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**Trade and Development Board**  
**Trade and Development Commission**  
**Expert Meeting on Promoting Value Addition and Enhancement of**  
**Domestic Productive Capacity through Local Economic Empowerment**  
Geneva, 12 December 2019

**Report of the Expert Meeting on Promoting Value  
Addition and Enhancement of Domestic Productive  
Capacity through Local Economic Empowerment**

Held at the Palais des Nations, Geneva, on 12 December 2019

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## I. Chair's summary

### A. Opening plenary meeting

1. The Chief of the Commodities Branch of UNCTAD opened the expert meeting. She presented a statement on behalf of the Director of the Division on Trade and Commodities of UNCTAD, which highlighted the diversity of vulnerabilities, whereby poverty led to vulnerability and increased risks, economically, socially and environmentally. The current trading system, trade tensions and unilateralism further compounded the challenges for the most vulnerable. Therefore, discussions needed to focus on the concrete actions that could frame trade as a remedy for the adverse situations arising from vulnerabilities. Higher levels of trade growth could reduce a country's vulnerability to external shocks only if they empowered the economic capacity of local actors, namely, smallholding producers, microenterprises and small businesses, women and youth, in both urban and rural communities. Discussions at the expert meeting, on good business practices and cases that had led to increased value in export products and the augmenting of local productive capacity, would aim to shed light on: the policies and strategies needed to ensure diversification that added value to exports and empowered local communities; how to capitalize on contemporary market access conditions, namely, non-tariff measures (NTMs) and voluntary sustainability standards (VSS), to enhance value addition and local productive capacity; how to ensure coherence between trade and other policies, such as sanitary, environmental and safety-related policies, in a manner that promoted value addition and local productive capacity; and how to make transparency, regional cooperation and governance with regard to NTMs and VSS directly contribute to economic empowerment.
2. The Chair, in his opening remarks, noted that the Trade and Development Board had approved this expert meeting in 2014, with the topic of promoting value addition, as requested by member States. He noted that the Permanent Representative of Zimbabwe had called attention to this matter in connection with the revitalization of the intergovernmental machinery. Finally, he underscored that the issue of timeliness should remain an important indicator of achievement.

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

(Agenda item 3)

#### *Approaches to value addition and productive capacity improvement*

3. The moderator opened the first panel discussion by stating the issues that would be addressed, namely, the importance of value addition in commodity-dependent countries, in order to transform their economies and benefit more from trade; examples of innovative value addition strategies and the policies needed to support such strategies; and the role of the private sector.
4. The first panellist, the Chief, Commodity Research Section, Division on Trade and Commodities, UNCTAD, detailed two diversification strategies available in commodity-dependent countries. Vertical diversification involved value addition and upgrading along existing commodity value chains, as exemplified in Oman and Saudi Arabia, where crude oil endowments had been leveraged to develop refined petroleum products and energy-intensive industries. Horizontal diversification involved developing new value chains, industries and products, as exemplified in the development of non-traditional commodities in Colombia and the diversification into manufacturing and services that had taken place in Costa Rica. To pursue vertical and/or horizontal diversification, the panellist advised that countries should undertake a strategic assessment of market opportunities, balanced with analyses of, for example, risks, comparative and competitive advantages and the country's conditions and endowments. Through such assessments, countries could devise a clear, coherent strategy and adopt a patient, long-term approach to implementation.
5. The second panellist, the Director, Association of Cotton Value Adders of Zimbabwe, outlined the ongoing efforts in Zimbabwe to enhance the cotton-to-clothing value chain, once a major industry. In this regard, the Government had adopted the Cotton-to-Clothing Strategy 2014–2019, comprised of complementary policy and investment measures, including the creation of the Association of Cotton Value Adders of Zimbabwe, to achieve improvements in, for example, cotton production and yields; ginning capacity utilization; the local processing of cotton lint; the number of processing jobs; and the export of textiles and garments. Despite some progress, Zimbabwe had not achieved the strategy's targets by 2019, with the exception of an increase in the number of farmers growing cotton, from 250,000 to 350,000.

Among the lessons learned from the experience of Zimbabwe, the panellist emphasized the importance of a strong role for the State, to coordinate stakeholders, align incentives with objectives and ensure a reliable regulatory and business environment. With regard to cotton, he stressed the need to support the participation of farmers in value added processing, through cooperatives, for example, as the best way to ensure that farmers might earn a greater return from crops and to encourage them to grow more cotton.

