



WORLD TRADE
ORGANIZATION

Perspectives on commodity dependence and economic diversification

UNCTAD Trade and Development Commission

Tuesday, 26 November 2019

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Development Division

Outline

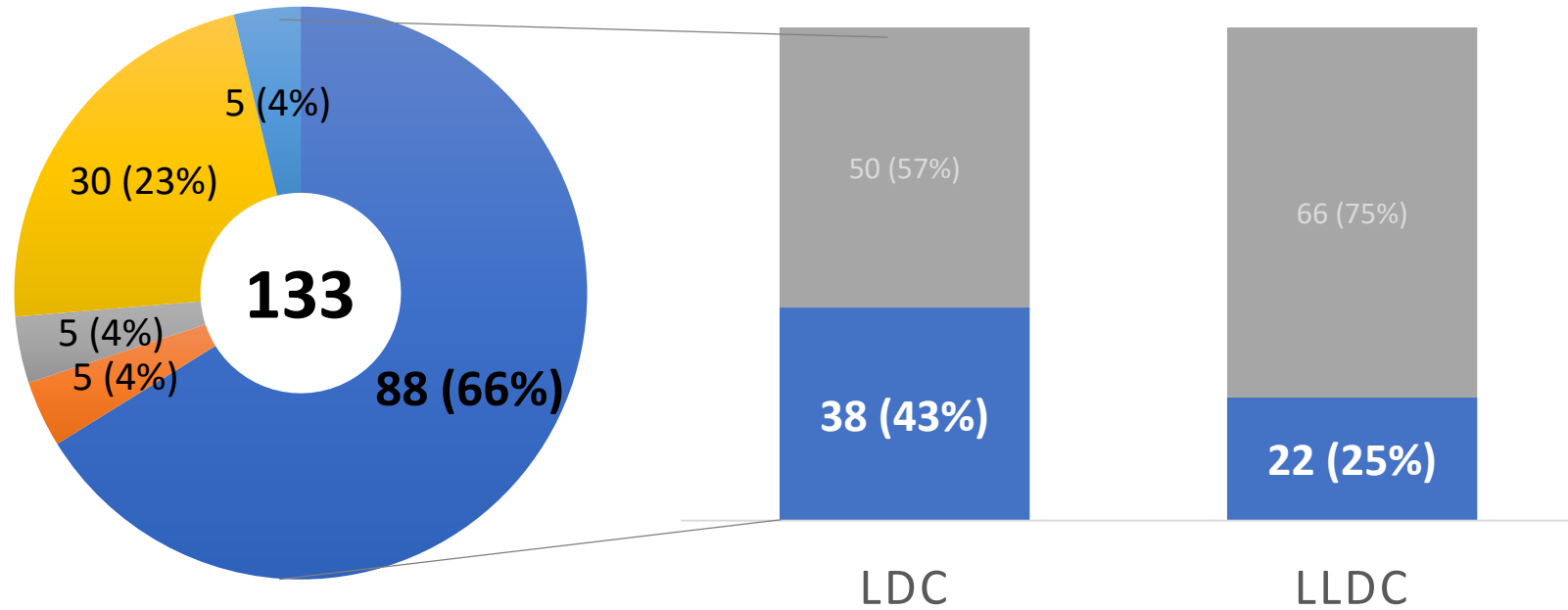
- Section 1: Economic and export diversification
- Section 2: Commodity dependence and volatility
- Section 3: Exposure and vulnerability
- Section 4: Aid for Trade initiative

- Section 1: Economic and export diversification
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Overview

M&E Responses

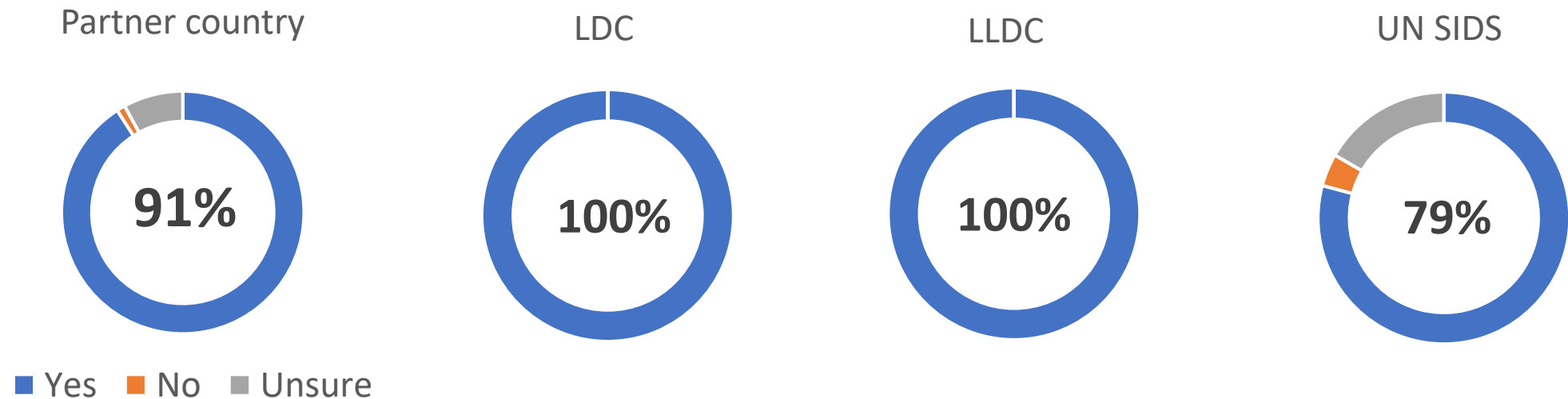
- Partner country (developing countries)
- South-South
- REC
- Bilateral donors
- Multilateral donors



Economic Diversification Priorities

Most respondents stated that:

- **Economic diversification is a priority** in their national or regional development strategy
- Among **LDC and LLDC** respondents, there was **unanimity** in policy prioritization of economic diversification.

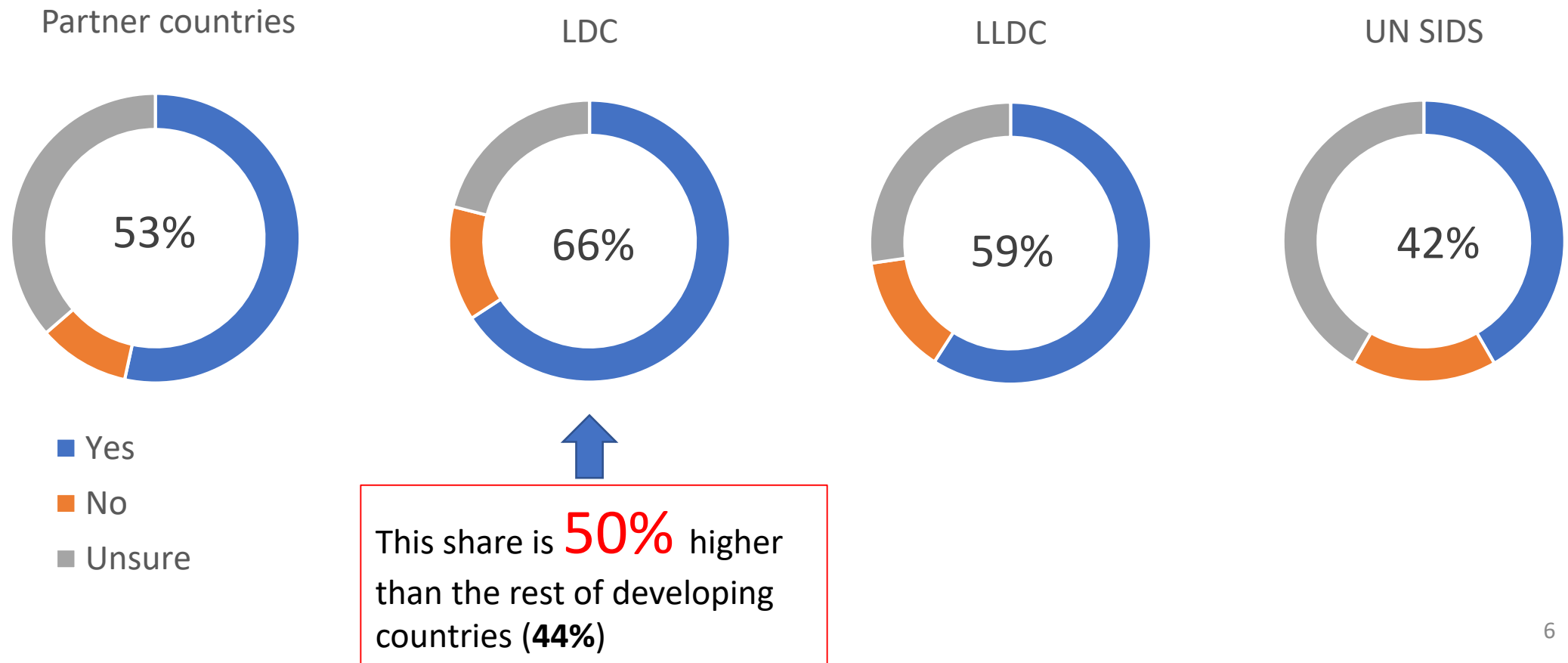


Economic Diversification

Progress

Some respondents stated that:

