

Chapter 1

Structural Economic Transformation and Export Diversification in the Least Developed Countries

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1.1 Introduction

In response to some of the shortcomings of the Brussels Programme of Action (BPoA), the Istanbul Programme of Action (IPoA) includes a greater number of explicit targets. However, while trade and growth targets feature prominently, those related to structural economic transformation (SET) are rather more implicit than explicit. In order to overcome these shortcomings, Basnett et al. (2013) assigned indicators to the high-level objectives of IPoA related to the achievement of SET. Therefore in addition to monitoring progress vis-à-vis the explicit trade and growth targets of IPoA, this chapter revisits the SET-related targets identified by Basnett et al. (2013).

The evidence presented in this chapter suggests that, while some trade-related targets will be met by 2020, more limited progress across the selected SET indicators look likely based on current trends. This sanguine assessment suggests an inability to achieve the desired objectives of IPoA in the absence of more concerted efforts to enhance global economic cooperation and the design of 21st century solutions to the trade challenges of the least developed countries (LDCs).

International trade is a crucial mechanism to sustain modern economic growth and achieve SET through stimulating the diffusion of technological progress. This process facilitates movement from low to higher value added activities. In order to achieve this objective, the type and pattern of trade matters. So too does the ability to shift resources out of low- towards higher-productive activities, which may require organisation and institutional change. Hence, achieving structural change and adapting to the way the world trades is an essential part of sustainable development.

In spite of some reasons for optimism, the assessment of progress against targets presented in this chapter suggests an inability to achieve the desired objectives of IPoA. This failure is in the absence of more concerted efforts to enhance global economic cooperation and the design of 21st century solutions to the trade challenges of the LDCs. This chapter is organised as follows. We first review progress against the IPoA growth and trade targets. Then we assess progress in view of SET-related indicators.

1.2 Reaching the IPoA growth targets

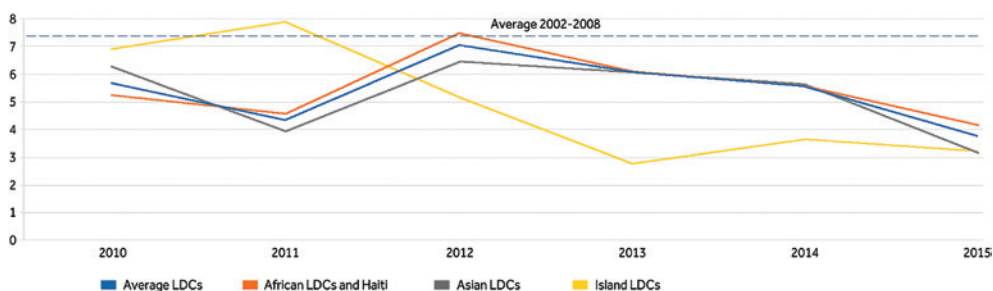
SET can be broadly defined as the reallocation of economic activity across three broad sectors (agriculture, manufacturing and services) that accompanies the process of economic growth (Kuznets, 1966). As part of this transformation, technological development is advanced as an endogenous process. It occurs as a result of within-country interactions between human capital and capital formulation, as well as institutional and organisational change. It subsequently prompts movement from low towards higher value added activities. These are the lessons heeded from the growth experiences of successful industrialisers to date. Moreover, the experiences of successful industrialisers suggest that, in order to achieve SET, the overall level of growth must be relatively high and sustained over time. In view of these understandings, the IPoA includes a target to achieve 7 per cent per annum growth in the LDCs.

However, given current trends, the target specified for the LDCs in IPoA is unlikely to be met (Figure 1.1). The global growth outlook remains weak, with several revisions in estimations during and since 2015. These revisions have, in part, been driven by the dramatic oil price declines that occurred between 2014 and 2015,¹ in addition to adverse exchange rate movements. Whereas in the past oil price declines spurred global economic growth, the absence of this stimulus within the current global context is notable.

A structural break in the trade–growth nexus since the global financial crisis is becoming increasingly apparent. Prior to the global financial crisis, a 1 per cent increase in growth translated into a 2 per cent increase in trade. This relationship has changed dramatically since then. There are suggestions that the limits to the global fragmentation of production, so characteristic of recent decades, have been reached (Hoekman, 2015). That is, recent global growth trends are driven more by structural than cyclical factors particularly in view of the secular stagnation which is becoming increasingly apparent in Northern economies (Mayer, 2015).

