

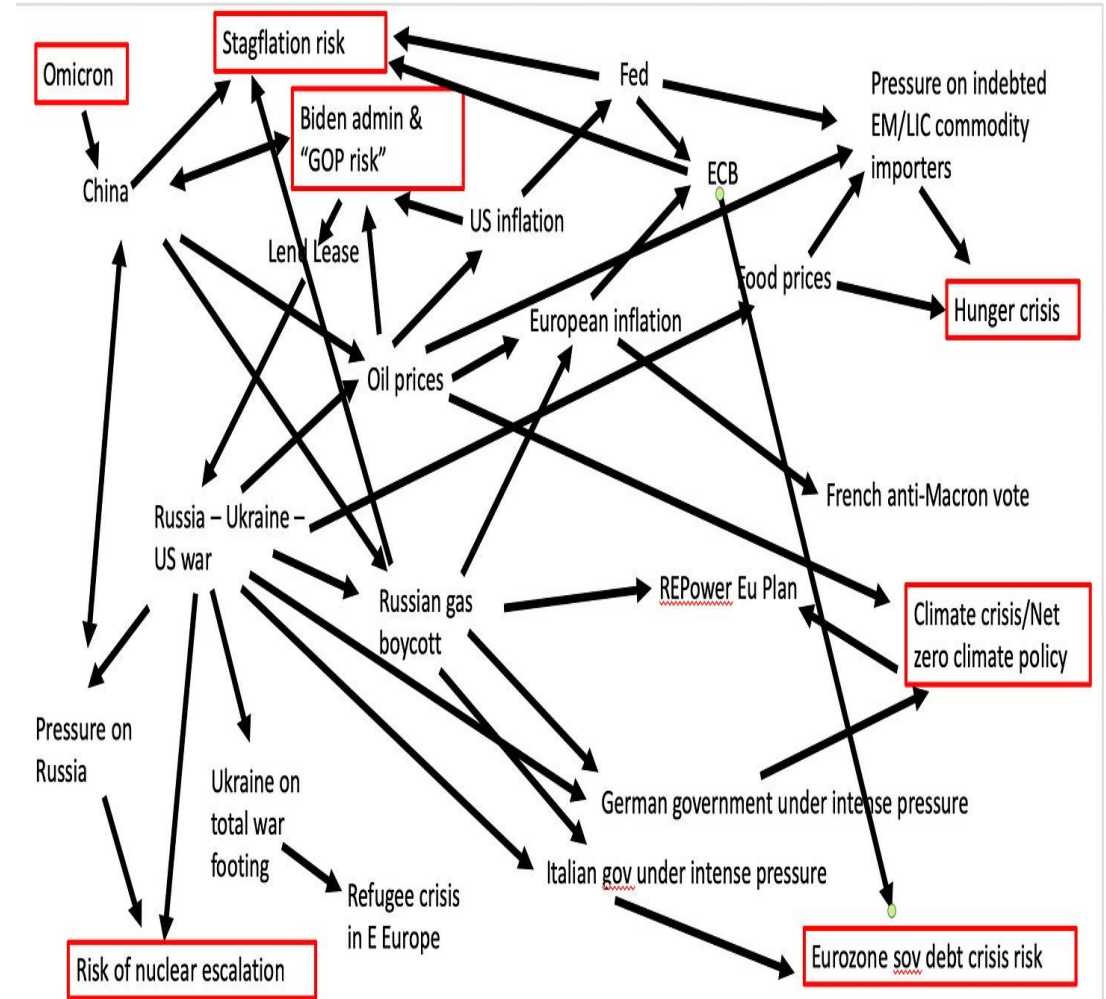
Building industrial capacity in a climate-constrained world: national and international dimensions

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The polycrisis

- French complexity theory through Jean-Claude Juncker to WEF
- Global crises happen less and less in isolation; they interact with one another so that one crisis makes a second more likely and deepens their overall harms. The polycrisis concept thus highlights ***the causal interaction of crises across global systems.*** (Cascade Institute)
- Don't all development crises look like this?



..or development crisis

The scale, complexity and urgency of the rebalancing challenge outlined in this report cannot be overstated. **This is familiar territory for UNCTAD.** What is different this time is how closely interconnected the crises in finance, food and fuel, along with growing demographic pressures and the mounting threats from a warming world, have become. Together, these have already caused untold hardship across the world economy, and continue to stretch the social, economic and environmental fabric towards breaking point. It is a truism that policymakers, at the national and the international level, failed to see this coming. It will require the full and dedicated commitment of the entire international community to put things back on track (**UNCTAD XII Report, 2012**)

Adding the climate crisis to this list adds to the rebalancing challenge and complicates the development path that is needed to close economic and social gaps across and within countries