- **Progress in economic diversification** has been recorded since the launch of Aid-for-trade initiative in 2006

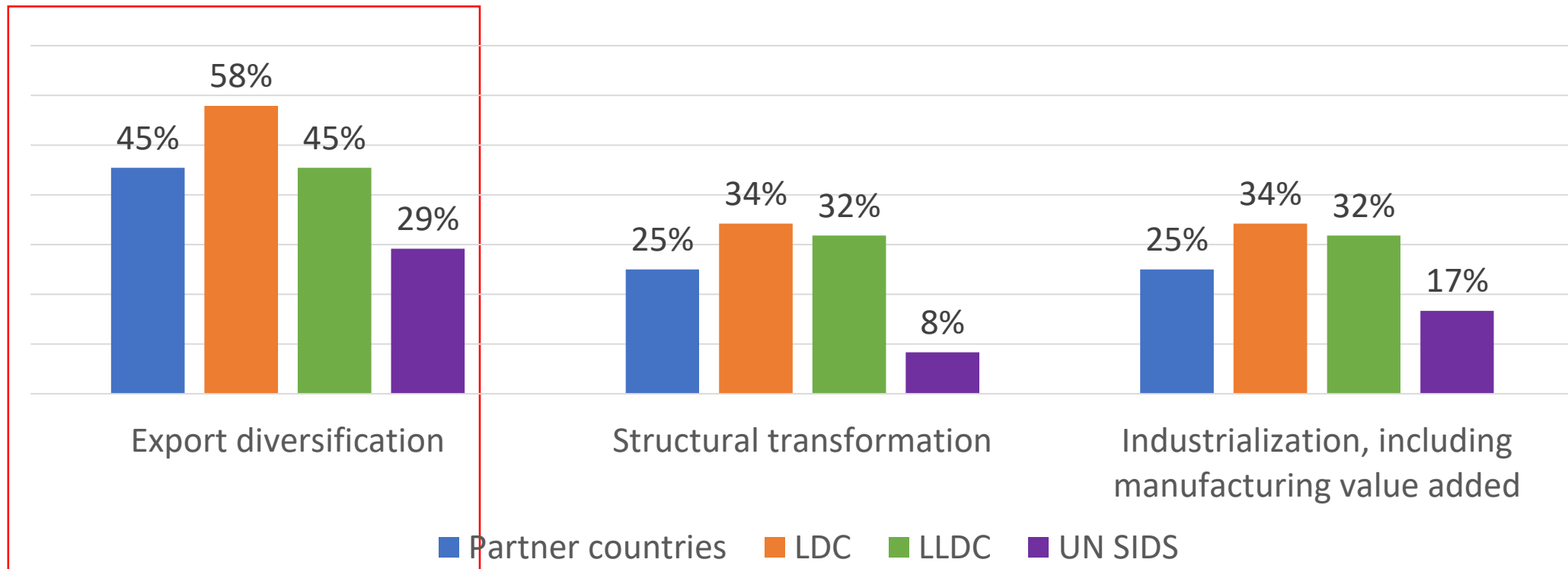


Economic Diversification

Progress: area

Some respondents stated that:

- **Progress in economic diversification** has been recorded since the launch of Aid-for-trade initiative in 2006, mostly in **export diversification**

