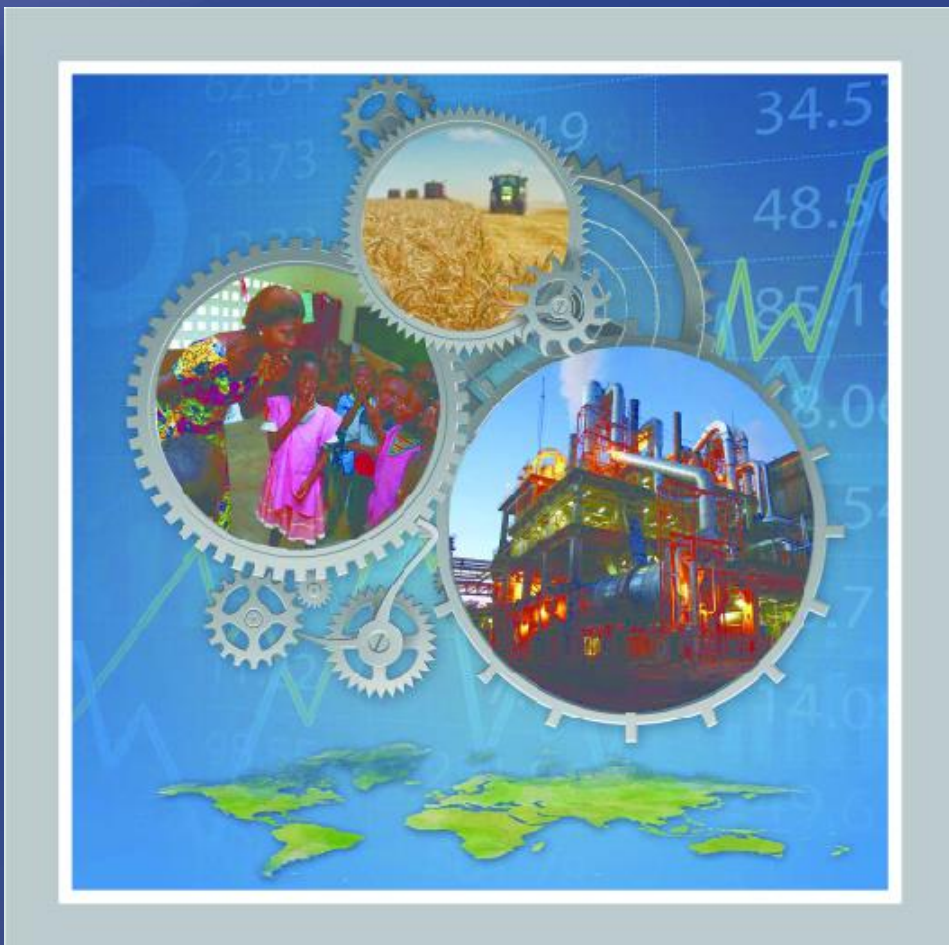
UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

Catching up and structural transformation: What does it take in today's world?



Presentation to the G-24 Technical Group Meeting
27 -28 February 2017

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Key points

- We've seen globalisation in recent decades. But how much catching up?
- Catching up concentrated in developing Asia.

Reasons:

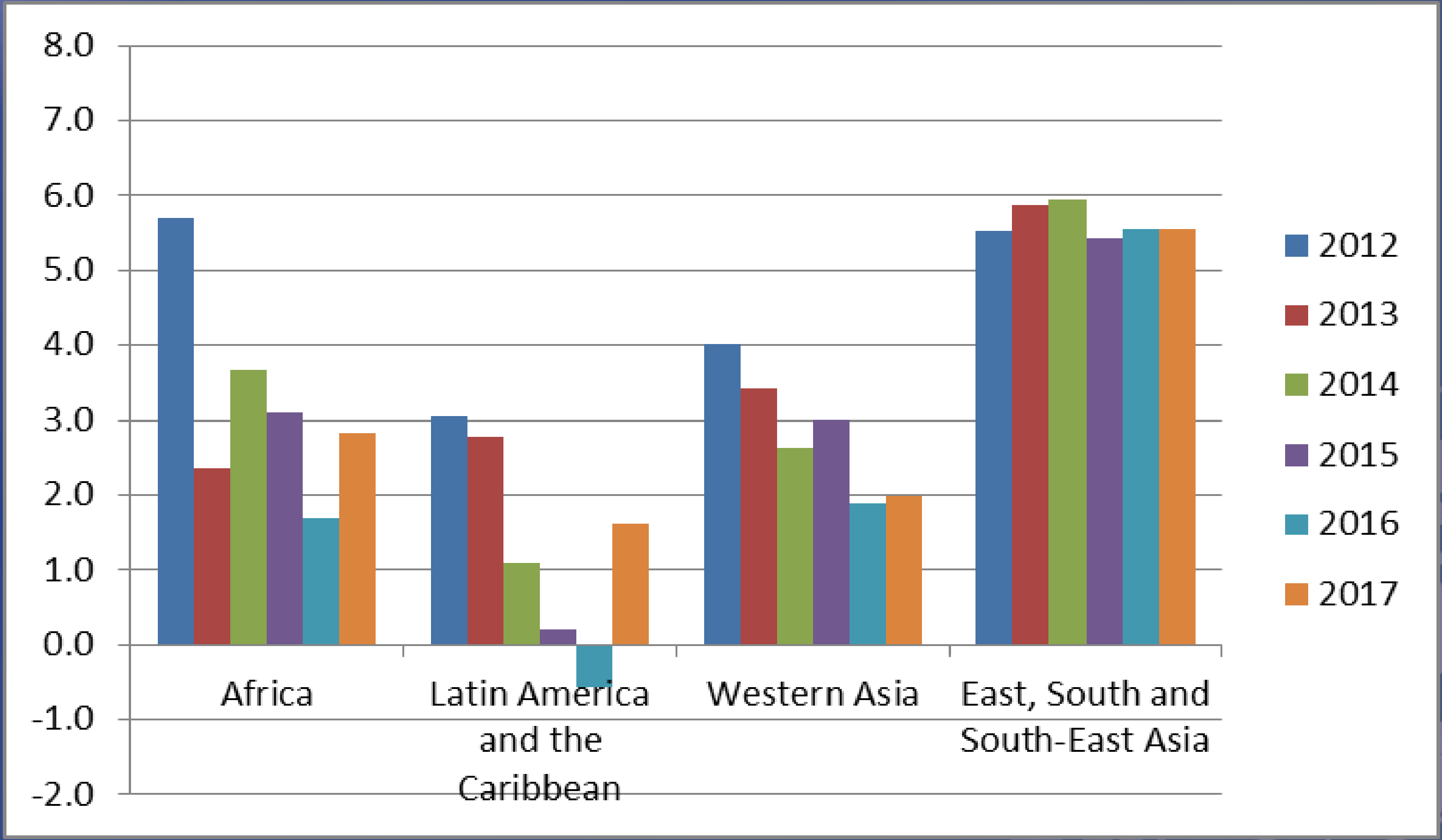
- How to participate in GVCs matters
- Investment rates not high enough to support structural transformation

Going forward:

- Export-led growth is today more difficult, due to the fallacy of composition, weaker demand in developed countries and weak productive linkages in enclave-type export-oriented activities.
- Development requires structural change in which employment is reallocated to the activities with highest productivity and strongest production and income linkages.
- Successful structural transformation requires targeted and selective policies – what we call industrial policies.