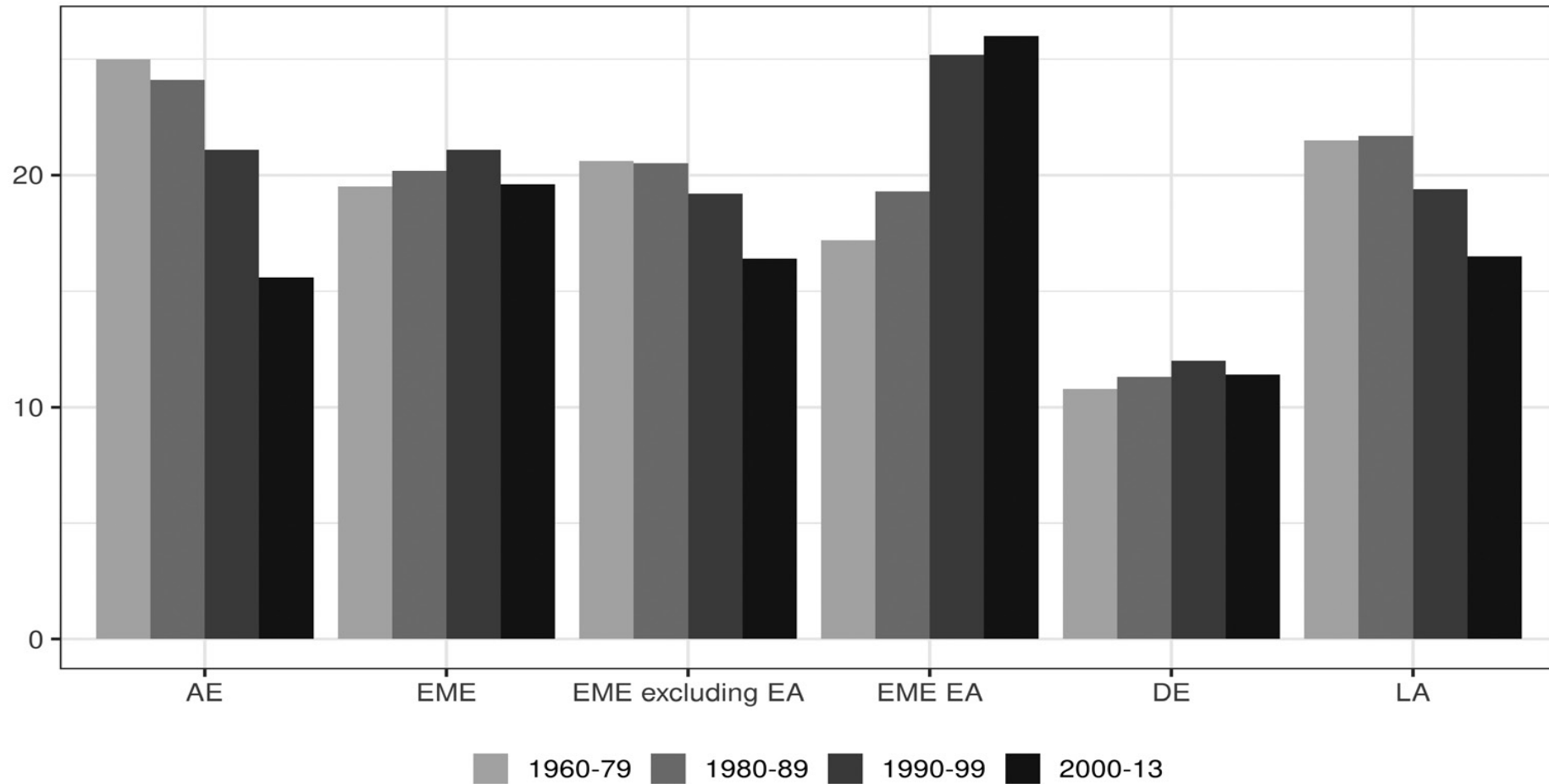
Climate-consistent development is a much bigger ask than the path followed by today's advanced economies even though many of the elements are the same: investment; industrialization (diversification); innovation (technology); ingenuity (state capacity)

Why industrialization matters ... still

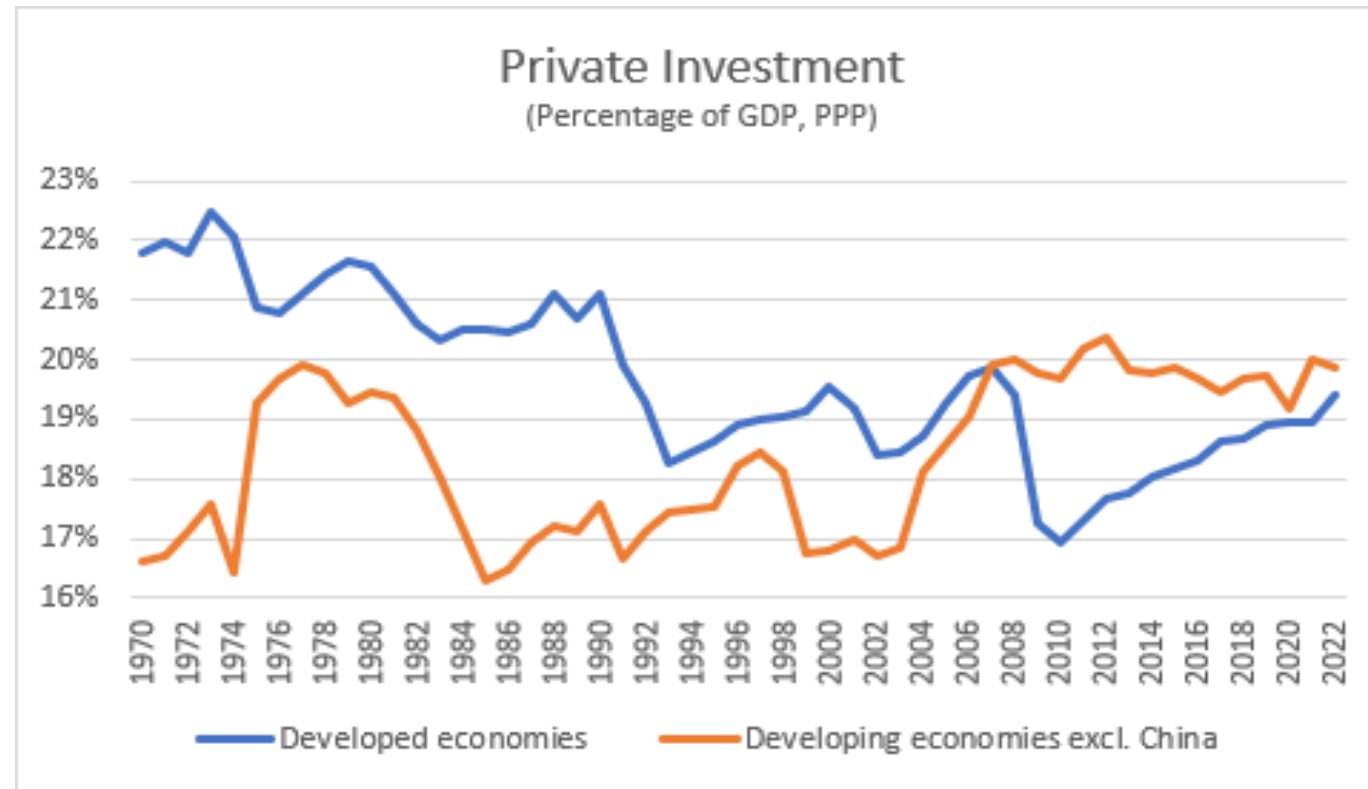
- A strong link to growth, through investment and innovation
- Scale economies, differentiation and specialization (productivity growth)
- Linkages, learning and complementarities (infrastructure inc energy systems)
- Market-creating
- Trade dynamism
- Encourages a more sophisticated state (ingenuity) and an integrated policy framework (structural transformation)
- But industrial development needs a supportive global environment and the kind of hyperglobalization that has evolved over the last 30 years has not been good for industrialization in much of the developing world

