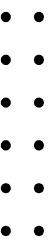


Panel “Diversifying economies in a world of accelerated digitalization”

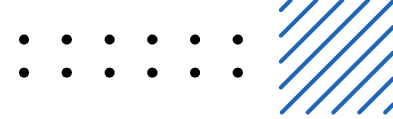


Florencia Barletta
Universidad Nacional de General Sarmiento
Buenos Aires, Argentina
21 October, 2024





1. Development gaps



CAPABILITY GAP



PRODUCTIVITY GAP



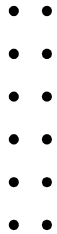
S&T GAP



Not only do they not close, but they are widening!



Between countries, but also within countries!



International gaps

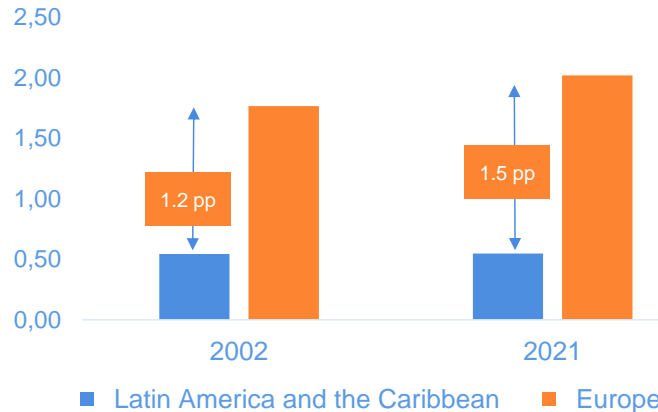
Latin American Countries (LAC) vs Europe & North America

Capability gap

Gross graduation ratio in tertiary education

	LAC (1)	Europe (2)	(1) – (2)
2002	13%	30%	-17 pp
2022	24%	48%	-24 pp

GERD as a percentage of GDP
Distance to Europe

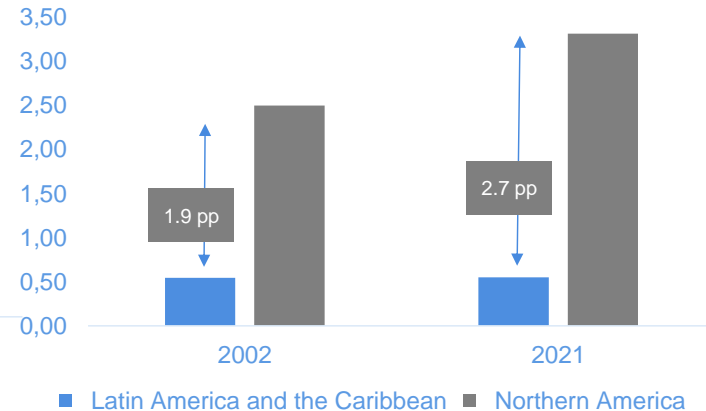


Productivity gap

Output per worker

	2000	2023
Productivity LAC/ Productivity US	34%	28%
Productivity LAC/ Productivity EU27	41%	36%

