



Promoting value addition and the enhancement of domestic productive capacity through local economic empowerment

Note by the UNCTAD secretariat

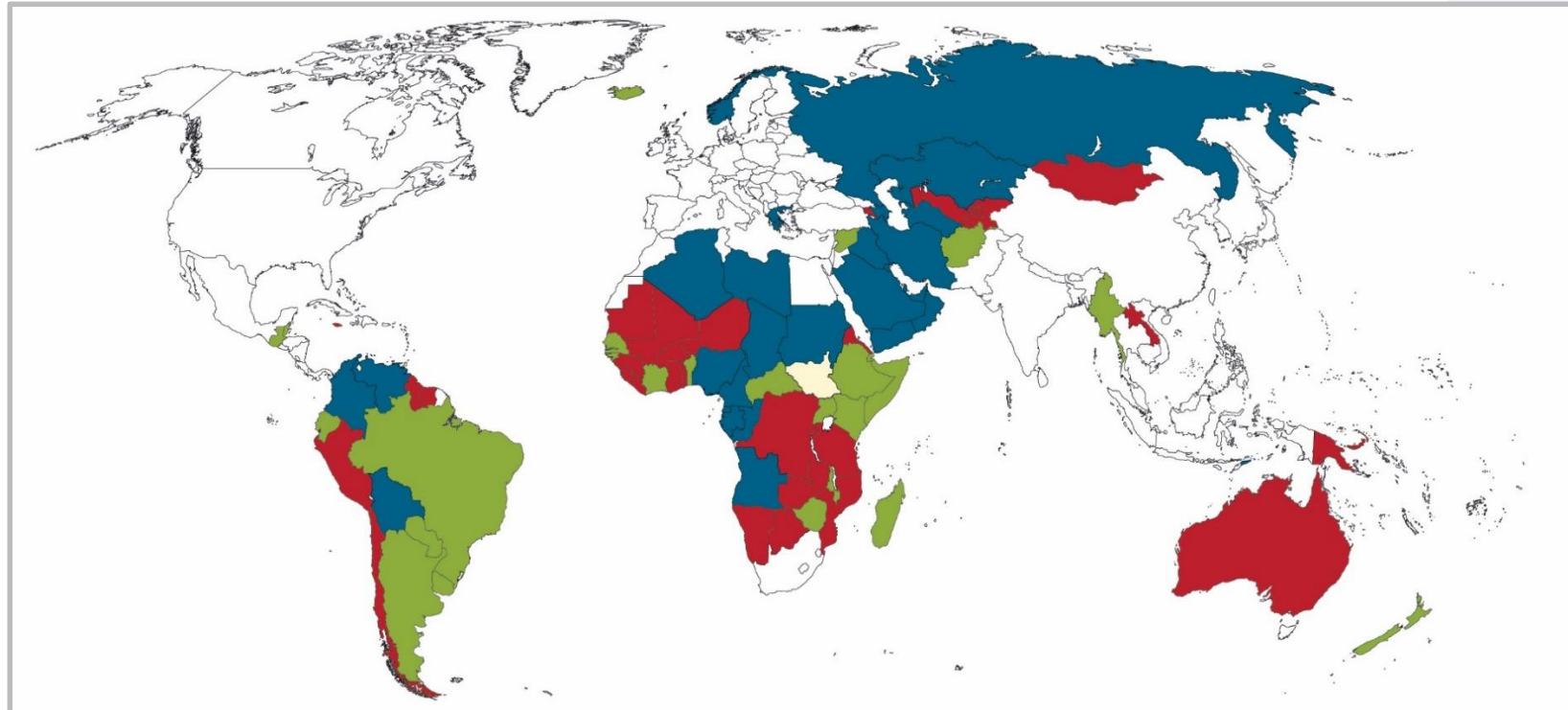
TD/B/C.I/EM.10/2

Geneva, 12 December 2019



State of Commodity Dependence 2019

Distribution of commodity-dependent and non-commodity-dependent countries within each commodity group, 2013–2017



■ Dependence on exports of agricultural products

■ Dependence on energy exports

■ Dependence on exports of minerals, ores and metals

□ Non-commodity dependent countries

□ Data not available or not included in the report



All four project countries chose to develop a new value chain for cotton stalks.

