



Division for Africa, Least Developed Countries and  
Special Programmes (ALDC)  
UNCTAD

# A joint ESCAP-UNCTAD workshop on “Promoting Structural Transformation in Asia-Pacific Landlocked Developing Countries

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# Session 3: Export diversification and structural economic transformation in Asia-Pacific LLDCs.

# Outline of the presentation

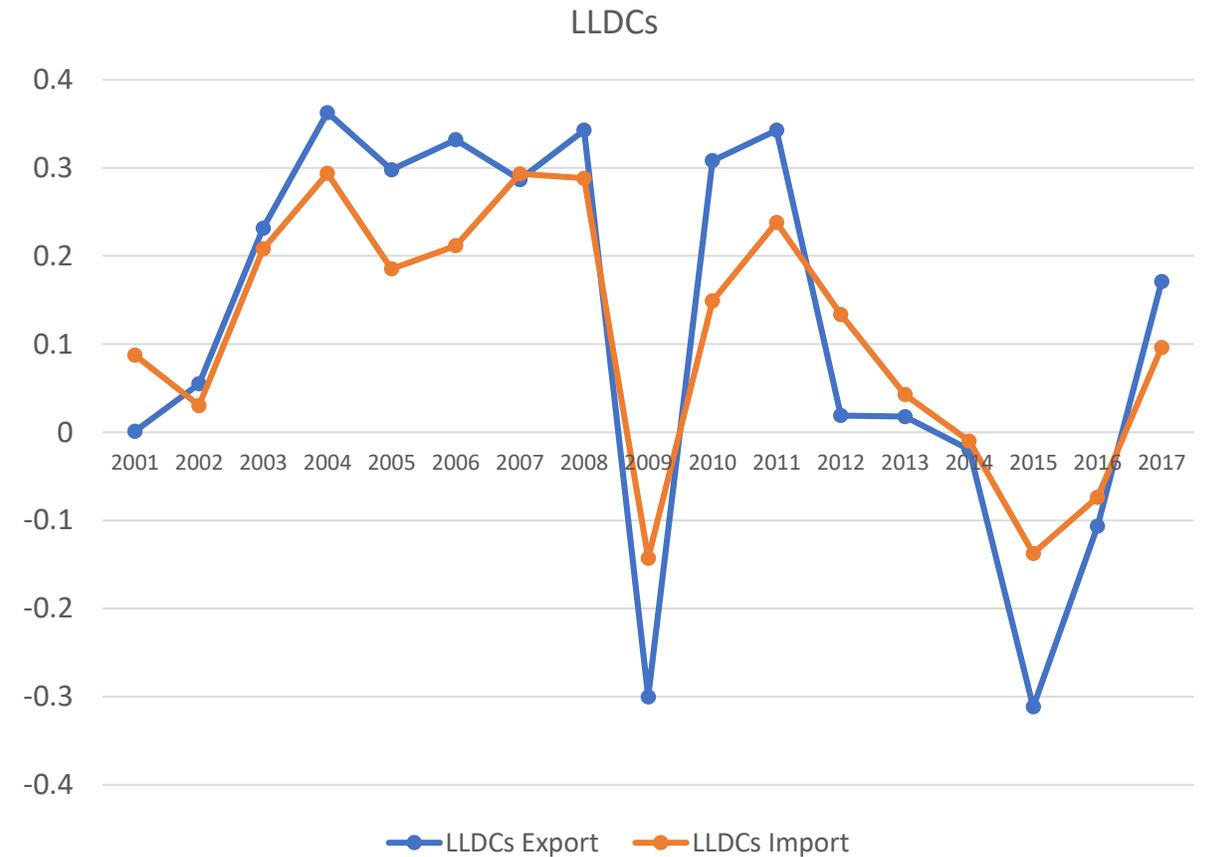
- I. Trade ( merchandize exports-imports) performances of LLDCs
- II. Why diversification matters for LLDCs?
- III. Prospects and opportunities for diversification in Asian LLDCs;
- IV. Scope for diversification and potential export markets;
- V. Factors limiting or undermining diversification efforts;
- VI. Conclusions with some implications for policy making