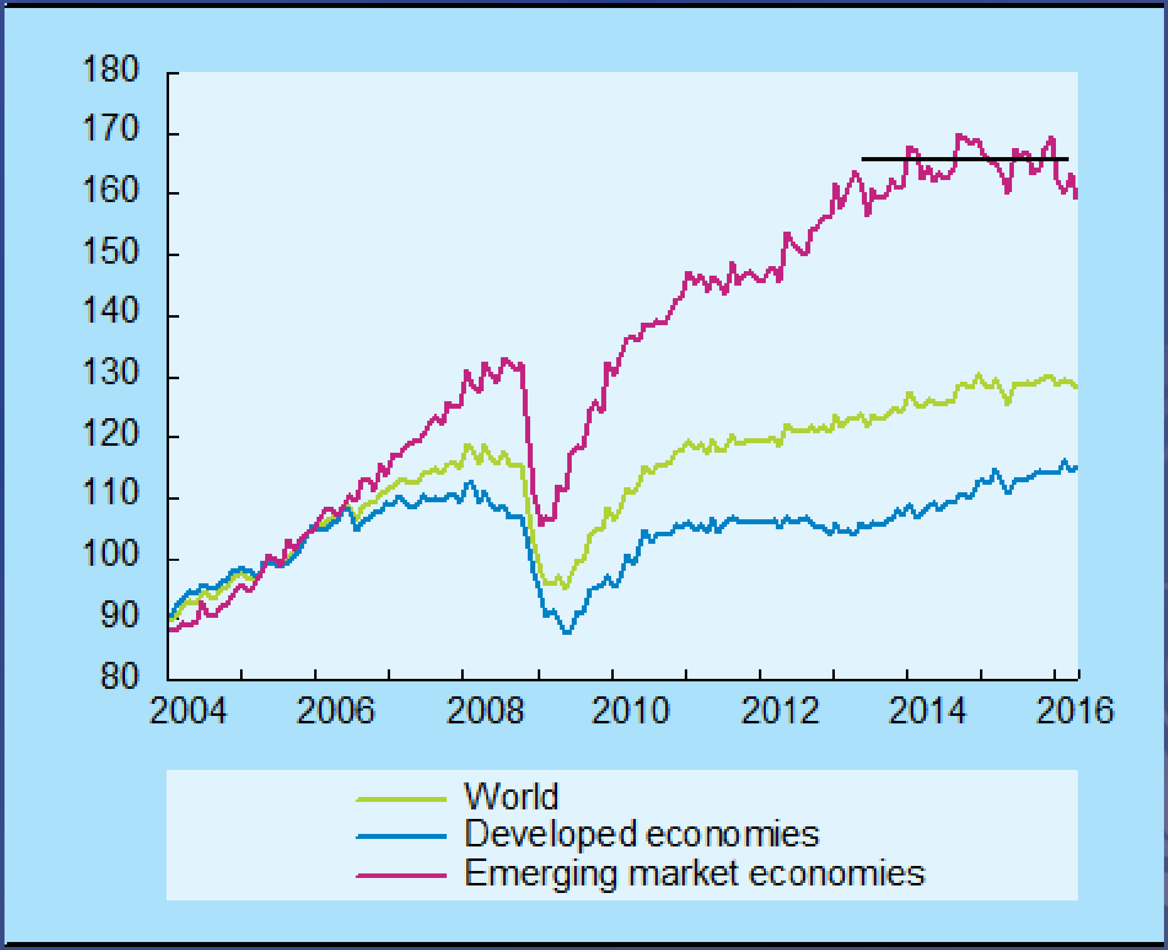
Among developing regions, only East, South and South-East Asia maintain growth momentum

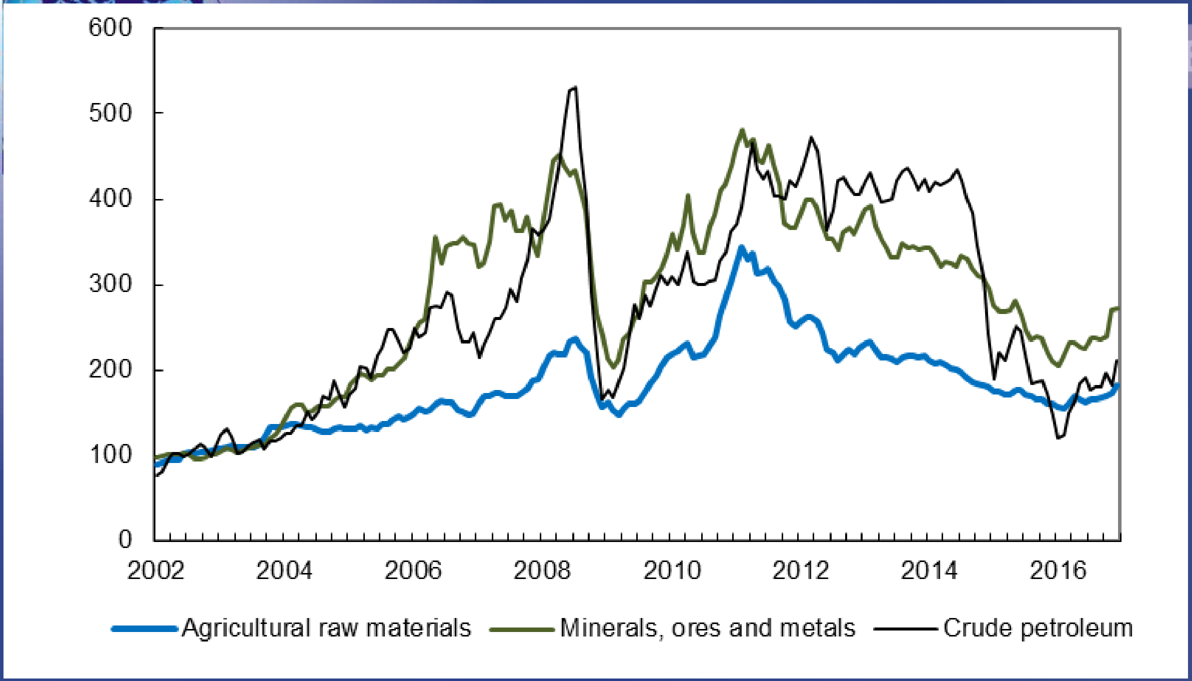
Output growth, selected country groups, annual percentage change, 2012–2017

