Perspectives on commodity dependence and economic diversification

UNCTAD Trade and Development Commission

Tuesday, 26 November 2019

Michael Roberts, Head, Aid for Trade Unit, Development Division
Outline

• Section 1: Economic and export diversification

• Section 2: Commodity dependence and volatility

• Section 3: Exposure and vulnerability

• Section 4: Aid for Trade initiative
• Section 1: Economic and export diversification

• Section 2: Commodity dependence and volatility

• Section 3: Exposure and vulnerability – natural hazards

• Section 4: Aid for Trade initiative
Overview

M&E Responses

- Partner country (developing countries)
- South-South
- REC
- Bilateral donors
- Multilateral donors

133
88 (66%)
30 (23%)
5 (4%)
5 (4%)
50 (57%)
38 (43%)
22 (25%)
66 (75%)

LDC
LLDC
Most respondents stated that:

- **Economic diversification is a priority** in their national or regional development strategy.
- Among LDC and LLDC respondents, there was **unanimity** in policy prioritization of economic diversification.

![Chart showing economic diversification priorities](chart.png)
Some respondents stated that:

- **Progress in economic diversification** has been recorded since the launch of Aid-for-trade initiative in 2006.

  - This share is **50%** higher than the rest of developing countries (**44%**).

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<table>
<thead>
<tr>
<th>Category</th>
<th>Yes</th>
<th>No</th>
<th>Unsure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Partner countries</td>
<td>53%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>LDC</td>
<td>66%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>LLDC</td>
<td>59%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>UN SIDS</td>
<td>42%</td>
<td></td>
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</tbody>
</table>
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Some respondents stated that:

- **Progress in economic diversification** has been recorded since the launch of Aid-for-trade initiative in 2006, mostly in export diversification.

### Economic Diversification

**Progress: area**

<table>
<thead>
<tr>
<th>Export diversification</th>
<th>Structural transformation</th>
<th>Industrialization, including manufacturing value added</th>
</tr>
</thead>
<tbody>
<tr>
<td>Partner countries</td>
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<tr>
<td>LDC</td>
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<tr>
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<td>UN SIDS</td>
<td>UN SIDS</td>
</tr>
</tbody>
</table>

- Export diversification: 45%, 45%, 29%
- Structural transformation: 25%, 34%, 32%, 8%
- Industrialization, including manufacturing value added: 25%, 34%, 32%, 17%
Some respondents stated that:

- **Progress in economic diversification** has been recorded since the launch of Aid-for-trade initiative in 2006, **mostly in export diversification**

### Economic Diversification Progress: area – regional perspectives

<table>
<thead>
<tr>
<th></th>
<th>Africa</th>
<th>Asia</th>
<th>LAC</th>
<th>Oceania</th>
</tr>
</thead>
<tbody>
<tr>
<td>Export diversification</td>
<td>60%</td>
<td>39%</td>
<td>20%</td>
<td>20%</td>
</tr>
<tr>
<td>Structural transformation</td>
<td>26%</td>
<td>30%</td>
<td>28%</td>
<td>10%</td>
</tr>
<tr>
<td>Industrialization</td>
<td>40%</td>
<td>22%</td>
<td>11%</td>
<td>10%</td>
</tr>
</tbody>
</table>
Some respondents stated that:

- Progress in economic diversification has been recorded since the launch of Aid-for-trade initiative in 2006, mostly in export diversification and agriculture.

### Economic Diversification Progress: sector

<table>
<thead>
<tr>
<th></th>
<th>Partner countries</th>
<th>LDC</th>
<th>LLDC</th>
<th>UN SIDS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>39%</td>
<td>61%</td>
<td>45%</td>
<td>17%</td>
</tr>
<tr>
<td>Industry</td>
<td>32%</td>
<td>42%</td>
<td>41%</td>
<td>11%</td>
</tr>
<tr>
<td>Services</td>
<td>33%</td>
<td>34%</td>
<td>32%</td>
<td>23%</td>
</tr>
<tr>
<td>Fisheries</td>
<td>26%</td>
<td>29%</td>
<td>25%</td>
<td></td>
</tr>
<tr>
<td>Forestry</td>
<td>13%</td>
<td>16%</td>
<td>14%</td>
<td>0%</td>
</tr>
</tbody>
</table>
Economic Diversification
Progress: sector

with regional variation..