Since 2008, the elasticity of trade with respect to growth has halved. This means that a 1 per cent increase in global growth now translates into a 1 per cent increase in global

Figure 1.1 Real GDP growth, 2002–2015, selected years (annual average growth rates, %)



Source: UNCTAD Secretariat calculations based on data from IMF World Economic Outlook database (accessed October 2015).

trade, a much weaker relationship compared to the pre-crisis era. Hence, not only global trade has slowed, but so too has the potency of growth to drive trade. For the LDCs in particular, these developments are particularly worrisome.

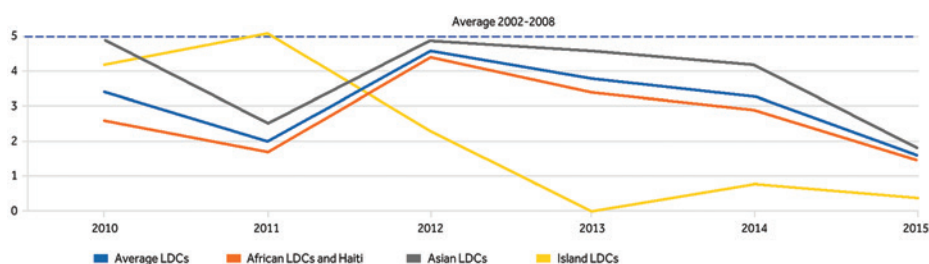
The knock-on effects of the decline in LDC growth rates from their long-run average prior to the global financial crisis on subsequent increases in gross domestic product (GDP) per capita are even more concerning (though IPoA includes no explicit target). Prior to the global financial crisis, an 8 per cent increase in GDP growth resulted in a 5 per cent increase in GDP per capita for the LDCs. Since the crisis, real GDP growth in LDCs has slowed to around 4 per cent—half of the rate prior to 2008. Subsequently, GDP per capita growth has slowed to below 2 per cent on average among the LDCs. However, as Figure 1.2 shows, island LDCs have experienced much larger declines in GDP per capita compared with the average for the group. This reflects the effects of devastating natural disasters, in addition to the dampening effect of the ability of global growth to drive growth.

1.3 Targeting trade as a driver of structural economic transformation

The IPoA recognises the potentially powerful role of trade as a driver of SET. The international community, in the Sustainable Development Goals (SDGs), has subsequently adopted some of the trade targets included. In terms of progress against the IPoA targets, the results presented in this section present rather a glass half-full scenario. While some trade-related targets will be met, others—more directly related to known pathways towards SET—will not.

The IPoA interprets the process of export diversification as one of the principal avenues to increase retained value added, reduce risks, generate positive externalities and, more generally, to improve LDCs' productive capacities. This is because this process expands the range and technological sophistication of goods and services produced and consumed. It is therefore disconcerting that current trends suggest increasing specialisation at low incomes for LDCs, in products with low levels of technological sophistication. These results are suggestive of the need to more creatively

Figure 1.2 Real GDP per capita growth, 2002–2015, selected years (annual average rates, %)



Source: UNCTAD Secretariat calculations based on data from IMF World Economic Outlook database (accessed October 2015).

consider how best to facilitate export diversification within the current global trading landscape, so as to effectively leverage trade as a driver of growth and SET.

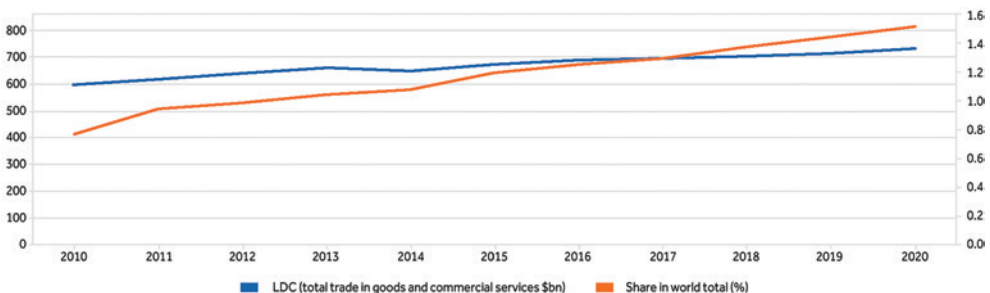
1.3.1 Trade targets

The IPoA target to double exports by 2020 is likely to be achieved if it includes both goods and services. However, increasing the LDC share of world trade looks less likely, based on current trends (Figure 1.3). Although LDCs' trade performance in services looks promising, the interpretation of these recent trends is challenging: most growth since 2010 has occurred on the import rather than the export side. LDCs' trade deficits have ballooned in recent years. This is partly driven by the LDCs' services trade deficit increasing by more than four times (in nominal terms) between 1995 and 2013.