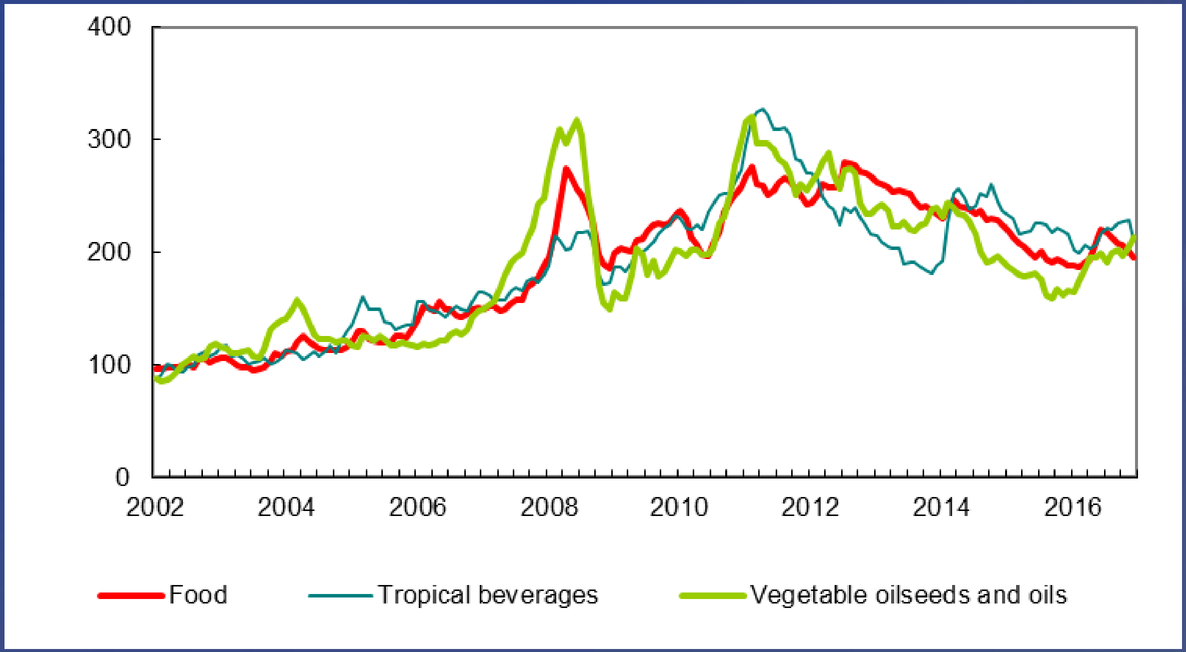


International trade remains lackluster

Volume of imports, selected country groups, 2004–2016 (index numbers, 2005=100)



