

ESCAP's Structural Transformation in NCA

– some points for discussion

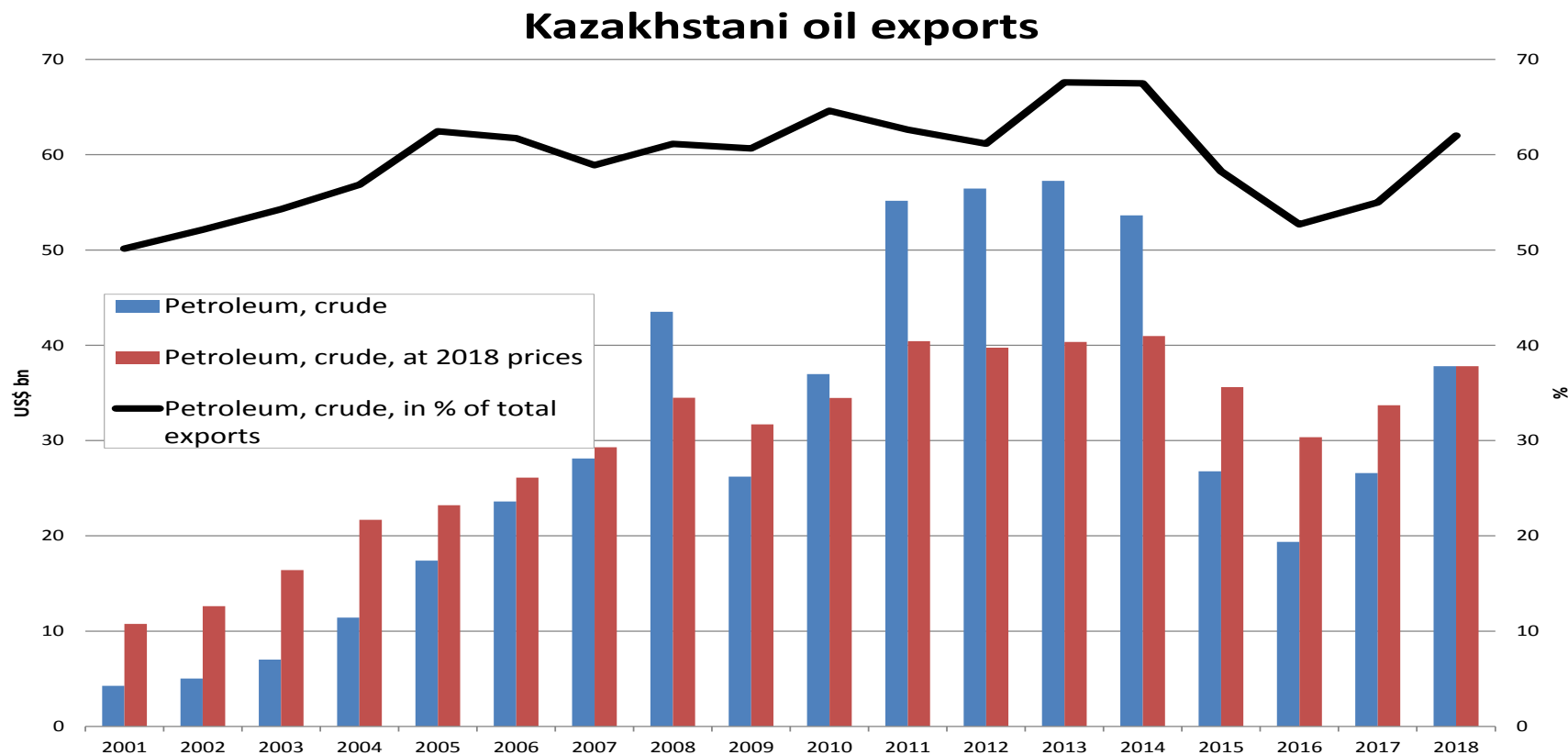


European Bank
for Reconstruction and Development

From the report – 4 main topics I would like to discuss

- In landlocked developing countries the **focus must be on economic diversification, including through attracting foreign direct investment** and mitigating the consequences of premature deindustrialization. (p3)
- Economic diversification away from extractive industries and mitigating “primitivization” of the industrial base require an **active State policy aimed at incentivizing development of the manufacturing sector and productive services.** (p11)
- This policy needs to facilitate the domestic business sector’s development and its **engagement with the regional value chains, as well as to increase access to global markets.** (p11)
- **...the Eurasian Economic Union and the Belt and Road Initiative** stand out as the integration initiatives with extensive potential **to accelerate structural transformation....** (p12)

