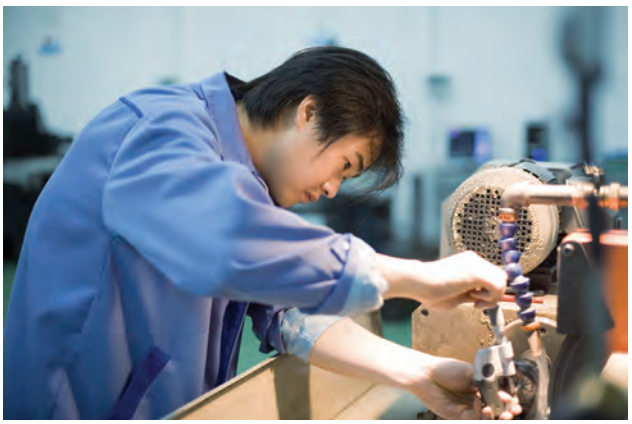
Inclusive and sustainable industrial development (ISID): Creating shared prosperity



Economic growth is driven by entrepreneurship, continuous economic diversification, growing trade relations, industrial upgrading and technological innovation.

Evidence proving that industrialization is an effective poverty reduction strategy is not hard to find: Whether we look at the early advances of the European countries, the United States or Japan, or those that caught up with the global trend in the latter half of the 20th century, including the Republic of Korea, China, and the many other Asian 'tigers' and 'dragons', it was always industrial development and trade in industrial goods that shaped their successes.

To many developing countries, these successful examples have become role models for effectively lifting large numbers of people out of poverty.

Already, the share of manufacturing value-added created in developing countries has almost doubled in the past 20 years, from 18 percent in 1992 to 35 percent in 2012. The structural transformation that occurs when economies move from a high reliance on agriculture and natural resource extraction to activities that foster local value-addition and related services has a dramatic development impact. It unleashes dynamic and competitive economic forces that generate employment and income, facilitate international trade, and use resources more efficiently.

This experience has repeated itself around the world since the original industrial revolution of the mid-18th century.

However, to really improve the living standards of all women and men, the benefits of growth have to be shared more equitably.

This can be achieved when decent employment opportunities are available for all segments of the labour force. Manufacturing industries and their related services sectors can absorb large numbers of workers, provide them with stable jobs and good benefits, and increase the prosperity of their families and communities. An efficient agro-industry, combined with increased investment in agriculture, enhances economic stability for rural households, increases food security and promotes innovation throughout industrial value chains.

Experiences from the past decade show that shared prosperity was in most cases based on progress made in absorbing the labour force more effectively into higher-income industrial jobs.

Based on this experience, it is essential to better integrate women and youth in the process of creating an industrial workforce. This not only yields positive multiplier effects for households and communities but also contributes to greater social cohesion.

Increased participation in international trade also helps to improve local working conditions through the need to comply with international standards and greater access to modern technologies and best practices.

Industry therefore is an important source of decent employment, accounting for almost 500 million jobs worldwide – or about a fifth of the world's workforce. Only those economies that have the ability to constantly generate new activities based on upgrading to higher levels of value-addition, higher productivity, or higher returns to scale – economies characterized by structural change – can sustain stable jobs and increase the prosperity for a growing share of the population.

Inclusive and sustainable industrial development (ISID): Safeguarding the environment

Any progress on poverty eradication will be short-lived if we do not succeed in achieving the necessary economic growth within an environmentally sustainable framework.

The importance for promoting cleaner and resource-efficient pathways to production, and the de-coupling of economic growth from environmental degradation, cannot be emphasized strongly enough.

We cannot deny that one side effect of industrialization is its considerable environmental footprint. There is no country that has yet fully resolved the issues of waste management, water purification and pollution. However, experience shows that environmentally-sound interventions in manufacturing industries can be highly effective and significantly reduce environmental degradation.

In this context, the drive for innovation and process optimization, the core of any industrial upgrading effort, is an important means to develop the necessary solutions to realize cleaner production, efficient resource management and reductions in waste and pollution.

We have the technological capabilities for cleaner industrial production today. “Green industry” can be promoted to deliver environmental goods and services. These industries by themselves are a sustainable source for further structural diversification, jobs, income and prosperity. Moreover, committing to sustainable production patterns makes business sense as it reduces wastage of costly resources, and contributes to increased competitiveness.

There is also an imperative to increase energy efficiency in industrial production. Since energy inputs represent an important cost of production for industries, clean energy and energy efficiency have progressively become core determinants of economic competitiveness and sustained growth.

Demanding to choose between industrial growth and sustainability is therefore the wrong approach. It is the transformation in production processes and business models – going hand-in-hand with the right choice of technologies – that will present the solutions to the daunting environmental challenges of our times.