Premature Deindustrialisation

Manufacturing value added (% of GDP).

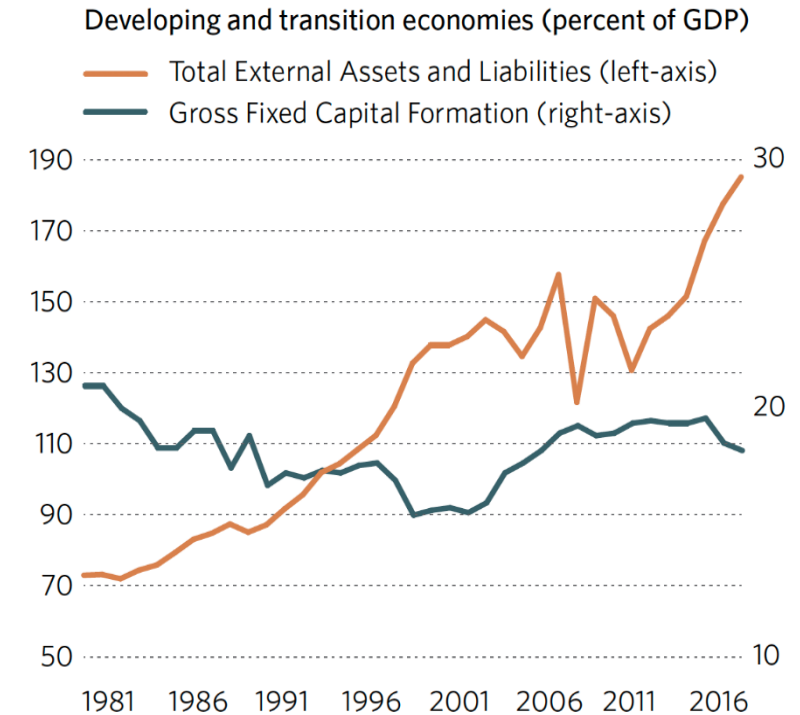
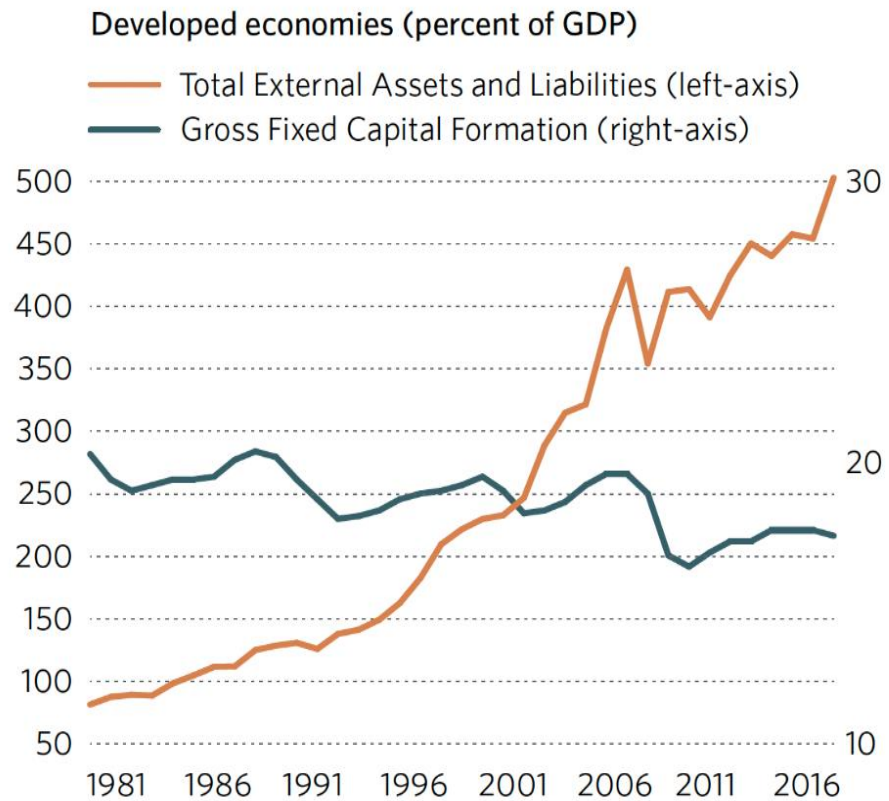


