

2 December 2013

Panel 1

**“Partnerships for Industrial Development”**



Currently there are three different but concurrent development trajectories taking place. Firstly, there are low-income economies trapped in the early phases of the first industrial revolution of the steam age (Circa 1750-1850) but have mobile telephony. Secondly, there are middle-income economies heavily reliant on the electro-mechanical general purpose technologies of the second industrial revolution (Circa 1850-1950). These economies have elements of the first industrial revolution. Thirdly, there are advanced high-income economies increasingly reliant on the third industrial revolution the general purpose technologies of which are demonstrated by convergent advances in increasingly intelligent machines; quantum mechanisation; and bio-technology in terms of silicon wafer applications, robotics and automation, bio-informatics, computational design, molecular engineering, nanotechnology and synthetic integration of neuroscience bio-medical and bio-mechanical functionalities. These economies still have elements of the electro-mechanical basis of industrial production and patches of poverty (typical of the first industrial revolution) due to remarkable rises in socio-economic and technological inequalities benefiting some but not all.

These are underpinned by the following realities:

- i) The weight of economic evidence with reference to, and the role of industrialisation and industrial activity in, wealth creation – lessons from the industrialised (and industrialising countries);
- ii) Investment capacity and capability in terms of inward Foreign Direct Investment (In-FDI) for learning — In-FDI Stock of 82,000 Multinational Enterprises (MNEs) (and their 810,000 subsidiaries) account for 29.2% Global GDP (2012), MNEs' Subsidiaries' Assets account for 117.3% Global GDP (2012), MNEs' Subsidiaries' sales account for 39.8% Global GDP, approximately 75% of global trade occurs within and between MNEs; coupled with domestic investment for human resources, infrastructure and connectedness; and
- iii) Innovation in industrial development for productivity gains — the role of technological innovation in driving productivity changes.

Four interrelated fundamentals govern asymmetric growth dynamics. First, no country has become rich, in terms of GDP per capita, without significant advances in industrialisation and productivity. Secondly, without investment — be it inward FDI or domestic private and public investment — learning from others and enabling the economic environment through the connectedness provided by information and communications infrastructure on the one hand and, on the other hand, distribution, logistics and transportation is not possible. Thirdly, the institutional management of scientific and technological advancement, in concert with managerial proficiency, leading to innovation enables productivity increases in all human activity related to the production of goods and services. The productivity gains encompass not only those in labour and total factor productivity, but also in capital, resources and energy productivity, as well as in human capital and FDI. The competitive development trajectories of Industrialised and Developing Countries are increasingly reliant on the confluence of finance and investment, trade and institutions. It is competitive because countries have to compete for their 'market share' in world income distribution. Fourthly, only some developing countries were able to reap the benefits of globalization. Likewise, only some developing countries were able to deal with the challenges implied by globalization.

**Participants at the debate will focus on the following issues/questions:**

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- Re-incorporating the pivotal role of industry into the economic development debate — ways and means?
- Economic development — a policy choice: how to convince political leadership of the crucial importance of investing in human and public capital?
- Distributing and sharing scientific and technical knowledge for industrialisation — partnerships to overcome information asymmetries and market failures?
- Role of STI — a policy choice: how to convince political leadership of the crucial importance of investing in Science, Technology and Innovation?

**Panelists:** **Luis M. Castilla Rubio**, Minister of Economy and Finance, Peru; **Charles Edquist**, Lund University, Sweden; **Dirk Niebel**, Federal Minister of Economic Cooperation and Development, Germany; **Kandeh K. Yumkella**, Special Representative of the Secretary-General and Chief Executive Officer for the Sustainable Energy for all initiative (SE4ALL), Former Director General of UNIDO; **Jean-Francis Zinsou**, Permanent Representative of Benin to the UN;

**Moderator:** **Todd Benjamin**, former anchor, correspondent and financial editor for CNN