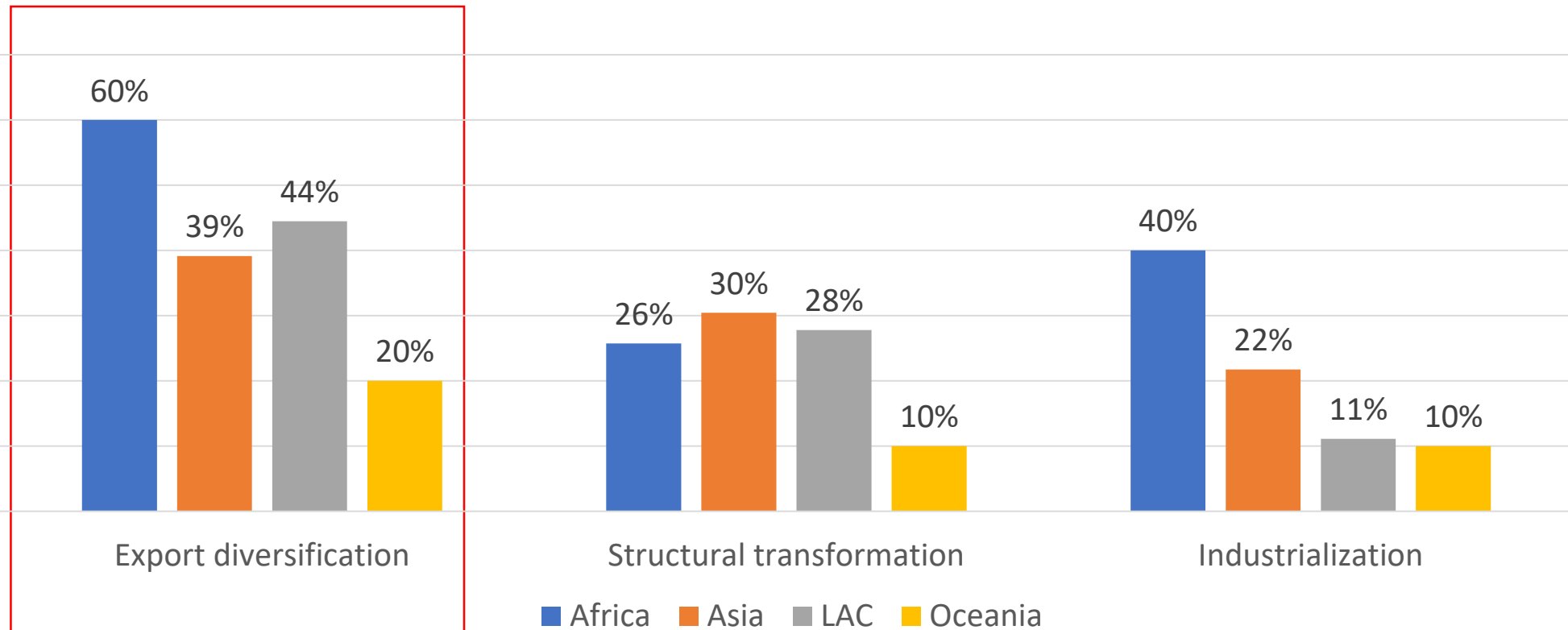


Economic Diversification

Progress: area – regional perspectives

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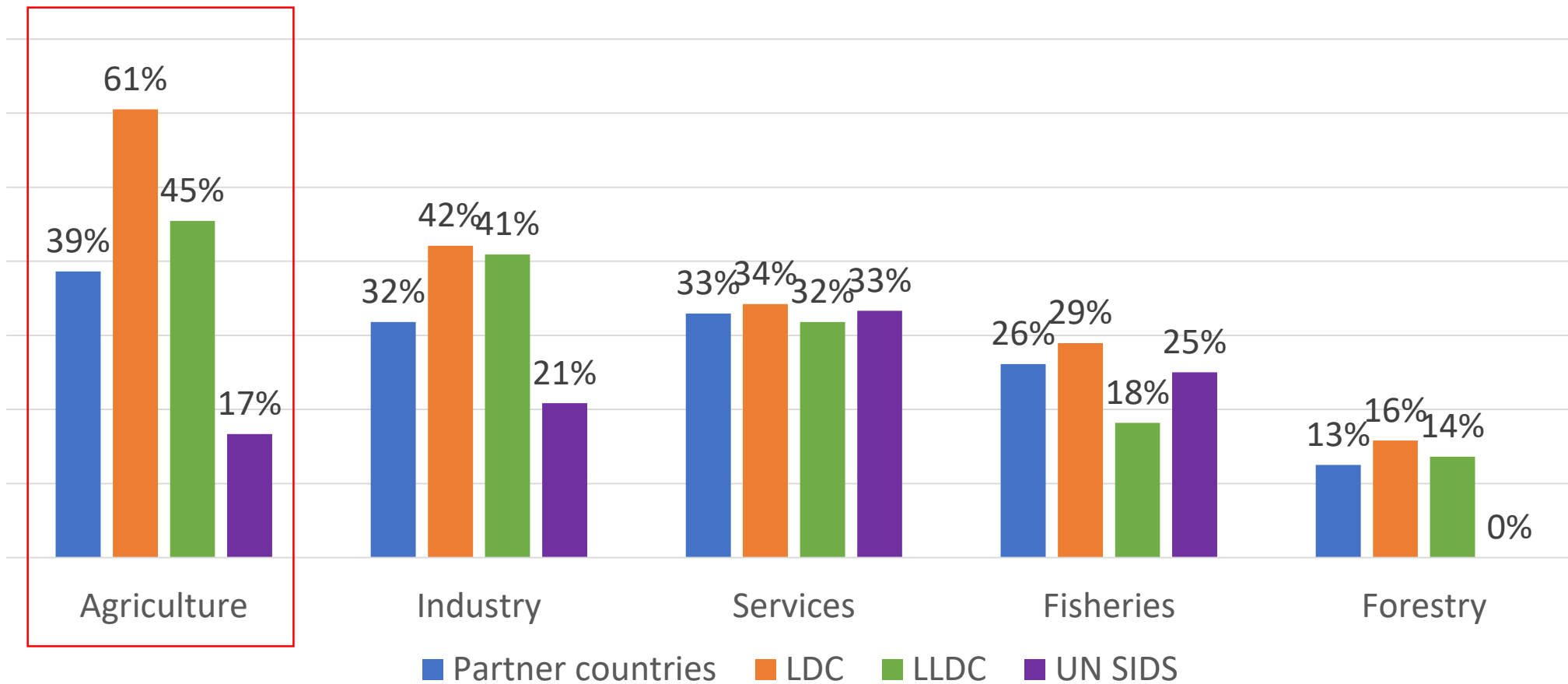


Economic Diversification

Progress: sector

Some respondents stated that:

- **Progress in economic diversification** has been recorded since the launch of Aid-for-trade initiative in 2006, mostly in **export diversification and agriculture**

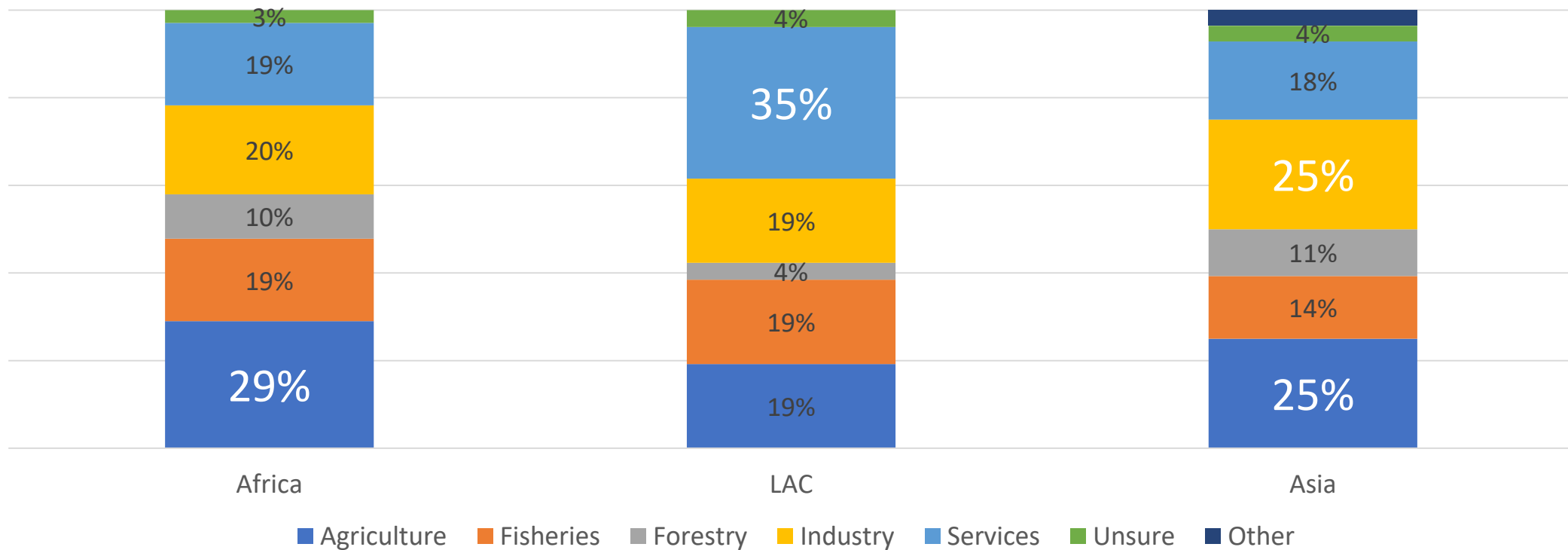


Economic Diversification

Progress: sector

with regional variation..

- **Africa:** agriculture
- **LAC:** services
- **Asia:** industry and agriculture



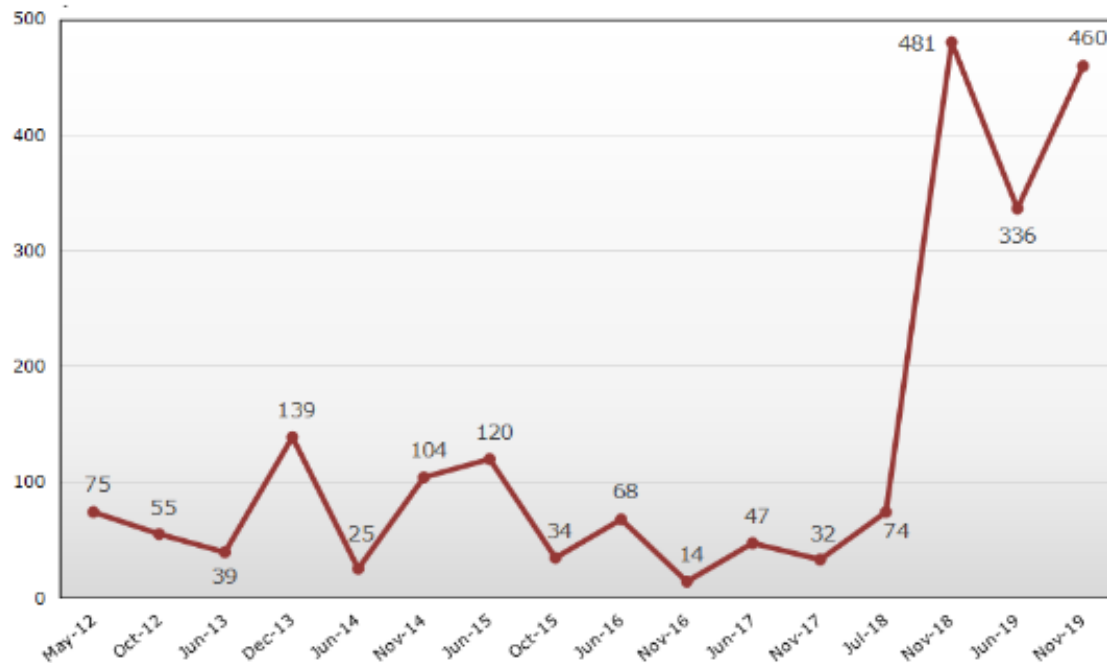
- Section 1: Economic and export diversification
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Dependence and volatility

Volatility can be policy-induced

Trade coverage of new import-restrictive measures in each reporting period (not cumulative)