In order to avoid a strictly mercantilist interpretation (e.g. that exports matter more than imports) in view of the importance of imported technology for growth, we simply interpret the IPoA trade targets in value terms. We refer to goods and services, as well as LDCs' share of both global exports and imports (Figure 1.4). The heterogeneity of LDCs and their economic and trade structures notwithstanding, their total trade in goods and services increased by an annual average of 12.5 per cent between 1995 and 2013, thereby outperforming world trade, which grew by 7.5 per cent on average (WTO, 2015). The favourable terms of trade for mineral and fuel exporters contributed to this development, as did the considerable foreign investment that flowed into extractive industries and increased output. However, despite this impressive performance, overall LDC trade is characterised by a structural deficit: for goods, exports covered about 83 per cent of imports in 2012–2014 but for services, exports cover only 43 per cent of imports.²

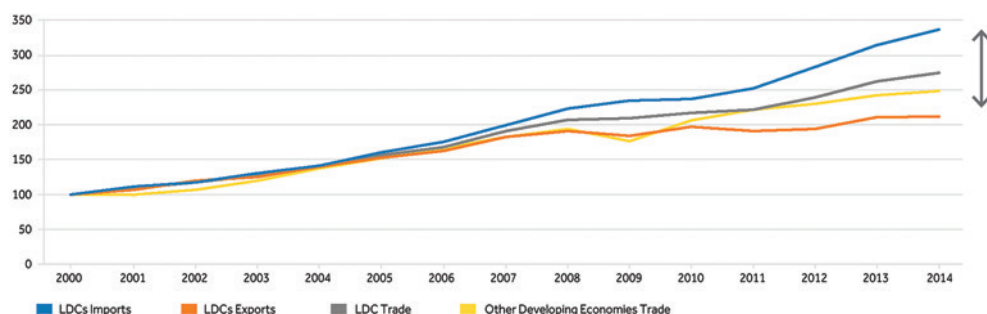
In relation to services exports, while travel (tourism) is the main source of services revenue and registers a net surplus, Mode 4 (presence of natural persons) is an important source of net exports but cannot be measured satisfactorily. LDC participation in royalties and licence fees remains negligible and in some cases has declined. This may be a reason for concern. For example, many island LDCs often

Figure 1.3 LDC progress in trade trends



Note: The base year is 2010; the projection is based on a simple extrapolation of trends from 2010 to 2014.

Source: Adapted from WTO (2015).

Figure 1.4 LDCs' trade balance

Source: UNCTADstat Database.

rely on foreign fishing vessels. 'Other commercial services' (e.g. communication, construction) provided by the LDCs has progressively shrunk (WTO, 2015).

Apart from major tourist destinations such as Cambodia, where 'travel' generated a substantial share of GDP (15 per cent in 2014), according to the World Trade Organization (WTO) (2015) the major LDC services exporter is currently Afghanistan (in construction) followed by Cambodia and Tanzania (in transportation). These results are somewhat surprising. The type of construction services exported by Afghanistan is not currently clear (e.g. whether construction in Afghanistan is undertaken for foreign firms domestically for reconstruction). Other questions arise regarding the reliability of services data in the case of transportation exports for Cambodia and Tanzania (e.g. whether port facilities are included). The largest LDC services importers according to the WTO include Angola, Bangladesh and Ethiopia, all in transportation.

On aggregate, LDCs' exports in goods remain concentrated in primary commodities. Therefore, while the falling price of oil in 2015 may have been beneficial to some LDC importers, the subsequent knock-on effects on other commodity exports (because of a tendency towards co-movement within commodity markets in view of the increased presence of institutional investors) is worrying. The structure of the LDCs' trade on aggregate remains polarised in terms of the sectoral composition of exports, between commodities and services. Overall, there is a relatively low share of skills- and technology-intensive items in export baskets.

1.4 Structural economic transformation-related targets

The process of economic development and structural transformation entails a shift in the productive structure as expressed through movement towards more sophisticated—that is, higher value added—products (Hesse, 2008). Diversification may entail not only producing items that have not been produced and exported before but also the production of 'better' products: those that create a higher proportion of value added in the country and generate forward and backward linkages, with positive externalities (Arda, 2014). Achieving this process is invariably challenging.

For the LDCs within the contemporary global trading landscape, the process may have become even more so than compared to in the past.

The achievement of SET requires changes related to the nature of interactions between stakeholders within a given system of production so as to transform activities from low value added to higher value (Gebreeyesus and Iizuka, 2010). Although this process may (or may not) take place within a defined innovation system, it is the type of knowledge and technology transfer that may arise as a result of stakeholders, interaction both within and across borders, which really matters.

