



# **Promoting Productive Capacity Development in the LDCs**

**Asia-Pacific Regional Workshop on Graduation Strategies from the Least Developed Country Category as part of the Implementation of the Istanbul Programme of Action for the LDCs**  
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# Change of paradigm

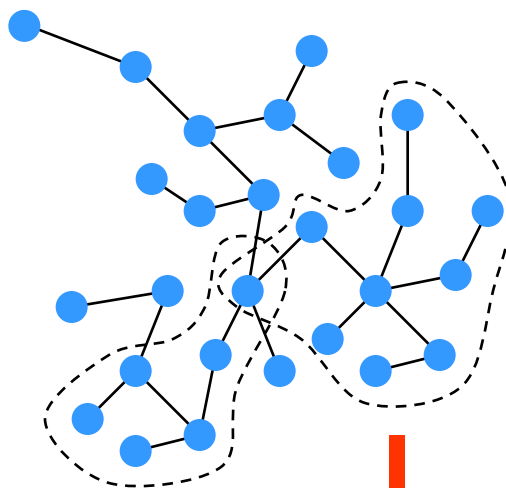
- Before IPoA
  - Focus on exchange (static view)
    - Given what we produce today, how to improve welfare through trade?
- After IPoA
  - Focus on production and employment (dynamic view)
    - How to foster new economic activities and create productive jobs given the existing production base and market incentives?

# Take home message

- LDCs need to **build productive capacities** to benefit from globalization, increase **resilience**, sustain **growth** as well as **poverty eradication**, achieve **structural transformation**, and generates full and **productive employment** and decent work for all

# The underlying structure of an economy is a network of non-tradable productive capacities

Productive capacities



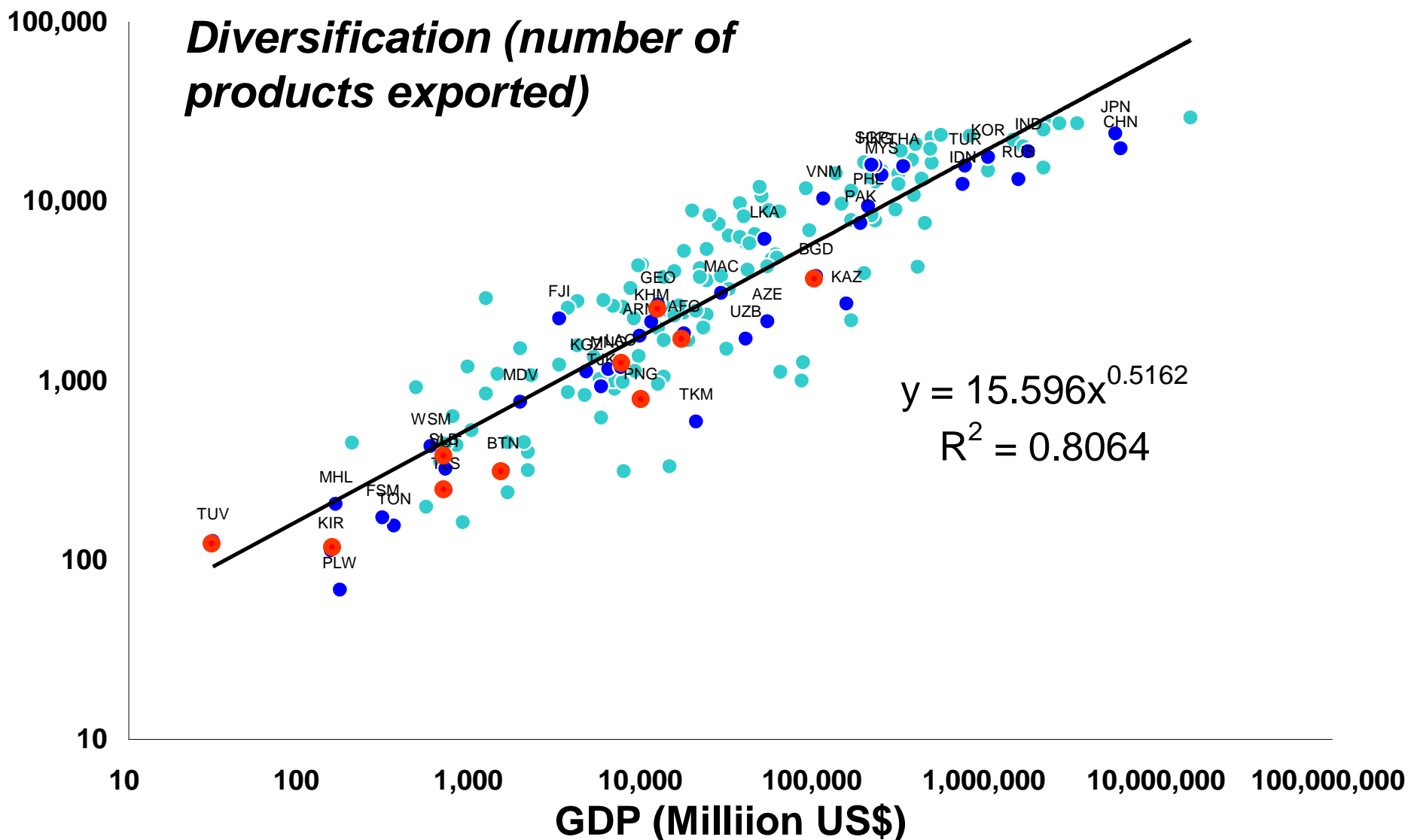
- Infrastructure
- Methods
- Processes
- Entrepreneurial capabilities
- Production linkages

