

**Crisis, productive structure, innovation and
public policies ...**

**an unique opportunity to freshen up the debate on
economic research and public policy**

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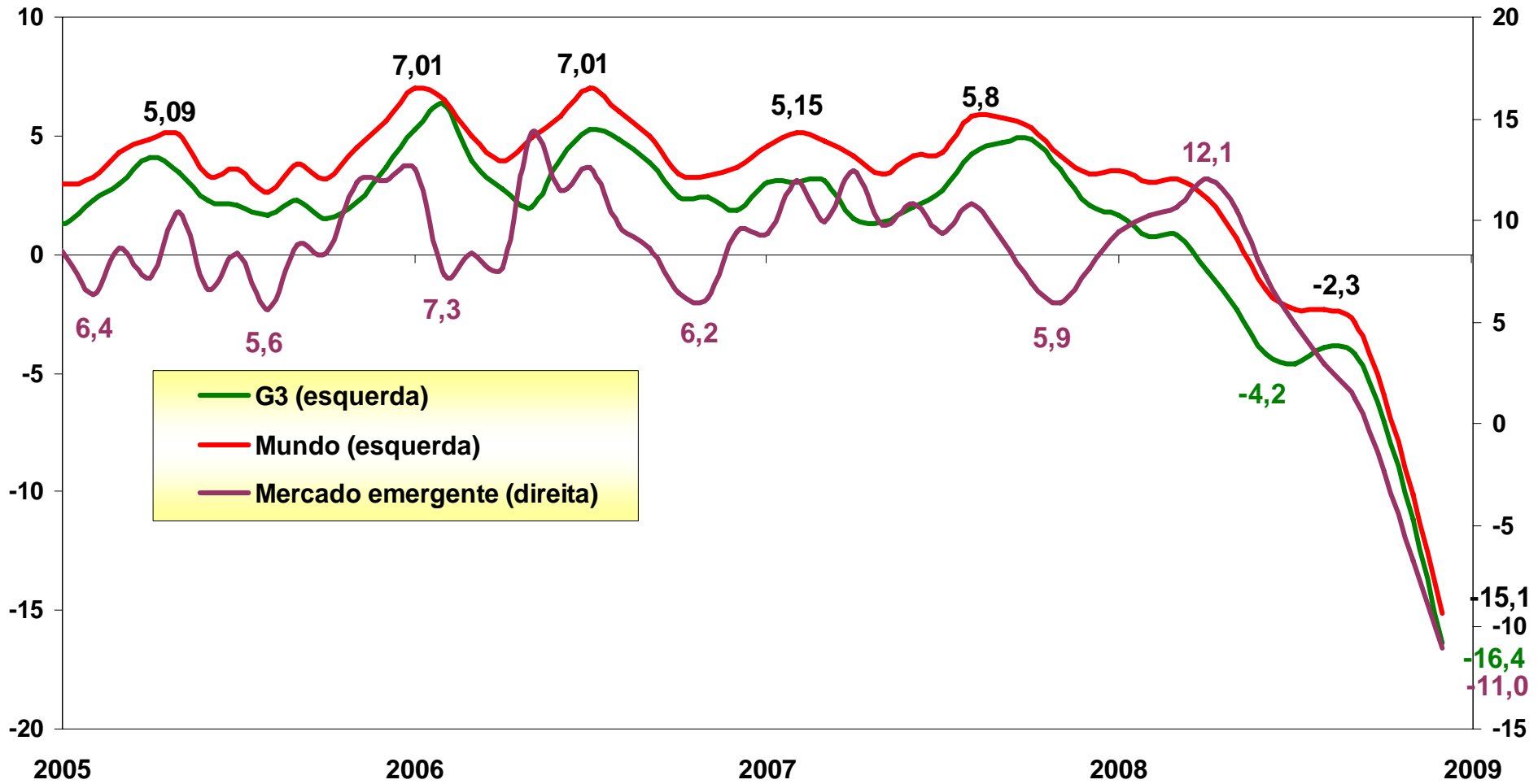
Arguments

- Current crisis has very diverse relations to and impacts on countries, sectors and enterprises
- Development, real economy, production structures, innovation, public policies issues are coming to the limelight
- Knowledgeable experts on these matters must come out to the stage and actively engage in the debate on the relevant research and public policy to be

Crisis: deep, intense, sincronized...

