

THE ARCHITECTURE OF INDUSTRIAL TRANSFORMATION IN DEVELOPING ECONOMIES

KEY FINDINGS

ANALYTICAL REPORT 26

1. A domestic industrial base helps developing economies reach high-income status

34 economies

moved from middle-income to high-income status between 1990 and 2023.

The rest — 108 — have been stuck in “the middle-income trap”



64%

of growth episodes over the past 50 years were linked to industry



53%

of global R&D activity is accounted for by manufacturing



nearly 60%

of green patents in 2023 were held by industrial companies



2. Lessons from history and theory



Markets and scale

Industrialisation requires demand from domestic, regional or global markets



Infrastructure and capital

A successful transition requires energy, water, logistics and long-term finance



Human capital

Mastering technology requires skilled workers and engineering expertise



Competition and market discipline

Growth is sustainable when firms prove competitive in domestic and export markets

History + theory



an architecture for a feasible industrial transition



Structuralism

Transform the structure of production, rather than simply expand output



The big push and linkages

Infrastructure and coordination set industrial upgrading in motion



New structural economics and the product space

Diversify into related activities within reach



Modern industrial policy and the feasibility framework

Support must be realistic, competitively allocated and verifiable

Industry → Learning by doing → Productivity growth → Engineering capabilities → Homegrown innovation

3. The solution: a three-stage architecture illustrated by the Eurasian region

1 Core industrial base

1i — investment



infrastructure



basic processing



broad-based skills

✓ **Stable output**

2 Industrial platform

2i — technology infusion



machinery, chemicals, metallurgy, agribusiness



suppliers and engineering



standards and long-term finance

✓ **Technology adaptation**

3 Knowledge economy

3i — innovation



R&D and pilot projects



new products



commercialisation

✓ **Homegrown technologies**



Human capital

Workers and technicians

Engineers and technologists

Researchers and design engineers



Other cross-cutting dimensions

Physical infrastructure

Soft infrastructure

Multilayered financial architecture

Institutions

Industry is the foundation of lasting sustainable development: it builds human and technological capital



Eurasian Development Bank

Full analytical report