Investment woes



Financial boom

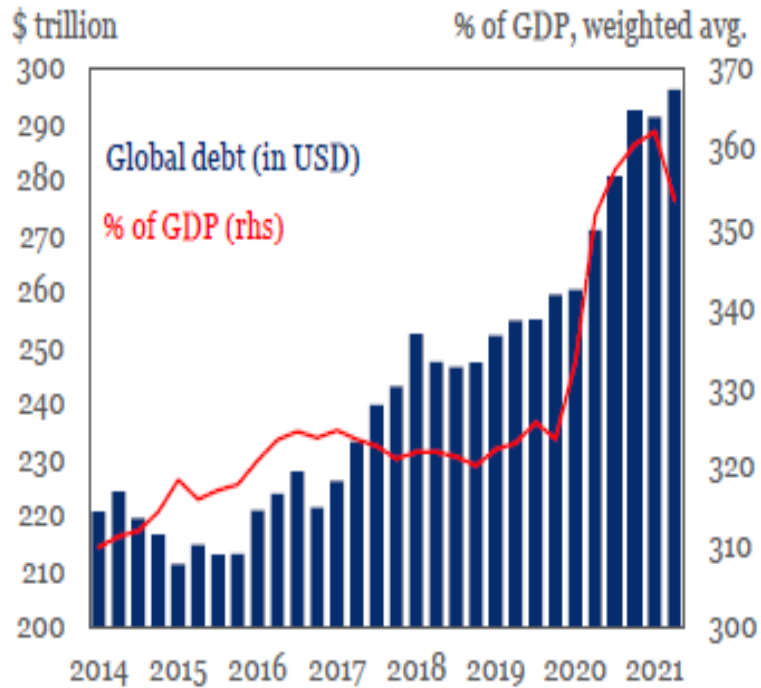
Figure 1: Financialization Takes Over, Investment Stalls



Source: Izurieta, Kohler and Pizarro 2018.⁵

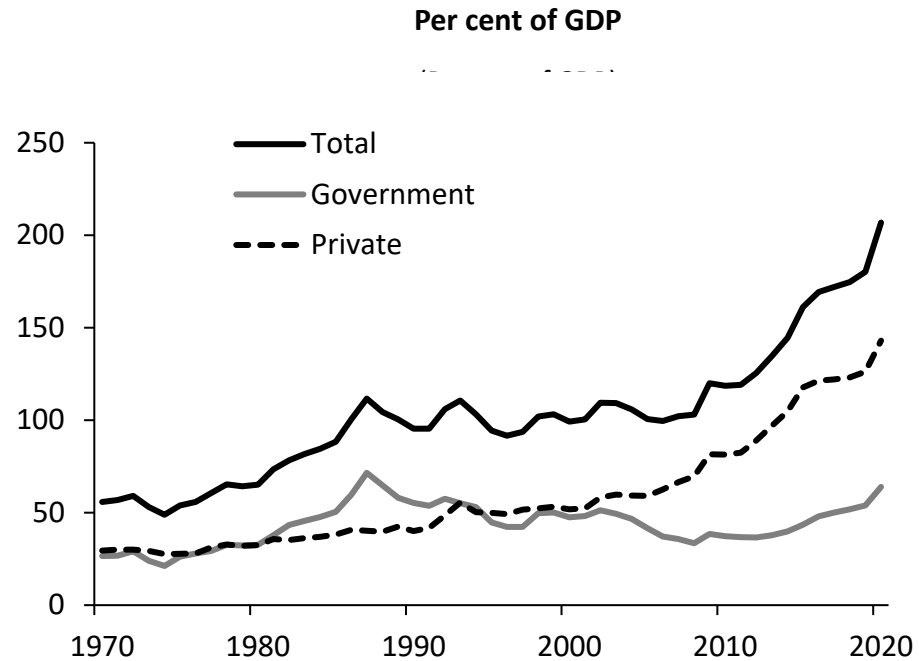
A heavily indebted world

Chart 1: Global debt is fast approaching \$300 trillion



Source: IIF, BIS, IMF, National sources

Debt in Emerging Market and Developing Economies (EMDEs)



Source: World Bank (2022), Figure SF1.5.A. Note: GDP-weighted averages based on a sample of up to 153 emerging market and developing economies.

