

UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT



CSTD 2023-2024 Intersessional panel

Diversifying economies in a world of accelerated digitalization

21 October 2024



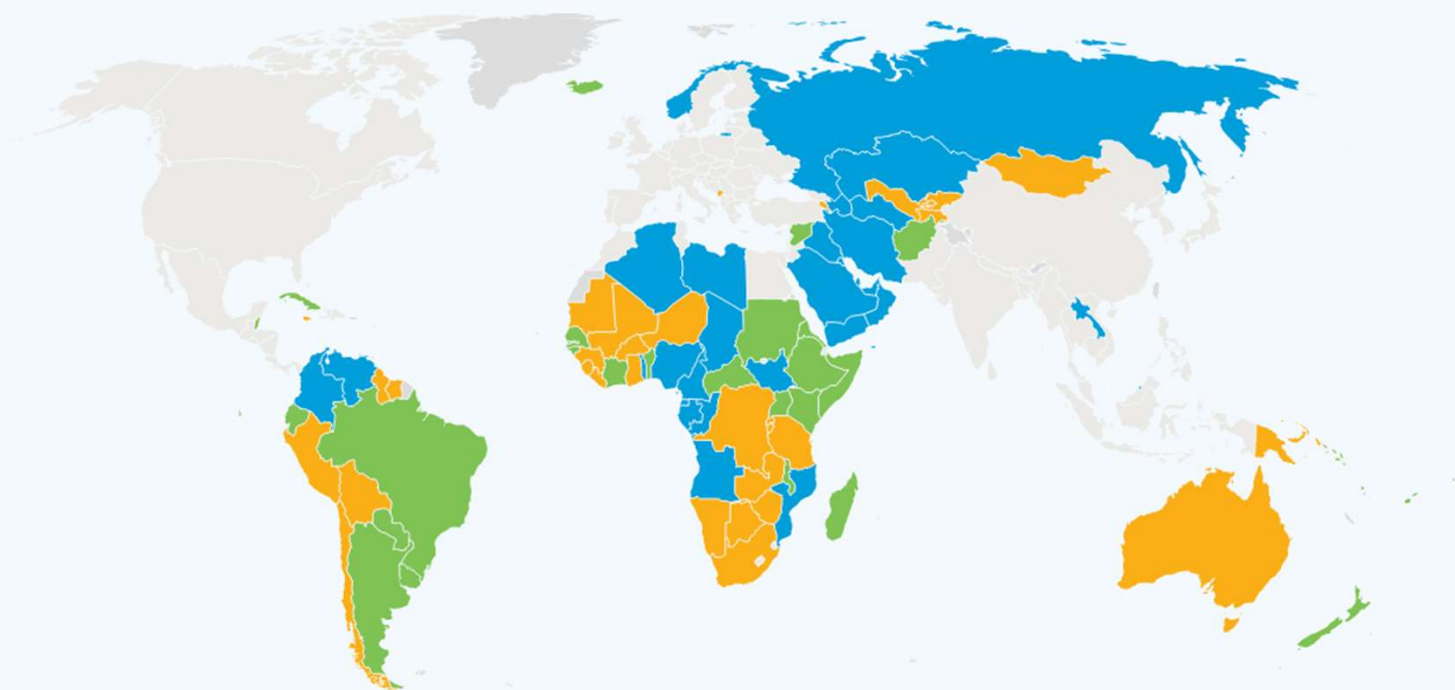
Economic Diversification

in the digital era

- I. Opportunities and challenges of digitalization
- II. Rethinking the role of industrial and innovation policies
- III. 3 Key components for seizing opportunities
- IV. Global collaboration for inclusive diversification

Commodity-dependent countries and their main dependency, 2019–2021

■ Agriculture ■ Mining ■ Energy











➤ **Developing countries need to diversify their economies**

➤ Opportunities and challenges of digitalization

Technology-led transformation is a key factor for economic diversification and industrial upgrading

- ▶ Digital technologies, offer **opportunities** to diversify economies in developing countries
- ▶ Automation, data-driven decisions, human-machine interaction, ...
- ▶ Digital technologies may pose **challenges** to traditional advantages of developing countries
- ▶ Shape the choices to diversify the economy