# I. LLDCs' Trade Performance (Merchandise)

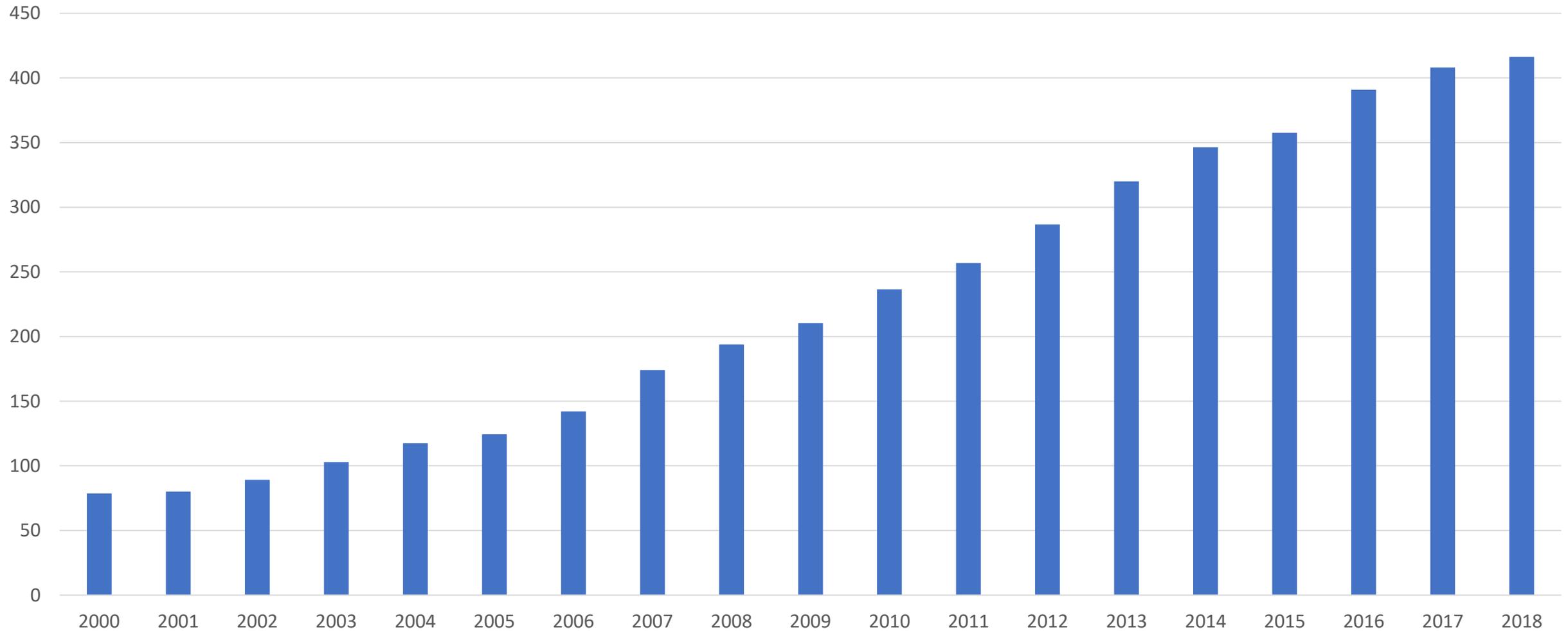
Exports and Imports in millions of US dollars (2000-2017)



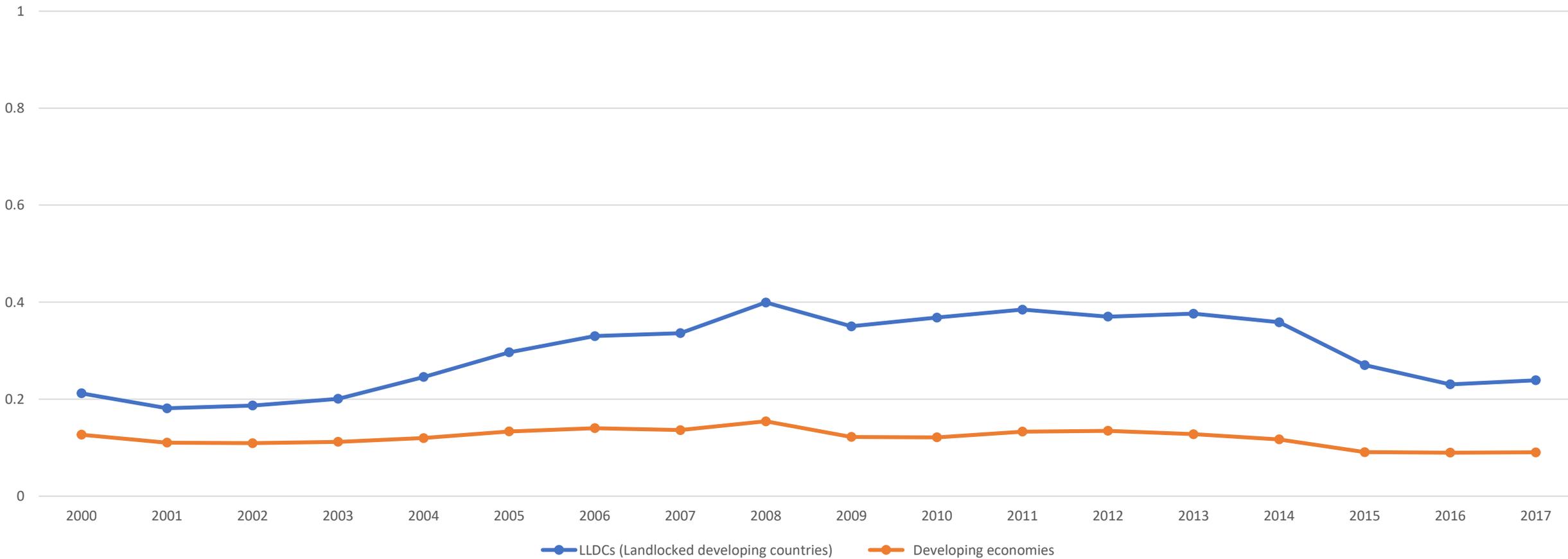
# LLDCs' trade balance (millions of US\$) and rates of growth in exports and imports (2000-2017)