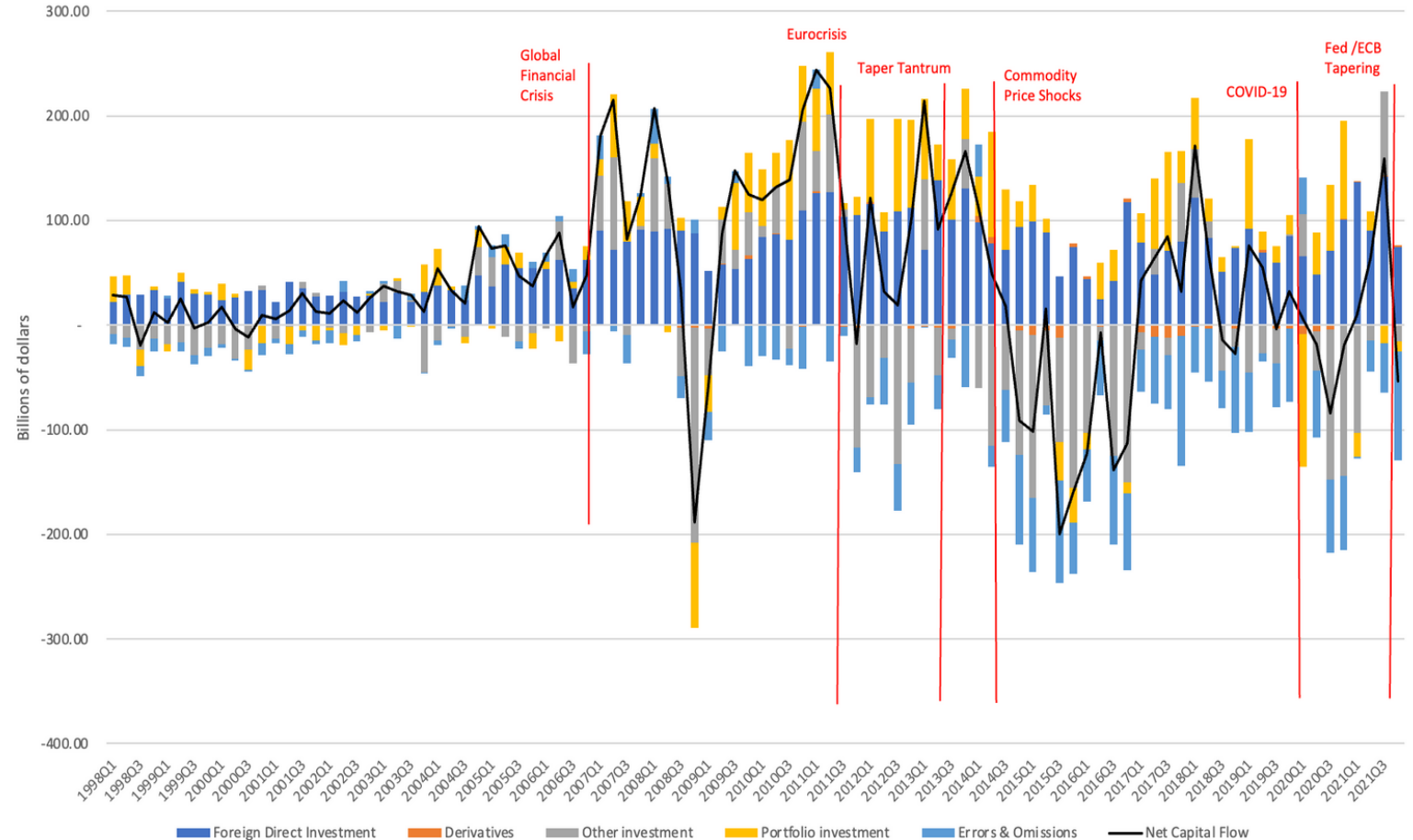
Financial subordination

Net Capital Flow, Low- & Middle-Income Countries, 1998-2021

Net resource flows a more complicated story: upwards of a trillion dollars annually (and on some assessments much more) flows from South to North

