Commodity Dependence and Trade

by

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Trade openness and commodities specialization

Change in Trade Openness (2000-2017)

Change in Commodity export dependence (2000-2017)

- Middle Income
- Low Income
Tariff escalation by region (agriculture)

- Developed countries
- East Asia
- Latin America
- South Asia
- Sub-Saharan Africa
- Transition economies
- West Asia - North Africa

Commodities, Intermediate, Final
Tariff Escalation by product

- Animal products
- Vegetable products
- Oils and fats
- Food products
- Tobacco, beverages

Commodities | Intermediate | Final
• Trade contributes to specialization, and therefore has created commodity export dependence in some countries.

• Policy abroad matters, market access conditions are conducive to maintaining commodity dependence of developing countries.
  – Tariff escalation is still a problem, and could be corrected

• International markets are governed by standards, which are more numerous and stringent in case of final/consumer products.
  – Standards as barrier for low income countries exports.

• Trade offers an opportunity for countries rich in natural resources. Development of such countries depends on context (type of commodity) and on how the windfall from the commodity sector are employed.

• Commodity dependence is not a curse, but an opportunity. Diversification is challenging, but worth it.