  
DEVELOPING COUNTRIES**

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**CHALLENGES OF GLOBALIZATION,  
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by

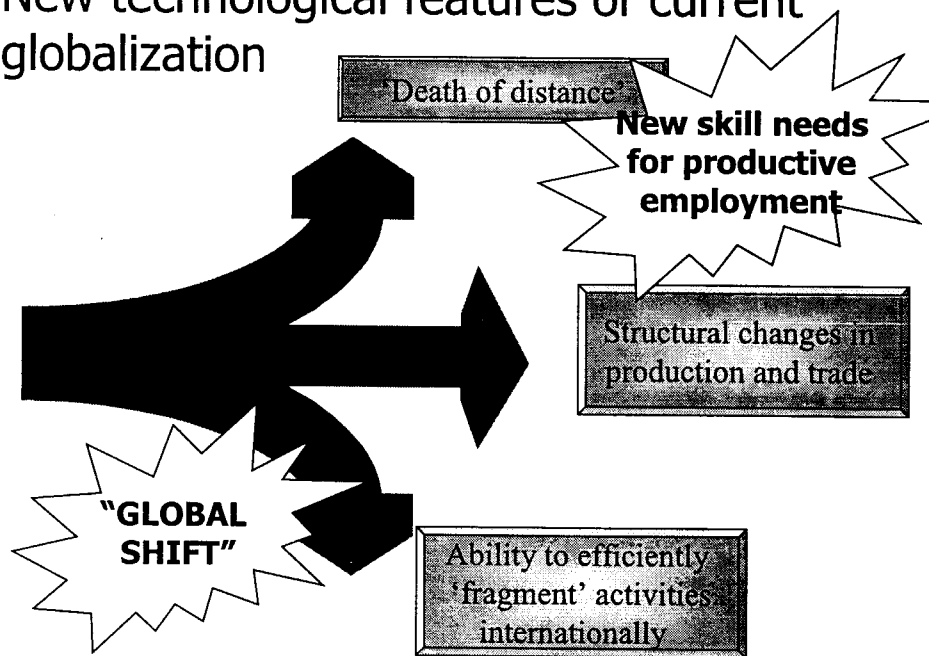
Sanjaya Lall  
Oxford University  
Oxford, United Kingdom

# Challenges of globalization, innovation & competitiveness for developing countries

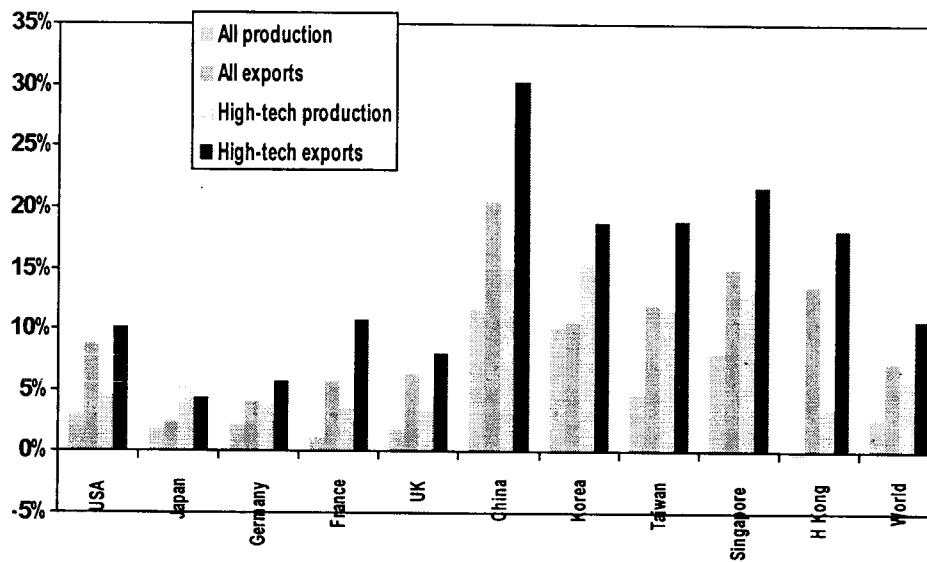
for the ESCWA/ILO Forum on  
"Technology, Employment and Poverty Alleviation"  
Beirut, 16 July 2002

