



The Experience of Asia-Pacific LDCs in Economic Diversification, Value Addition and Structural Transformation

Expert Meeting of LDCs

Challenges and opportunities for LDCs: Graduation and Structural Transformation

28 February to 1 March 2012, Addis Ababa, Ethiopia

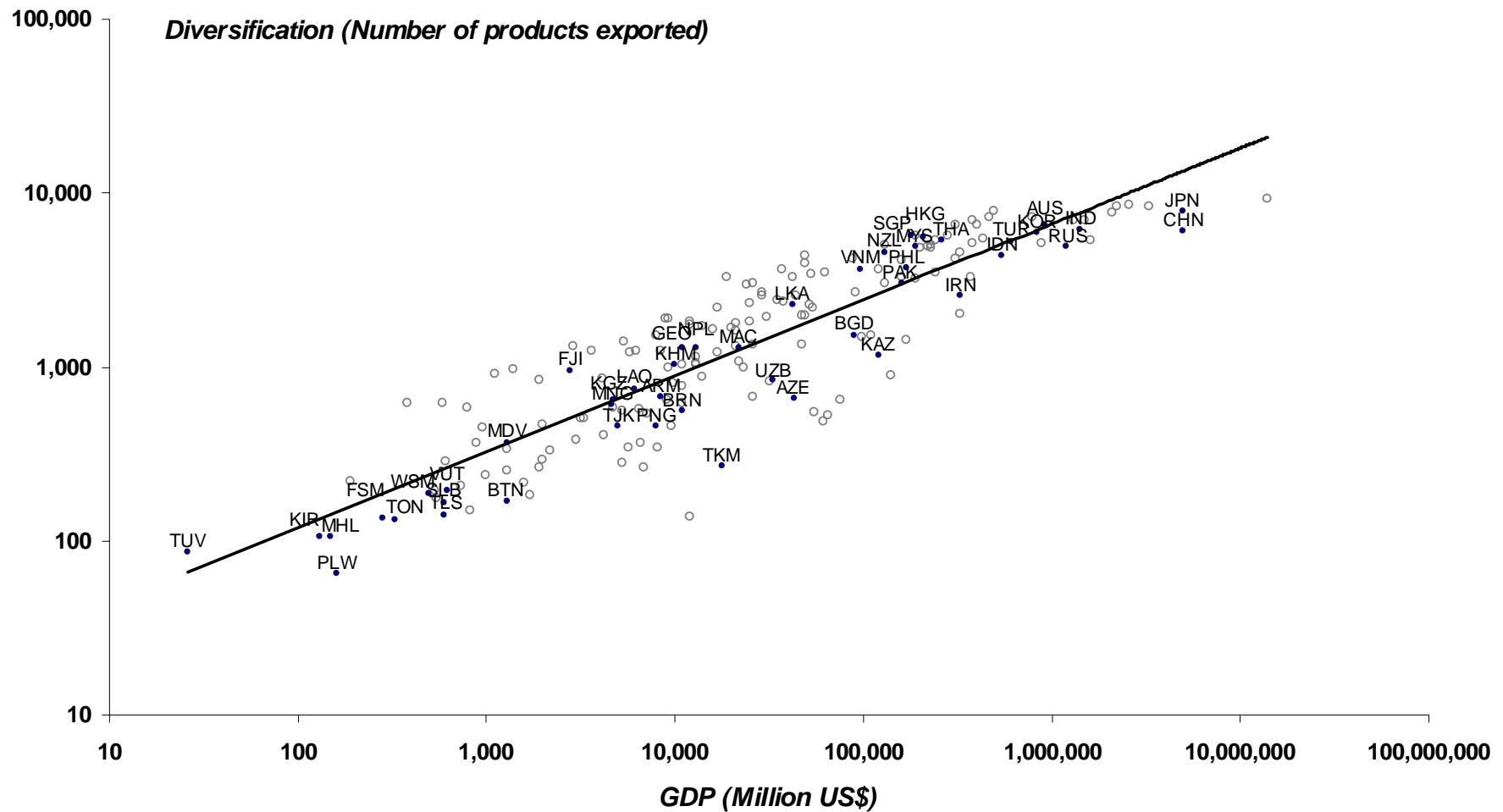
Clovis Freire

Economic Affairs Officer

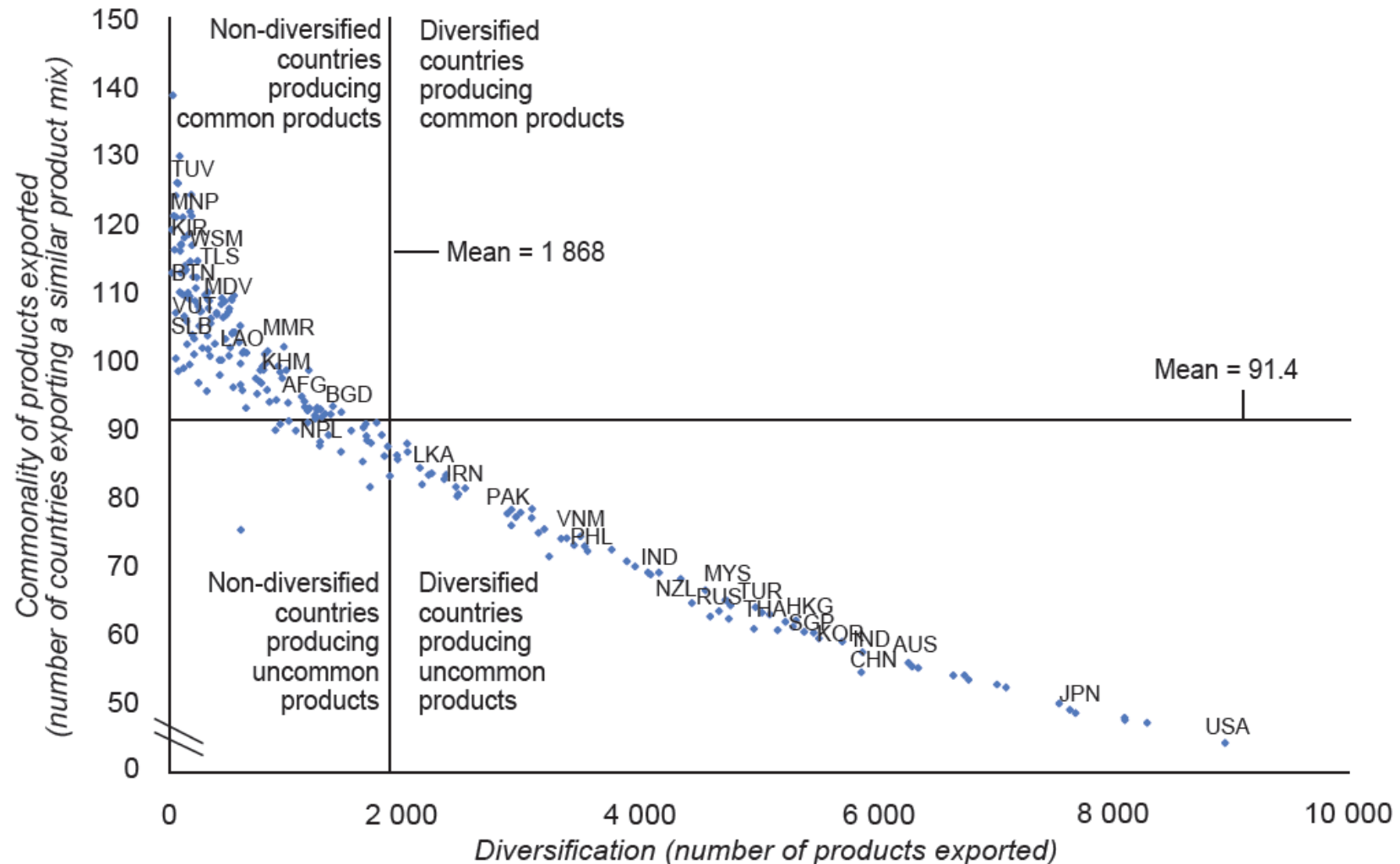
Macroeconomic Policy and Development Division (MPDD)

Economic and Social Commission for Asia and the Pacific (ESCAP)