Economic activities: jobs

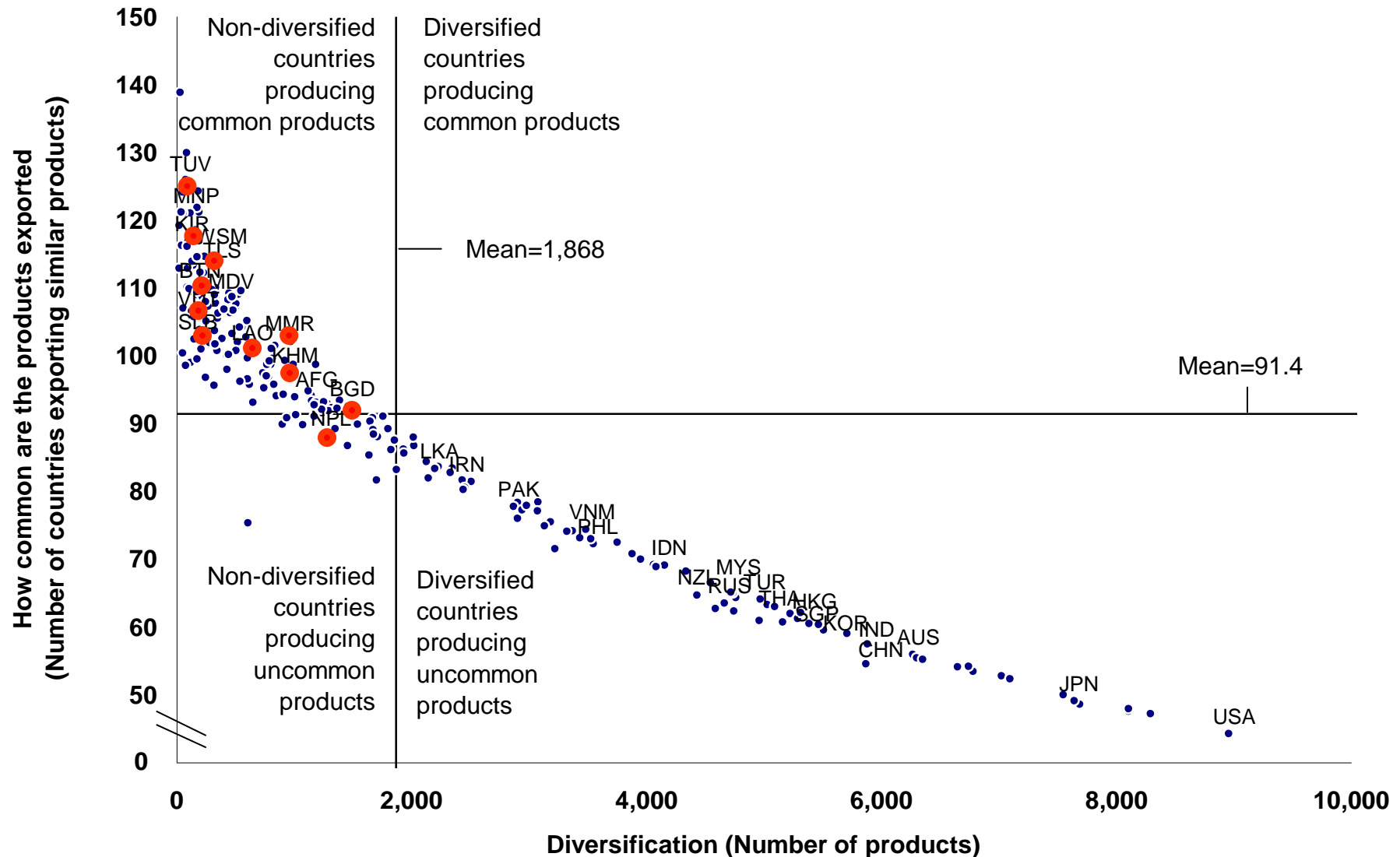


- Goods
- Services

# Higher GDP is associated with diversification

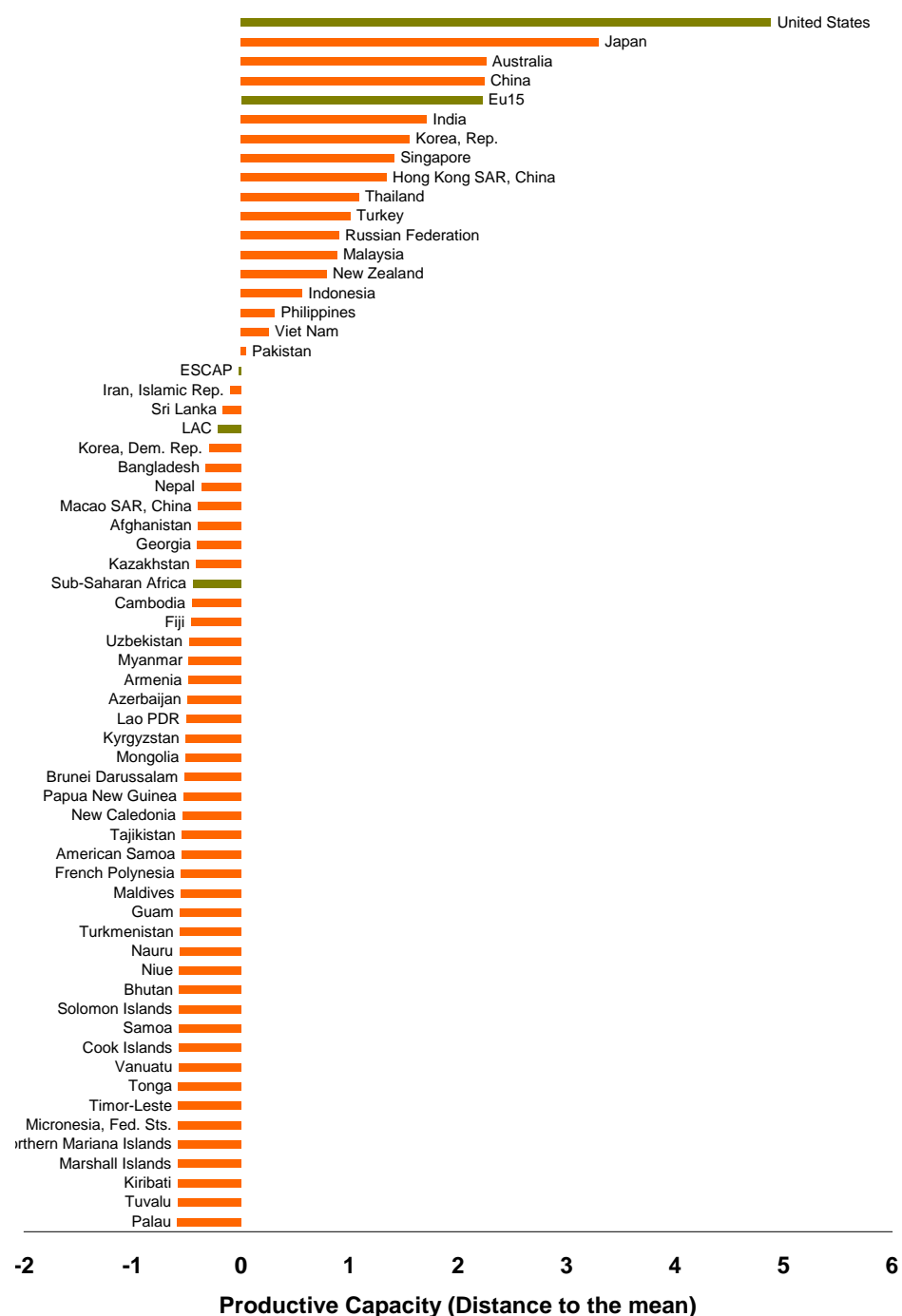


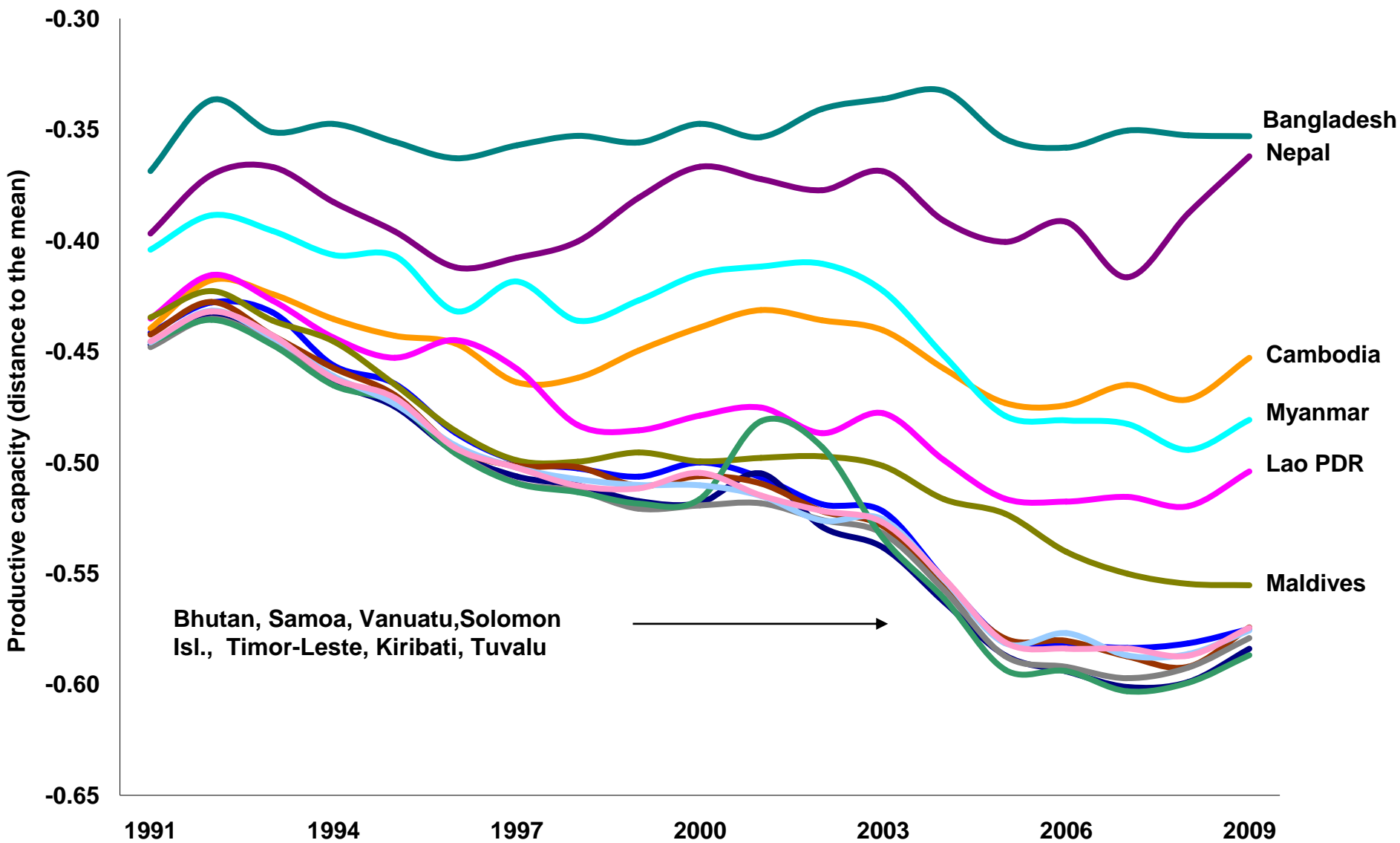
# More diversified countries face lower competition



