

Overview on Economic Diversification

- What is economic diversification?
- Why is economic diversification?
- Relationship between economic diversification and economic development
- Implications for the implementation of Articles 4.8 and 4.9

What is economic diversification?

- Growing range of outputs produced
- Growing range of markets served
- Expanding sources of income secured

Why is economic diversification?

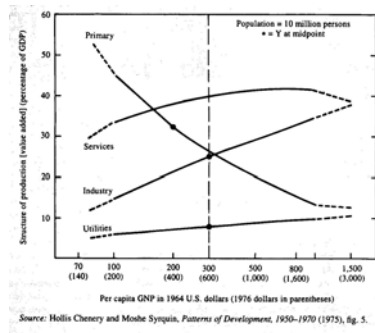
- In the short-run: to reduce economic vulnerability, which depends on:
 - price fluctuation
 - exposure (e.g. % of individual export; export/GDP ratio)
 - capacity to respond
- In the long-run: to secure stable income growth
 - trends in terms of trade
 - economies of scale and externality
 - depletion of mineral resources
 - risk reduction

What is economic development?

- Economic development is sustained economic growth without increasing income disparity and the incidence of poverty
- It is characterised by a structural transformation (I.e. the expansion of more productive economic activities, initially manufacturing and then producer services)
- It also implies improvement in values, attitudes and institutions.

Relationship between economic development and diversification

- Economic development leads to diversification.
- State-led diversification comes at a cost.



Implications

- Economic diversification can not be pursued in isolation from economic development.
- Sustainable economic development, rather than economic diversification, is key to deal with the adverse effects/impact of response measures.