UNCTAD
GLOBAL COMMODITIES FORUM 2013
Recommitting to commodity sector development
as an engine of economic growth and poverty reduction

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Opening statement

By

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Your Excellency, Mr. Seilenthal, President of the Trade and Development Board,  
Mr. Lamy, Director-General of the WTO,  
Distinguished delegates,  
Ladies and gentlemen,

It is a great pleasure for me to welcome you to this fourth session of UNCTAD's Global Commodities Forum here in Geneva. The Secretary-General of UNCTAD, Dr. Supachai Panitchpakdi, has asked me to convey his apologies for not being able to be with you today, as his travel has been delayed. However, he looks forward to joining you at the closing plenary tomorrow.

UNCTAD's Global Commodities Forum was designed as a platform bringing together key stakeholders, including representatives of governments, the private sector, civil society organizations, academia and the media, to reflect on different aspects of the commodities economy. Benefiting from the interaction of practitioners and experts, this platform is uniquely placed to find practical solutions to address the challenges faced by commodity producers, intermediaries and consumers; and to address the root causes of the instability of commodity markets. Looking around the room today, I am pleased to see that, in less than five years, the Forum has established itself as a regular event on the calendars of key participants and partners, and I look forward to your deliberations.

Ladies and gentlemen,

The theme of this year's Forum is: "Recommitting to commodity sector development as an engine of economic growth and poverty reduction."

After decades of pessimism about resources-based development strategies due to falling prices and declining terms of trade, commodities have ‘come in from the cold’. During the last ten years, the world has witnessed its longest commodity boom in decades. While this boom was interrupted by the global financial crisis, commodities prices quickly recovered in 2010-2011. As an illustration of this recovery, UNCTAD's commodities price index reached a peak in the first half of 2011. The new fragility of the economic recovery led prices to retreat again, yet they remained relatively high. Indeed, in 2012, non-oil commodity prices were still 2.4 times their average value over the period from 1960 to 2012. The average prices of crude petroleum and gold also remained very high throughout 2012.

While a part of this rise in prices has been due to fundamentals, such as rising demand in many emerging economies, it has also been influenced and enhanced by a significant change in commodities markets, namely their increasing use as instruments of financial speculation. The fact that commodities prices have remained high despite a relatively gloomy outlook of the world economy is testament to the fact that commodities prices are not just determined by the law of demand and supply. It is true that weather patterns such as harsh winters and summers in major producing regions have continued to be an important determinant of the supply of agricultural commodities such as wheat and maize. Indeed, there is some worry that a harsh winter in the US and Russia could reduce the production of wheat at a time when demand from emerging economies is increasing. However, these weather conditions are not expected to significantly increase the price of these key commodities. Beyond the weather and demand factors, speculation and financialization of commodities have been driving commodities prices upwards. For example, the continued increase in gold prices over the last few years has been largely due to the fact that gold has become a commodity of refuge used to shield its owners from the negative effects of inflation and currency volatility. The growing importance of commodities financialization over the last few years has changed the way we look at commodities markets. From being simple goods, certain commodities have become financial assets.
Nevertheless, despite a decade-long price boom, Commodity-Dependent Developing Countries continue to be plagued by high levels of poverty. In essence, high commodities prices have so far had only a limited impact on poverty reduction. We therefore felt that this year’s forum could examine the measures and policies needed in different sectors to strengthen the link between the commodities sector and poverty reduction.

If we look at the impact of the high commodities prices, we can see that they certainly have contributed to increasing economic growth in many developing countries. Between 1995 and 2011, developing countries’ GDP increased by 130 per cent in constant US dollars. In per capita terms, GDP increased by 87 per cent in constant US dollars over the same period. Most of the rise in GDP occurred during the commodity boom that started in 2002. Africa, for example, registered a rate of real economic growth of about 5 per cent per year over the last decade. This has been remarkable particularly given that most of this performance has occurred during a period of global economic recession.

Unfortunately, however, this high growth in commodity-dependent developing countries has not fully translated into poverty reduction. The average annual rate of poverty reduction during the period of the commodity boom was only 1.2 per cent. The weak connection between economic growth and poverty reduction in these countries has been due to a number of factors. Among them are high levels of inequality, which imply that the fruits of economic growth disproportionately benefit a small segment of the population; and the reliance of the growth process on industries that do not create spillover effects in the rest of the economy. In developing economies, this has particularly been the case with capital-intensive extractive industries, which have behaved as enclave sectors with weak links with the rest of the economy. In other words, economic growth in many Commodity-Dependent Developing Countries has not been pro-poor, because it has not created jobs accessible by the poor, particularly in the agriculture sector and the rural economy in general. Moreover, the increase of food and energy prices over the last few years has hurt the poor in net importing countries as they have found it more difficult to access these basic commodities.