GERD as a percentage of GDP
Distance to Northern America

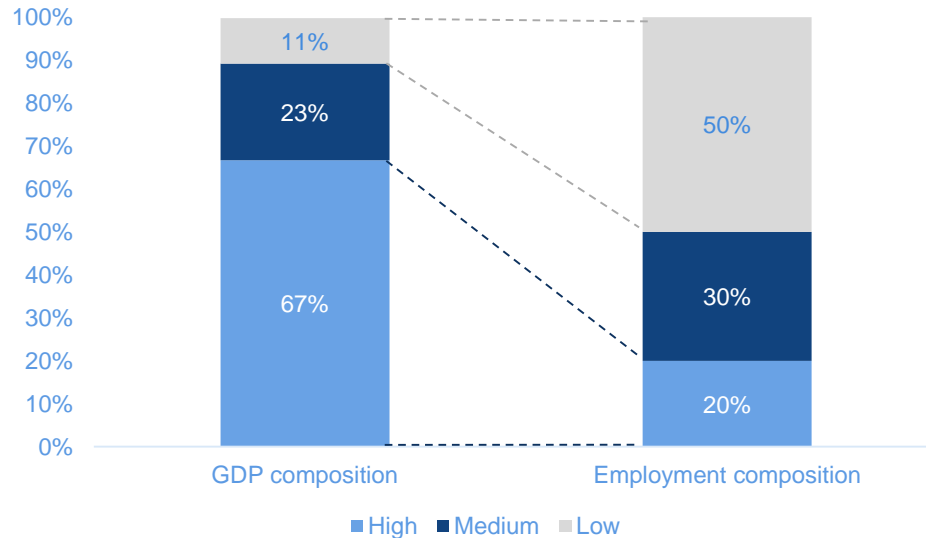


S&T gap

Within countries gaps

GDP and employment composition, by productive groups

Latin American countries



- “Modern islands” of small group of large innovating firms, labor formality and high-skilled employment
- Large group of smaller firms with technological lag, high levels of labour informality and low-skilled employment

Source: ECLAC

2. About diversification

Which paths for productive transformation?*

- **Not *only* diversification**

Economic growth depends on productive efficiency in all existing industries

=> digitalization, Industry 4.0, quality management

- **Not *any* diversification**

Diversification impacts on economic growth when:

- it happens in more technology-intensive industries
- it is supported by an upgrade in capabilities/ skills

*Barletta & Suarez (2024) for Argentina; Arbache (2016) for Brazil; Cortinovis and van Oort (2015) for European Regions; Lebdioui et al. (2021) for Chile and Malaysia ; Dasgupta & Singh (2005) for India; di Meglio et al. (2016) for 29 developing countries

3. The own strategy

A virtuous process of structural transformation



Place- and path-dependent



All industries and their linkages



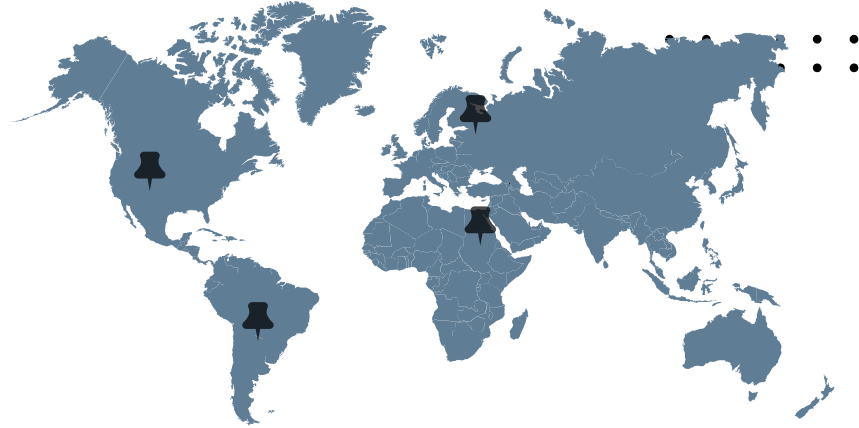
Capability-intensive



3 complementary productive paths



Path- and Place- Dependence



01

History matters

Past economic policies, technological advances and accumulated learning condition current and future development paths

02


Local conditions

Specific geographic characteristics, resource endowments and available infrastructure shape production possibilities.

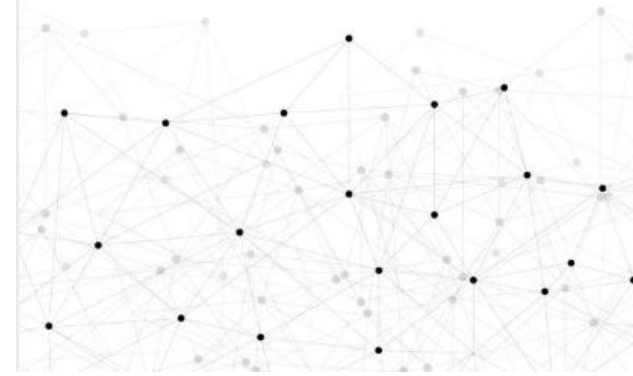
03

Starting points

The existing productive structure, including industry composition and capabilities, determines the starting point for structural transformation.



