

THE KNOWLEDGE ECONOMY – WORLDWIDE TRENDS

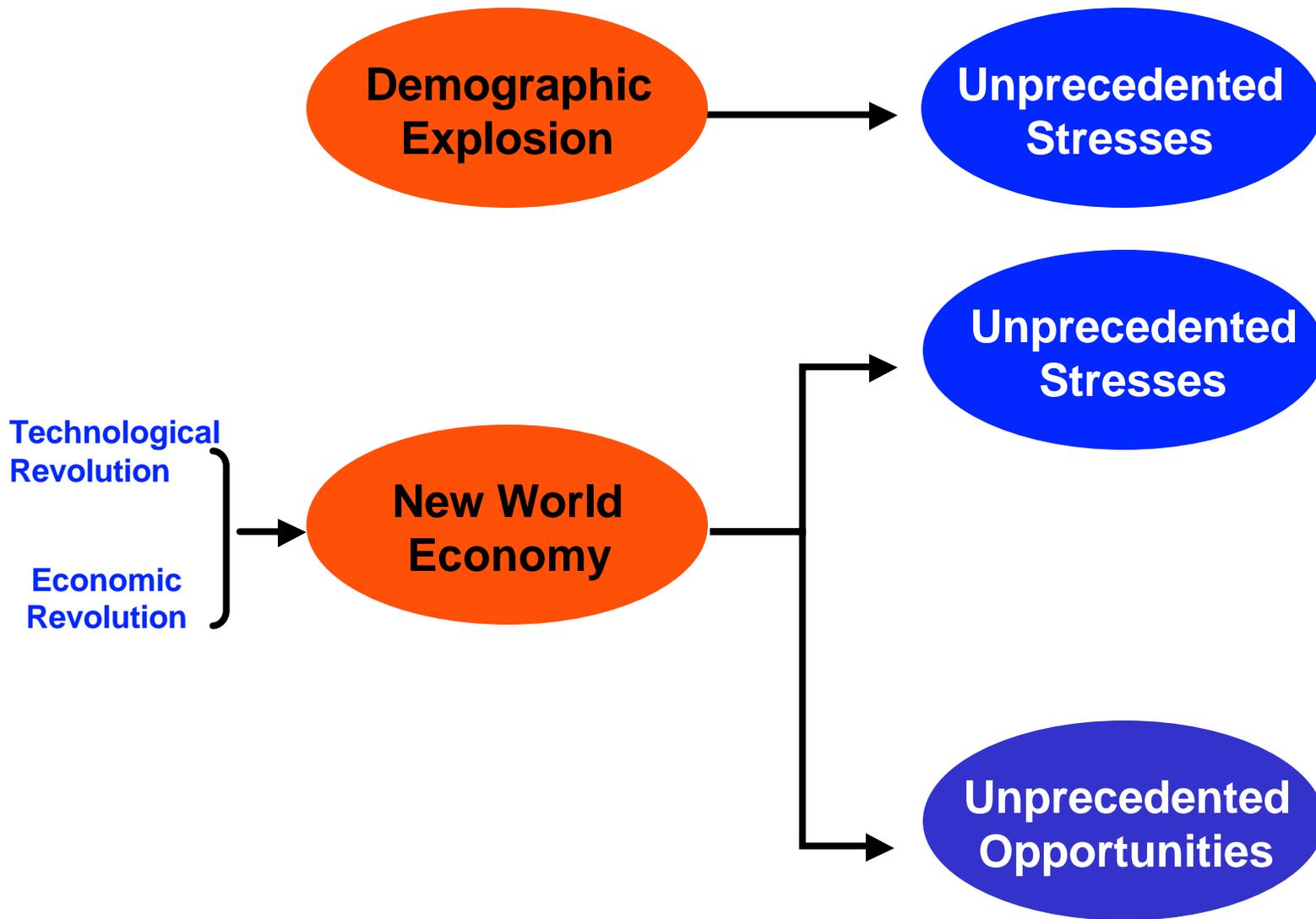
J.F. Rischard
VP for Europe
World Bank

September 9, 2002

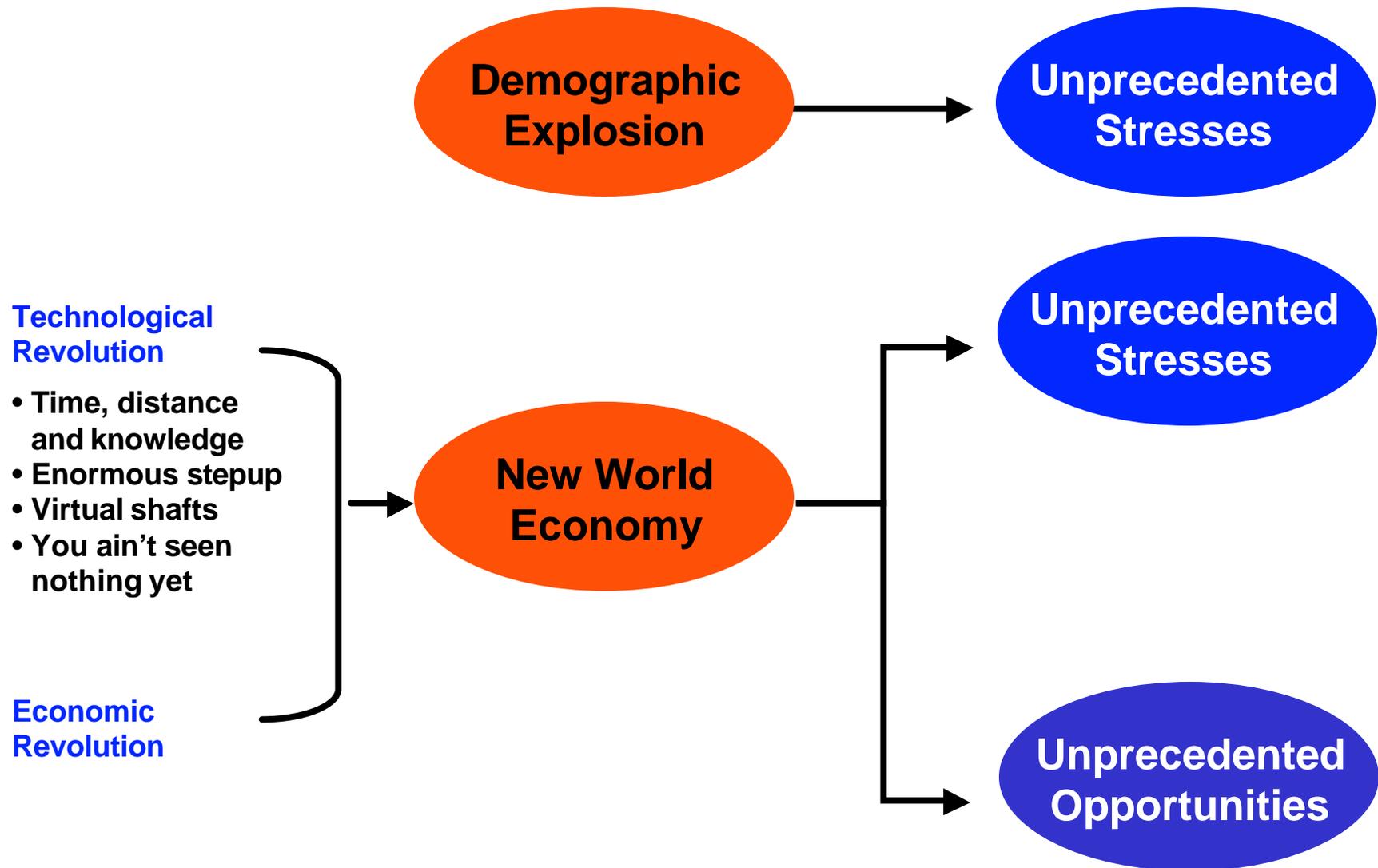
Main Messages

1. Two big forces are changing the world as we know it:
 - Demographic explosion
 - The new world economy with its two engines: an economic revolution and a technological revolution.
2. This new world economy is about doing everything differently.
3. It brings both unprecedented opportunities and stresses.
4. Countries that do well in this new world economy will be those that embrace the knowledge-based economy (KBE) mindset.
5. The KBE concept has several pillars.
6. In this new environment, MNA region faces a considerable challenge and has no choice but to make a real leap forward.