Industry 4.0 frontier technologies	
	Artificial intelligence
	Internet of things
	Big data
	Blockchain
	5G
	3D printing
	Robotics
	Drone technology

➤ Opportunities and challenges of digitalization

OPPORTUNITIES



Enhance productivity

Increase competitiveness of firms and products



Foster new industries

Create new markets around data-driven services and digital platforms



Promote digital & green transition

Develop new green industries and revitalize traditional ones

CHALLENGES

Induce reshoring

Reduce offshoring in developing countries and undermine their participation in GVCs



Reduce demand for low-skill jobs

Shift the competitive focus from cheap labor to automation and skills



Widen productivity gap

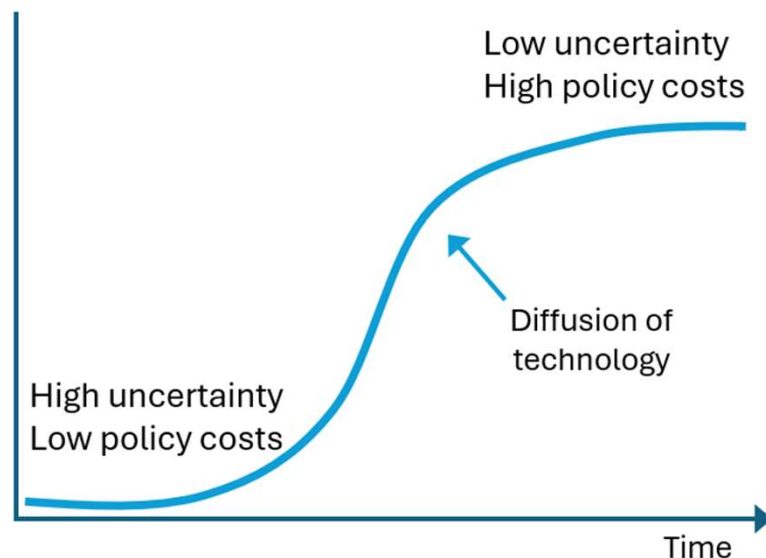
Deepen digital divide due to high barriers to access new technologies



➤ Rethinking the role of industrial and innovation policies

- As new frontier technologies spread and industries grow, uncertainty about deployment decreases, but government intervention becomes more complex and costly

Policies for innovation and frontier technologies require **government learning** to enhance policy design and tackle emerging trends



➤ Rethinking the role of industrial and innovation policies

0% 5% 10% 15% 20% 25%



The rising significance of **technology, innovation and digitalization** should be incorporated into **policy agenda**

This includes providing directionality, fostering development and uptake of frontier technologies, nurturing the innovation ecosystem and strengthening linkages throughout the economy