6. The third panellist, the Chief Executive Officer, Hansun Agriculture, Ethiopia, presented the company's experience in developing a supply chain in Ethiopia for a premium coffee brand exported to China. Initially, the company had developed a premium brand, then worked with producers and exporters in Ethiopia to supply the required specifications and volumes of coffee. The company had at first acted mainly as a trader, since foreign investors were prohibited from owning businesses in many of the nodes of the coffee value chain in Ethiopia. As the brand had become established and begun to earn a price premium in the market in China, the company had been able to pay farmers in Ethiopia up to 300 per cent more for coffee cherries that met the standards set for the brand. The company had also invested in innovative partnerships with processors, packers and exporters; without taking an ownership stake, the company had provided key suppliers with new facilities, machinery and training, thereby contributing to an increase in the volume, quality and consistency of supply. With a reliable supply chain in place, the company had then invested in a new roasting and grinding plant in Ethiopia, due to begin operations in 2020, as this activity was open to foreign investment. Based on the company's experience, the panellist advised that entrepreneurs seeking to develop value-added coffee or agricultural products should begin by establishing an attractive brand with consistent product standards before upgrading and integrating into supply chains.

7. During the interactive discussion, some delegates and representatives of regional groups underlined the importance of value addition and diversification strategies in commodity-dependent countries in Africa. One delegate highlighted the fact that the African Continental Free Trade Area would provide new market opportunities for products and industries. With regard to a query from one delegate on whether countries should prioritize vertical or horizontal diversification strategies, the first panellist noted that each country's specific conditions would influence the most suitable set of strategies but that, in general, successful strategies usually included horizontal diversification, as it had greater risk mitigation effects at the national level. Another delegate cited the strong role of the State in the successful export-led industrialization strategies in China and economies in Southeast Asia. In this regard, the second panellist encouraged Governments to adopt a clear, firm role in devising diversification strategies, and to remain patient and engaged during implementation.

#### *Market access conditions and trade costs faced by new products*

8. The moderator opened the second panel discussion by stating the importance of NTMs and the potential trade costs that NTMs and product standards could impose on small and medium-sized enterprises in low-income countries. The issues that would guide the discussion on addressing the challenges related to NTMs faced in low-income countries included questions on how NTMs could promote the upgrading of productive capacity, to enable access to lucrative markets; how transparency might help achieve this; and how countries might benefit from streamlining NTMs.

9. The first panellist, a former chief statistician and project leader at the World Trade Organization, stressed that NTMs could create extra costs in developing countries, in particular if trade took place within global value chains. However, NTMs were critical, as the risks arising from international trade could only be mitigated by well-established norms. Correctly addressing NTMs created an opportunity to increase value addition. He pointed out that in global value chains, sanitary and phytosanitary measures, technical barriers to trade and standards based on international standards were often more trade-promoting than national standards. For example, with regard to automotive value chains, standards could help to coordinate the various steps in global value chains if they were recognized internationally but could be problematic if they were country specific. The panellist recommended several options for developing countries, seeking to better access lucrative markets, namely, transparency and standardization in official standards at the multilateral level; the unilateral adoption of higher level official and private standards; and the mutual recognition of high and low-level official and private standards.

10. The second panellist, an emeritus professor of the University of Geneva, identified the two main challenges posed by the rise of NTMs, namely, access to rich markets and the development of regional value chains among developing countries and how to effectively address environmental concerns in trade agreements and regulations. He noted that effective participation in world markets remained a major challenge in low-income countries, as they lacked the capacity to meet technical and quality standards and

to comply with administrative procedures. He suggested that regional cooperation with regard to regulations and stronger commitments with regard to the Agreement on Trade Facilitation were important in addressing the challenge of market access and developing regional value chains. In addition, he stressed that the NTMs data collected by UNCTAD was the only one available and that it was important to continue to collect and improve the availability of data. With regard to addressing environmental and climate change-related concerns in trade, progress had not yet been made, as non-tariff barriers to trade in services were not on the agenda of the World Trade Organization. It was difficult to identify and classify goods related to the conservation and management of the environment, yet the panellist stressed that efforts should be made at the World Customs Organization to redefine goods, which would then help negotiation processes, in particular with regard to agricultural products and environmental services.

