



UNITED NATIONS  
INDUSTRIAL DEVELOPMENT ORGANIZATION



THE REPUBLIC OF PERU



**15 UNIDO GENERAL CONFERENCE**  
Inclusive and Sustainable Industrial Development

## LDC Ministerial Conference 2013

**From the Istanbul Programme of Action to the world we want in 2015 and beyond:  
Implementing the UNIDO Operational Strategy**

**30 November – 1 December 2013  
At Westin Lima Hotel, Convention Center, Lima, Peru  
Conference Rooms: Limatambo 4 & 5**

### Issues Paper

*The role of BRICS and other Emerging Economies for Inclusive Sustainable Growth of the LDCs*



## 1. Background

The 4<sup>th</sup> United Nations Conference on the Least Developed Countries (LDC IV), held in 2011 in Istanbul, deliberated upon the international economic and development landscape which has evolved in reaction to the ongoing and far-reaching impact of the global economic crisis. The Conference highlighted the need for further strengthened cooperation between developing countries to address these challenges and to promote sustainable growth.

UNIDO, through its activities on South-South cooperation and the BRICS grouping, intends to leverage the complementary and increasing potential of emerging economies to address the range of challenges that have emerged and intensified since 2000 and promote inclusive and sustainable industrial development.

The round table, as a part of the LDC Ministerial conference, constitutes the fifth high level platform provided by UNIDO to LDC member states and their relevant stakeholders focusing specifically on industrial development issues. The round table will be in line with the results of the side event organized by UNIDO on 20 November 2012, “Sustainable industrial development: The experience of BRICS countries in achieving competitiveness, innovation and job creation”, which focused on the remarkable achievements in economic and industrial development of the BRICS over the last 20 years, and shared lessons learned from their different paths to development.

## 2. Objectives of the round table

The round table aims at intensifying cooperation between the BRICS, other emerging economies and the LDCs to enable strengthened coordination and promote sustainable growth opportunities through appropriate value chain linkages in the global production system and trade regime.

At the same time, there is potential for UNIDO to leverage the existing BRICS cooperation platform and become a UN system focal point for the BRICS countries in areas related to sustainable industrial development, including: resource efficiency; alternative sources of energy and sustainable industrial development issues; poverty reduction through productive capacity building; and modernization of industry; youth employment, and; empowerment of women through productive activities.

The round table will also provide inputs to the recommendations of the Ministerial Declaration to be endorsed at the General Conference.

## 3. Issues to be debated

The discussion will contribute to the identification of the determinants of inclusive growth and development for the LDCs in partnership with the BRICS and other emerging economies. Emerging economies have accumulated valuable experiences as development cooperation providers over the last 50 years<sup>1</sup> and represent an enormous source of practices, technologies, ideas and models of development, which can be shared and applied in LDCs.

The roundtable will address the following issues:

- 1. What role does technology transfer from the BRICS countries and other emerging economies to LDCs play and what are its prospects? How can the BRICS countries and other emerging economies support LDCs in overcoming environmental vulnerability?**

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<sup>1</sup> *Development Agencies in BRICS and Beyond – Experiences and Next Steps*, BRICS Monitor, BRICS Policy Center, August 2013

A recent OECD report measuring R&D in developing countries showed that the EU, USA and Japan continue to have the highest levels of global R&D spending. However, emerging economies, and particularly BRICS countries, are also important sources of R&D. Despite a concentration of R&D in a small number of developed countries, there is a trend towards greater global distribution of R&D. This trend is most clearly observed in the rising levels of gross domestic expenditure on R&D, the growing number of internationally indexed scientific publications, and increased patents in emerging economies<sup>2</sup>. According to the Global Innovation Index (GII) 2013, R&D in emerging economies is growing at a faster rate than in high-income countries. Moreover, in the last five years China, Argentina, Brazil, Poland, India, the Russian Federation, Turkey and South Africa have been driving this growth<sup>3</sup>. The successful experiences of emerging economies create opportunities to leverage cooperation for technology transfer and stimulation of R&D.