# ESCAP Index of productive capacity

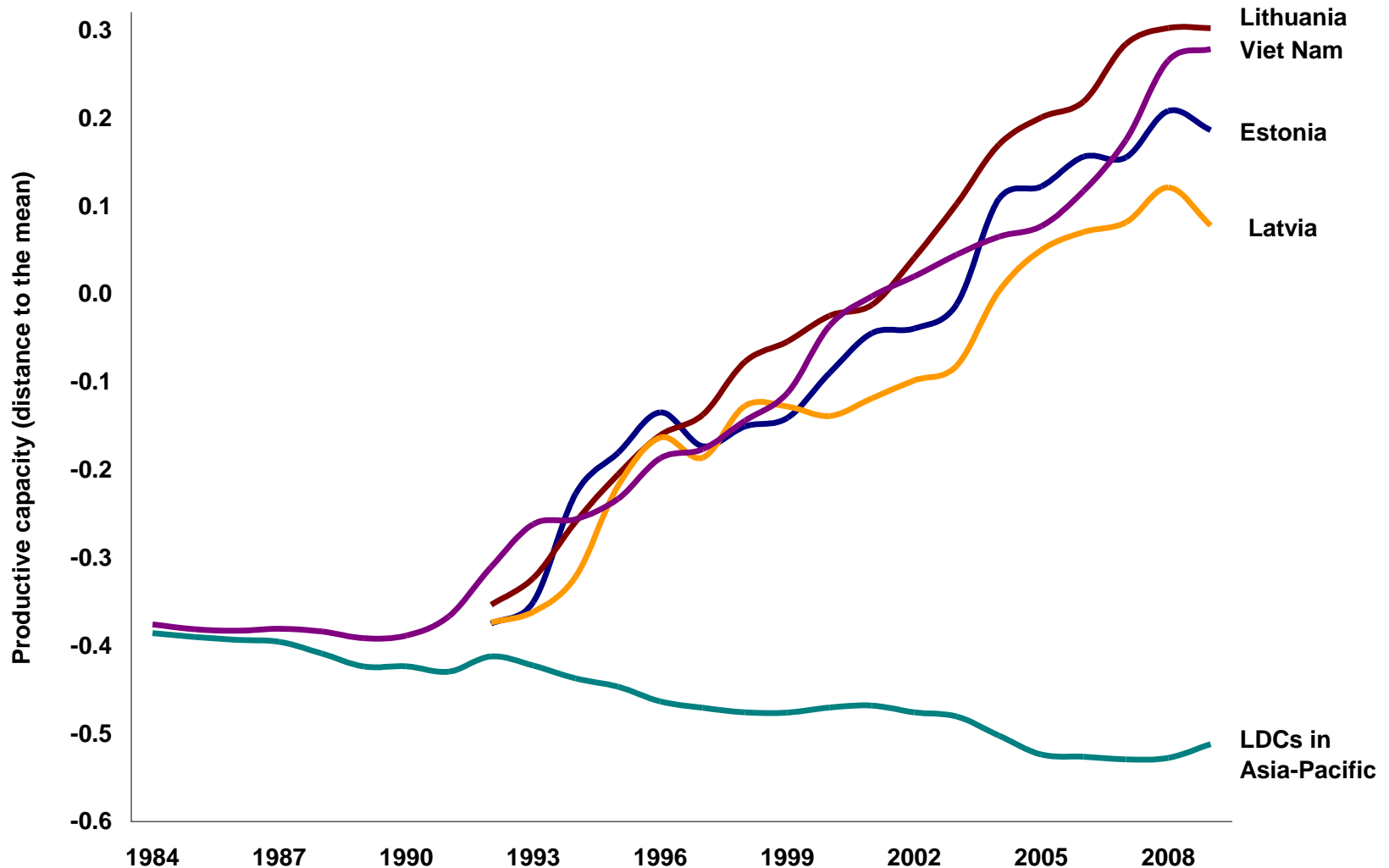
- Most LDCs are at the tail-end of the index of productive capacities; below the global average
- LDCs remain specialized in few and less sophisticated products
- International environment has not facilitated diversification and increase in productive capacities of LDCs