The approach to global value chain (GVC) analysis considers trade to be embedded in, but also to a considerable extent to be determined by, specific (but changing) institutional structures and organisational aspects of international trade (Raikes et al., 2000). The literature recognises that increasingly global trade takes place within particular organisational forms and structures between related (or unrelated) firms precisely so as to either transfer (retain) types of technology, create barriers to entry and therefore generate economic rents.

However, discussions of SET often omit governance aspects related to ability to influence the system and structure of production. This absence is particularly notable when it comes to the LDCs, given limited governance capabilities and highly asymmetric trading relations within GVCs. It is worrying in view of the available evidence which suggests increasing export specialisation at low levels of income for the LDCs, without a commensurate increase in the level of technological sophistication.

1.4.1 Export structure of LDCs

The most recent data on export diversification processes for the LDCs confirm limited ability to induce changes in productive structures. Instead of movement towards more diversified export structures, the reverse is true: increasing specialisation at low levels of income is becoming apparent. These trends are deeply concerning given the fact that the sustenance of economic growth requires export diversification across the product space so as to achieve SET.

On average, almost 70 per cent of total LDC merchandise exports³ comprise three main products; for nine LDCs three products comprised 95 per cent or more of their export receipts and four of them exported petroleum (Arda, 2014). However, in 1995 the situation was markedly different. Export baskets in the past for LDCs were far less concentrated. At that time, only around 40 per cent of the LDCs' exports was attributable to their top three exports.

In more recent years, what is becoming clearly apparent is how the LDCs' increased export product concentration has been accompanied by a shift in their market orientation. China accounted for 23 per cent of LDC exports in 2014 compared with 3 per cent in 1995. In fact, in 2013, China imported more fuels and mining products from the LDCs than the EU, US and India combined.⁴ Hence, although a shift in market orientation by the LDCs away from Europe has occurred, it has seemingly been replaced with a similar dependence on China. Moreover, because the variety of items imported from LDCs by China is considerably narrower than those previously

imported by traditional importers within the EU, this may represent a potentially more risky kind of dependence.

1.4.2 Regional export structure

As LDC exports have become less diversified over time, deepening patterns of regional product concentration are becoming apparent for both trade in goods (Table 1.1), as well as trade in services (Table 1.2). In relation to trade in goods:

- The share of fuel and mining products has increased for the African LDCs and Haiti;
- The share of textiles and manufactures has increased for the Asian LDCs;
- The share of fuels, ores and minerals, and agricultural raw materials has increased for the Island LDCs.

With regards to trade in services, the share of travel has increased for all regions over the period 1995 to 2012; similarly, the share of communications and financial services too has seen a rise. However, the share of other commercial services as well as government services has declined.

These trends in increasing export product concentration are taking place against a backdrop of dramatic preference erosion for the LDCs. While the share of LDCs' duty-free imports stood at approximately 77 per cent compared with developing countries' 54 per cent in 1996, by 2014 developing countries had achieved around 80 per cent duty-free access in developed country markets, compared with 85 per cent for LDCs (WTO, 2015). This trend looks set to continue.⁵

Although there is scope for other developing economies to offer more favourable market access to the LDCs, competitive challenges are also arising within these markets as a result of deepening regional and bilateral trade agreements (Table 1.3). Clearly, within the current global trading landscape there is more limited scope to leverage preference margins to induce shifts in lead firm sourcing strategies towards the LDCs, which could lead to their inclusion within more dynamic forms of trade, as compared to in the past.

An important advantage of manufactures, as well as some specialised and differentiated commodities, is the generation of positive externalities. For example, knowledge spillovers are positive externalities which may occur further to the adoption of relatively advanced technologies, modern business techniques, including adhering to international trade practices (Arda, 2014). The available evidence confirms that agricultural productivity and yields have risen most strongly in manufactured goods exporters (UNCTAD, 2015). This is precisely because a strong manufacturing sector can promote a successful agriculture sector, through backward linkages as well as labour market effects such as increased wages.