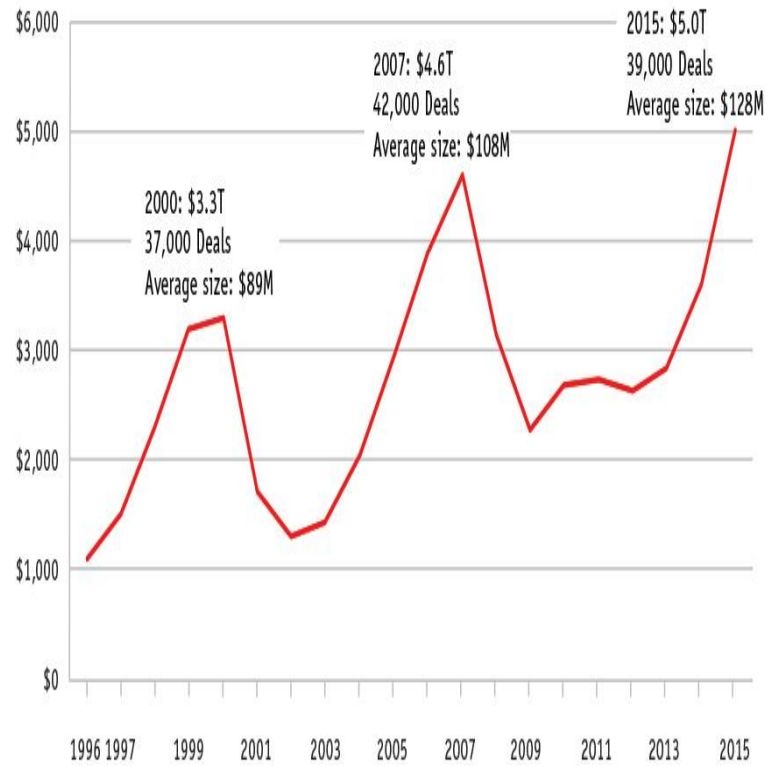
The hierarchical dollar-based system

External shocks

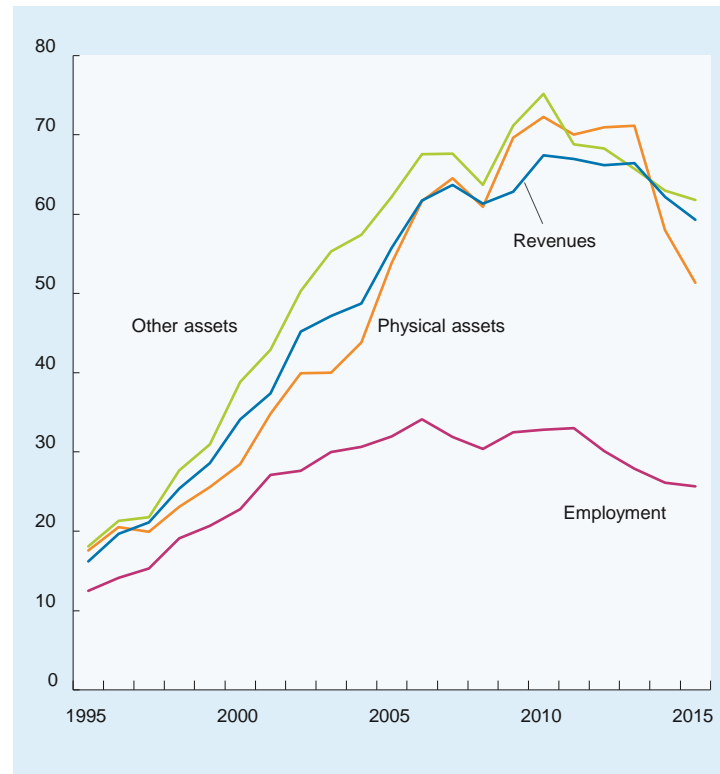


Monopoly power

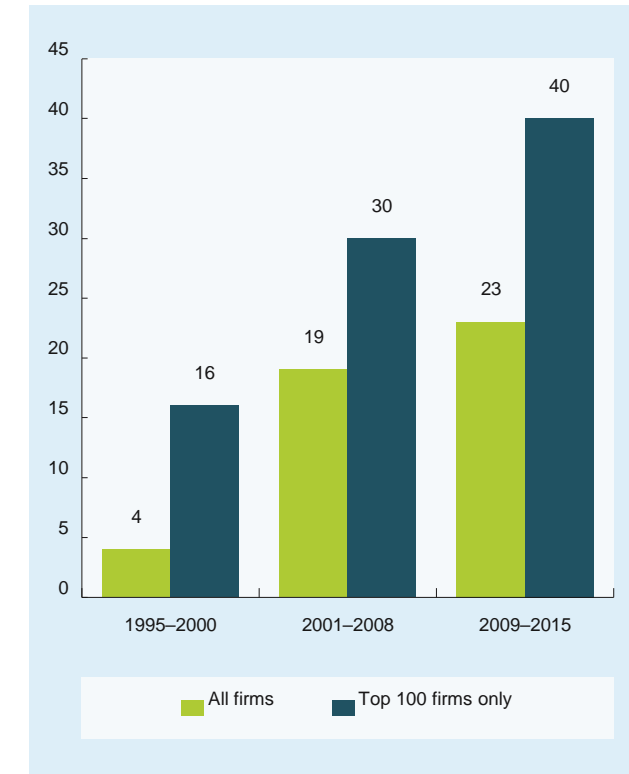
Global M&A Value (Billions of U.S. Dollars)



Concentration indices for revenues, top 100 non-financial firms, 1995–2015



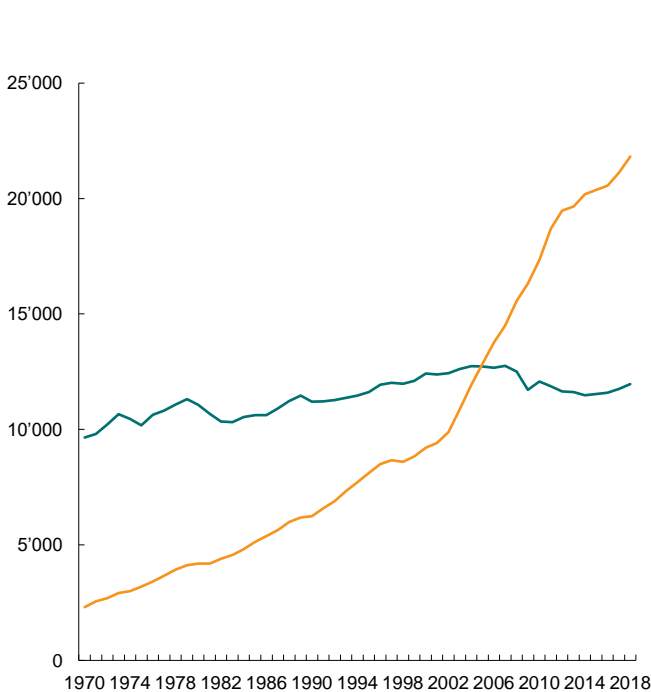
Share of surplus profits in total profits, 1995–2015 (Per cent)



Source: UNCTAD secretariat calculations, based on CFS database,.

Energy climacteric

CO2 Emissions (million tonnes)



CO2 Emissions per capita (tonnes)

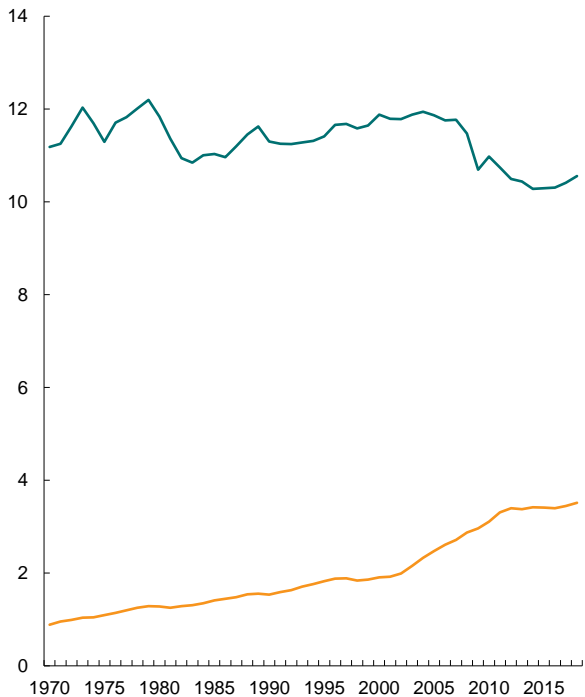
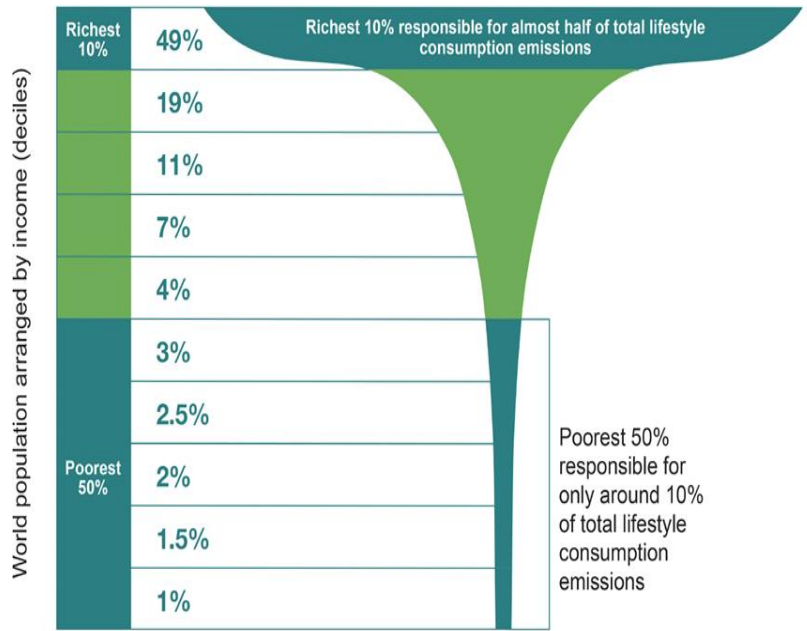


