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Analytical findings of the UNIDO Industrial Development Report (IDR) 2016

Bart Verspagen – UNU-MERIT



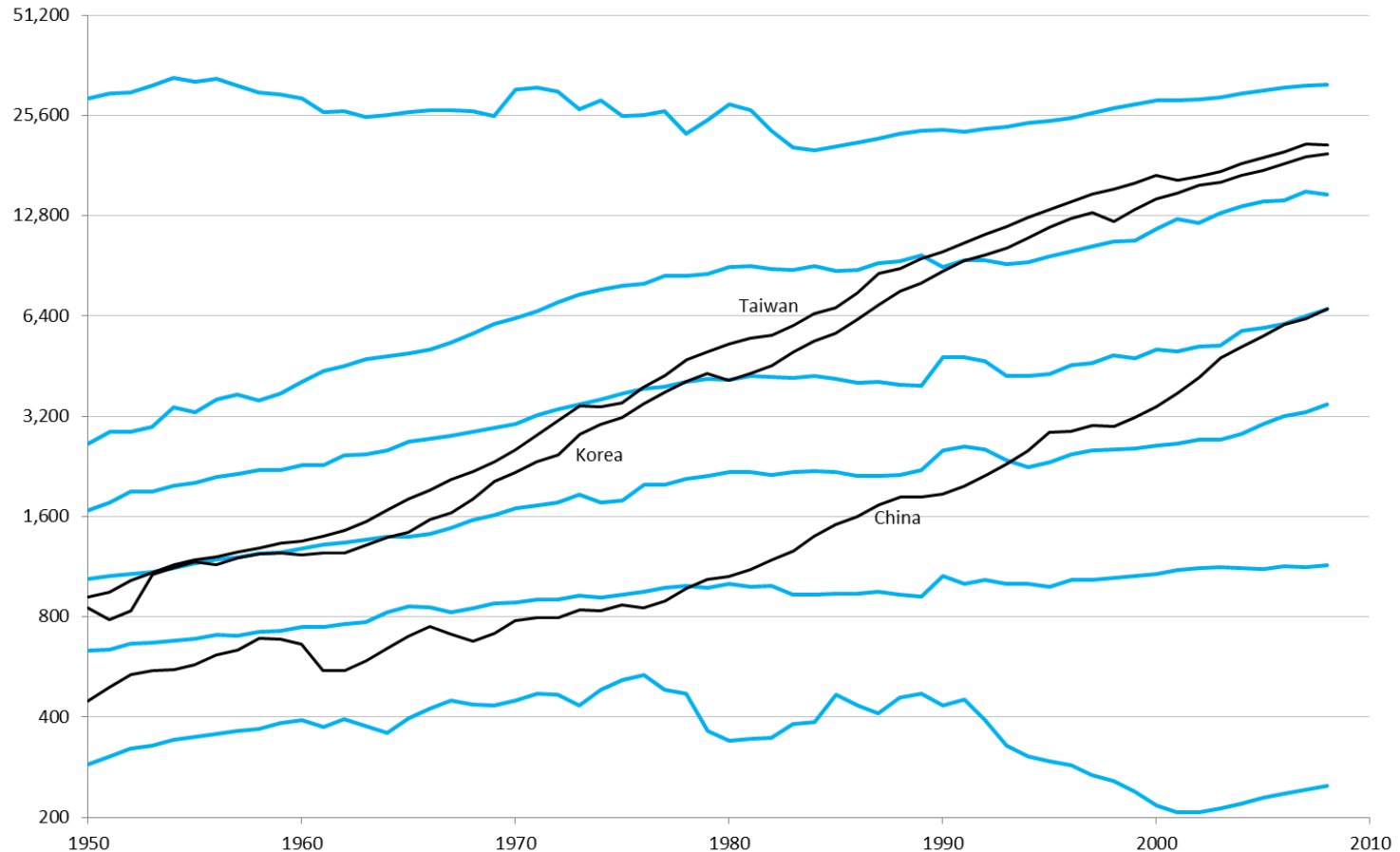
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Mobility in the global income distribution is rare, but since 2000, convergence is stronger



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Table 1.1

Annual growth rates at selected percentiles of the world income distribution, 1950–2008 (percent)

	1950–2008	1950–1980	1980–1989	1995–2008	2000–2008
Minimum	-0.3	0.5	3.7	-1.3	1.7
20 percentile	1.0	1.6	-1.0	1.2	0.8
40 percentile	2.1	2.5	0.2	3.1	3.6
60 percentile	2.4	3.1	-0.5	3.5	3.6
80 percentile	3.0	4.2	0.9	3.4	3.0
Maximum	0.2	-0.1	-2.0	2.0	1.4

Source: Kaltenberg and Verspagen (2015).