All industries and their linkages



01

Beyond sectorial debate

The point is not which industry to develop but how to develop a more productive, integrated and innovative structure

02

Inter-industries synergy

Modern services complement rather than replace manufacturing or agriculture activities

Industry 4.0
Technologies

Increasing importance of **modern services**: knowledge- and technology-intensive, tradable and highly productive

Convergence between different industries
E.g. Agtech & agricultura & satellite industry in Argentina



Capability intensive

01

Transversal condition

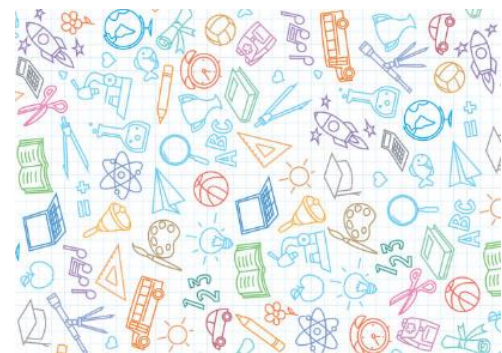
All successful catch-up cases, whether driven by natural resources (Chile, Malaysia) or by manufacturing (South Korea, Singapore) or by services are based on an upgrade in capabilities

02

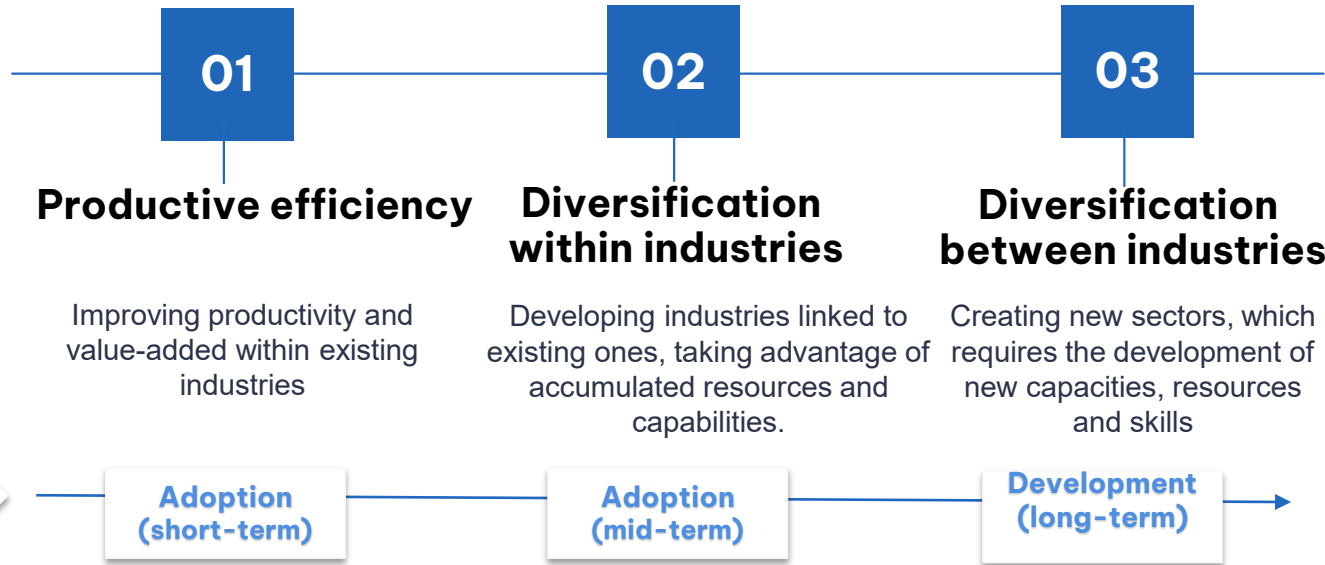
Cause and effect

Capabilities are both cause and consequence of innovation, and are necessary to adopt and generate innovation.

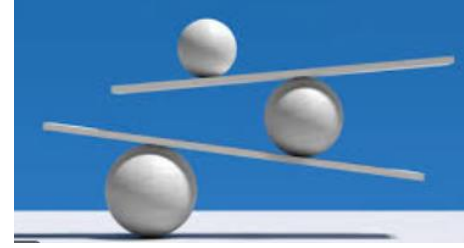
More than ever, within the framework of the 4.0 technology paradigm, which demands very high skills



3 complementary productive paths



4. The role of industrial and innovation policies



There is no single path for structural transformation => idiosyncratic process

Policy and Industry 4.0 Technologies

- To improve the current path -> enhance productivity in all existing industries
- To create new paths -> multiple sectors that may be linked (services \neq manufacturing)

Not only industrial and innovation policies but, more than ever, **capacity-building policies**

More importance of **Industrial** policy

More importance of **Innovation** policy



THANKS FOR YOUR
ATTENTION!

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