Figure 13: Carbon Inequalities



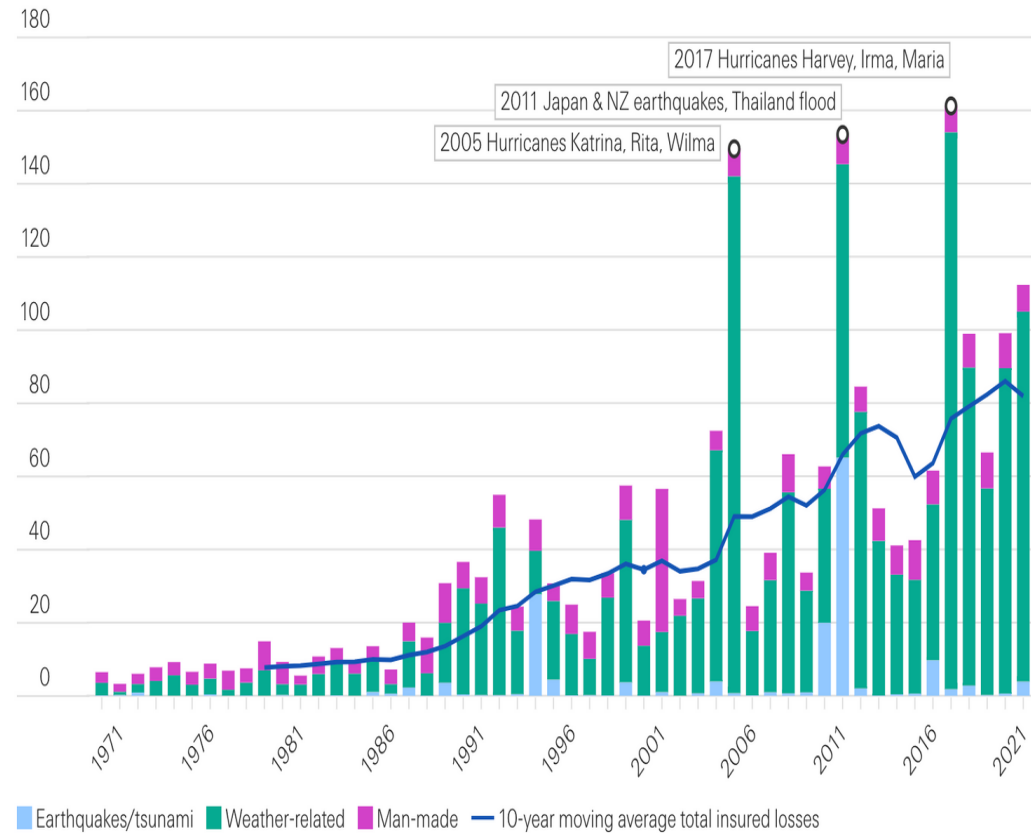
Source: Gore 2015.³⁰

Climate instability

Insured Losses since 1970

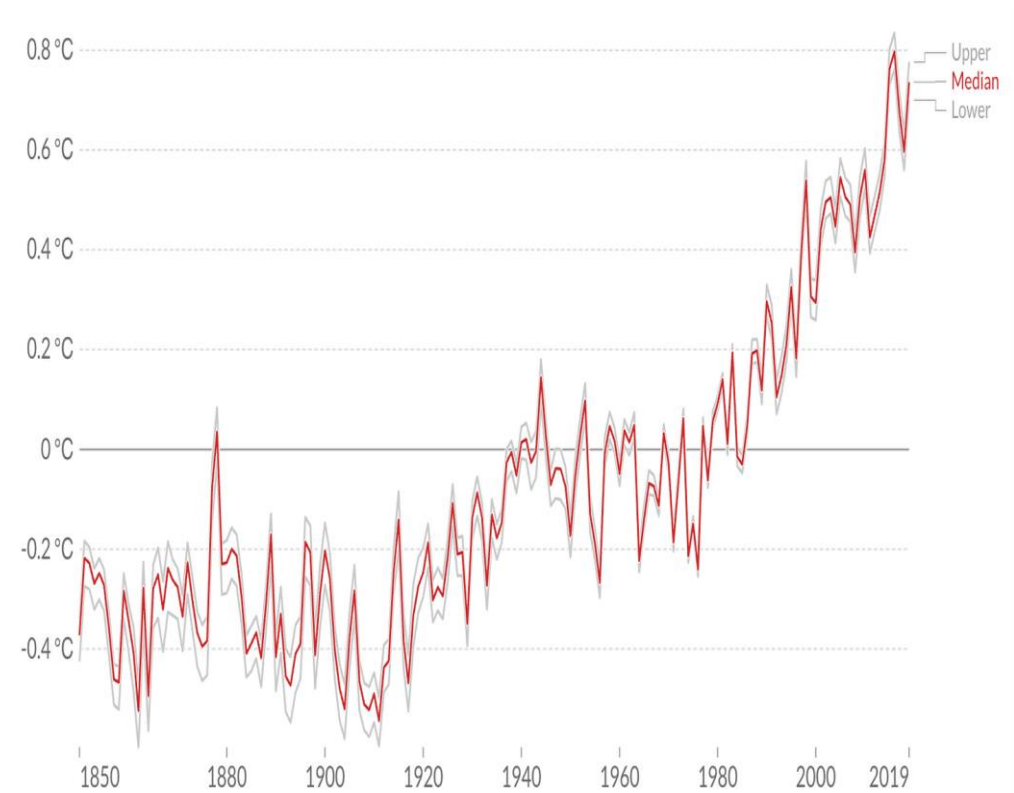
USD billion (in 2021 prices)