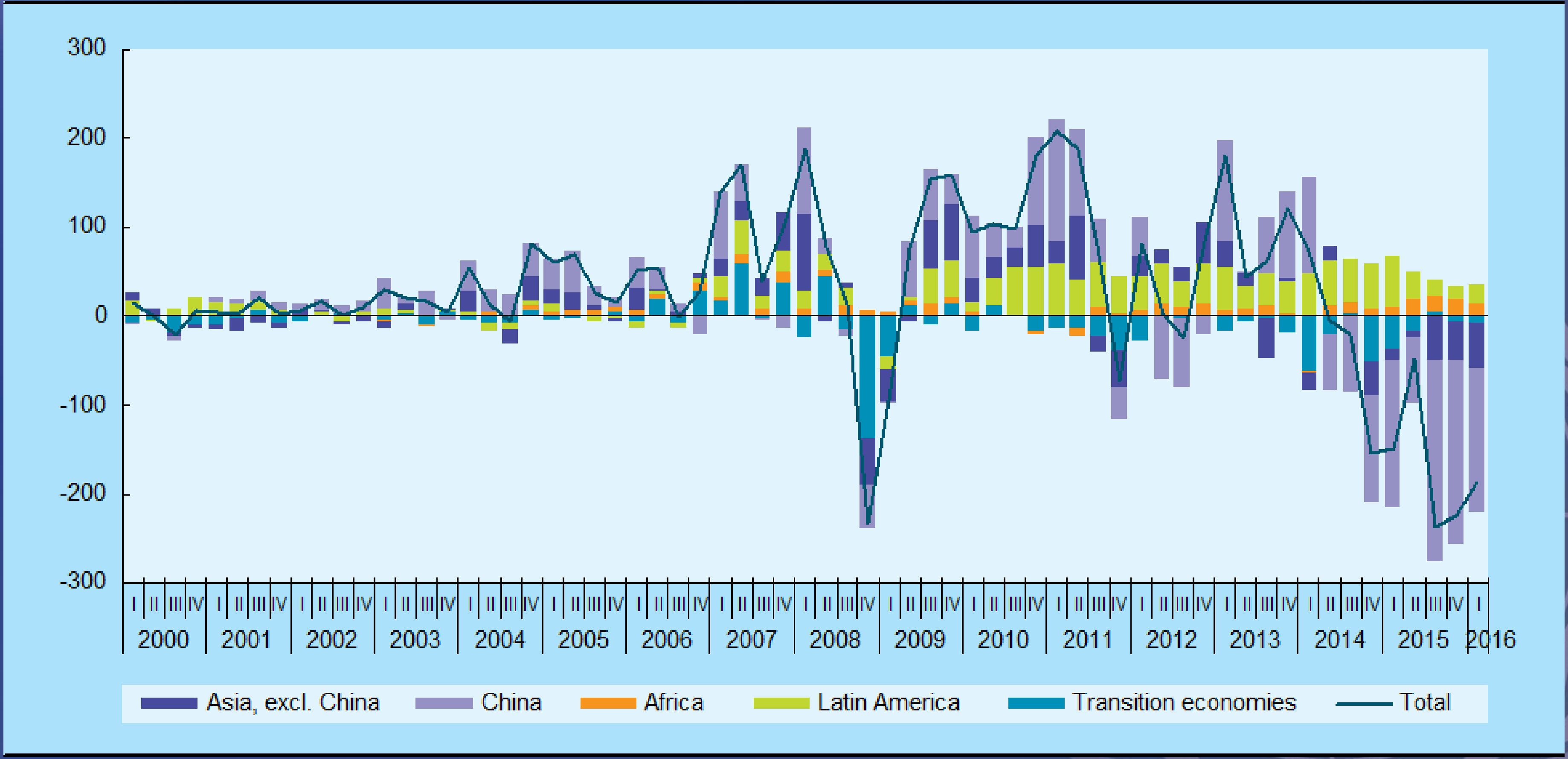




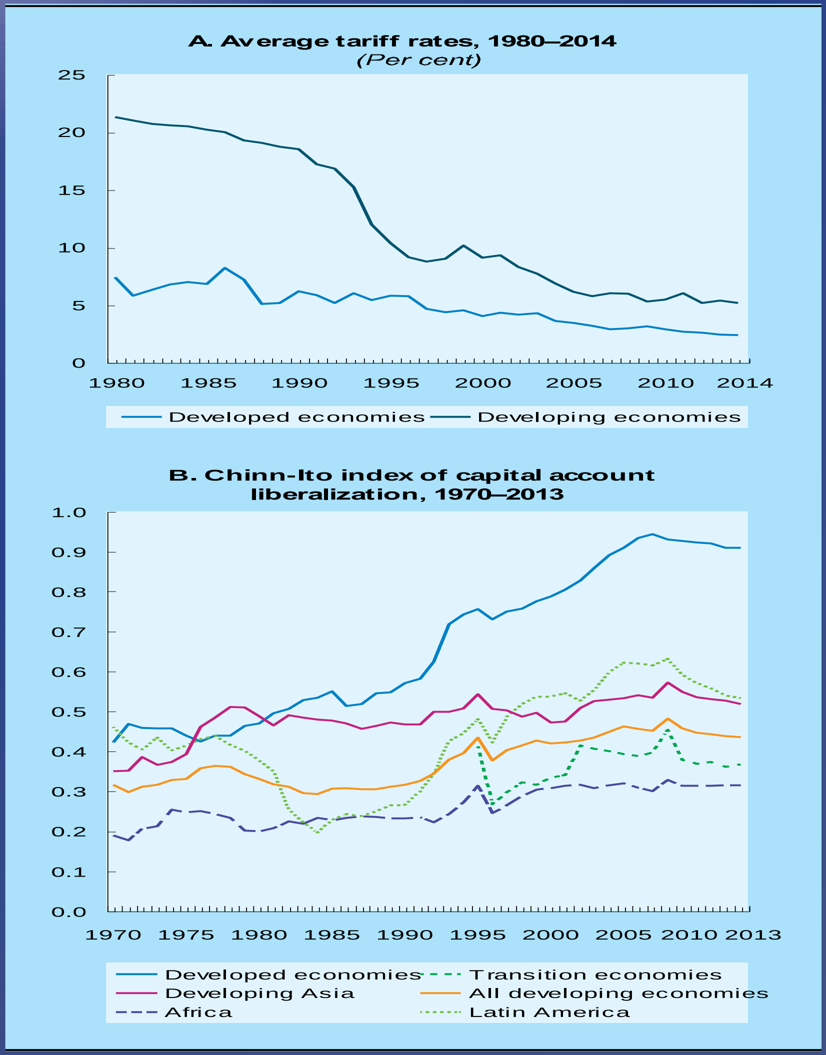
Commodity price indices by commodity group, January 2002-December 2016