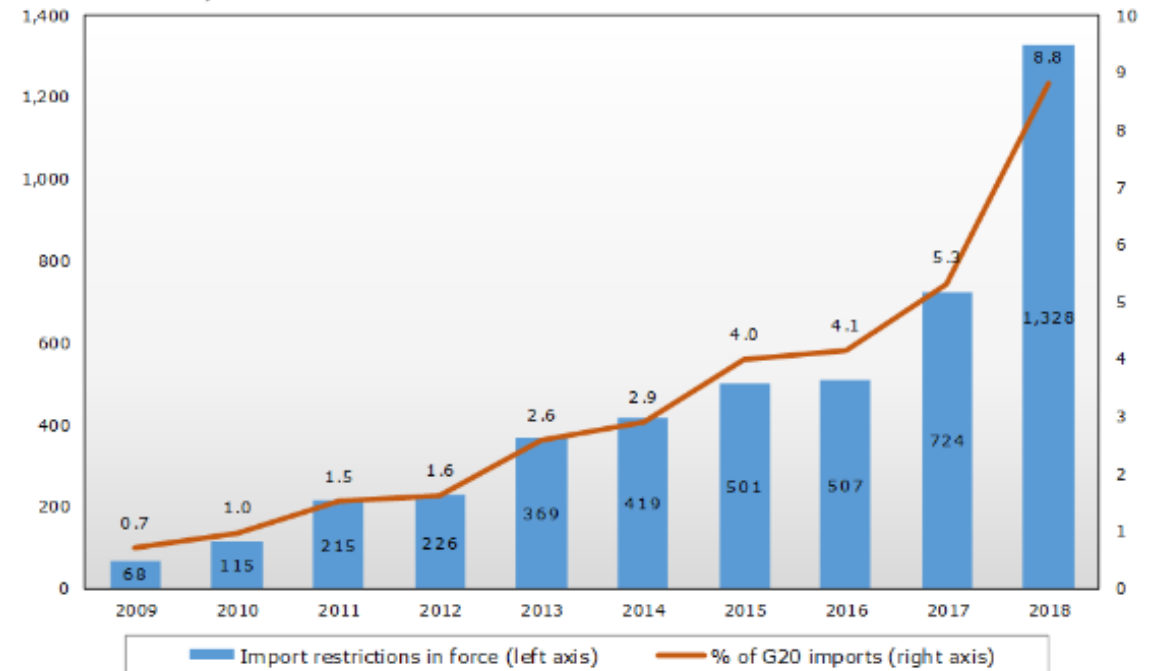
(USD billion)



Growing number of G20 import-restrictive measures

Cumulative trade coverage of G20 import-restrictive measures in force since 2009

(USD billion and %)



In October, WTO downgraded forecast for world trade growth to 1.2%



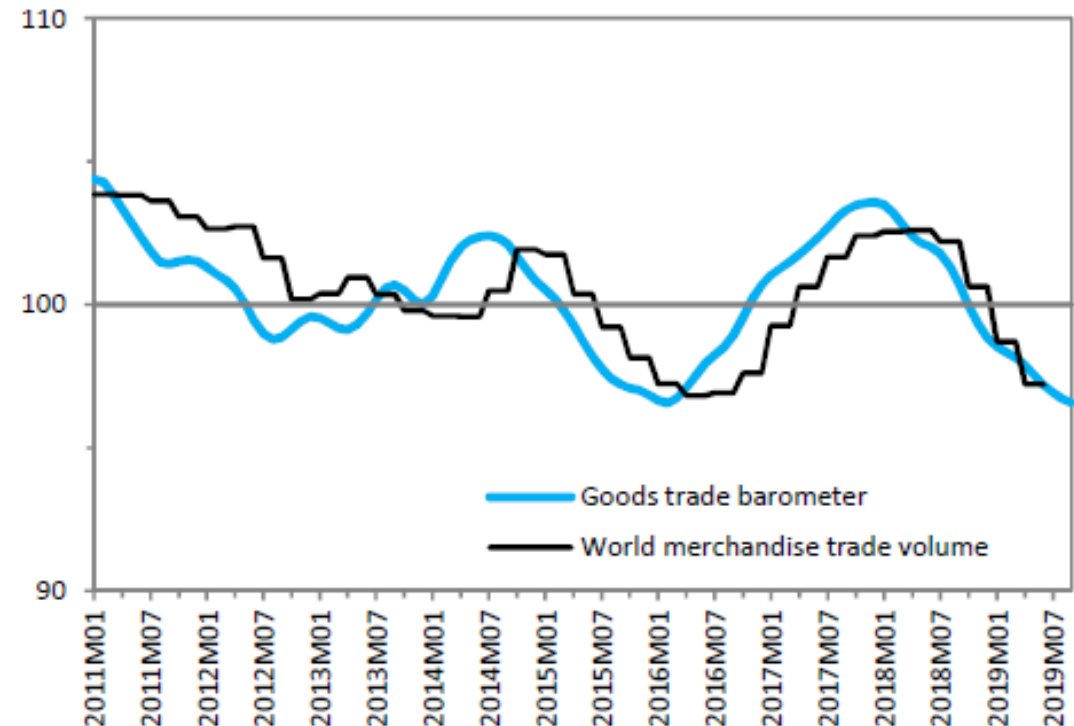
Goods barometer suggests world trade to remain below trend as tensions take toll

Goods trade barometer

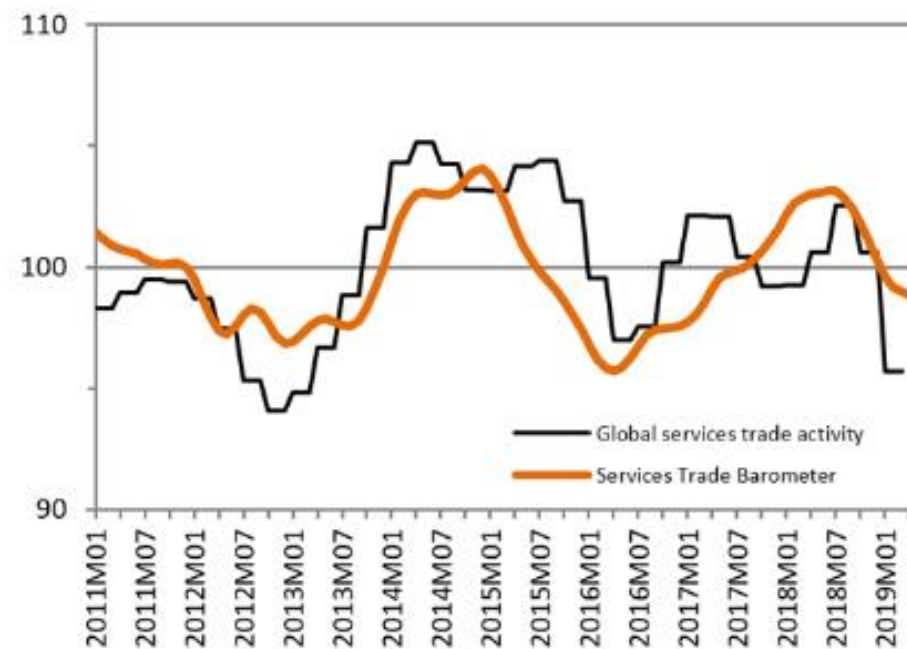
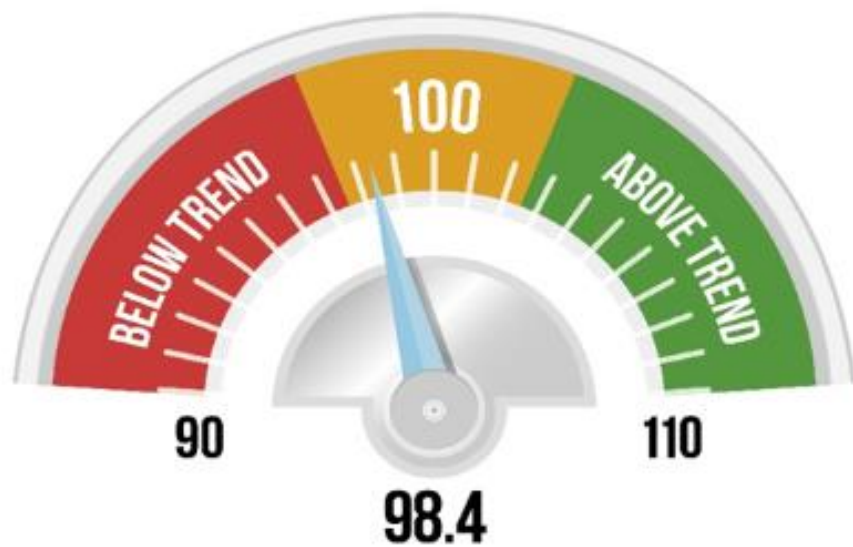
Index value, September 2019