- **Africa**: agriculture
- **LAC**: services
- **Asia**: industry and agriculture
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Dependence and volatility

Volatility can be policy-induced

Growing number of G20 import-restrictive measures

In October, WTO downgraded forecast for world trade growth to 1.2%
Goods barometer suggests world trade to remain below trend as tensions take toll
Services trade weakening into second half of 2019
Dependence and volatility

"Fluctuations partly reflected changing economic expectations, as trade tensions rose and fell throughout the year"
Export subsidies – another concern for the commodity-dependent

SDG 14.6 target: “by 2020, prohibit certain forms of fisheries subsidies which contribute to overcapacity and overfishing, and eliminate subsidies that contribute to IUU fishing, and refrain from introducing new such subsidies, recognizing that appropriate and effective special and differential treatment for developing and least developed countries should be an integral part of the WTO fisheries subsidies negotiation.”
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Natural disasters events 1980 - 2018

Source: Emergency Events Database (EM-DAT)

Source: World Bank Databank
Overview of impact of recent natural disasters on six WTO Members

<table>
<thead>
<tr>
<th>WTO Member</th>
<th>Event</th>
<th>Damage as a percentage of GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dominica</td>
<td>Tropical Storm Erika (2015)</td>
<td>90%</td>
</tr>
<tr>
<td></td>
<td>Hurricane Maria (2017)</td>
<td>225%</td>
</tr>
<tr>
<td>Fiji</td>
<td>Tropical Cyclone Evan (2012)</td>
<td>2.6%</td>
</tr>
<tr>
<td></td>
<td>Tropical Cyclone Winston (2016)</td>
<td>31%</td>
</tr>
<tr>
<td>Nepal</td>
<td>Earthquakes (2015)</td>
<td>33%</td>
</tr>
<tr>
<td></td>
<td>Monsoon trough (2017)</td>
<td>3%</td>
</tr>
<tr>
<td>Saint Lucia</td>
<td>Hurricane Tomas (2010)</td>
<td>43%</td>
</tr>
<tr>
<td>Tonga</td>
<td>Tropical Cyclone Ian (2014)</td>
<td>11%</td>
</tr>
<tr>
<td></td>
<td>Tropical Cyclone Gita (2018)</td>
<td>38%</td>
</tr>
<tr>
<td>Vanuatu</td>
<td>Tropical Cyclone Vania (2011)</td>
<td>6.3%</td>
</tr>
<tr>
<td></td>
<td>Tropical Cyclone Pam (2015)</td>
<td>64%</td>
</tr>
</tbody>
</table>

*Source: Post Disaster Needs Assessments*
Merchandise exports, imports and trade balance of Vanuatu

Source: World Bank Databank
Change in pest or disease status

• Planting materials to re-establish field and tree crops

• Vector for spread of diseases

• Taro blight (Samoa), Lethal yellowing disease (Dominica)

• Standards and Trade Development Facility
Change in pest or disease status

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• Standards and Trade Development Facility
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Aid for Trade in action

Examples of STDF work

Penja pepper project, Cameroon
http://www.standardsfacility.org/PG-593

Action plan to combat animal diseases in the country.
http://standardsfacility.org/information-session-cameroon

Regional project to improve the safety and quality of cocoa in West Africa, with a focus on pesticide MRLs.
http://www.standardsfacility.org/PG-298
A4T: Growth since 2006

![Graph showing growth rates and various factors from 2002-2017]
USD 75 bn and 9 % in additional commitments since 2006

(USD billion, 2016 prices)

Sector allocable in total ODA

AFT share in sector allocable
Most respondents stated that:

- **Trade facilitation** is the top category in which *aid-for-trade support received was impactful*
- **Agriculture** is an equally important category in which aid-for-trade support provided to the **LDCs** was impactful
Most respondents stated that:

- Looking ahead, trade facilitation is a category in which aid-for-trade financing will be most required.
Most respondents stated that:

- Looking ahead, **agriculture** is the top sector in which **further aid-for-trade support will be most required**, followed by services and industry.
Conclusions

• Economic and export diversification – an enduring policy priority

• Commodity dependence – volatility can arise from others’ policies

• Exposure and vulnerability – risk is not static

• Aid for Trade initiative - part of the policy toolbox, but needs advocacy
Thank you
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