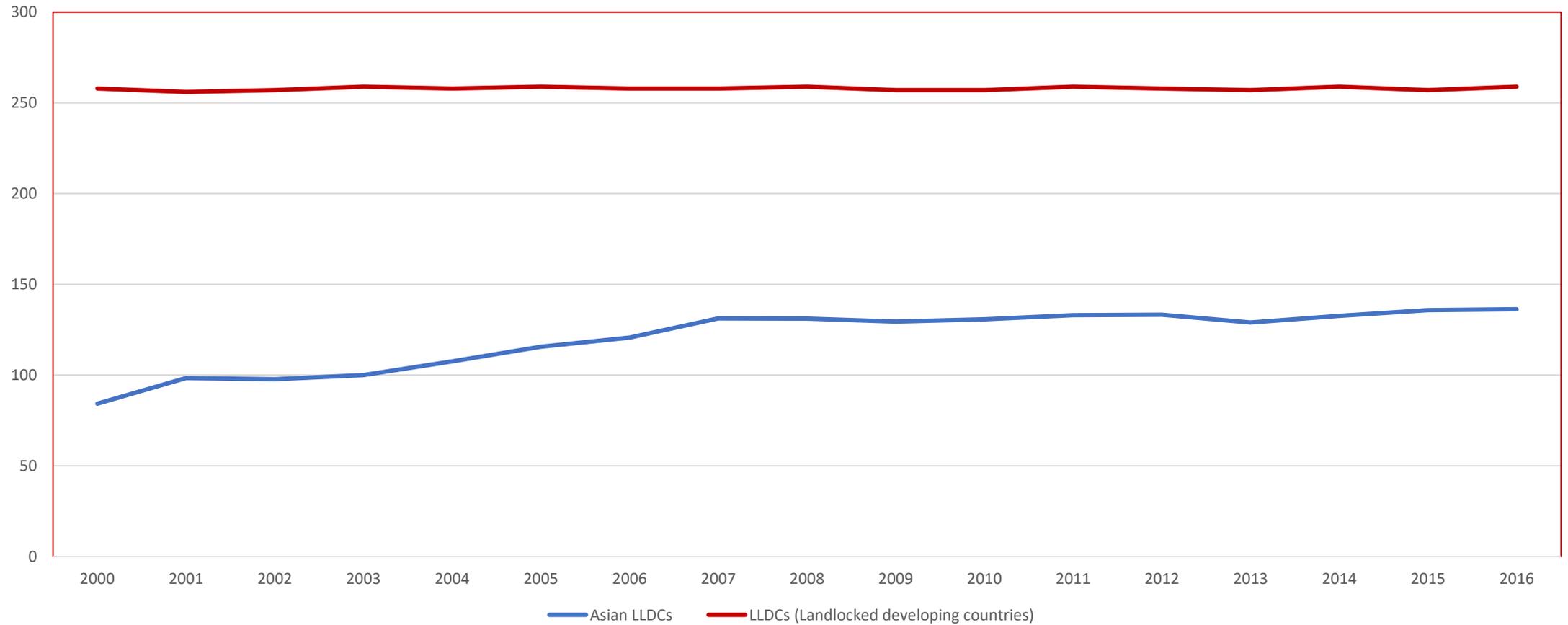
# Mounting External Debt Stocks of LLDCs (Current US\$ Billions, 2000-2018)