Index history, trend = 100



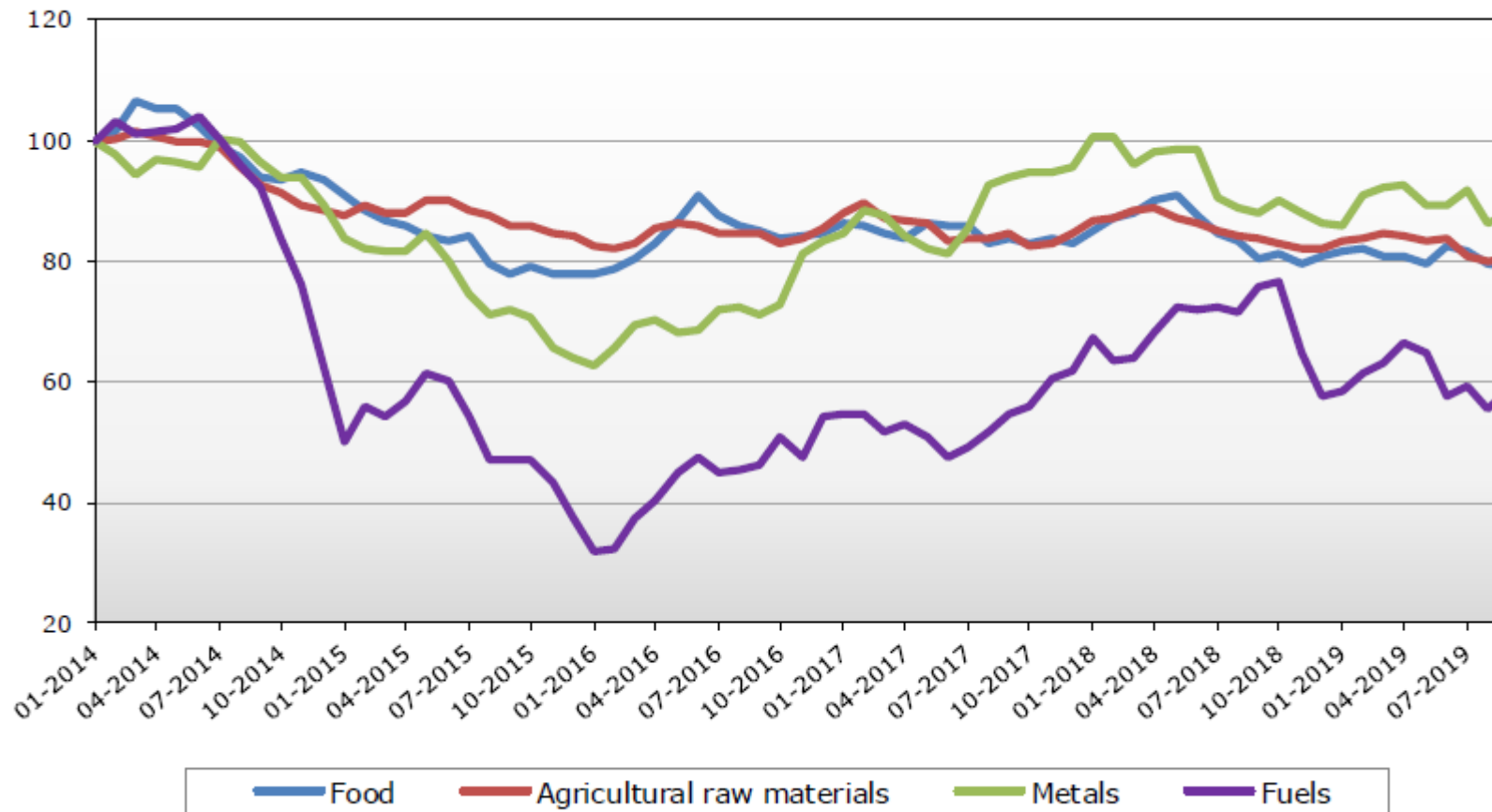
Services trade weakening into second half of 2019



Dependence and volatility

Chart 2.2 Prices of primary commodities, January 2014-September 2019

Indices, January 2014=100



Source: World Bank Commodity Price Data.

“Fluctuations partly reflected changing economic expectations, as trade tensions rose and fell throughout the year”





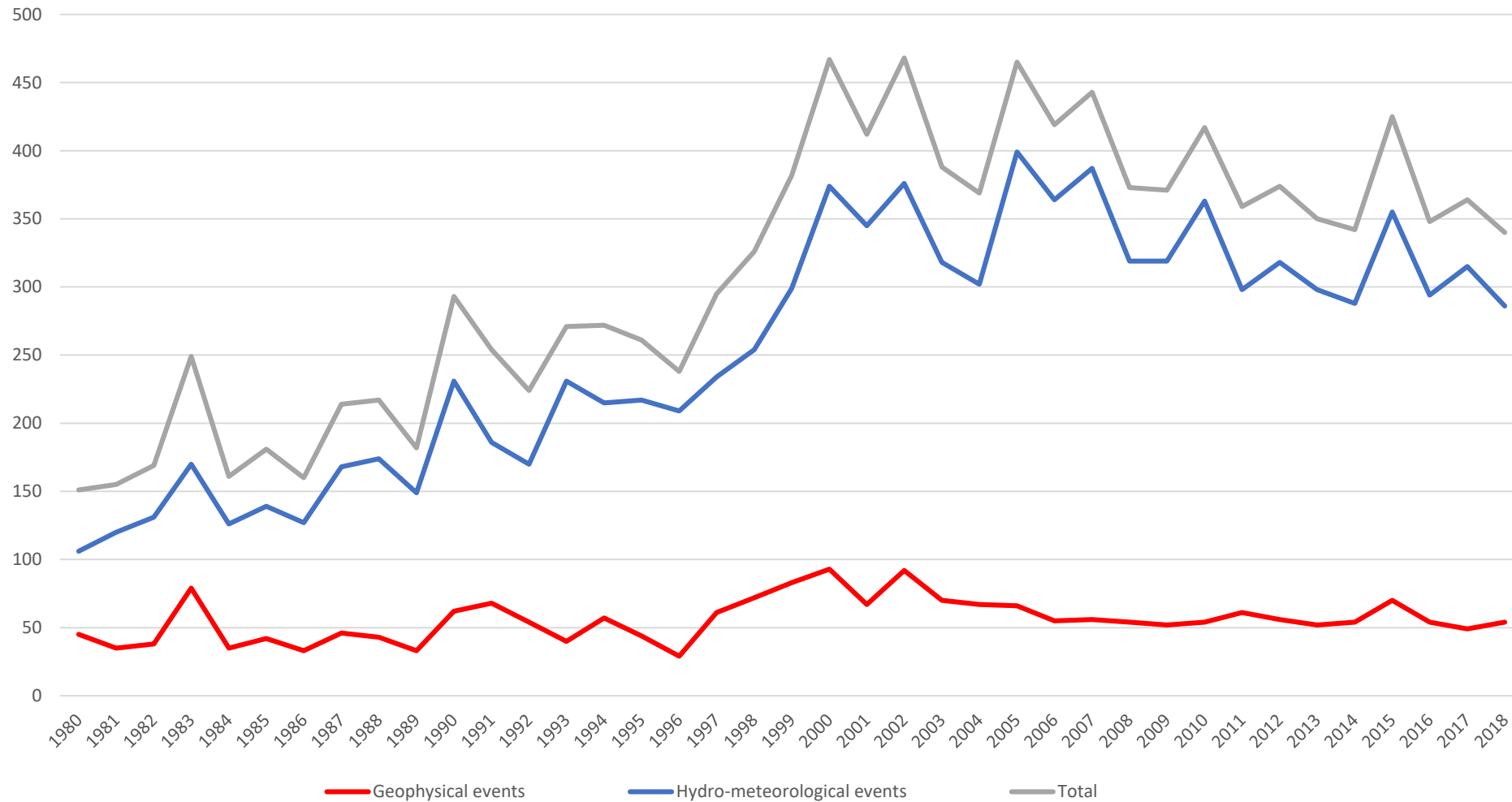
Export subsidies – another concern
for the commodity-dependent

SDG 14.6 target: “by 2020, prohibit certain forms of fisheries subsidies which contribute to overcapacity and overfishing, and eliminate subsidies that contribute to IUU fishing, and refrain from introducing new such subsidies, recognizing that appropriate and effective special and differential treatment for developing and least developed countries should be an integral part of the WTO fisheries subsidies negotiation.”



