

CLMV Countries

July 4, 2016: Economics of CLMV countries

Overview of presentation

1. Introduction
2. Economic development
3. Development gaps

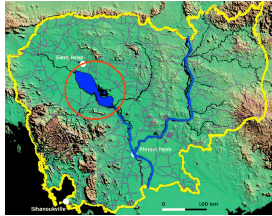
The World Bank: The Ingredients for Growth (video clip):
http://cdnapi.kaltura.com/index.php/extwidget/openGraph/wid/1_0ydtlff

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1. Introduction

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Cambodia



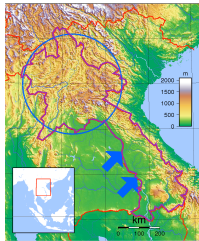
- Land area (sq.km): 176,5
- Agricultural land: 33,4%
- Central plain with Tönele Sap
- Mekong river
- Assets: Rice, timber, fish, oil and gas, and hydropower
- Population: 16 million (79% rural)
- GDP per capita (PPP, 2005 int. \$): 2,260 (2013)

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Lao PDR



- Land area (sq.km): 230,800
- Mountainous, steep terrain
- Agricultural land: 10%
- Mekong river
- Asset: timber, agricultural land, hydropower, timber and minerals
- Population: 6.9 million (62% rural)
- GDP per capita (PPP, 2005 int. \$): 2,682 (2013)

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Myanmar

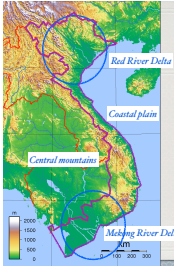


- Land area (sq.km): 676,578
- Agricultural land: 19.3%
- Lower/upper Myanmar
- Irrawaddy river
- Asset: Oil, gas, offshore gas, forest (teak), mineral wealth, advantageous location
- Population: 53.4 million (66.5% rural)
- GDP per capita (PPP, 2005 int. \$): 1,611 (2013)

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Vietnam

- Land area (sq.km): 310,070
- Agricultural land: 35.1%
- Low land, hills, densely forested highland
- Red river delta, Mekong delta
- Assets: Some gold, iron, tin, zinc; low poverty rate, infrastructure (95 percent of population has access to electricity, 90 percent of the population is connected by all-weather roads)
- Population: 93 million (67% rural)
- GDP per capita (PPP, 2005 int. \$): 3,195 (2013)

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2. Economic development

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GDP per capita growth rates (%)

	1970-1989	1990-2010	1970-2010
South-East Asia (excl. Brunei, East Timor and Myanmar)	4.01	3.77	3.89
Cambodia, Laos, Vietnam	2.09	5.77	5.05

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GDP per capita rate growth rates in South-East Asia (%)

	1970-1988	1990-2010	1970-2010
Indonesia	4.71	3.63	4.14
Malaysia	4.12	3.72	3.92
Singapore	6.66	3.9	5.24
Thailand	5.01	3.8	4.39
Philippines	1.05	1.65	1.36
Cambodia	n/a	5.97	5.97
Lao PDR	1.31	4.58	3.95
Viet Nam	2.14	5.82	5.11
South-East Asia	4.01	3.77	3.89

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The start of market-oriented reforms in CLMV

Different starting dates:

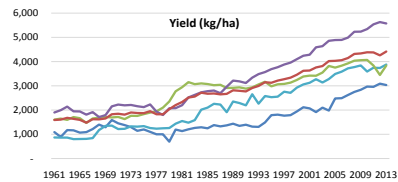
- Viet Nam: 1986 Doi Moi ("Renovation")
- Laos: 1986
- Cambodia: 1993
- Myanmar: Remained close economy during the military regime (estimated 2.7% per capita GDP growth between 1990-2010); gradual reform in last few years
- **Common elements of the reforms:** price liberalization, greater room for the private sector, trade reform, attracting FDI, agricultural reforms ...