Developing countries are vulnerable to volatile global financial markets

Net capital inflows to selected countries and exchange rates, 2000-16



Prominent feature in the past 30 years: increased openess…

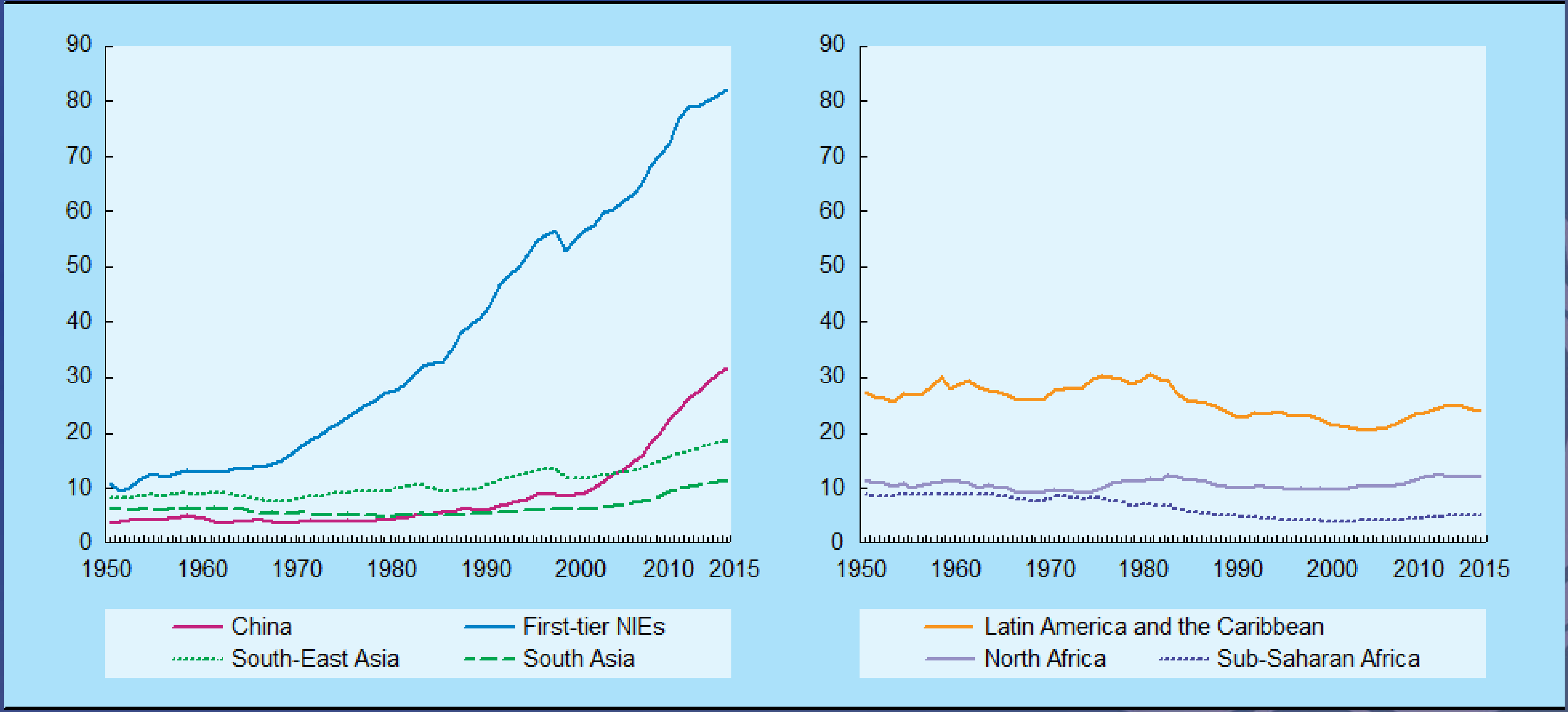


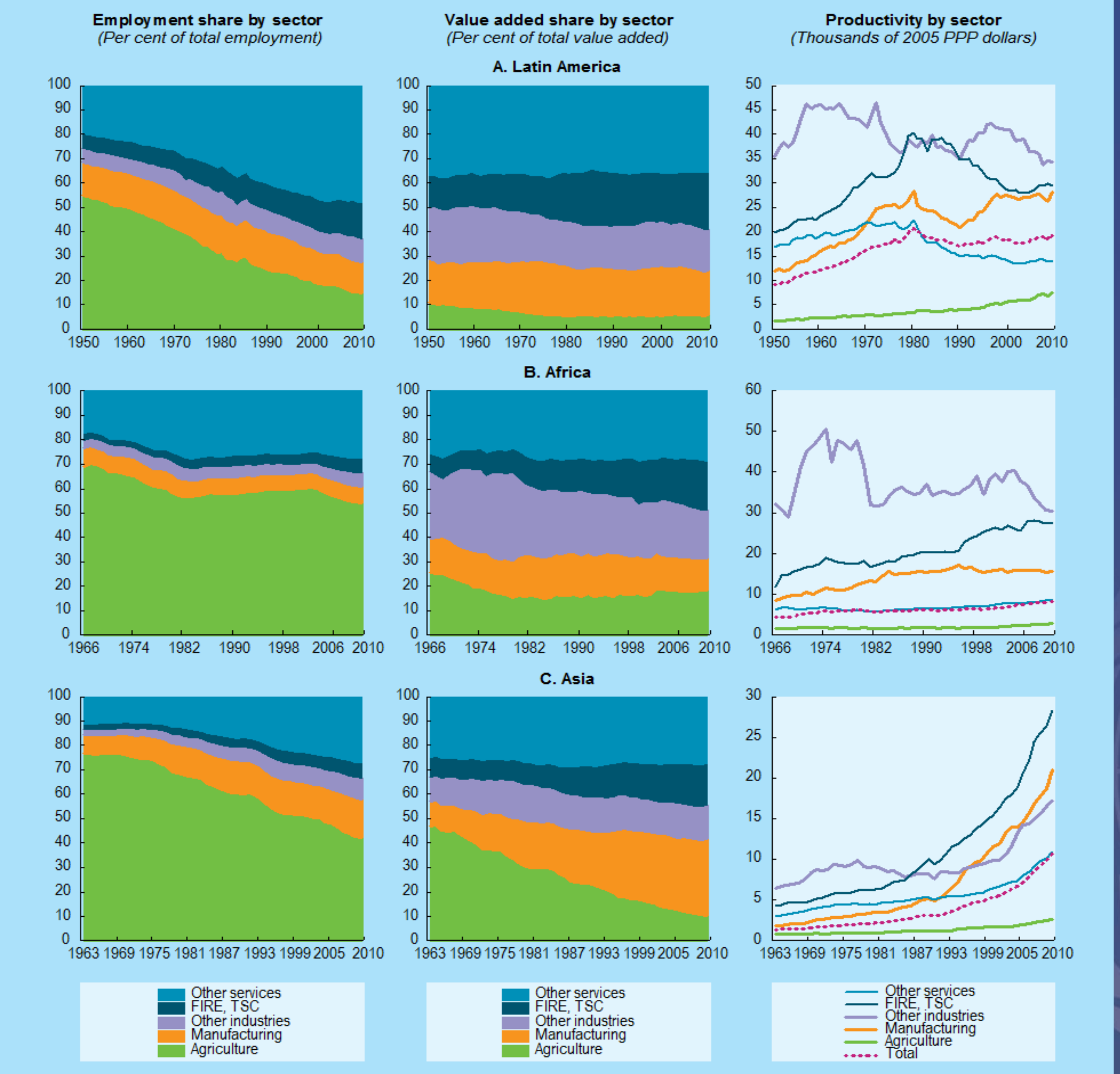
Trade and Financial openness

(selected country groups)

Globalization and convergence : Who is closing the income gap?

Ratio of GDP per capita of selected countries and country groups to GDP per capita of the United States, 1950–2015

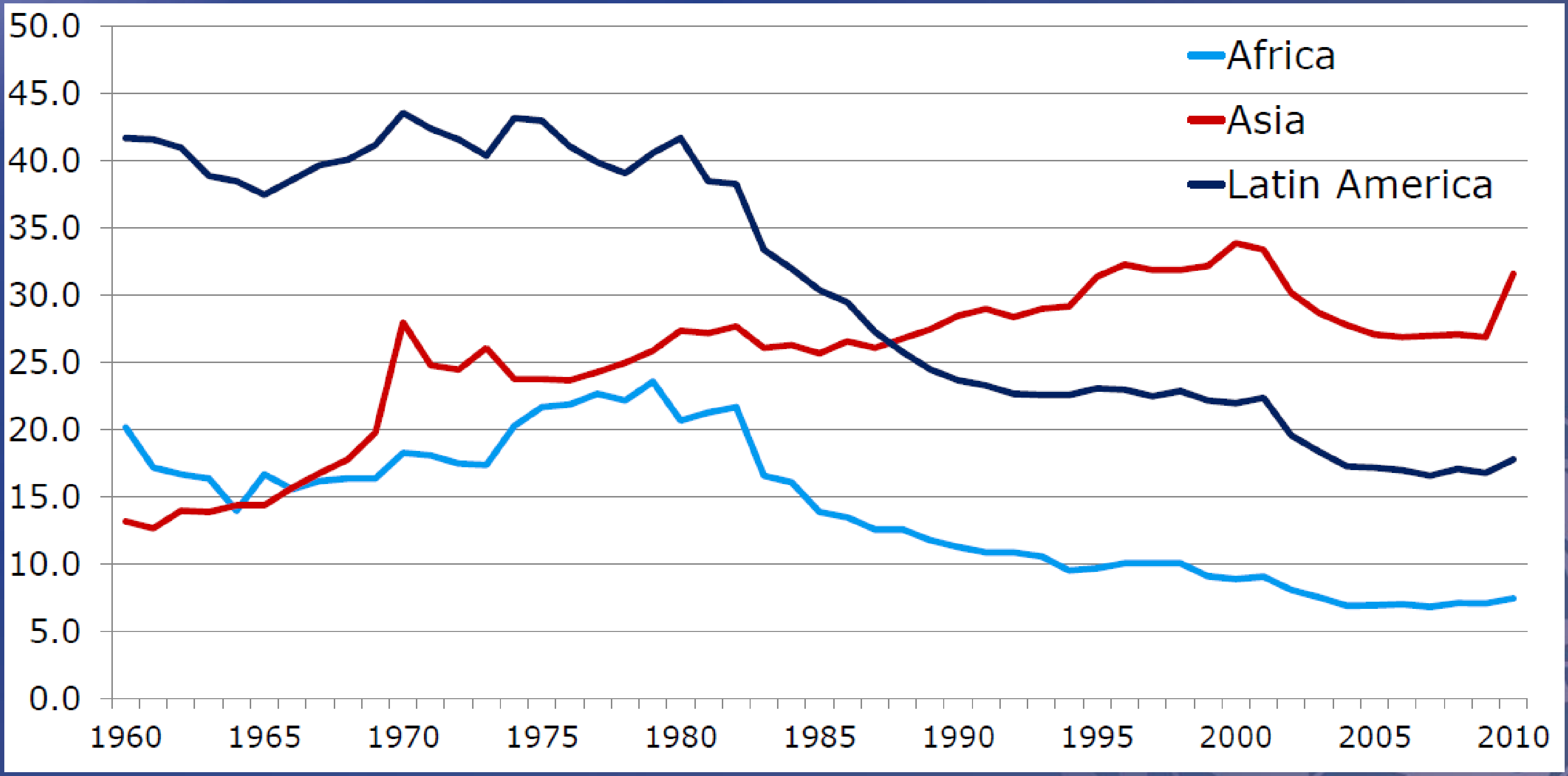




Labor productivity expanded rapidly in Asian countries with dynamic modern sectors absorbing labor force from agriculture. In Latin America and Africa productivity stagnated due to the lower dynamism of manufacturing and a large proportion of employment in low-productivity sectors.