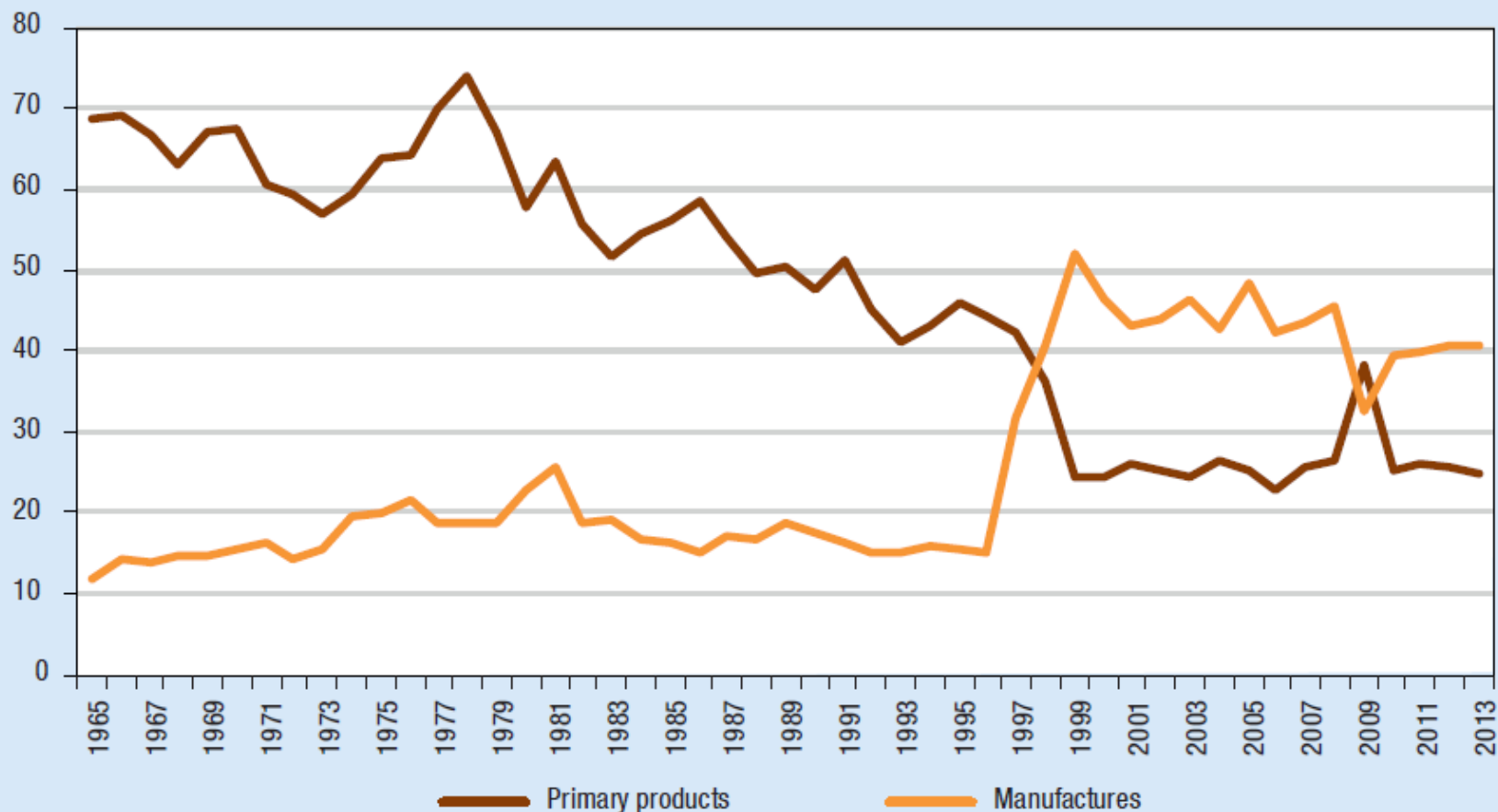
Cotton by-products selected for National Action Plans

