MYEM on Commodities and Development, 12th session

Talking points

Miho Shirotori, OIC, Division on International Trade and Commodities

Madam Chair [H.E. Mrs. Margarida Rosa da Silva Izata, Ambassador and Permanent Representative of the Republic of Angola to the United Nations Office and other international organizations in Geneva].

Madam Vice-Chair-cum Rapporteur [Ms. Leticia Dos Santos Marranghello, Permanent Mission of Brazil to the United Nations Office and other international organizations in Geneva]

Distinguished experts and participants;

- At the outset, I would like to thank you for your contribution to the fruitful discussions on agenda item 3 that addressed “Recent developments, challenges and opportunities in commodities markets” and agenda item 4 today on “Greater transparency in commodity markets.”

- Distinguished experts and discussants have raised many points that are pertinent for policymaking on commodity and development in the context of post-COVID-19 recovery strategies. Takeaways from this meeting include the following points.

**

- **Under agenda item 3**, we have heard that commodity markets in the year 2020 were deeply affected by the coronavirus pandemic; about 60 per cent of the fall in commodity export revenues was projected to be in commodity dependent developing countries (CDDCs). This is worrying as it can lead to, among others, a reduction in governments’ ability to provide services needed to respond to the pandemic.

- With respect to the agri-food market, some trade restriction measures were observed in agri-food markets; these should be avoided as they can exacerbate disruptions in both demand and supply of food products, with detrimental effects on net food-importing countries.

- Governments should foster transparency in food market so that information is widely and, preferably, publicly available, to limit panic buying and unnecessary stocking of food.

  - In this regard, we commend the AMIS initiative which has been playing this role since the aftermath of the 2007-2008 food crisis.
With respect to the mining sector, it is interesting to note that measures introduced to mitigate the coronavirus pandemic have accelerated the use of local service providers in the mining industry:

- Indeed, diversifying sources of procurement to the domestic sector would not only strengthen the mining sector’s resilience to future crises but also strengthen backward linkages of the mining sector, generating spillovers in the domestic economy that would benefit host countries.

With respect to the energy sector, between 2019 and 2045, demand for energy is expected to increase by 25 per cent.

- All energy sources will be needed to meet this increasing demand.
- Only a more diversified energy mix will drive economic growth and eradicate the so-called “energy poverty.”
- It was noted that in the upstream oil industry, annual investments of US380 billion are needed to meet forecast increase in oil demand in the next 25 years.

Under agenda item 4, the meeting discussed transparency and its importance in the commodity sector.

Transparency is particularly important in commodity markets where there is a multitude of stakeholders intervening in what are generally long value chains; hence, transparency must be fostered at every node of the value chain.

We heard that there are different international and regional instruments that can help to increase transparency.

- We received very useful information on the OECD due diligence guidance for responsible mineral supply chain.
- We heard that technology (e.g., blockchain) can help to make commodity-value chains on CDDCs more transparent.
- Farmer Connect shared with us an innovative tool for improving connectivity and traceability in agri-food value chains.
- As CFC’s presentation highlighted, investors’ growing interest in social and environmental standards and procedures is encouraging.

Given that the lack of transparency is associated with corruption and high illicit financial flows, developing countries, particularly those dependent on the commodity sector, should strengthen their capacity in terms of detecting acts of corruption and other malpractices in the commodity sector.
o These include transfer mispricing and trade mis-invoicing. Such malpractices may be addressed by establishing and trading through commodity exchanges in developing countries, as we heard today. Indeed, commodity exchanges increase transparency by reducing information failure, allowing producer price bargaining, and ultimately reducing transaction costs.

o Detecting corrupt practices in the commodity value chain generally requires specific skills that many CDDCs do not possess.

o Therefore, many CDDCs and their partners that are interested in improving transparency should invest in domestic capacity building.

- To sum up, transparency must be fostered not only by CDDCs that derive most of their export earnings from the commodity sector, but also by other value chain participants such as multinational enterprises and the governments hosting them, as well as multilateral organizations.

**

- To conclude, I would like to thank you again for all the insightful views that have been shared and discussed in the past two days.

- We look forward to continuing working with you on these very important issues.

[END]