Development is associated with diversification

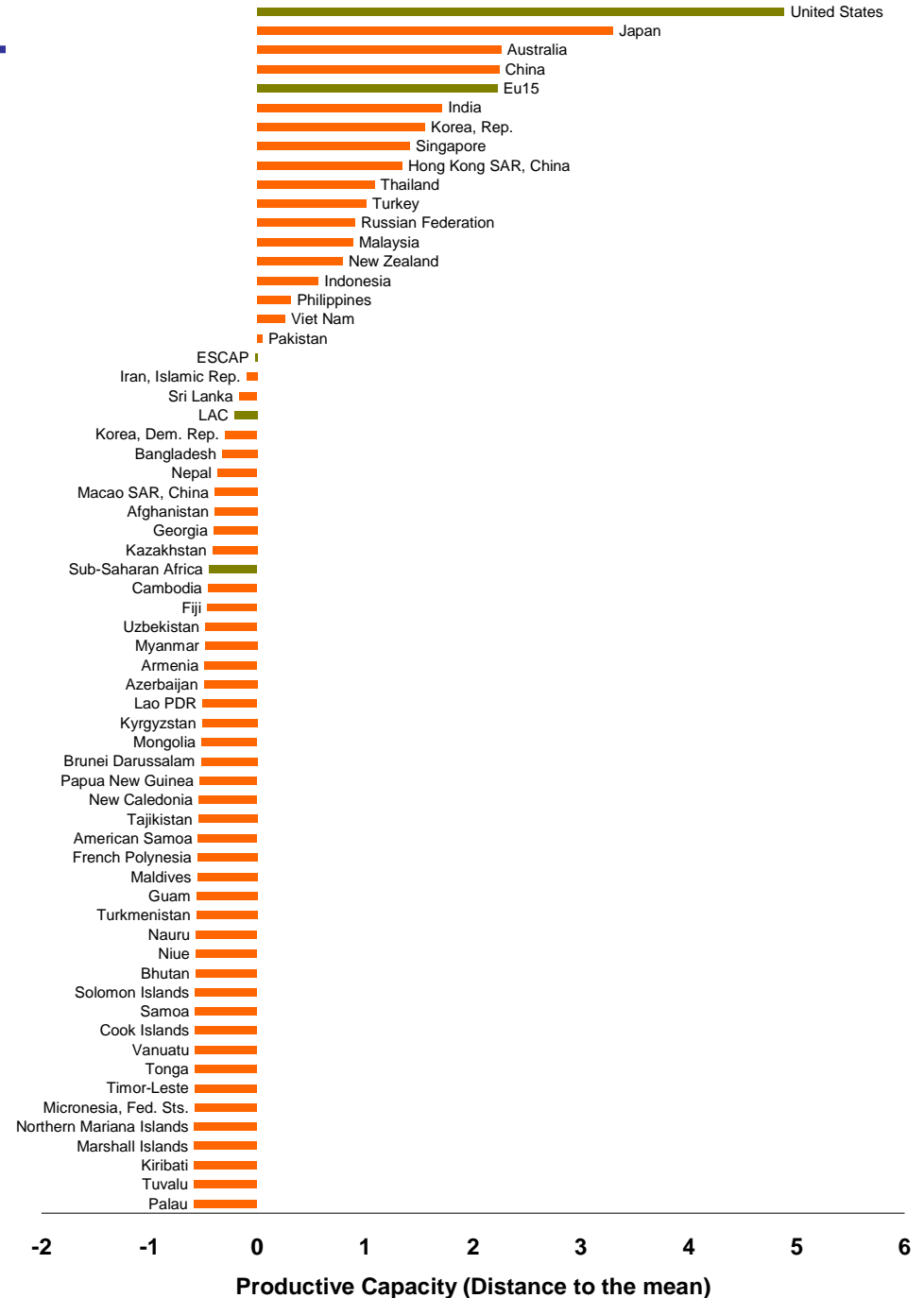


More diversified countries face lower competition

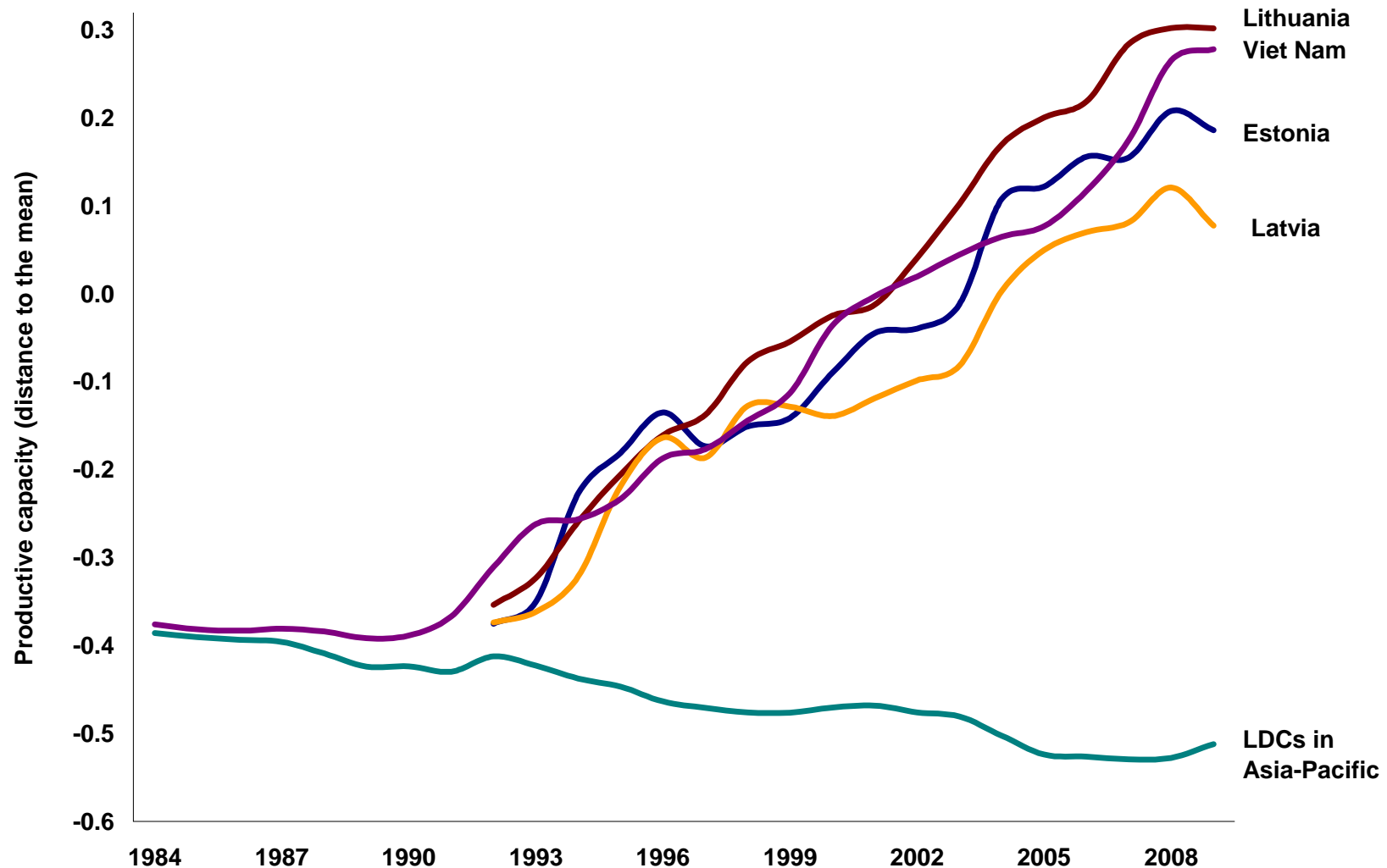


ESCAP Index of productive capacity

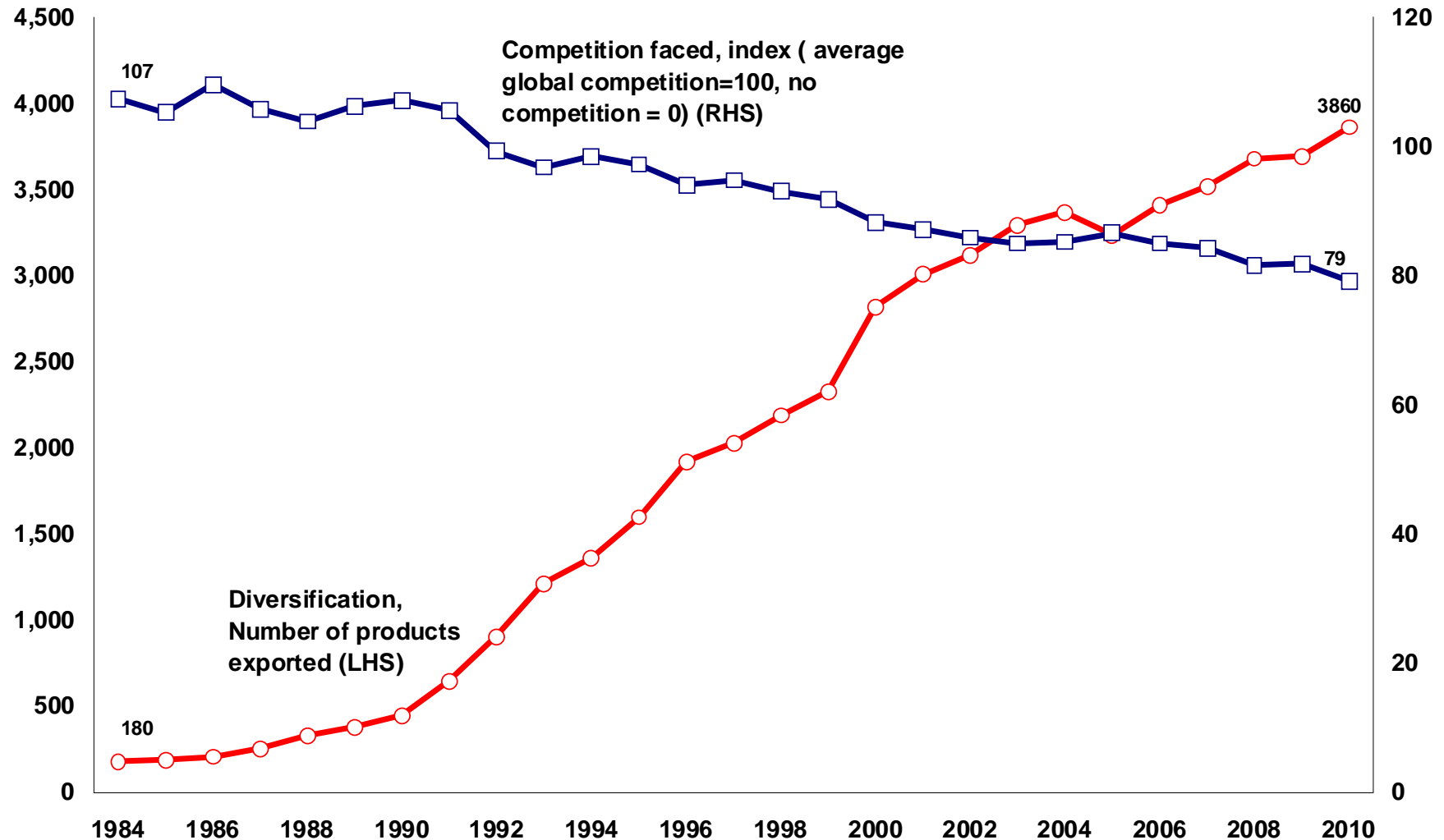
- LDCs are at the tail-end of the index of productive capacities



Few made it to above average when starting from LDCs' levels

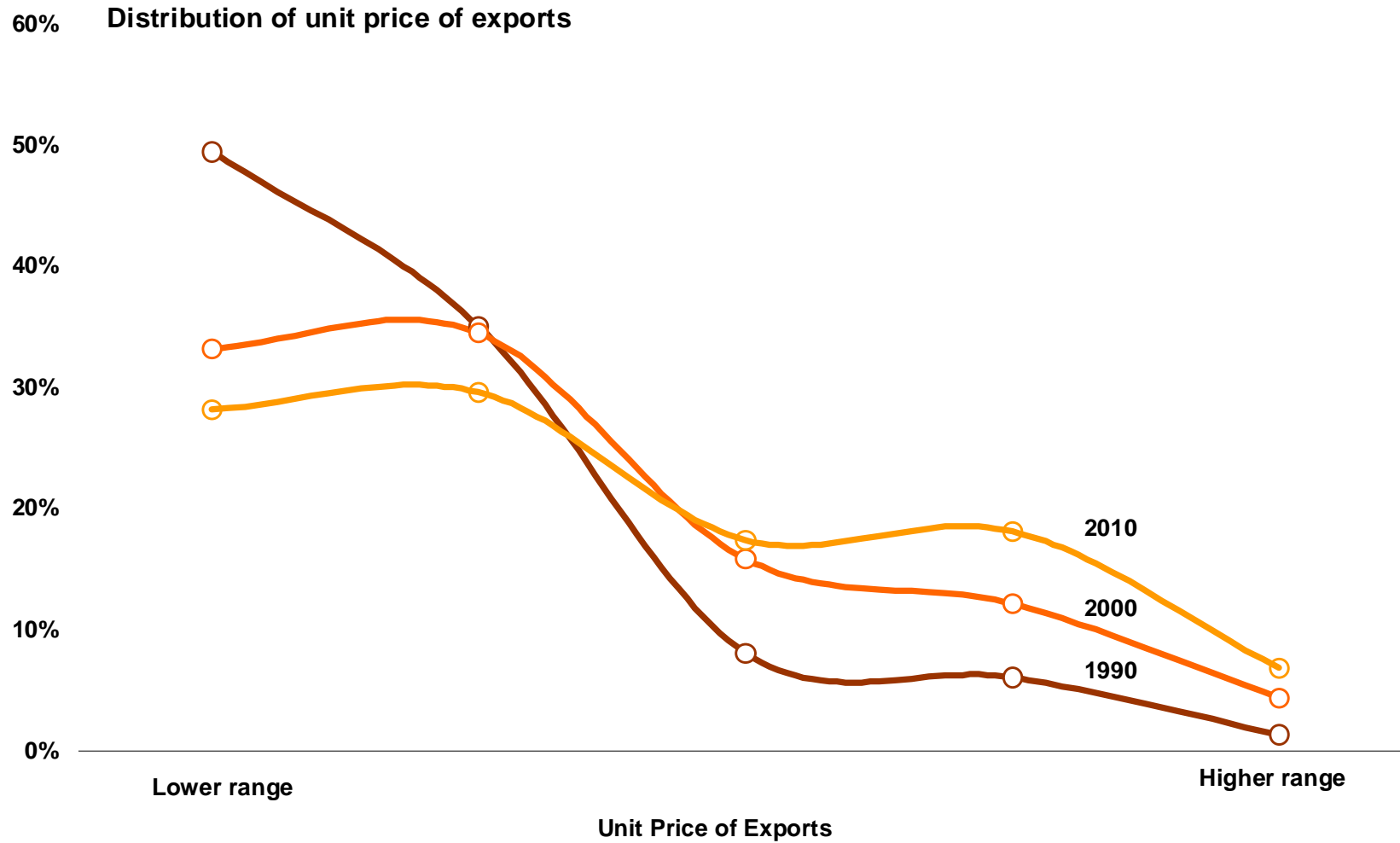


Increasing diversification and lower competition

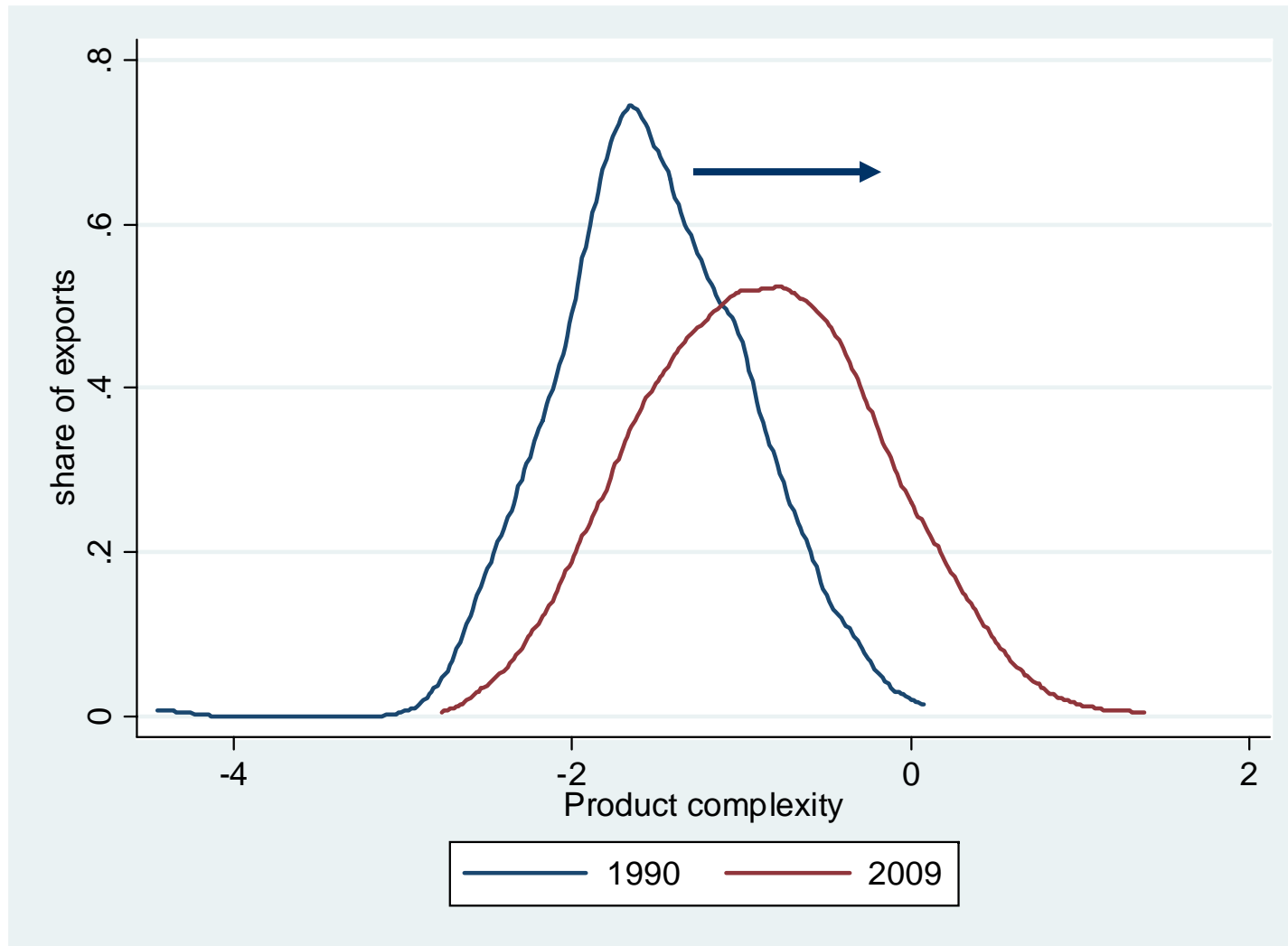


Source: Author based on data from the United Nations Commodity Trade Statistics Database (COMTRADE).

