



UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

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Diversifying economies in a world of accelerated digitalization

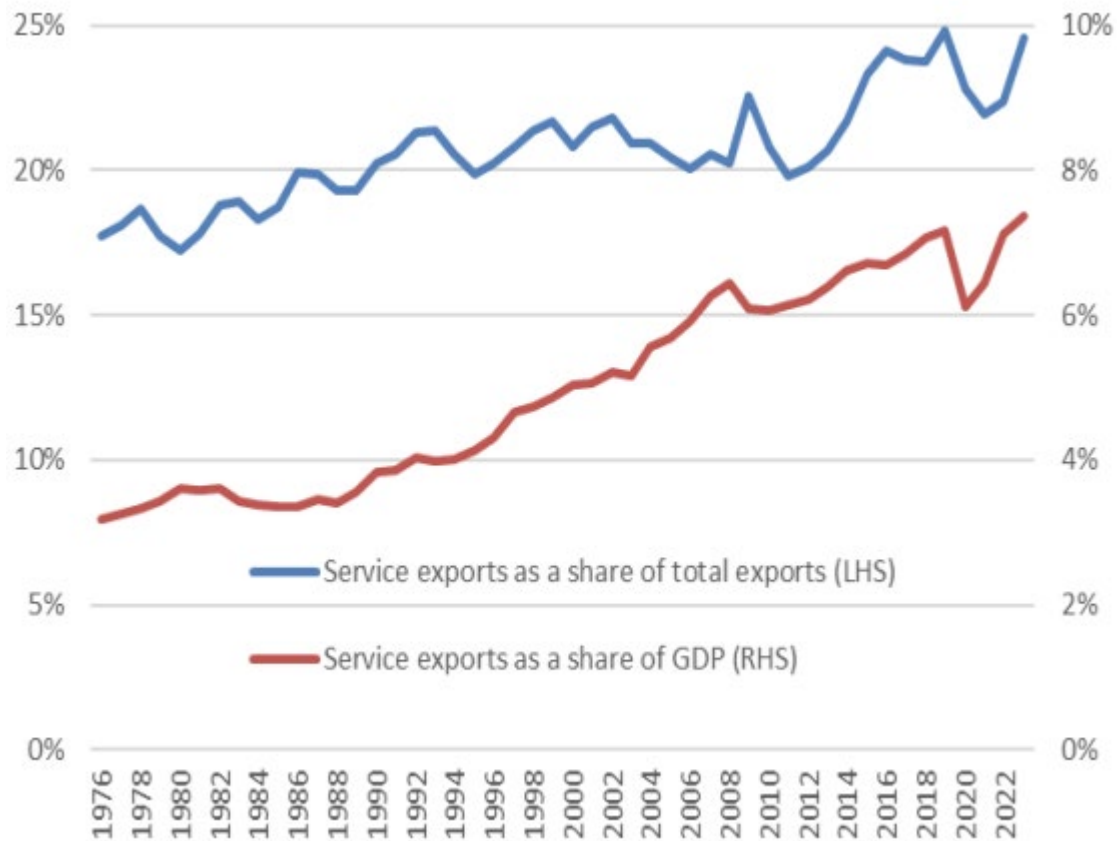
Economic diversification in the digital era

- 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



➤ Opportunities and challenges of digitalization

Increasing importance of service exports (Percentage)



➤ The **shift towards technology-led transformation** is challenging traditional export-focused models

Source: UNCTAD calculations, based on data from the World Bank.

