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GLOBAL FORUM ON INDUSTRY

Perspectives for 2000 and Beyond

NEW DELHI, INDIA, 16–18 OCTOBER 1995

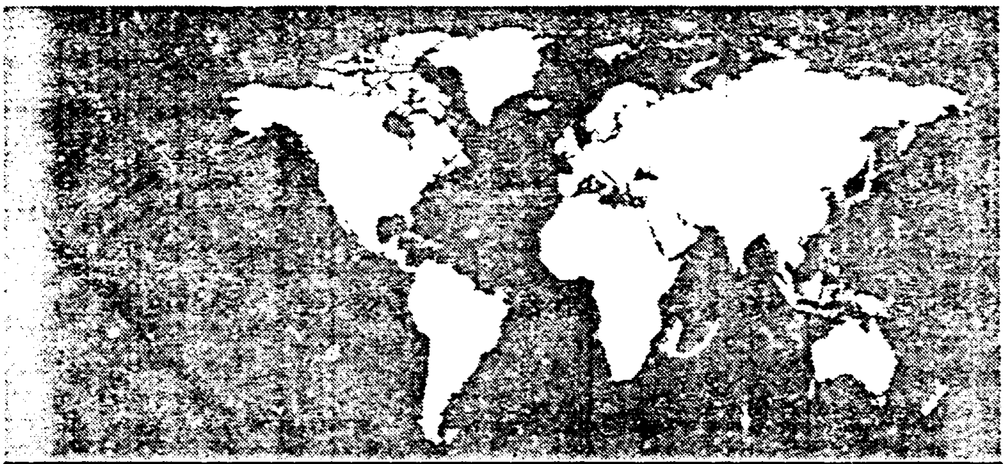
Distr.
LIMITED

ID/WG.542/3(SPEC.)
29 September 1995

ORIGINAL: ENGLISH

21356

Panel I
State of world industry and outlook for the post-2000 period



Issue Paper

State of world industry and outlook for the post-2000 period

Prepared by

the UNIDO Secretariat

UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION

V.95-57751

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GLOBAL FORUM ON INDUSTRY: STATE OF WORLD INDUSTRY AND OUTLOOK FOR THE POST-2000 PERIOD

INTRODUCTION

1. Since the 1960s, world gross domestic production (GDP) has been growing at a declining rate. The performance of the manufacturing sector parallels that of GDP. These global trends reflect mainly the evolution of the economic structure of the developed countries, which still account for more than three quarters of both world GDP and manufacturing value-added, (MVA). These countries have experienced a gradual slowdown in their growth rates and a progressive reduction in the contribution of their manufacturing sector to GDP.

2. The dominance of the developed countries in the global economy appears, however, to be declining, and it is likely that over the next two decades, there will be a growing shift in regional economic strength. Several developing countries have registered rapid industrial growth and have achieved a high level of economic development. These countries comprise countries in East and South-East Asia, including China, which have maintained an average annual GDP growth rate of about 7 per cent, and some countries in Latin America, which have recently shown signs of stable and sustainable industrial growth. If developed and developing countries continue to grow at their present pace, several of today's developed countries are likely to be surpassed by newly industrializing economies within a generation.

3. Trade has played, and will continue to play, a key role in global economic restructuring. The expansion of international trade has linked markets of developed countries to those of developing countries as never before. The successful conclusion of the Uruguay Round Agreements in April 1994 should provide further momentum to the liberalization and expansion of global trade.

4. Technological innovation, deregulation and the rapid growth of financial markets have also led to an increasing globalization of corporate activity which has, in turn, strengthened global inter-firm competition, as well as cooperation through corporate linkages and alliances. A system of flexible or "lean' production is also emerging in most manufacturing industries and services, reducing the role of direct labour cost in total cost of production. With the continuing pace of rapid technological innovation, instant mobility of financial capital and liberalization of trade and investment and technology flows, new patterns of both inter-firm cooperation and competition will emerge.

5. In the long run, it is expected that both developed and developing countries will gain significantly from the new pattern of liberalization and deregulation. The impact on different regions will, however, vary considerably. The impact of Uruguay Round Agreements may be less than positive, particularly in the short term, for several developing countries in Africa and other industrially less developed countries and may require these countries to undertake extensive industrial restructuring to enable their enterprises to compete in external markets in selected fields. Enterprises in developing countries will need to achieve competitive capability in their respective niche areas. At the same time, regionalism is emerging as a strong force. While regionalism is not inconsistent with global trade liberalization and has

not provided any constraints so far, serious problems may emerge if regional preferential agreements are inward-looking, and seek to protect their members from international competition.

6. The effects of technological innovations and new technological applications on employment and labour mobility may also have different impacts in different country situations and may recessitate considerable adjustments. The effects of increased globalization, consequent on liberalization of trade and investment, are likely not only to be very far-reaching, but also to pose various problems regarding the pattern of global industry in the next decade and thereafter.

7. It is against this background of uncertainty that any long-term outlook on global industrial growth must be developed. While the preparation of such a scenario is necessary to provide indicators of key trends, its accuracy will depend greatly on the underlying assumptions built into it. These assumptions can become increasingly complicated because of the uncertainties of the global industrial pattern and the length of the forecast period. The effect of the uncertainties can at least, be reduced by imputting into the assumptions, past trends of global economic and industrial development and key emerging issues that will have a significant impact on industrial growth in the future.

8. The uncertainties of the global economic and industrial growth pattern become further accentuated in the outlook beyond 2005. Attempts to project growth beyond a decade are problematic and may tend to become highly subjective. At the same time, policy makers are often confronted with certain issues that are essentially of a long-term nature, but that nevertheless need immediate policy responses. More importantly, the sustainability of any short- or medium-term strategy, being adopted in the long run, may need to be considered.

9. In addition to the baseline scenario for 1995-2005, qualitative trends are also indicated below with respect to the period from 2005 to 2015, taking into consideration certain critical medium- and long-term trends and issues that are likely to have a long-term impact on the global pattern of economic and industrial growth.

10. It must also be emphasized that any long-term outlook is meaningful only if critical trends, early signals and issues are highlighted. It is necessary for countries and the international community to take due account of such trends and signals and to use these for the development of strategies and policies for future sustainable growth.

I. PRINCIPAL ISSUES FOR CONSIDERATION

11. The principal issues for consideration are as follows:

(a) Industrialization is considered the key to accelerated growth in the developing countries. In these countries, manufacturing dominates in both the production and export sectors. In 1975, the Lima Declaration and Plan of Action on Industrial Development and Cooperation declared that the MVA share of the developing countries should reach at least 25 per cent of total world industrial production by the year 2000. Given the recent growth trend recorded by the developing countries, this share which seemed reasonably high at the time is now likely to be achieved, if not surpassed. **It seems likely that a MVA share for developing countries at 30 per cent by the year 2005 is attainable, given the good growth prospects for developing countries.**

(b) Manufactured goods currently account for almost 60 per cent of total exports of developing countries, up from around 5 per cent in 1955. Their share of world exports of manufactures increased from around 5 per cent in 1970 to around 22 per cent in 1993. With increasing globalization and the progressive and substantial reduction in trade barriers, production and trade are expected to increase substantially. Developing countries should therefore exploit fully the new opportunities created by these recent developments to enhance their growth performance. This could be done not only by increasing output in manufactures but by increasing exports as well. Against the emergence of a new world trading system and given the new orientation of developing countries towards export-oriented policies as well as the extent to which trade is boosting economic growth, **the developing countries' share of world exports and manufactures could reach at least 35 per cent by 2005.**

(c) There is a need to promote technological revolution in industrial production and organization and to ensure faster growth in high-technology manufacturing, which are the two major catalysts of growth in industry and exports for developing countries;

(d) At the same time, high-technology manufacturing is mostly seen as a poor generator of employment. The principal sector that can contribute to poverty alleviation is labour-intensive industry or the traditional, low-technology manufacturing sector. This is also the sector in which the developing countries were able to maintain their comparative advantage over the past 20 years and increase their share in world light manufacturing by up to 40 per cent. **It is, therefore, important for the developing countries to maintain their competitiveness in the low-technology manufacturing sector because of its effects on employment generation;**

(e) The promotion of small- and medium-scale industries (SMIs) in developing countries may provide another avenue for employment generation. Obviously, for the future it is imperative that small-scale industries become competitive without losing sight of their employment goals. **It is therefore important that SMIs obtain the support they need from international organizations, the State and larger enterprises, and that they are able to perform well with minimal automation;**

(f) The recovery of global activity hinges largely on increased globalization with an acceleration of trade, investment and technology flows. **The Uruguay Round Agreements need to be carefully implemented and the pace of liberalization in developing countries sustained;**

(g) Although the opportunities for growth in developing countries are increasing through globalization, the price of access to such opportunities is also increasing. **The developing countries need to improve substantially their levels of productivity, domestic savings and export growth in line with the increasing competitiveness required in order for them to benefit from global trade and capital flows.** In many countries, macroeconomic stabilization and fiscal consolidation are needed to reduce the pressure on prices, real exchange rates and balance of payments, even while increasing domestic savings for more investment. **All these factors will inevitably demand more flexibility in labour markets, rationalization of the large and often dominant public sector, increased trade liberalization and deregulation;**

(h) The better growth prospects of developing countries also point to the need for more capital to finance growth. Although domestic savings will increase as GDP grows, it is unlikely that the increase will meet the demand for capital. Most developing countries will continue to depend on foreign capital inflow for some time to come. **Although the inflow of financial capital is increasing, most developing countries have not benefited from the recent increase. Yet for those which have experienced a sudden sharp rise in such inflow, there is a concern both regarding its sustainability and a possible risk of overheating and real exchange rate appreciation;**

(i) While future growth prospects for developing countries are expected to be greatly improved, considerable disparity in growth will continue to prevail. Certain countries will be left out of the development tempo of the twenty-first century altogether unless corrective action is taken. These include several countries in East and Central Europe, Tropical Africa and certain countries of Latin America and South Asia, which will continue to show the strains of sustaining a healthy pace of industrial expansion. At the same time, some of these regions are also unlikely to reap the full benefits from trade liberalization in the near future. **It is, therefore, crucial for policymakers in these countries to identify and determine timely and adequate strategies for their industrial and technological development in order to ensure poverty alleviation and better growth prospects.** This will call for not only appropriate technological applications and developments but also major changes in the structure of production in selected subsectors besides extensive applied R&D activities;

(j) With growing global uncertainties, **there is a need to monitor closely industrial and technological development in each economy. For this purpose, it is necessary to identify and design a set of indicators against which the pattern of development of the industrial sector can be assessed,** and that can constitute a basis on which suitable policies can be designed and implemented. Such indicators should also be linked to other fields, such as technology, environment and natural resources and should be internationally comparable.

II. REVIEW OF PAST TRENDS, 1970-1994

Regional Trends in Income Growth

12. An analysis of past trends in the growth of world GDP reveals a steady decline since 1974. During the 1960s, world income grew at a buoyant rate of 5.3 per cent per annum, slowed down to 3.6 per cent in the 1970s, and decreased further to 2.8 per cent in the 1980s. In the first four years of the 1990s, world income grew by a mere 1.9 per cent per annum (see table 1).