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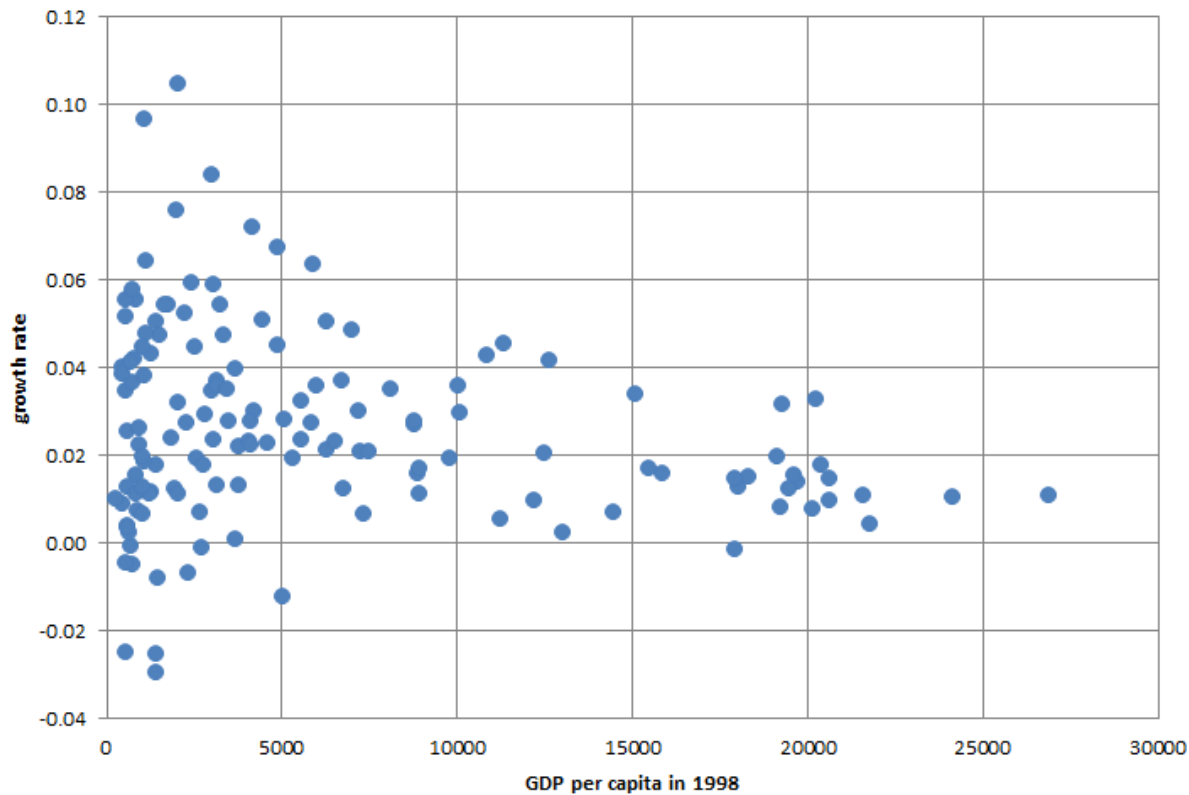