The crucial role of services in facilitating the functioning of productive sectors notwithstanding, we simply do not know how services can contribute to the achievement of SET in the absence of a manufacturing sector (Rodrik, 2015). Even

Table 1.1 LDCs: Goods export composition (%)

	LDCs: Asia			% change (1995–2014)			LDCs: Islands			% change (1995–2014)			LDCs: Africa and Haiti			% change (1995–2014)		
	1995	2000	2014	1995	2000	2014	1995	2000	2014	1995	2000	2014	1995	2000	2014	1995	2000	2014
Food	11.4	7.5	8.6				48.1	50.3	37.5				20.4	16.7	10.1			
Agricultural raw materials	15.1	4.8	8.5				50.7	47.8	53.2				10.0	7.9	3.0			
Fuels	21.8	27.2	14.8				0.0	0.1	4.6				20.3	47.5	56.2			
Ores and minerals	1.3	0.7	5.7				0.1	0.2	4.1				22.6	15.2	17.4			
Textiles	39.5	52.4	53.4				0.3	0.2	0.2				9.0	0.8	2.5			
Manufactured goods	11.0	7.3	9.0				0.8	1.3	0.4				17.8	11.8	10.8			

Source: UNCTADstat database and WTO (2015).

Table 1.2 LDCs: Services export composition (%)

Services Category	LDCs: Africa and Haiti			% change (1995–2012)			LDCs: Asia			% change (1995–2012)			LDCs: Islands			% change (1995–2012)
	1995	2000	2012	1995	2000	2012	1995	2000	2012	1995	2000	2012				
Transport	21.3	19.2	23.9	2.6	10.7	13.3	12.9	2.2	11.8	16.0	11.1	–0.7				
Travel	34.5	37.0	43.1	8.6	23.8	32.7	33.1	9.2	52.9	40.0	65.1	12.1				
Communications	0.0	4.6	6.0	6.0	0.0	4.9	7.0	7.0	0.0	4.0	4.8	4.8				
Construction	0.0	1.7	2.6	2.6	0.0	0.0	7.4	7.4	0.0	0.0	0.0	0.0				
Insurance	0.0	1.4	0.9	0.9	0.0	0.0	1.1	1.1	0.0	0.0	1.6	1.6				
Financial services	0.0	0.7	1.7	1.7	0.0	0.0	2.6	2.6	0.0	12.0	3.2	3.2				
Computer and information technology	0.0	0.0	0.8	0.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0				
Royalties and licence fees	0.0	0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0				
Other business services	0.0	0.0	0.0	0.0	0.0	0.0	18.6	18.6	0.0	16.0	1.6	1.6				
Personal, cultural and recreational services	0.0	0.0	0.4	0.4	0.0	0.0	0.1	0.1	0.0	0.0	3.2	3.2				
Government services	20.3	15.1	12.0	–8.2	19.2	27.8	15.9	–3.3	11.8	12.0	9.5	–2.2				
Other commercial services	23.9	19.7	8.4	–15.4	46.7	21.3	1.4	–45.4	23.5	0.0	0.0	–23.5				

Source: UNCTADstat database and WTO (2015).

Table 1.3 Duty-free treatment of LDC exports in different markets

		Average applied tariff rate (weighted)	Average applied tariff rate (percentage)
Selected developed countries and regions	Australia	100	0
	Switzerland	100	0
	Japan	99.6	0
	European Union	98	0.1
	United States of America	65.9	5.9
Selected developing countries	Singapore	100	0
	China	98.2	0.1
	Turkey	93	1.7
	South Africa	78.1	2.1
	Pakistan	77.9	3.5
	Brazil	66.9	8.3
	India	66.5	5.3

Source: UNCTAD (2015).

in countries where tourism is an important economic activity, high-quality products demanded by tourists are often imported rather than procured domestically, with local linkages often underexploited.

Progress on other indicators of productive capacity, such as mobile cellular subscriptions, has been impressive between the two periods compared in Table 1.4. Other indicators of productive capacity show an improvement, such as cereal yields, GDP per capita and gross capital formation. Domestic credit to the private sector has increased. The only indicator related to population—infant mortality rates—has declined, which is suggestive of an improvement in health outcomes, or female education and literacy rates.

Whilst agricultural yields have increased, we know that this process has been accompanied by a significant reduction in the share of agricultural employment in total employment.⁶ Although this could be seen as an indication of structural transformation, much of this decreasing share for LDCs as a group (from 68.8 per cent in 2000 to 58.9 per cent in 2014) has been towards services, while the share of manufacturing in total employment has barely shifted: from 8.3 per cent to 11.7 per cent. Although this is a laudable increase in proportional terms, the interpretation in terms of the achievement of SET is a challenge. Moreover, much of this increase has been driven by the Asian LDCs, whose corresponding share of manufacturing in total employment rose from 10.8 per cent to 17.1 per cent.

