

**Seventh Multi-year Expert Meeting on
Commodities and Development**
15-16 April 2015
Geneva

Opening Statement

By

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The views expressed are those of the author and do not necessarily reflect
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Opening statement by Mr. Joakim Reiter, Deputy Secretary-General of UNCTAD

Madam Chair,
Excellencies,
Distinguished Experts and participants,
Ladies and Gentlemen,

It is my pleasure to welcome you to the seventh session of the Multi-Year Expert Meeting on Commodities and Development.

This meeting, which brings together experts, delegations, and other stakeholders, has two main objectives. The first objective is to review the recent developments in key commodity markets. And the second one is to explore policy options for mitigating the impact of price volatility in commodity markets on food security.

Our meeting takes place in a context of broad-based commodity price declines. In fact, oil prices fell sharply in the second half of 2014, with the price per barrel falling by half, bringing an end to a four-year period of high and stable prices. Non-oil commodities followed the same downward trend. In a year, the UNCTAD non-oil commodity index lost 8.5 per cent of its value. If the UNCTAD food price index was relatively stable in 2014, cereals saw their prices decline significantly due to high levels of production, maize and rice in the lead. Agricultural raw materials, mineral, metals were even more severely affected.

In sum, in 2014, commodity markets continued to weaken due to lacklustre demand and oversupply.

Against this backdrop, a relevant question for this meeting is whether this evolution of commodities markets is good for development.

On the one hand, the recent trends may be positive for development. For instance, price volatility is back to the relatively low levels observed before the financial crisis. This is particularly important for the most vulnerable economies, which are net importers of these commodities. Likewise, price reductions are also good for food security in net food importing countries. And the fall in oil prices helps cutting the energy bill, facilitating access to energy, notably for the poorest households.

On the other hand, however, lower prices can also have negative impacts on the development prospects of Commodity-Dependent Developing Countries. For instance, price declines in commodities can decelerate economic growth, with crippling implications for public finances and a country's ability to finance social and development programmes. This raises concerns about the resurgence of structural public deficits and indebtedness in these economies.

Besides, in the long term, low prices will not help farmers, and reduce their incentive to invest. This may ultimately diminish their capacity to adjust and respond to the needs of coming generations -

In addition, the current trends in commodities markets may challenge some objectives of the international environmental agenda. Lower prices tend to encourage greater use of fossil fuels, which can reduce the sense of urgency to develop sources of alternative energy..

In other words, another relevant question for this meeting is whether cheaper hydrocarbons reduce or increase the incentive to develop alternative sources of energy.

Ladies and Gentlemen,

As I mentioned before, another important issue to be addressed during this meeting is price volatility. Though it has decreased, price volatility remains an impediment to development, affecting the economic welfare of both commodity-exporting and importing countries.

Existing policy measures that mitigate the impact of volatility need to be strengthened. And there are options, which include short-term and medium-term policy responses. For instance, food reserves and national safety nets can provide immediate responses in a situation of food stress to the most vulnerable groups. In the long term, economic diversification can be the solution to increase resource-rich developing countries' resilience to external shocks. **However, how to prioritize the potential policy responses or the sequencing in policy implementation, is a subject relevant to goals of this meeting.**

Dear participants,

This multi-year expert meeting provides a good opportunity to address these important questions. It will allow us to share country experiences and generate new ideas that will help to derive maximum benefits from primary commodities.

The time has come to transform the natural resource curse into a blessing for development. Fluctuations of commodity markets should not undermine our determination to achieve the goals set in the international development agenda. It is our governance, but also our understanding of issues that determine whether natural resources are a curse or a blessing.

I wish you fruitful deliberations.

Thank you.