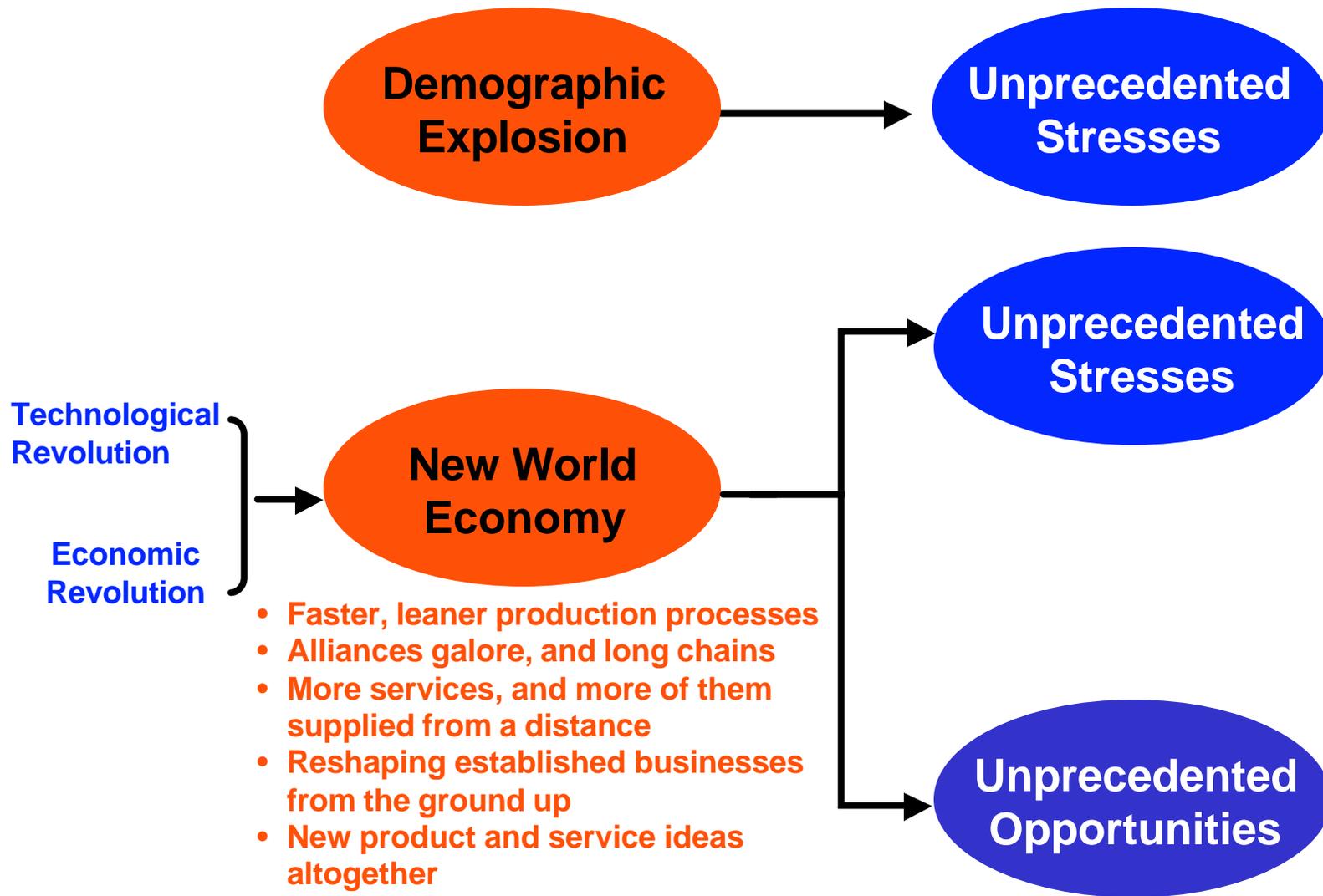
The Two Big Forces