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Trends in rice yields in CLMV countries, 1961-2013



CLMV = Cambodia, Lao PDR, Myanmar, and Viet Nam; ha = hectare, kg = kilogram; Lao PDR = Lao People's Democratic Republic.

Source: Food and Agriculture Organization of the United Nations, FAOSTAT online (accessed July 2015).

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Increase in agricultural productivity is key to structural transformation

Four stages of structural transformation:

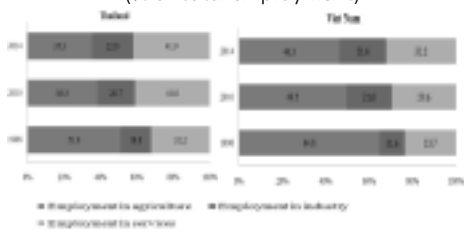
1. An increase in agricultural productivity per worker, creating a surplus in the rural economy
2. Transfer of that surplus from agricultural to non-agricultural sectors
3. Progressive integration of the agricultural and the non-agricultural sectors
4. Agricultural sector is fully integrated into the macro economy, at which point much of the distinctive feature of agriculture will have faded

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Distribution of employment by sector (% of total employment)



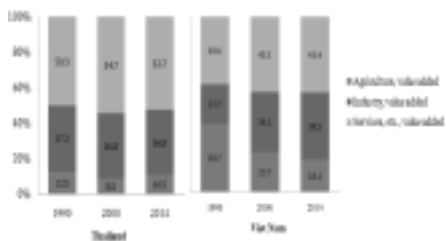
Source: ILOSTAT, World Development Indicators 2014, General Statistical Office of Vietnam

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Distribution of output by sector

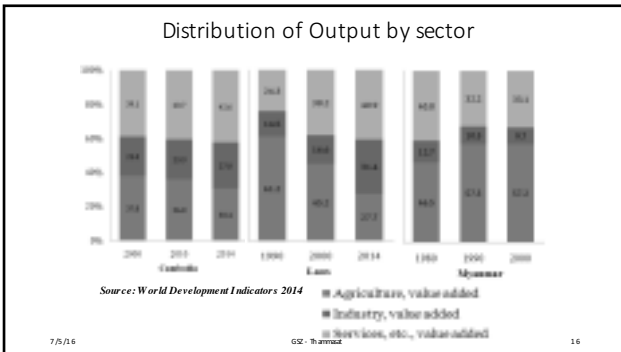


Source: World Development Indicators 2014

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Trade as a % of GDP (1970-2014)

	1970	1980	1990	2000	2014
Cambodia	13.5	111.6	129.0
Lao PDR	35.8	74.3	90.1
Myanmar	14.0	22.0	5.6	1.1	..
Vietnam	..	..	81.3	103.2	169.5
East Asia & Pacific (developing only)	14.2	25.1	41.3	58.6	54.8
Thailand	34.4	54.5	75.8	121.3	131.8

Different constraints, approaches and speed

Viet Nam:

- relatively balanced growth;
- transition from agriculture based towards manufacturing and services
- Focus on textile and footwear; most recently electronics plus rice, coffee, and tourism
- Attractive destination; large pool of workforce, decentralized
- internal modernization and unique decision making process
- Strong emphasis on equality

Different constraints, approaches and speed

Cambodia:

- Rapid reforms, very open economy
- Dollarization of the economy, lost autonomy in exchange rate and monetary policy but benefited from it
- Heavily reliance on donors to balance budget
- Garment sector, construction and tourism
- State-owned enterprise sector small compared with Viet Nam and Laos
- Weak institutions
- Country located in a dynamics sub-region (Thailand and Viet Nam)

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Different constraints, approaches and speed

Lao PDR:

- Disadvantages: small size and landlocked – less attractive for FDI
- Geography does not favour agriculture
- Hydroelectricity generation, limited industrial base and development
- Poor infrastructure, large regional differences

Myanmar:

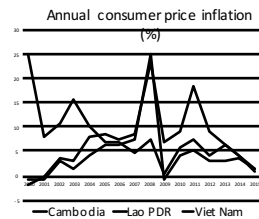
- Very underdeveloped, low-productivity agriculture sector dominates
- Great potential – will take time