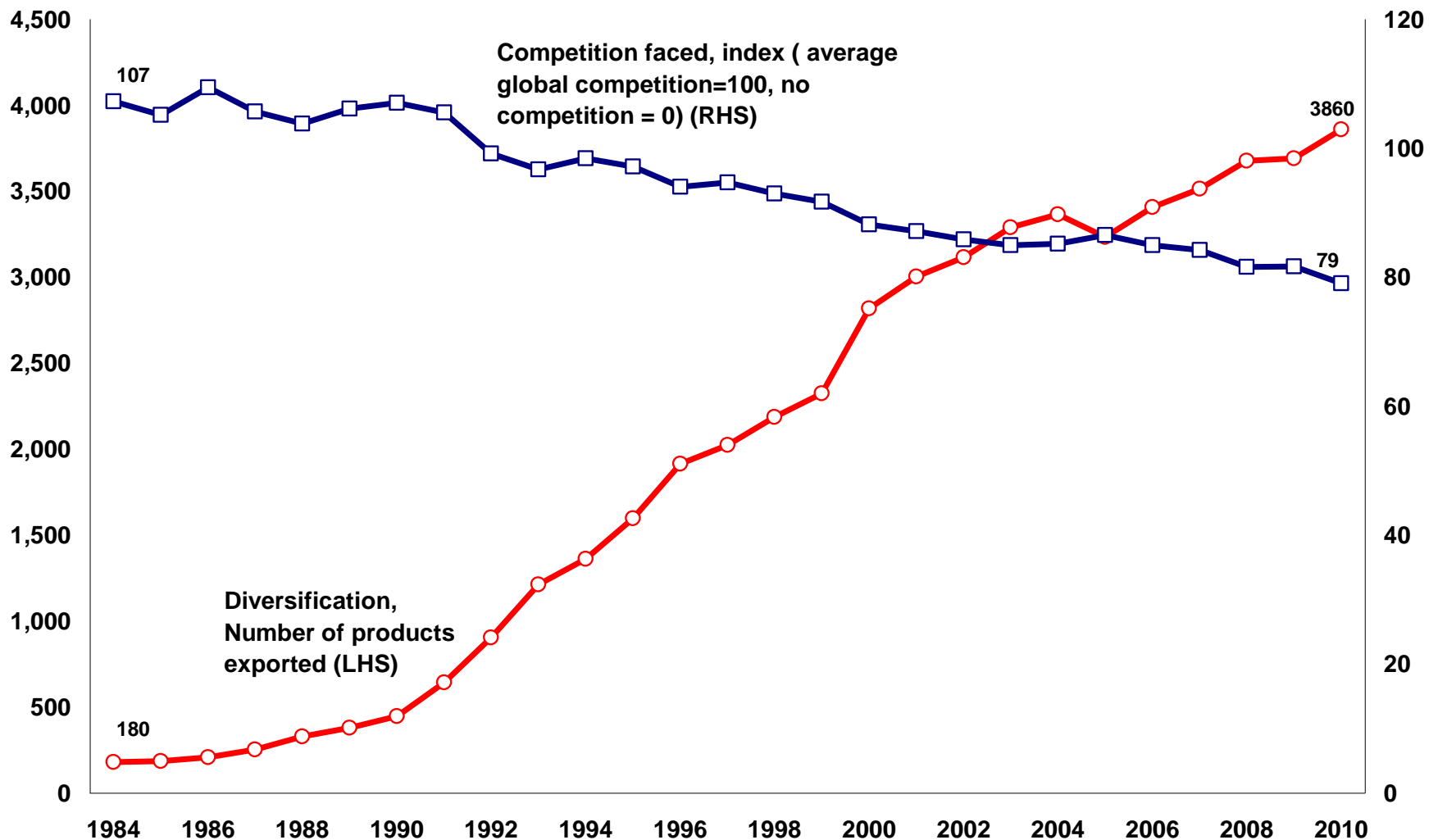




# Few countries increased their productive capacities when starting from LDCs' levels



# Increasing diversification and reducing competition

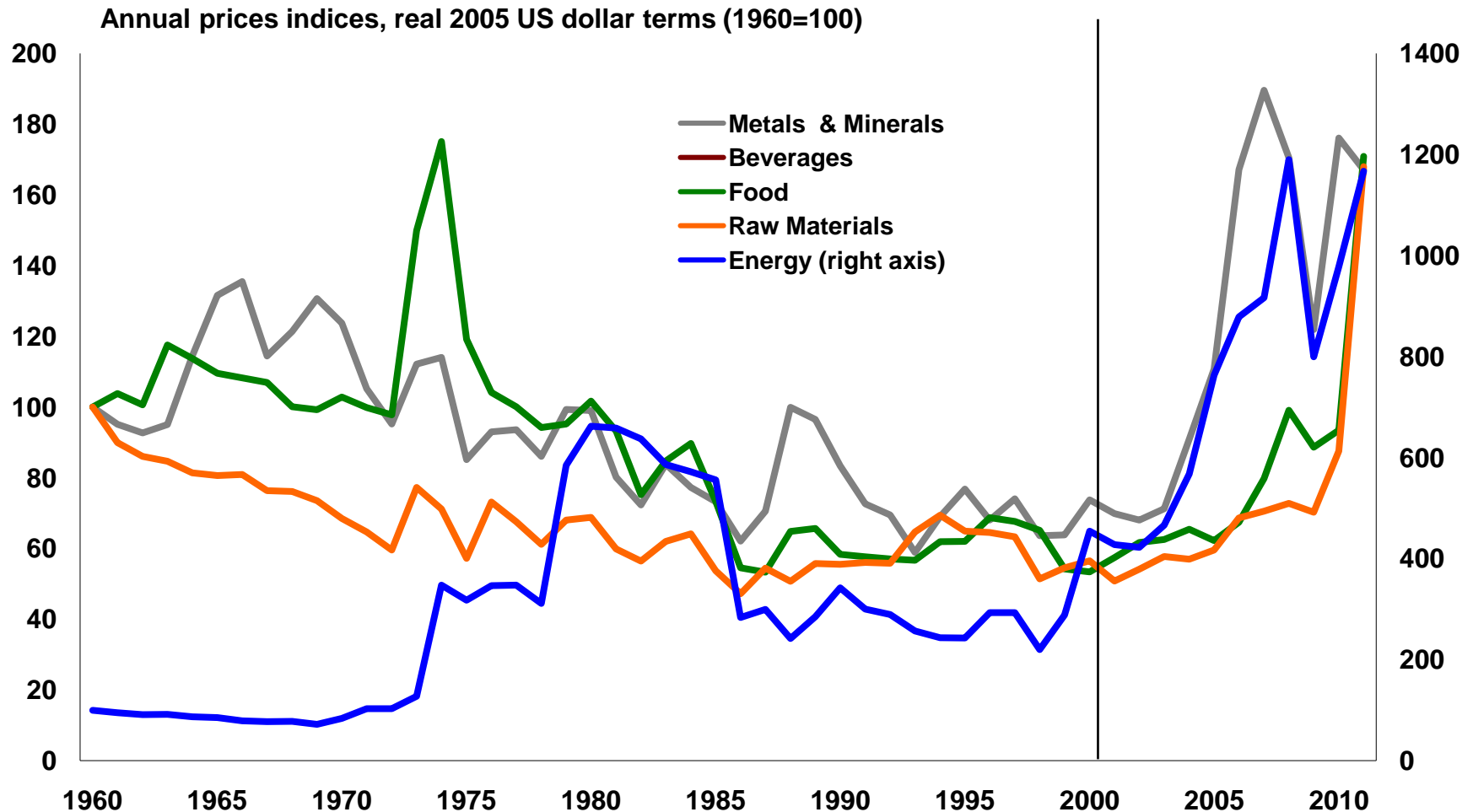


# Take home message

- LDCs build productive capacities facilitating the emergence of **new economic activities** that produce new and more productive goods and services