Sanjaya Lall  
Oxford University

## New technological features of current globalization



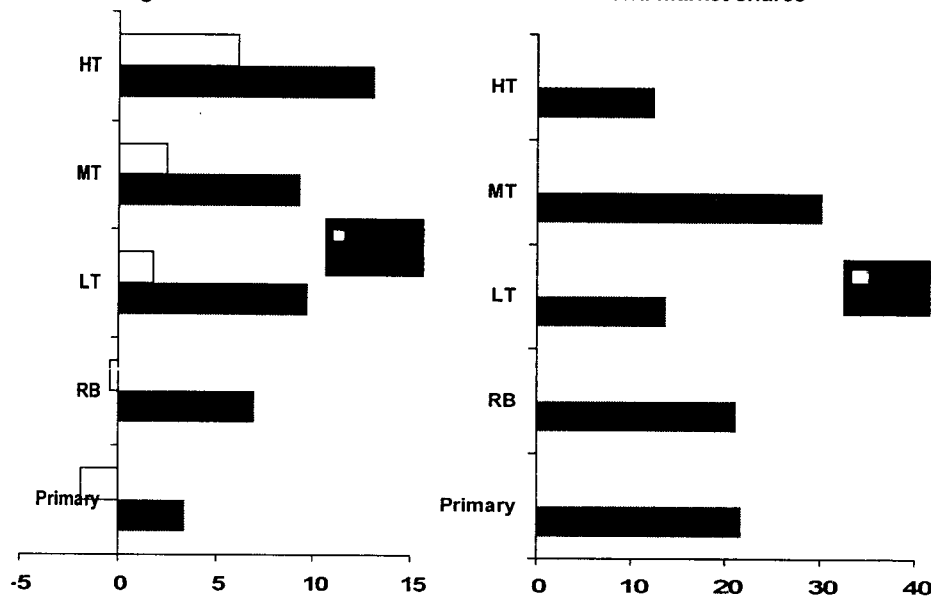
## Technology intensive activities grow faster (% growth rates 1985-97, from NSF 2000)

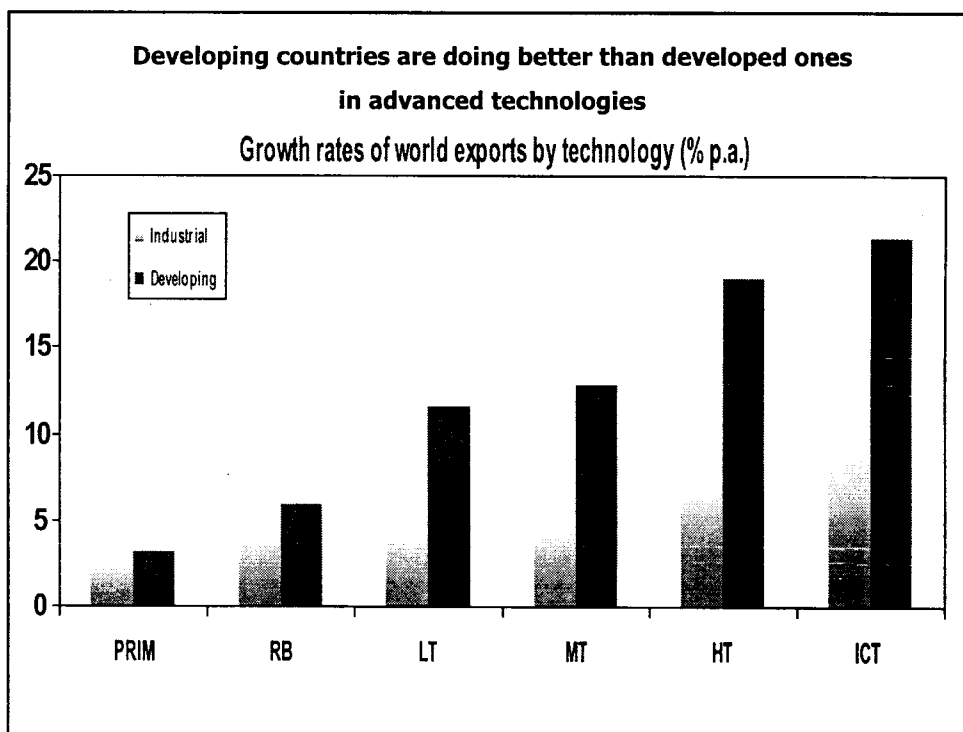
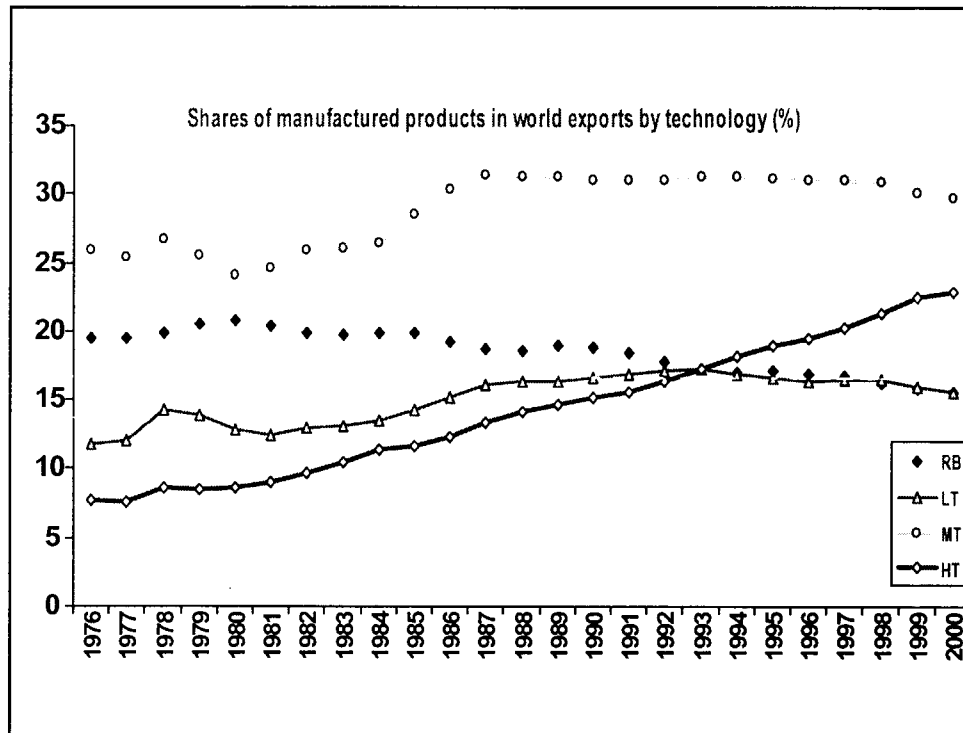