Increasing value addition



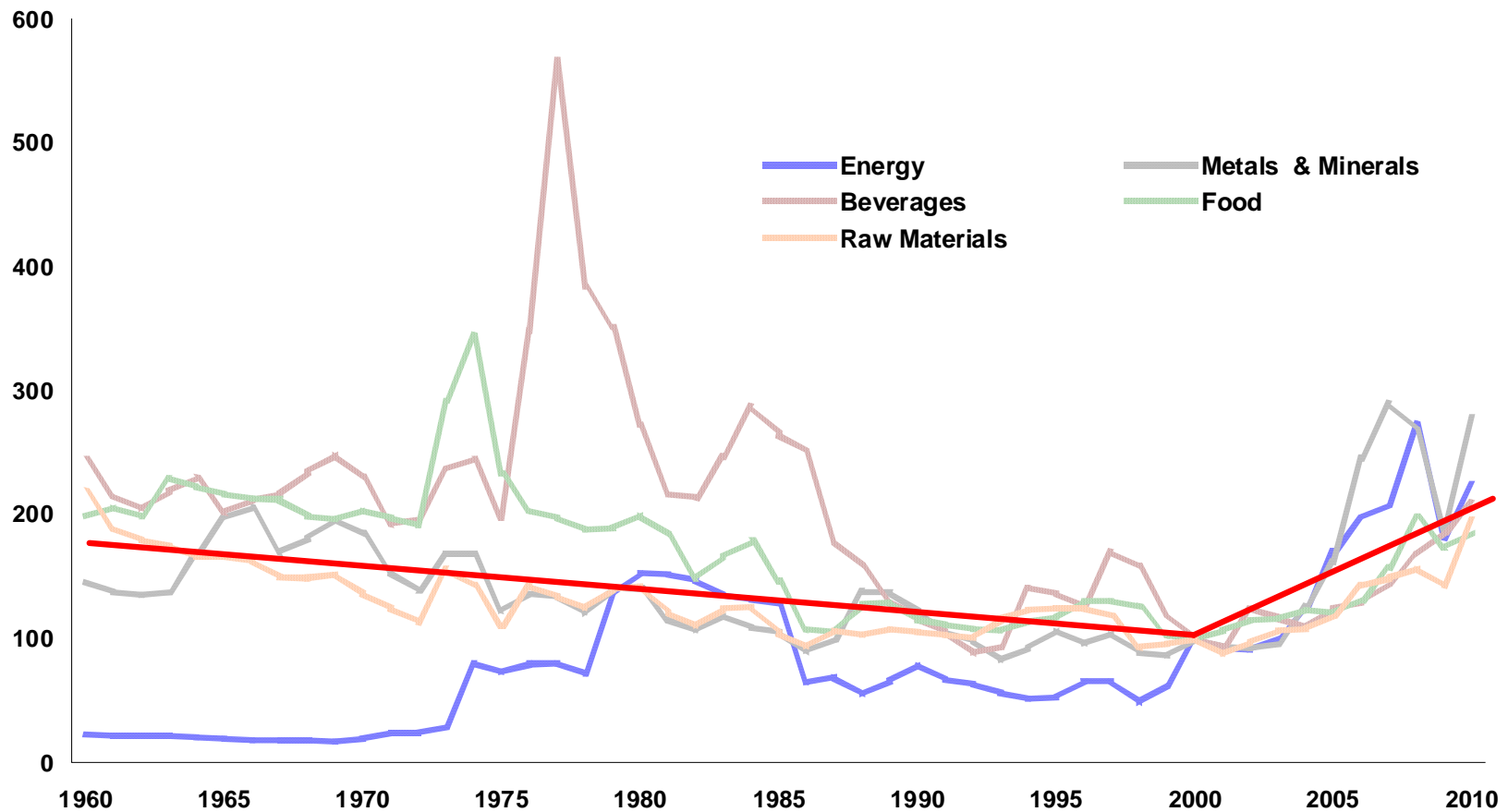
Complexity of Viet Nam's products



Challenges

Breaking historical trend, commodities are booming since 2000

Annual price indices, constant 2000 US dollars (2000=100)

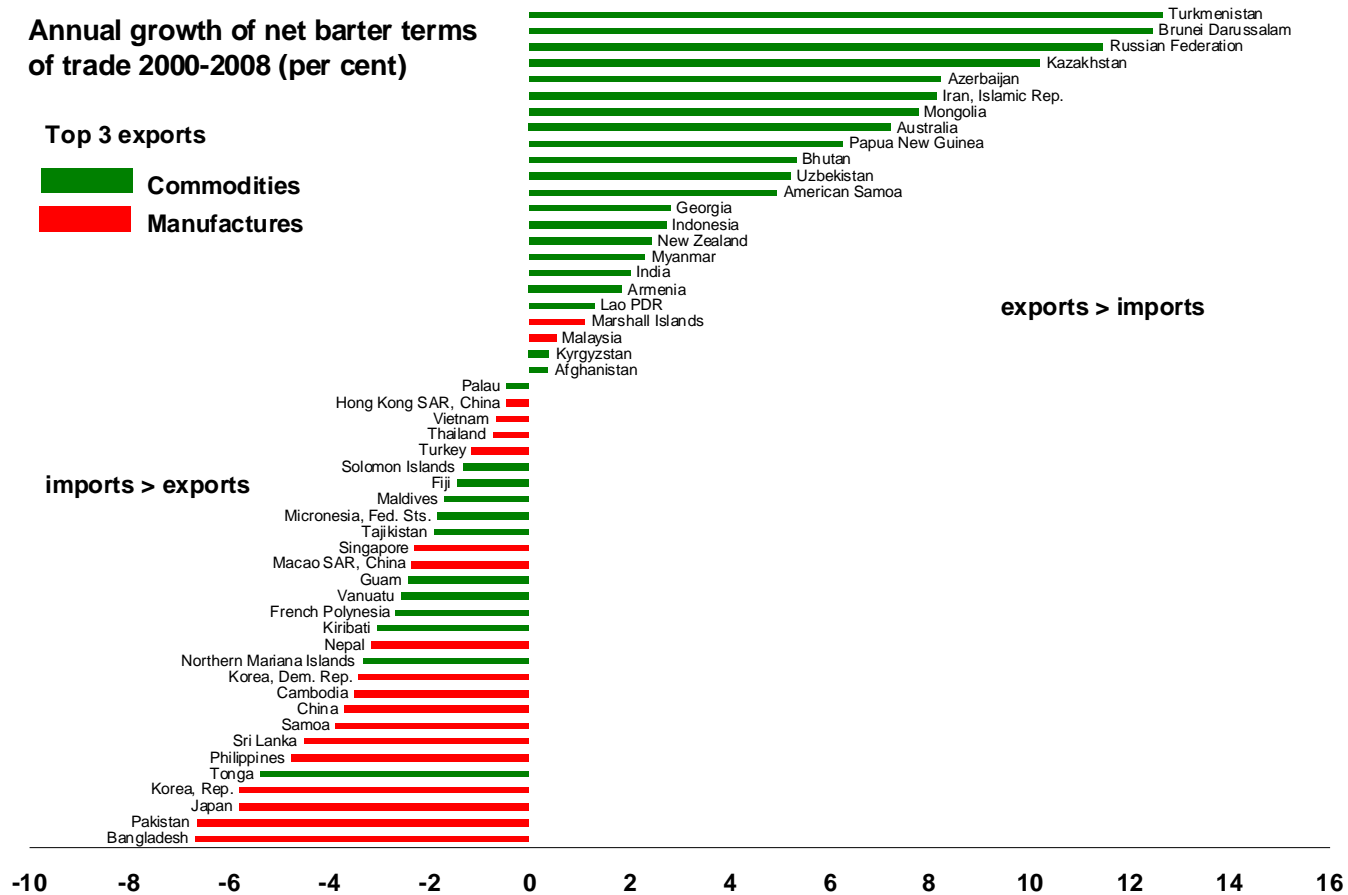


Resource rich countries increased their terms of trade while resource scarce saw it diminishing

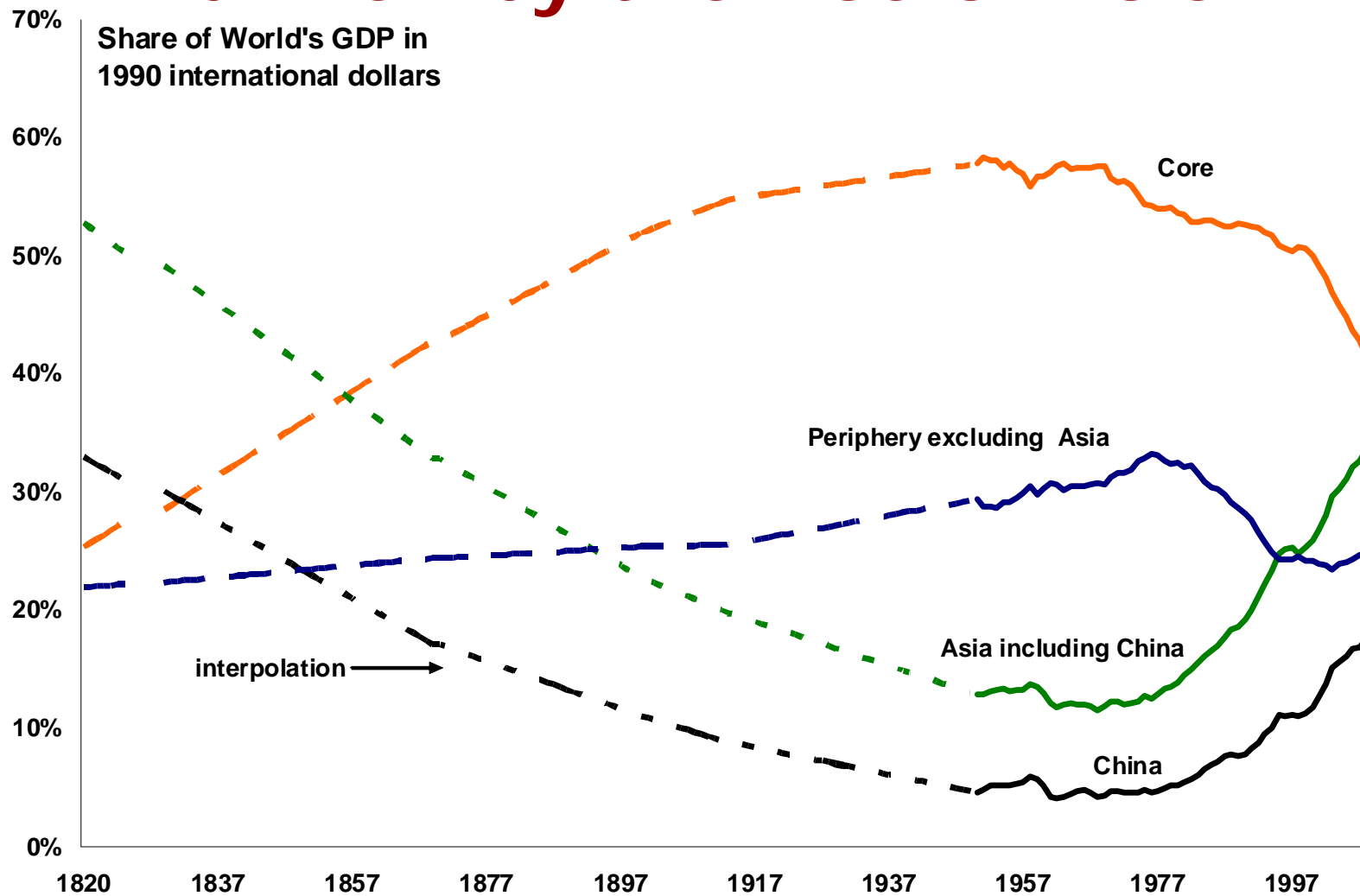
Annual growth of net barter terms of trade 2000-2008 (per cent)