Variation, 3m/3m, seasonal adjusted

Industrial production: rate of growth



Source: Bradesco

A mutant and adaptive virus exposes each country fragilities

Fragility is differentiated: countries

More fragility

- Limited internal market
- Weak financial industry
- High indebtedness levels
- Weak economic fundamentals
- Little experience with crisis
- A low growth economic momentum
- Economic policy of low response
- Low capacity to implement public investment

Less fragility

- Large internal market
- Strong financial industry
- Low indebtedness levels
- Strong economic fundamentals
- Large experience with crisis
- A high growth economic momentum
- Pro-active economic policy
- High capacity to implement public investment

Fragility is differentiated: economic structures

More fragility

- Specialised economic structure
- Export specialisation in low unit value products
- Low complexity internal production chains
- Subservient insertion in international chains
- Fly by night FDI
- Low innovation investment

Less fragility

- **Diversified economic structure**
- **Export diversification (destination and products)**
- **Well established internal production chains**
- **Leading role in international chains**
- **Well established FDI**
- **High innovation investment**

Fundamentals of competitiveness are on

The king is nude! –and will remain so...-

The before

- Irrational exuberance of markets => inefficiencies (of research, public policies and corporate behaviour) hidden by (increasing) prices

The during

- Flexibility => capacity to rapidly change positions – no lock-in

Fundamentals of competitiveness are on

The after (maybe...)

- **Competitive and technology trends**
 - Cost competition x accumulated stock of cost-cutting, segmentation-prone technologies (ICT)
 - + knowledge intensiveness => up-coming stream of innovations (bio/nano techs) => new markets, competitors
 - Sustainability as (a new) routine
- **Corporate strategies**
 - Cautious => search for low debt, low cost, new markets
 - Pro-active => investments to consolidate positions (fixed, M&A, innovation)
- **State:** active defense of national interests

Chaging development paradigms

- **No one size fits all.** Each nation has its own history, structure, demands, aspirations and national interests. Thus, unique development strategy and policies
- **What is the reference?** To promote national interest is to foster more and better jobs. More and better jobs to sustain development should be the convergence point of citizens, corporations and State interests (As you can see, I am normative on this matter...)

Changing policy paradigms

- **Old:** Sectoral intervention
- **0:** The best industrial policy is no industrial policy; horizontal actions suffice
- **WTO friendly:** Industrial policy masquared as innovation/environment/local development policies
- **Pretense contemporaneity:** open dialogue, search your potentials
- **Pragmatic:** choices are made aiming at evolution from existing levels of development. Use all existing instruments coherently
- **Pos-crisis:** everything is valid to defend/foster self/national interests

A most relevant issue: innovation is not a priority

- Productive development policies are not a priority in most Latin American and Caribbean countries (other developing nations?). Scattered actions towards cluster development, SMEs, export, ICT diffusion... prevail
- Normative writings on the benefits of innovation that do not take up this harsh reality are simply empty talk
- How to change the policy agenda must be taken up by researchers. Why so little priority? What are the constituting elements of resistance? Who and where are located the (few) pockets of accomplices?

A second most relevant issue: weak policy making capabilities (when they exist)

- In Latin America and the Caribbean, countries (other developing nations?) are relatively good in designing, very bad in implementing and nul in evaluating policies
- Agencies do not have the adequate tools and technical staff capable of dealing with innovation:
 - Corporate evaluation based on tangible assets x intangible assets as collateral
 - Use of traditional instruments x the need for integrated use of all financing instruments
 - Resources allocated on a project by project basis x funding strategies and/or collective/network based initiatives
 - The meaning of: is what A calls innovation = what B calls innovation?
 - Few agencies and, within each, very few individuals are analitically prepared to understand and act upon complex realities

Changing research behaviour

- ✓ Demonstrate the pros and cons of investments in innovation
- ✓ Demonstrate how State intervention may be functional to sustainable development
- ✓ Engage in research-action => search partnership with policy makers!

More important
Intellectually challenge (soundly) the status quo!

But, be aware!

Innovation can be VERY hazardous...

Check innovation full

dotcom bubble and sub prime crisis!!!!

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