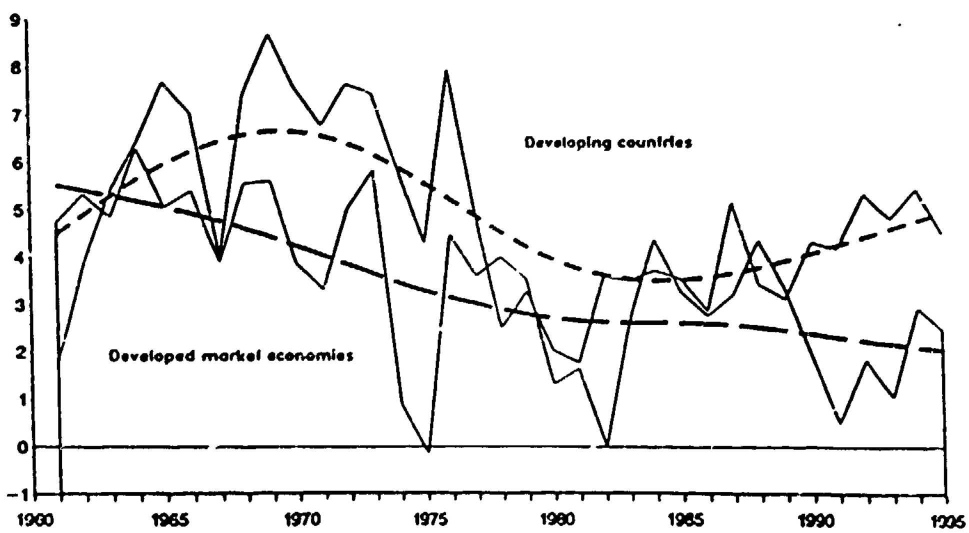
Table 1
Global Trend in GDP Growth, 1960-1994
(percentage)

REGION	1960-70	1970-80	1980-90	1990-94
World	5.33	3.59	2.84	1.96
Developed Market Economies	5.06	3.17	2.73	1.58
North America	3.94	2.85	2.67	2.23
Western Europe	4.86	3.01	2.28	1.00
Japan	10.19	4.51	4.11	1.46
Eastern Europe	6.78	5.33	1.75	(10.27)
Developing Countries	5.98	5.25	3.48	5.17
Latin America & Caribbean	5.75	5.56	1.28	3.41
Sub-Saharan Africa	5.00	3.03	2.30	1.28
North Africa and Western Asia	8.03	4.93	1.45	3.15
Indian subcontinent	3.88	3.33	5.31	4.11
East & South-East Asia incl. China	7.41	6.64	7.63	8.22

Source: Compiled by UNIDO from National Account Statistics.

13. The past growth trend indicate that the developed countries, which accounted for around 80 per cent of the world GDP, grew at rates that were slightly below the average world growth. Growth in the developing countries was, however, in the range of 1 to 2 per cent above the world average, except in the 1980s when the recession in the developed countries severely affected the developing countries (see Figure 1).

Figure 1
Growth Rates of GDP in Developed and Developing Regions
1961 to 1995



Constant 1990 prices and exchange rates

14. A similar decline in growth rates took place in all the regions, with the exception of developing countries in South and East Asia. In the 1980s, the decline was very distinct in Latin America, North Africa and West Asia, and Tropical Africa. In Latin America and West Asia, the structural adjustment process, which had been initiated earlier, led to a recession. However, because of increased globalization, an upward trend has been registered, revealing signs of growth recovery in the 1990s for these two regions.

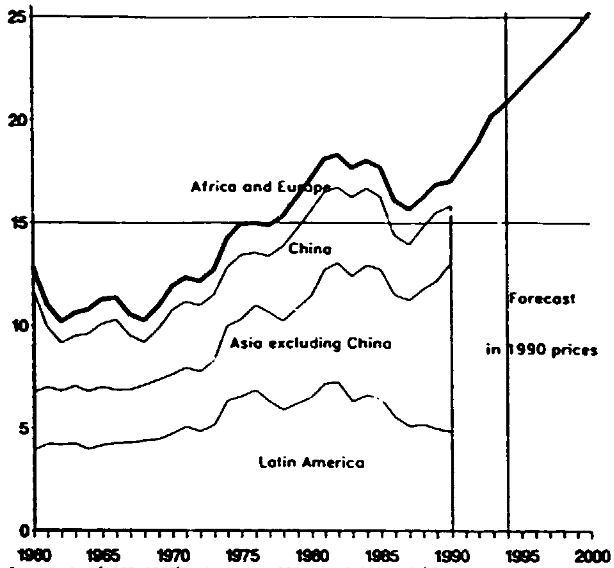
15. With more than half the world's population living in South and East Asia, this region has shown significant resilience to the global downturn. During the 1980s and the beginning of the 1990s, increasing intraregional trade enabled South and East Asia to grow much faster than any other region: between 7.6 and 8.2 per cent per annum. This high growth, in turn, contributed to the achievement of an average GDP per capita for the region of above $800 in 1990 as compared with $650 in 1985.

16. In general, the declining trend in GDP growth can be attributed largely to the corresponding decrease in the growth of world trade, since the 1960s. Even though it stabilized during the 1980s, world income continued to decline, except in Asia. In the 1990s, world trade has registered a significant recovery, but the favourable impact is perceptible only in two regions; namely, Asia and the Pacific, including China and South Asia, and Latin America. In the remaining regions, income has continued to fall, leading to a decline in world income in the aggregate. Some explanation for this trend can be found in the sharp negative growth in Eastern Europe, primarily reflecting the first-phase problem of transition to a market economy and a sharp decline in income in the major developed regions of Western Europe, Japan and North America.

17. Developments in the 1990s clearly demonstrate that those regions that managed to increase their share of world trade during this period were the ones that were able to recover their GDP growth faster, particularly, East Asian countries, including China. With the present trend towards increasing globalization, and with most economies moving towards free trade, there are strong signs of an acceleration of growth in the world economy in the near future. However, the pace of growth of a given region will depend, to a great extent, on its ability to exploit fully the increase in trade expected from the globalization process, the benefits of the progress of its reforms towards an open-market economy, and its success in overcoming the initial difficulties of transition.

18. Despite the higher GDP growth rates, the relative GDP share of the developing countries in total world GDP has not shown any significant improvement since the first oil shock in 1974. It continues to stay at around 20 per cent, albeit at an increasing share in recent years (see figure 2). There have, however, been changes in the geographical distribution to the extent that losses in Latin America's and West Asia's shares were compensated for by gains achieved by South and East Asia. The decline in the former two regions was induced, to a greater extent, by a sharp drop in world commodity prices such as oil, raw materials and basic agricultural products in the 1980s. South and East Asia, which are far less dependent on exports of primary goods, were able to improve their position through the production and export of industrial products, thus making them more resilient to the downtrend of the 1980s.

Figure 2
Share of Developing Countries in World Total Production, 1960-2000



Current prices (1960-1990) and constant 1990 prices (1990-1994) (including forecasts to 2000

Sources: National Accounts Statistics as collected and forecasted by UNIDO/IRD/Studies and Research

19. As a result of the slowdown in GDP growth, the compounded GDP per capita rate of growth in the world declined from 3.2 per cent per annum in the 1960s to 0.3 per cent per annum by the early 1990s (see Table 2). This decline was not only confined to the developing countries, but included the developed countries as well. In Western Europe, the rate of growth fell from 4.0 to 0.6 per cent per annum between the 1960s and early 1990s. In Eastern Europe the decline was even more significant - from a positive 5.6 per cent, it declined to a negative rate of -10.9 per cent per annum during the same period, and in the sub-Saharan region it fell from 2.3 per cent per annum to -2.3 per cent per annum. Japan experienced a dramatic fall as well, with its growth rate declining sharply from 9.1 per cent per annum to 1.2 per cent per annum. Asia - both East Asia and the South Asian subcontinent - once again emerged as a key performer, recording the highest and most buoyant growth in GDP per capita.

20. The slowdown in world GDP growth and the disparities in regional performance have led to a further deterioration of income distribution resulting in an increasing inequality of per capita income across different regions. The income gap between developed and developing countries was at a factor of 18 in 1994 ($20,399:$1,159). The variation in per capita income of different regions also increased significantly; by nearly 7 to 10 per cent in recent years.

Table 2
Global Trend in GDP per Capita, 1960-1994
(percentage)

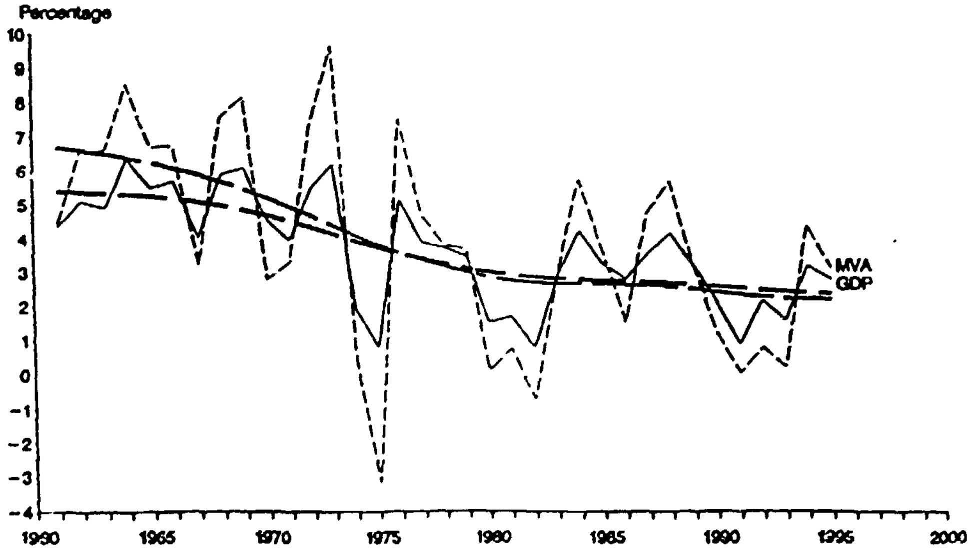
REGION	1960-70	1970-80	1980-90	1990-94
World	3.22	1.70	1.10	0.29
Developed Market Economies	3.95	2.30	2.05	0.85
North America	2.59	1.74	1.70	1.15
Western Europe	4.04	2.56	1.97	0.57
Japan	9.06	3.33	3.53	1.20
Eastern Europe	5.59	4.44	1.00	(10.86)
Developing Countries	3.45	2.95	1.39	2.91
Latin America & Caribbean	2.97	3.10	(0.77)	1.52
Sub-Saharan Africa	2.31	0.26	(0.47)	(2.29)
North Africa and Western Asia	5.26	2.05	(1.58)	0.61
Indian subcontinent	1.49	1.03	3.01	1.95
East & South-East Asia incl. China	4.88	4.58	5.93	6.82

Source: Compiled by UNIDO from National Account Statistics

Trends in Manufacturing Production

21. Growth in total GDP is closely interlinked with growth in manufacturing, as can be seen from figure 3 which shows both growth rates for the world. GDP growth in excess of 3 per cent per annum results in a higher MVA growth rate. Likewise, a GDP growth rate lower than 3 per cent per annum results in a lower MVA growth rate. Yet, zero growth in GDP is always a combination of negative growth in MVA and positive growth in other sectors. Manufacturing can be regarded as the principal engine of growth.

