

**UNCTAD GLOBAL COMMODITIES FORUM
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Opening Statement

By

Ambassador Triyono Wibowo

Permanent Mission of Indonesia in Geneva

The views expressed are those of the author and do not necessarily reflect
the views of UNCTAD.

**Statement by
Ambassador Triyono Wibowo
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*Her Excellency Ambassador Ana Menendez Perez, President of the TDB
His Excellency Dr. Mukhisa Kituyi, Secretary General of UNCTAD,
Distinguished Delegates,*

At the outset, allow me to express my appreciation to the Secretary General of UNCTAD and UNCTAD's Special Unit on Commodities for organizing the 6th Global Commodities Forum. The overarching theme of this Forum "*Trade in Commodities: Challenges and Opportunities*" is important not only in highlighting how developing countries can turn problems in global trade in commodities into a development opportunity, but also to allow decision-makers and stakeholders to exchange views on the policy responses and the steps that have been taken to deal with the perennial challenges faces in trade in commodities.

Between the year 2000 and 2001, the price of commodities tripled outpacing global growth, a condition which presents a challenge and opportunities to importers and exporters as well. To exporting countries the situation brought profits and big revenues to finance their development to spur growth and social welfare. On the other hand for importing countries, particularly food commodities-importing developing countries, the situation very much affected its ability to fund its development programs.

The previous UNCTAD Commodity Forum had discussed at length and depth the current challenges in trade in commodities, and presented a series of policy responses and steps that need to be implemented to overcome these challenges, and in order to sustain growth and development in developing countries, in particular Commodities Dependent Developing Countries.

This year's forum will discuss the development which has taken place in the current commodities trade, especially in relation to the fall of oil prices, and its impact on resource-rich developing countries. This forum will also explore the

policy space needed by raw material exporting countries in developing its industry as part of their economic development.

As in the case of other commodities, the fall in oil prices today has both a positive and negative impact. For oil exporting countries, the low prices will significantly affect their export earnings and may also affect economic growth and social welfare. However, there is a certain phenomenon that need to be mentioned here, that for oil importing countries with low income or high population, who have availed a large amount of budget to purchase oil including for the maintaining of affordable price at domestic market, to reduce poverty and to control inflation, the current fall of oil price presents a positive impact. The funds previously allocated for subsidies to domestic prices are now available to spend on other economic or social development programs.

Various UNCTAD reports have mentioned that the availability of large revenues as a result of the rise in commodity price will provide opportunities for exporting countries to transform its economy including through the development of its commodity-based industries and other industrial sectors. On the other hand, the fall in oil prices also leaves oil importing developing countries with a large amount in their budget. Such countries will have the opportunity to harness the situation to devise a new economic development policy by utilizing excess budget to fund infrastructure and domestic industrial development, improving the quality of human resources, and other social developments.

However, it must be kept in mind that it is difficult to predict the duration of the current situation of low oil prices. The volatility of oil prices, as we understood, is not only a result of the supply and demand factor, but is often times caused by political factors. Thus, the positive and negative impacts on oil importing and exporting countries are temporary.

Keeping in mind that one of the challenges in commodities trade is price instability, it would be essential for resource-rich developing countries not to rely its economic development policy solely based on commodities trade. On the contrary, it would be beneficial to utilize its resource endowments to transform its economy by developing its industry, be it commodity-based industries or other industrial sectors. It means that all of its natural resources including mineral resources need to be utilized to advance their economic growth and development

by way of industries that result in value addition, improvement in technological capacity, increase in jobs opportunities, and skill development.

Resource-rich developing countries should design and implement industrial and other development policies to promote value addition and economic transformation, and to reduce their dependence on producing and exporting unprocessed commodities. Historically, the structural dependence on primary sector earnings may have hampered the economic diversification that is prerequisite for long-term economic growth and development.

Resource-rich countries must be able to make adjustment in their commodities policy. They must have a long-term strategy and not be beholden to the movement of commodity price. They should also think of commodities as a catalyst for wider structural transformation of the economy.

Based on research studies, a simple transformation from raw material into processed intermediate product will significantly multiply the value-added of commodity. This transformation will ignite the multiplier effect of industrial development, such as the development of both primary processing and supporting industries, diversification of export, jobs creation etc. Maximizing commodity resources for industrialization involves adding value to soft and hard commodities and developing forward and backward linkage to the commodity sector. Industrialization will yield employment, generates income, price and non-price benefits. They should capitalize on the combination of resource endowment, the current low price of oil and high international commodity prices to maximize their economic growth and development.

This, I believe, requires appropriate development planning framework and effective industrial policy. Policy on commodity should be part of a holistic development strategy that integrates as much as possible: trade, industrial and human capital policies.

To that end, developing countries need to address their domestic conditions and policies, such as issue of coordination among ministries, and take necessary measures at national level. At the global level however, it is necessary to ensure that developing countries are given the wider opportunity in policy space to expand and modernize their economies, without prejudicing the

principles of free, fair and open trade. These, in my view, are the opportunity and the challenge emanated from the current global trade in commodities that we should anticipate.

Thank you.