Kazakhstan: No export diversification away from oil; Kashagan, Tengiz might boost oil further.



Sources: TradeMap, IMF, own calculations

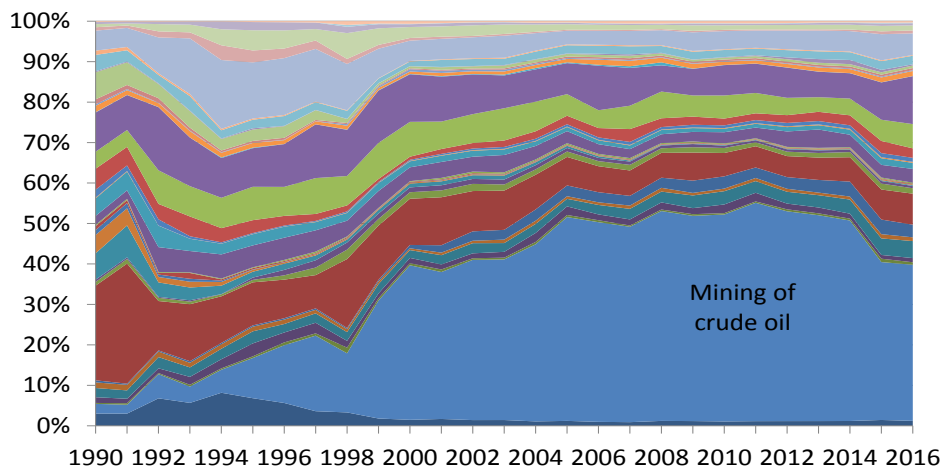
There has been a fall of the share of mining (including oil and gas) in GDP from 19.5 per cent in 2010 to 15.2 per cent in 2018, basically in favour of trade. There has been little change also in the structure of other exports. Investment: about 40 per cent of fixed investment went to mining in 2018.