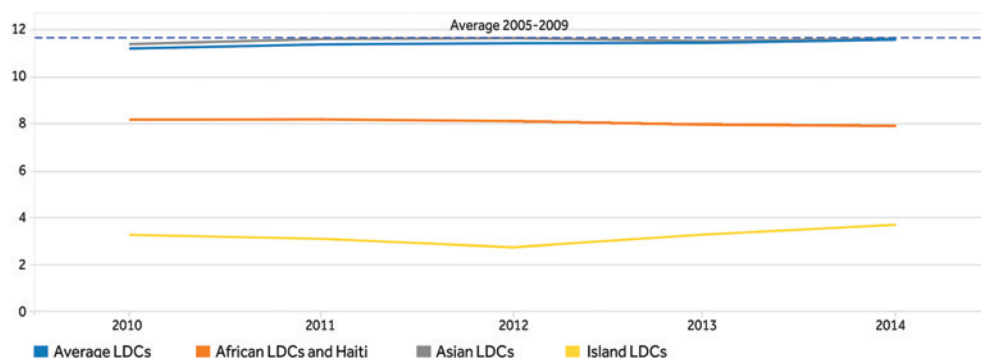
For the other LDC regions, it is important to confront the conceptual challenges that a reduction rather than an increase in the share of manufacturing value added presents policy-makers concerned with the achievement of SET and of the IPoA by 2020.⁷ This indicator is currently up for discussion as one additional indicator to monitor progress on the SDGs.⁸ The evidence presented in this chapter (see Figure 1.5) serves to reinforce the importance of its inclusion.

Table 1.4 LDC progress in comparable IPoA SET indicators

Indicator	LDC Average 2005–08	LDC Average (2009–13)	Change	IPoA pillar
Mobile cellular subscriptions (per 100 people)	12.7	41.6	+	Productive capacity
Cereal yield (kg per hectare)	1760.9	1949	+	Productive capacity
Manufacturing, value added (% GDP)	11.7	11.4	–	Productive capacity
GDP per capita, PPP (current international \$)	1603	1964.2	+	Productive capacity
Gross capital formation (% GDP)	23.6	26.7	+	Productive capacity
Manufactures exports (% of merchandise exports)	8.1	9.8	+	Trade
Service exports (BoP, current US\$) as % of exports goods and services	12.9	15.2	+	Trade
Product diversification (Concentration Index)	0.5	0.4	–	Trade
Market diversification (Diversification Index)	0.7	0.7	=	Trade
Infant mortality rate (per 1000 live births)	68.7	58.3	–	Other
Domestic credit to private sector (% GDP)	16	22.4	+	Other

Note: These indicators are the best available data, over time, for all LDCs. Other indicators (e.g. labour market, skills, employment, etc.) have been excluded because of data availability issues, as described in detail by Basnett et al. (2013).

Source: Adapted from Basnett et al. (2013).

Figure 1.5 Manufacturing, value added (% of GDP)

Source: World Development Indicators (accessed February 2016).

However, indicators of SET such as manufacturing value added or the share of industry within overall economic activity must be accompanied by others. These include, for example, the forces governing the process of capital accumulation and profits in the form of corporate retentions (as well as household savings).⁹ These aspects must feature in any discussion of the achievement of LDCs' SET. This includes their contribution to boosting productive capacity, creating jobs and stimulating technological progress (Amsden, 2001). Some coordination of investment decisions, in addition to the investment promotion called for in the IoPA (and SDGs) may be necessary in view of public policy objectives.

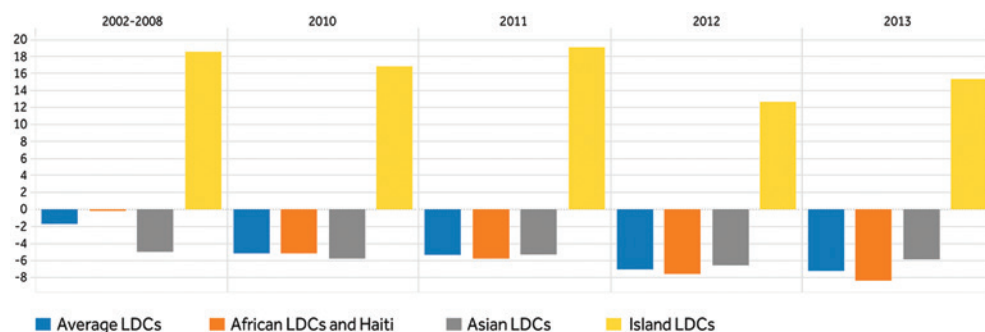
In relation to the external resource gap among the LDCs, it has grown for all except the island LDCs, which have a surplus (Figure 1.6). Gross domestic savings as a per cent of GDP and domestic credit have increased for all LDCs. However, Asian and the Island LDCs increased the share of domestic credit to the private sector most dramatically over the period 2005–2015. In comparison, FDI flows remain heavily concentrated in African LDCs (Figure 1.7). Overall, while gross fixed capital formation has increased among the LDCs as a group, as well as for African LDCs, so far it has been insufficient to achieve their stated growth target (Figure 1.8).