➤ Opportunities and challenges of digitalization

Industry 4.0 frontier technologies



Artificial intelligence



Internet of things



Big data



Blockchain



5G



3D printing



Robotics



Drone technology

➤ Industry 4.0 technologies have revolutionized industries by **increasing data generation, connectivity, and productivity**

➤ Digital technologies, offer **opportunities** to diversify economies in developing countries, but they also may pose **challenges** to traditional advantages of developing countries

➤ Opportunities and challenges of digitalization

OPPORTUNITIES



Enhanced productivity

Increase competitiveness of firms and products



Fostering new industries

Create new markets around data-driven services and digital platforms



Promoting digital & green transition

Develop new green industries and revitalize traditional ones

CHALLENGES

Induced reshoring

Undermine developing countries participation in GVCs



Reduced demand for low-skill jobs

Shift the competitive focus from cheap labor to automation and skills



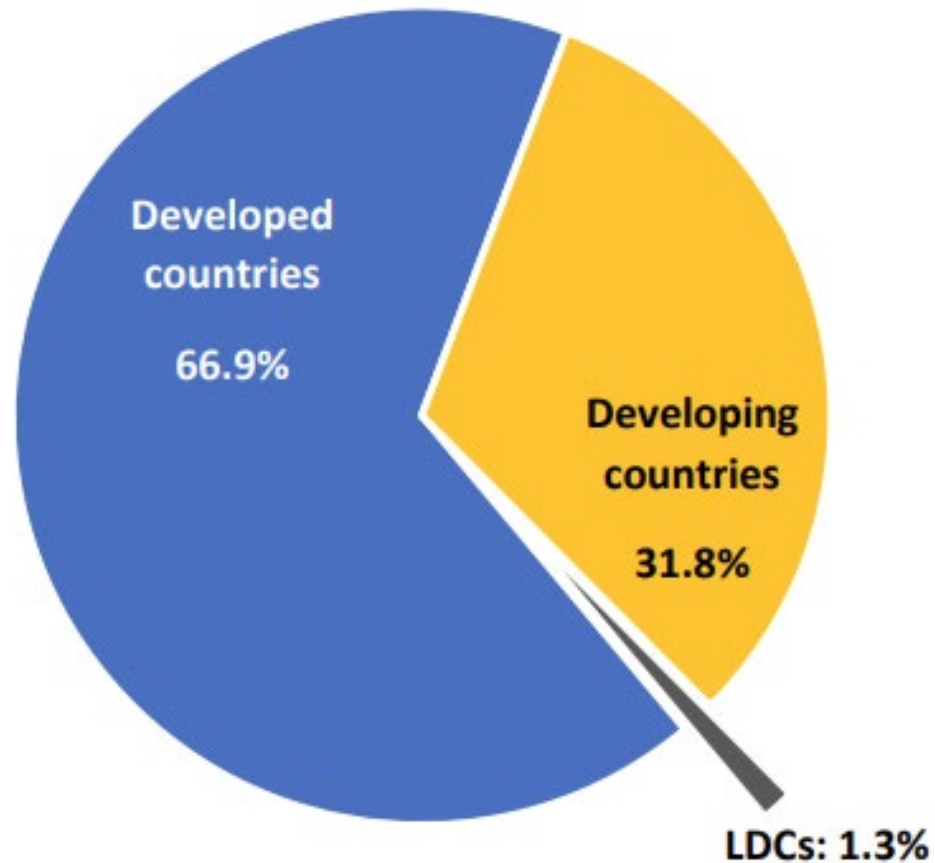
Widened productivity gap

Deepen digital divide due to high barriers to access new technologies



➤ Rethinking the role of industrial and innovation policies

Share of policy interventions, 2010-2021

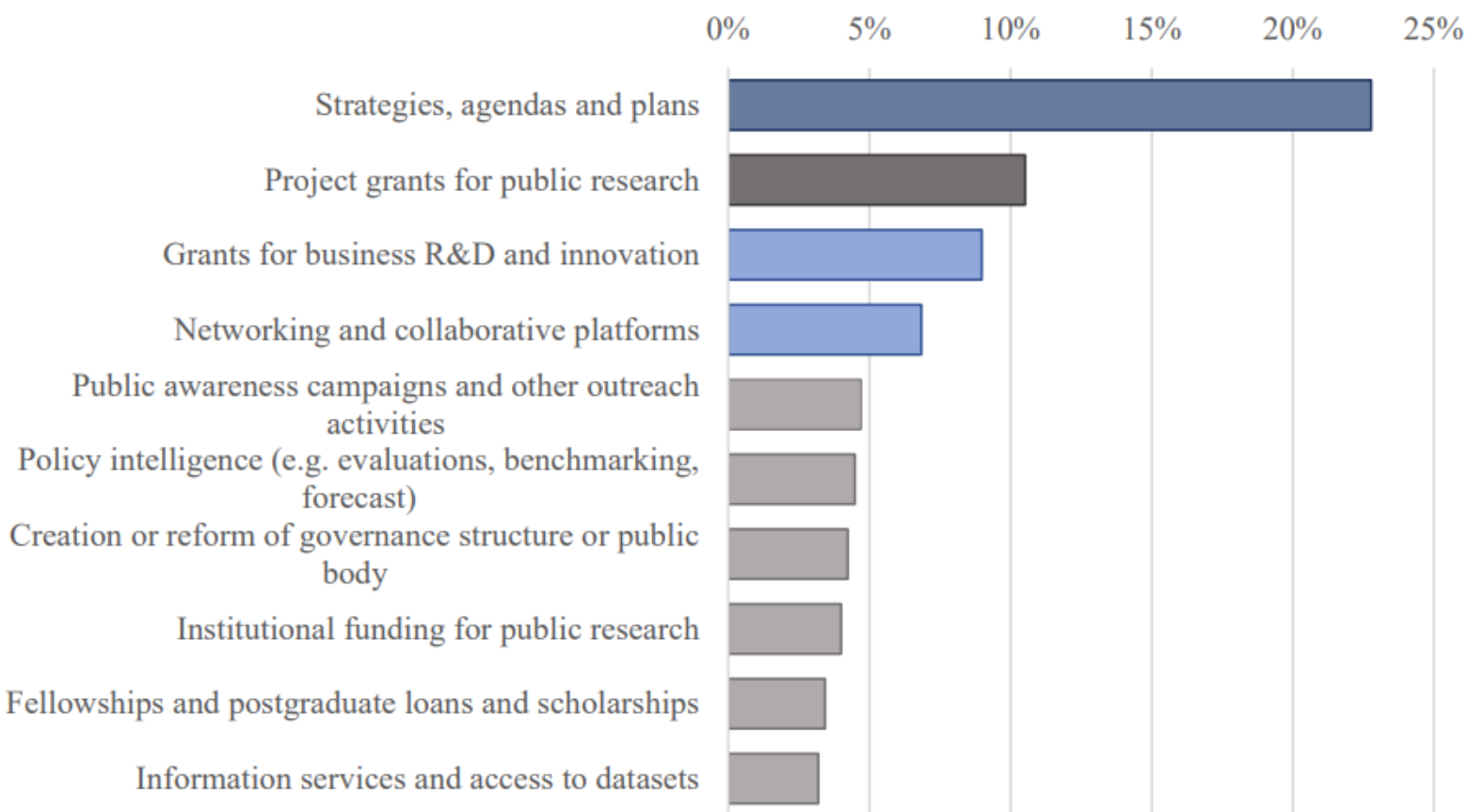


- Industrial policies are growing in popularity, with **developed countries leading the way**
- **Developing nations face challenges** in identifying the right opportunities and solutions

Source: UNCTAD elaboration on Global Trade Alert (GTA) data

➤ Rethinking the role of industrial and innovation policies

Most frequently used instruments in STI policies (2010-22)