This brings me back to the theme of this GCF 2013. Recommitting to commodity sector development as an engine of economic growth and poverty reduction requires us to look at the commodities sector not just as a source of hard currency but also as a vehicle through which the issue of poverty could be addressed. We are fortunate to have three keynote speakers of high standing from academia, the private sector and civil society - in keeping with the multi-stakeholder character of the GCF - who will help us to look at commodities from a poverty reduction perspective. Professor Michael Lipton of Sussex University has dedicated most of his professional life to the analysis of poverty reduction and how it is affected by agriculture, nutrition and demography. In recognition of his contributions, he was awarded the Leontief Prize “for advancing the frontiers of economic thought” in 2012. His presentation on small-scale farming will remind us that in most developing societies, it is impossible to address the poverty issue without addressing the problems that bedevil the agricultural sector. It is clear why. In most CDDCs, very large segments of the population depend on agriculture for their survival. Hence, after decades of neglect, agriculture must be, again, put at the centre of the development process in these countries.

Ms. Ruth Rawling, who is the Vice President of Corporate Affairs for Europe, Middle East and Africa at Cargill, has had a long working relationship with governments, and grain and feed merchants. She will discuss some lessons from her experience on how to unlock the potential of farmers by transforming them into entrepreneurs.

Our third keynote speaker, Ms. Dhano Sookoo, has been the President of the Agricultural Society of Trinidad and Tobago for the last 5 years. She pioneered the development of the Export of Fresh Agricultural Produce from Trinidad and Tobago to Barbados. Under her leadership, the members of the Agricultural Society of Trinidad and Tobago have increased from less than 400 to over 6000 individual members, and 68 affiliate bodies bringing the farmers under one platform as a single voice. She has a very good story to tell on the role of farmers organizations in promoting commodity development and poverty reduction. I am very much looking forward to hearing all their insights.
With regard to other commodity sectors, such as mining, the main issue that requires our attention is how best to embed the commodity sector in the national economy. Unless stronger forward and backward linkages are created between the commodity sector and other components of CDDC’s economies, the commodity sector will continue to work as an enclave sector with limited benefits to populations, particularly the poor. This could be achieved if commodity windfalls during boom periods such as the recent one could be invested in order to diversify CDDC’s economies. Economic diversification will not only create jobs and increase incomes for the poor, but also make CDDCs less dependent on the vagaries of commodity price swings. In other words, commodities can help to reduce poverty in CDDCs in the short-term if the revenues they generate are wisely spent on poverty-reduction programmes. In the long-term, however, sustainable poverty reduction will be achieved through a process of economic diversification that puts job creation at the heart of the economic transformation process.

In order to stabilize commodities markets and increase the share of revenue accruing to producers in CDDCs, participants are invited to debate on the issue of governance in the commodity market. During its Cannes meeting, the G20 called on all stakeholders in the commodities markets to improve transparency in both the physical and financial components. For example, overcoming information asymmetries in price formation mechanisms is crucial for better functioning and more stable commodities markets. This issue is so important that it has been discussed in many international fora, including the 66th session of the UN General Assembly in October 2011. Most recently, the G20 Energy Sustainability Working Group Meeting reiterated the need to make energy and commodity markets more transparent and predictable. It is in recognition of this need that we at UNCTAD have devoted some sessions of this Forum to the discussion of the challenges and solutions in collecting, analysing and disseminating market information and other commodities data, and how to improve transparency in commodities markets and value chains.

Ladies and gentlemen,

I am proud to report to you that the organization of this Forum is the fruit of concerted efforts between UNCTAD and a number of partners who believe in the virtues of dialogue in order to find solutions to pressing development challenges. The selection of the theme of this Forum followed a consultative process and a series of discussions among fourteen representatives of the private sector, international organizations and others. Our colleagues from the Economic Commission for Europe (ECE) were very helpful in mobilizing large energy companies to participate in this Forum. A special session will be co-organized with the ECE’s Gas Centre to discuss the contribution of energy, and especially natural gas, to economic growth and development in CDDCs. As you know, natural gas is becoming an increasingly important and clean hydrocarbon source, whose share in the world energy balance is expected to grow. Three energy companies have accepted to share their experiences in contributing through specific projects to the development of the regions and countries where they operate.

We very much welcome the collaboration with partners in organizing this forum as we deal with issues that require an integrated approach; no single stakeholder has the capacity to address all of them in isolation. Indeed, as I mentioned earlier, one of the strengths of the Global Commodities Forum is its integrated approach. Allow me therefore to sincerely thank all the people and institutions who have helped in the organization of this Forum. I most particularly would like to express my appreciation to GazNat and Afreximbank for their generous financial support.

I wish you all fruitful and productive discussions over the next two days.

Thank you very much.