1.5 Concluding remarks

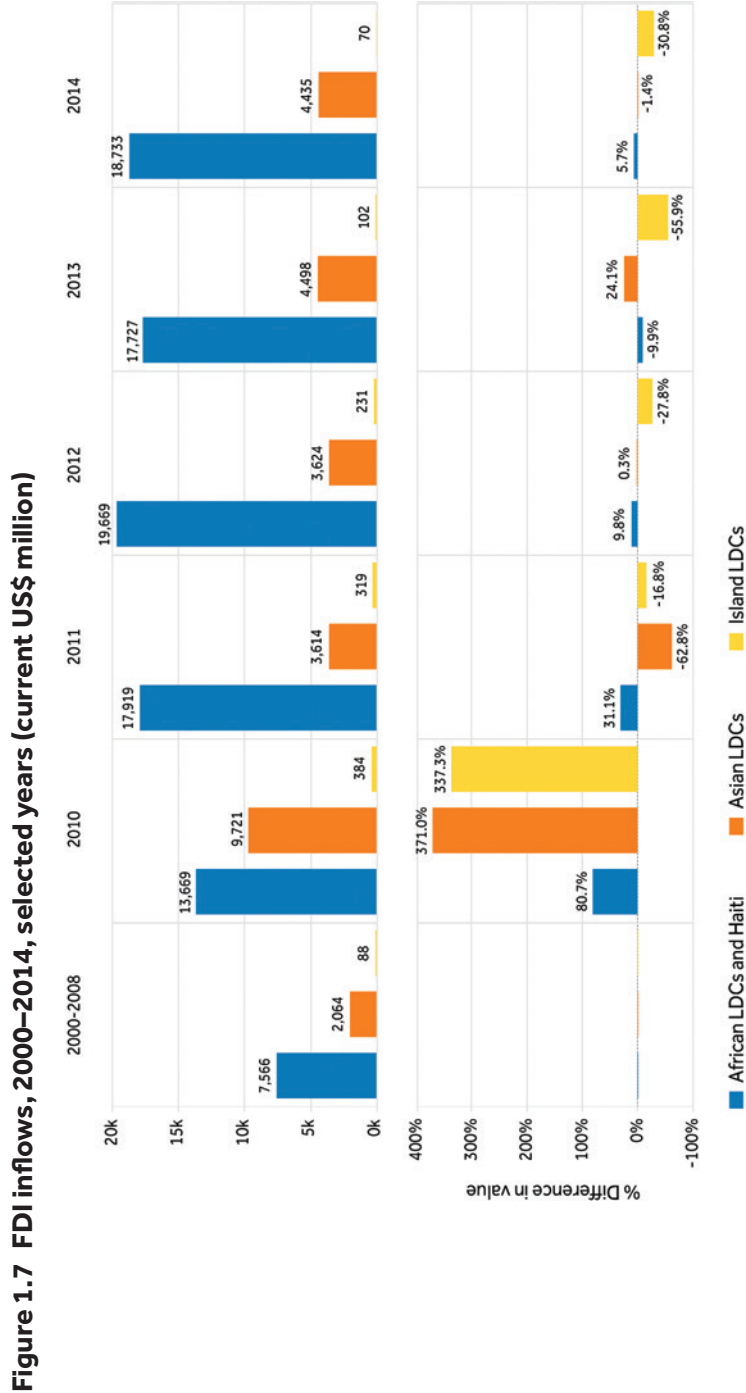
Overall, while some trade targets will be met, growth targets will not. There are some reasons for optimism regarding the achievement of some indicators related to the achievement of SET for the LDCs. These include increasing agricultural yields, reducing infant mortality rates, growing capital formation and expanding the availability of domestic credit to the private sector. However, there are also some major reasons for concern.