Figure 3
Growth Rates of GDP and Manufacturing in World, 1961-1995



Constant 1990 prices and exchange rates

22. The general path of MVA growth rates in the past is very similar to the GDP path. The above linkage has worked in favour of the developing countries, which have achieved higher MVA growth rates than the developed countries. Compared with the developed countries, developing countries achieved a 4 per cent higher growth in MVA in the 1970s, and the growth differential even exceeded 5 per cent at the beginning of the 1990s, when in the 1980s it stood at a meagre 1.5 per cent. This higher growth differential in favour of the developing countries permitted them to increase their manufacturing share in the world economy, and it is expected to improve even more in the future.

23. While the manufacturing share of the developing countries is increasing, that of the developed market economies, which dominates in terms of contributions to global manufacturing production, is decreasing (see Table 3). The combined share of developed market economies dropped from 85.6 per cent in 1970 to 79.7 per cent in 1980, and declined further to 78.1 per cent by 1990. The share of developing countries, on the other hand, rose from 10.3 per cent in 1970 to 14.8 per cent in 1980 before gaining further to 17.0 per cent in 1990.

Table 3
Share of MVA in World Manufacturing Production, 1970-1994
(percentage)

	1970	1980	1990	1994
Developed Market Economies	85.6	79.7	78.1	76.6
Developing Countries	10.3	14.8	17.0	20.8
Latin America & Caribbean	5.0	6.5	4.8	5.1
Sub-Saharan Africa	0.4	0.3	0.3	0.3
North Africa and Western Asia	1.5	2.4	3.0	3.4
Indian subcontinent	0.8	0.9	1.3	1.4
East & South-East Asia incl. China	2.1	4.2	7.3	10.3

Source: Compiled by UNIDO from National Accounts Statistics
Note: In constant 1990 dollars

24. Among the developing countries, the highest MVA growth rates were achieved by South and East Asia. Other regions, which are more oriented towards exporting raw materials were unable to match these impressive growth rates. By the year 1994, South and East Asia achieved a manufacturing production per capita of $200 (from $40 in 1970), Latin America $550 (from $450 in 1970), and West Asia $710 (from $320 in 1970). Developing Africa's performance is again the lowest with only $60 per head. Although growth has been very strong, the rate of MVA per capita between developed and developing countries remained stable at a value of around 22 ($4,469:$202 in 1990). It should be noted however that Eastern Europe, with an MVA per capita of $610 in 1990, is excluded from the above comparison.

25. The overall picture does not give any insight into the type of manufacturing production performed in the developing countries. From the UNIDO *Handbook of Industrial Statistics* together with assumptions for non-reporting countries, a rough picture can, however, be derived of the production structure of the developing countries vis-à-vis the total world.

26. In general, with the high technology element growing very fast in almost all regions, manufacturing activities based on low technologies seem to be on the decline. The share of high- technology manufacturing in total manufacturing is also rising. Fastest growth has been registered in Japan followed by Western Europe and East Asia and Pacific. Even though it is comparatively better in Latin America, it is still very low in South Asia and sub-Saharan Africa (see Table 4).

Table 4
Trends in High-Tech Manufacturing, 1963-1994

	Changes in coefficient of share of high-tech manufacturing over time * (b), 1963-92	Share of manufacturing in GDP, 1992 (%)	Employment elasticity in manufacturing 1960-94
World		22.4	
Developed Market Economies		22.6	
North America	0.2452	18.5	-0.0017
	(11.80)		(0.03)
Western Europe	0.3421	23.7	-0.4227
	(26.12)		(5.50)
Japan	0.5155	29.1	0.089
	(16.97)		(6.06)
Eastern Europe	0.2640	36.8	0.301
	(22.03)		(13.15)
Developing Countries		19.6	
Latin America & Caribbeans	0.1734	23.0	0.6175
	(8.06)		(5.50)
Sub-Saharan Africa	0.1363	9.7	0.762
	(6.87)		
North Africa and West Asia	0.2025	12.5	0.7325
	(5.67)		(34.76)
Indian Subcontinent	0.1133	15.4	0.4452
	(2.62)		(12.90)
East & South East Asia including China	0.2794	24.5	0.4377
	(8.56)		(16.95)

Source: UNIDO's estimates
HIGH-TECH % = a + b * time
The figures in parentheses are the t-ratios

27. Though high-technology manufacturing is growing very fast within the developing countries, low-technology manufacture still constitutes a large portion of their manufacturing activities. The world share of the developing countries production was highest for ISIS major group 323 leather and fur products (43.0 per cent), and lowest for group 385 professional and scientific goods (7.6 per cent). The share of food manufacturing in world food production matches the share of total manufacturing of 20.9 per cent for 1994 (see table 5). This points to a somewhat undeveloped nature of the manufacturing production in developing countries.

With the exception of petroleum refineries, which is overrepresented in the Middle East countries, the developing countries dominated only in those sectors where the content of advanced technology is low. Apart from tobacco manufactures, which showed a decreasing share over time from 39.4 per cent in 1975 to 38.0 per cent in 1994, and other chemical products (including pharmaceuticals) which are stagnating, all other sectors showed a somewhat sharp increase in world share.

Table 5
Estimates of World Production Share for Developing Countries for Manufacturing Sector, 1975 and 1994
(percentage)

ISIC	Product Group	weight in 1994	1975	1994
323	Leather and fur products	0.80	22.50	43.00
321	Textiles	7.80	26.80	40.60
353	Petroleum refineries	5.60	28.60	39.00
324	Footwear	0.80	20.00	39.00
314	Tobacco manufactures	3.00	39.40	38.00
371	Iron and steel	6.70	13.50	36.80
369	Non-metallic mineral products (excl 361/2)	4.50	18.30	33.00
322	Wearing apparel	7.40	14.50	32.50
361	Pottery, china and earthware	0.60	20.40	32.50
313	Beverages	3.40	24.50	32.00
372	Non-ferrous metals	1.90	13.00	26.00
355	Rubber products	1.50	19.80	24.60
354	Misc. petroleum and coal products	0.40	11.60	24.30
390	Other manufactures	1.60	13.70	24.00
362	Glass and glass products	0.90	12.80	21.50
351	Industrial chemicals	5.10	14.00	21.00
311	**Food manufacturing**	**5.40**	**16.10**	**20.90**
352	Other chemical products (incl pharmaceuticals)	5.30	19.50	19.30
383	Electrical machinery	8.30	9.70	16.90
356	Plastic products	2.50	16.10	16.80
384	Transport equipment	7.70	8.10	16.00
381	Metal products excl machinery	4.20	13.10	15.60
331	Wood and cork products	1.20	13.10	15.40
341	Paper and paper products	2.20	12.20	15.20
332	Furniture and fixtures	0.90	11.90	14.30
382	Non-electrical machinery (incl office machines)	6.70	10.30	13.50
342	Printing and publishing	2.10	9.80	9.00
385	Professional and scientific goods	1.00	5.60	7.00
		100.00		

Source UNIDO estimates

Manufacturing Share in GDP

28. The satisfactory situation with respect to physical growth in most regions contrasts with an unsatisfactory income shift expressed through losses in the weight for all regions,

with the exception of East and South Asia, from 1960 to 1990 (see table 6). In a sample of 105 countries, more than half (54 countries) showed a decrease in MVA share of GDP since 1985 and only 38 countries exhibited an increase. The remaining 13 countries maintained a stable share. In addition, in countries where the per capita MVA is very high, the share of GDP over time seems to be declining.

Table 6
Share of Manufacturing Value Added in GDP, 1960, 1970 and 1990

REGION	1960	1970	1990	+ or -
World	28.9	28.1	22.2	-
Developed Market Economies	29.0	28.2	22.6	-
North America	28.5	25.3	18.5	-
Western Europe	29.4	30.4	23.7	-
Japan	34.6	36.0	29.1	-
Eastern Europe	42.4	42.2	36.8	-
Developing Countries	19.4	18.9	19.6	+
Latin America & Caribbean	21.5	23.8	23.0	+
Sub-Saharan Africa	8.4	10.2	9.5	+
North Africa	12.9	12.1	12.3	-
Western Asia	12.4	13.1	12.5	+
Indian subcontinent	12.3	12.8	15.3	+
East & South East Asia incl. China	15.2	19.0	26.4	+

Source: UNIDO estimates
Note: current price, current $-exchange rates

29. Among the developing countries, the largest contributor of manufacturing to GDP is East and South-East Asia, with a share above 26 per cent. In contrast, the manufacturing share in GDP has dropped significantly in North America and Western Europe. This decline in the developed countries and in a number of developing countries may have been caused by an internal shift of certain production activities to service sectors. However, the value-added coefficient of total output for manufacturing demonstrated a pattern of greater or less stability over the past decades instead of a decrease. It has in fact increased since 1980 (in 1970, 43.02 per cent; in 1980, 38.75 per cent; in 1990, 42.22 per cent; and in 1994, 43.02 per cent).

30. The relocation of production of specific industries, such as leather, textiles, footwear and iron and steel, from developed to developing countries has definitely contributed to the contraction of the manufacturing share of the developed market economies. The main impact seems to have stemmed from a shift in expenditure, whereby private expenditure for services is growing faster than that for commodities, and gross fixed capital formation is not growing as fast as the total economy (see table 7).

Table 7
Pattern of Private Consumption in Selected Developed Countries, 1970 and 1991
(percentage)

Country		% Share of GDP 1970	% Share of GDP 1991	% Growth 1970-91
Austria	Consumption of goods	35.70	28.00	2.06
	Consumption of services	18.90	27.10	4.91
United States	Consumption of goods	34.80	29.30	1.37
	Consumption of services	28.30	38.00	3.72
Japan	Consumption of goods	30.40	27.40	
	Consumption of services	21.80	29.20	

Source: UNIDO

31. This present trend of lower growth in consumption for goods as compared with services will continue. The relative increase in demand for commodities will again be lower because of decreasing GDP growth rates, and also because of the increasing debt problems of both developed and developing countries. In most developed countries, public debt exceeds the total of one year's tax revenues. This will undoubtedly limit public expenditure, which will not only have an impact on the domestic purchasing power, but will, in turn, reduce the growth in demand for material goods.

32. The decrease in the shares of manufacturing and agriculture in the developed countries is equivalent to a relative decrease in income and has, therefore, resulted in the loss of jobs in these two sectors in recent years. Unfortunately, an overall increase of unemployment is occurring, which shows no signs of improvement. Past experience reveals that the labour force released by the manufacturing and agricultural sectors was not absorbed by other sectors of the economy. This will undoubtedly pose problems for most developed countries, raising the question of how to deal with increased unemployment.

33. In North America and Western Europe, the employment elasticity vis-à-vis growth of manufacturing has been negative for the past three decades. The employment elasticity of developing countries over the same period was quite high, ranging from 0.4 to 0.7 per cent; that is, corresponding to a 10 per cent growth of industry, and the growth in employment is expected to be between 4 and 7 per cent. This has helped employment generation and in siphoning off surplus labour from the agricultural sector in many developing countries. But if a shorter time period is taken, the employment elasticity in most developing countries decreased significantly (see table 8). Against this scenario, most developing countries are concerned about emerging higher unemployment. The choice of the industrial structure and appropriate technology is becoming an important point of debate.