Top 3 exports

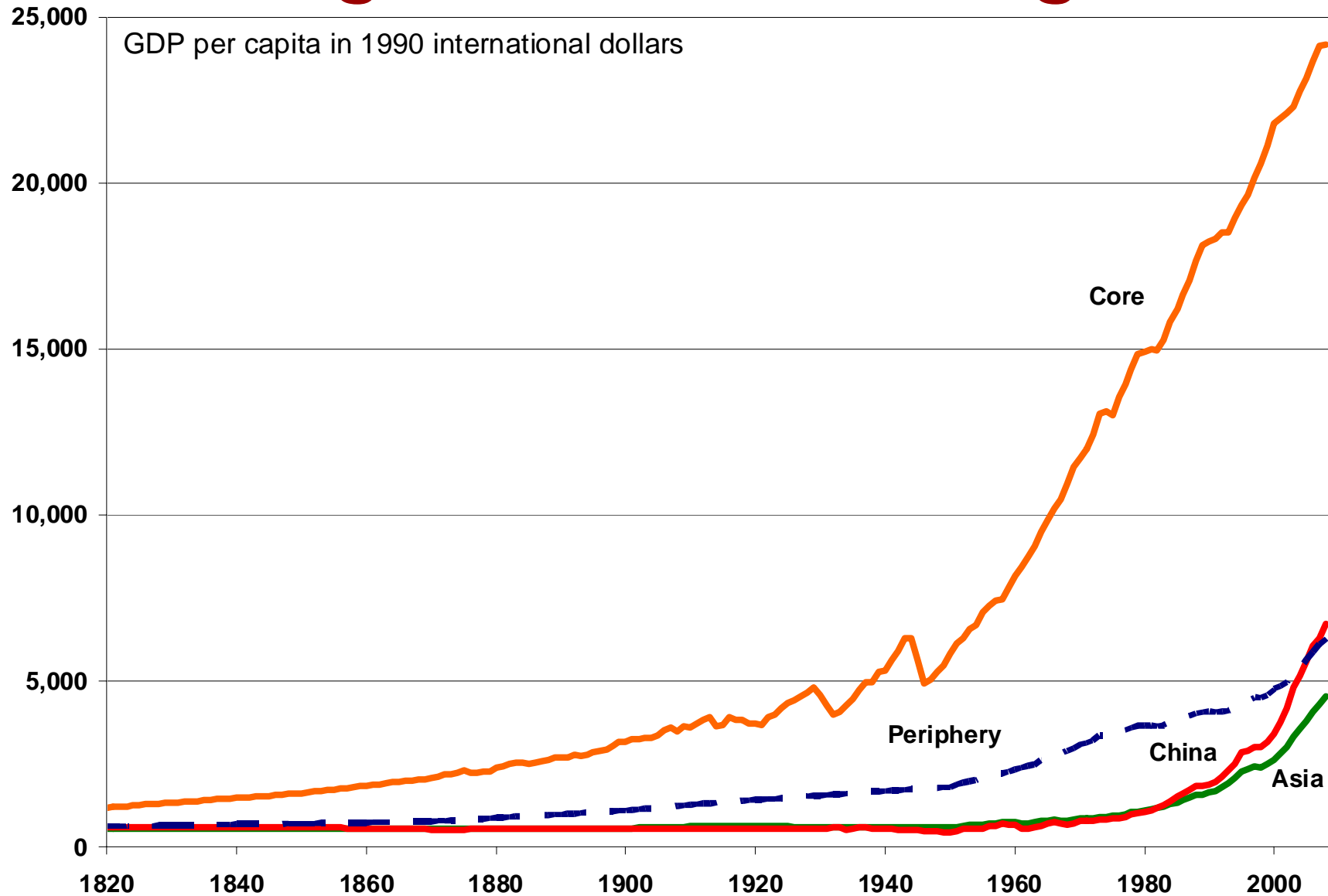
- Commodities
- Manufactures



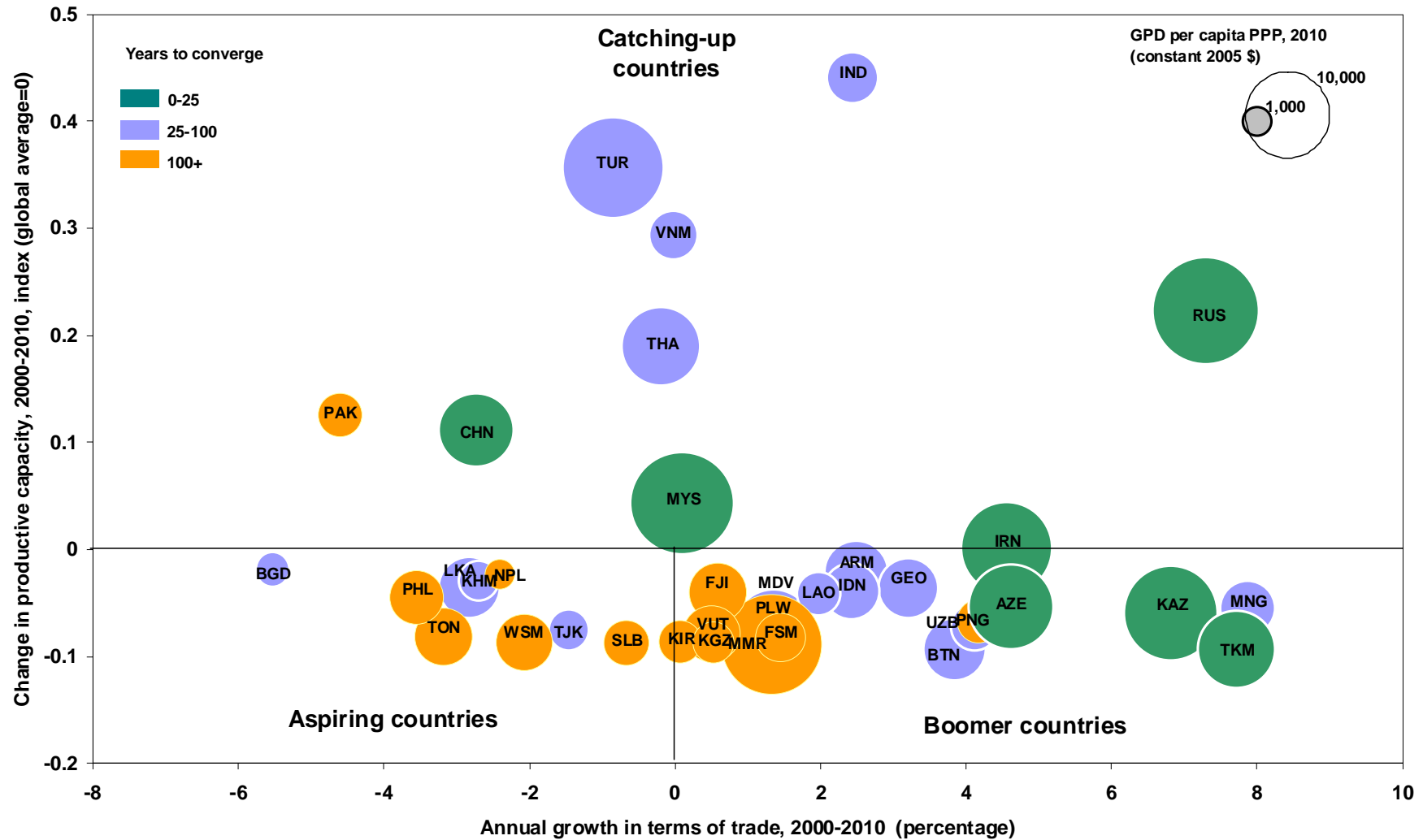
Boom is not unprecedented and is driven by the rise of Asia



The great income divergence



New periphery



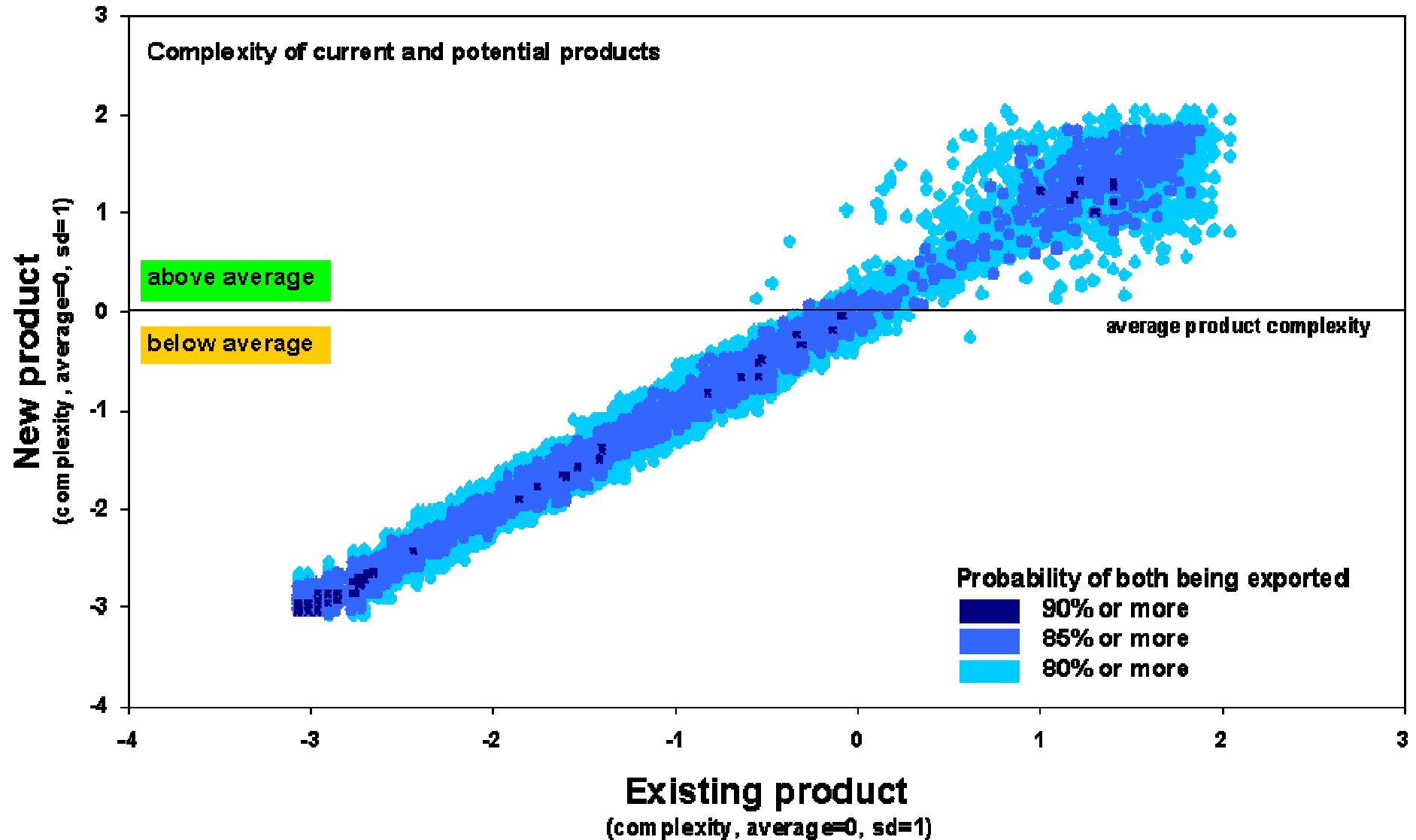
Source: Author based on data from the United Nations Commodity Trade Statistics Database (COMTRADE) and from the World Bank's World Development Indicators.

Risks

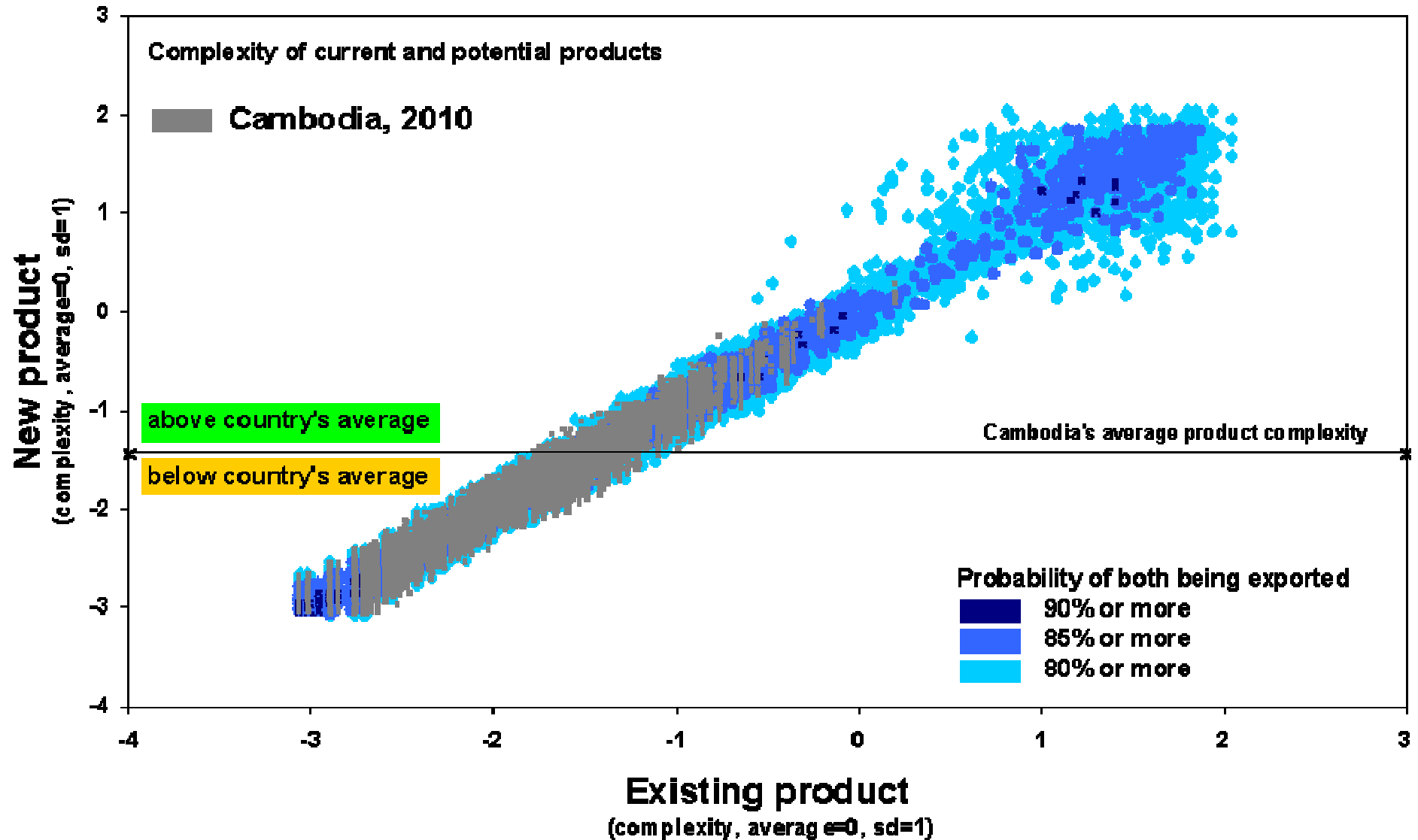
- Commodity-boom countries specialized in fewer economic activities that are more volatile and prone to rent seeking, thus reducing the prospects for long-term growth
- low-income resource-poor countries, faced with decreasing prices for their manufactures and the incentives to specialize in low-skill industries, fail to create new economic activities and productive employment and fall further behind

Opportunities

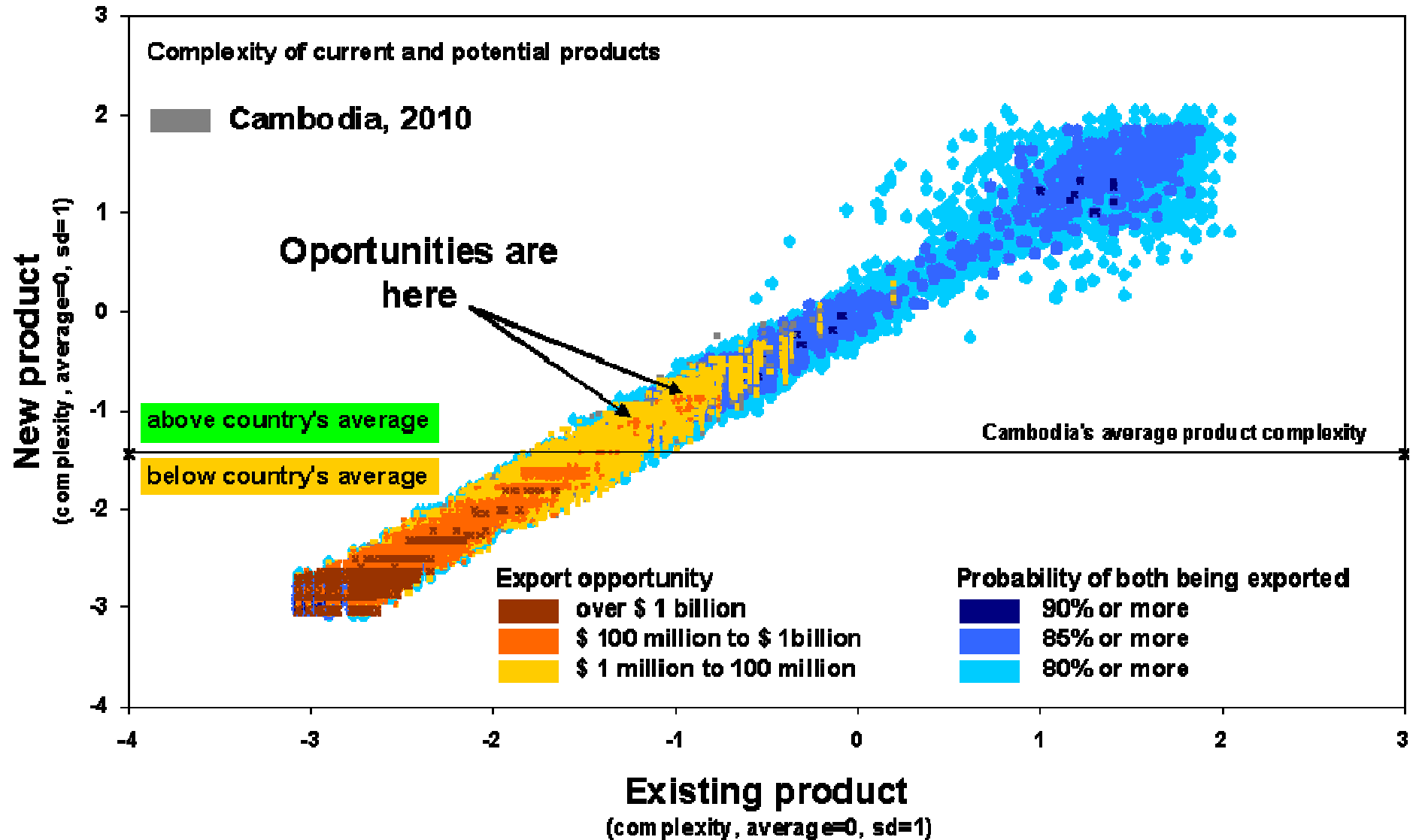
Where are the opportunities ?