11. The third panellist, the Deputy Head, Trade Facilitation Division, Department of Import and Export, Ministry of Industry and Commerce, Lao People's Democratic Republic, outlined the efforts made to streamline NTMs. A programme on NTMs in 2013–2018 had been supported by multiple development partners, and a new phase, titled "Competitiveness and trade project", would cover 2019–2022. Efforts had also included establishing a national coordination mechanism; streamlining related regulations stemming directly from orders of the Prime Minister; utilizing the international classification of NTMs of UNCTAD to identify and classify NTMs; and conducting regulatory and procedural reforms. The panellist stated that, given these efforts and the mechanisms in place, the trading across borders indicator of the Lao People's Democratic Republic in the World Bank ease of doing business index had significantly improved in 2019. Finally, the panellist noted that good regulatory practices were important and stated that the Lao People's Democratic Republic wished to continue to work with UNCTAD in the area of NTMs.

12. The fourth panellist, an assistant at the Ministry of Trade, Industry and Tourism, Burundi, detailed the current economic and political environment and stated that, to improve market access conditions, Burundi had adopted Development Plan 2018–2027 and committed to reducing hunger and poverty and increasing agricultural production by satisfying the local market and participating in international trade through exports. She emphasized that Burundi required increased transparency in international trade, in particular with regard to technical NTMs such as sanitary and phytosanitary measures, and that better policies and the harmonization of NTMs at the regional level were essential, to achieve increased agricultural production. To address these challenges, Burundi required more technical support and capacity-building, to better understand the complex technical measures of NTMs.

13. During the interactive discussion, one delegate highlighted the current dilemma faced in many developing countries as to which standards, international (that is, those of the International Organization for Standardization or the International Electrotechnical Commission) or regional (such as those of the European Union), should be adopted in order to benefit from global value chains; and expressed the concern that, often, developing countries did not take part in the decision-making processes with regard to drafting regional standards. Another delegate expressed agreement on this point and with the issue noted by the first panellist, namely, that standards and norms presented opportunities for developing countries to improve product quality, but that economies of scale of standards with regard to other aspects of the economy should be explored. The first panellist noted in this regard that Governments could set minimum standards negotiated through the World Trade Organization or international standard-setting bodies and allow the private sector to decide which standards to adopt. In this context, the third panellist noted that the Government of the Lao People's Democratic Republic had supported the private sector in adopting international standards rather than developing national standards, to benefit from global value chains. A few delegates reiterated the importance of addressing environmental concerns in trade agreements and trade regulations, as noted by the second panellist. Finally, one delegate presented the example of Zimbabwe, where natural disasters had led to food insecurity and further negative spillover effects, stating that if national products were more diversified along global value chains, such events would have less significant impacts.

*Capitalizing on voluntary sustainability standards for enhancing value addition and domestic productive capacity*

14. The moderator opened the third panel discussion by highlighting the significance of VSS worldwide, as they were considered an essential tool in competing in markets, given the way markets and value chains were structured; and the need for UNCTAD to work on VSS, to help small producers and farmers, among others, in developing countries.

15. The first panellist, the Ambassador and Permanent Representative of Vanuatu to the United Nations Office at Geneva, outlined the experience of Vanuatu in capitalizing on VSS, in particular organic certification, to create value addition in the coconut sector, which was a significant sector in the economy, with 60 per cent of the population involved. He outlined two challenges faced in this sector, namely, the low quality of the production of copra and the absence of product-specific standards for coconut products in Vanuatu. With regard to actions taken to overcome the challenges, he stressed the joint work carried out with UNCTAD in capitalizing on organic certification for copra, which had led to value addition in the coconut sector. Among the challenges faced in expanding to products beyond copra, the panellist noted the difficulty of changing the mindset of people in the industry who had worked only with copra for many years. This challenge had been overcome by involving more women and youth in the industry, as they were more open-minded with regard to such changes. With regard to the lessons learned from the experience of Vanuatu, the panellist emphasized that countries should learn from each other's experiences. In addition, to deal with the costs of the adoption of standards, he advised that countries could obtain assistance from non-governmental organizations in the field and collaborate with microenterprises and small and medium-sized enterprises in the field of standard-setting. Finally, he emphasized the importance of policy stability, in order to achieve success in the process of value addition.

