

## **CONFERENCE ON GLOBALISATION AND THE KNOWLEDGE ECONOMY**

organised by the OECD DSTI<sup>1</sup> and the French Ministry of Economy, Finance and Industry<sup>2</sup>

Paris, 9 October 2006

### **Short Summary by the OECD Secretariat**

This Conference was designed as a special meeting of CIIE<sup>3</sup>, enlarged with the participation of member country experts on measurement and analysis of globalisation, as well as noted academics on the subject and several business representatives. It focused on micro-economic determinants of competitiveness in a globalised economy, confining itself to issues in science, technology, industry and innovation. Speakers included experts from China and India, two of the major countries that may be the target of a pro-active engagement strategy by CIIE in the future. The Conference served two purposes:

(a) to receive input from a broader audience on priorities for future work by STI on globalisation issues.

(b) to present recent STI work relating to globalisation, in particular the Project on Global Value Chains (GVC), to a broader audience and discuss and validate its findings in the presence of independent experts. (The results of the GVC and other recent and related STI work have been distilled in a *Synthesis Paper on Globalisation*, which has been reviewed by CIIE and, when finalised, could feed into the MCM 2007, along with the findings of the GSA project.) The main findings include:

1. OECD countries are moving to higher value added activities as lower value added activities increasingly go to lower cost countries.
2. The share of knowledge-based “market” services continues to rise in all OECD countries.
3. The shift towards more technology and knowledge intensive activities and investment is also taking place in lower technology industries.
4. Globalisation of activities results in higher firm productivity.
5. Impacts on jobs in absolute terms, while sizeable according to some studies, appear modest when compared with the overall churning in the labour market due to technological development and changing consumer demand.
6. But while globalisation may have only a minor impact on overall employment, disproportionate impacts on certain types of workers and regions are reported. (Remedies and policy implications of these are addressed by other OECD work, notably by ELSA and ECH).
7. A number of non-OECD countries, in particular China, seem to be moving up the value chain, thereby directly competing with OECD countries, although these countries still remain heavily specialised in low and medium technology exports.
8. While most of the internationalisation of R&D still takes place within the OECD area, developing countries are increasingly attracting R&D centres, although in terms of R&D investments this remains relatively small from a global perspective.

Although not the primary aim of the Conference, a number of views were widely shared on characteristics of national public policy for growth and competitiveness appropriate for an increasingly global economy:

9. In the emerging environment where comparative advantage is fluid and often ambiguous, there is still a role for government, which however, should focus on policy on creating a context for investment, innovation, and experimentation.
10. However, government should concentrate at what only government can do. What this consists of, and what challenges and options a particular country or region is faced with (e.g., strengthening the legal system, good regulation, physical investment, better education, etc.) vary considerably, but the first goal of public policy is to situate the choices available to its jurisdiction correctly and realistically. And all governments need to a far better job of getting up and explaining the reality of globalisation to their electorates.

Although initially conceived as a substantive working level meeting, the Conference did attract a relatively high level of interest, not only in terms of stature of some of the academic experts who participated. The Director-General of the French Ministry of Economy, Finance and Industry (M. Luc Rousseau) opened the Conference, which also benefited from the presence of the Mexican Undersecretary for International Trade Negotiations Mr. Angel Villalobos, who also attended the CIIE plenary next days, and the President of the French Prime Minister's Council of Economic Analysis, Mr. Christian de Boissieu. Mr. Jørgen Rosted (Denmark, then Chair of CIIE) chaired the Conference. Speakers included several business representatives.

## NOTES

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<sup>1</sup> OECD Directorate for Science, Technology and Industry [www.oecd.org/sti](http://www.oecd.org/sti)

<sup>2</sup> [www.minefi.gouv.fr](http://www.minefi.gouv.fr); [www.industrie.gouv.fr](http://www.industrie.gouv.fr)

<sup>3</sup> OECD Committee on Industry, Innovation and Entrepreneurship