

ICTs and Globalization

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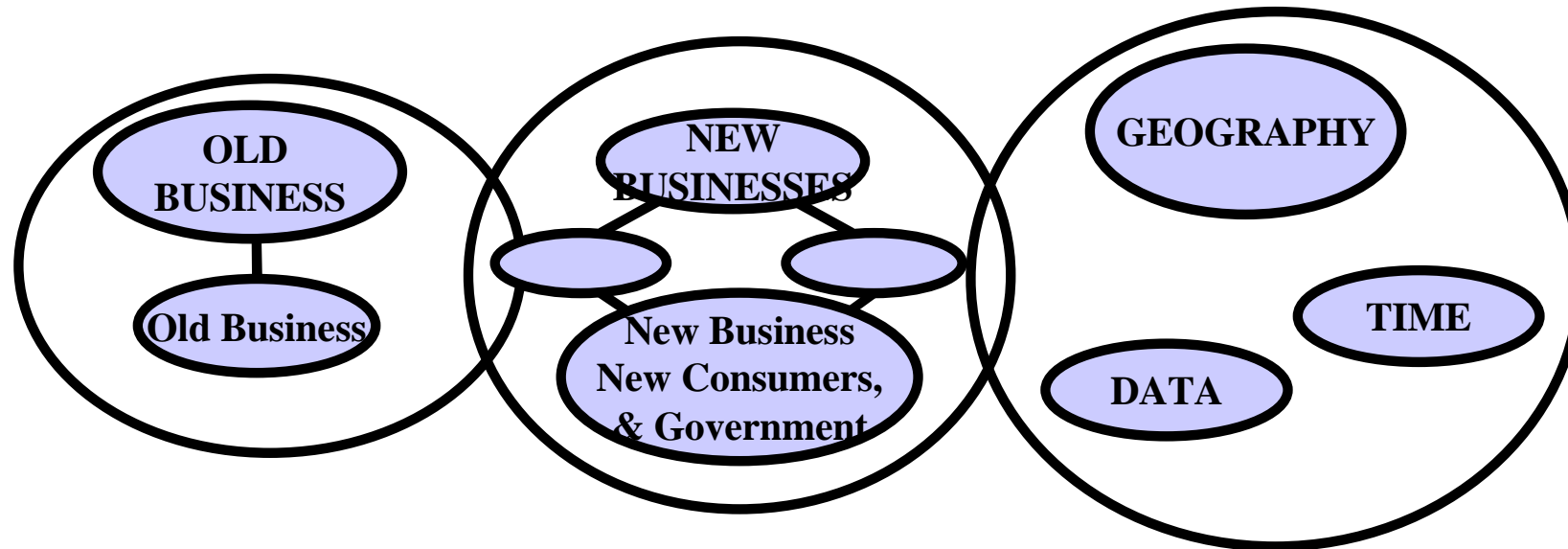
Productivity Growth: Sources and Evidence

	Australia		United States	
	1991-1995	1996-1999	1991-1995	1996-1999
labor productivity growth	2.1	4.1	1.5	2.6
contribution from:				
Information technology	0.9	1.3	0.5	1
Other capital	0.4	0.6	0.1	0.4
multifactor productivity growth (e.g. transformation)	0.8	2.2	0.5	1.2

Source:
Gruen, Reserve Bank of Australia Bulletin, Feb 2001, table 1 page 68

**Globalization and ICT:
The US produces ICT but Australia imports ICT**

What is Transformation?



Different countries, different opportunities:
But, each stage has transformation

ICT and International Trade

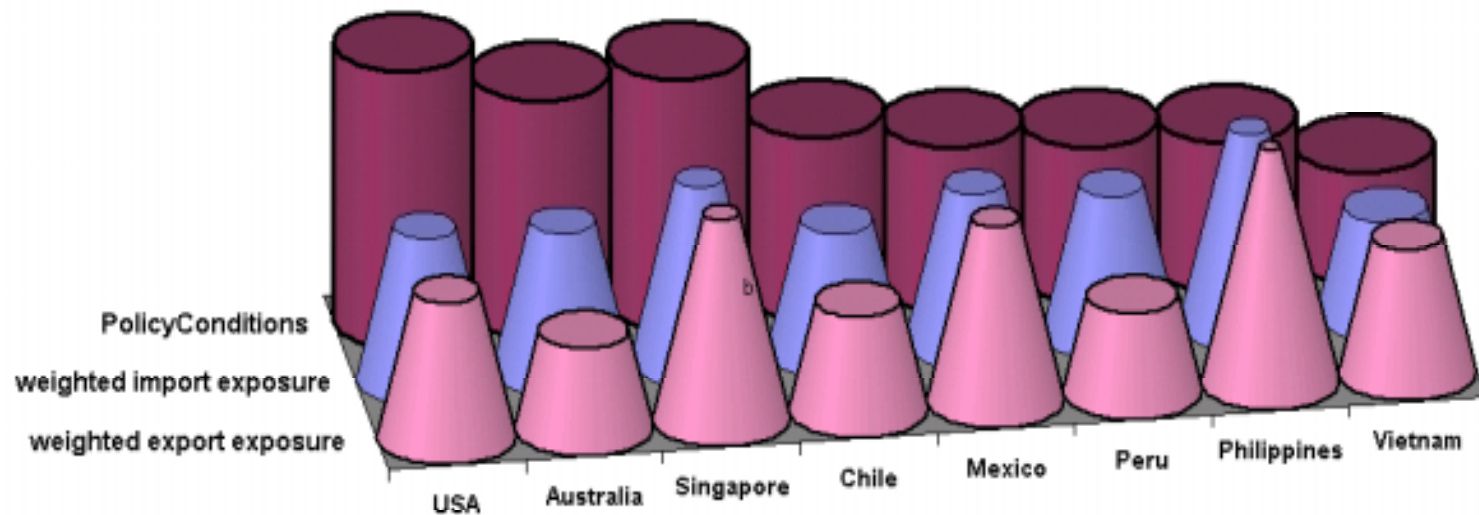
- Industry sectors' intensity of ICT use
- Country pattern of international trade
- Together determine global exposure to need to use ICT effectively

ICT Intensity in Industry Sectors

Sector (5 is most intensive user of ICT)	
Food Ingredients	4
Consumer goods	3
Textiles	3
energy, chem, natl res.	1
Pharmaceuticals	4
metals/metal products	1
Indus eqpt & Supplies	3
Electronic Components	5
Autos	3

Policy & Trade Competitiveness

The taller the Policy cones, the more the policy environment helps enable transformation



The taller the trade cones, the more transformation is needed to maintain trade competitiveness.

Economies ordered by GDP per capita at PPP

Policy Choices Shape the Environment: Help or Hinder Transformation

**Financial
Depth**

**Global
Engagement**

**Pro-Competitive
Market Rules**

**Fiscal
Efficiency**

Financial depth is key for investment and transformation

Global engagement, competition, and knowledge transfer, particularly in services spurs transformation and innovation.

Pro-competitive market rules encourage transformation in business, product and labor markets.

More efficient and changed activities of government free up resources for human development agenda.

To Conclude

- **Transformation is the key**
 - Yields productivity benefits
 - Improves trade competitiveness
- **Structural policy reforms**
 - Shape environment for transformation
 - Are tougher to do than technology policy
 - Require domestic commitment and leadership
 - Need complementary local entrepreneurship
- **Consequences of differential reform?**
 - Gap betw. reformers & non-reformers widens

For More:

- [The New Economy and APEC](#)
- [Global Electronic Commerce: A Policy Primer](#)
- [Global Information Technology Report \(chapter 9\)](#)
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