Where are the opportunities ?



Where are the opportunities ?



Potential
new
products
related to
those
already
produced by
LDCs

Country	Current number of products	Total	More complex	Products that are more complex and have export opportunity higher than		
				\$100 Thousand	\$1 Million	\$100 Million
Afghanistan	1830	2360	1407	1406	1271	13
Angola	1258	1929	1034	1031	939	10
Bangladesh	3816	1979	1281	1278	1140	19
Benin	997	1744	959	959	903	9
Bhutan	315	1403	612	612	571	5
Burkina Faso	1130	2125	1137	1137	1051	10
Burundi	237	1194	499	499	471	6
Cambodia	2124	1973	1185	1184	1042	11
Central African Republic	453	1906	944	944	877	11
Chad	311	1216	672	672	636	11
Comoros	197	1145	573	573	554	13
Democratic Republic of the Congo	1679	2252	1332	1332	1221	15
Djibouti	363	1706	875	874	815	7
Equatorial Guinea	331	1134	503	503	486	6
Eritrea	316	1433	699	699	656	10
Ethiopia	1503	2071	1151	1151	1049	10
Gambia	435	1378	629	629	605	9
Guinea	826	1807	959	957	886	11
Guinea-Bissau	162	1033	469	469	454	5
Haiti	897	1873	1098	1098	1002	14
Kiribati	113	936	405	405	384	7
Lao People's Democratic Republic	1183	2002	1211	1211	1098	16
Lesotho	399	1286	781	781	739	13
Liberia	528	1622	877	876	821	12
Madagascar	2213	2057	1120	1120	1006	9
Malawi	1346	2080	1213	1212	1133	14
Mali	1363	2069	1266	1264	1147	13
Mauritania	858	1759	921	921	862	8
Mozambique	1822	2233	1298	1298	1172	15
Myanmar	1724	2115	1290	1290	1186	14
Nepal	2649	2344	1370	1367	1203	13
Niger	1017	2303	1374	1374	1247	12
Rwanda	619	1833	933	933	876	11
Samoa	431	1553	762	762	710	8
Sao Tome and Principe	450	1452	595	595	539	5
Senegal	2617	2212	1530	1529	1364	19
Sierra Leone	1505	2196	1389	1389	1264	17
Solomon Islands	331	1329	635	635	599	10
Somalia	312	1723	877	877	802	9
Sudan	1116	1917	1033	1033	955	7
Timor-Leste	243	1048	420	420	403	8
Togo	1223	2052	1236	1234	1148	13
Tuvalu	127	752	353	353	340	8
Uganda	2391	2383	1515	1512	1350	18
United Republic of Tanzania	3617	2144	1346	1340	1176	16
Vanuatu	321	1270	493	493	465	7
Yemen	1101	2020	1279	1278	1173	17
Zambia	2615	2268	1434	1432	1277	18

Top 5 export opportunities with the new products

Country	Countries with highest value of export opportunities Importer (\$ Million)				
Afghanistan	CN 1110	KR 320	MX 120	IN 112	FR 85
Angola	CN 879	KR 359	US 95	FR 83	MX 81
Bangladesh	CN 1079	KR 332	IN 134	BR 134	US 127
Benin	CN 1063	MX 140	DE 123	US 80	IT 80
Bhutan	CN 887	KR 89	MX 82	US 81	NL 49
Burkina Faso	CN 1030	KR 400	MX 132	JP 60	NL 48
Burundi	CN 834	US 140	DE 123	MX 92	CA 50
Cambodia	CN 918	KR 360	MX 126	US 84	FR 66
Central African Republic	KR 354	CN 241	US 76	NL 51	FR 49
Chad	CN 1088	US 226	MX 141	DE 125	BE 64
Comoros	CN 239	US 237	DE 141	BE 95	GB 91
Democratic Republic of the Congo	CN 950	KR 357	MX 87	US 77	FR 66
Djibouti	CN 894	US 122	MX 106	FR 53	RU 53
Equatorial Guinea	DE 169	US 85	FR 74	CA 73	SA 61
Eritrea	CN 901	DE 170	MX 132	FR 91	NL 68
Ethiopia	CN 869	KR 333	MX 88	US 84	FR 82
Gambia	DE 148	US 130	CN 110	GB 54	FR 53
Guinea	CN 275	MY 154	FR 141	HK 88	DE 72
Guinea-Bissau	DE 142	FR 104	US 94	UA 52	NL 50
Haiti	CN 999	MX 139	DE 135	FR 89	US 74
Kiribati	DE 126	SA 58	GB 56	US 54	NL 50
Lao People's Democratic Republic	CN 989	KR 356	US 140	MX 124	FR 91
Lesotho	CN 931	US 257	MX 179	DE 159	BE 121
Liberia	CN 997	US 132	MX 130	DE 126	FR 98
Madagascar	CN 913	MY 171	US 128	MX 119	KR 88
Malawi	CN 882	MY 179	US 134	DE 98	MX 75
Mali	CN 980	US 197	MX 120	FR 91	NL 89
Mauritania	CN 904	US 101	MX 91	FR 89	RU 72
Mozambique	CN 953	DE 149	MX 133	IN 107	GB 106
Myanmar	CN 988	IN 120	US 119	MX 115	KR 81
Nepal	CN 1008	KR 391	DE 108	MX 96	US 95
Niger	CN 978	FR 325	ES 143	BE 117	GB 100
Rwanda	DE 204	CN 87	FR 80	NL 71	RU 65
Samoa	DE 165	US 131	FR 94	SA 58	CA 56
Sao Tome and Principe	CN 895	MX 121	US 78	TH 60	DE 54
Senegal	CN 993	FR 340	ES 143	IN 136	BE 116
Sierra Leone	CN 879	US 162	MX 86	DE 82	NL 78
Solomon Islands	CN 1051	US 237	MX 132	DE 113	HK 107
Somalia	DE 167	US 112	FR 111	GB 94	CN 71
Sudan	CN 897	MX 118	US 93	FR 78	DE 73
Timor-Leste	DE 155	CN 155	GB 105	US 96	HK 82
Togo	CN 922	KR 404	MX 125	US 99	FR 85
Tuvalu	US 274	DE 138	GB 113	BE 82	FR 77
Uganda	KR 403	MY 158	CN 124	US 95	NL 65
United Republic of Tanzania	CN 918	KR 183	IN 144	MX 82	TH 81
Vanuatu	DE 145	US 142	IN 102	CA 68	FR 61
Yemen	CN 999	DE 135	MX 131	FR 87	US 74
Zambia	CN 875	MY 176	DE 145	US 95	MX 93

Policy recommendations

Resource dependent countries

- Shield import competing and non-resource export sectors against de-industrialization
- Foster expanding economic diversification and productive employment

Labour-abundant resource-poor countries

- Need to balance the short-term gains from exploiting their current comparative advantages in low-skill industries with the long-term need to foster new economic activities
- Reduce their reliance on a few labour-intensive manufactures and diversify by inserting themselves into the supply chains of catching-up economies

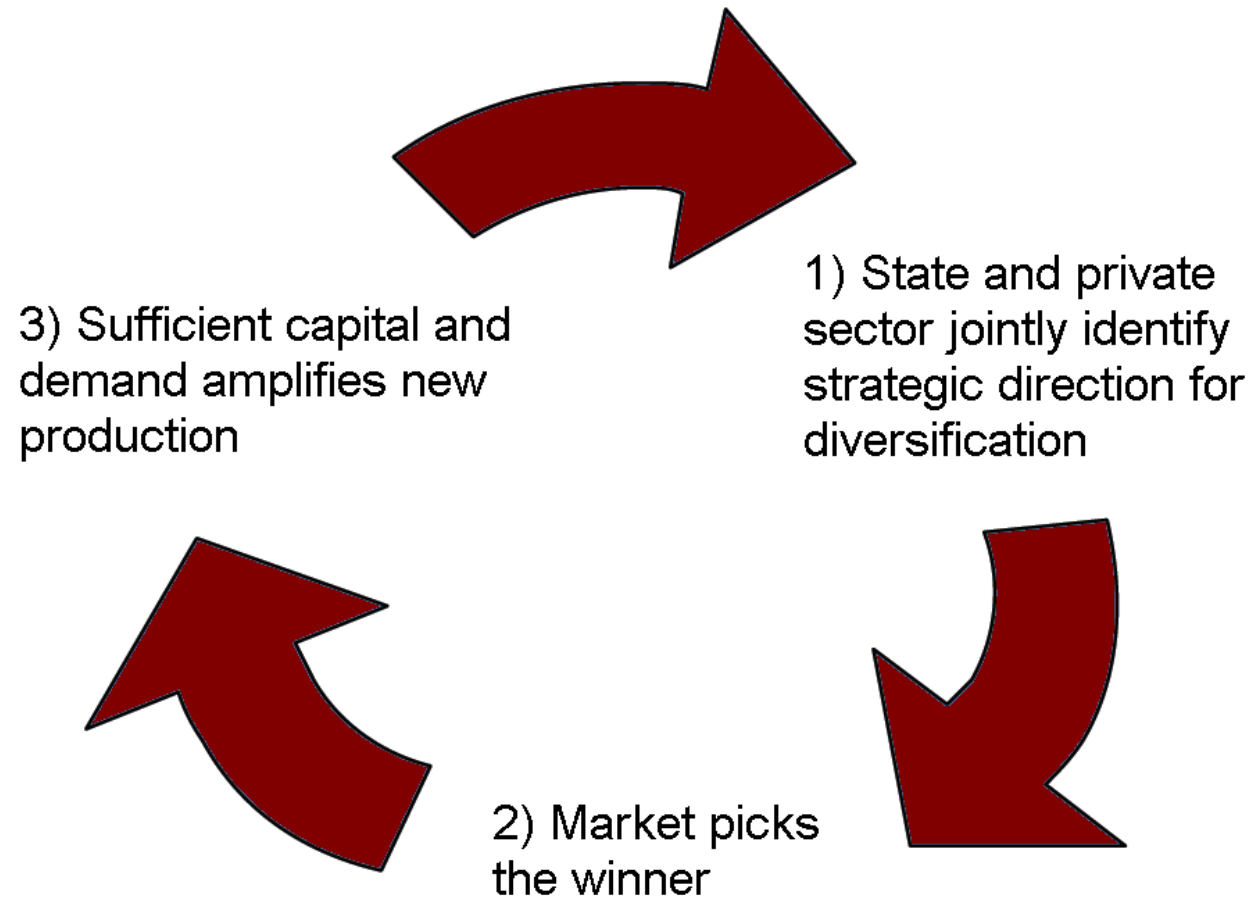


Thank you

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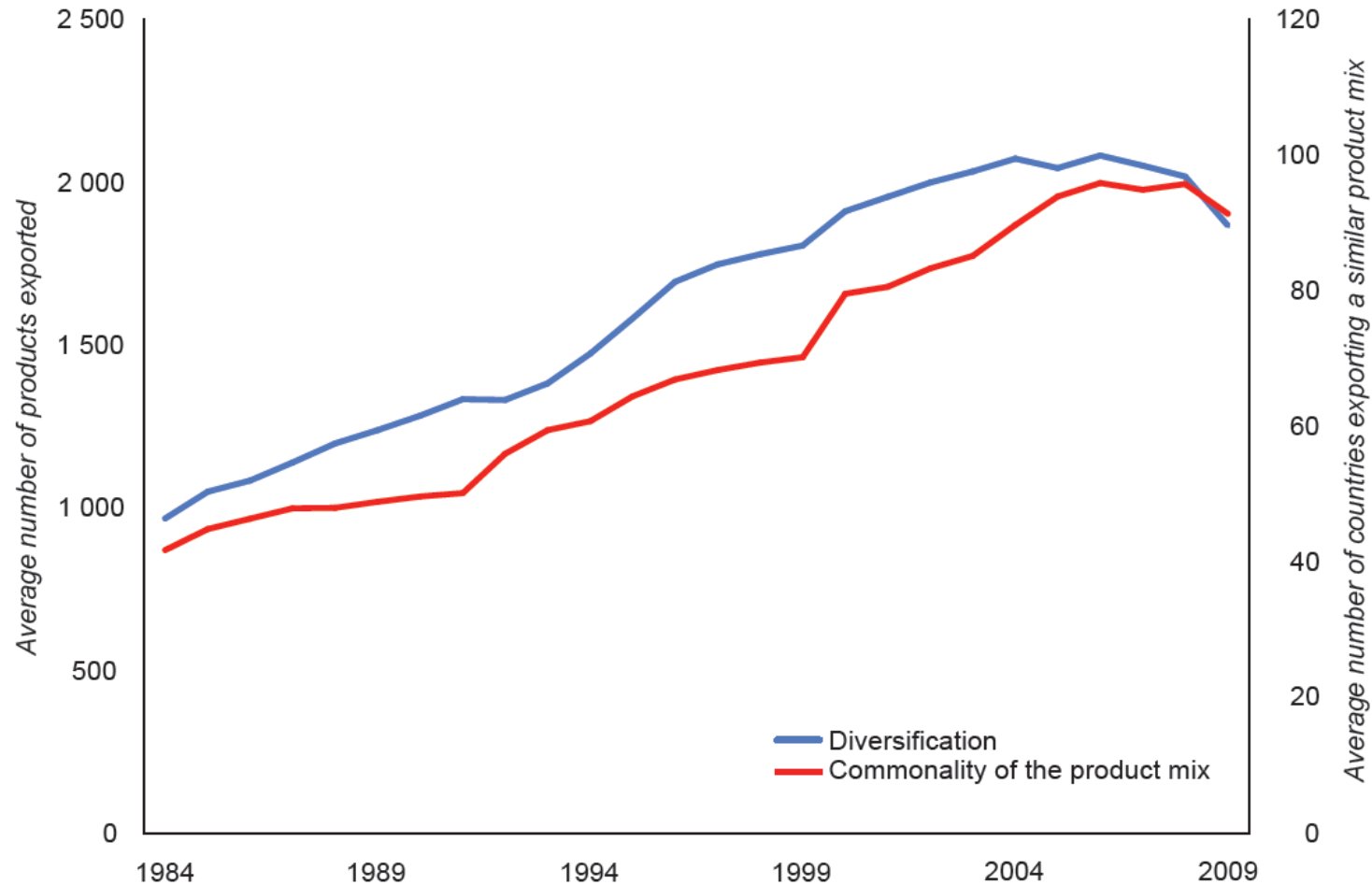
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Strategy for Increasing Productive Capacities in the Least Developed Countries