Little evidence of diversification also in industry and FDI

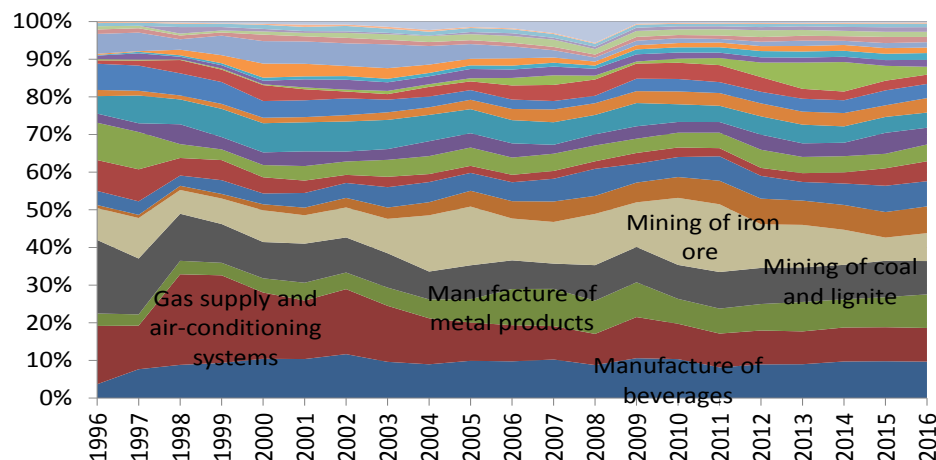


European Bank
for Reconstruction and Development

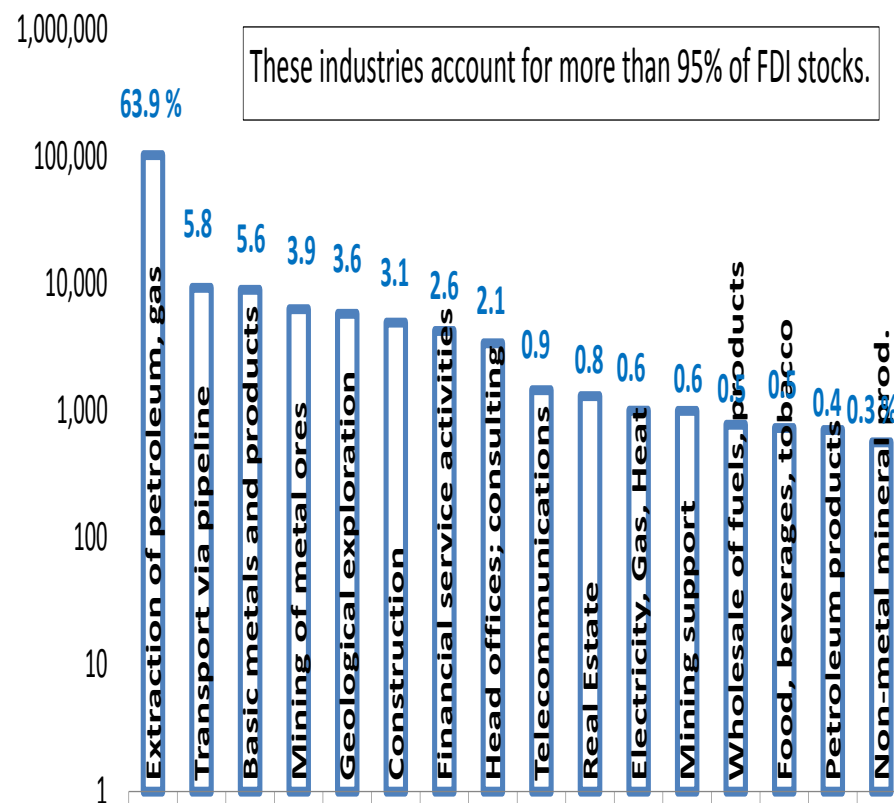
Share in industrial production,
current prices



Little industries, totaling 18% of industrial production
in 2016, show also little change in relative weights.



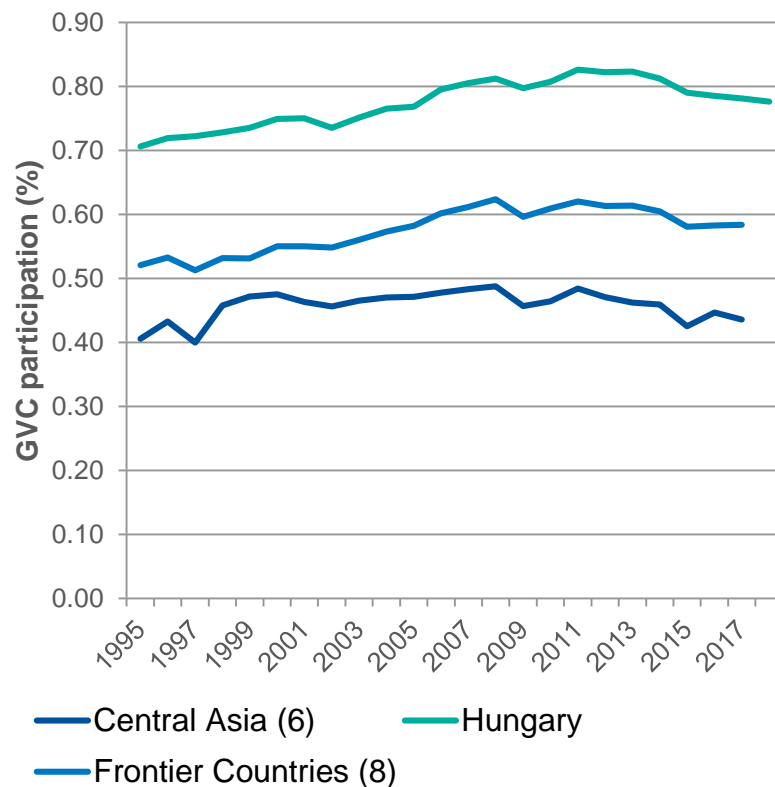
Inward direct investment stocks as of 30 June 2017,
US\$ million



