Commodities and Development: Tracking Structural Change in LDCs

By

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Identify structural progress in LDCs through changes in export structure during the period of implementation of the Brussels Programme of Action (2001-2010).

Discuss some of the factors influencing LDCs’ ability to diversify away from traditional commodity exports into more dynamic sectors.

Highlight the interplay of internal and external constraints facing LDCs in implementing a diversification strategy and

Identify some policy responses.
LDCs as a whole have become increasingly commodity dependent over the 2000-2008 period: primary commodities rose in relative importance over manufactured exports.

Primary commodities: 82% of LDCs’ total merchandise exports in 2008 up from 69% of total exports in 2000.

Main causes: overall increase in commodity prices between 2002 and 2008 led by relative expansion of fuel exports (both in prices and volumes).

But decline in the share of non-fuel primary commodities in total LDCs’ merchandise exports.
Figure 1: Share of primary commodities (including and excluding fuels) in total merchandise exports, 2000-2008
Figure 2: Composition of merchandise exports in LDCs, 2000-2008 (Percent)
Figure 3: Export structure by product category, African LDCs, 2000-2008 (Percent)
There are inter-regional and intra-regional variations in export composition


- African LDCs: manufactures’ share of total merchandised exports decreased from 11% in 2000 to 6% of total exports in 2008.

- Some countries in Africa have managed to diversify away from primary commodities (Lesotho for example); whereas others have strengthened their dependence on natural resources extraction (examples include Angola, Chad, Equatorial Guinea and Sudan).
Commodity concentration

- For all LDCs commodity concentration index increased from 0.33 (2000) to 0.54 (2008); 62% for LDCs compared to 0.9% for other developing countries;

- Concentration index for African LDCs increased by 73% (2000-08)

- Concentration index for Asian LDCs decreased by 39% (2000-08)
Figure 4: Export concentration, 2008-2009 (concentration index)

<table>
<thead>
<tr>
<th>Year</th>
<th>Developing economies excluding LDCs</th>
<th>LDCs</th>
<th>LDCs: Africa and Haiti</th>
<th>LDCs: Asia</th>
<th>LDCs: Islands</th>
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<td>2000</td>
<td>0.13</td>
<td>0.33</td>
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<tr>
<td>2002</td>
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<td>0.31</td>
<td>0.40</td>
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<tr>
<td>2003</td>
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<td>0.54</td>
<td>0.67</td>
<td>0.23</td>
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Constraints at national and regional levels

- Supply-side constraints include: deficiencies in infrastructure; paucity of inputs and support services; limited use of technology; lack of access to credit; and untapped economies of scale at regional level.

- Restrictions on domestic policy space due to international disciplines such as TRIMs.
External constraints: Market access and market entry

- **Tariff barriers**: Tariff escalation but **note** also the ineffective use of trade preferences granted to LDCs and the impact of rules of origins.

- **Non-tariff barriers**: especially the challenge of compliance with technical barriers to trade (TBT) and sanitary and phytosanitary (SPS) measures in the case of dynamic sectors such as horticulture and fisheries.

- **Private sector standards**: these are to be assessed against the background of the process of corporate concentration in the commodity sector. In the context of vertically coordinated agrifood chains, although not legally binding, private standards have become de-facto requirements.
An integrated approach is called for and should comprise: enhanced institutional capacities; the pooling and alignment of funding for priorities expressed in LDCs’ national development strategies.

Increased effectiveness in regional economic integration process to allow exploitation of economies of scale including in technological development.

LDCs should be able to tailor their international commitments at the bilateral, regional and multilateral levels in a way that gives them policy space to prioritize their needs in their national and regional development strategies.

Policy coherence across sectors is also needed.
More trade-related assistance is required to meet challenge of NTBs and private sector standards; Also need for continuous monitoring of these issues.

For example:
1. broadened notification requirements and greater involvement of actors from developing countries in pre-standard setting consultation;

2. enhanced cooperation between producing and consuming countries on matters of competition law enforcement in commodities.

1. Long term objective – to establish global competition rules that acknowledge trade and development implications for developing countries of the corporate concentration process.
Thank You