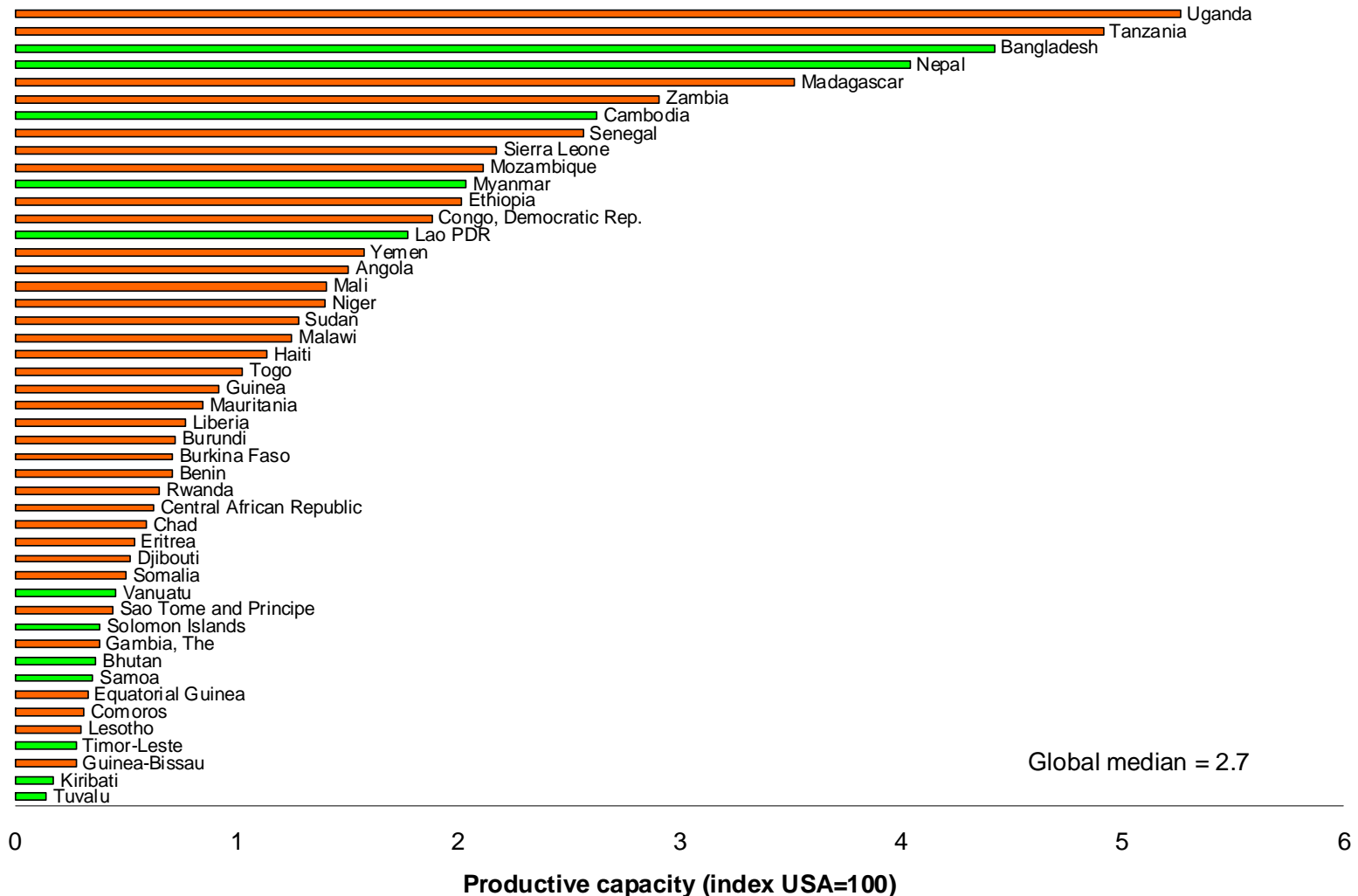


- Requires “developmental states”
 - Government gives top priority to economic development in government policy and seeks to design policies and institutions that promote this goal
- Need a broader policy space
 - Industrial and trade policies, international private capital flows, technology transfer, macroeconomic policies and regulations

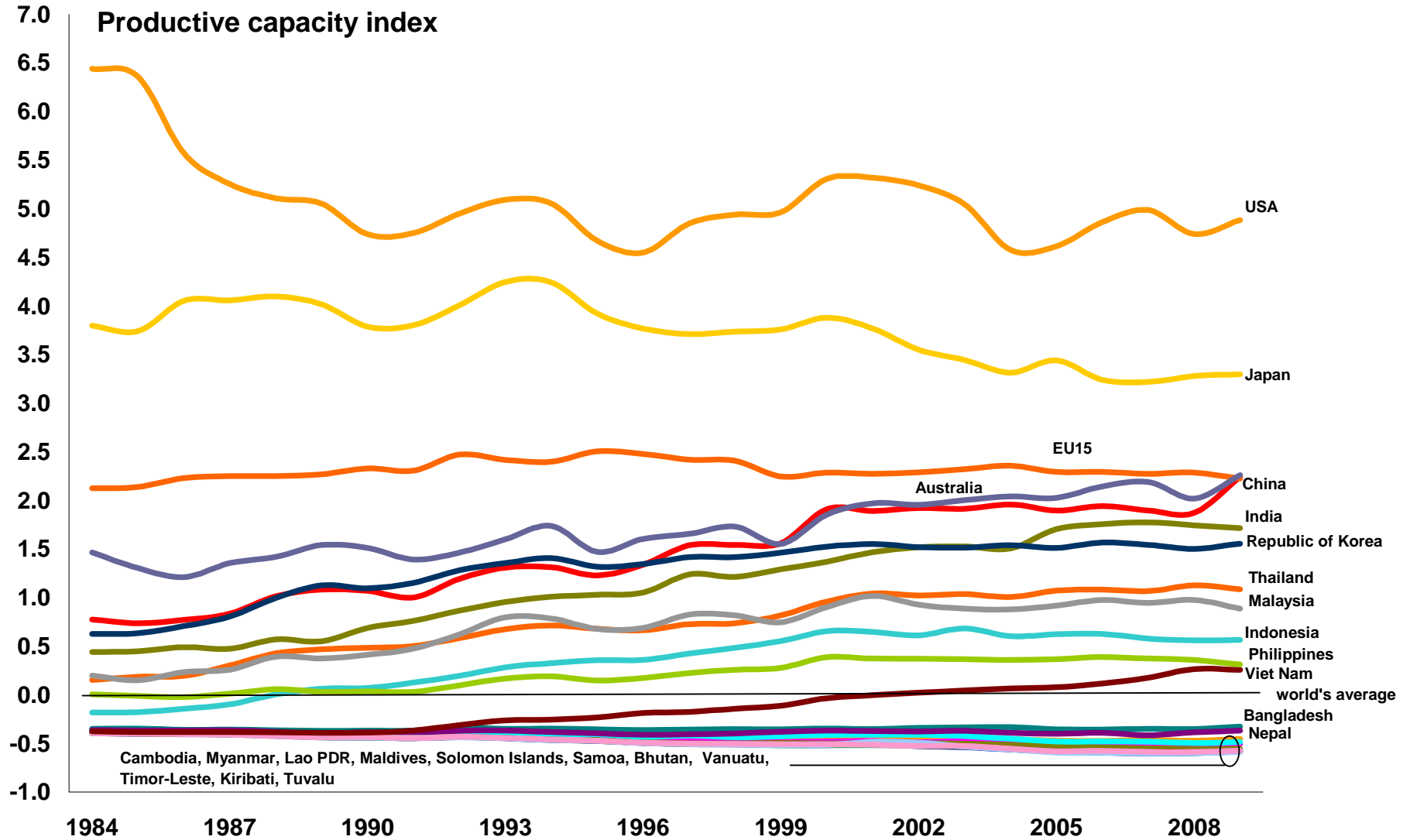
Increasing diversification and competition



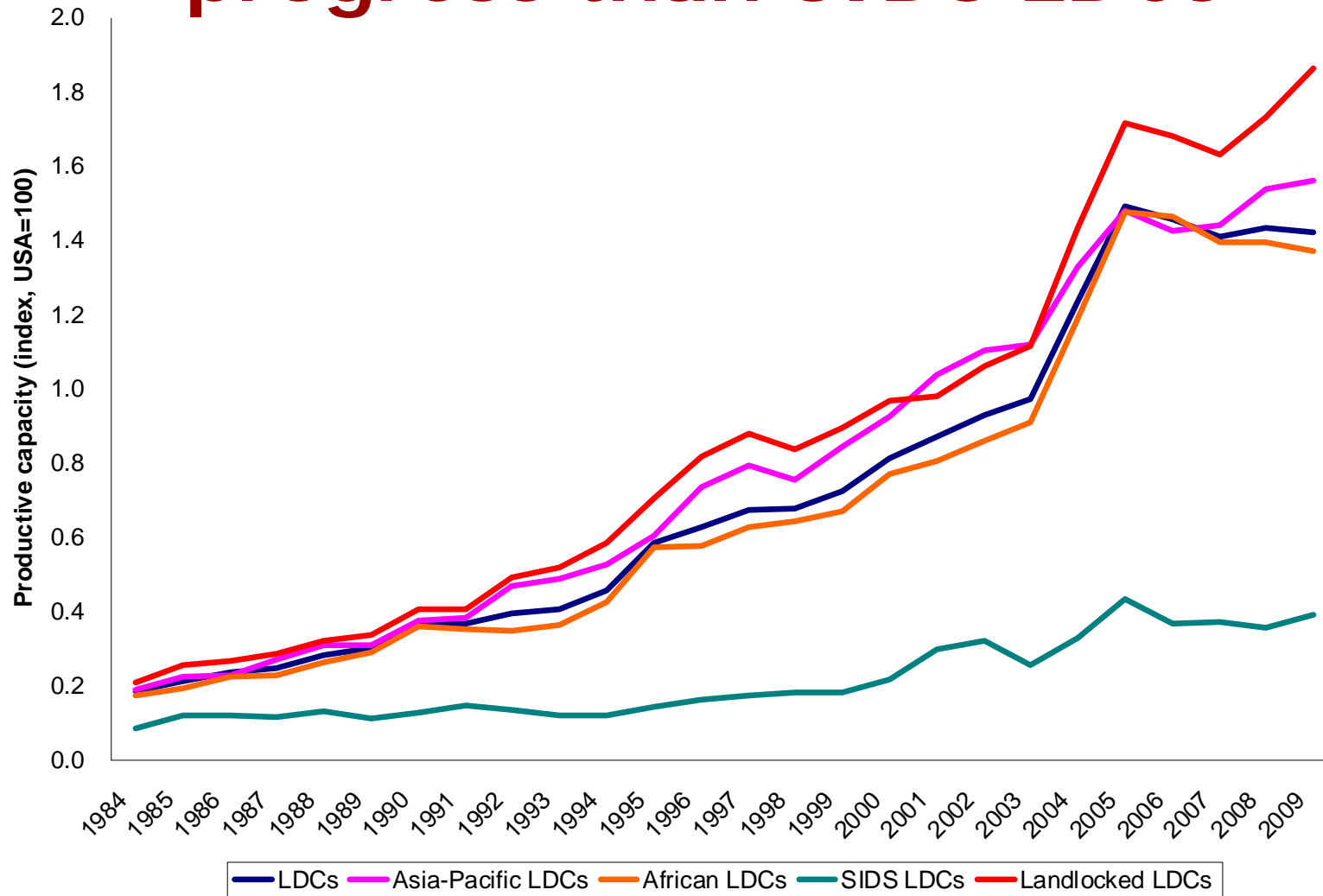
Asia-Pacific LDCs: Top and bottom of the Global LDC List