## Global exports driven by innovation (1985-98)

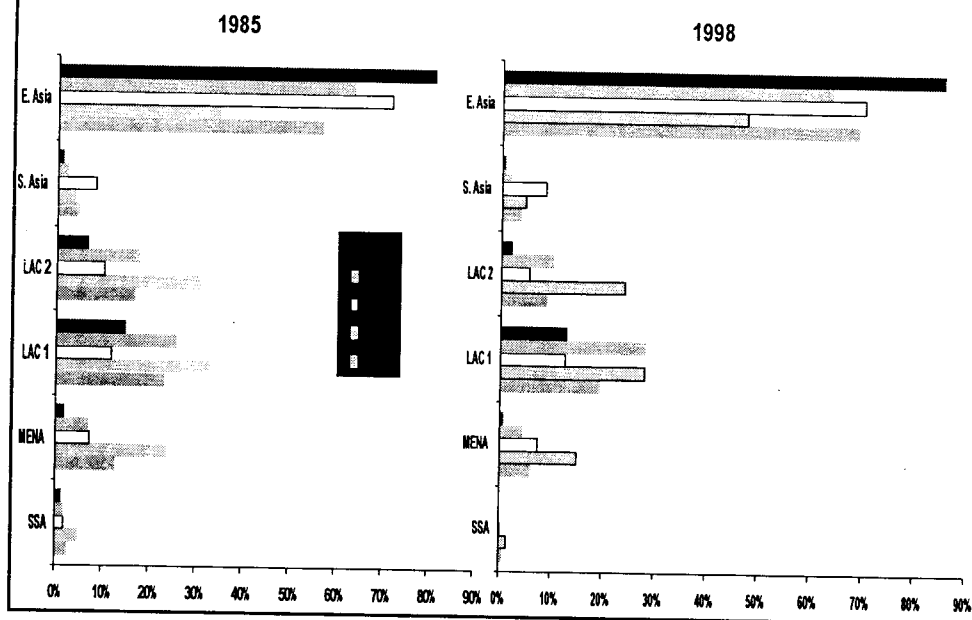
Annual growth rates

World market shares

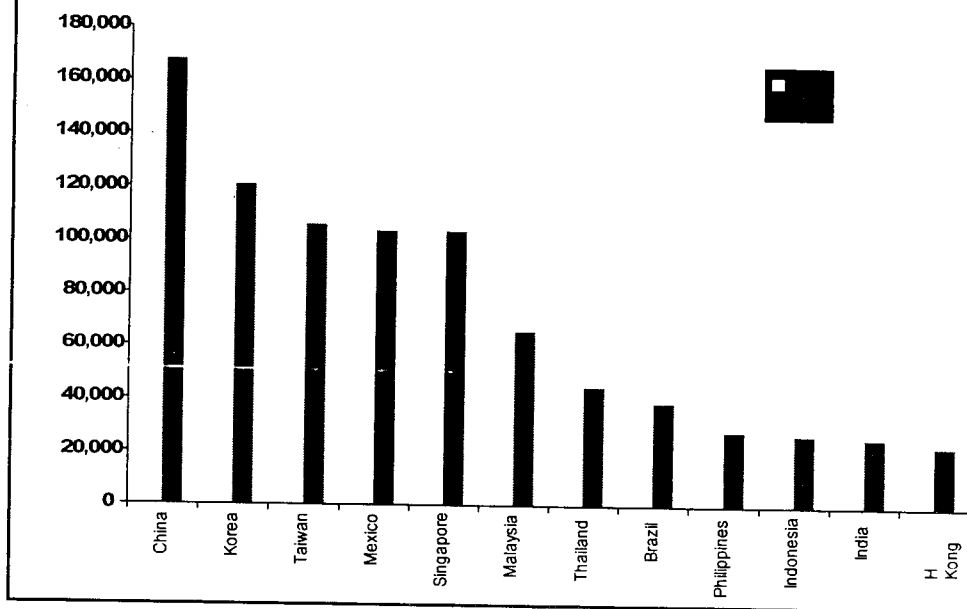




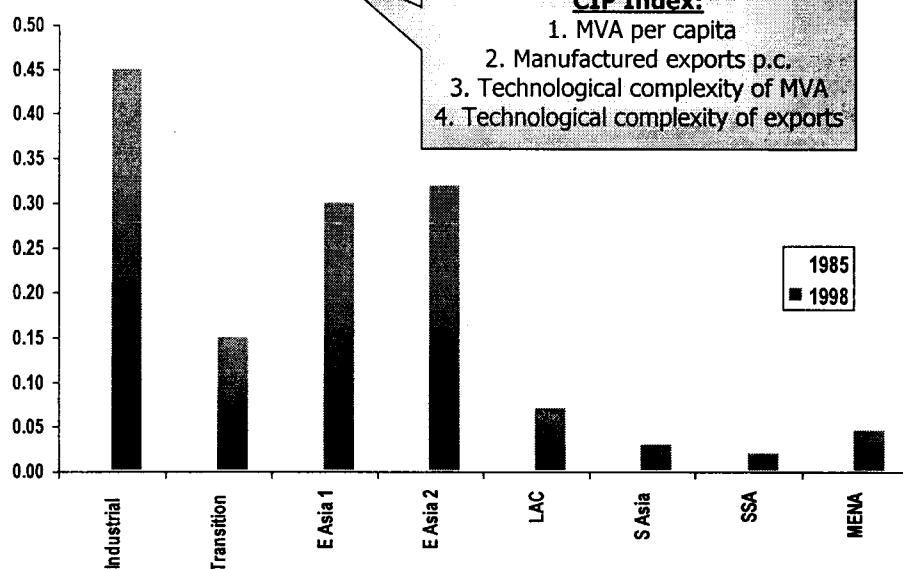