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Macroeconomic vulnerability in CLMV countries



Macroeconomic vulnerabilities

- High external and fiscal deficit
- Moderate-to-low reserves
- Non-performing loans

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Current challenges

- **Viet Nam:** Enhancing monetary and fiscal policy credibility, reform of SOEs (near term); completing transition to market-based economy; ageing society (long term)
- **Cambodia:** Reducing dollarization (near term); improving governance and effectively managing land and natural resources (long term).
- **Lao PDR:** Building international reserves, taming excessive credit growth and reducing a large fiscal deficit (near term); ensuring wealth from natural resources benefits all; broadening production base (long term).
- **Myanmar:** Managing multiple transitions (from military regime to democratic government, from centrally-planned to market-oriented economy, and from conflict to peace in border areas).

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3. Development gaps

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Addressing development gaps

	Gross Domestic Product		Land Area (°) (Thousand sq km)	Population (million persons)	Exports \$ billion	Imports \$ billion	
	\$ billion	at PPP (\$ billion)					per capita (\$)
Brunei Darussalam	17.0	21.6	42,380	5.77	0.4	11.9	6.5
Cambodia	14.1	36.5	926	181.04	15.3	7.8	15.3
Indonesia	878.5	1,203.6	3,594	1,904.57	244.5	190.0	191.7
Lao PDR	9.2	18.9	1,380	236.80	6.6	3.3	6.4
Malaysia	304.7	494.7	10,345	330.80	29.5	227.6	196.8
Myanmar	55.3	102.6	868	676.59	63.7	8.3	16.9
Philippines	250.2	419.6	2,612	300.00	95.8	52.0	61.7
Singapore	276.5	323.0	52,056	0.72	5.3	4,097	380.0
Thailand	366.0	645.2	5,390	513.12	67.9	228.2	249.1
Viet Nam	155.6	336.2	1,753	330.96	88.8	110.8	111.6
ASEAN	2,327.0	3,602.0	3,767	4,480.37	617.7	1,249.6	1,235.9
ASEAN+6	2,092.9	3,107.7	4,721	3,054.98	443.3	1,119.4	1,085.7
CLMV	234.1	494.3	1,343	1,425.39	174.3	130.2	150.2

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ASEAN economies - development indexes

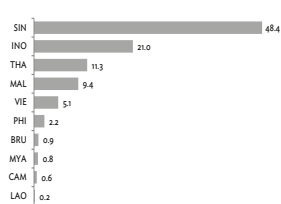
Economy	Human Development (2012)	Infrastructure (2013/14)	Ease of doing business (2012)
Singapore	18	2	1
Brunei Darussalam	30	58	79
Malaysia	64	29	12
Thailand	103	47	18
Philippines	114	96	138
Indonesia	121	61	128
Viet Nam	127	82	99
Lao PDR	138	84	163
Cambodia	138	101	133
Myanmar	149	141	na

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Distribution of FDI stock in ASEAN (1970-2012)



Risk: increasing CLMV dependence on China

Myanmar: China is the largest import partner (39%) and account for 25% of FDI

Cambodia: China is the largest import partner (40%)

Laos: China is the largest import partner (66%) and account for 77% of FDI

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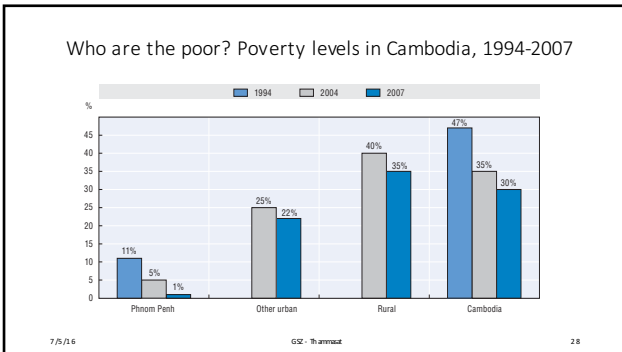
Uneven poverty reduction
Poverty headcount ration at \$3.10 a day (%)