# **CHALLENGE: SHIFT IN PRICES OF COMMODITIES AND MANUFACTURES**

# Breaking historical trend, commodities are booming since 2000

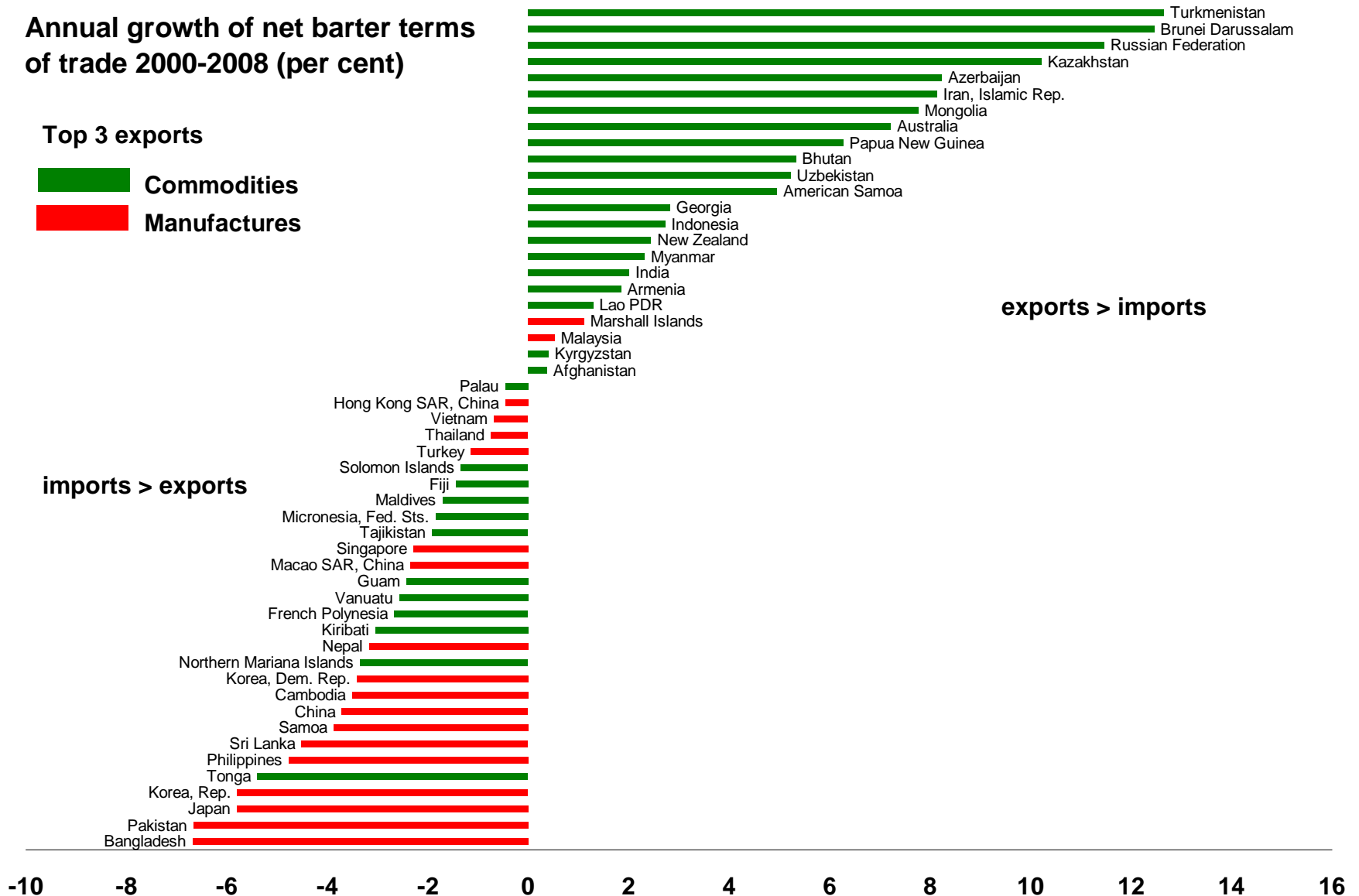


# Shifting prices of commodities and manufactures

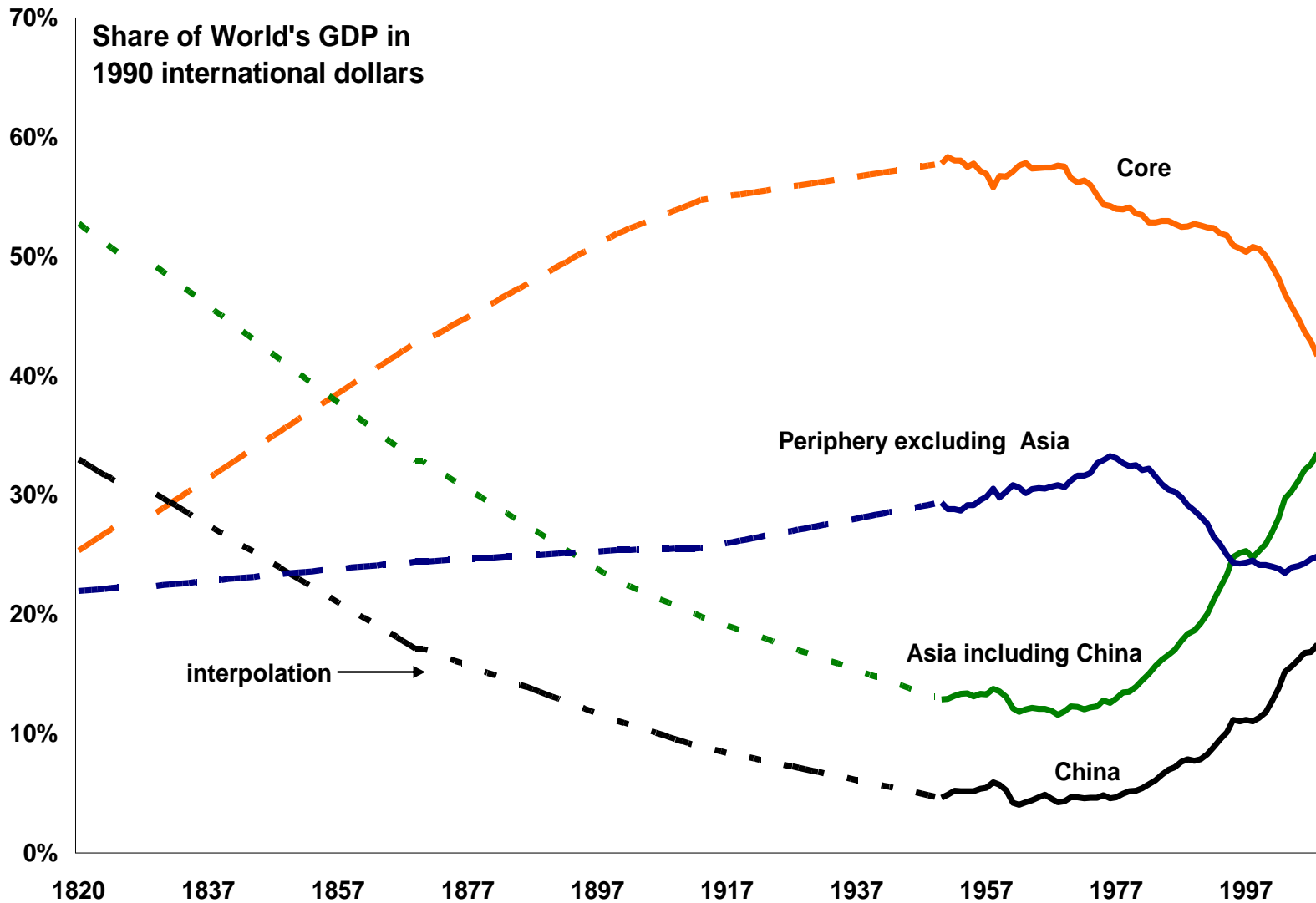
Annual growth of net barter terms of trade 2000-2008 (per cent)