16. The second panellist, an assistant professor at the Graduate Institute, Geneva, highlighted the challenges and opportunities related to organic certification for small farmers, based on research conducted in India. There had been significant growth in the sales of organic agricultural products, which had nearly tripled in 2001–2017. She emphasized the contrast between how global demand and global production were organized and, in this regard, addressed the opportunities available to small farmers in developing countries to produce for global organic markets. In addition, the panellist highlighted that standards set a common framework for the definition of organic farming, facilitated and enabled trade across regions, offered new or additional sources of income and helped provide consumer protection. However, barriers to entry for small or less well-resourced farmers in the global North and South were one of the main difficulties with regard to organic standards, along with the additional resource and labour demands that might exacerbate inequality, combined with the fact that standards prioritized technical inputs over agroecological processes.

17. The third panellist, a consultant to the Andean Community, detailed his experience in working with producers to adapt their products to the European Union market. Workshops that enabled participants to deepen their knowledge and understanding of VSS had been organized in the four member countries of the Andean Community, for producers and exporters in the agrifood sector. With regard to how VSS could support countries in benefiting from the green market, the panellist stated that VSS had the potential to unlock new markets, supporting trade and economic growth while addressing environmental protection and inclusive social development. He stressed that VSS were not a guarantee of success but an essential means to achieve it, and highlighted the existence of a significant opportunity for trade between the Andean Community and the European Union, given the high demand for organic products in member countries of the European Union, which usually exceeded supply. However, Andean Community producers often faced difficulties with regard to VSS because they did not meet credible standards, compliance was costly, there was a risk that small producers might be left out and there were an excessive number of non-harmonized norms. The panellist emphasized the lack of recognized certificates in the member countries of the Andean Community and the unfair distribution of value creation in the value chain as some of the main obstacles to the growth of exports from the Andean Community to the European Union. He stressed the need to use VSS to better contribute to the dynamic growth of developing country exports and the need for policy support from Governments to address the challenges. Among the policies that could be adopted, he emphasized the need to increase multi-stakeholder dialogues, improve transparency in VSS, foster closer international connections to achieve the Sustainable Development Goals, organize training programmes for producers, implement ways to help support the costs of adopting VSS, promote fairer distribution along value chains and assign concrete responsibilities to specific institutions to address VSS.

18. The fourth panellist, a product manager at Intertek Agri World, Switzerland, presented three examples of efforts made to improve quality and standards. He highlighted the role of the investment development authority in Lebanon, which had been created in 1994 to increase the amount of foreign investment in the country. He stressed the importance of certification by highlighting the significant increase in exports in 2013, after the authority had put in place a dedicated programme that included training to provide quality certificates for packaging units and to improve packaging. In Sri Lanka, the Ceylon tea brand had not originally been protected and various countries had produced tea under the same brand name. He further highlighted the importance of certification by demonstrating how the certification and registration of a dedicated brand had solved this problem, and stressed the continued efforts made by the

Sri Lanka Tea Board, whereby the Ceylon Tea brand was now registered in more than 94 countries. Finally, the panellist noted that Peru was one of the largest exporters of fishmeal and fish oil yet, until 1994, Peru had exported only a few other types of seafood. Intertek had invested heavily in the industry and now performed 95 per cent of the total analysis required for the export of scallops and provided, among others, certification to customers on hazard analysis and critical control points and on genetically modified organisms. The panellist stressed that improved laboratory performance allowed for the growth of exports in a prominent way.

19. The Chief of the Global and Regional Trade Policy Section of the Division on Trade and Commodities of UNCTAD shared the findings from a recent survey-based toolkit that had analysed where countries stood with regard to VSS certifications and highlighted that over 70 per cent of producers that had already been certified or expressed interest in VSS certification were motivated by the aim of setting higher prices, yet small producers remained price takers, due to imbalances of market power in value chains. In order to obtain greater benefits from VSS, there was a need to consider such value chain situations.

20. One delegate requested that UNCTAD continue to hold expert meetings on the matters addressed at this expert meeting.

#### *Closing remarks*

21. The Chair stated that the expert meeting had aimed to address concrete actions with regard to promoting value addition and the enhancement of domestic productive capacity, as this was a way for commodity-dependent countries and other vulnerable economies to increase sustainable gains from participating in global trade. Local economic empowerment was key, given a world with diverse vulnerabilities, whereby poverty led to vulnerability and increased risks, economically, socially and environmentally. Trade could reduce a country's vulnerability to external shocks only by ensuring greater value addition and improved productive capacity among local actors. To address the challenges, the expert meeting had discussed concrete cases of horizontal, vertical and qualitative diversification that had helped local actors achieve greater value addition and productive capacity.

