Summary of interactive thematic round table 3

The changing face of commodities in the twenty-first century

1. The round table discussed commodity issues within the context of increasing commodity prices since 2002. The deliberations covered price developments and possible actions in the various commodity sectors: energy (oil and gas), minerals and metals, and agricultural commodities. It also discussed issues related to value added, with particular reference to competition issues and complying with standards.

2. The main issues highlighted included:

(a) **Food price increases**: Among other factors, climate change and biofuel production were identified as being responsible for the recent hikes in the price of food. It was emphasized, however, that the causes of high food prices were mainly structural and speculative, and that climate change and biofuel production were only two such factors.

(b) **Diversification and value added**: It was felt that commodity-dependent countries needed to diversify into other products, in particular higher value ones, to insure against price volatility and normal commodity boom and bust cycles, and to facilitate greater participation in commodity value chains.

(c) **Increasing the level of investment in technology and infrastructure (such as roads, storage and post-harvest facilities)**: It was felt that low levels of such investment impeded distribution and marketing which enhanced the process of diversification.

(d) **Governance**: The importance of strengthening governance, including the legal and regulatory frameworks, was underscored as a means to devising appropriate responses to commodity issues.

(e) **Equitable distribution of rents**: This was felt to be important, especially concerning windfall incomes from extractive industries, taking into account the interests of investors and host companies, as well as those of local communities and national Governments.
(f) **Harnessing development gains from windfall incomes:** It was recommended that special funds be set up to help the private sector diversify.

(g) **Human resource development:** This was felt to be important in the context of coping better with the challenges of managing commodity-dependent economies.

(h) **Ensuring a stable macroeconomic framework:** This would ensure that potential problems associated with high inflation and currency appreciation were contained. The establishment of stabilization funds and risk management tools was proposed, among other things.

(i) **Competition issues:** Enhancing productivity as a basis for more efficient and competitive production for global markets was noted. Developed countries were also urged to reduce, and finally eliminate, their trade-distorting agricultural subsidies within the context of the Doha Round of trade negotiations. For their part, commodity-dependent countries were advised to consider developing competition policies as a means of offsetting the unlimited influence of transnational corporations.

(j) **Food safety and health standards:** It was recognized that harmonization of standards – as well as safety and quality requirements between countries and market actors – would be desirable, but there were practical difficulties. The positive role of standards in the development and expansion of world trade was underscored.

(k) **Balance of payments:** The fact that most low-income, net-food-importing countries had a double whammy of increasing food and fuel prices necessitated that the different realities of countries be recognized, for example, balance of payments implications.

(l) **Enhancing regional economic cooperation:** This would expand regional markets and contain the effects of higher energy prices.

**The way forward**

3. There was consensus that the varying interests of producers and consumers would need to be reconciled through international dialogue and consensus-building on policy actions to deal with commodity problems and related issues. It was agreed that the way forward required international action, including through the intergovernmental framework of UNCTAD, on the following:

(a) Integrating commodity policies into national, regional and international development and poverty reduction strategies, in order to ensure the attainment of the Millennium Development Goals;

(b) Agreeing on trade-related policies and instruments for resolving commodity problems, including through the Doha Round;

(c) Designing investment and financial polices for accessing financial resources for commodity-based development, including with respect to official development assistance, Aid for Trade and contingency financing, among others; and

(d) Focusing on multi-dimensional and multi-stakeholder solutions which bring together perspectives on climate change, quality, workers’ relations and consumer interests. There was also a need for a neutral, transparent monitoring process for sustainable production.