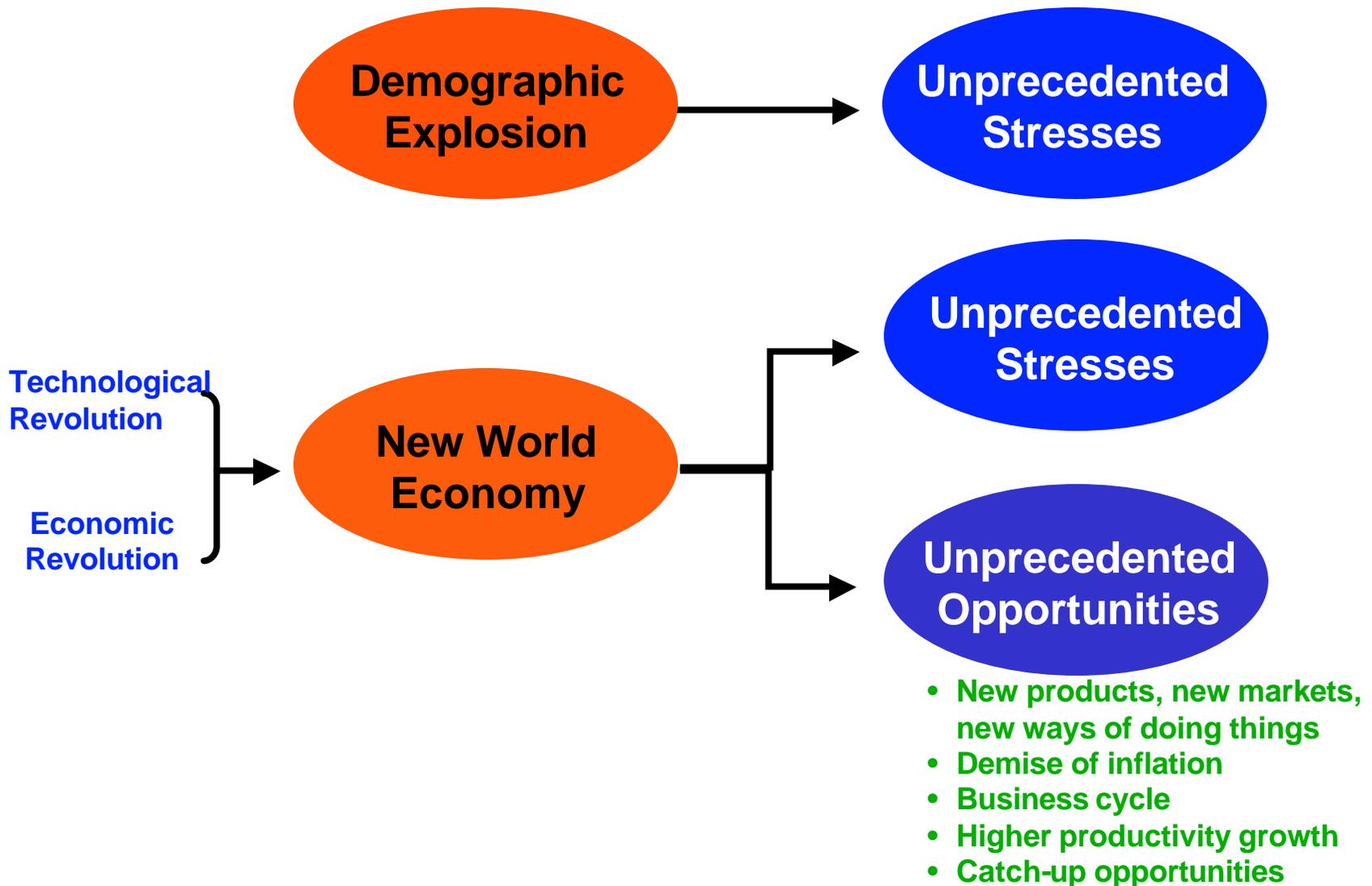
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