The goals of sustainable economic growth promotion and poverty reduction require concerted efforts to develop productive capacities, particularly policies promoting technological learning and innovation. LDCs face challenges in many areas, such as infrastructure, science, technology and innovation, energy and private sector development. In many LDCs, economic and industrial development is impeded by the lack of key drivers of innovation, particularly in science and technology. LDCs' technological capabilities are developing and are often hampered by limited education and training, insufficient equipment and rudimentary tools, widespread underemployment, low productivity, poor infrastructure and a lack of access to financial resources. Technology transfers to LDCs from emerging economies are one solution and can be highly beneficial due to relative cost-effectiveness, proximity and adaptability. Thus, the establishment of technological links among emerging economies and LDC countries needs to be pursued for the promotion of technological progress<sup>4</sup>.

Further challenges for LDCs are the impacts of climate change and other environmental crises. For many LDCs, the prerequisites that will allow them to adapt to these challenges are not in place, namely stable and prosperous economies, access to technology, clearly delineated roles and responsibilities for the implementation of adaptation activities, robust information dissemination systems and equitable access to resources<sup>5</sup>. The depletion of scarce natural resources and increasing environmental pressures in LDCs hamper efforts to fight poverty and improve living standards<sup>6</sup>.

In the recent years, emerging economies have taken actions to mitigate and adapt to climate change at the national level. In particular, due to rapid economic growth, India, China and Brazil have experienced increasing environmental vulnerability. These experiences can be shared to show how countries can deal with the demands of climate change.

## **2. What trends can be identified in trade between emerging economies and LDCs?**

Emerging economies have become a dynamic component of international trade. Trade volume has risen in both absolute and relative terms. China and India are playing a particularly prominent role and other countries such as Brazil and South Africa are also making important contributions.

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<sup>2</sup> *Measuring R&D in developing countries, Annex to the Frascati Manual, OECD, 27 February 2012*

<sup>3</sup> *The Global Innovation Index 2013: The Local Dynamics of Innovation, Cornell University, INSEAD and WIPO, 2013*

<sup>4</sup> *Harnessing the Positive Contribution of South-South Co-operation for Least Developed Countries' Development, Background Paper, New Delhi, 18-19 February 2011*

<sup>5</sup> UNFCCC (2011),

<sup>6</sup> *The Least Developed Countries, Reducing Vulnerability to Climate Change, Climate Variability and Extremes, Land Degradation and Loss of Biodiversity: Environmental and Developmental Challenges and opportunities, UNFCCC, May 2011*

While international trade has a profound impact on LDCs' economies, LDCs' export structure is mainly concentrated in a narrow range of commodities and low-skill labour-intensive manufacturing sectors. The commodity price boom during the 2000s ended in 2008 and exports declined sharply in 2009 as global demand fell, mainly due to the global economic crisis. Higher commodity prices led to a recovery in 2011, but exports of commodities have not reached 2008 levels<sup>7</sup>.

An increasing number of emerging economies, including LDCs' main trade partners, such as Brazil, China and India, have provided improved market access schemes for commodities originating from LDCs. Around 15 per cent of LDCs' total commodity exports go to emerging economies, rising to over half of fuel and mineral exports. Moreover, 68 per cent of LDCs' agricultural raw materials are exported to emerging economies, while manufactured imports, particularly from China, India and South Africa, dominate the composition of imports to LDCs<sup>8</sup>.

### **3. What lessons can LDCs learn from the industrialization experiences of the BRICS countries and other emerging economies? How can LDCs improve productive capacity in agriculture and industry?**

The BRICS and other emerging countries show the central role of industrialization for economic development. It should be noted that three of the five BRICS countries have experienced a degree of deindustrialization during phases of their development, sometimes associated with structural change (as in the case of the Russian Federation). Industrial development accelerates production, productivity growth, and linkages with other economic sectors. Lessons learned from the development of these countries provide the strategic contributions needed to achieve the development objectives of LDCs.

