



### Competitiveness and Development

#### Myth and Realities

*Mehdi Shafaeddin, with a Foreword by Erik S. Reinert*

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### An analysis of how developing countries can attain competitiveness at a high level of development.

*‘Competitiveness and Development’ is an original, innovative and heterodox synthesis of the microeconomic foundations of firm behaviour so crucial to realizing their development potential. Shafaeddin brings together classical as well as contemporary insights on state–firm, interfirm and intrafirm relations, besides case studies from China and Mexico, to better understand enterprise strategy, capacity, capabilities, competitiveness and potential.’ —Jomo Kwame Sundaram, FAO Assistant Director General for Social and Economic Development and G24 Research Coordinator*

*‘Mehdi Shafaeddin’s book focuses on the need for states to create institutions to drive long-term structural change and economic growth. The world needs short-term stimuli, but Shafaeddin lucidly provides the building blocks for what it takes to recover in a manner that will breed long-term prosperity in developing countries.’ —Professor Kevin Gallagher, Global Development Policy Program, Boston University*

*‘This book proposes a novel and rich view of competitiveness, and argues that its improvement requires proactive and purposeful government policies if higher levels of development and living standards are also to be achieved. Shafaeddin’s book exposes the limitations and shortcomings of mainstream economic theory and neoliberal policies, and is highly recommended.’ —Dr Alberto Paloni, University of Glasgow*

In ‘Competitiveness and Development’, the author explains the confusion surrounding the concept of competitiveness in the context of developing countries; proposes policies for achieving competitiveness at a high level of development; examines its possibilities and constraints; and suggests policy changes necessary at the national and international levels. Shafaeddin illustrates how developed countries impose restrictive policies on developing countries through international financial institutions and the WTO, as well as regional and bilateral agreements, which limit their policy space for promoting dynamic comparative advantage in order to achieve competitiveness at a high level of development. Ultimately, such policies lock developing countries that are at early stages of development in specialization based on static comparative advantage and competitiveness at a low level of development.

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Mehdi Shafaeddin is a development economist with a DPhil degree from Oxford University and over 30 years of experience in teaching, research and policy advice at the national and international levels. He held the position of Head, Macroeconomic and Development Policies Branch, UNCTAD. He is currently an international consultant. Shafaeddin is the author of many articles on trade, industrialization and development policy issues in international academic journals. His latest books include ‘Trade Policy at the Crossroads: The Recent Experience of Developing Countries’ (Palgrave Macmillan, 2005). Erik S. Reinert is Professor of Technology and Development Strategies at the Tallinn Technical University in Estonia, and is the President of the Other Canon Foundation.

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