



UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION

Transcript of introductory remarks of Director-General Carlos Magariños on the launching of
Industrial Development Report 2002 / 2003

Press Conference, Vienna, 30 July, 2002

Please excuse me for being late. Among other things we are selecting a new team of managing directors of the organization. You may be aware that UNIDO is renewing its management at the level of the directors of the divisions that report directly to me. I am planning to make the announcement next Monday, and I am currently involved in the final interviews.

I wanted to share with you some thoughts on the launching of the Industrial Development Report. This Industrial Development Report is the first one we have launched since 1997. 1997 was the beginning of a difficult period for the organization and the issuance of the Report is one more step in the restoration of the organization's capability to deal with global issues in the area of industry, productivity, innovation and growth.

We wanted this report to be different to the ones UNIDO had prepared in the past. Not because there was anything wrong with the previous reports, but because we wanted something that would be useful for policy makers to take decisions and to make comparisons. This is the case with the report we are launching today. At the outset, I would like to congratulate my colleague, Mr. Frederic Richard and the team he was leading, both inhouse and outside experts, in their completion of the report. They were working very hard during the year 2000 and 2001, to present this report here today.

The report includes a very interesting tool, which is the *Scoreboard on Industrial Performance*. We have been trying to come up with a reliable index to review the industrial performance of developed and developing countries during the last years. The Scoreboard which will be introduced to you by Frederic Richard, will show the relative positions of countries and the reasons why their performance was different during the last years.

Let me say, that for UNIDO as an institution to come with this new report is extremely important, because we see this report as the initiation of a new series of UNIDO reports that will try to analyse the different dimensions of industrial performance and the ways industry and industrial development could contribute to reduce and eliminate poverty.

UNIDO, as all the other UN bodies and agencies is very much committed towards the implementation of the Millennium Declaration goals, and I myself am chairing the High Level Committee on Programmes, in the UN system. So it is very important for us to find practical connections and linkages between our daily activities and the fight against poverty that was mandated by the Millennium Declaration goals. As I said in the introduction to the report, and would like to repeat now; *the current predicament of most developing countries and the state of the global economy, reflect optimism in attaining the goals set for the year 2015, and the problem is not just the apparent wedge between intended targets and actual trends, but more fundamentally, the differences on what to expect of the future and how to get there.*

We fully endorse the concepts of market oriented reforms, the importance of institutional reforms, and the need to pursue transparency and good governance policies in the developing countries, and we do believe that globalization is a very good opportunity for developing countries. However, when you look at the numbers, the reality shows that much more should be done to ensure that developing countries at large can benefit from the process of globalization. Just look at the figures in 1990. In 1990, we had 50 countries with lower per capita income, out of which 23 are worse off in 1999, in terms of average per capita income. The other 27 countries have managed to improve at the rate of only 2.7% a year, which barely meets population growth. That means that out of the 50

developing countries that were at the bottom of the list in terms of per capita income, 23 are worse off, and the other 27 barely meeting population growth rates.

If you look at the speed and rate at which the per capita income is widening in the world, you have a similar picture. In 1960, the relationship between the richest fifth of the world and the poorest fifth was thirty to one. That is to say, the wealthiest fifth of the world was receiving 30 times the income of the poorest fifth. In 1990, thirty years later, that relationship changed to sixty to one. That is to say, the rate at which the per capita income gap was widening was one point per year. From 30 to 1 in 1960 to 90 to 1 in 1990. In 1997, it was already 74 to 1, that is to say, the rate at which the income gap was widening was two points per year, instead of one. We made our own analysis on which are the aspects that should be reviewed to ensure that those trends can be changed. Already in the year 2000, we organized a debate as one of the activities in the process of designing the profile of this report. Among the many contributors to that debate were the vice president of the World Bank and the deputy-managing director of IMF, many scholars, vice presidents, prime ministers, and other colleagues from the UN system. Already in 2000, we were showing the decline in popular support for market oriented reforms, for example in Latin America, where an important part of the population lost confidence in the ability of market oriented mechanisms to achieve a performing economy. That was already two years ago.

We at UNIDO believe that the main problem we have to look at in developing countries is that of the performance of their productivity rates. On how market oriented reforms influence the performance of those productivity rates. You will find that in the report. This is a concept contained in the Scoreboard. That's why we in the analysis we did for the scoreboard, we follow, not only the evolution of manufacturing value added per capita (MVA), or exports per capita, but also the level of technology included, both in MVA per capita and the level of technology included in the exports per capita.

You will see that those countries that managed to acquire skills, technology, information and knowledge, were better equipped to keep the performance of their growth rates not only steady, but also at high levels. We do believe that one of the shortcomings of the process of market performance analysis promoted throughout the decade of the nineties, is the lack of perception of the importance productivity performance as the main concept to judge whether the reforms were performing properly in developing countries or not. Many times we looked at the current account balance, we looked at the inflation rate, but this was clearly not enough. Inflation rates improved, the account balances in many cases improved, but the productivity rates did not improve at the same pace. This is what we believe should be looked at more carefully.

Then the problem comes: how to measure that? Particularly in developing countries where there is a lack of information, lack of statistical series. That is why we are going to continue the production of this scoreboard on a periodical basis. Our team has yet to decide exactly how we will proceed with that and how often it will be published. One of the lessons we learned in doing this report was that the patterns of industrial performance are more or less stable along the years. It is not a change that occurs suddenly. It takes a while to build up the capabilities and to have these capabilities and skills producing productivity improvements throughout the economy.

One important reference I would make is to our current discussion with respect to the next number of the Industrial Development Report. The next Industrial Development Report will devote much more attention than this one has, I would say, a prominent place to the role

of the transfer of clean technologies. In this report you will see an analysis on the relationship between industrial performance and pollution. You will see there that it is not necessarily the most advanced countries that pollute the most in terms of GNP per capita. This means that developed countries, although they pollute more because of their level of industrialization, are more effective in controlling the level of pollution than the developing countries. This has a lot to do with transfer of technology. In the last year for the first time, up to 52% of UNIDO's technical cooperation was represented by technology transfer in the area of clean technology. We increasingly see technology transfer in the area of environment as something that would help developing countries not only or mainly to improve their performance in terms of clean technology, but also to improve their performance in terms of exports, productivity and job creation. You have to expect that our next number would include in a prominent place, the treatment of these technologies as a mechanism to improve the industrial performance of developing countries.

As I said, we expect the Industrial Development Report 2002/2003 to be utilized by policy makers all around the world to take practical steps towards the improvement of the industrial performance of their countries. Also in our next number, taking advantage of the second lesson we drew from this exercise, we will devote more attention the specific situation of the least developed countries. You will see in this report a comparison of the performance of developing countries and developed countries, but you will also find there what I consider to be a more important comparison: between least developed countries and developing countries as a group. When you compare developed countries and developing countries, a certain degree of convergence can be found, along the lines of xxx performance, industrial productivity and exports and technology included in the exports per capita and manufacturing value added per capita. But that situation cannot be verified when you compare least developed countries and the developing countries as a group. This means that the bulk of improvements are concentrated in a few developing countries, while the majority of developing countries and the least developed countries were not improving at all, many of them were, as I just said, worse off a few years later, than when we started the comparisons. This is a very disturbing reality, and we think we have to more than to talk about it. This is certainly one of the factors that guided the reforms that we introduced at the beginning of this year in the new structure of UNIDO.

I would like to make clear that this report represents our thinking over the last two years and we intend to continue in-house and outside discussion on these topics to ensure that we are able to gather the majority of relevant opinions in this field to be able to suggest and recommend good policies to be implemented in developing countries.