



**Joint UNCTAD-CFC Side-Event**

***Fostering Productive Capacities, Export Diversification and Structural Transformation  
in Euro-Asian LLDCs***

12 February 2019

Meeting Room A, Level 1, United Nations Conference Centre, Bangkok

**Concept Note**

## **Joint UNCTAD-CFC Side-Event**

### ***Fostering Productive Capacities, Export Diversification and Structural Transformation in Euro-Asian LLDCs***

#### **Concept Note**

Building on their ongoing collaboration in support of landlocked developing countries (LLDCs), the side event will be jointly organized by the United Nations Conference on Trade and Development (UNCTAD) and the Common Fund for Commodities (CFC).

The side event is intended to highlight the challenges facing Euro-Asian LLDCs, their opportunities for export diversification, and the policies and strategies needed to address these challenges by tapping into the potential that these countries hold for sustainable growth and development.

The weak economic growth of LLDCs over the last five years highlights their continuing vulnerability to external economic shocks. This is due to their geographical disadvantages, high trade and transport costs, weak export competitiveness and overall structural economic problems. Consequently, half-way into the implementation period of the Vienna Programme of Action (VPoA), the progress made by LLDCs towards the goals and targets agreed therein is not encouraging. If current trends continue, several of the goals and targets of the VPoA may be missed and these countries may not be able to meet the Sustainable Development Goals (SDGs). Even during the recent commodities boom (2000-2010, when LLDCs achieved an impressive real GDP growth and trade performance), this did not translate into higher employment, export diversification and lower poverty outcomes.

In UNCTAD's view, a key reason for the weak economic performance of LLDCs is their inability to foster productive capacities, export diversification and structural economic transformation. This is evidenced from their continuing dependence on the export of primary commodities. 26 of the 32 LLDC are dependent on commodities for more than 60% of their exports. Similarly, the average share of manufacturing value-added in total GDP of the LLDCs has remained broadly constant. Their heavy dependence on the export of primary commodities further exacerbates their weak export competitiveness, as low-value, high-volume exports are also responsible for the high trade and transport costs that LLDCs incur compared to other developing countries.

For LLDCs to effectively address their persistent and emerging trade and development challenges, meet the goals and targets of the VPoA and make substantial progress towards the SDGs, they need to build productive capacities, diversify their exports and achieve structural transformation. In this context, it is important that the Mid-term Review of the Vienna Programme of Action accords serious consideration to the vital importance of building productive capacities and ensuring structural economic transformation in LLDCs. In particular, the outcome of the review could include concrete actions aimed at directing domestic macro and microeconomic policies, as well as international support mechanisms towards fostering productive capacities, export diversification and structural transformation.

Against the backdrop of the above-mentioned challenges, this side event provides an opportunity to explore how to best refocus domestic policies and strategies, as well as international support measures to achieve such an objective. At the side event, UNCTAD will present the preliminary results and conclusions emerging from its Productive Capacities Index on the performance of Euro-Asian LLDCs in building productive capacities, and related policy conclusions. UNCTAD will also present the findings and conclusions of its work on export diversification in selected Asian LLDCs.

Therefore, the objectives of the side-event are:

- a) To assess the challenges faced and progress achieved by Euro-Asian LLDCs in building productive capacities, diversifying their exports and transforming the structure of their economies;
- b) To identify policies and strategies that help LLDCs to foster productive capacities, export diversification and structural transformation;
- c) To inform member States about the outcomes of UNCTAD's work on the productive capacities index and export diversification in Asian LLDCs; and
- d) To identify key issues and concerns for further action by LLDCs and their development partners, in the context of the Mid-term Review of the VPoA and beyond.