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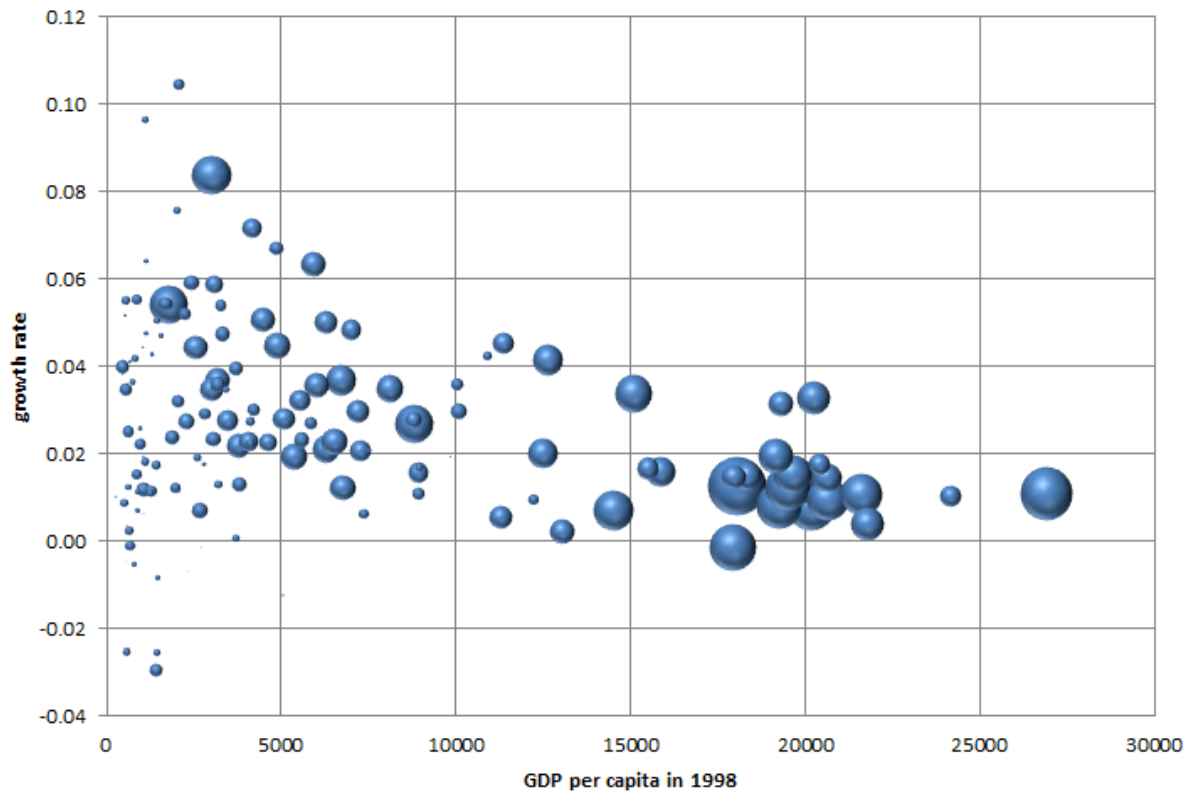
The role of country capabilities