Top 3 exports

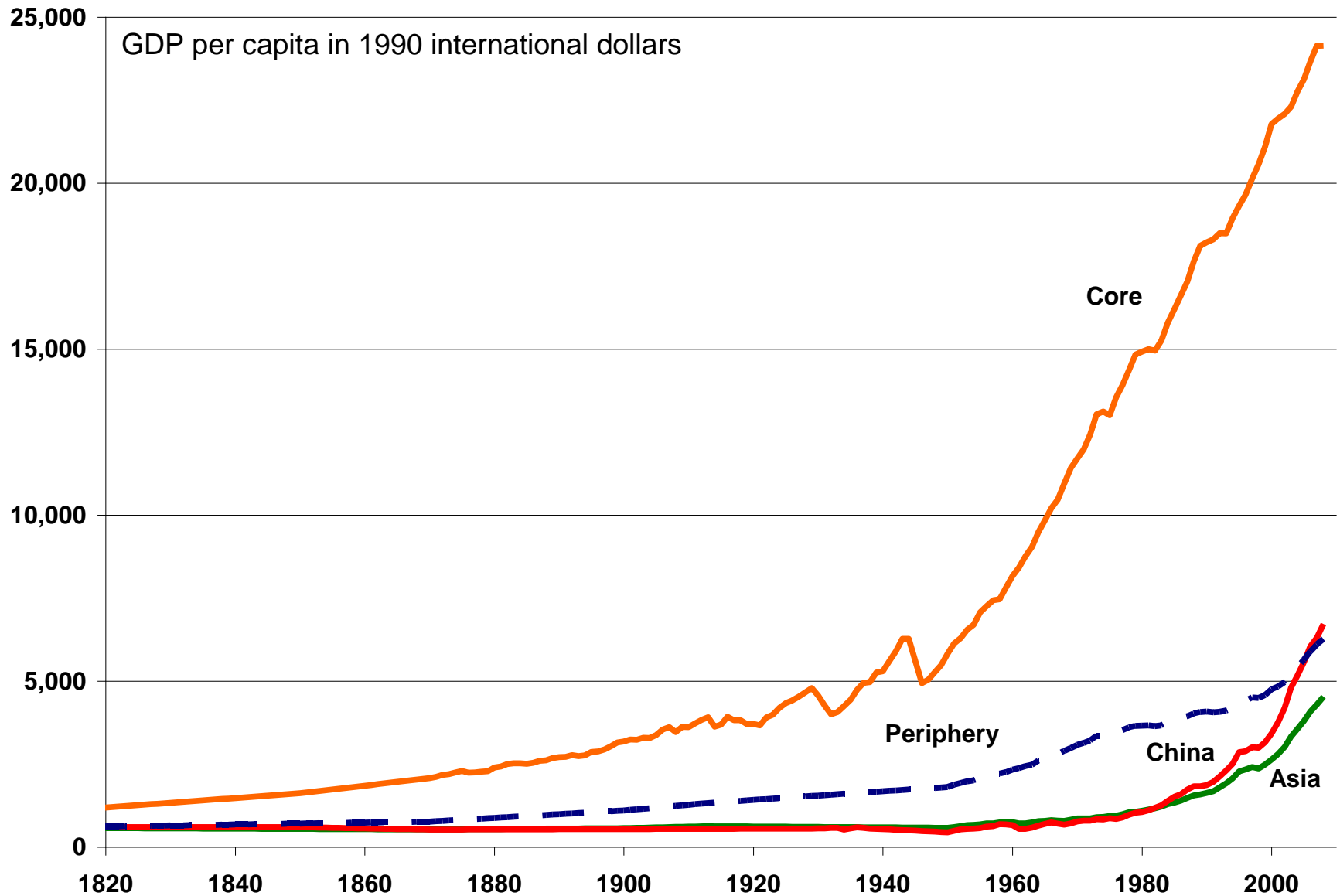
■ Commodities  
■ Manufactures



# Commodity boom is not unprecedented

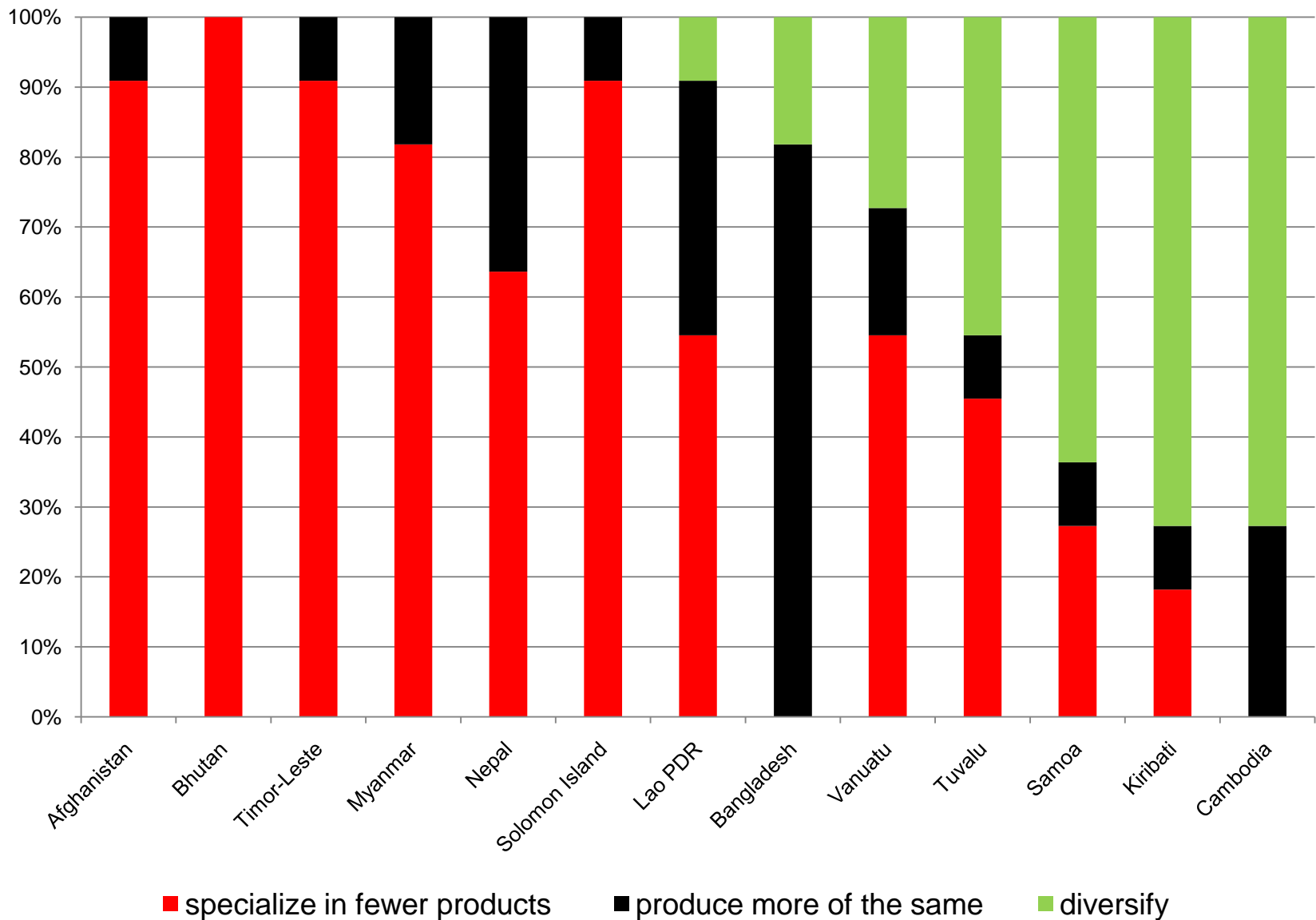


# The great income divergence



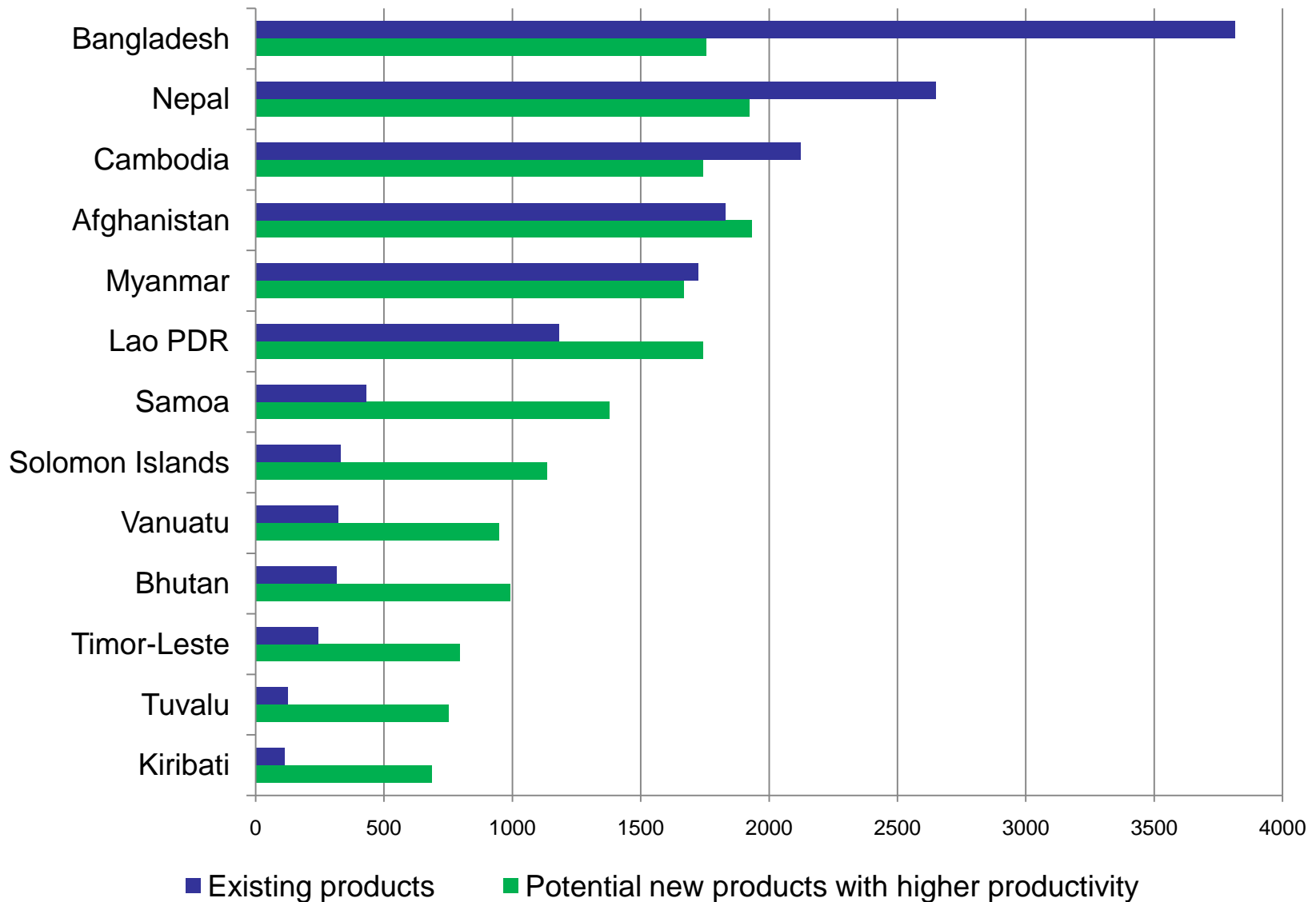


# Effect of shift in prices

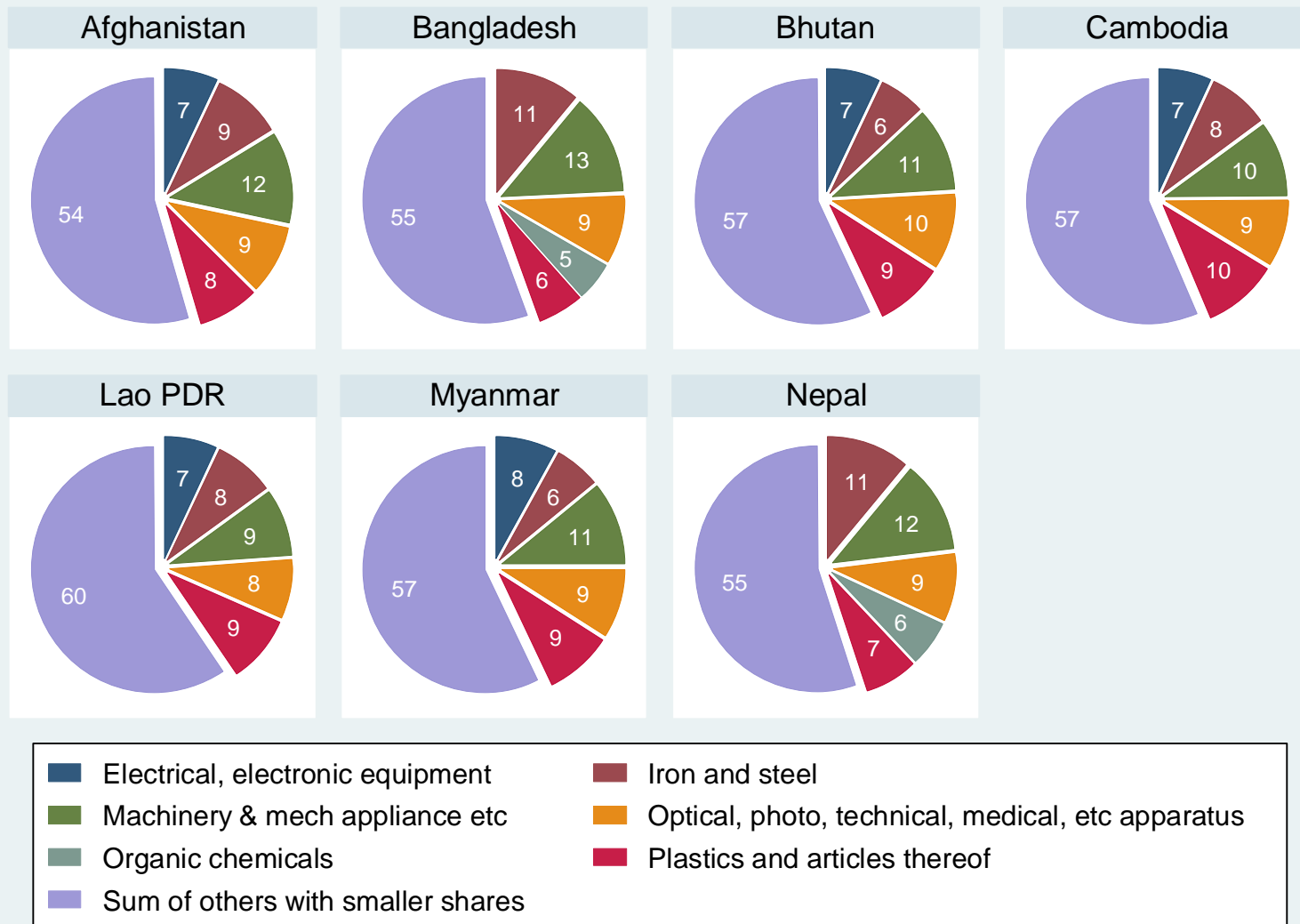


# **OPPORTUNITIES FOR BUILDING PRODUCTIVE CAPACITIES**

# Opportunities for diversification

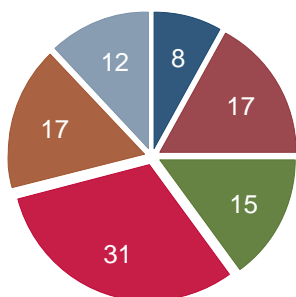


# Export opportunities

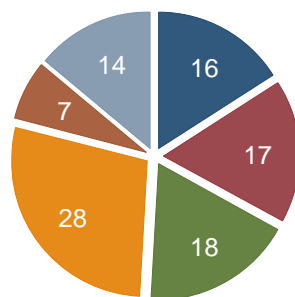


# Export opportunities in agro-industries

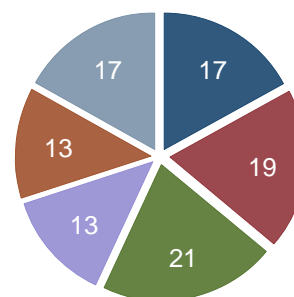
Kiribati



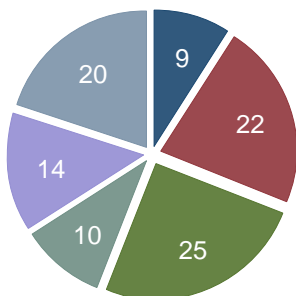
Samoa



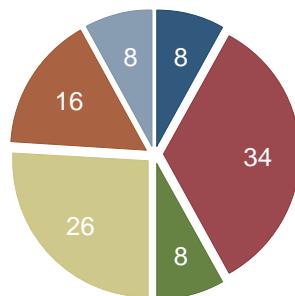
Solomon Islands



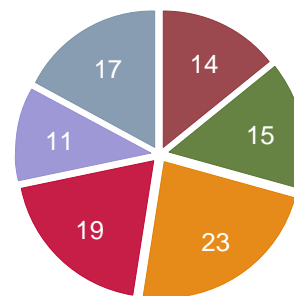