Raw material	End product	Tanzania	Uganda	Zambia	Zimbabwe
Stalks	Briquettes and pellets	👍	👍	👍	👍
Stalks / hulls	Mushrooms		👍		
Cottonseed cake	Gossypol-free cake	👍	👍		👍
Short staple cotton	Absorbent cotton wool	👍	👍	👍	



Costa Rica: An example of diversification

Figure 19. Shares of primary goods and manufactures in Costa Rica's total exports, 1965–2013 (per cent)



Source: Based on data from ECLAC Statistical Yearbook for Latin America and the Caribbean (various years), and the World Bank's World Development Indicators (several years).

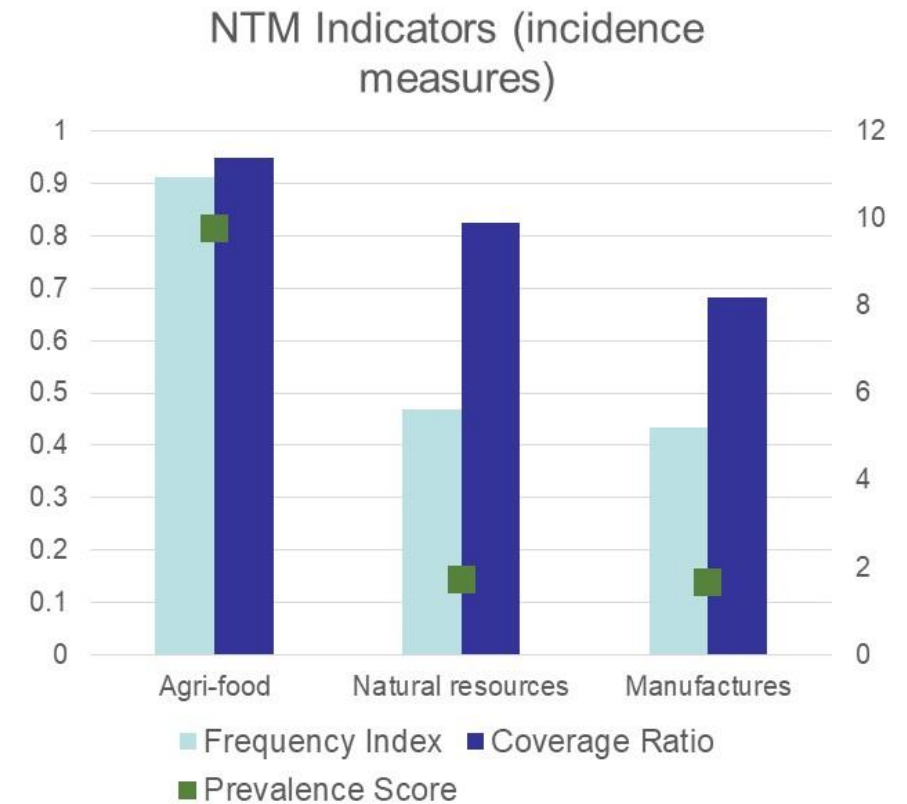
Non-Tariff Measures

- **Non-tariff measures**
 - Are important instruments to achieve SDGs (food security, health, combat climate change)
 - Cannot be eliminated
- **But: Non-tariff measures**
 - Determine increasingly market access
 - Raise level of investment needed to aim at export diversification into new products
 - Disproportionally affecting LDCs and smaller companies
 - Commodity dependence can become a trap