The role of emerging economies and the BRICS grouping continues to grow. Between 2005 and 2011 development assistance from the BRICS increased more rapidly than that of the G7 countries. Recent initiatives, such as the expected establishment of the BRICS development bank, could leverage the collective capacity of the BRICS in coordination with other emerging countries to assist in the transformation of LDCs' economies.

### **4. How can countries promote sustainable value creation and economic diversification? What role does the empowerment of women play in these processes?**

Addressing economic vulnerability in LDCs is a priority. Many LDC economies rely on the primary sector and are affected by volatile commodity prices in international markets. Structural problems limiting the development of LDCs' export capacities need to be addressed to avoid a reliance on primary commodities, rather than diversification and expansion into global value chains. Cooperation between the LDCs and the emerging economies could help these countries to develop and implement the necessary policies.

The experience of the BRICS and other emerging economies has shown that industry plays the key role in sustainable value creation and diversification. Export-driven emerging economies are based on the creation of human capital, increased access to assets, investment in infrastructure coupled with structural transformation and job creation, and socio-economic programmes designed to address poverty and

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<sup>7</sup> *The Least Developed Countries Report 2011: The Potential Role of South-South Cooperation for Inclusive and Sustainable Development, UNCTAD/LDC/2011*

<sup>8</sup> *Ibid.*

inequality. The BRICS and other emerging economies also have experiences of empowering women, which are valuable for LDCs.

#### **5. What is the experience of the BRICS countries and other emerging economies in youth employment generation?**

The main employment challenge in the LDCs is to provide productive employment for youth, particularly for countries with a large number of young people entering the workforce each year. In the past, labour force expansion was mainly absorbed by the agricultural sector, primarily through cultivation of new land. Largely agrarian LDCs economies are yet to achieve higher levels of productivity and address issues of environmental degradation to achieve sustainable intensification of agricultural production. There is still a need to provide sufficient productive employment outside agriculture. The introduction of policies, strategies and institutional coordination will be required to promote youth employment that combine both agricultural productivity growth and generation of productive income opportunities outside the agricultural sector<sup>9</sup>.

The LDCs need economic growth resilient to external shocks and job creation, and should capitalize on cooperation with emerging economies to develop sectors that have large multiplier effects, including manufacturing and agriculture (which, for example, should be linked to industry through agro-processing). LDCs have the largest and most rapidly growing youth population worldwide and this is expected to double by 2050<sup>10</sup>. This tremendous social dynamism requires productive jobs and efficient strategies to promote export diversification, the adoption of labour-intensive techniques, strengthened inter-sectoral linkages, private-sector job creation, investment promotion, and improved terms of trade<sup>11</sup>.

**Outcome:** Following the round table, a report will be prepared to reflect the recommendations and strategies emerging from the discussions. The report will contribute to the creation of partnerships and further development of cooperation between the emerging economies and the LDCs and, more generally, to the strengthening of the South-South Cooperation (SSC).

#### **4. Expected list of speakers**

**Ademar Seabra Cruz**, Counsellor, Head of the Science and Technology Division of the Ministry of External Affairs, Brazil

**Michael Kahn**, Professor Extraordinaire of the Stellenbosch University, Director of the Research and Innovation Associates, Cape Town, South Africa

**Miles Sampa**, Deputy Minister of Commerce, Trade and Industry, Zambia

**Yao Shenhong**, Director General of the China International Center for Economic and Technical Exchanges, Peoples Republic of China

**Ciny Tung**, Under Secretary of Industry and Energy, Cambodia

**Viktor Zagrekov**, Deputy Director, Department of International organizations, Ministry of Foreign Affairs of the Russian Federation

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<sup>9</sup> *Development Challenges facing LDCs in the coming decade, Least Developed Countries Series, UN Conference on Trade and Development, May 2011*

<sup>10</sup> *World Population Prospects: The 2013 Revision, UN Secretariat, 2013*

<sup>11</sup> *Africa-BRICS Cooperation: Implications for Growth, Employment and Structural Transformation in Africa, UNECA, 2013*