

**UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT**

**GLOBAL COMMODITIES FORUM**

**7-8 April 2014**

# **CLOSING STATEMENT**

By

**Mr. Petko Draganov**  
Deputy Secretary-General of UNCTAD

This statement has been made available in the language and form in which it was received.  
The views expressed are those of the author and do not necessarily reflect the views of  
UNCTAD.

GLOBAL COMMODITIES FORUM  
7-8 April 2014

CLOSING STATEMENT  
By Mr. Petko Draganov,  
Deputy Secretary-General of UNCTAD

Excellencies,  
Distinguished delegates,  
Ladies and gentlemen,

We have arrived at the end of the programme for the 2014 Global Commodities Forum. Over the past two days, we have examined and debated what is an ambitious overall theme: "Global value chains, transparency and commodity-based development."

We were guided in this debate by a distinguished group of expert panellists. In each of the sessions, panellists elaborated the topics with interventions that were insightful, well-constructed and, in some cases, even controversial.

This year, we once again saw the value of a balanced allocation of time between panellists' presentations and interactive debate. These debates represent one of the key outcomes of the Global Commodities Forum: they expose us to different perspectives and invite us to refine our thinking and approaches on the complex issues we endeavour to address.

Another set of outcomes from the Forum are the recommendations and policy proposals that session participants produce. For this, we are indebted to our able moderators, who steered the debates skillfully towards actionable outcomes. As we heard in the moderators' panel, notable debates in the sessions began with a critical look at what opportunities exist for developing countries in global value chains.

Debates at the Forum highlighted, above all, that global value chains remain an evolving topic in the development discourse. We heard many calls for further study on the methods by which developing countries and their companies can earn more durable benefits from global value chains.

We also heard several challenges to development policy orthodoxies. For example, opinions were divided about whether developing countries should stick to the strategy of upgrading towards higher value-added activities, to the exclusion of attractive opportunities in lower value-added activities.

Structural transformation and upgrading are often held as key objectives of macro development policy. But new outsourcing and offshoring opportunities in global value chains may present developing countries with opportunities to earn higher volume-based revenues by providing lower-technology, lower-margin goods and services.

Regarding the governance of global value chains, standards programmes are often held up as tools that can improve, for example, labour and human rights conditions for workers in developing countries, who do not have sufficient power in the chain to demand such conditions themselves. Sadly, the costs for these standards programmes tend to be shifted to the least powerful actors in the chain, thereby potentially harming the livelihoods of the standard's intended beneficiaries.

Several participants highlighted that, although programmes exist to mitigate the standards initiatives' effect on the poor, they remain insufficient.

In each of the sessions devoted to transparency-related topics, participants repeated the worrying scale of trade mispricing and illicit financial flows in the commodities sector. For example, in his opening

statement, Secretary-General Kituyi quoted figures from the 2013 Africa Progress Report, estimating that trade mispricing deprived countries in sub-Saharan Africa of approximately US\$38 billion per year, and that other illicit outflows deprived them of an additional US\$25 billion.

Participants responded by debating specific governance tools and initiatives that can help improve the accountability of resource wealth governance in developing countries. They also zeroed in on a big question that continues to attract more and more attention from policy makers and the press: the need for governance reform in the commodities trading sector.

Several presenters demonstrated that confronting the large-scale diversion of resources from developing countries requires an end-to-end perspective, applying principles of transparency and accountability not only at the extractive step, but extending it through to the trading step as well.

Many African governments, for example, rely almost exclusively on commodity traders to sell their share of the oil production in their countries. In several cases, these sales represent the majority of a government's revenues. In other words, extraction and trading are inter linked in countries converting their natural resources into revenue, and revenues into development. Principles of transparency and accountability therefore need to be applied throughout the chain.

With respect to reform in the commodities sector, there was a healthy debate among participants about the mix of soft and hard governance tools to employ. Several voices encouraged the use of voluntary measures, such as an industry code of conduct. These soft tools, if undertaken by industry as a core part of a strategy, can act as important

first steps towards improving norms, laying the foundation for an eventual passage into law.

By contrast, other participants stressed the need for hard laws and regulations to combat corruption and infractions such as trade mispricing and illicit financial flows. From this perspective, they identified a large legislative gap related to the trading step in the chain. Recent legislation in the USA and the EU requires the disclosure of payments to governments, made by extractive companies listed on public exchanges - in other words, they do not apply to trading companies, nor to unlisted companies.

This seems to be a major regulatory gap, given that natural resource exports from some of the poorest countries are often undertaken by trading companies that are not listed on public exchanges.

In the special session on the Extractive Industries Transparency Initiative (EITI), case studies illustrated how simple, reliable reporting regulations, combined with more transparency in the extractive sector, have helped countries such as the Philippines and Nigeria to increase Foreign and Direct Investment in the sector and generate durable development for their citizens.

As we heard, the transparency initiative process is not without its challenges. Along with the technical capacity to collect, reconcile and report on complex transactions, there is the more fundamental challenge of finding effective ways to communicate this information, whether to generate consensus among private sector stakeholders, or to make it accessible and relevant to average citizens.

From these and other debates, participants arrived at the following actionable outcomes:

They called for multistakeholder cooperation in **harmonising the various standards initiatives** so as to minimise the burdens and barriers to trade that they can impose on actors in developing countries. And for donors to devote attention and budgets to programmes that **mitigate the effect on the most vulnerable actors in the chain.**

Participants called on stakeholders in **the Initiative to extend its coverage to include trading companies** operating in signatory countries.

Similarly, participants called on **Northern governments to extend their legislation related to payments in the extractive sector, to include trading companies.**

Participants called on UNCTAD's Special Unit on Commodities to facilitate **a multistakeholder Working Group to debate and elaborate a governance framework for the commodities sector.** I understand from my colleagues that we already have a healthy list of volunteers ready to participate in this Working Group.

In these and other governance dialogues, participants urged **a greater role for civil society organizations.** If I may go one step further, I think this is something we can improve in the activities of the UN and other international organizations.

May I congratulate the participants on these recommendations from the Forum's theme of: "Global value chains, transparency and commodity-based development." I believe these represent promising opportunities for UNCTAD's ongoing work, as well as the work of our partners, especially those who have volunteered to participate in the proposed Working Group.

Moreover, these recommendations underline the value of the Global Commodities Forum as an effective platform to debate issues in

commodities and development, and as a key annual event in UNCTAD's consensus-building activities.

As you may know, the Forum is an extra-budgetary event for UNCTAD, meaning that it is only possible with the support of our sponsors. This year's Forum benefited from the generous contributions of Afreximbank and the Chinese Government, and the Common Fund for Commodities, which sponsored the participation of one of our panellists. To our sponsors - thank you for your support.

I extend my thanks also to you - members of the audience. The Global Commodities Forum is, above all, a multistakeholder platform, and you have animated the Forum with your diversity of opinion - coming from governments, businesses, civil society organisations, international organisations, academia and the press. Thank you for taking the time out of your busy schedule to contribute to this event.

One last request: Please take the time to complete an evaluation form before you leave, or send it to us later – your feedback is crucial in helping us fit the Global Commodities Forum to your needs.

In closing, thank you again for participating in the 2014 Global Commodities Forum. I hope the experience enriches your continuing work in the field of commodities and development. Have a safe journey home and I look forward to welcoming you to the next Global Commodities Forum.