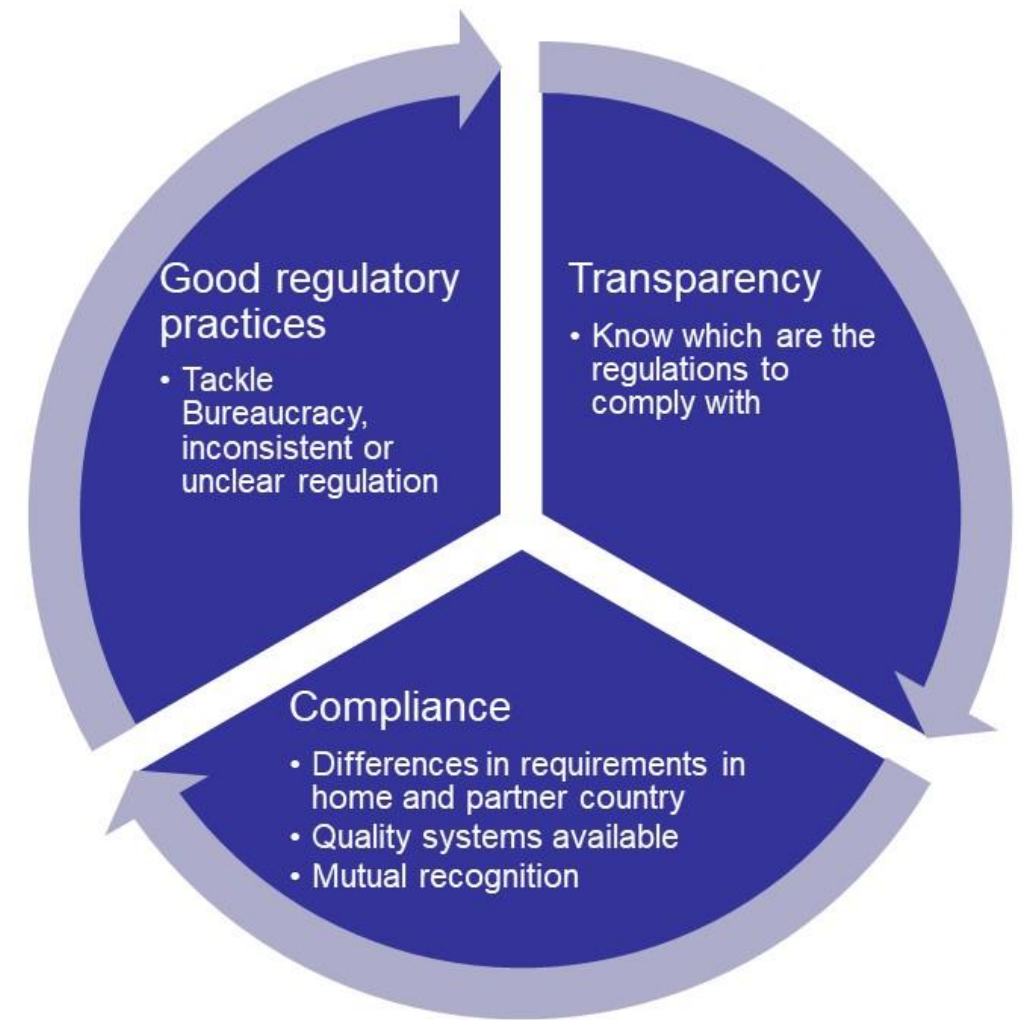
Challenge: Trade Costs Hamper Value Addition

- In value chains goods cross borders multiple times
 - Trade costs accumulate
 - Mainly Non-Tariff Measures (NTMs)
 - Regulations increasingly needed to protect consumers and environment (e.g. traceability information even more acute in a value chain world)
- Low income countries and small firms disproportionately affected by NTMs
 - Higher costs of compliance (e.g. lack of laboratories)
 - Fixed costs to find out and meet requirements
- Commodity dependent countries face more NTMs
 - Agrifood sector has 10 measures per product, manufactures has 2



Support Value Addition: Reduction of NTMs related Trade Cos

1. Knowing what is required:
 - Transparency can reduce trade costs by 25 %
2. Regulatory cooperation at regional and multilateral level
 - e.g. mutual recognition of conformity assessments
 - Harmonization can reduce trade costs by 30-40%
3. Good Regulatory Practices
 - Nationally coherent NTMs
 - Streamline NTMs
 - Build quality infrastructure -> Technical cooperation may be needed



What are Voluntary Sustainability Standards?