Table 8
Short and Long-Term Employment Elasticity for Selected Regions/Countries, 1990-1994

	Manuf employment elasticity with respect to MVA 1980-1994	Manuf employment elasticity with respect to MVA 1960-1994
DEVELOPING REGIONS/COUNTRIES		
Latin America & Caribbean	0.1596	0.6175
	(1.26)	(28.03)
Tropical Africa	-0.1639	0.7620
	(0.62)	(42.15)
North Africa & West Asia	0.2209	0.7325
	(3.18)	(34.73)
Indian Subcontinent	0.3440	0.4452
	(5.59)	(12.90)
East & South East Asia including China	0.7641	0.4377
	(9.55)	(61.95)
Brazil	0.2210	0.7430
	(1.27)	(22.46)
Indonesia	0.6249	0.6466
	(35.31)	(33.08)
Kenya	-0.0876	0.9947
	(0.30)	(29.21)
Korea	0.1965	0.5190
	(3.57)	(24.61)
India	0.1423	0.4161
	(2.21)	(8.56)
Columbia	0.1284	0.3672
	(1.53)	(2.11)
Ghana	0.1846	0.2620
	(1.68)	(2.11)
Zimbabwe	0.3679	0.4862
	(4.92)	(19.07)
Thailand	0.0507	0.1063
	(1.32)	(7.46)

DEVELOPED COUNTRIES	Point to point Employment Ealsticity 1985-1990 (compounded rate)	
	Services	Manufacturing
USA	0.8877	0.1050
Japan	0.5698	0.1220
France	0.7009	-0.3580
Germany	0.8705	1.6210
Spain	1.2051	0.5340
Italy	0.4340	-0.0090
Canada	1.0470	0.3840

Source: UNIDO estimates and Yearbook of Labour Statistics

Figures in parentheses are t-ratios

III. INDUSTRIAL OUTLOOK, 1995-2005

Key Assumptions and Considerations

34. The global economic structure is changing rapidly with the world moving towards increasing globalization based on the free market system. Many of the former socialist economies and others are in a transition phase. Those that started earlier have more or less recovered from the initial phase of structural adjustment, often accompanied by falling output, higher prices and unemployment. The latecomers are still passing through this phase, while some have still not reached the stage of recovery.

35. Several political and economic compulsions, both in the domestic and international arena, have stood in the way of accelerating and sustaining the process of market-oriented reforms. As regards the global scenario, however, there is some cause for optimism in that major international agreements under the Uruguay Round have been concluded in trade, though even here problems of implementation may pose a challenge. The consequence is a delay in the adjustment process. Against this background of uncertainty, any attempt to project a medium- or long-term outlook on global industrial development, or for the different regions and countries is a complex exercise.

36. It would not be appropriate to depend exclusively on developments in the last few years to project the pattern of global industrial growth during the next decade and beyond. At the same time, dependence on a long-term time series, covering three or more decades during a period of rapid industrial and technological changes, may lead to very biased results, especially when the downward trend of the global economy for this period is in the middle of being reversed because of the promising performance of recent years. Then again, there is a high probability that future growth may be very much influenced by the recent experiences of some of the successful countries which other developing countries are trying to emulate in their pursuit of higher growth. The approach adopted, therefore, has been to attach more weight to more recent trends and developments.

37. In determining the future outlook for industry, it is also essential to take account of key emerging issues. These include: (a) the rate of globalization including increase in trade, technology and capital flows; (b) technological innovations and their impacts on cost effectiveness in production, and (c) greater availability of capital and skilled human resources. In addition, the growth of developing countries has also been induced by the growth and recovery of their major trading partners.

38. It is against this background that it needs to be considered whether a long-term average should be taken or whether to provide special weight to recent trends and developments in order to assess the future outlook of global industry in the next decade and beyond. The baseline scenario and projections in this paper largely take into account the underlying influences of past trends and developments, with appropriate adjustments being made for recent trends in technological development and growth of production and manufactured exports from different regions.

39. The baseline in this study is consequently based largely on the continuation of promising industrial growth trends in the recent past corrected for policy and other factors

affecting the future outlook The projection starts with different GDP growth assumptions for five major developed countries, which were derived from different types of projections of recent growth trends. The average GDP growth rate of the five countries since 1980 was only 2.6 per cent per annum and the baseline scenario follows a moderate growth path.

Endogenous Assumptions

40. The key endogenous assumptions include the removal of trade barriers and restrictions on free financial flows, and the access of developing countries to technological developments and to the global market. Implicit assumptions are low transportation costs, and improvement of infrastructure, besides some relief from the accumulated debt burden of developing countries.

Methodological Considerations

41. A detailed statistical analysis was conducted to compare the growth behaviour of developed and developing countries over the past 34 years, with more weight being given to developments and trends in recent years. The analysis has separated the endogenous and the exogenous growth aspects of developing countries. Exogenous influences were related to reference regions in the developed parts of the world. Intra-developing-region aspects have not been considered separately. Further analysis was conducted to explain the relationship between the growth of the total economy and the growth prospects of manufacturing value-added.

Forecast Results, 1995-2005

42. The detailed results of the forecasts can be seen in tables A.1-A.3 and figures A.1-A.7 in the annex. Both developed and developing countries are expected to register increased industrial growth during the next 10 years, with the growth rates in certain developing regions and subregions being substantially higher. The moderate growth anticipated in developed countries will not necessarily drag down the growth of developing countries and the combined forces of both self-supported and externally-induced growth are sufficiently high.

43. The **Lima target** that was formulated by UNIDO's General Conference held in Lima in 1975 is likely to be achieved. The envisaged target was to increase the share of manufacturing production of developing countries to a minimum level of **25 per cent** of the world manufacturing production **by the year 2000**. Furthermore, by the year **2005**, the share of industrial production of the developing countries may increase to **30 per cent** of world industrial production.

44. Further estimates regarding the achievable rates in merchandise exports also appear to be promising. **By the year 2000,** exports of developing countries could amount to **30 per cent of world exports** and a further increase to **35 per cent by 2005** is possible. A detailed description of the growth prospects is given below.

Gross Domestic Production

45. The forecast results show that world GDP growth is expected to gather considerable momentum over the next 10 years ending 2005. It will reverse the past downward trend to grow at a stronger rate of 2.9 per cent per annum during 1995-2000 as against 2.1 per cent during 1990-1995. Growth will however climb marginally higher at 3.2 per cent per annum during the following five years ending 2005.

46. The GDP growth of the developed market economies is assumed to be 2.5 and 2.4 per cent per annum for 1995-2000 and 2000-2005, respectively, which are considered to be moderate, compared with past performance. Japan is expected to recover strongly from its present financial difficulties. As in the past, Japan's growth is assumed to be somewhat higher than that of Western Europe and North America.

47. Growth prospects for the developing countries, on the other hand, will be at least 2.0 to 3.0 per cent higher than that of developed countries in terms of GDP. However, there is no likelihood of equitable growth among developing regions and there will continue to be enormous variations as at present. Some countries that experienced continually strong growth over the past few years, may face problems of "overheating". East and South-East Asia (including China in particular), the star performer of the previous decade with an average growth rate of about 8 per cent per annum, is one of the regions that may face this problem and may register reduced performance during 1995-2000. Growth may be slowed both by capacity constraints and overheating problems characterized by high inflation, infrastructure bottlenecks and shortage of skilled labour. The pace of growth is expected to slow down to 7.2 per cent over the next five years before picking up again at 7.9 per cent per annum during 2000-2005.

48. The same trend is observed for Latin America, which is expected to register a lower growth of 2.5 per cent per annum during 1995-2000 compared with 3.1 per cent per annum during 1990-1995. Growth is expected, however, to increase to 2.9 per cent per annum during 2000-2005. On the other hand, the Indian subcontinent will extend its growth path steadily at about 5.3 per cent per annum during 1995-2005 compared with 4.3 per cent during 1990-1995. Policy changes towards increasing liberalization in India is a relatively recent development and the full impact of these changes has not yet been fully translated into economic performance. It is expected that the Indian subcontinent will be able to gain significantly from the global liberalization process, and be able to strengthen its growth performance with respect to manufacturing production and exports.

49. In line with their growth performance, the developing countries' share of GDP is expected to increase significantly from 22.3 per cent in 1995 to 27.0 per cent by 2005. This gain will be reflected in a decline in the share of developed countries and of Eastern Europe, including in the Commonwealth of Independent States and the Baltic States. The share of the developed countries and of Eastern Europe, including the Commonwealth of Independent States and the Baltic States, is expected to drop from 76.0 and 1.7 per cent in 1995 to 71.6 and 1.4 per cent, respectively, by 2005.

50. The strong growth of East and South-East Asia, including China, will continue to increase the GDP share of the region, which will grow from the current 8.8 per cent to 13.4

per cent by 2005, representing more than half the share of the developing countries in world GDP. While the Indian subcontinent will be able to increase its share somewhat from 2.1 per cent in 1995 to 2.6 per cent share by 2005, the other developing countries may not be in a position to sustain their share. In the case of Latin America, the GDP share is likely to drop from its current 5.0 per cent to 4.8 per cent by 2005.

Manufacturing Sector

51. The baseline scenario projects a rebound for the manufacturing sector for the world, especially for the developing countries over the next 10 years. World MVA will reverse its recent downward trend to grow at a faster pace. The developing countries as a whole are expected to follow a similar trend and should be able to offset fully as a whole, the weak MVA growth rates of the developed countries. Developing countries are also expected to take over a greater share of manufacturing production. Total world MVA growth will increase from 1.7 per cent per annum during the first half of the 1990s to 3.1 per cent per annum during the subsequent five years, and will climb further to 3.5 per cent per annum during 2000-2005.

52. In accordance with the higher GDP growth assumption for Japan, its MVA performance is also estimated to be higher than the other developed regions. The MVA growth for all the developed countries is set at 2.2 and 2.0 per cent per annum for the respective five-year periods under the scenario assumptions. This reflects the ongoing trends in the developed countries.

53. In contrast to the moderate growth rates anticipated for the developed countries, the developing countries as a whole are expected to be the focal point for world MVA growth. The growth rate of the latter is expected to surge at an impressive rate of 7 per cent per annum during 1995-2005. For the first time, the absolute increase in MVA of the developed countries will be smaller than the absolute gains of the developing countries. It must, however, be emphasized that growth rates among developing countries and subregions will vary enormously.

54. East and South-East Asia including China are expected to continue to lead the growth, with a growth rate nearing double-digits at 9.2 per cent per annum during the 10-year period. Growth in Latin America will remain subdued while the Indian subcontinent is expected to achieve an average growth rate of 5.8 per cent per annum. A stronger orientation towards exports can augment India's MVA growth. Also Latin America's low growth expectations are induced by past performance. Problems in the treatment of local currencies like hyperinflation and overvaluation of the currencies have been observed in the past and changes could surely improve Latin America's position in the future. The further reduction of external debt would also be a stimulating factor. Tropical Africa could stage a strong rebound from 1.3 per cent in the early 1990s to 3.5 per cent per annum during the next decade.

55. In line with the strong growth rate, the share of MVA of the developing countries in world MVA will continue its upward surge to 30.6 per cent by 2005 from 21.5 per cent in 1995, a gain of more than 9 per cent.