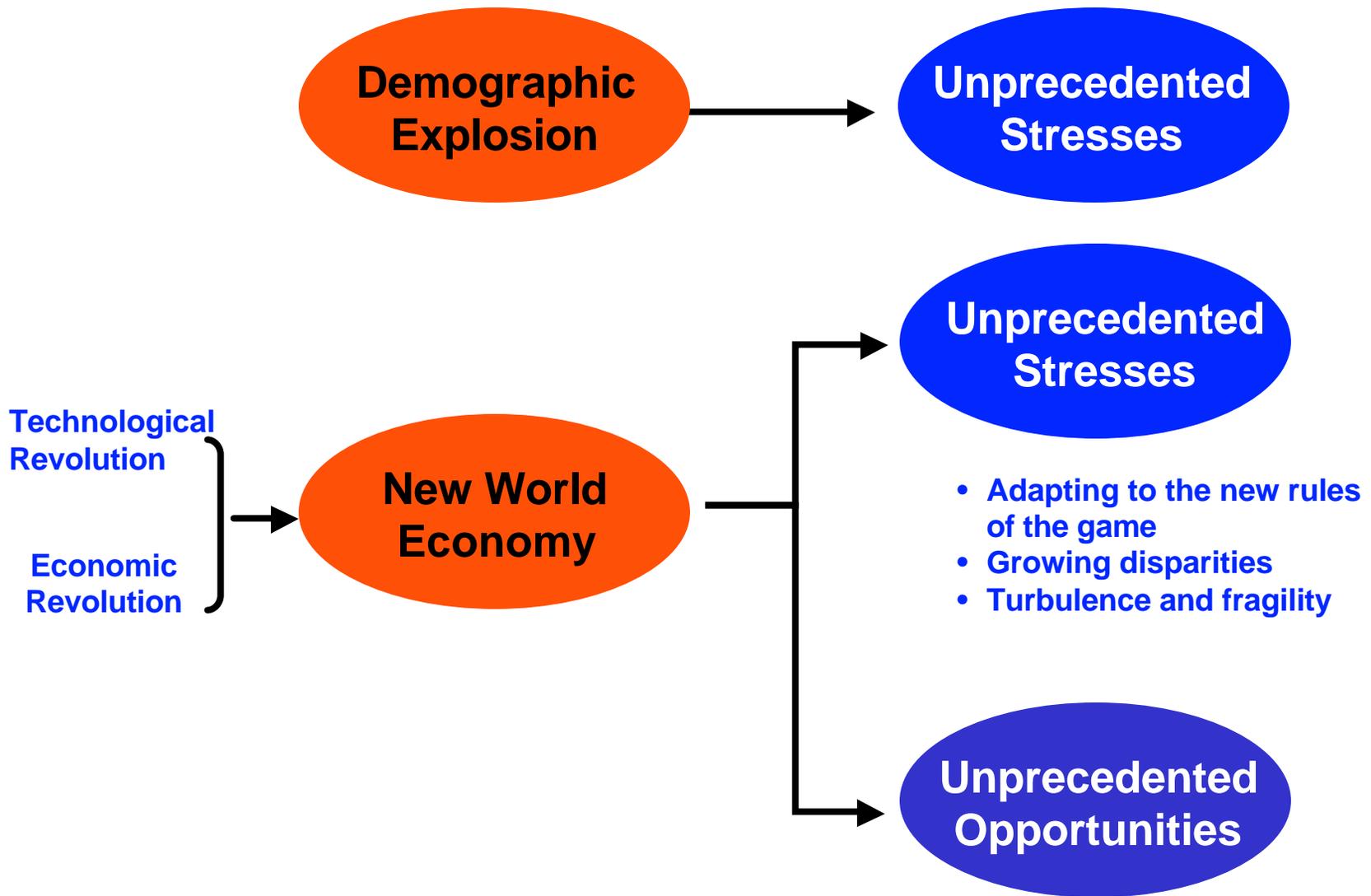
The Two Big Forces