- Requirements **set by private entities** that producers are asked to meet for **economic, social and environmental sustainability** objectives. Can include:
 - human rights, equitable profit sharing, decent working conditions, conservation of natural resources, biodiversity, etc.
- Comes with **price premium**
- Can **facilitate or act as a barrier for market access**
- Major retailers and brand owners use it as **an effective marketing tool**



VSS are a Market Reality

Today Sustainable Production value \approx US\$ 50 billion*
 (The State of Sustainability Initiative Reports)
 +
 Organic products value for US\$ 70 billion
 (FIBL The World of Organic Agriculture)
 *agriculture and sea food commodities

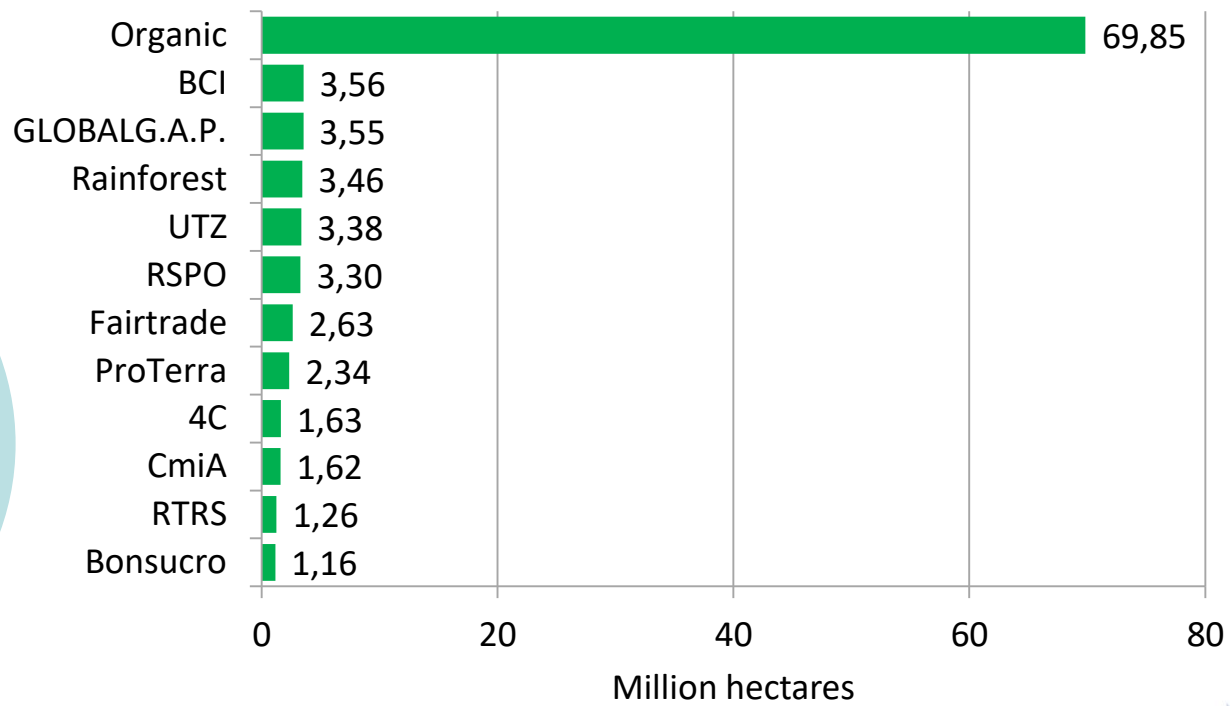
66 % of consumers are willing to pay a premium for sustainable products
 (Nielsen survey)

Around 500 eco-labels in 199 countries and 25 industries today
 (ecolabelindex.com)

Sometimes up to 8 standards must be met for a product to be accepted in a retail network
 (UNFSS 3rd Flagship)