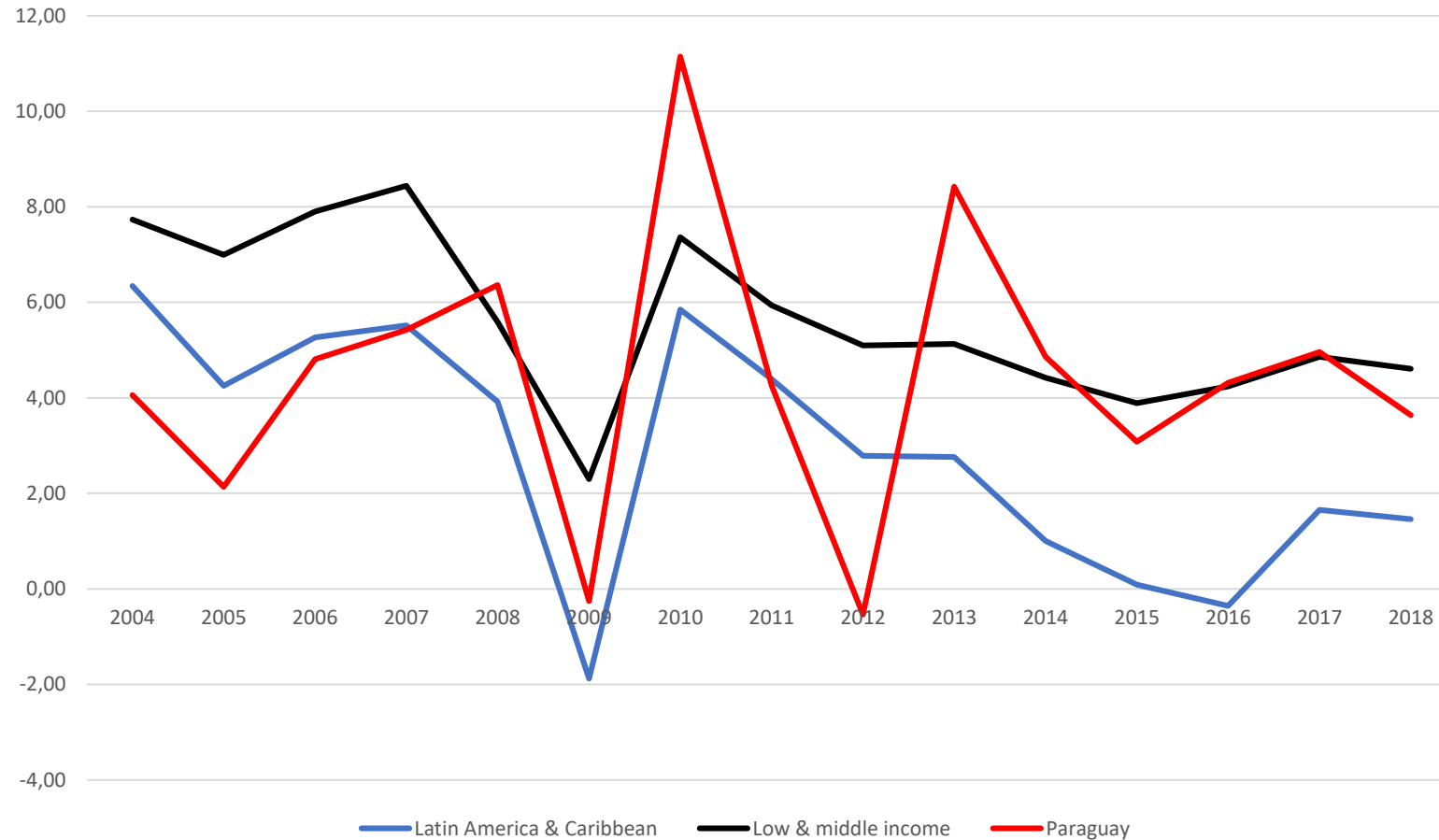
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Natural disasters events 1980 - 2018



Source: Emergency Events Database (EM-DAT)

The impact of the global economic crisis and drought on Paraguay's GDP growth (2005-2018)



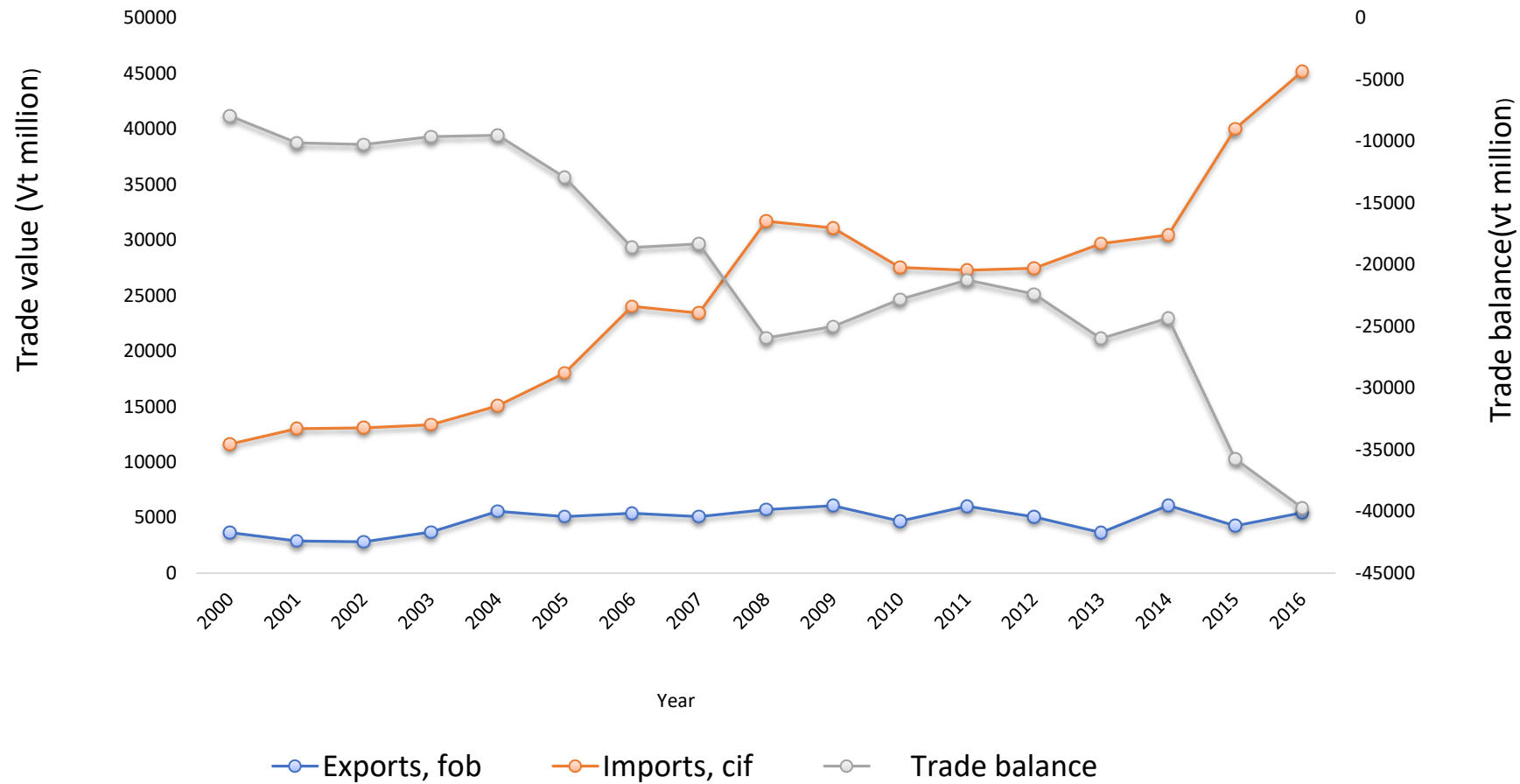
•Source: World Bank Databank



Overview of impact of recent natural disasters on six WTO Members

WTO Member	Event	Damage as a percentage of GDP
Dominica	Tropical Storm Erika (2015)	90%
	Hurricane Maria (2017)	225%
Fiji	Tropical Cyclone Evan (2012)	2.6%
	Tropical Cyclone Winston (2016)	31%
Nepal	Earthquakes (2015)	33%
	Monsoon trough (2017)	3%
Saint Lucia	Hurricane Tomas (2010)	43%
Tonga	Tropical Cyclone Ian (2014)	11%
	Tropical Cyclone Gita (2018)	38%
Vanuatu	Tropical Cyclone Vania (2011)	6.3%
	Tropical Cyclone Pam (2015)	64%

Merchandise exports, imports and trade balance of Vanuatu



•Source: World Bank Databank

Change in pest or disease status

- Planting materials to re-establish field and tree crops
- Vector for spread of diseases
- Taro blight (Samoa), Lethal yellowing disease (Dominica)
- Standards and Trade Development Facility

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Aid for Trade in action

Examples of STDF work

Penja pepper project, Cameroon

<http://www.standardsfacility.org/PG-593>

Action plan to combat animal diseases in the country.

<http://standardsfacility.org/information-session-cameroon>

Regional project to improve the safety and quality of cocoa in West Africa, with a focus on pesticide MRLs.