56. At the regional level, the performance of the developing countries is expected to vary significantly. While East and South-East Asia including China will almost double their MVA share over the next 10 years, increasing from 11.0 per cent in 1995 to 19.3 per cent in 2005, Latin America is expected to relinguish some of its share, declining from 5.1 per cent to 4.7 per cent during the period. Elsewhere in the developing countries, the situation remains subdued, with the exception of the North African and Western Asian region, which shows an increase in share from 3.4 per cent in 1995 to 4.5 per cent by 2005.

57. In terms of structural change as reflected in the share of MVA in GDP, developing countries are expected to continue to pursue industrialization strategies aggressively compared with their counterparts in the developed countries and Eastern Europe. The share of MVA in GDP for the developing countries is likely to surge to a new high of 25.5 per cent by 2005, in contrast with the almost unchanged situation in developed countries.

58. Among the developing regions, industrialization is expected to take the centre stage in East and South-East Asia including China, and North Africa and Western Asia. The share of MVA in GDP for these regions increased from 27.5 per cent and 13.5 per cent in 1995 to 32.0 per cent and 18.5 per cent, respectively, in 2005. Elsewhere, the gain has been marginal, while a slight decline is observed for Latin America.

Per Capita GDP and MVA

59. In line with the higher GDP growth, the world per capita income is expected to continue to grow from about $4,100 in 1995 to about $4,700 by 2005. The growth rate is expected to recover strongly from 0.4 per cent per annum in the early 1990s to about 1.3 per cent per annum over the 10 years ending 2005. The developed countries will register a strong rebound during 1995-2000, with their GDP per capita growing at 1.8 per cent per annum from 1.0 per cent per annum during 1990-1995, but this level will be maintained during 2000-2005 when developing countries as a whole may become the focal point for growth at a rate of 3.3 per cent per annum.

60. The income gap between developed and developing countries will, however, continue to widen at an increasing rate. While the gap in 1995 is $19,600, it will grow to about $23,200 by 2005 in favour of the developed countries, mainly due to the wide disparity in growth among developing countries. Although the projected average growth rate of the developing countries, at 2.9 per cent per annum during 1995-2005, is higher than the average rates of both the world and the developed countries during the period, growth is largely propelled by just two regions. East and South-East Asia and the Indian subcontinent are leading the strong growth at rates much higher than the average rates of the world and the developed countries. Latin America will grow at a mere 0.6 per cent per annum during 1995-2005, while Tropical Africa, North Africa and Western Asia are shown to record negative growth.

61. The wide disparity in growth rates of GDP per capita within the developing countries is reflected in the significant difference in the income levels of these countries. While the income level for the rest of the developing countries is likely to remain at their 1995 levels, that for East and South-East Asia, including China, is likely to record a strong growth of

about 6 per cent per annum during 1995-2005. and will continue its advance in its GDP per capita from $1.200 in 1995 to $2.200 by 2005.

62. The MVA per capita shows similar trend - a widening gap between the developing and developed countries despite the stronger MVA growth of the former. Within the developing countries. MVA per capita will also vary significantly in the regions. East and South-East Asia will again lead the strong growth at 7.5 per cent per annum during the 10-year period.

MVA Exports

63. In terms of manufacturing exports. developing countries will lead the growth with an impressive 9.0 per cent annual compounded growth over the 10-year period ending 2005 compared with 4.7 and 3.0 per cent per annum for the world and developed countries. respectively. In line with strong growth in manufacturing exports in developing countries. their share in world manufacturing exports is expected to increase significantly from 24.1 per cent in 1990 to 35.5 per cent in 2005. This gain is at the expense of the developed countries. which will record a drop in share from 75.2 per cent in 1995 to 64.0 per cent in 2005.

Implications of the Forecast Results

64. The above forecast results indicate that there will be a recovery in the world economy and in most regions. In certain regions. however. the tempo of growth is still slow. It will be the task of the State and international organizations to identify the reasons for the poor performance of these countries and subsequently to formulate strategies and policies for industrial restructuring to reverse the present trends in the countries performing inadequately. particularly in transition economies in Eastern and Central Europe. Tropical Africa and certain parts of Latin America and South Asia.

65. It must be emphasized that the projections are based largely on assumptions of growth for developed countries. especially the possible recovery of Japan and Western Europe and hopes of sustaining the recovery of North America. especially the United States. Much depends on the successful adherence to free trade, sound macroeconomic policy and a commitment to maintaining the growth of investment and technology flows between countries.

66. Accordingly. it is necessary for countries and the international community to take due account of the above trends and signals and to use these for the development of strategies and policies for future sustainable growth.

IV. LONG-TERM VISION: BEYOND 2005 TOWARDS 2015

Uncertainties of the Future

67. Since the end of the cold war and the introduction of economic reforms at the national and international levels. the uncertainties of the global economic and political environment have been increasing considerably. These uncertainties are becoming further accentuated as the twenty-first century approaches. Hence. few have ventured to look into the next decade

or project the likely scenario with respect to growth in income, employment, trade and technology, either at the global or regional level.

68. At the same time, policy makers are often confronted with issues of economic development that are essentially of a long-term nature, but nevertheless necessitate early policy responses due to their long-term impact on global natural resources, like water and land, the ecosystem, energy and demographic matters, such as age and gender structure of population and quality of life.

69. In order to gain some insight into these issues, it is important to look closely at all relevant short- and medium-term trends of key economic indicators in the global development scenario, which have broadly been drawn up for the period up to year 2005. The challenge is to assess and determine whether these trends will continue or even accelerate in the long run, decelerate or probably reverse. It is also important to identify several new factors that might at present be dormant, but could surface in the long term influencing future global developments and demanding new policy measures and actions.

Emerging Trends

70. The emerging trends observed in the medium-term projections for 1995-2005 are as follows:

(a) After a long period of recession, most developed countries are now recovering;

(b) The pace of globalization is accelerating with world trade and so are capital flows. Both are increasing much faster than growth of world income. This phenomenon appears to be acting as the main catalyst responsible for leading the world economy to recovery and inducing faster growth;

(c) Those economies that initiated market-based economic reforms are revealing better results in terms of their growth in income and trade, as well as in their efforts at closer integration with the world market than the late-comers. Indeed, these successful performers have become the model for future development for most of the less developed economies;

(d) Faster industrialization is recognized as the linchpin of the development strategy of the developing countries. It is observed that only after achieving a "high threshold level of manufacturing output per capita" do most economies show a relative decline in the manufacturing share in GDP, with growth in the services sector becoming the prime mover; the obvious examples are developed countries where the growth rate of services in GDP is the fastest;

(e) The technological revolution in industrial production and organization and the faster growth of high-technology manufacturing are the two major catalysts of growth in industry and exports of developing countries;

(f) The high growth of technology has been largely supported by increased inflows of foreign direct investment from the developed to developing countries in certain regions.

71. Against these positive features, there are some disquieting trends. These are:

(a) in spite of the faster growth of developing countries compared with the developed countries, the gaps between them in terms of per capita income continue to widen:

(b) With the growing contribution of manufacturing in developing countries and with the rising proportion of the high-technology component, the growth of employment is slowing down. Again, because of heavy international competition, the organized sector of industry may emerge as the principal survivor. Since the employment coefficients of the organized and high-technology manufacturing sectors are seen to be much lower than the rest, absorption of the increased labour force in developing countries may emerge as a growing problem;

(c) Latecomers, which include several socialist economies with limited experience in market operations, are unable to join the fast-growth group, and continue to suffer from problems of transition with accompanying recession. Moreover, there are many poor countries, especially in sub-Saharan Africa, whose resources of skilled personnel and organizational abilities are limited. These countries find themselves in a continuous process of recession, and show no visible signs of a sustainable recovery. Their declining living standards even exceed the maximum tolerance level, raising doubts about the pace and sustainability of reform;

(d) In an international perspective, the pace of globalization may be endangered by growing regionalism;

(e) The availability of capital, both official and private, is decreasing vis-à-vis demand. In the sphere of official aid there are clear signs of donor fatigue. Although the outflow of private capital from the developed countries is rising, this is increasingly under threat because of the greater need for reconstruction within the developed countries as part of their recovery. However, there may be a possible increase in the domestic savings rate in developed countries because of their demographic configuration; that is, where the age group that contributes the maximum to savings (persons 35-55 years old) is the largest;

(f) Lastly, the high mobility of capital in the international capital markets is adding to the uncertainty and volatility of capital flows into the developing countries; a phenomenon that most are neither familiar with nor institutionally equipped to deal with.

72. These emerging trends, both positive and negative, will inevitably affect the world's long-term future, over next two decades and beyond

Development Scenario: 2015 and Beyond

73. Given the continuance of the currently favourable trends, it is expected that by 2015, the developed countries will have succeeded in stabilizing the growth rate reached by 2005. This, however, may be suppressed somewhat by reduced labour supply (when a larger proportion of the population is expected to be ageing), but this will be compensated for partly by an increase in productivity with the use of more advanced technology. Within the developed regions, East and Central Europe should have overcome their transition problems and be able to contribute to increasing the aggregate growth.

74. In contrast, growth in developing countries is expected to continue to accelerate significantly, especially because many latecomers, including the whole of South Asia and several countries in Africa, are likely to join the mainstream of growth.

75. It is expected that by 2015, many of the advanced developing countries will have joined the ranks of the developed economies. There is thus the likelihood of the "GDP per capita gaps" between developed and developing countries narrowing. However, rough calculations show that any significant reduction in absolute gaps between developed and developing countries will take more than two to three decades to occur. The pace of convergence however will depend greatly on the much-awaited decline in population growth in developing countries. This scenario assumes that the present trend of increasing globalization and rising productivity and competitiveness between countries will continue.

76. The growing proportion of high-technology manufacturing in the developing countries may fail to meet the need for additional jobs, and to absorb the increased labour force. Even a significant measure of population control may not be translated into reduced labour supply in the next two decades. Given the present global trend, the participation rate for women is likely to rise, adding to the future labour force. This may be partly compensated by reduced use of child labour resulting from improved income per capita and strong international pressure.

77. A silver lining in the long-term growth outlook in most countries is the growth of demand for services in the world market. However, in the near future, the developed countries may dominate in services especially in areas such as banking, finance, trade and telecommunications, because of their better position in terms of efficiency and organizational support. Indeed given the higher employment elasticity prevalent in the service sector, and the percentage growth of services to GDP, developed countries are likely to make a significant dent in the unemployment problem. Over time, however, the developing countries with their potentially large reserves of skilled labour may pose some competition. For this to happen, however, a higher priority will have to be given to basic education, training, health awareness regarding comprehensive health care in the least developed countries. The success of negotiations in services is, indeed, a necessary condition in order for developing countries to reap the long-term benefits.

78. The pursuit of sustainable industrialization will need the development and application of appropriate but advanced technology, and changes in the structure of production and consumption involving substantial applied R&D activities that are often highly expensive.