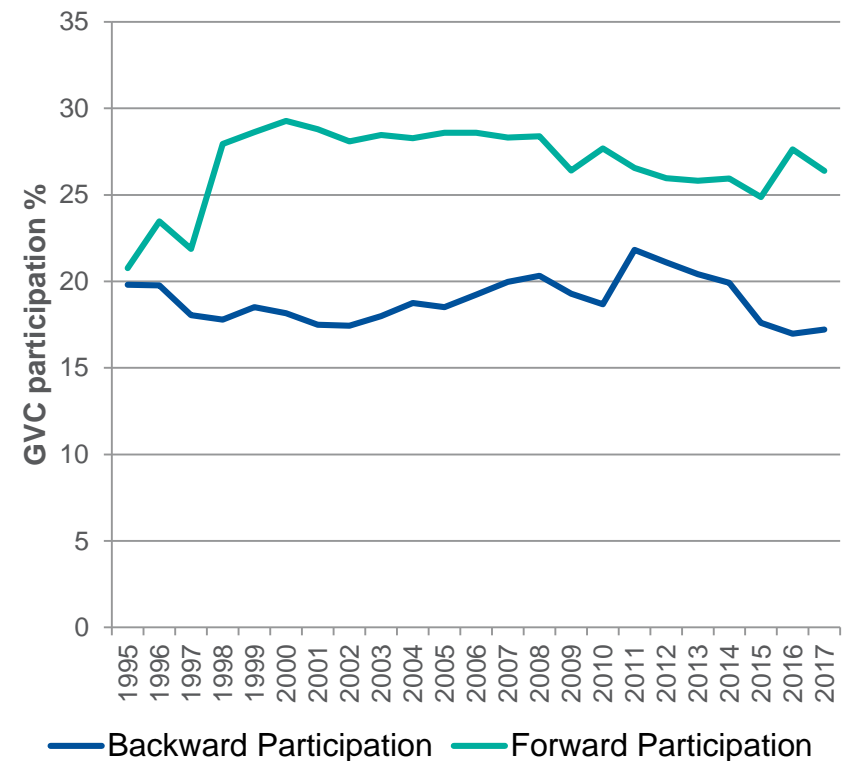
Sources: Statistics Committee, NBK, own calculations