But exports remain highly concentrated in developing world (%)



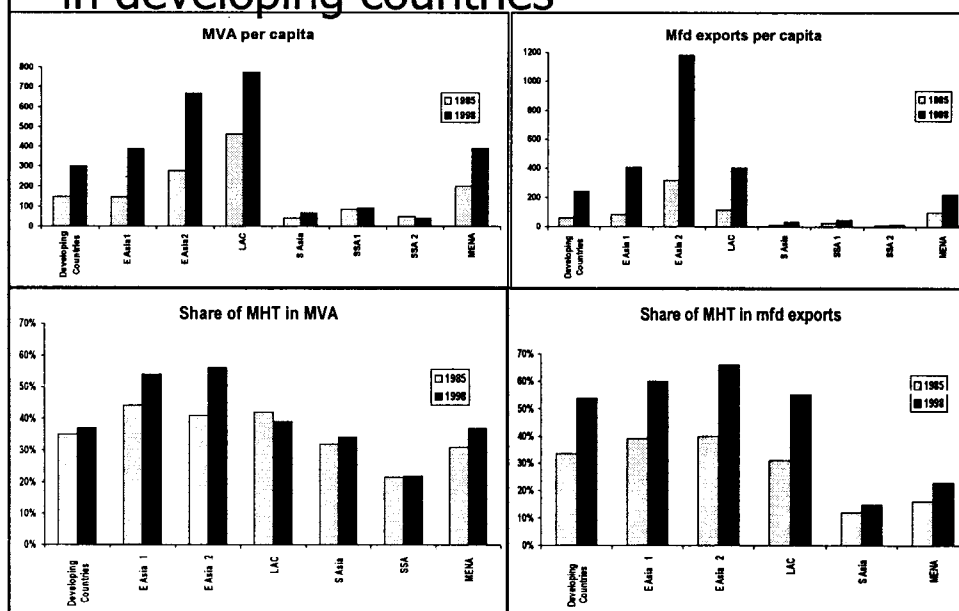
Only 12 countries account for 90% of developing world manufactured exports (\$ m.)