<http://www.standardsfacility.org/PG-298>

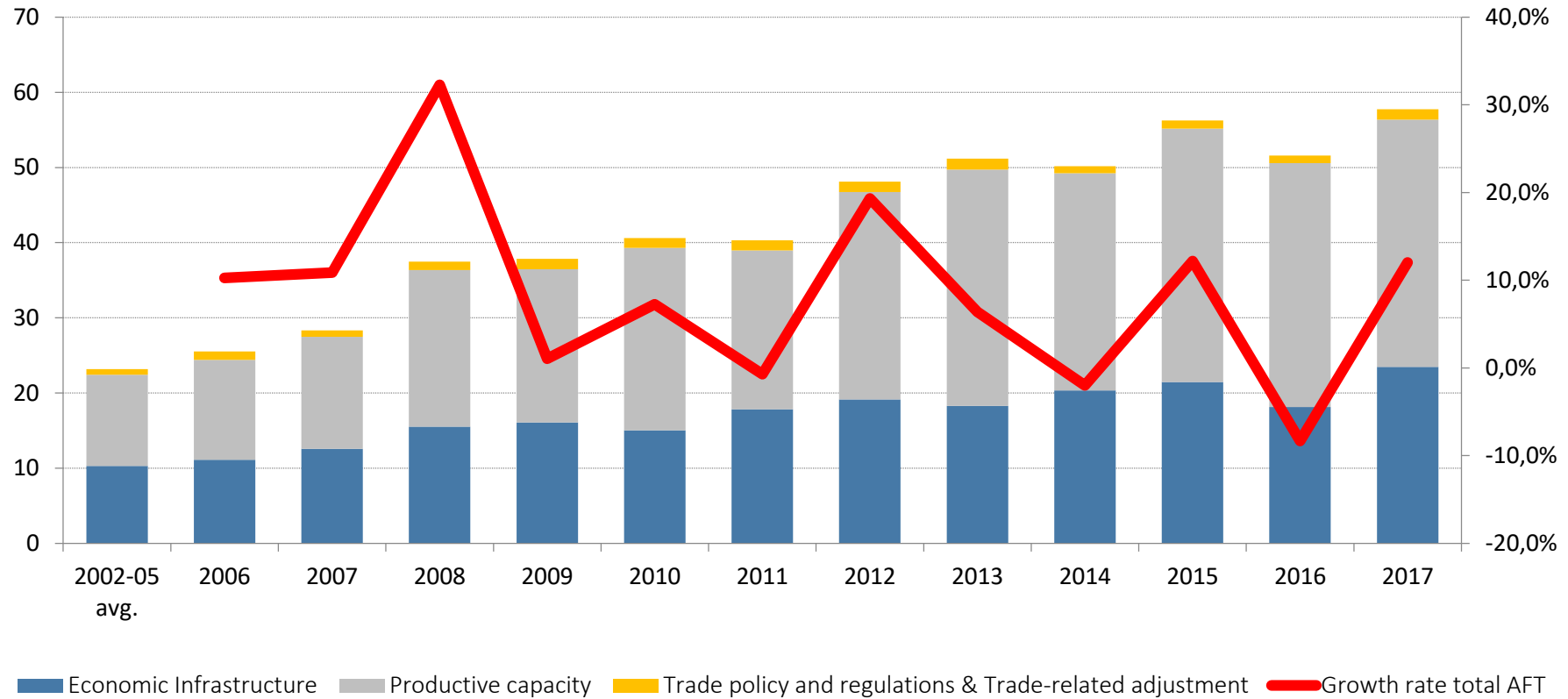
STDF Standards and Trade
Development Facility

ANNUAL REPORT 2018

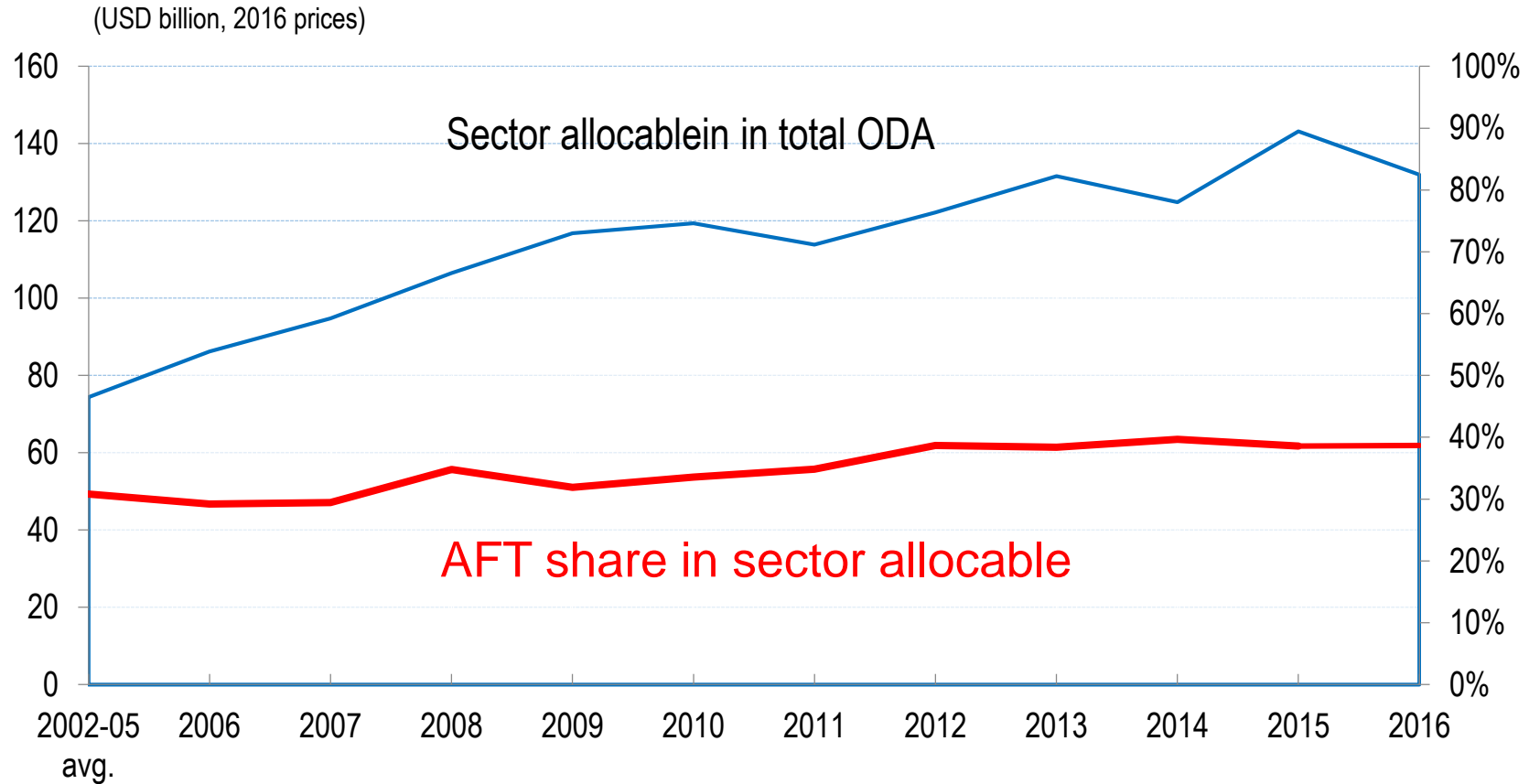
INVESTING IN SAFE TRADE:
SUPPORTING DEVELOPING
COUNTRIES TO MEET
INTERNATIONAL STANDARDS