# Merchandise Export Concentration Index: LLDCs and Other Developing Economies (2000-2017)



# Number of Export Products: LLDCs and Euro-Asian LLDCs (2000-2016)



# I. Why diversification matters for LLDCs?

Economic diversification is key to:

- boost economic growth and generate positive externalities;
  - mitigate external shocks, build resilience and stave off fragility of growth;
  - Improves terms of trade (ToT) and reduce trade imbalance;
  - enhance the import content of exports with improved overall balance of payments (BoP)
  - create jobs, maximize export earnings, and build international competitiveness of nations by reducing unit cost of trade;
  - effective use of scarce resources, enhance dynamic gains from international trade, and ensure inclusive and sustainable development in LLDCs;
- ❖ ***For LLDCs, diversification has become persuasive more today than ever before!***

## II. Prospects and opportunities for diversification in Asian LLDCs

- There is scope for diversification in Asian LLDCs
- Agro-processing, light manufacturing, tourism, dairy products, textile and clothing, footwear, leather and leather products offer opportunities for diversification in the region;
- In Asia, dynamic regional markets and growing household incomes offer new scope for diversification
- At policy level, there is a recognition of diversification as important policy objective (although there is no single blueprint how to do it);

# (Continued)..Prospects and opportunities for diversification

- Some advocate for vertically integrated industries while others successfully transformed their economies through RVCs and GVCs
- Some others recommend to diversify within existing economic or export structure (Intensive Margin)
- Still many others suggest gradual, step by step, horizontal diversification (Extensive margin);
- ❖ ***Irrespective of diversification avenues, East Asian experience suggest that developing countries need to adopt export-led growth strategy with labor-intensive manufacturing as a starting point.***

# III. Scope for diversification and potential export markets

## **(a) Kazakhstan**

Metals (copper, zinc and aluminum) ferrous metals, wheat and processed cereals, oil seeds and light machinery offer export potential of **US\$ 5 billion in a year**

### **Potential markets**

China, Russia, Turkey, Germany, Japan (metals), Iran (wheat), Uzbekistan (oil seeds), USA

## **b) Turkmenistan**

Plastics and rubber, cotton fabric, home textiles apparel, pistachios, beans and black tea offer export potential of about **US\$ 500-600 million a year**

### **Potential markets**

Russia, Turkey, China (cotton fabric, UAE, U.K., USA (apparel)

# Scope for diversification and export markets

## **(C) Mongolia**

Wool and animal hair (fabric), Cashmere, pine nuts, equine meat, copper and cathodes, apparel including jerseys and pullovers offer export potential of

**about US\$ 100 million a year**

### **Potential markets**

Italy (wool and animal hair), Sri Lanka, Vietnam and Taiwan Province of China (pine nuts), Indonesia (copper cathodes), Switzerland, Belgium and France (equine meat)

## **(d) Bhutan**

Ferrous metals, spices, raw sugar cane, legumes (dried and shelled), palm oil, Portland cement among the top products with export potential

**US\$ 100 million a year**

### **Potential markets**

India, Italy, Germany (Ferrous metals), India and Bangladesh (spices)

# V. Factors limiting or undermining diversification efforts

- Each of the countries studied has specific or unique limitations. However, the following appear to be common across the countries examined
- All the countries are landlocked and face geographical challenges
- The four countries also depend on extractive sectors with all the risks and pitfalls.
- Kazakhstan and Turkmenistan transition from planned economies to mixed economic system. The reforms that follow posed daunting challenges on institutional capacities
- The private sector is weak, and the business environment though improved still along way to go.

## ..Continued (Factors limiting or undermining)...

- Distance from export markets and high trade cost hampered competitiveness;
- Weak capacities to **comply with international** sanitary and phytosanitary standards (for meat and other food stuff); and
- **Technical standards (for manufacturing)** restrict the realization of potential export markets

## V. Conclusions with some implications for policy making

- Export diversification requires building productive capacities. LLDCs need to pay attention to this in formulating and implementing domestic trade policies
- It requires enabling macro and microeconomic policies with diversification in export-oriented manufactures;
- Successful export diversification strategy also needs coherent trade, investment and industrial policies;
- LLDCs need to take advantage of the potential existing in the regional markets, which are less demanding in terms of standards.

## (Continued)...Conclusions with some implications for policy making

- The provision of targeted incentives to firms and industries that:
  - ✓ generate jobs with decent income,
  - ✓ innovate, lead to technological upgrading and catch-up,
  - ✓ with a clear drive to export diversification need to be examined;
- LLDCs need to identify regional or global value chains in the sector where they have comparative and competitive advantages