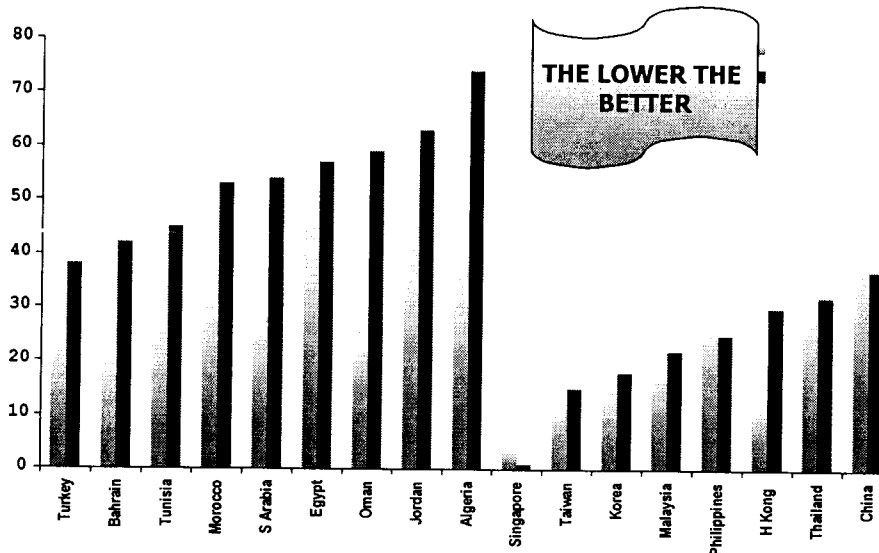
## UNIDO's Competitive Industrial Performance Index



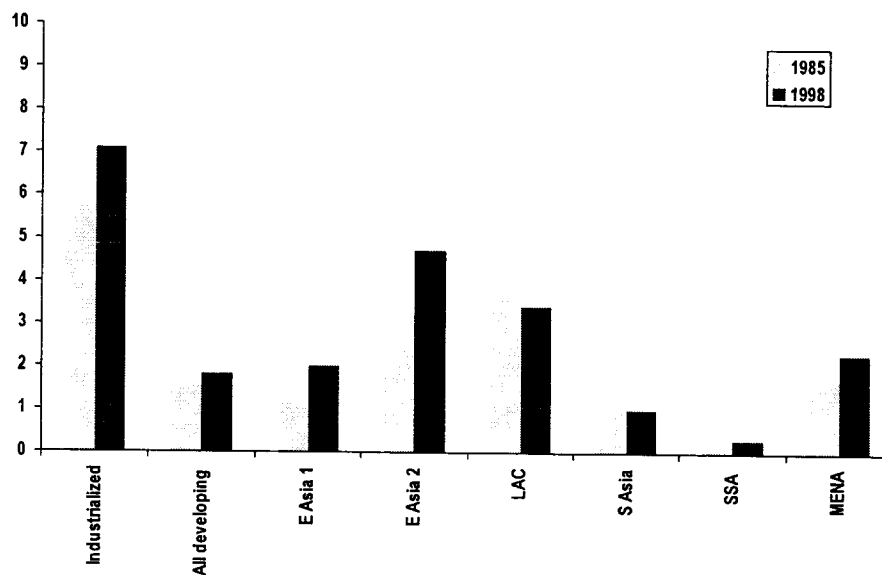
## Components of industrial performance in developing countries



