



Alternative Development Strategies for SIDS:

Building Competitiveness in New Industries



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Acronyms

APE	Selected exporters of agricultural products
ECLAC	United Nations Economic Commission for Latin America and the Caribbean
ECOSOC	United Nations Economic and Social Council
EEZ	Exclusive economic zones
EVI	Economic Vulnerability Index
FAO	Food and Agriculture Organization of the United Nations
FDI	Foreign direct investment
GDP	Gross domestic product
ICT	Information and communication technology
ILO	International Labour Organization
IPCC	Intergovernmental Panel on Climate Change
ITU	International Telecommunication Union
IUU	Illegal, unreported and unregulated fishing
LDC	Least developed country
LLDC	Landlocked developing country
MAN	Selected exporters of manufactured goods
MIC	Middle-income country
MME	Selected exporters of minerals and metals
ODA	Official development assistance
OECD	Organisation for Economic Co-operation and Development
PCI	UNCTAD Productive Capacities Index
R&D	Research and development
RCP	Representative Concentration Pathway
SER	Selected exporters of services
SIDS	Small island developing State
TNC	Transnational corporation
UNCTAD	United Nations Conference on Trade and Development
UNESCAP	United Nations Economic and Social Commission for Asia and the Pacific
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNWTO	United Nations World Tourism Organization
WIPO	World Intellectual Property Organization
WTO	World Trade Organization

1. INTRODUCTION

Small Island Developing States (SIDS) face severe structural challenges to their sustainable development. The United Nations recognises 38 SIDS,¹ which include some of the poorest and most isolated countries in the world, with relatively small populations and narrow endowments of land and natural resources.

SIDS are a heterogeneous group of countries, with considerable variations in their geographic, demographic and economic characteristics. Nevertheless, common physical characteristics of small size and geographic isolation contribute to their unifying trait: extreme vulnerability to environmental and economic shocks. For example, SIDS were hit hard by the 2008-2009 global financial crisis, from which they had not fully recovered by the time the COVID-19 pandemic plunged the global economy into recession. Compounding these economic shocks, SIDS are on the front lines of climate change, suffering mounting consequences from a humanmade environmental crisis for which they bear little responsibility.

The need to reduce vulnerability and build resilience to external shocks has guided collective efforts by SIDS and the international community. As part of the 2030 Agenda for Sustainable Development, the United Nations devoted an intergovernmental process to assisting SIDS, from which the most recent outcome document is the wide-ranging 2014 SIDS Accelerated Modalities of Action (SAMOA) Pathway, intended to guide international action towards sustainable development in SIDS.

The SAMOA Pathway provides policy guidance on economic, environmental and social priorities in SIDS, as well as on their means of implementation. Although the Pathway was hailed as the basis for a durable global partnership to address SIDS' unique vulnerabilities, its implementation has stalled. This is due to factors such as: insufficient affordable financing, decline in official development assistance (ODA) flows, slow progress on climate change adaptation and a lack of data collection and statistical analysis to support implementation (United Nations General Assembly, 2019). This paper aims to build on the parts of the Pathway devoted to building resilient economies in SIDS.² Economic development strategies are an important piece of the resilience-building agenda. They provide a blueprint for governments and incentives for the private sector to invest in new industries and infrastructure, ideally spurring a self-reinforcing cycle of economic growth and structural transformation, yielding a resilient economy – a pillar of any sustainable development plan.

In this paper, we seek to complement the general vision contained in the Pathway, with more detailed analysis and guidance on alternative economic development strategies for SIDS. This is not intended as a judgement of existing strategies in these countries, but instead to foster new ideas. This is in line with the SAMOA Pathway and the mandate of the United Nations Conference on Trade and Development (UNCTAD) mandate to assist

¹ SIDS' distinct context was recognised at the United Nations Conference on Environment and Development in Rio de Janeiro, Brazil in 1992. In this paper, we use the list of 38 United Nations Members classified as SIDS. See Annex 1 for the list of 38 United Nations Members, as well as the further 20 non-United Nations Members and Associate Members.

