

## Traditional route to development

Gradual and slow industrialization by moving unskilled labour from agriculture into more skill-intensive manufacturing

Decent income for labour is a crucial aspect of this process: it creates the demand that is necessary to offset the negative aspects of productivity growth (technological change)

Developed nations cope by (re-)focusing on the high-skill activities (Vernon)



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Catching up was very rare ...

And this had significant benefits for developed nations

Only a very few countries managed to fully industrialize in the post-1950 period, and they were almost exclusively located in Asia

This implied limited competition to the early industrializers

With China (and other BRICS) on the industrialization path, competition increases, and structural change now happens in developed nations

## Trade and technology intertwined

I am looking at the trade balance but in a slightly different way

I look at a of where GDP (=value added) is produced vs where the demand to which it is directed is located

The trade balance is how much value you produce minus how much you use

This can be done separately for each production factor



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# Trade balance by production factors