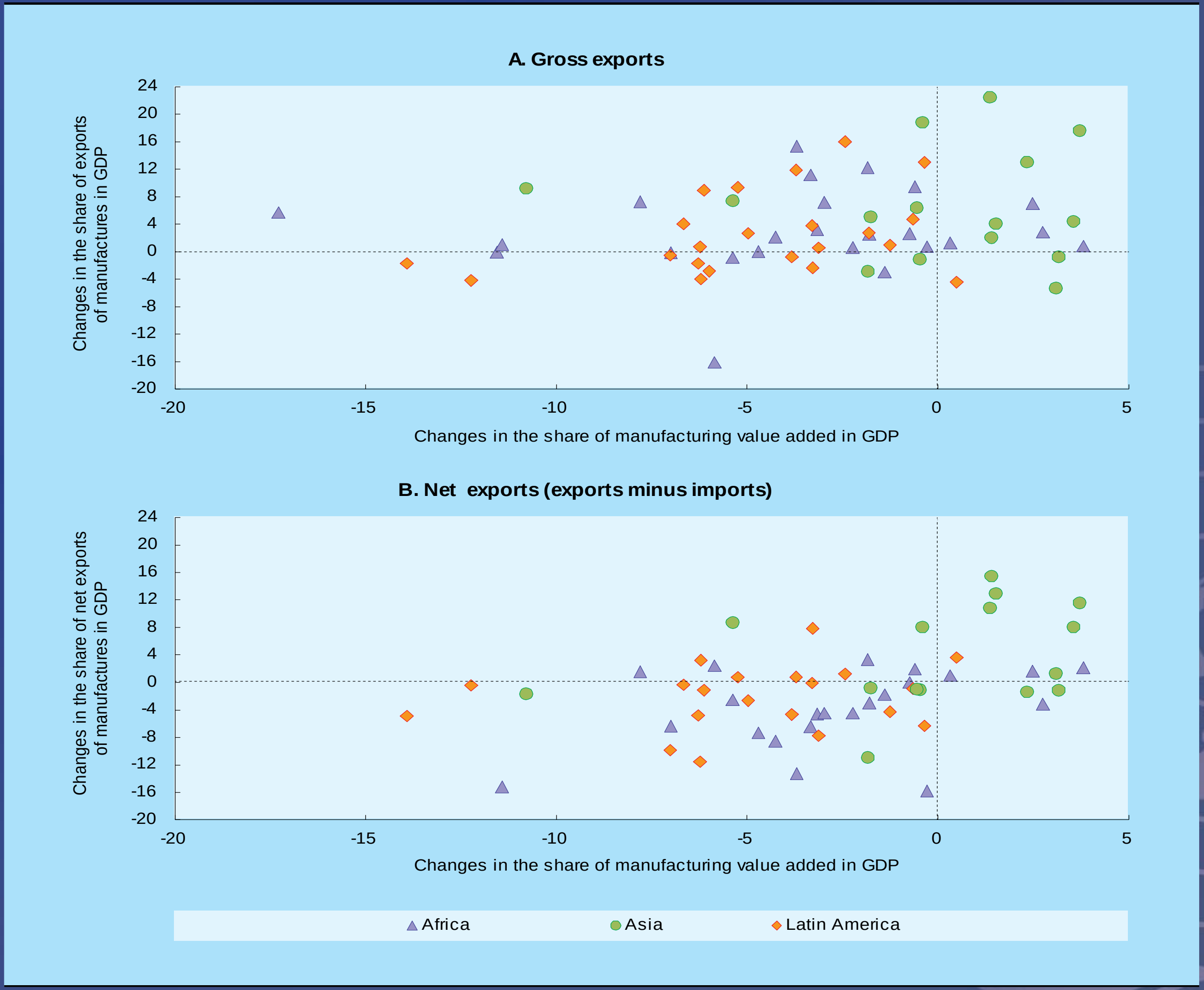
Employment, value added and productivity by economic sector in selected country groups

Productivity in Manufacturing (USA is 100)