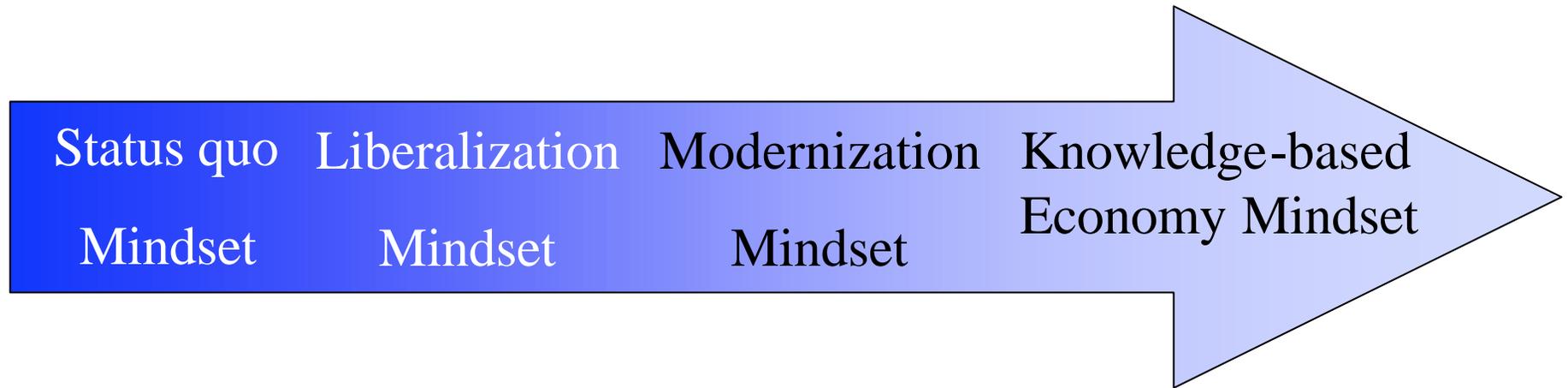
The Two Big Forces



The Two Big Forces



Countries that do well in the new world economy will be those that go for a knowledge-based economy (KBE) mindset...



Neglect of

- Reforms
- Governance
- Social areas
- Environment

World-Class

- Policies
- Institutions
- Societal Cohesion
- Environmental Practice

The Knowledge-based Economy mindset...

	<u>Liberalization Mindset</u>	<u>Modernization Mindset</u>	<u>Knowledge-based Economy Mindset</u>
Is about:	Undoing things	Building things	Building winning opportunities
Creates:	<ul style="list-style-type: none">• Freedom• Fluidity• Even playing field	<ul style="list-style-type: none">• Modern institutions• Rule of law• Good basic business environment	<ul style="list-style-type: none">• Vision• A winning mentality• Clusters• A vibrant home base for business
Main Focus:	Stability, incentives	Productivity catch-up	Becoming globally competitive
Domain	Economy	Economic, Social	Societal
Govern-ment Role:	<ul style="list-style-type: none">• Get out of the way• Stop being an operator	<ul style="list-style-type: none">• Become a good regulator	<ul style="list-style-type: none">• Become a challenger• Become an integrator
Anxiety:	Did you liberalize too fast?	Did you modernize too slowly?	Did others leave you in the dust?