- Catching-up requires capabilities to assimilate foreign knowledge
- These capabilities must be actively developed by policy



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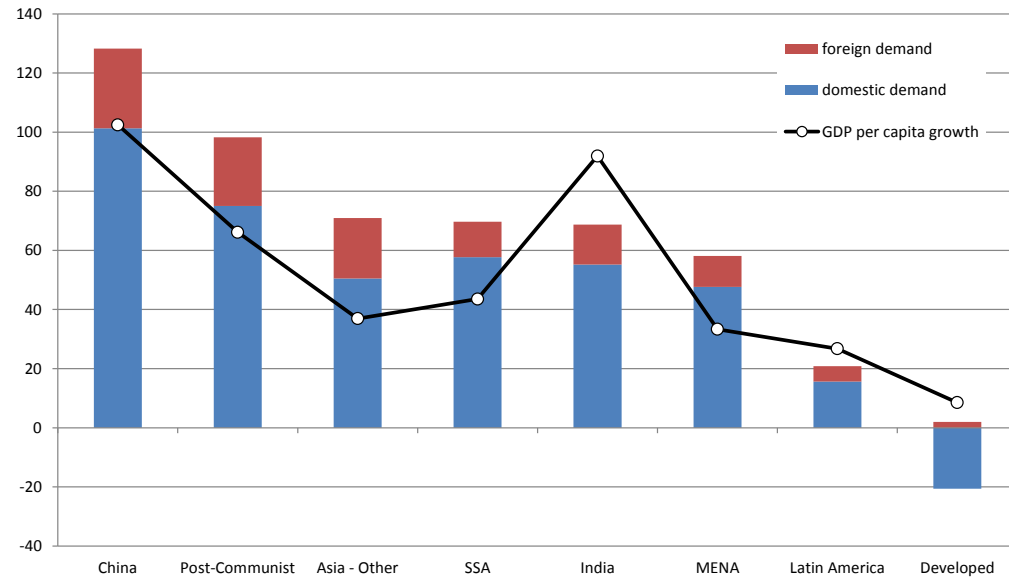
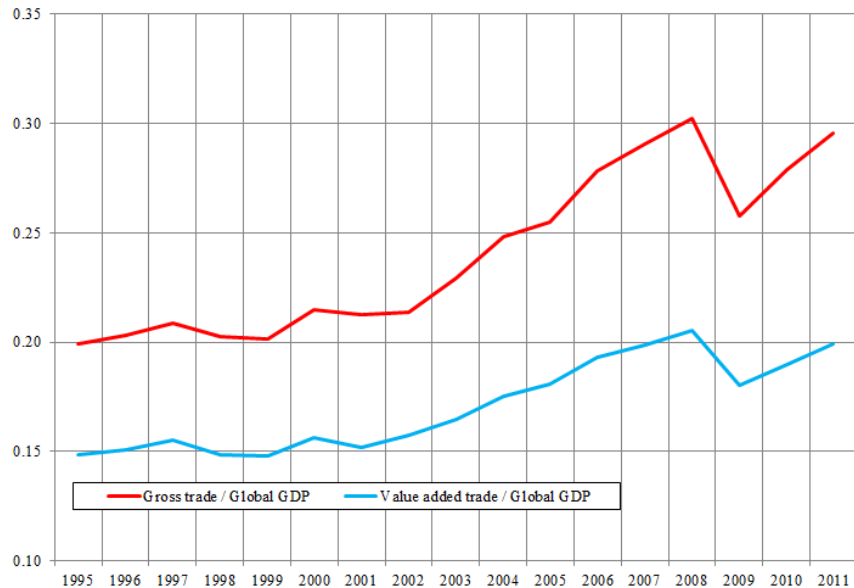


Capabilities and structural change

- Developing capabilities to catch up to the global economic frontier means entering new markets by developing new products, in short: structural change
- For many countries, manufacturing industries are still the largest potential for structural change that leads the transformation to high-development
- But in the present day, markets are global, how does this affect structural change?
- What do globalization and structural transformation do for inclusiveness? Can industrial development be inclusive?
- What do globalization and structural transformation do for environmental sustainability? Can industrial development be environmentally sustainable?

Globalization provides an opportunity for catching-up?