	1992-94	2002-04	2012
Cambodia	77.2	66.13	37
Lao PDR	73.49	75.37	63.28
Viet Nam	77.09	69.32	13.86

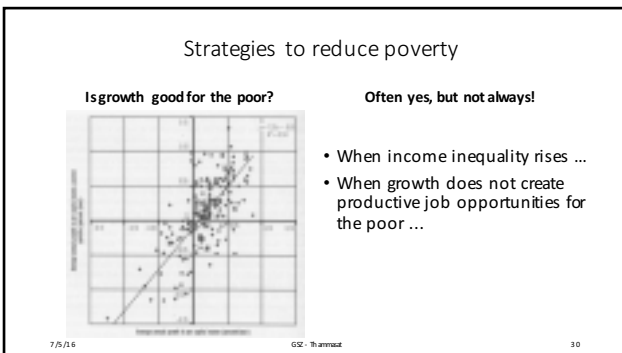
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- ### Who are the poor?
- Rural landless casual workers
 - Urban poverty
 - Ethnic minorities
 - Poverty has a "gender face", too (widows and elderly women at pension)
 - The poor are a heterogeneous group!
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Pro-poor growth - in which sector?

Coxhead (2015) – decomposition of the change in poverty incidence

- National, Rural, Urban and Migration

Findings:

- **Reduction in rural poverty accounts for more than half of the total reduction in poverty** in most Southeast Asian economies
- Reduction in urban poverty was the second most important factor in the overall reduction in poverty, with the exception of Malaysia and Cambodia where migration was the second most important factor
- Poverty reduction in Southeast Asia was strongly attributable to high rate of growth in GDP per capita but changes in the **sectoral composition of the growth** had also an impact
 - **Growth in agriculture and services!** And
 - **Reduction in the real price of the food**

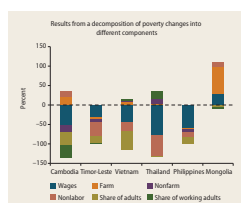
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Growth should increase productivity which, in turn, creates productive jobs for the poor

Income from work explains a large share of reduction in poverty



- Cambodia and Vietnam: increase in labour income contributed more than 70% of poverty reduction
- Agricultural productivity gains, land reforms, infrastructure and off-farms activities are key drivers of poverty reduction

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Selected education, training and literacy indicators, 2012 or most recent year (%)

	Literacy rate, ages 15+	Primary net enrollment rate, total	Secondary net enrollment rate, total	TVET enrollment as share of total secondary enrollment	Female share of TVET enrollment	Tertiary gross enrollment rate, total	Public expenditure on education
Brunei Darussalam	95.4	91.7	94.7	11.4	49.6	24.3	3.3
Cambodia	73.9	98.4	38.2	2.3	47.0	15.8	2.6
Indonesia	92.8	93.7	74.8	18.0	42.0	27.2	2.8
Lao PDR	72.7	95.9	41.4	0.8	54.0	16.7	2.8
Malaysia	93.1	97.0	66.3	6.8	42.5	36.0	5.9
Myanmar	92.7	...	47.0	...	...	13.8	0.8
Philippines	95.4	88.2	61.4	...	...	28.2	2.7
Singapore	95.9	...	...	11.6	35.1	...	3.2
Thailand	93.5	95.6	79.5	15.4	41.5	51.4	5.8
Viet Nam	93.4	98.1	...	...	...	24.6	6.3

Note: "...": data not available. Education expenditure figure refer to percentage of GDP.
Source: UNESCO Institute for Statistics.

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Employment	
	2014
% in agriculture	
• Cambodia	33.6
• Lao PDR	71.3
• Vietnam	46.8
% in wage employment	
• Cambodia	46.0
• Lao PDR	15.6
• Vietnam	34.8

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Thank You

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