22. In the second session, participants had discussed how market access and entry conditions influenced the opportunities of countries to promote value addition and enhance domestic productive capacity. NTMs and VSS were more important in determining trade costs, almost three times more so than tariffs, and therefore directly influenced the capacity of countries to increase value addition. Technical requirements such as sanitary and safety requirements disproportionately affected the competitiveness of developing countries and small and medium-sized producers and businesses. Transparency in NTMs, that is, better access to data and information on the regulatory measures of trade partners, significantly reduced trade costs and contributed to productive capacity improvement by clarifying the types of production methods and skills needed to meet sanitary and safety standards, among others. In this context, delegates and experts had expressed their appreciation of the leadership of UNCTAD in improving transparency in trade. Another concrete action involved regulatory cooperation among trade partners. Such cooperation at the multilateral and regional levels could reduce the costs associated with NTMs by 30–40 per cent without undermining the non-trade-related objectives of the measures.

23. In the third session, participants had noted that the level of global consumer demand for sustainable, green or ethical products presented a real and tangible opportunity for horizontal or qualitative diversification. VSS were important for value creation and to improve the productive capacity of smallholders. In addition, VSS were a rapidly evolving concept with the potential to promote an economy encompassing the three pillars of sustainability, economic, social and environmental. Further, VSS were one of the key determinants of the marketability of a product in international trade. Yet the implementation record of VSS seemed to favour producers that already had a greater productive capacity than smaller and more vulnerable producers. Smaller actors could not afford the costs and address the complexities of VSS or the certification of organic production. Within a value chain, the gains from VSS tended to be concentrated among downstream actors such as brands and retailers, while small local producers bore a disproportional share of the costs associated with sustainable or organic production. In this context, participants had agreed that UNCTAD should continue to provide research and technical assistance and act as a forum for intergovernmental discussions.

24. The Chair thanked all participants for their substantive inputs and innovative ideas. The deliberations and outcome would serve as substantive inputs to the preparations for the fifteenth session of the United Nations Conference on Trade and Development. The Chair concluded the meeting by expressing his gratitude to Mr. Bonapas Onguglo, the late Chief of the Trade Analysis Branch, Division on International

Trade and Commodities, UNCTAD, whose unyielding passion towards making trade contribute to the economic empowerment of people in developing countries had brought the participants together at the expert meeting.

## **II. Organizational matters**

### **A. Election of officers**

(Agenda item 1)

25. At its opening plenary meeting, the expert meeting elected Mr. Mike PT Chigiji (Zimbabwe) as its Chair and Ms. Batsuuri Zoltuya (Mongolia) as its Vice-Chair-cum-Rapporteur.

### **B. Adoption of the agenda and organization of work**

(Agenda item 2)

26. Also at its opening plenary meeting, the expert meeting adopted its provisional agenda (TD/B/C.I/EM.10/1/Rev.1), as follows:

1. Election of officers;
2. Adoption of the agenda and organization of work;
3. Promoting value addition and the enhancement of domestic productive capacity through local economic empowerment;
4. Adoption of the report of the meeting.

### **C. Adoption of the report of the meeting**

(Agenda item 4)

27. At its closing plenary meeting, the expert meeting authorized the Rapporteur, under the authority of the Chair, to finalize the report after the conclusion of the meeting.



## Annex

### Attendance\*

1. Representatives of the following States members of the Conference attended the session:

Bangladesh	Morocco
Burundi	Panama
Colombia	Spain
Congo	State of Palestine
Egypt	Sudan
Iran (Islamic Republic of)	Syrian Arab Republic
Lao People's Democratic Republic	Zimbabwe

2. The following intergovernmental organizations were represented at the session:

Eurasian Economic Commission

3. The following specialized agencies and related organizations were represented at the session:

World Trade Organization

4. The following non-governmental organizations were represented at the session:

#### *General category*

International Network for Standardization of Higher Education Degrees  
Village Suisse ONG

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\* This attendance list contains registered participants. For the list of participants, see [TD/B/C.I/EM.10/INF.1](#).