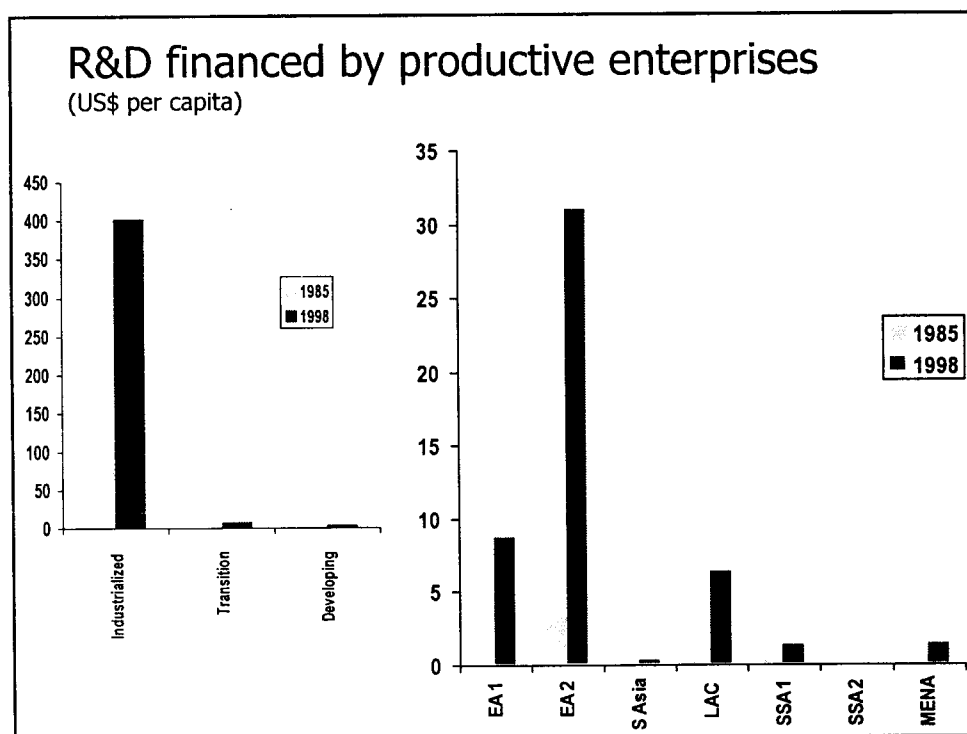
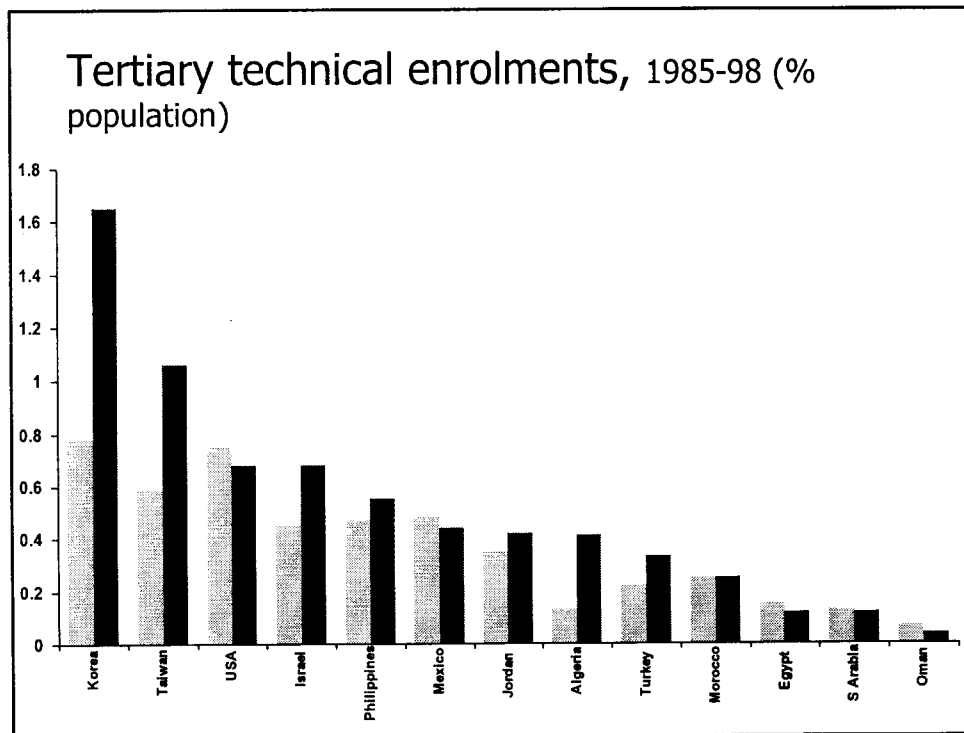
## CIP rankings for MENA and E Asia



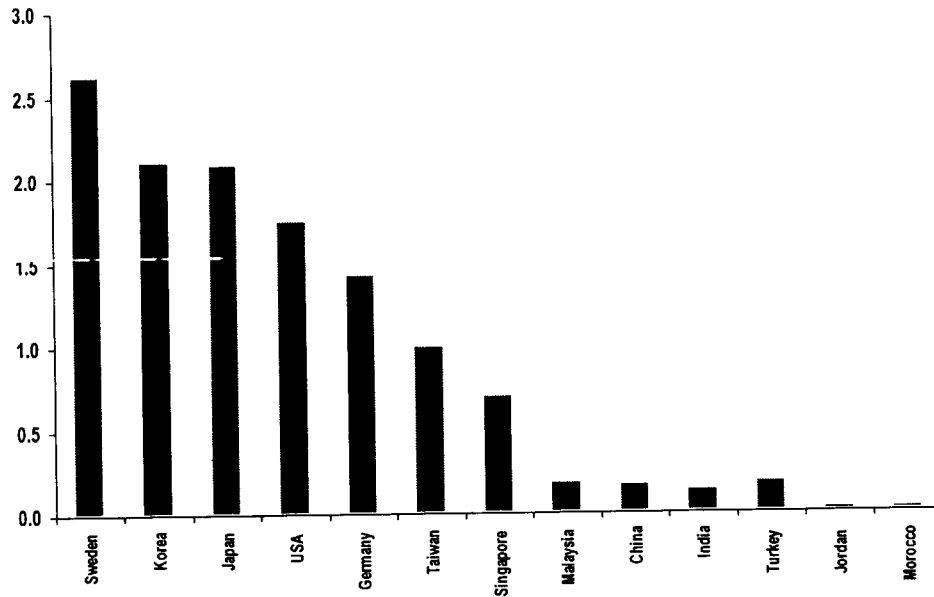
## Skill base: regional tertiary technical enrolments (per 1000 people)