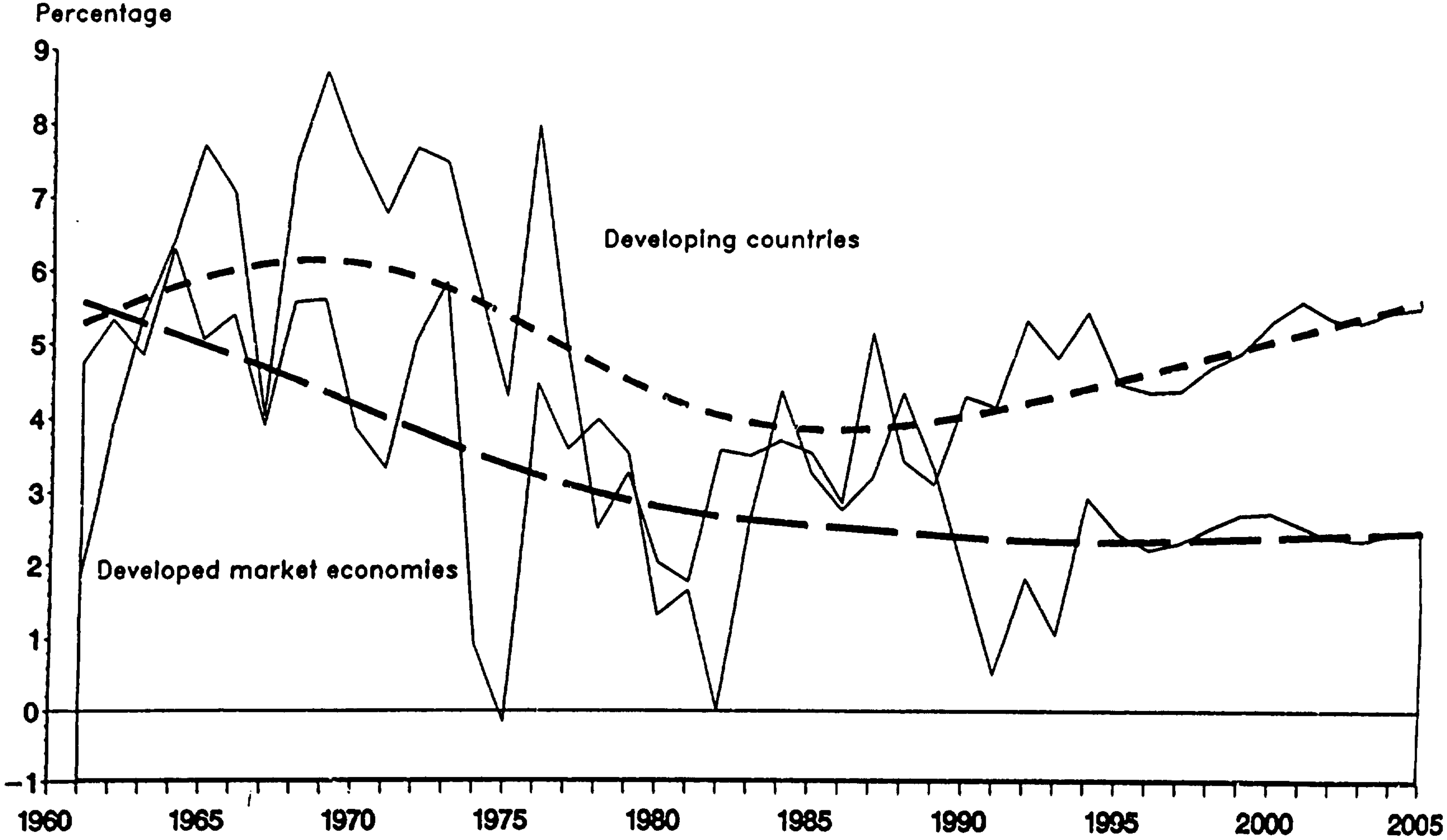
This may pose major problems for developing countries, and a cooperative international approach is, therefore, crucial in the future.

79. In order to sustain and accelerate the future pace of recovery and reform and to ensure that the benefits are evenly dispersed among different countries, as well as weaker sections of the community, comprehensive national and international programmes will need to be implemented to accentuate the favourable impact of market-driven forces and resource allocations.

FIGURE A- 1

Growth rates of GDP in developed and developing regions, 1961–2005

GROSS DOMESTIC PRODUCT



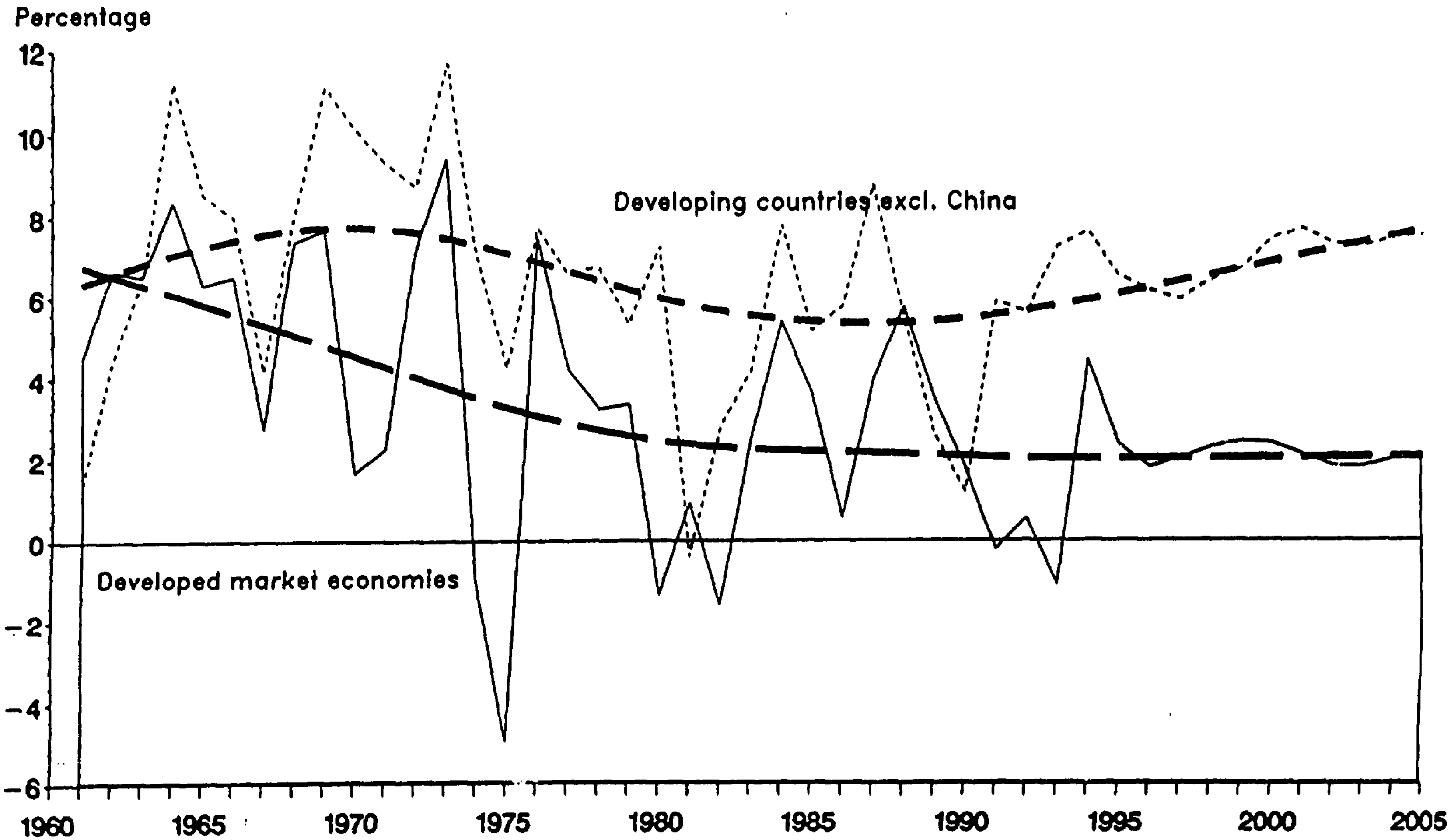
Constant 1990 prices and exchange rates

Sources: United Nations National Accounts Statistics and forecasts by UNIDO/IRD/Studies and Research

FIGURE A-2

Growth rates of MVA in developed and developing regions, 1961–2005

MANUFACTURING VALUE ADDED



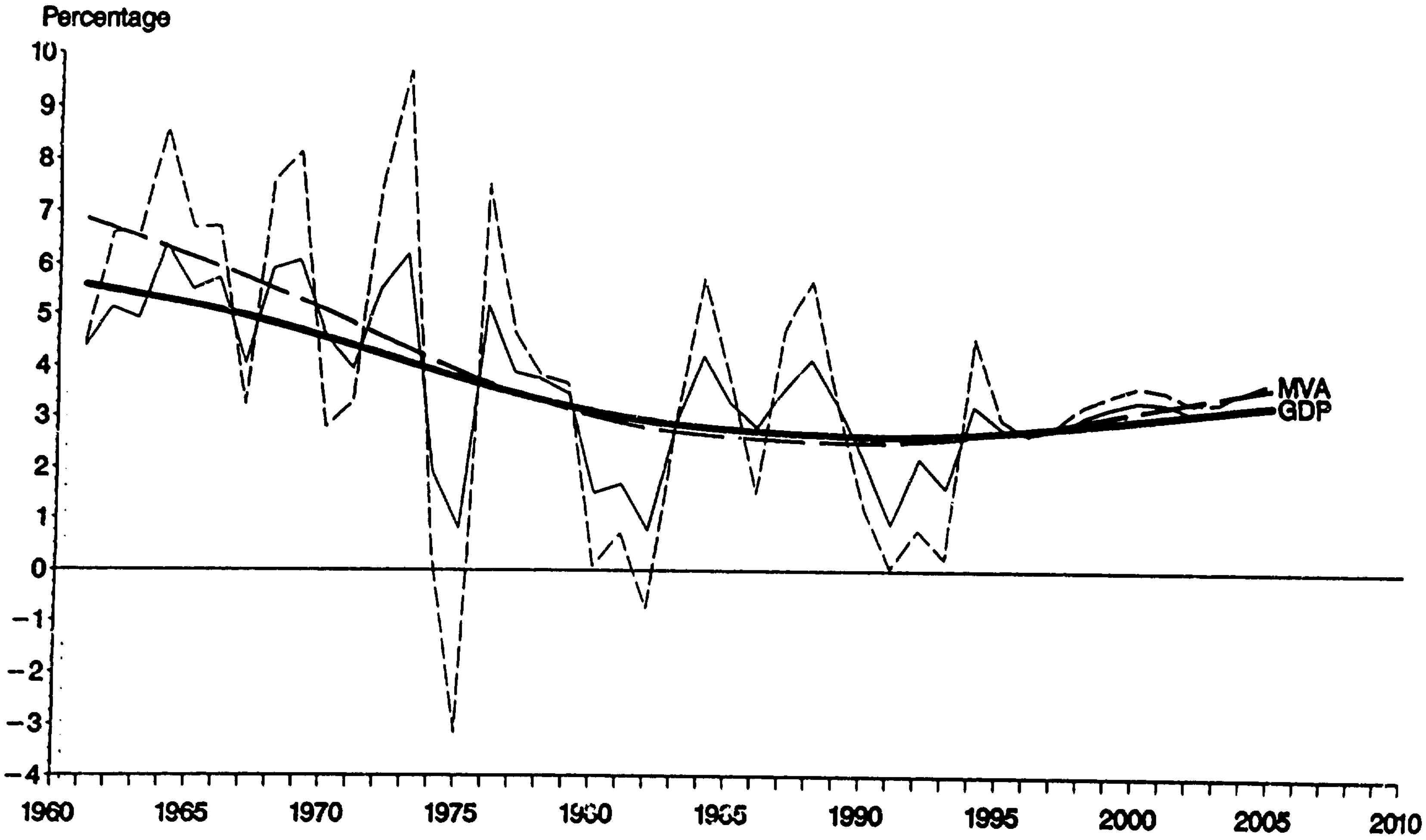
Constant 1990 prices and exchange rates

Sources: United Nations National Accounts Statistics and forecasts by UNIDO/IRD/Studies and Research