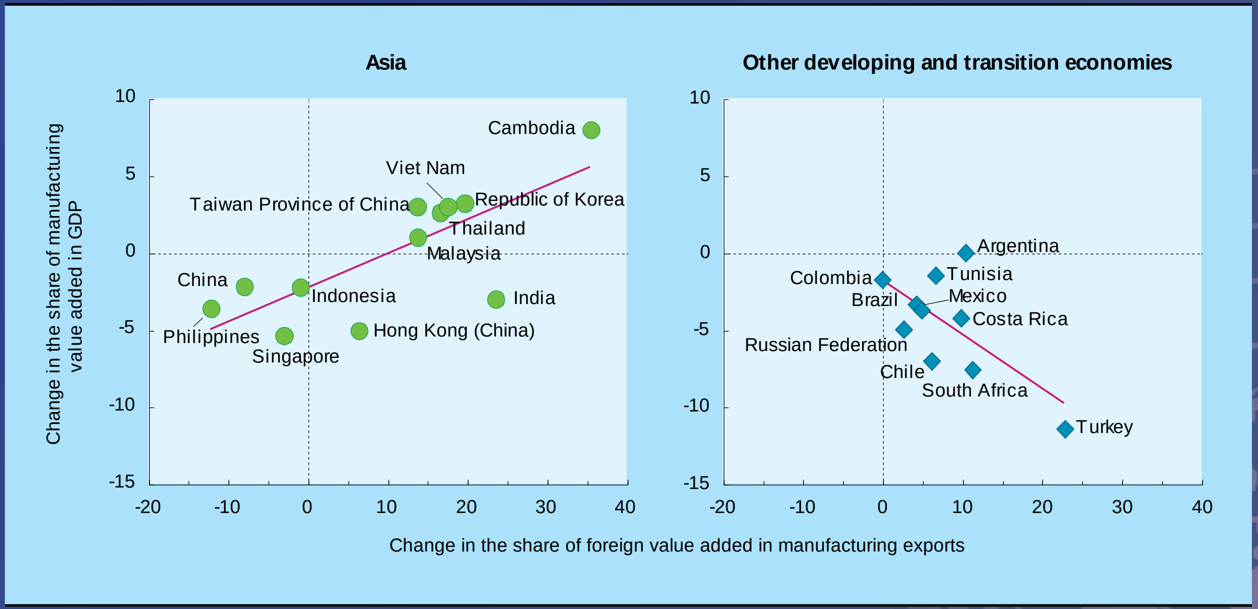
Trade and Structural Transformation

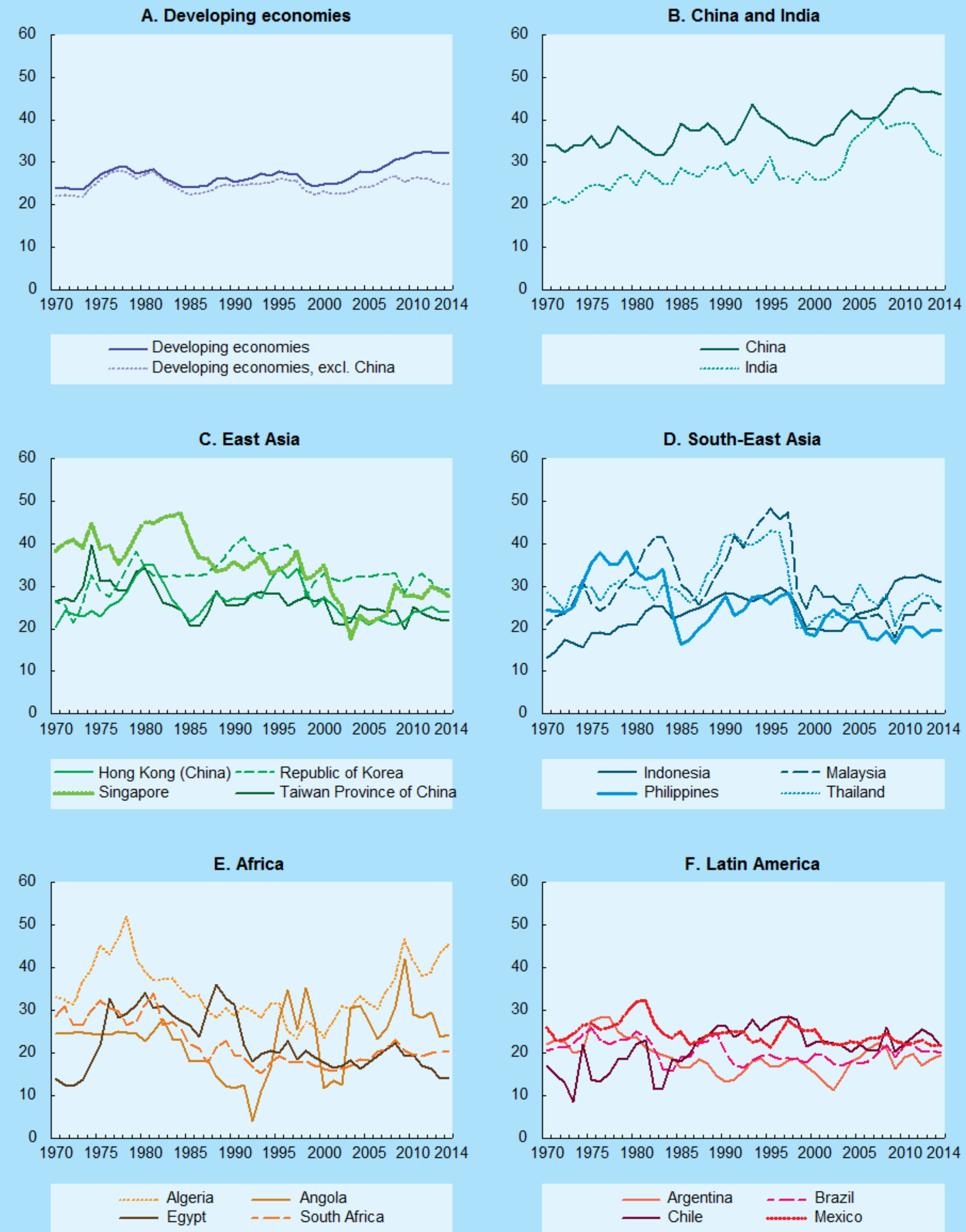
The puzzling relationship between manufacturing export and manufacturing value added – between 1991-1994 and 2011-2014



GVCs - How to participate matters

GVC participation can complement industrialization and structural change but the conditions that ease access to international production networks may also act as barriers to upgrading and industrialization (i.e. risk of remaining stuck at the low-end of GVCs) 1995-2011





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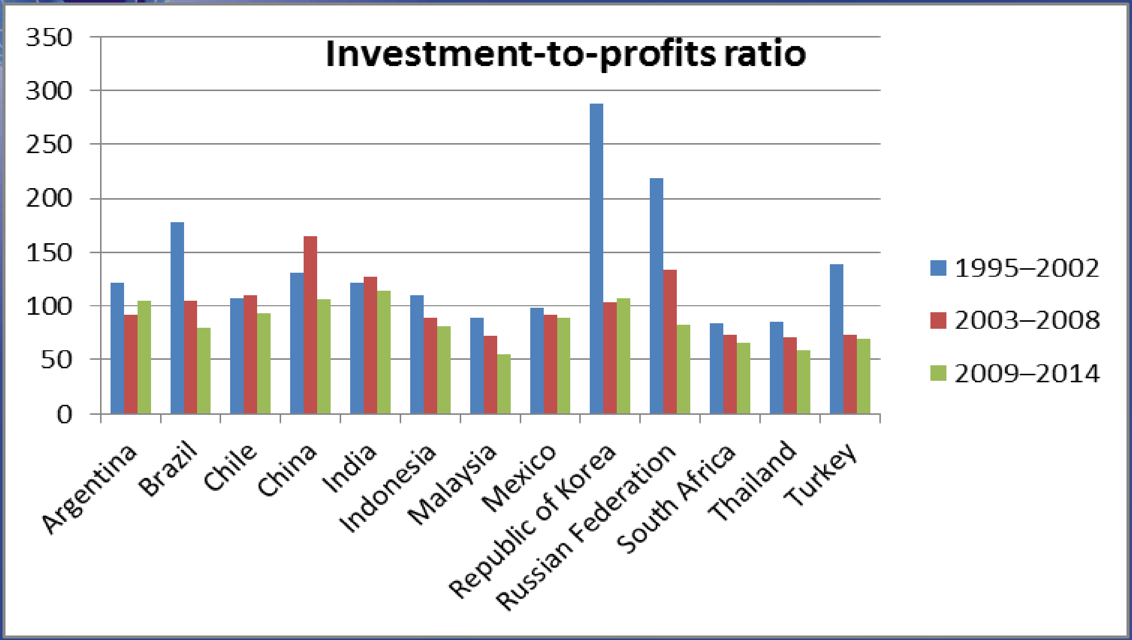
Investment rates in most developing regions is not high enough to support rapid structural transformation