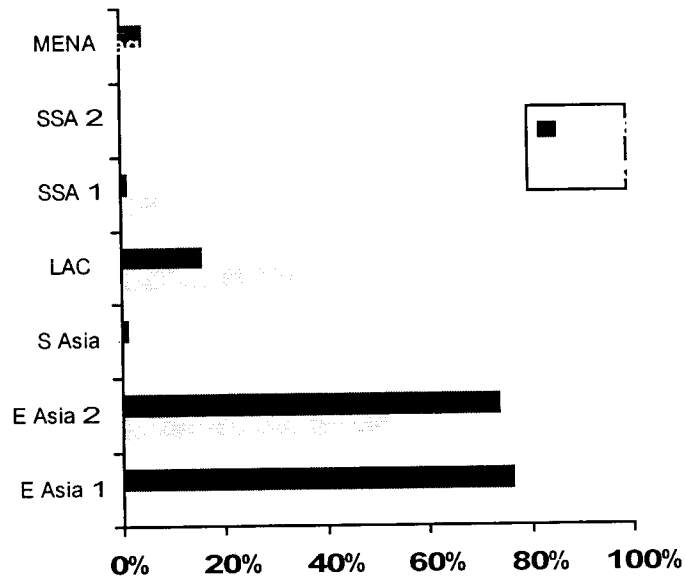


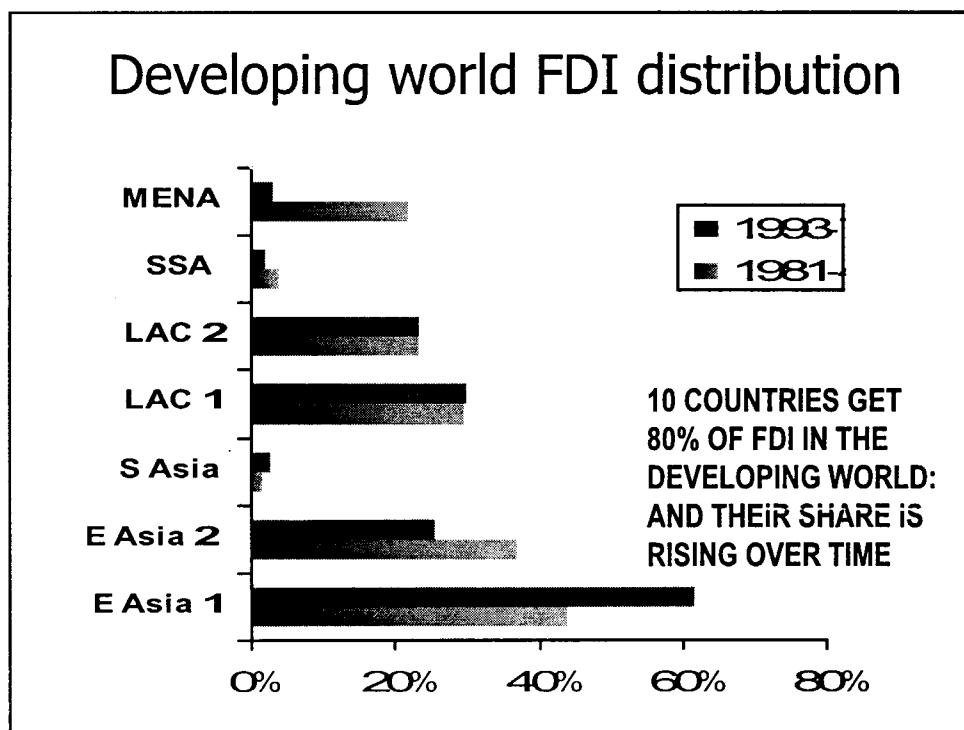
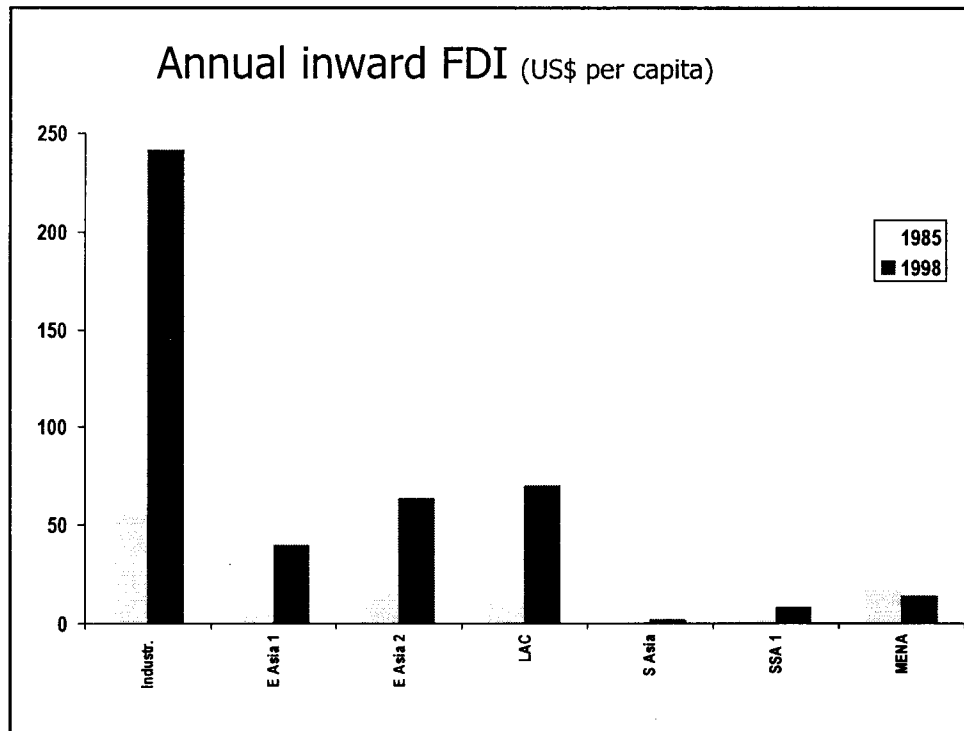