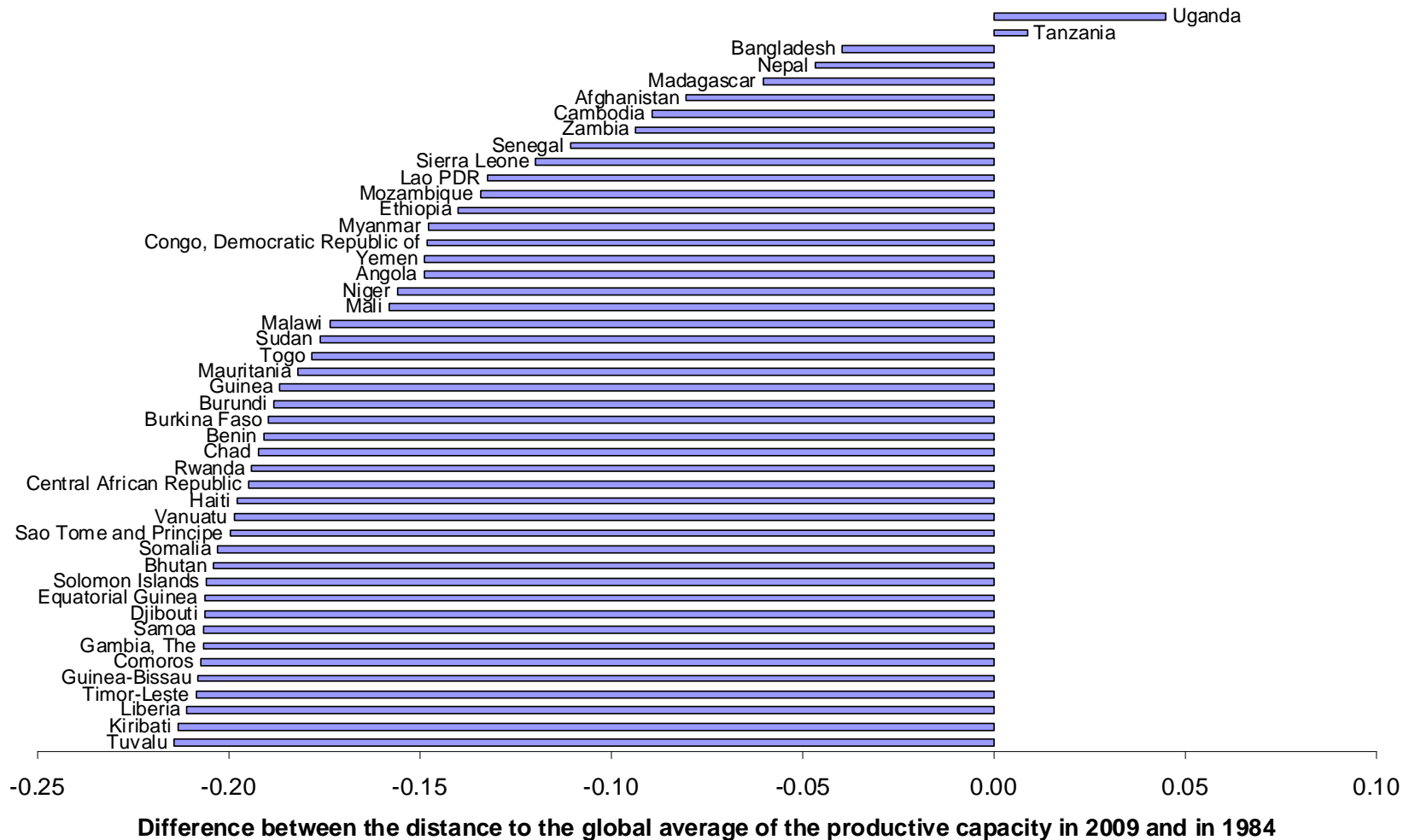
LDCs have lagged behind



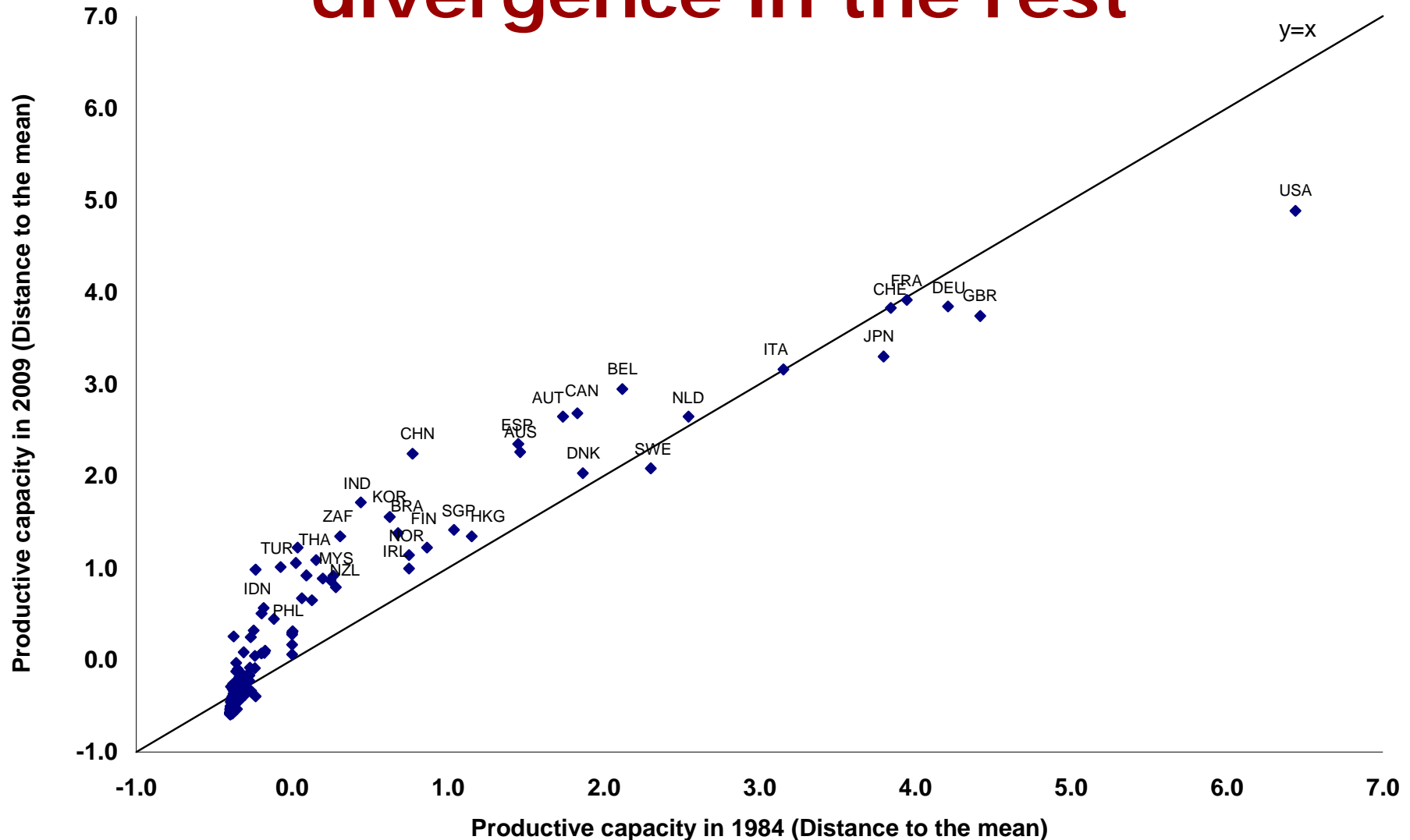
Landlocked have made more progress than SIDS LDCs



Almost all LDCs have lagged further behind in the past 25 years



Convergence in the middle, divergence in the rest

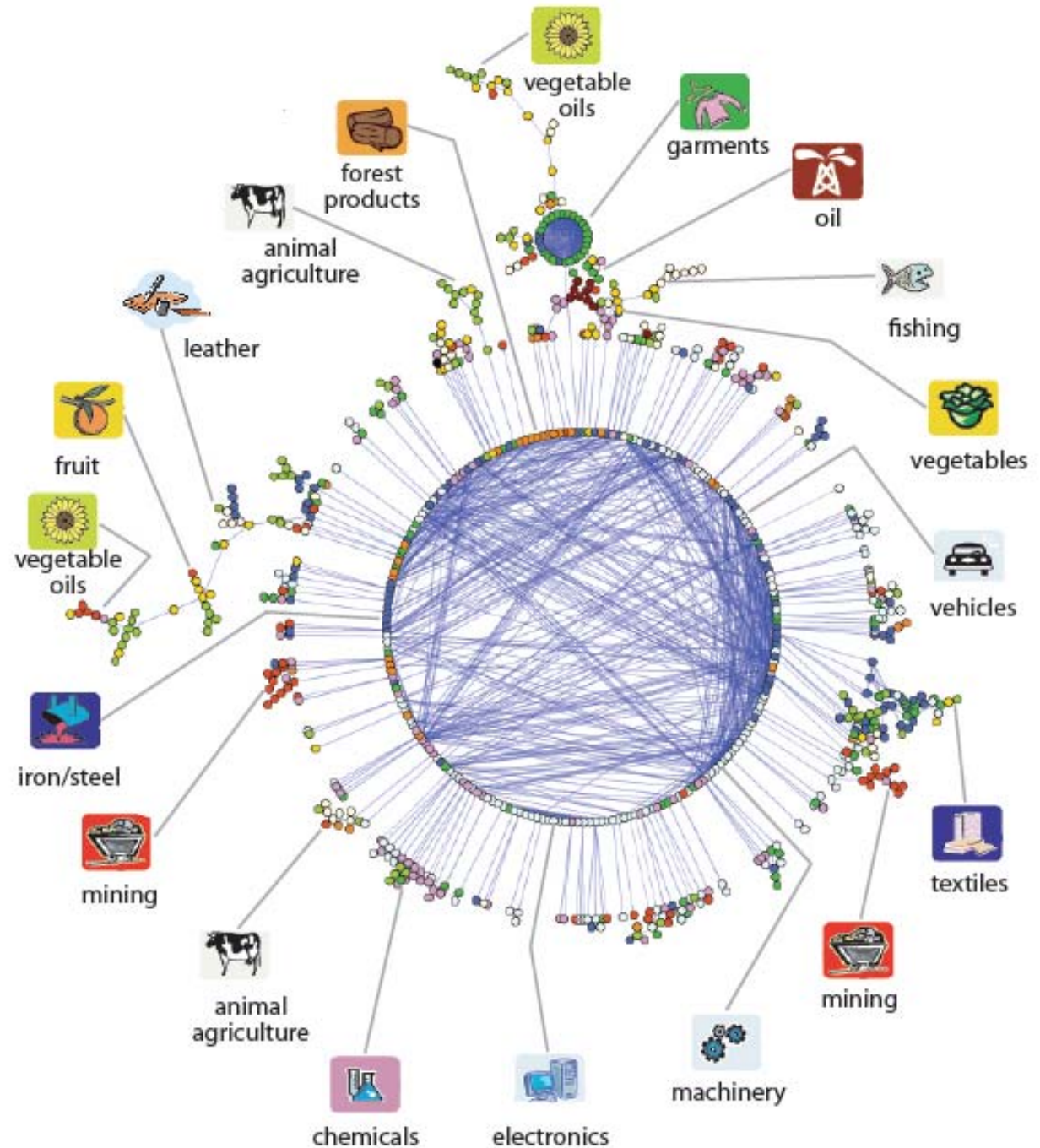


Experience of Asia-Pacific LDCs

International partnership

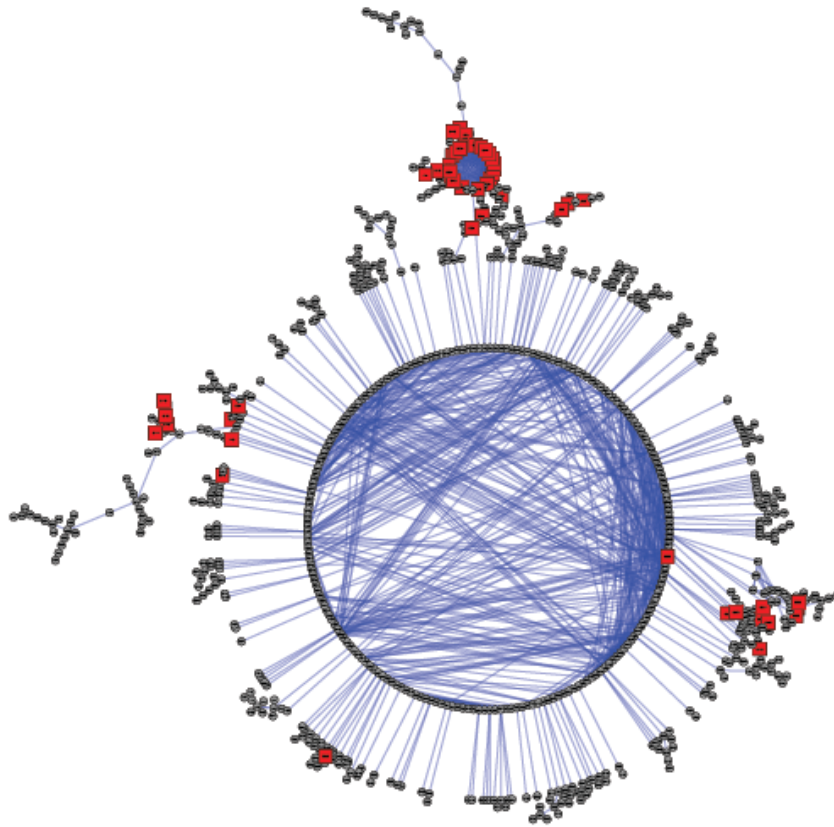
- FDI
 - Should focus on stimulating productive investment, building technological capacities, developing infrastructure and strengthening linkages within and across sectors and between different enterprises
- Market Access
 - LDCs need to be provided with enhanced and predictable market access, support for establishing cost and quality competitive export supply capacity and the building of trade-related infrastructure

