



ECONOMIC DIVERSIFICATION

**IN ASIAN LANDLOCKED
DEVELOPING COUNTRIES:
PROSPECTS AND CHALLENGES**



The shaded areas of the map indicate ESCAP members and associate members.

ECONOMIC DIVERSIFICATION IN ASIAN LANDLOCKED DEVELOPING COUNTRIES: PROSPECTS AND CHALLENGES

ECONOMIC DIVERSIFICATION IN ASIAN LANDLOCKED DEVELOPING COUNTRIES: PROSPECTS AND CHALLENGES

United Nations publication
Sales No. E.15.II.F.3
Copyright © United Nations 2014
All rights reserved
Printed in Bangkok
ISBN: 978-92-1-120683-8
e-ISBN: 978-92-1-057118-0
ST/ESCAP/2702

This publication may be reproduced in whole or in part for educational or non-profit purposes without special permission from the copyright holder, provided that the source is acknowledged. The ESCAP Publications Office would appreciate receiving a copy of any publication that uses this publication as a source.

No use may be made of this publication for resale or any other commercial purpose whatsoever without prior permission. Applications for such permission, with a statement of the purpose and extent of reproduction, should be addressed to the Secretary of the Publications Board, United Nations, New York.

FOREWORD



Economic Diversification of Asian Landlocked Developing Countries: Challenges and Prospects, is a contribution by the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) to the deliberations of the Second United Nations Conference on Landlocked Developing Countries, to be held in Vienna from 3 to 5 November 2014. It offers concrete proposals and ideas to advance the 2013 Vientiane Consensus, adopted as the outcome of the Asia-Pacific final regional review of the Almaty Programme of Action: Addressing the Special Needs of Landlocked Developing Countries within a New Global Framework for Transit Transport Cooperation for Landlocked and Transit Developing Countries.

The report offers empirical evidence, both at the regional and country levels, of high product concentration on a few primary products, including hydrocarbons and mineral resources. This product concentration has often stifled economic growth and job creation, exposing economies to commodity price volatility.

In view of these issues, the report recommends that Asian landlocked developing countries (LLDCs) should launch concerted and coherent action to more strategically advance economic diversification, identifying the many significant challenges facing LLDCs in doing so.

Diversification is critically important for the LLDCs to reduce economic vulnerability, raise GDP, and secure competitive advantages within product niches, subject to developing newer capabilities and the easing of structural bottlenecks. Enhancing product sophistication and differentiation, as well as effectively tapping export potential, will assist countries to embark on more sustainable growth and development paths.

Acknowledging that countries pursue different, sometimes competing, pathways to diversification, ESCAP's analysis underscores the importance of careful and strategic planning in choosing the optimum path, consistent with their success in evolving newer required capabilities and available market opportunities, as well as taking specific account of different national circumstances.

This report contains fresh data, new perspectives and approaches, as well as policy guidance for Asian LLDCs in changing their economic structures. A key, concrete contribution of the report is the identification of potential new sectors, products and markets for successful diversification

in each of the twelve Asian LLDCs. Such targeted analysis is the result of cutting-edge research, using large sets of trade data, combined with macroeconomic modelling simulations. ESCAP's analysis reveals that, if left to market forces alone, diversification in these countries, if it occurred, would likely perpetuate low productive capacities – hence the need for a more calibrated roadmap for new product market potential, which can only emerge if backed by a strong mix of appropriate leadership and policies.

For each of the twelve Asian LLDCs, therefore, the report lists a range of potential new sectors for diversification, with increased export and import-substitution opportunities. Based on policy simulations, the report has identified potential new products, with varying degrees of sophistication, ranging from 38 for Bhutan to 285 for Armenia. It is hoped that this will inspire private sector investment in appropriate new activities, as well as the strategic promotion of new sectors by the respective Governments.

Most product diversification opportunities for Asian LLDCs exist in five industries, based on supply strengths: base metals, chemicals, machinery and electrical equipment, plastic and rubber, as well as textiles. In most of these products, countries seem to have good export opportunities as well. The most promising appear to be opportunities for product differentiation and sophistication in base metals and textiles. In addition to export opportunities, the potential of new products for import substitution, based on domestic demand, would also facilitate economic diversification.