Total Certified Area by VSS in 2017*

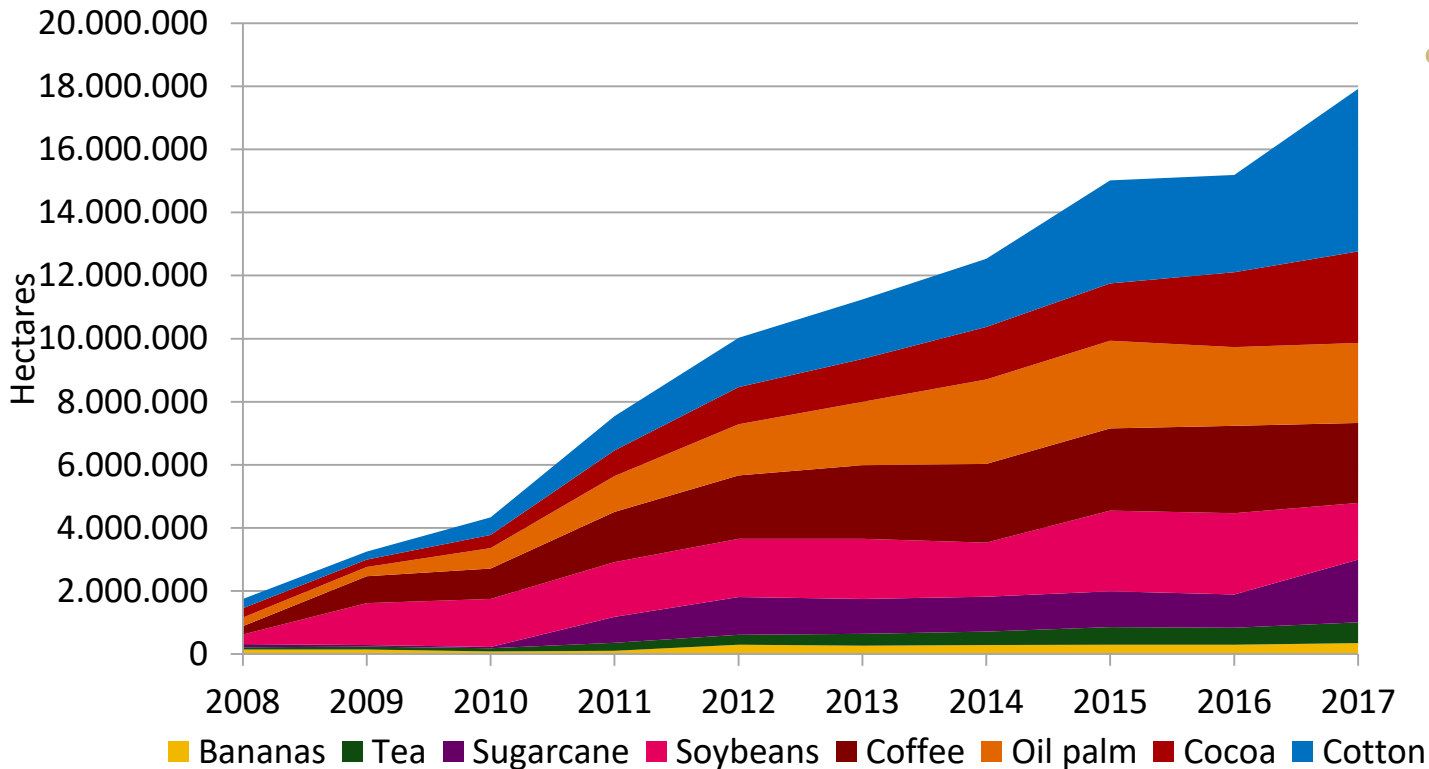
- Highest growth 2013/2017: BCI: +179%



*Source: The State of Sustainability Markets, 2019 (FiBL-IISD-ITC survey 2019)

VSS are a Market Reality

VSS Compliant Production Area Worldwide*



- Total area growth 2013-2018: +60%
- By crops:
 - Highest growth 2013-2018: Cotton: 172%
 - Highest growth 2016-2017: Sugarcane: 89%



THANK YOU

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