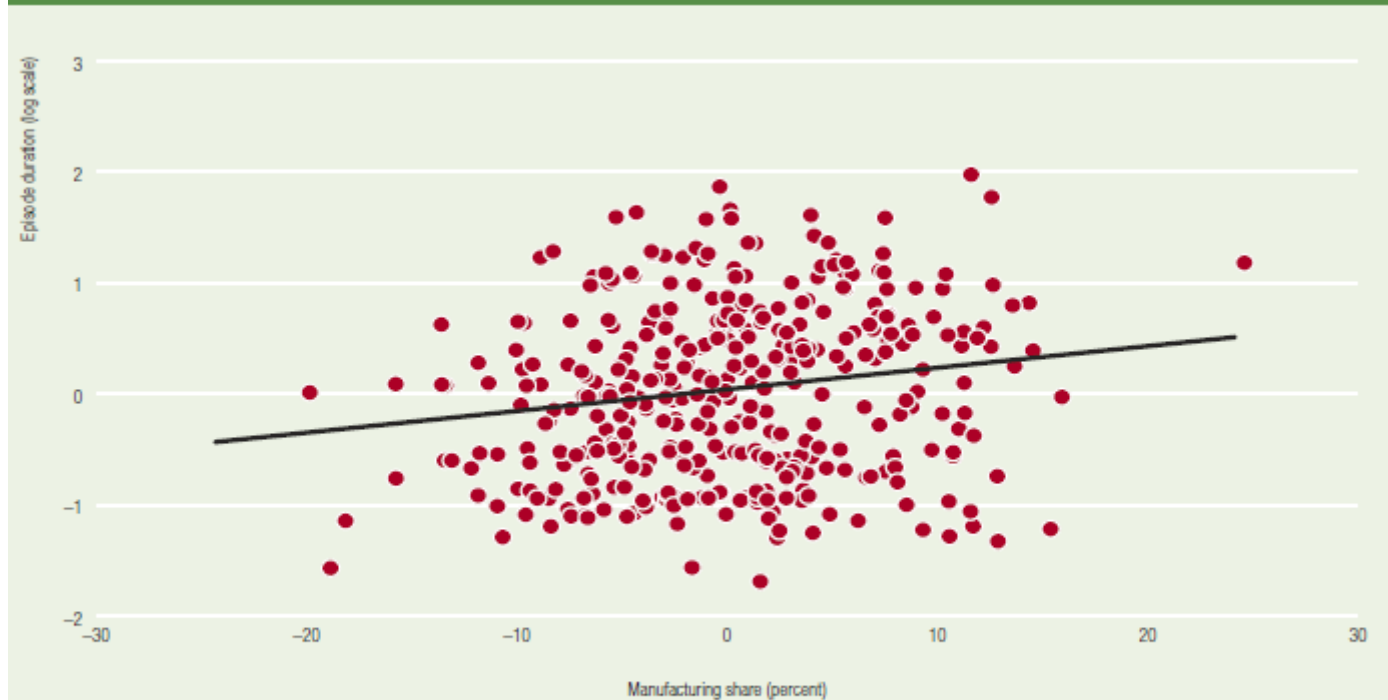
- Global country blocks that have been growing since the rise of globalization (2001) have generally done this by increasing participation in the global productive system



But sustaining growth is harder than initiating growth, diversification and a manufacturing base helps

Figure 3.8

Initial shares of manufacturing in GDP and duration of growth episodes



Note: GDP is gross domestic product. Partial correlation between the share of manufacturing at the start of a growth episode and the natural logarithm of the duration of the episode, controlling for population size, export-to-GDP ratio and GDP per capita as a percentage of the level in the United States in the initial year. GDP values are measured in 1990 international PPP\$.
Source: UNIDO elaboration based on the methodology in Foster-McGregor, Kaba and Szirmai (2015) and data from UN National Accounts Statistics (UN 2014b) and The Maddison Project (2013).



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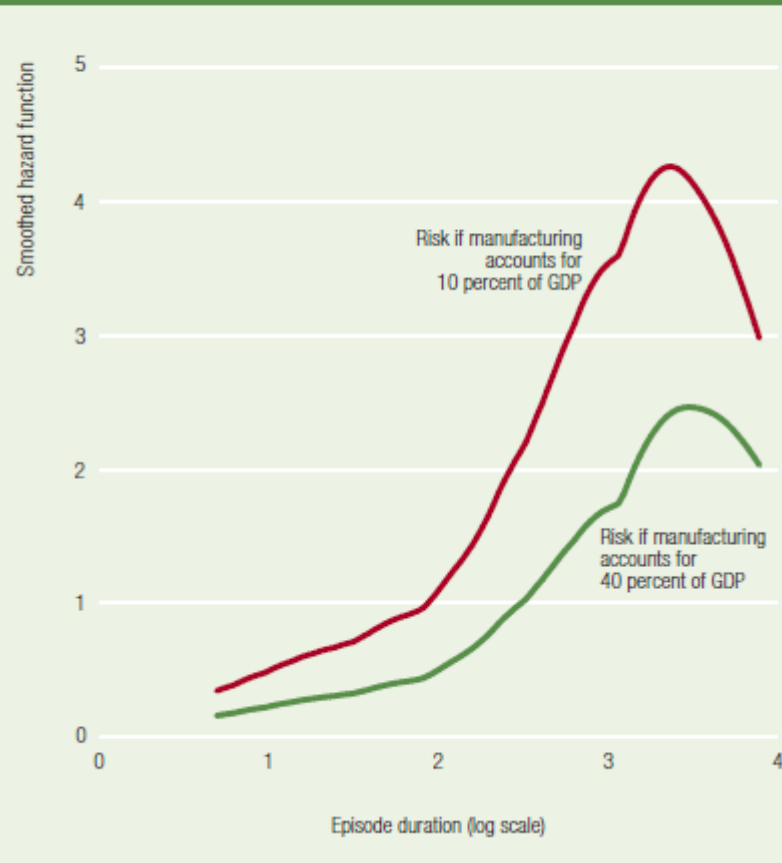