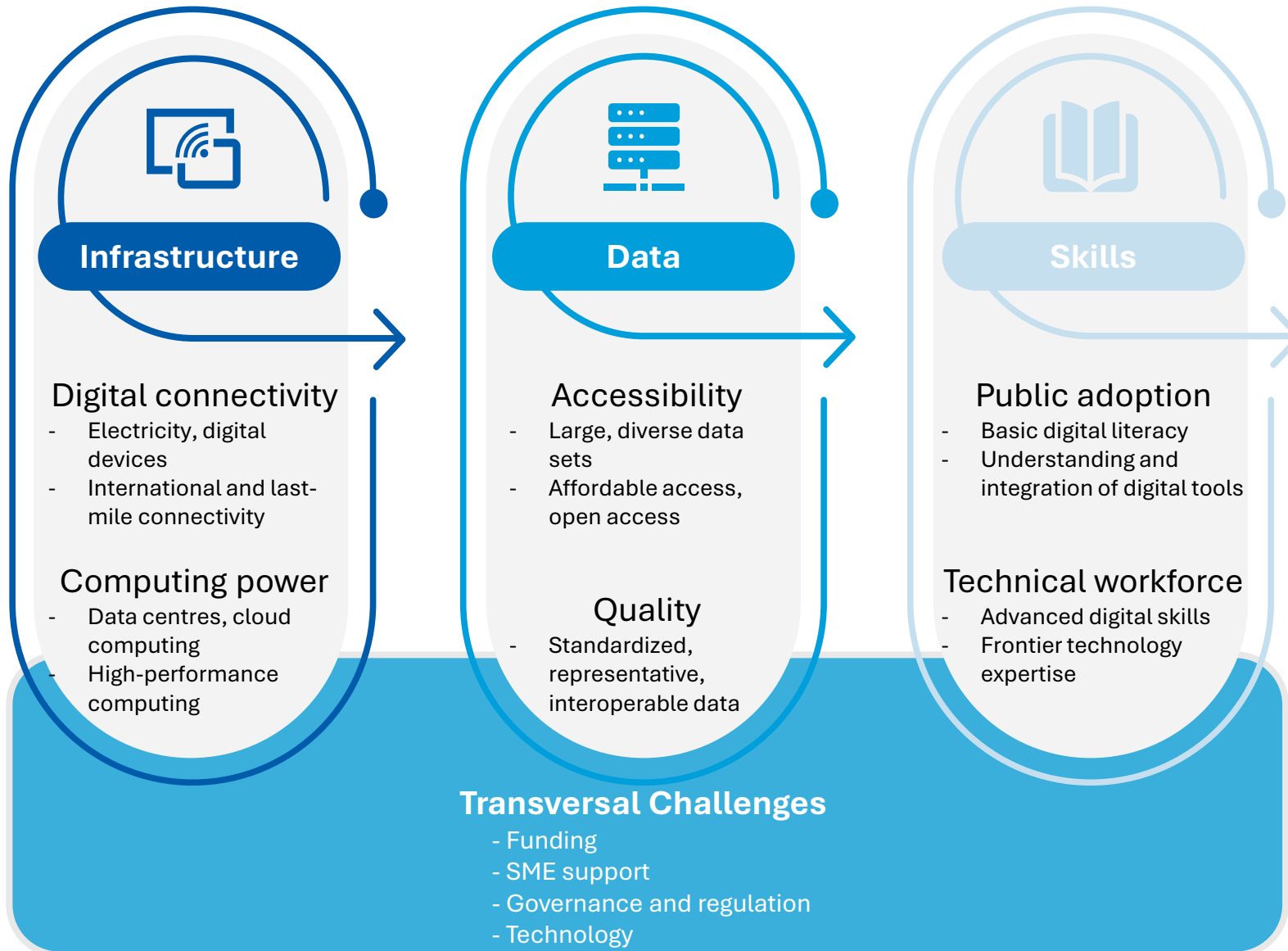
➤ The shift to a knowledge-based economy has made **STI policies** key to economic growth

➤ **Growing investment in R&D**, with grants for research and support for small businesses

➤ **Need for updated industrial policies** to keep up with digital technologies like AI

Source: UNCTAD elaboration on STIP-OECD data

➤ 3 Key components for seizing opportunities



1. **Strong digital public infrastructure** is essential for adopting digital technologies
2. **Open innovation models** can improve data access by promoting cross-border collaboration
3. **International cooperation on capacity-building** can support reskilling and upskilling to meet the demands of the digital economy

➤ **Global collaboration for inclusive diversification**

➤ **AI and data governance initiatives remain fragmented**
and need better coordination

➤ **Urgent need to**

- **Strengthen global cooperation**
- **Support capacity-building**
- **Establish inclusive frameworks**



Thank you