Rollover/touch chart for details



Source: Swiss Re

Average temperature anomaly, Global



Source: Hadley Centre (HadCRUT4)

OurWorldInData.org/co2-and-other-greenhouse-gas-emissions • CC BY

Note: The red line represents the median average temperature change, and grey lines represent the upper and lower 95% confidence intervals.

Source: World in Data

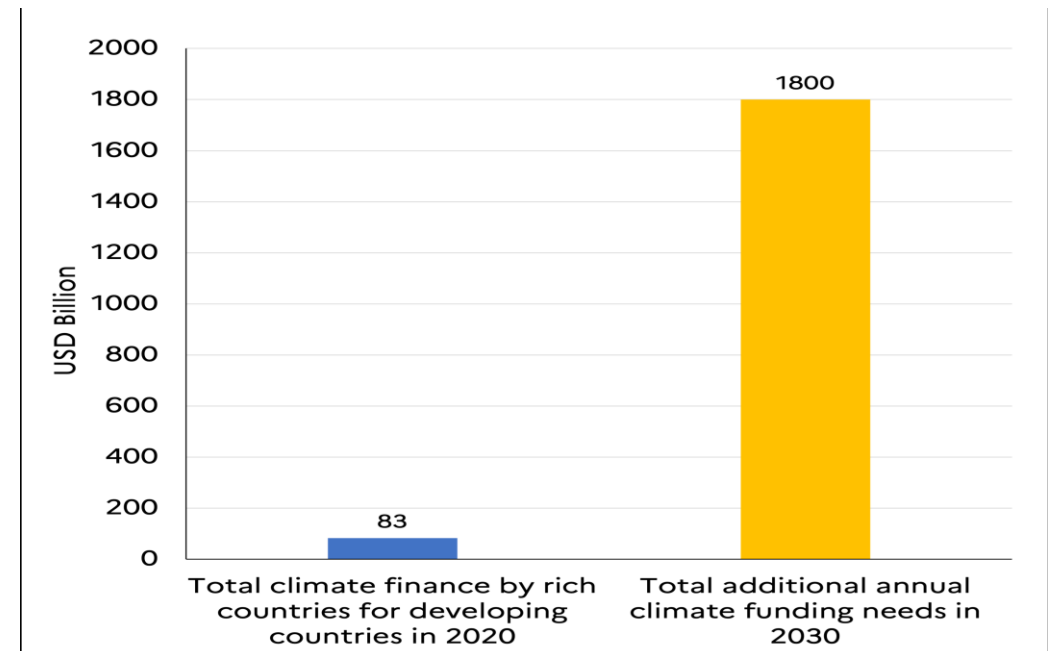
Green new deal(s)

A **massive investment push** needed in a series of interconnected public goods: from billions to trillions (World Bank); additional 2-3 per cent of global GDP per year

- **Ending austerity and shift to wage-led growth**, positive effects on aggregate demand ...
- Increases of **public spending** on goods, services, and transfers around industrial and environmental transformation including the care economy ... big **public investment push**
 - Reductions in **energy intensity of production and consumption**
 - Changes in the **composition of energy production** to reduce CO2
- **Progressive direct taxation** for revenue and redistribution
- **Private investment** crowded in by aggregate demand stimuli and structural shift; but needs **industrial policy**
- Domestic **credit** directed to productive, green and employment intensive activity (**public banks inc more active CBs**)
- **Policy coordination** (industrial, macro, trade policies) ... strategic planning

Clean energy investment agenda of \$3.6tr pa between 2021-2050 (**Pollin**)

- \$20 pt Carbon tax -- with rebates (\$160bn)
- 5 per cent transfer from military budgets (\$90bn)
- Green bond funding by Fed and ECB (\$200bn)
- Reducing fossil fuel subsidies (\$750bn)
- Special-purpose green development banks (?)



Beyond the tranquilizing drug of gradualism

Systemic reforms are needed at the international level to make this work:

- Expand **policy space** and coordination; why Europeans are pulling out of ECT. Start with revising FTAs and BITs, freedom to regulate (including capital controls) and rejecting «one-size-fits-all» policy lending; **voice matters**
- Clamping down on **corporate tax avoidance**; Beyond BEPs project a common unitary taxation system with global minimum tax rate set at 20–25 per cent; **a global competition authority?**
- A **debt jubilee**: a huge programme of debt relief and new rules to help debt distressed states in the future: **an international debt authority?**
- Scaling up international public finance; a properly funded **global climate bank** to support green transitions across the world but particularly in the South
- A **Green Marshall Plan**; technology transfer + specific adaption funds for developing countries
different funding mechanisms SDRs; ODA