Low and stagnating integration into global value chains

Global value chain integration of Central Asia has been stagnating



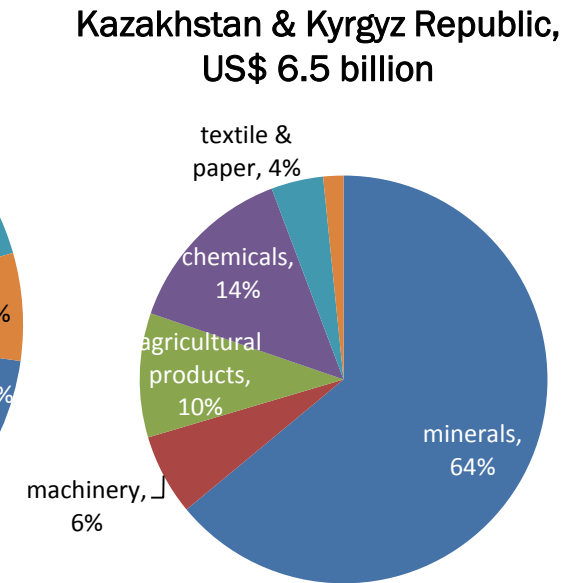
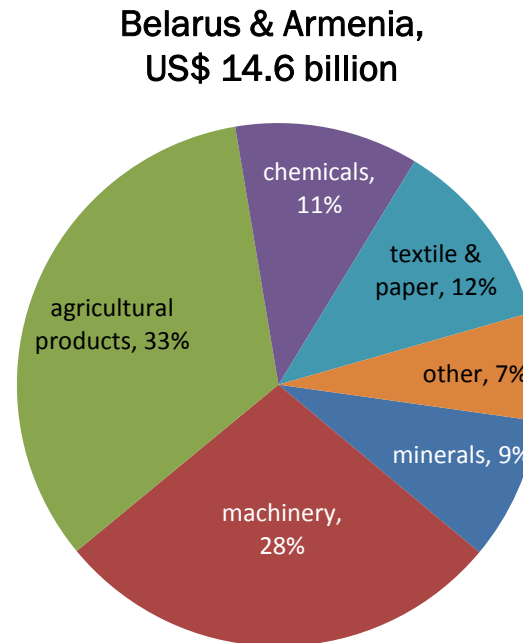
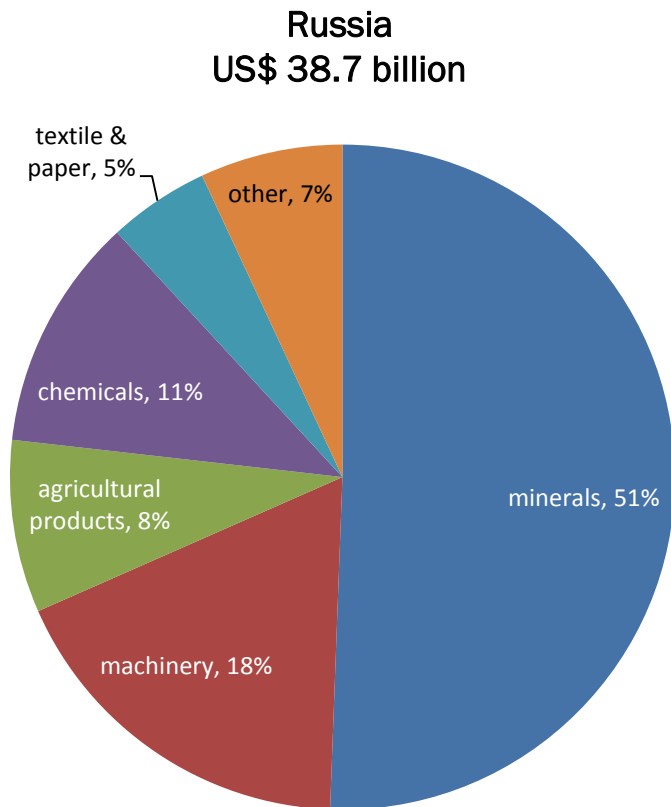
...and is dominated by forward participation due to reliance on exports of basic commodities