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Figure 3.9

The effect of the size of manufacturing on the hazard rate for ending a positive growth episode



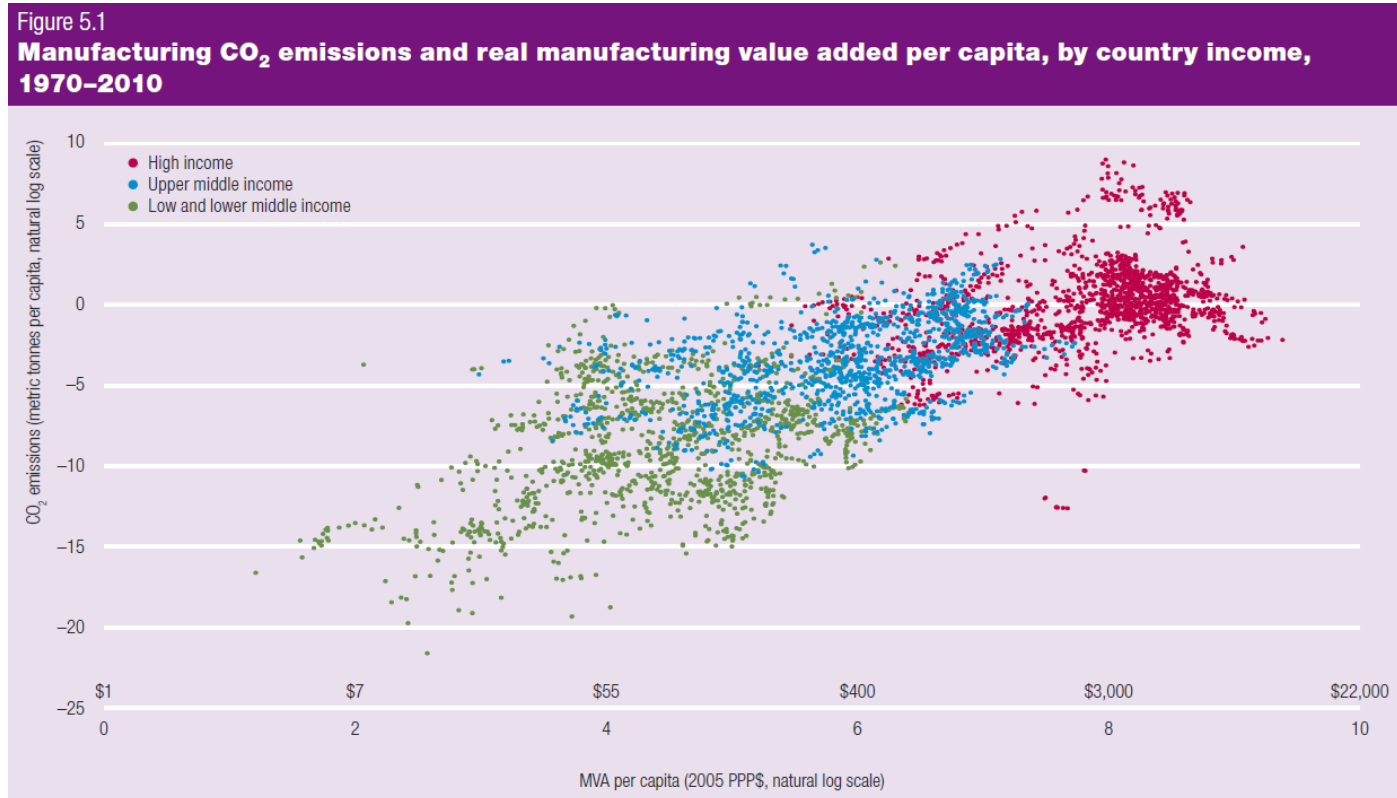
Structural transformation and inclusive development