FIGURE A-3

Baseline scenario

Growth rates of GDP and Manufacturing in World (1961–2005)

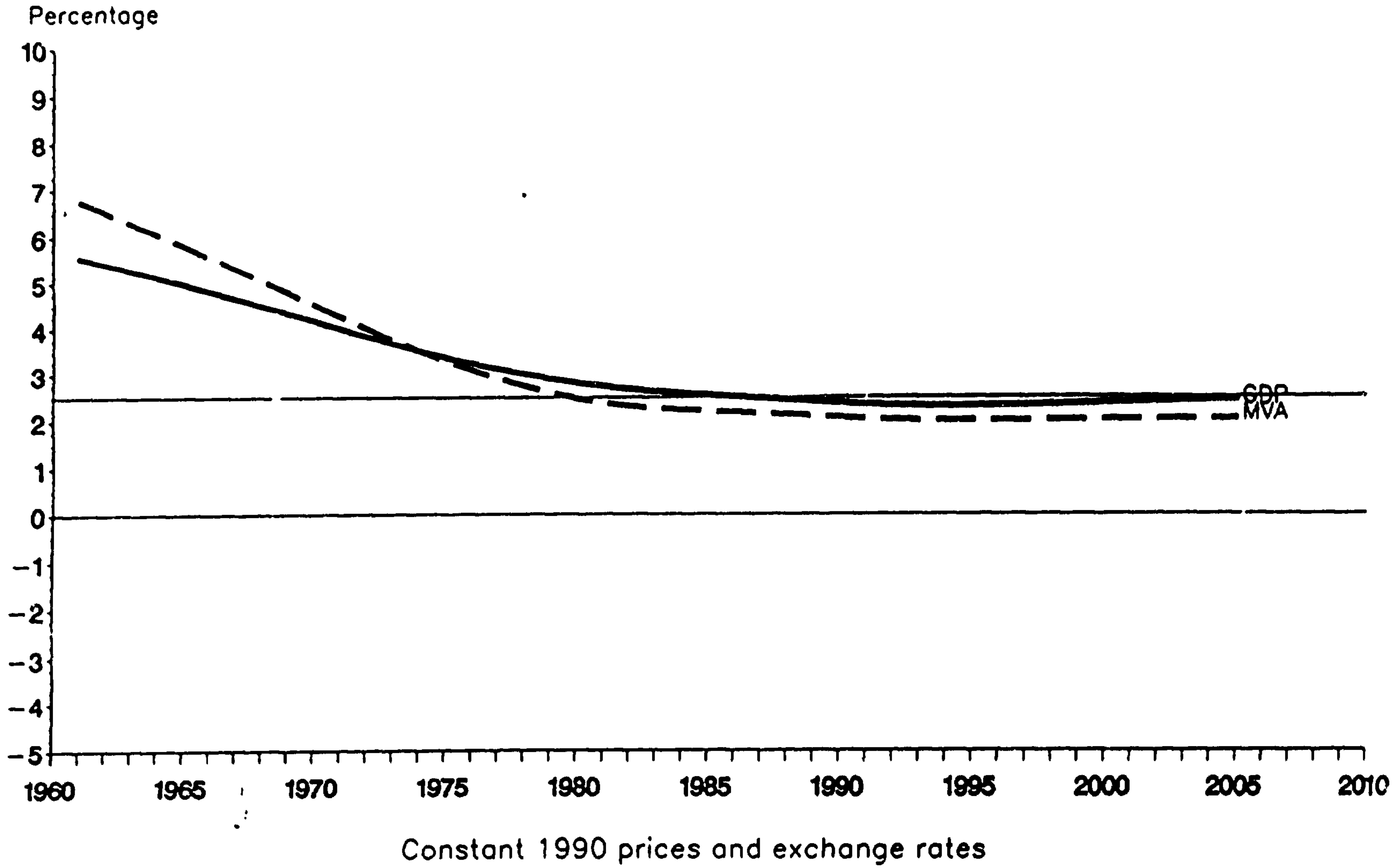


Constant 1990 prices and exchange rates

Sources: United Nations National Accounts Statistics and forecasts by UNIDO/IRD/Studies and Research

FIGURE A- 4

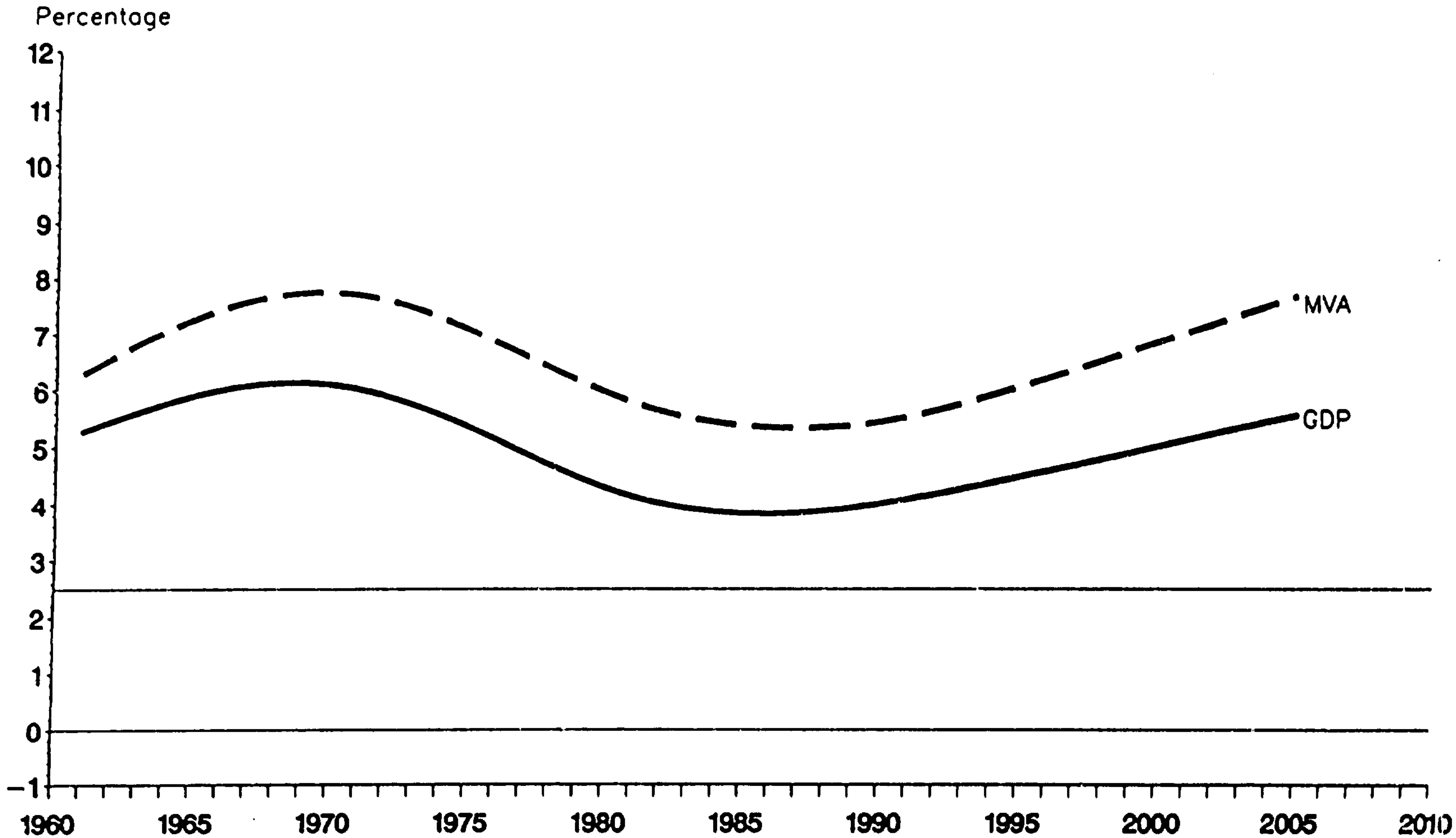
Growth rates of GDP and MVA in Developed Market Economies (1961–2005)



Sources: United Nations National Accounts Statistics and forecasts by UNIDO/IRD/Studies and Research

FIGURE A-5

Growth rates of GDP and MVA in Developing Market Economies (1961–2005)

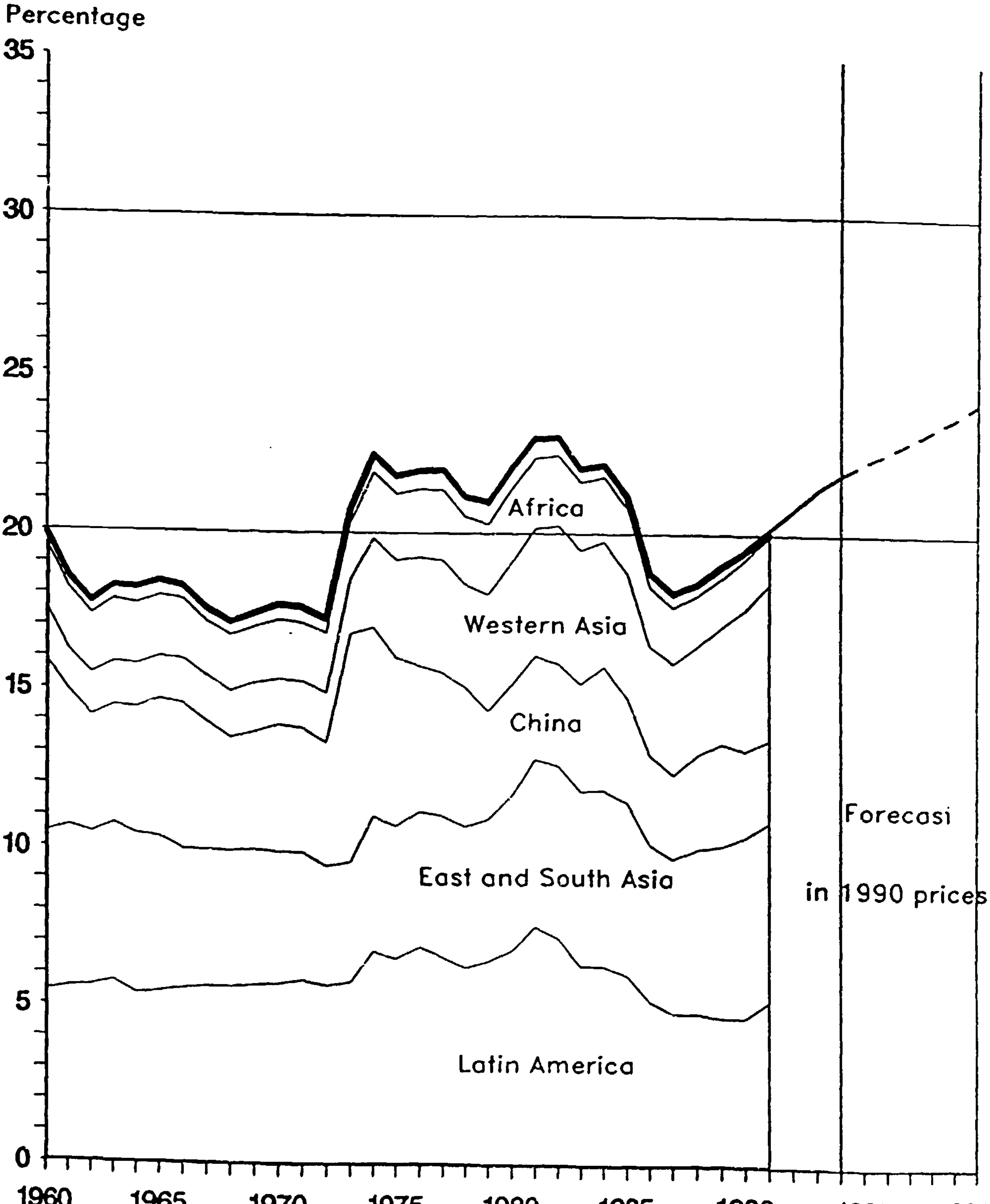


Constant 1990 prices and exchange rates

Sources: United Nations National Accounts Statistics and forecasts by UNIDO/IRD/Studies and Research