Timor-Leste













Tuvalu

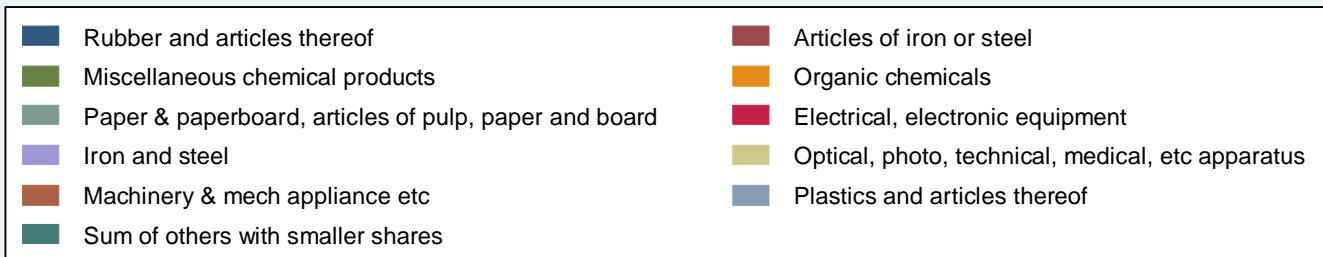
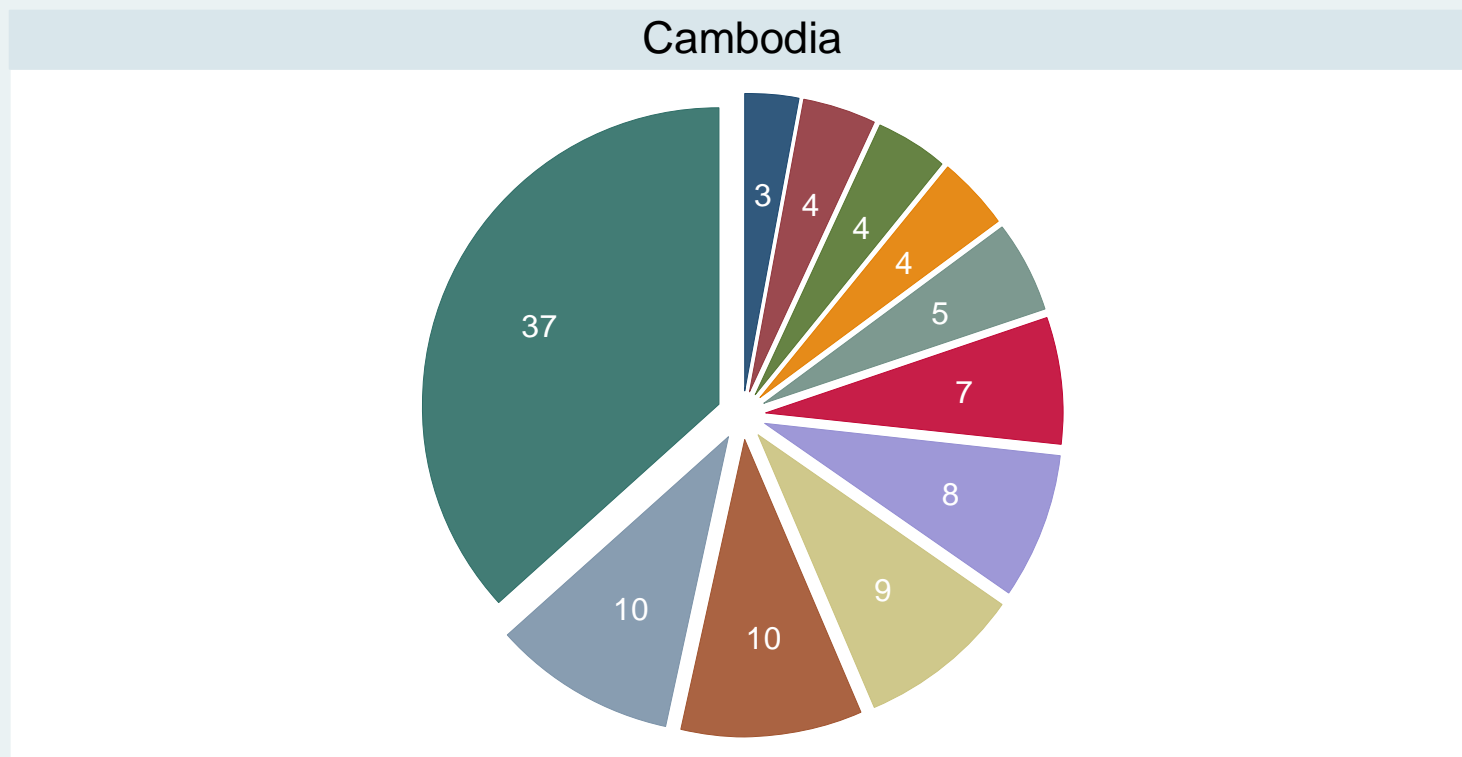


Vanuatu



- |   |  |
|---|--|
|  Animal, vegetable fats and oils, cleavage products, etc |  Cereal, flour, starch, milk preparations and products |
|  Cocoa and cocoa preparations                            |  Dairy products, eggs, honey, edible animal products   |
|  Edible vegetables and certain roots and tubers          |  Meat and edible meat offal                            |
|  Meat, fish and seafood food preparations                |  Sugars and sugar confectionery                        |
|  Vegetable, fruit, nut, etc food preparations            |  Sum of others with smaller shares                     |