- Technological change in manufacturing generates structural transformation, and generally increases inclusiveness



Structural transformation and green growth

- Industrialization has a natural tendency to pollute and increase emissions



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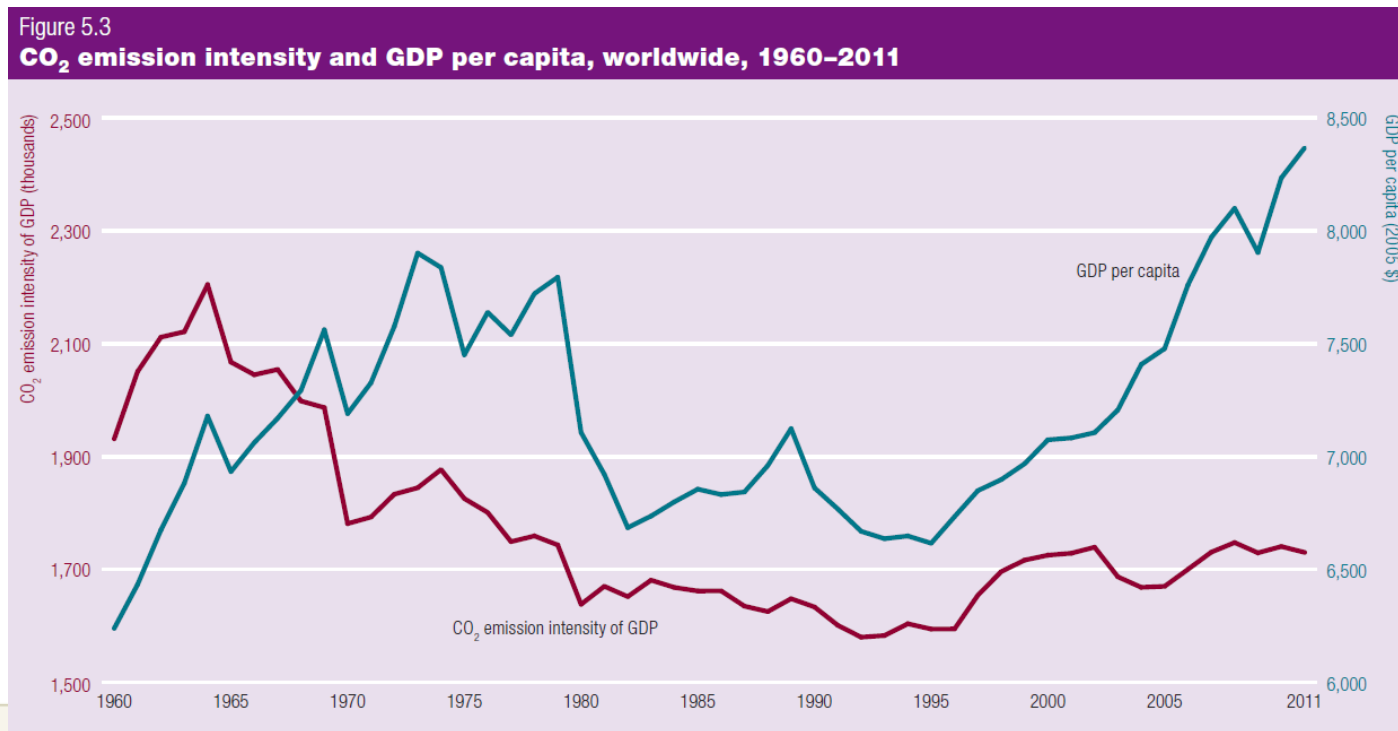
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Structural transformation and green growth

- Industrialization has a natural tendency to pollute and increase emissions
- De-coupling growth/development from pollution/emissions requires active policies aimed at environmental-friendly technologies



A conclusion...

- We know the general conditions under which structural transformation will generate Inclusive and Sustainable Industrial Development , and
- We know that policy is an important part of those conditions,
- And also that policy is needed especially for the dimensions of Inclusiveness and environmental Sustainability
- But... which policies?