Technological leaders: R&D by productive enterprises as % GDP (1997-8)

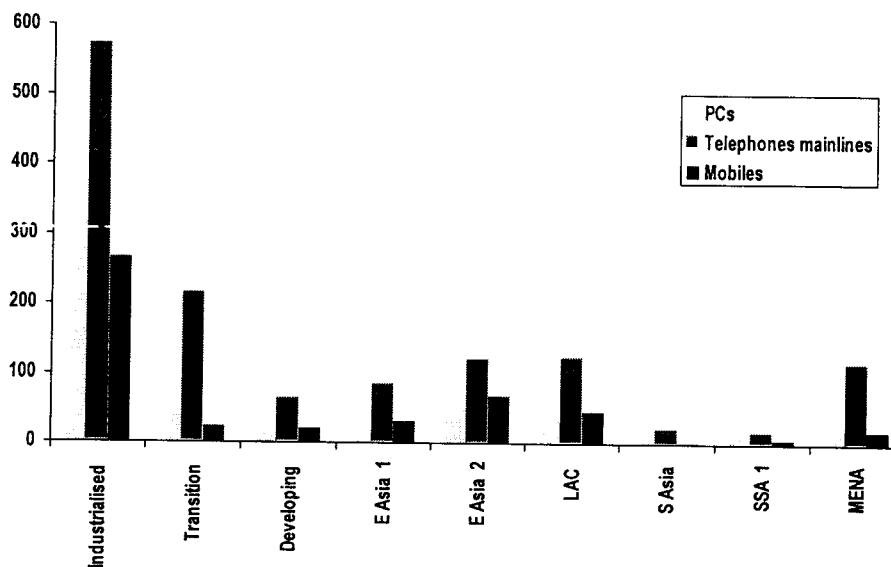


Licensing and royalty payments overseas





### ICT Infrastructure (1998, per 1000 people)



### Globalisation & liberalisation leading to...

- ✓ Increasing divergence, based on differences in competitive capabilities
- ✓ No in-built forces in globalisation to reverse structural gaps, even for countries within IIFT. But gaps more serious for the marginalised
- ✓ Rationalisation of industry in liberal world will lead to a few production sites in first movers with capabilities & supplier networks
- ✓ Further spread may be slow and sporadic
- ✓ Policy challenge: raise 'stickiness' on the slippery global slope

MENA is increasingly marginal to globalisation and innovation today, but it has enormous potential ...

- ✓ Its strengths are location, industrial experience and human capital base – with large rents from resource base to build new competencies
- ✓ Weaknesses are poor competitive performance, slow technology upgrading, lack of domestic technological effort and isolation from global FDI and technology flows
- ✓ Underlying these are an inability of governments in the region to consolidate, build upon and exploit skill and technological resources
- ✓ Need new vision, strategy and policies to build competitiveness based on technology, able to cope with rigours of globalisation