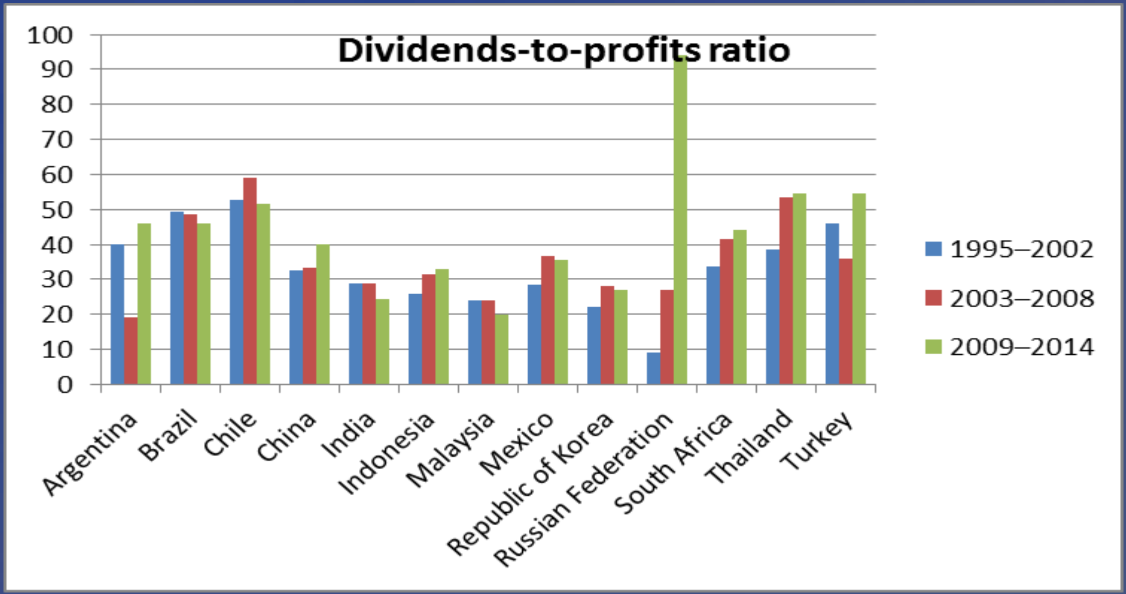
Investment in selected economies and country groups, 1970–2014
(per cent of GDP)

Investment to profit ratios declining, while dividend to profits going up

Non-financial corporations: Selected financial indicators, 1995–2014

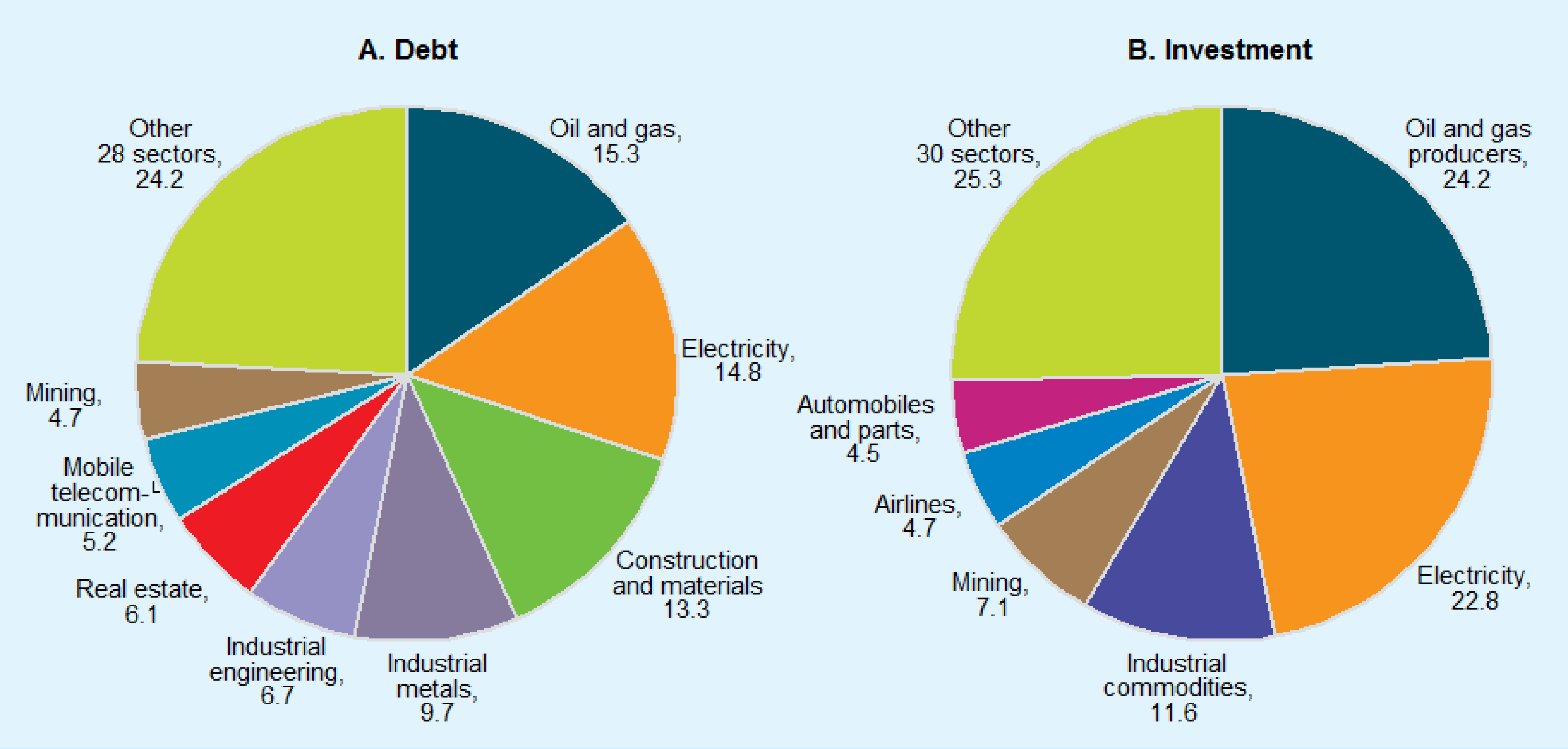
(Average value for the period, per cent)





Those firms issuing debt the most and investing are those from natural resources, electricity and cyclical sectors, rather than manufacturing.

Sectoral contribution to the increase in the nominal value of total debt and capital stock between 2010 and 2014



Industrial policies for structural change

- Fostering diversification and upgrading
- Beyond selecting sectors - building linkages and capabilities
- Policy coherence - bringing together macroeconomic, financial, trade and industrial policies
- Institutions - building a capable and stable bureaucracy, closely connected to, but still independent of, the business community