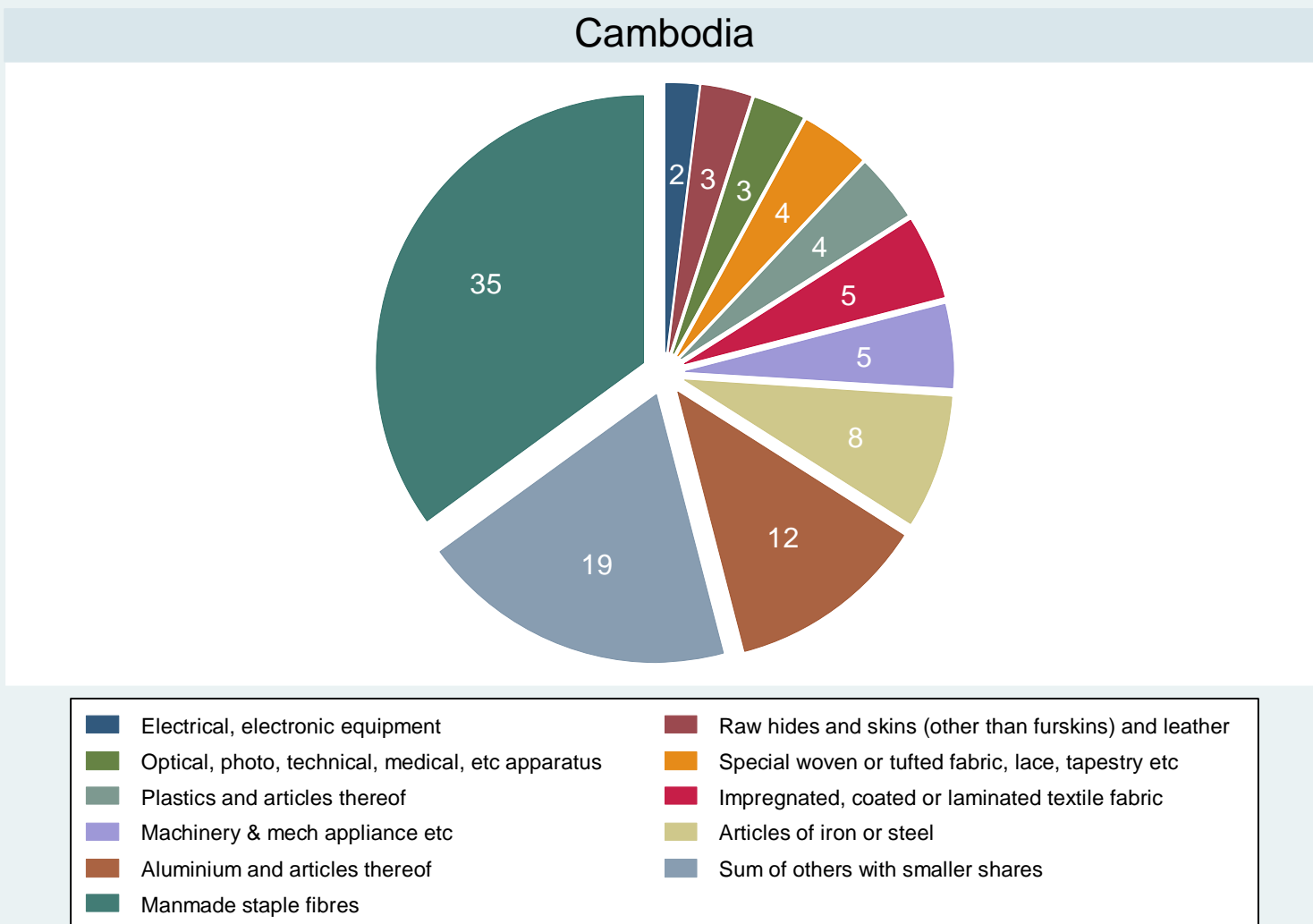
# Export opportunity



# Sample of list of potential new products for diversification with high export opportunities - Cambodia

(HS code 6-digit) Description, price range	Export opportunity (US\$ Million)	Top markets (US\$ Million)									
		top1	top2	top3	top4	top5	top6	top7	top8	top9	top10
(390319) Polystyrene other than expansible, in primary forms, \$1-2	44.25212	CN 30.3	UA 2.7	BY 1.6	IL 1.3	KR 1.3	VN 1.3	EG .9	PT .9	DO .7	HU .7
(390320) Styrene-acrylonitrile (SAN) copolymers, in primary forms, \$1-3	13.85478	CN 8.6	HK .8	KR .7	EG .6	ES .5	RU .5	IN .3	PL .3	SG .2	NL .2
(390330) Acrylonitrile-butadiene-styrene (ABS) copolymers, in primary forms, \$0-2	22.76941	CN 4.2	IT 4	IE 2	TR 1.8	NG 1.6	IN 1.2	AT 1.1	DK .9	BE .8	IR .8
(390330) Acrylonitrile-butadiene-styrene (ABS) copolymers, in primary forms, \$2-3	37.11908	DE 5.7	BR 3.8	SK 3.4	MX 3.3	TH 3.2	IN 2.8	MY 2.5	PL 2.4	JP 1.9	RU 1.6
(390390) Polymers of styrene, in primary forms (excl. of 3903.11-3903.30), \$0-1	17.26442	GB 3.4	CA 2.5	FR 2.4	CL .9	AR .7	UA .6	CN .6	RU .5	KR .4	AU .4
(390390) Polymers of styrene, in primary forms (excl. of 3903.11-3903.30), \$1-3	29.65704	DE 6.1	CN 5	US 2.8	JP 2.2	UA 2	TH 1.8	SE 1.4	VN 1.2	PT .9	IN .9
(390410) Poly(vinyl chloride), not mixed with any oth. subs., in primary forms, \$1-1	44.34544	BR 14.6	UA 9.4	IN 3.7	RU 3.6	MA 1.4	BY 1.4	BH .9	NG .9	RO .7	GR .7
(390421) Poly(vinyl chloride), non-plasticised, in primary forms (excl. of 3904.10), \$0-1	23.66221	IN 14.9	FR 3.6	MX 2.6	CZ .4	AT .4	DZ .3	CO .3	IT .2	US .2	EG .1
(390421) Poly(vinyl chloride), non-plasticised, in primary forms (excl. of 3904.10), \$1-2	9.895069	UA 2.3	SA 1.2	IN 1.1	BE .9	RU .8	BR .7	BY .5	AR .3	SE .3	EG .2
(390422) Poly(vinyl chloride), plasticised, in primary forms (excl. of 3904.10), \$0-1	10.37963	DE 2.6	PL 1.2	IN 1	UA .8	BR .7	VN .5	SG .5	DZ .4	FI .3	TH .2
(390422) Poly(vinyl chloride), plasticised, in primary forms (excl. of 3904.10), \$1-3	16.36703	MX 2.5	UA 1.6	HK 1.4	BE 1.4	RU 1.2	EG .8	SG .8	CZ .8	BR .6	CL .5
(390599) Polymers of vinyl acetate/of oth. vinyl esters, in primary forms, n.e.s. in ..., \$0-4	11.88182	BR 3.1	CN 3.1	CA 1.2	IN .9	GB .8	TR .6	NL .5	AT .3	MX .3	BE .1
(390610) Poly(methyl methacrylate), in primary forms, \$2-17	12.8207	CN 5.9	EG 2.3	PL 1.2	KR 1.2	BE .4	RU .3	AU .2	IL .2	BR .1	US .1
(390690) Acrylic polymers other than poly(methyl methacrylate), in primary forms, \$4-9	18.26171	NL 6.5	KR 3.4	EG 2.4	IN 1.2	CN 1.1	IR 1	TR .8	TH .2	CA .2	PL .2

# Import replacement opportunity





# Sample of list of potential new products for diversification with high import replacement opportunities - Cambodia

(HS code 6-digit) Description, price range	Import replacement opportunity (US\$ Million)
(551599) Woven fabrics of synth. staple fibres, n.e.s., \$6-30	76.752724
(760612) Plates, sheets & strip, rect. (incl. square), of a thkns. >0.2mm, of alumin ..., \$3-6	34.305922
(551529) Woven fabrics of acrylic/modacrylic staple fibres, other than that mixed ma ..., \$9-29	27.514079
(730120) Welded angles, shapes & sections of iron/steel, \$1-9	18.023877
(590320) Textile fabrics impregnated/coated/covered/laminated with polyurethane othe ..., \$0-10	13.81723
(411510) Composition leather with a basis of leather/leather fibre, in slabs/sheets/ ..., \$4-27	9.152358
(844859) Parts & accessories of the machines of 84.47/of their auxiliary mach. (excl ..., \$20-179	8.203415
(900110) Optical fibres, optical fibre bundles & cables (excl. of 85.44), \$0-56	6.448329
(580429) Mechanically made lace in the piece/in strips/in motifs, other than fabrics ..., \$9-65	6.362488
(310590) Mineral/chem. fertilisers cont. 2/3 of the fertilising elements nitrogen, p ..., \$0-0	4.876296
(700529) Float glass & surface ground/polished glass, non-wired (excl. of 7005.10), ..., \$4-7	3.817506
(854790) Insulating fittings for electrical machines/appls./equip.(excl. of 85.46, 8 ..., \$0-10	3.662182
(520419) Cotton sewing thread, not put up for retail sale (excl. of 5204.11), \$3-26	3.629976
(580631) Narrow woven fabrics (excl. of 5806.10 & 5806.20), other than gds. of 58.07 ..., \$10-37	3.070819
(390421) Poly(vinyl chloride), non-plasticised, in primary forms (excl. of 3904.10), \$1-2	2.60176
(721070) Flat-rolled prods. of iron/non-alloy steel, of a width of 600mm/more, paint ..., \$0-1	2.379834
(281511) Sodium hydroxide (caustic soda), solid, \$0-3	2.348977
(691090) Ceramic sinks, wash basins, wash basin pedestals, baths, bidets, water clos ..., \$45-45	1.870276
(843710) Machines for cleaning/sorting/grading seed/grain/dried leguminous vegetable ..., \$5047-30750	1.868753
(560129) Wadding; oth. arts. of wadding other than of cotton/man-made fibres, \$3-13	1.840974
(730820) Towers & lattice masts of iron/steel, \$2-8	1.836965
(853530) Isolating switches & make-& break switches, for a voltage >1000V, \$14-59	1.813044
(740710) Bars, rods & profiles, of ref. copper, \$0-7	1.809495
(845150) Machines for reeling/unreeling/folding/cutting/pinking textile fabrics, \$5600-31311	1.726952
(210112) Preparations with a basis of extracts/essences/concs. of coffee/with a basi ..., \$3-12	1.713437
(480255) Paper & paperboard, not cont. fibres obt. by a mech./chemi-mech. process... ..., \$0-0	1.635419
(731823) Rivets of iron/steel, \$4-22	1.616533
(560122) Wadding; oth. arts. of wadding, of man-made fibres, \$0-5	1.581045



- 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
- Build productive capacities by diversifying economic structure beyond existing range of products in favour of complex and high-value adding products
- Combined efforts of a development State and the private sector with a supportive role played by development partners to strategically identify a diversification path



**Thank you**

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