Although manufactured goods exports have increased, the value added component has actually declined for the LDCs as a group. That is, performance in one of the known effective mechanisms through which SET can take place, through increasing

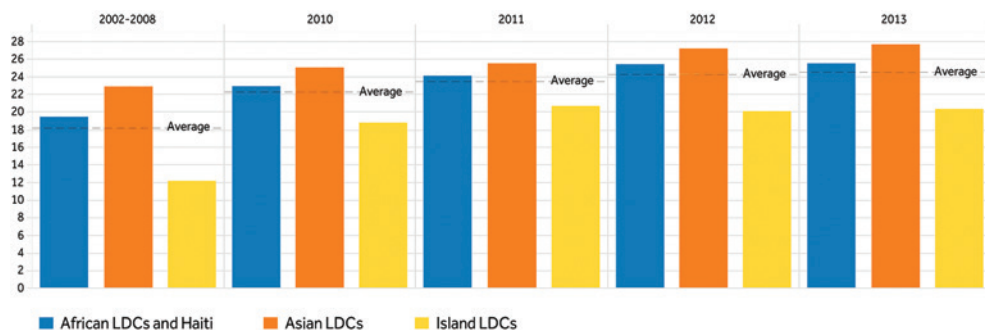
Figure 1.6 External resource gap, 2002–2013, selected years (% of GDP)



Source: UNCTAD Secretariat calculations, based on data from UNCTADstat database (accessed September 2015).



Source: UNCTADstat (accessed October 2015).

Figure 1.8 Gross fixed capital formation, 2002–2013, selected years (% of GDP)

Source: UNCTAD Secretariat calculations, based on data from UNCTADstat database (accessed September 2015).

manufacturing value added, has exhibited poor performance. Moreover, increasing product and market concentration is becoming apparent. Although recent performance in services trade looks promising, how this sector can contribute to the achievement of SET over time, in the absence of a strong manufacturing sector, is unknown with no historical parallel.

Only national governments can perform the vital role of designing and implementing policies in relation to allocating resources among sectors, in view of specific sectors exhibiting major differences in productivity at any given point in time.¹⁰ However, given the clear challenges in achieving export diversification and apparent increasing specialisation at low levels of income, the international community has an obligation to act.

As described by Kuznets (1971) sustaining modern economic growth requires a stable but flexible political and social framework capable of accommodating structural change and resolving conflicts. With specific reference to the LDCs “a substantial economic advance may require even greater innovations in political and social structure”. This includes within international institutions charged with the reliefment of acute poverty and the promotion of inclusive growth with structural economic change.

Creative solutions for the LDCs, fit for 21st century trading patterns so as to induce movement into the modern export sector and the stimulation of technological diffusion, are needed. Trade policy developments, which could offer scope for the LDCs to benefit from more favourable market access, include implementation of the WTO Services Waiver, Trade in Services Agreement (TiSA) and the Environmental Goods and Services (EGS) Agreement. Many developed and increasingly developing economies could go further with regards to more flexible rules of origin more attuned to today’s global production networks.

There is a need to avoid damaging trade measures affecting LDCs’ export interests. LDCs were hit hard by protectionist measures implemented since the global finance

crisis of 2008. According to one estimate, their exports could have been 31 per cent higher if crisis-era protectionism had been avoided (Evenett et al., 2015). Trade surveillance and international support mechanisms should be bolstered.

Although the IPoA provides important guidelines to promote the growth, development and eventual graduation of LDCs, more targeted policies and actions focused on the improvement of productive capacities in tandem with the process of export diversification across sectors are needed. Although this chapter has reviewed progress vis-à-vis the growth, trade and SET related targets, further analysis is needed in view of the actions of international development partners as well as of national governments themselves.

Notes

- 1 A price reduction of US\$59.2 per barrel occurred between 2014 and 2015.
- 2 See also UNCTAD (2015: Table 1.3).
- 3 LDC average 66 per cent in 2015; 43 per cent in 1995.
- 4 The EU maintained its position for manufactures and agricultural products.
- 5 For example, LDCs such as Bangladesh face formidable competitiveness effects in the textiles and clothing industry further to the inclusion of Vietnam within the Trans-Pacific Partnership Agreement.
- 6 See UNCTAD (2015).
- 7 Manufacturing is broadly defined as the “physical or chemical transformation of materials into new products”, regardless of the process (by machines or by hand), location (factory or home) or sale method (wholesale or retail). The value added is the net output of the manufacturing sector, calculated after adding up all the outputs and subtracting the intermediate inputs. It is determined by the International Standard Industrial Classification Revision 3, and calculated without deducting the depreciation of the fabricated assets, or the depletion and degradation of any natural resources.
- 8 <http://indicators.report/indicators/i-61/>
- 9 This includes the process by means of which the richest stratum of society acquires and uses its income (UNCTAD, 2003).
- 10 As discussed by UNCTAD (2003), the importance of structure to the development process relates to the allocation of resources.

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