Wider Asia-Pacific regional success depends on the success of our countries with special needs – and the future prosperity of the Asian LLDCs is one of the most important aspects of future regional prosperity. There is no “one-size-fits-all” set of policies that could address the specific binding constraints that hinder private sector investments in new economic activities in each of the twelve Asian LLDCs. Successful diversification requires, however, a combination of a stable, investment-friendly and competitive macroeconomic policy frameworks, as well as targeted industrial, infrastructure, trade and investment policies.

This publication therefore makes a practical and necessary contribution to the policy debate at the Second United Nations Conference on Landlocked Developing Countries, and will help to shape policymaking in these countries and throughout the region.



Shamshad Akhtar
Under-Secretary-General of the United Nations and
Executive Secretary, United Nations Economic and Social
Commission for Asia and the Pacific

EXECUTIVE SUMMARY

Advances in technology and logistics have helped boost economies around the world, but have not removed the main challenge faced by the 12 landlocked developing countries (LLDCs) in Asia, namely Afghanistan, Armenia, Azerbaijan, Bhutan, Kazakhstan, Kyrgyzstan, the Lao People's Democratic Republic, Mongolia, Nepal, Tajikistan, Turkmenistan and Uzbekistan. With no access to the sea, these countries must conduct their trade through neighbouring countries, which results in added costs.

These 12 LLDCs share a characteristic pattern of trade dependency on a few primary commodities or low value added products that leaves them vulnerable to the volatility of global demand and prices. The incentives are to produce more when demand levels cause prices to rise, as they have in the past decade. When prices decline, the production base with its limited capacities has few alternatives to offer. The conventional solution is to promote economic diversification to reduce volatility of economic and export growth.

Beyond the standard conditions that call for diversification, however, are the compelling results of new research at ESCAP and elsewhere. Global trade data show rewarding returns for countries that succeed in diversifying their economies: the more diversified the economy,

- (a) The higher is its GDP;
- (b) The lower is the competition for its products that it faces in global markets; and
- (c) The more pronounced is the tendency for its diversification to flourish along specific pathways, from the existing production base to new sectors.

Apart from reducing vulnerability to the vicissitudes of international trade, economic diversification is strongly associated with higher output from expansion in the range of goods and services. Trade data also reveal that diversification is associated with a reduction in the average numbers of competitors for export products in the global trade arena, an advantage that increases the potential for private firms to grow their market share and profits.

Underlying these associations is the evidence that diversification happens when new economic initiatives follow specific pathways in expanding a country's production base. Diversification appears to be a path-dependent process that leads to self-reinforcing development when it proceeds in the right direction.

What a country produces today influences what sectors can emerge in the immediate future. What new investment chooses to produce can determine the impacts in related sectors of the economy. Some pathways can lead to new products, further diversification and improvement in a country's productive capacity. Other paths spin off relatively fewer opportunities, providing less potential for economic growth and diversification.

Mapping the connections among sectors and understanding the differences that spell success or senescence could help support policymaking for growth in economic diversification. Such “product space maps” have been generated, and ESCAP presents one of its own in this publication, as well as a discussion of the technical aspects in an annex. ESCAP seeks to use the concept in charting paths to diversification for LLDC economies.

ESCAP research shows how diversification tends to move in short steps rather than jumps. New production possibilities emerge in sectors with required productive capacities close to current production. Empirical evidence suggests that potential suitability for growing diversification may be identified by the level of “complexity” associated with each product.

A product's complexity depends on the level of productive capacities that are engaged in its manufacture. ESCAP has gauged product complexity indirectly through trade data that captures the country's export activity.

Products with high complexity are produced by fewer and more diversified economies, generally speaking. Less complex products are produced by many countries with low levels of diversification. The larger a country's economy, the higher is the share of its products with high complexity.

The question for policymakers in Asian LLDCs is how to foster the

预览已结束，完整报告链接和二维

<https://www.yunbaogao.cn/report/index/report?report>