The KBE concept has 4 pillars

1

**Economic
Structure and
Incentives**

- Tariff and non-tariff barriers
- Property rights
- Regulation

2

Education

- Adult literacy
- Secondary enrollment
- Tertiary enrollment

3

**Information
Infrastructure**

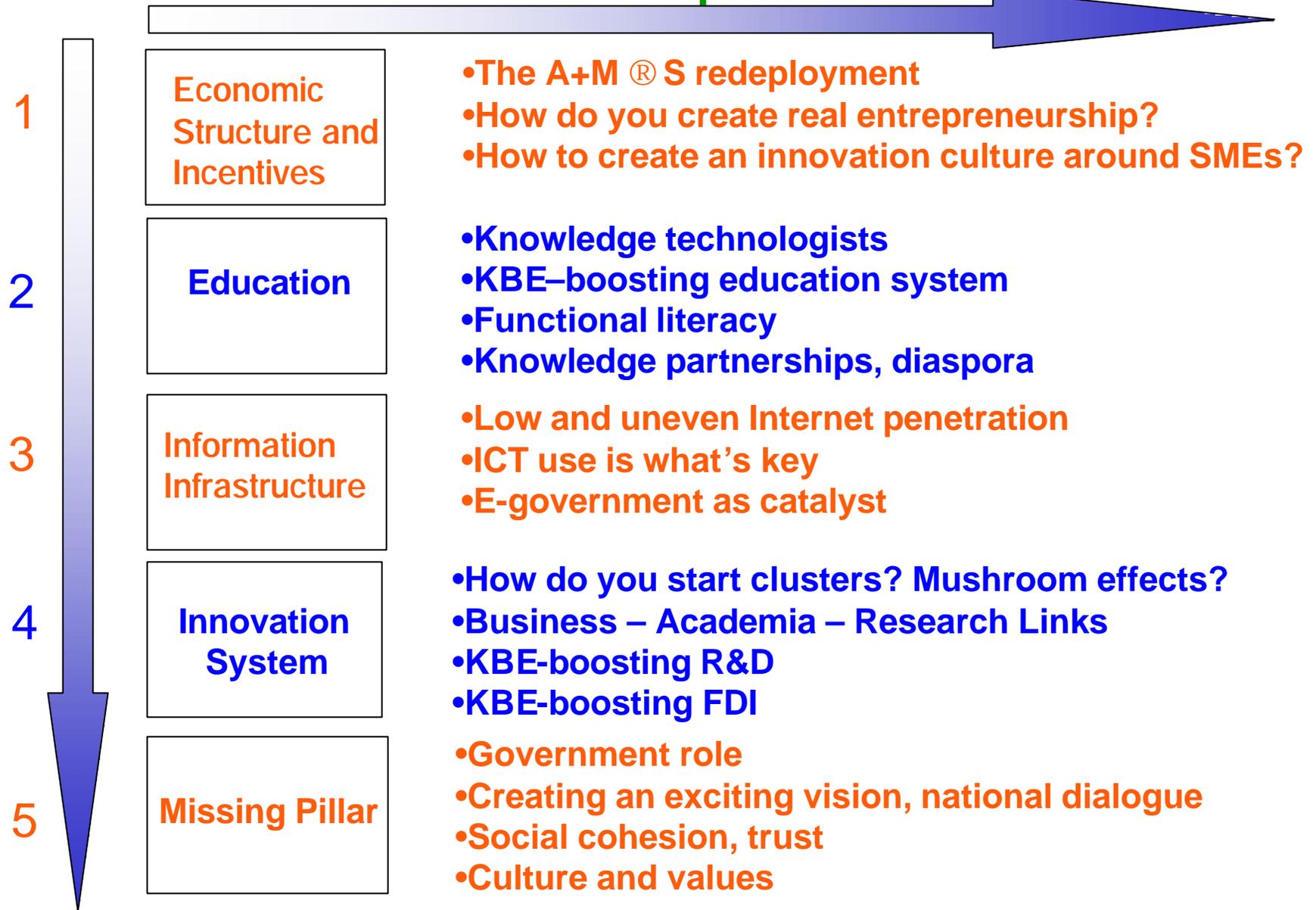
- Telephone lines/capita
- Computers /capita
- Internet hosts /capita

4

**Innovation
System**

- Researchers in R&D
- Manufacturing trade as % of GDP
- Scientific articles/million pop.

Actually, the KBE concept is even broader than the 4 pillars...



The MNA Region faces a considerable challenge in this new context...

- Among the two lowest growth regions of the world.
- Only one out of five new entrants find jobs.
- Very high unemployment levels, particularly among young.
- 45 million jobs must be created over the next decade just to maintain existing employment levels.
- Excessive dependence on oil, tourism and remittances.
- Total non-oil exports of 300 million people less than Finland's with its 5 million people.
- Slow or no productivity growth, despite rise in educational enrollments. Very high female illiteracy.
- Huge gap between 6-7% growth required for the next 20 years, and the actual 3-3.5% growth record.

The MNA region has no choice but to make a big leap forward...