FIGURE A-6

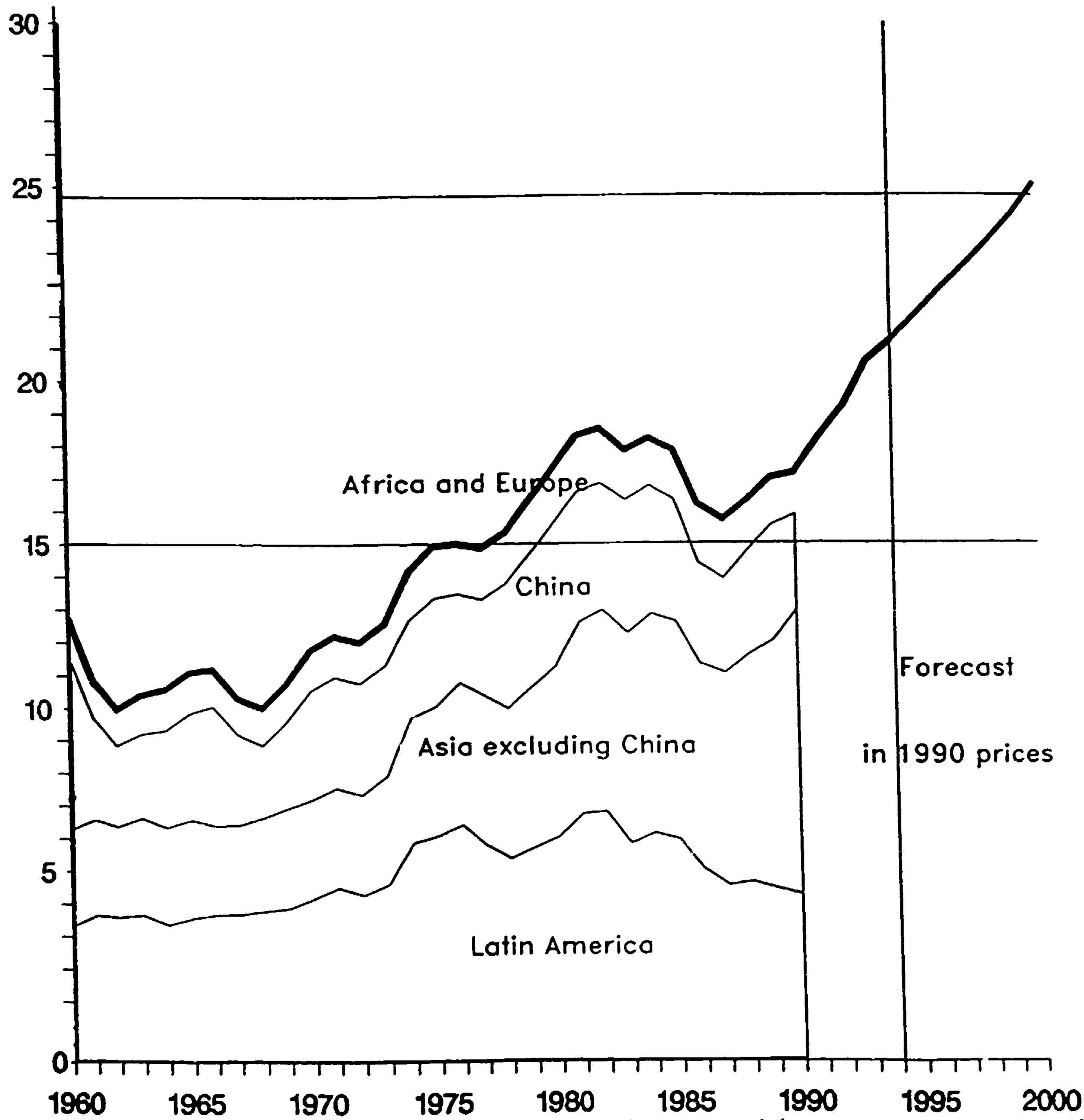
Share of developing countries in world total production (GDP)



Current prices (1960–1991) and constant 1990 prices (1990–1994) (including forecasts to 2000)

FIGURE A-7

Share of developing countries in world manufacturing production



urrent prices (1960–1990) and constant 1990 prices (1990–1994) (including forecasts to 2000)

ources: National Accounts Statistics as collected and forecasted by UNIDO/IRD/Studies and Research

Table A1
Gross Domestic Production
1995-2005

	Percentage GDP Growth Rate		
	1990-95	*1995-2000*	*2000-2005*
World	2.1	2.9	3.2
Developed Countries	1.7	2.5	2.4
Eastern Europe	(8.7)	0.7	1.7
Developing Countries	4.8	4.7	5.4
Latin America	3.1	2.5	2.9
Tropical Africa	1.3	2.2	2.4
North Africa & Western Asia	3.0	2.8	3.0
Indian subcontinent	4.3	5.0	5.5
East & Southeast Asia incl. China	8.1	7.2	7.9
	Percentage Share of GDP		
	1995	*2000*	*2005*
World	100.0	100.0	100.0
Developed Countries	76.0	74.2	71.6
Eastern Europe	1.7	1.6	1.4
Developing Countries	22.3	24.2	27.0
Latin America	5.0	4.8	4.8
Tropical Africa	0.7	0.7	0.7
North Africa & Western Asia	5.5	5.5	5.4
Indian subcontinent	2.1	2.2	2.6
East & Southeast Asia incl. China	8.8	10.8	13.4

Source: UNIDO estimates.

TABLE A2
Manufacturing Value Added (MVA) and Exports
1995-2005

	MVA			**Manufacturing Exports**		
	Percentage Growth			**Percentage Growth**		
	1990-95	***1995-2000***	***2000-2005***	***1990-95***	***1995-2000***	***2000-2005***
World	1.7	3.1	3.5	4.5	4.5	4.9
Developed Countries	1.2	2.2	2.0	3.4	3.1	3.0
Eastern Europe	(12.6)	(0.1)	1.2	(3.1)	3.7	1.0
Developing Countries	6.6	6.5	7.4	8.5	8.7	9.3
Latin America	2.8	2.2	2.6	2.0	3.3	4.1
Tropical Africa	1.3	3.4	3.7	2.6	4.6	5.3
North Africa & Western Asia	4.6	6.1	6.2	3.9	6.2	6.6
Indian subcontinent	4.1	5.5	6.0	6.3	7.4	7.9
East & Southeast Asia incl. China	10.5	8.9	9.6	10.8	9.7	10.2
	Percentage Share			**Percentage Share**		
	1995	***2000***	***2005***	***1995***	***2000***	***2005***
World	100.0	100.0	100.0	100.0	100.0	100.0
Developed Countries	76.2	72.7	67.6	75.2	70.3	64.0
Eastern Europe	2.3	2.0	1.8	0.7	0.7	0.5
Developing Countries	21.5	25.3	30.6	24.1	29.0	35.5
Latin America	5.1	4.9	4.7	2.8	2.6	2.5
Tropical Africa	0.3	0.3	0.3	0.3	0.3	0.3
North Africa & Western Asia	3.4	3.9	4.5	1.6	1.8	1.9
Indian subcontinent	1.4	1.6	1.8	1.1	1.3	1.5
East & Southeast Asia incl. China	11.0	14.5	19.2	17.8	22.7	29.0
	Percentage share of MVA in GDP					
	1995	***2000***	***2005***			
World	22.0	22.2	22.5			
Developed Countries	22.1	21.7	21.3			
Eastern Europe	29.5	28.0	26.8			
Developing Countries	21.3	23.2	25.5			
Latin America	22.6	22.3	22.0			
Tropical Africa	9.7	10.2	10.9			
North Africa & Western Asia	13.5	15.8	18.5			
Indian subcontinent	15.3	15.5	15.7			
East & Southeast Asia incl. China	27.5	29.6	32.0			

Source: UNIDO estimates.

TABLE A3
Per Capita GDP and MVA
1995-2005

	Per Capita GDP ('000 constant dollars)			**Per Capita MVA ('000 constant dollars)**		
	1995	*2000*	*2005*	*1995*	*2000*	*2005*
World	4.146	4.405	4.727	0.913	0.977	1.064
Developed Countries	20.757	22.695	24.759	4.577	4.933	5.263
Eastern Europe	1.020	1.032	1.085	0.301	0.289	0.295
Developing Countries	1.186	1.347	1.581	0.253	0.313	0.403
Latin America	2.436	2.486	2.587	0.552	0.555	0.568
Tropical Africa	0.336	0.327	0.321	0.033	0.033	0.035
North Africa & Western Asia	3.475	3.428	3.410	0.470	0.543	0.631
Indian subcontinent	0.378	0.420	0.471	0.058	0.065	0.074
East & Southeast Asia incl. China	1.200	1.572	2.126	0.329	0.465	0.679
	Percentage Growth			**Percentage Growth**		
	1990-1995	*1995-2000*	*2000-2005*	*1990-1995*	*1995-2000*	*2000-2005*
World	0.4	1.2	1.4	(0.1)	1.4	1.7
Developed Countries	1.0	1.8	1.8	0.5	1.5	1.3
Eastern Europe	(9.4)	0.2	1.0	(13.2)	(0.8)	0.4
Developing Countries	2.7	2.6	3.3	4.4	4.4	5.2
Latin America	1.2	0.4	0.8	0.9	0.1	0.5
Tropical Africa	(2.1)	(0.5)	(0.4)	(2.1)	0.6	0.9
North Africa & Western Asia	0.3	(0.3)	(0.1)	1.9	2.9	3.1
Indian subcontinent	2.1	2.2	2.3	1.9	2.[illegible]	2.6
East & Southeast Asia incl. China	6.3	5.5	6.2	8.8	7.1	7.9

Source: UNIDO estimates.