² See, for example, paragraphs 24 to 27: United Nations General Assembly (2014). Resolution 69/15: Small Island Developing States Accelerated Modalities of Action (SAMOA Pathway). Available at: <https://sustainabledevelopment.un.org/sids2014/samoapathway>. Retrieved 27 August 2020.

SIDS in building productive capacities, towards structural transformation, as envisioned in the 2016 Nairobi Maafikiano³ and the Report of the Secretary-General of UNCTAD ahead of the fifteenth session of the Conference.⁴

This paper proposes a two-part analysis. In Section 1, we build the case for economic development strategies as an important part of resilience-building in SIDS and the need to identify alternative strategies adapted to their context. Section 2 then proposes a simple framework to evaluate: what exists in terms of SIDS' endowments (Screen 1) and economic structures (Screen 2), to frame how SIDS are positioned to capitalise on future opportunities (Screen 3), in the context of, for example, global value chains and the Fourth Industrial Revolution.

From our analysis, we outline alternative strategies for different types of SIDS, including examples of new sectors, activities and technologies for development. To support these strategies, we recommend policies necessary for SIDS to build their competitiveness in new industries.

This paper does not presume to prescribe short-term fixes to the unique challenges facing SIDS. Instead, we intend for our analysis and recommendations to reinforce an ongoing strategic planning process in SIDS, towards long-term, sustainable economic development. In this respect, the paper is a first step towards more detailed analysis, policy advice and technical assistance on formulating development strategies adapted to SIDS' particular needs.

³ UNCTAD. (2016). Nairobi Maafikiano: From decision to action: Moving towards an inclusive and equitable global economic environment for trade and development. Fourteenth session, 17-22 July. Paragraph 76. United Nations Conference on Trade and Development. New York and Geneva. Available at: <https://unctad.org/webflyer/unctad-xiv-outcome-nairobi-maafikiano-and-nairobi-azimio>. Retrieved: 18 December 2020.

⁴ UNCTAD. (2021). Transforming trade and development in a fractured, post-pandemic world. Report of the Secretary-General of UNCTAD to the fifteenth session of the Conference. New York and Geneva: United Nations Conference on Trade and Development. Retrieved 18 December 2020.

2. SIDS, VULNERABILITY AND THE NEED TO BUILD RESILIENCE

Above all, vulnerability defines SIDS. In this section, we review some of the main forms of environmental and economic vulnerabilities that constrain their sustainable development. We profile these shared vulnerabilities and echo the call for collective action, contained in the SAMOA Pathway, to build the resilience of SIDS to external shocks.

2.1. Climate change

SIDS are on the front lines of climate change. In its 2019 Special Report on The Ocean and Cryosphere in a Changing Climate, the Intergovernmental Panel on Climate Change (IPCC, 2019) detailed observed impacts from climate change, driven by anthropogenic emissions of greenhouse gases, which have altered conditions in oceans and coastal ecosystems.

In general, the IPCC observes that these changes to ocean and coastal habitat have led to the following effects, among others: a decline in fisheries biomass, coupled with a poleward migration of fish stocks, away from the tropics; loss of coastal biodiversity; and salinification of freshwater sources. Human settlements in vulnerable areas have seen a resulting decline in important ecosystem services, such as nearshore and inland fisheries and supplies of fresh water, with its many uses, including for farming and aquaculture (Boojhawon & Surroop, 2020). They have also suffered the erosion of coastal infrastructure, with impacts on access to vital trade and transport links, declines in tourism and some recreational and cultural traditions becoming impracticable (Scott, Hall, & Gössling, 2019). Due to the resulting loss of land area and freshwater supplies, communities and many low-lying coastal areas can no longer support their populations, leading to growing migration flows within countries and abroad.

In this context, SIDS, mainly composed of islands and low-lying coasts, are already suffering disproportionately from the effects of climate change. For example, 80 per cent of the land area in Maldives lies just one meter or less above sea level, meaning that, even under the IPCC's best-case projection – of an average sea level rise of 0.43 meters (m) by 2100 – 77 per cent of Maldives' land area is at risk of being submerged by the end of the century. Other SIDS with the majority of their land area under threat from sea level rise include: Kiribati (average 1.8 m above sea level), the Marshall Islands and

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