What a country produces today affects what it will be able to produce tomorrow

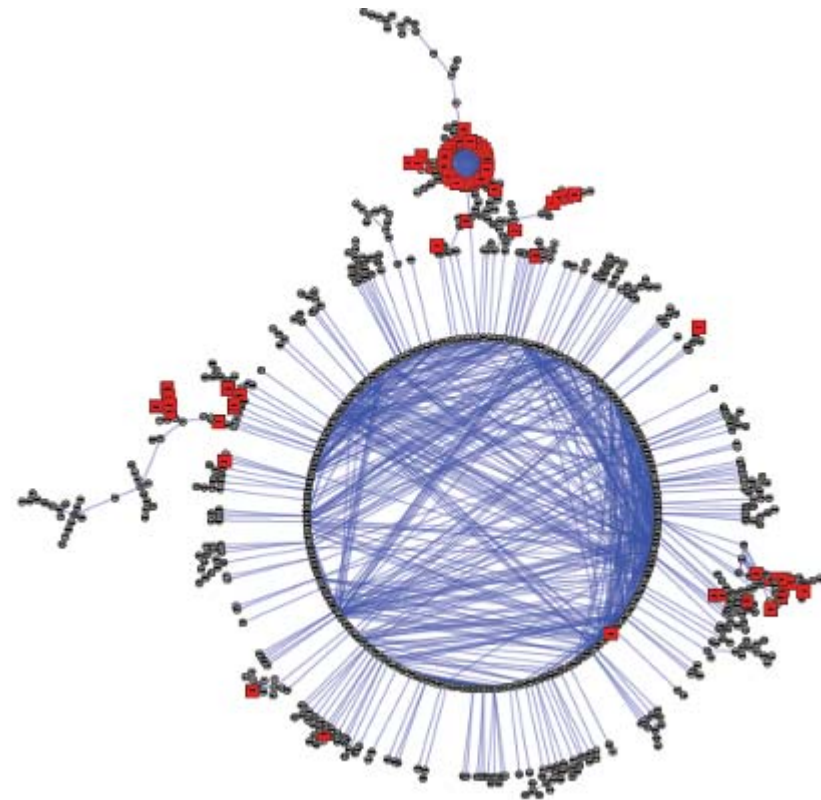


Bangladesh

1991

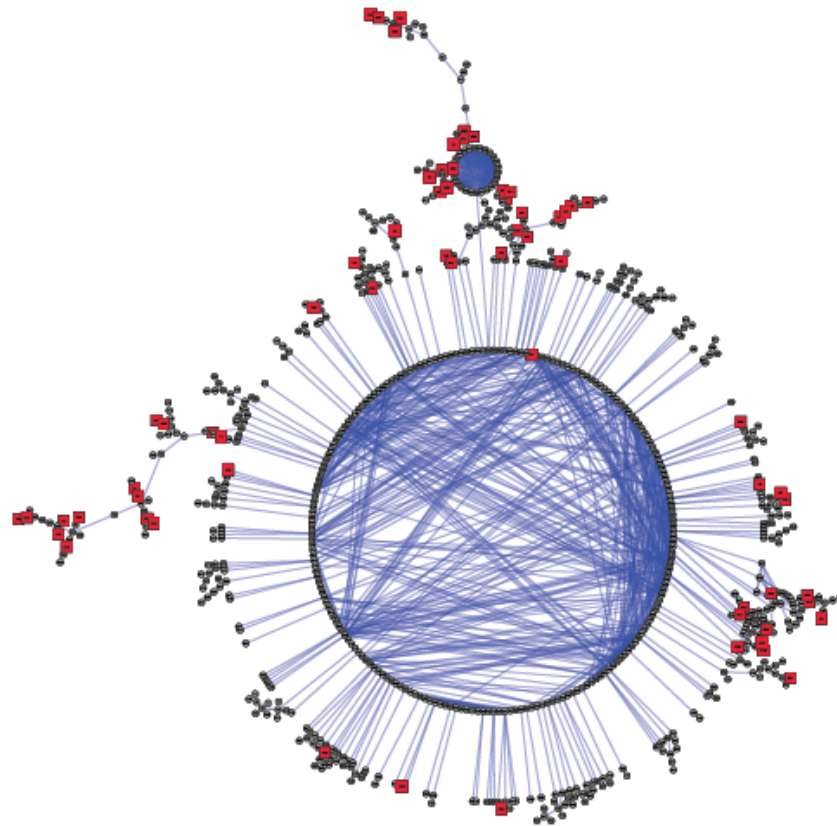


2009

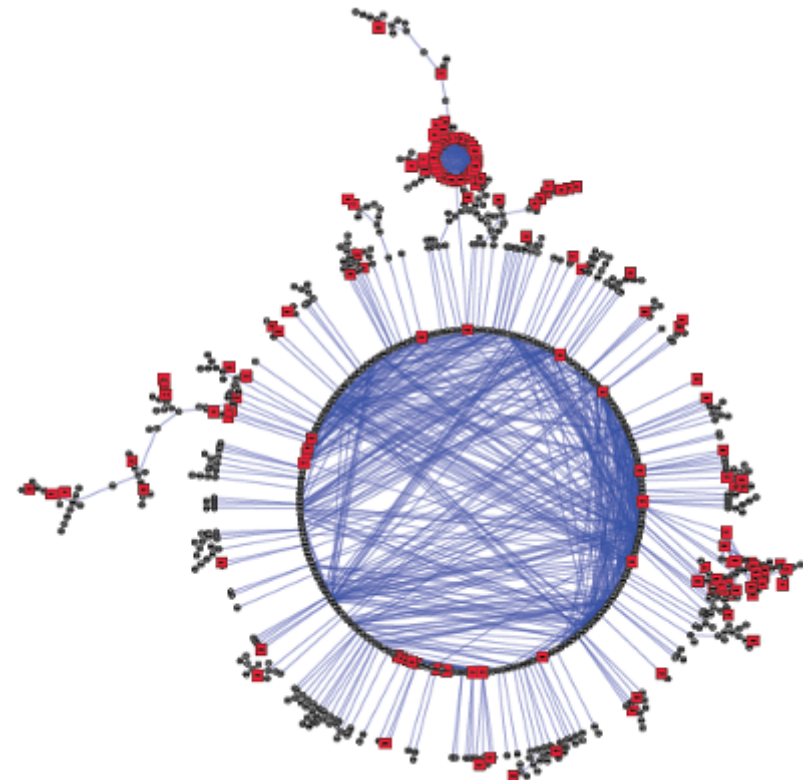


Viet Nam

1984

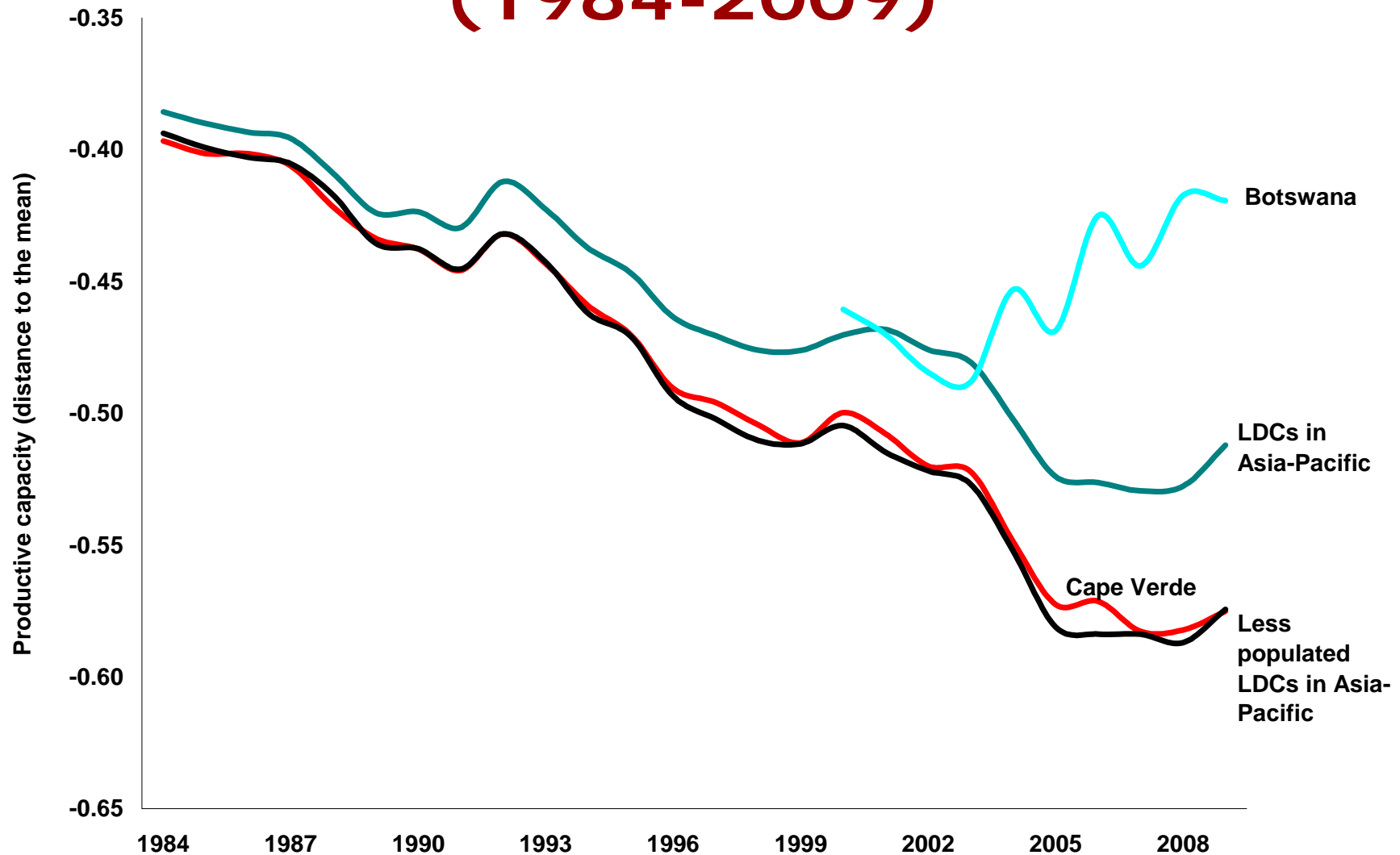


2009

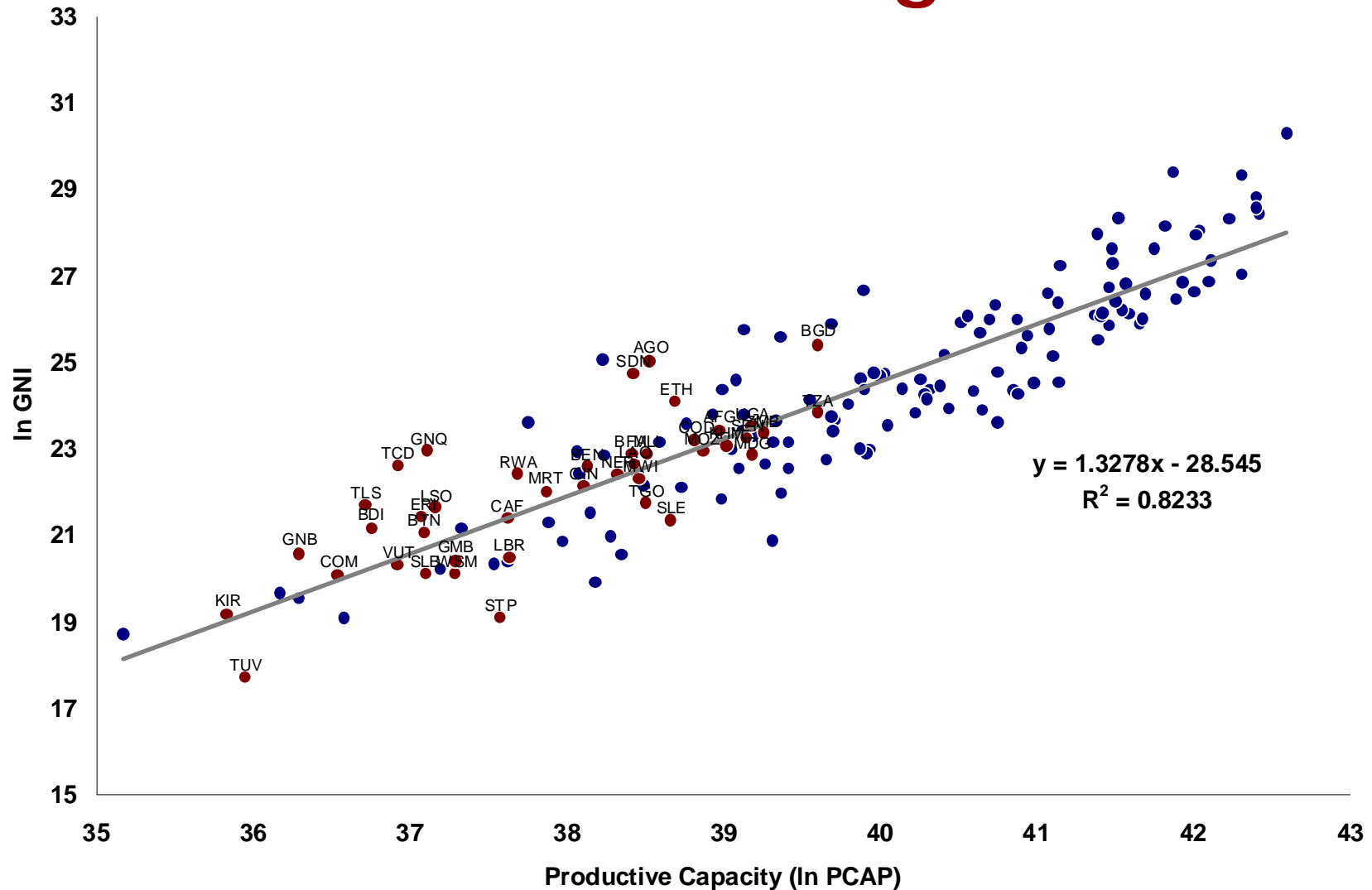


Graduation

The countries that have graduated (1984-2009)



Higher productive capacities are associated with higher GNI



Diversification needed to graduate

Country	Number of products (2010)	Diversification compatible with graduation	Countries that have level of diversification similar to that required for graduation
Afghanistan	943	2720-2751	Iran (Islamic Republic of), Tunisia
Bangladesh	1643	2851-3028	Pakistan, Panama
Benin	525	996-1038	Cambodia, Namibia
Burkina Faso	607	1575-1640	Bahrain, Kuwait
Burundi	143	996-1038	Cambodia, Namibia
Cambodia	1038	1883-1981	Uruguay, Venezuela
Central African Republic	280	933-1001	Fiji, Uzbekistan
Chad	192	422-464	Papua New Guinea, Saint Lucia
Comoros	127	241-275	Nauru, Turks and Caicos Islands
Democratic Republic of the Congo	878	4257-4288	Romania, Slovakia
Eritrea	204	720-749	Cuba, Gabon
Ethiopia	801	2599-2642	Kenya, Lebanon
Gambia	256	782-824	Montenegro, Myanmar
Guinea	472	1546-1567	Ghana, Netherlands Antilles
Guinea-Bissau	97	241-275	Nauru, Turks and Caicos Islands
Haiti	506	1064-1200	Azerbaijan, Nicaragua
Liberia	321	1876-1893	Democratic People's Republic of Korea, Jordan
Madagascar	1119	3204-3244	Latvia, Peru
Malawi	675	2332-2416	Cyprus, Guatemala
Mali	719	1572-1640	Kuwait, Malta
Mauritania	430	607-643	British Virgin Islands, Burkina Faso
Mozambique	917	2720-2751	Iran (Islamic Republic of), Tunisia
Nepal	1212	3428-3455	Colombia, Croatia
Niger	576	2021-2124	Mauritius, Syrian Arab Republic
Rwanda	341	929-1017	Andorra, Cameroon
Senegal	1196	1698-1797	Honduras, Qatar
Sierra Leone	801	2720-2751	Iran (Islamic Republic of), Tunisia
Solomon Islands	195	321-341	Liberia, Rwanda
Togo	710	1776-1893	Democratic People's Republic of Korea, Iceland
Uganda*	1635	3698-3740	Lithuania, Philippines
United Republic of Tanzania	1604	3500-3698	Luxembourg, Philippines
Yemen	606	878-917	Democratic Republic of the Congo, Mozambique

* Data from year 2009

- Share of Asia-Pacific LDCs remain marginal in global GDP, manufacturing value added, exports, manufactured exports and is non-existent in high-technology exports
- Hardly any increase over the past 40 years
- Reflects poor development of productive capacity
- Need to build productive capacities to benefit from region's dynamism

Share of Asia-Pacific least developed countries in international production and trade							
	<i>(Percentage)</i>						
Indicator	1970	1980	1990	2000	2007	2008	2009
Population	3.18	3.21	3.44	3.65	3.83	3.78	3.86
GDP	0.43	0.22	0.18	0.22	0.23	0.24	0.25
Manufacturing, value added	0.60	0.14	0.16	0.16	0.20	0.31	0.58
Merchandise exports	0.11	0.12	0.09	0.17	0.19	0.19	0.24
Manufactured exports	0.01	0.06	0.07	0.16	0.12	0.04	0.01
High-technology exports	0.00	0.00	0.01	0.00	..