Commodities and LLDCs: Implications for post-Almaty PoA

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Structure of the presentation

I. Role of commodities in LLDCs: Why commodities?

II. Current position of LLDCs in GVCs

III. Challenges in maximizing gains from commodities

IV. Policy conclusions and recommendations
Major observations

• Resource-rich LLDCs are in a better position to build productive capacities and enhance structural economic transformation.

• There is a total lack of commodity policies or strategies at the national, regional and global levels;

• The current form of integration into RVCs and GVCs is through primary commodities i.e. the locus is at the lowest segment in the value chains;

• Geographical disadvantage and commodity dependency are causes and consequences high export concentration and greater vulnerability to volatile financial and commodity markets
I. Role of commodities in LLDCs: Why commodities?

A. Share of commodities in total merchandise exports
   • Top ten export items of LLDCs
   • Export Concentration Index (ECI)
   • Economic Complexity Index

B. Commodities in total value addition

C. Employment intensity of commodities
A. Share of commodities in total exports

- 24 of the 32 LLDCs are commodity dependent for their exports;
- Range: 28% (Nepal) - 99% (Chad);
- Median LLDC is dependent on commodities for 84.5% of its export (2011-2012);
- This share was 83.2% during 1995-1997
- In LLDCs dependency increased over time
## Top 10 export items of LLDCs (2010 – 2012)

<table>
<thead>
<tr>
<th>Product</th>
<th>Share</th>
</tr>
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<tbody>
<tr>
<td>Petroleum, petroleum products and related materials</td>
<td>43.30%</td>
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<tr>
<td>Non-ferrous metals</td>
<td>7.40%</td>
</tr>
<tr>
<td>Gas, natural and manufactured</td>
<td>7.40%</td>
</tr>
<tr>
<td>Metalliferous ores and metal scrap</td>
<td>5.70%</td>
</tr>
<tr>
<td>Iron and steel</td>
<td>3.60%</td>
</tr>
<tr>
<td>Textiles fibres and their wastes</td>
<td>3.00%</td>
</tr>
<tr>
<td>Non metallic mineral manufactures, n.e.s.</td>
<td>2.70%</td>
</tr>
<tr>
<td>Gold, non-monetary (excluding gold ores and concentrates)</td>
<td>2.50%</td>
</tr>
<tr>
<td>Inorganic chemicals</td>
<td>2.40%</td>
</tr>
<tr>
<td>Vegetables and fruits</td>
<td>1.80%</td>
</tr>
</tbody>
</table>

Source: UNCTADstat
Degree of commodity dependence
Commodity dependence & ECI:
(2011 – 2012)
B. Median share of commodities in total value added (% GDP) (2003 – 2012)
Median share of commodities in total value added within LLDCs (% GDP) (2003 – 2012)
C. Employment: Median share of commodities in country groups in 2013
II. Where do LLDCs stand in Global Commodity Value Chains?

A. Technological sophistication:
   i. Resource-based activities
   ii. Low-tech manufacturing
   iii. Middle level manufacturing
   iv. Sophisticated manufacturing
   v. Knowledge-based services
Exports by level of sophistication

- Developing economies
  - Africa
  - America
  - Asia
  - Oceania

- Least developed countries
- Landlocked developing countries

- Resources-based
- Low-tech manuf
- Mid-level Manuf.
- Sophisticated Manuf.
- Knowledge-based services
Economic Complexity Index (ECI)*

A. Diversity of Exports (No. of distinct products a country produces and exports)

B. Ubiquity of Exports (No. of countries that produce and export a given product)
For Comparison: Mauritius

Mauritius Exports by Technology Classification, 1995-2012
Vietnam Exports by Technology Classification, 1995-2012
China Exports by Technology Classification, 1995-2012
III. Challenges & areas for policy action

- Trade facilitation
- Infrastructure
- Trade and investment policies
- Productive capacities
- Institutions
II. Trade Facilitation

Ease of trading across borders for LLDCs….
II. Trade Facilitation

ii….Logistics Performance Index for LLDCs…. 
II. Trade Facilitation

Ease of Doing Business ....
II. Infrastructure

Roads, paved (% of the total roads)
II. Infrastructure...

Median Road density (km of road per 100 sq.km of land area)
II. Infrastructure...

Median Rail density (Rail lines per 100 sq.km)

[Graph showing rail density for LLDCs, Transit countries, and Other developing countries]
Capital accumulation...

FDI Stock in selected country groups (% of...
IV. Policy Conclusions and Recommendations

• Commodity-based policies;
• Facilitate investment inflows to sectors of development interest;
• Encourage or enhance the role of the private sector (domestic);
• Foster industrialization, value addition & diversification;
• Build productive capacities and accelerate structural economic transformation;
• Address main constraints on doing business;
• Take advantages of RVCs and GVCs by carefully examining regional and global supply and demand chains along exports of their strategic interest;