Source: EORA-UNCTAD

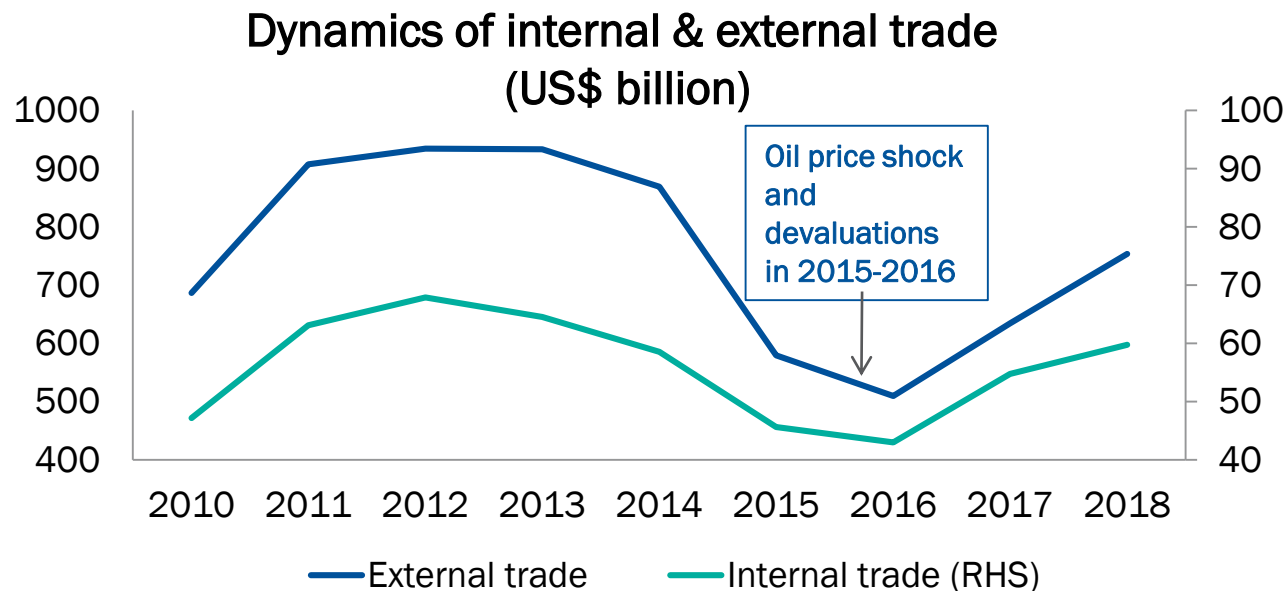
Trade within the EAEU is also dominated by resource-intensive products.

Structure of exports within EAEU, 2018

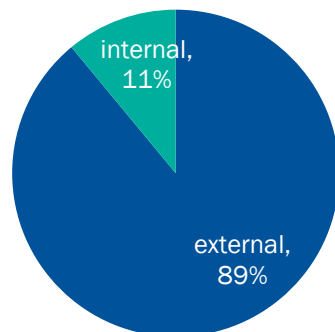


Source: Eurasian Economic Commission

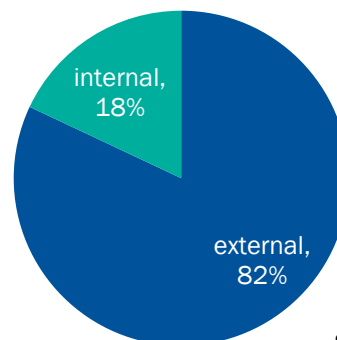
Trade within EAEU is less than 10% of external trade. How promising is further integration?



Export structure, 2018



Import structure, 2018



Four common sectoral markets envisaged for 2025: medical products, electricity, financial markets, oil & gas markets

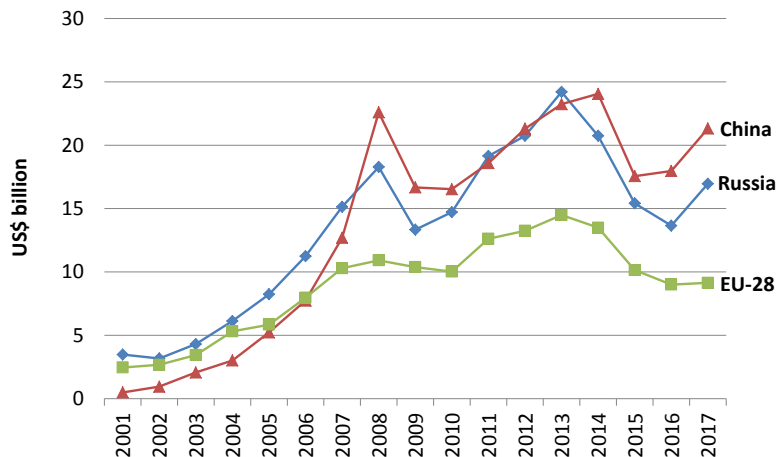
Source: Eurasian Economic Commission

China's weight has increased substantially. This intensifies import competition, but has done little yet for export complexity.