A4T: Growth since 2006



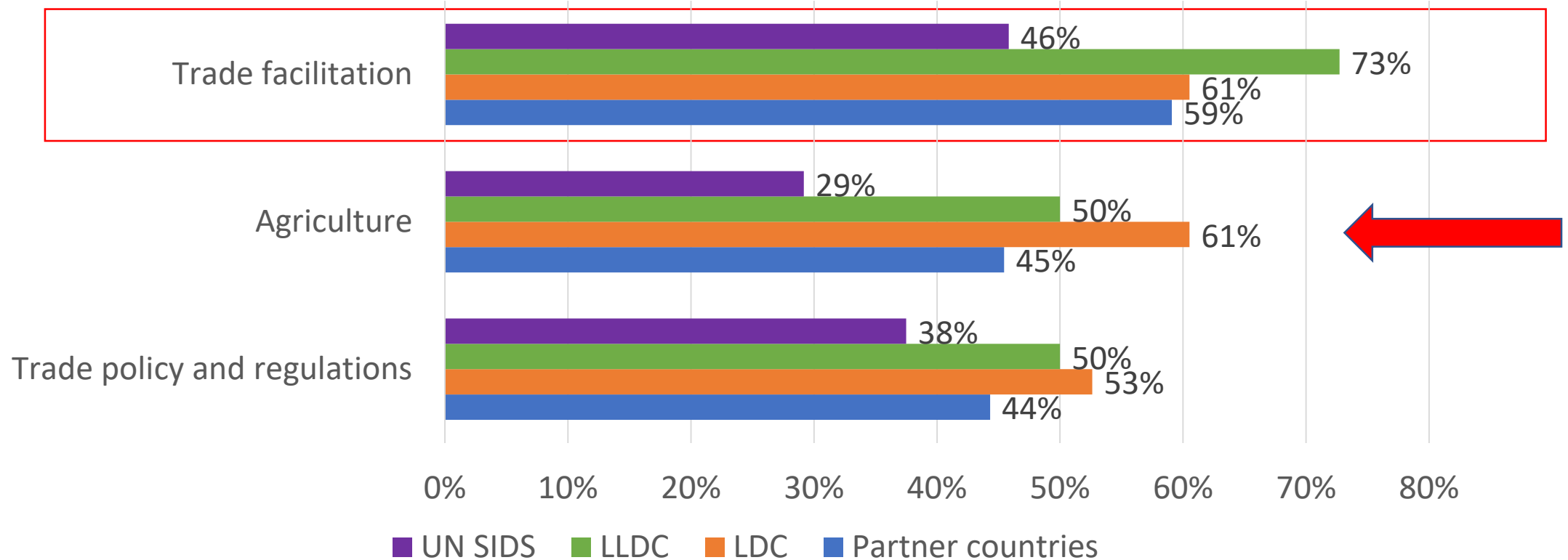
USD 75 bn and 9 % in additional commitments since 2006



Economic Diversification Impacts

Most respondents stated that:

- **Trade facilitation** is the top category in which **aid-for-trade support received was impactful**
- **Agriculture** is an equally important category in which aid-for-trade support provided to the **LDCs** was impactful

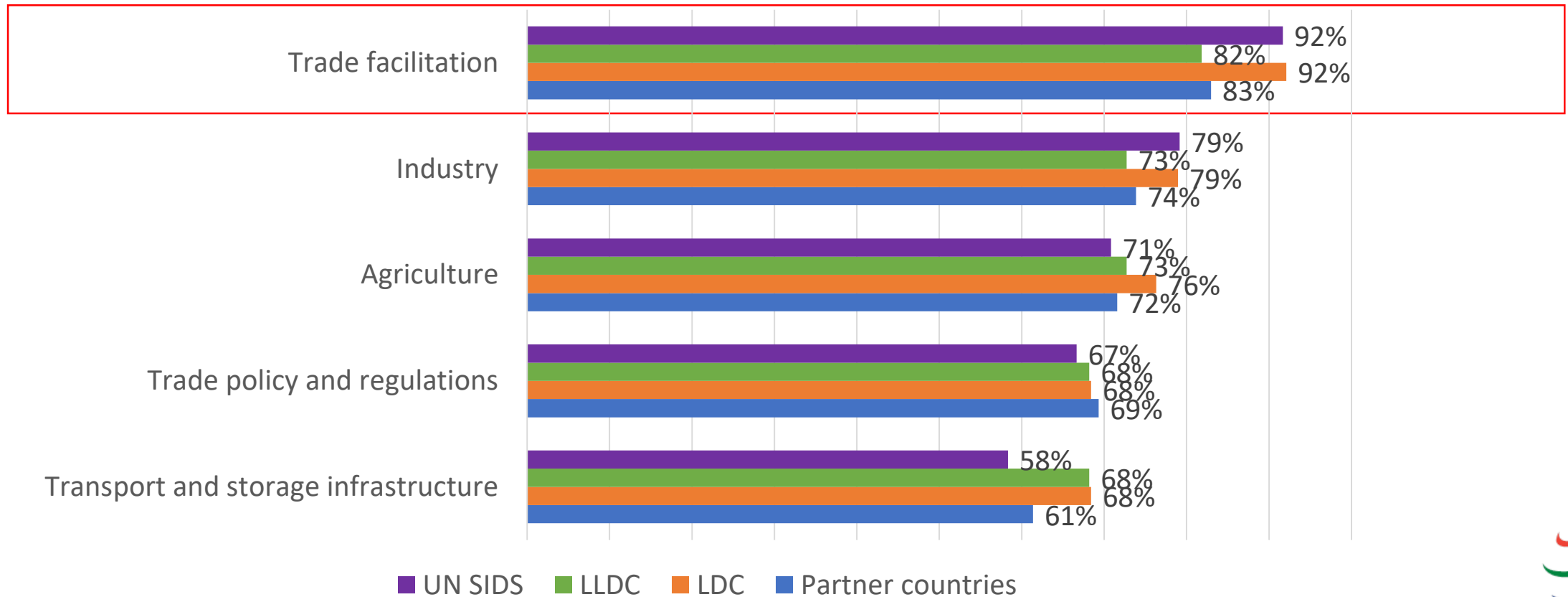


Economic Diversification

Future support

Most respondents stated that:

- Looking ahead, **trade facilitation** is a category in which **aid-for-trade financing will be most required**.

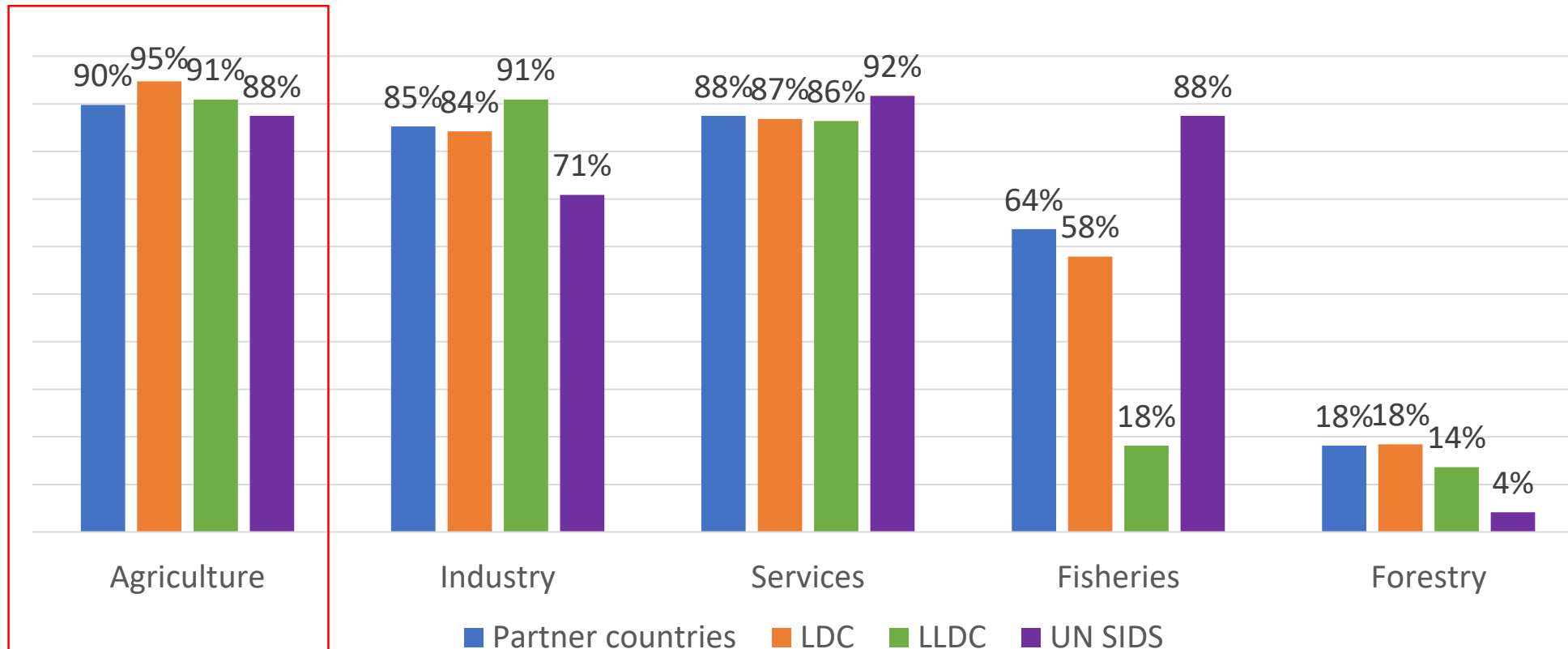


Economic Diversification

Future Aid-for-Trade support

Most respondents stated that:

- Looking ahead, **agriculture** is the top sector in which **further aid-for-trade support will be most required, followed by services and industry.**



Conclusions

- Economic and export diversification – an enduring policy priority
- Commodity dependence – volatility can arise from others' policies
- Exposure and vulnerability – risk is not static
- Aid for Trade initiative - part of the policy toolbox, but needs advocacy

Thank you

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