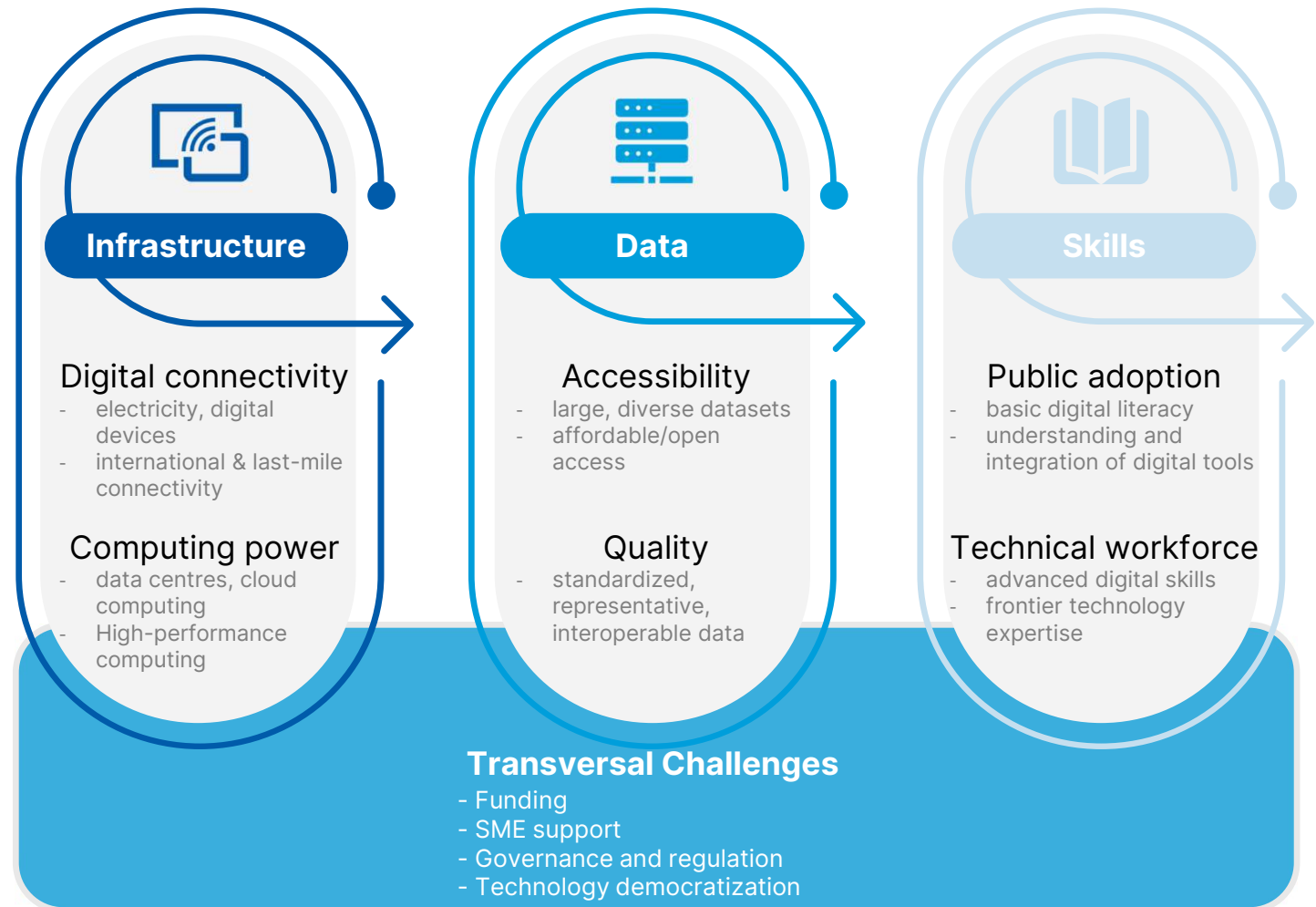


Most frequently used policy instruments in STI policies (2010-2022)

➤ 3 Key components for seizing opportunities



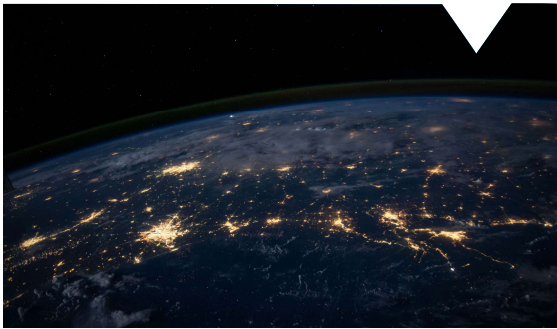
Three key components and other cross-cutting factors to benefit from technology-led diversification and upgrading



➤ **While some challenges are local, many are global and require international attention**

Interconnected digital infrastructure, growing global data flow, workers participating in a global labor market

➤ Global collaboration for inclusive diversification



Digital Public Infrastructure (DPI)

Shared, secure systems for equitable access



Open Innovation

Collaborative R&D leveraging exchanges of knowledge & ideas



International Capacity-Building

Global cooperation for skills and knowledge/tech transfer

Conclusion & Recommendations

To harness the benefits of frontier technologies



(Developing) countries

1. Strategically position themselves to seize the opportunities offered by digitalization
2. Develop national strategies for digital technologies
3. Diversify into digital products and service
4. Build robust digital infrastructure
5. Promoting digital literacy and skills development
6. Strengthen public-private partnerships
7. Strengthen regulatory frameworks



Conclusion & Recommendations

To support developing countries



International community

1. Promote knowledge and experiences exchange
2. Enhance capacity-building activities
3. Create technical cooperation projects
4. Set up a global open innovation strategy
5. Empower policymakers in designing and implementing STI policy
6. Support infrastructure development
7. Develop global consensus on ethical frameworks and guidelines



Thank you