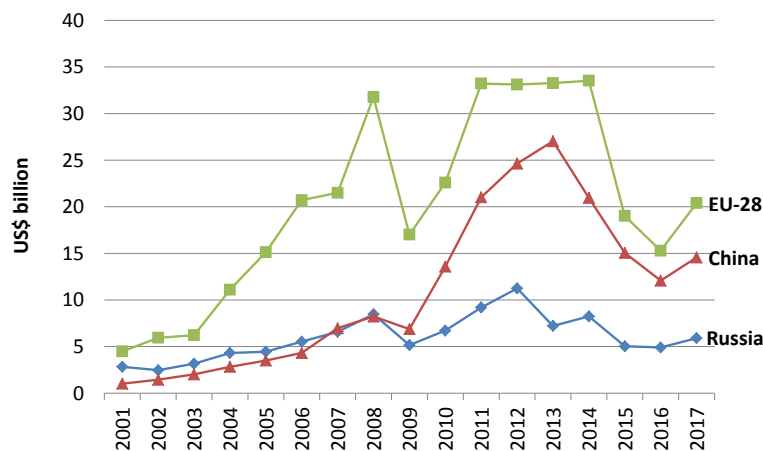


European Bank
for Reconstruction and Development

Exports to the 5 Central Asian countries

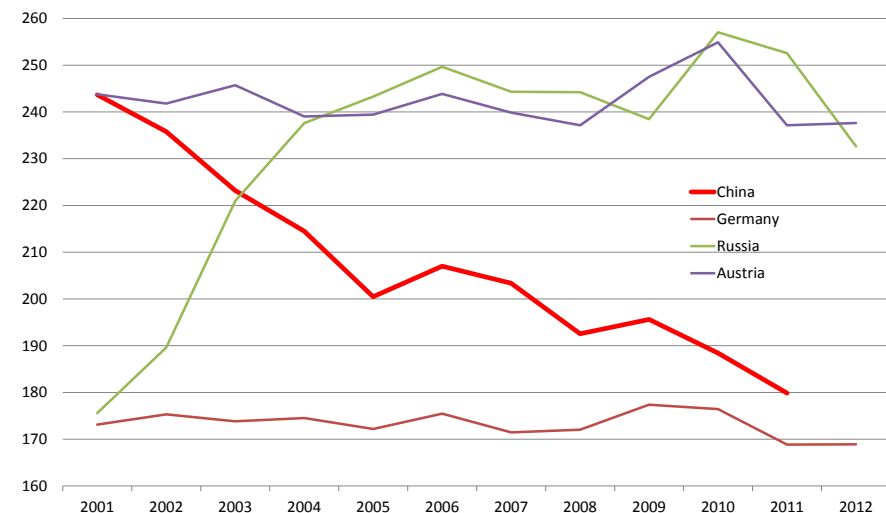


Imports from the 5 Central Asian countries



..as China's trade costs drastically decreased.

"Trade costs"



Will the opening up of Uzbekistan boost Central Asian regional integration??

Sources: TradeMap, ESCAP database: International Trade Costs

Three questions I have been struggling with for a long time; the report provides answers.
(But discussions continue, of course)



- What means diversification for North and Central Asia?
- What should be the focus and the methods of industrial policy in NCA?
- In what way and in which direction should North and Central Asia's integration into regional and global value chains best advance?

For example:

Does Kazakhstan's *Strategic plan 2025* get it right?



European Bank
for Reconstruction and Development

- New Human Capital
- Technological renewal and digitalization
- Competition and competitive business
- A law-based state without corruption
- Strong Regions and Urbanization
- Modernization of public consciousness
- Public Sector as a Leader of Change

I. Важнейшие прорывные изменения

Системные реформы

II. Эволюционный путь: приоритетные политики реализации Стратегии "Казахстан 2050"

- 1 Стимулирующая макроэкономическая политика
- 2 Конкурентоспособность отраслей экономики
- 3 Развитый финансовый рынок
- 4 Активное привлечение инвестиций
- 5 Обеспечение высокого качества жизни
- 6 Зеленая экономика и охрана окружающей среды
- 7 Проактивная внешнеэкономическая политика

