



**UNCTAD Secretary-General's
High-Level Multi-Stakeholder Dialogue on Commodities
in the context of UNCTAD XII**

28–29 January 2008

**Room XXIII
Palais des Nations
Geneva**

Provisional programme

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Introduction

A large number of developing countries, particularly the poorest, depend on primary commodity exports. In many of these countries, the production and trading of commodities is vital to employment and incomes. Commodities trade is also a major source of government revenue and can account for a large share of resources for development.

In recent years, rapid and sustained economic growth in Asia, particularly China, has spurred demand for commodities. Rapidly growing demand is likely to remain a feature of the world commodity economy in the medium to long term, given demographic factors and the industrialization trajectories of developing countries. Along with prospects for stable demand growth and consequent higher prices, another notable change from the past is a shift in the pattern of international commodities trade. In recent years, South–South trade has accounted for almost the entire increase in trade and for a growing number of commodities it has come to represent the major part of total trade. New supply and value chains from producing developing countries to new consuming markets in Asia have been developed, providing producing countries with opportunities for vertical integration and capture of value added. In sum, low-income commodity-dependent developing countries may be able to generate sufficient gains from commodity trade to launch their economies on a sustained growth path of rising per capita income and poverty reduction.

Trade in commodities is also of vital importance to importing countries, which need predictable access to supplies of raw materials in order to maintain and fuel their industrial growth and to satisfy the consumption demands of their population. Other concerns, particularly issues such as food safety and the environmental and social sustainability of commodity production, are also important to both importing and exporting countries. Finally, the last few years' turmoil in commodity markets has underlined the shared interest of all countries in ensuring that commodity markets do not become a source of global macroeconomic instability.

The twelfth session of the United Nations Conference on Trade and Development (UNCTAD XII) will take place in Accra, Ghana, from 20 to 25 April 2008. UNCTAD member States have chosen as the theme of the Conference “Addressing the opportunities and challenges of globalization for development”, and in this context the Conference will address the trade and development challenges faced by commodity-dependent developing countries and is expected to agree on global policy responses.

In preparation for UNCTAD XII, the Secretary-General of UNCTAD is holding a high-level multi-stakeholder dialogue on commodities on 28 and 29 January 2008, at the Palais des Nations in Geneva. The purpose of the dialogue is to promote an exchange of views on the main development challenges facing commodity-dependent developing countries and on what needs to be done. Stakeholders representing a wide range of interests, including civil society, industry, academia and international organizations, as well as member States, are expected to attend.

Provisional Programme

Monday, 28 January 2008

09.00–09.30 Registration

09.30–11.00 Opening session

Speakers: **Dr. Supachai Panitchpakdi**, Secretary-General, UNCTAD
Ambassador Ali Mchumo, Managing Director, Common Fund for Commodities
Mr. Josué Dioné, Director, Food Security and Sustainable Development Division, Economic Commission for Africa, ECA
Mrs. Cécile Molinier, Director of the UNDP Geneva Office
Mr. Jean-Marc Deroy, Representative to the United Nations and Director, UNIDO Geneva Office
Mr. David Hallam, Chief, Trade Policy Service, Trade and Markets Division, FAO
Sir John Kaputin, Secretary-General, Secretariat of the African, Caribbean and Pacific Group of States

Part I: Managing Trade in Natural Resource Commodities for Sustainable Growth and Poverty Reduction

11.00–13.00 Session one: Oil and gas

Background

Factors on both the supply and demand sides of the market have caused the price of oil to quadruple over the past five years. Prices have already hit the psychological threshold of \$100 per barrel and in real terms they have almost reached the historical peak of 1980. Unlike previous surges in oil prices, the influence of the current price increases on global inflation and growth has so far been limited, but there are signs that they may come to constitute a brake on growth.

Many developing countries with exploitable oil and gas resources are struggling to make the most of the opportunities offered by the energy price increases. Undeveloped linkages between the energy sector and the rest of the economy and lack of appropriate strategies for investing oil revenues are important obstacles to launching a process of self-sustaining economic growth from the current boom in oil revenues. At the same time, although developing oil-importing countries have generally managed to live with the surge in oil import costs and to contain the overall adverse economic effects, high energy costs have a disproportionate impact on poor

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economies and may result in slower growth and reduced prospects for poverty reduction. Accordingly, there is scope for policy initiatives, including through regional cooperation, that aim at developing sustainable energy strategies.

Such strategies also need to take into account climate change considerations, including both optimization of fossil fuel use and the development of renewable energy sources. Biofuels are particularly important in this regard, both because they hold the potential of dramatically improving national and local energy security in many developing countries, and because of their potential importance as export products and the need to devise strategies for dealing with environmental and food security issues.

Issues:

- How will the world economy adapt to higher energy prices in the medium to long term?
- How can equity and attractiveness to foreign investors be combined with equitable revenue-sharing?
- How should oil-exporting developing countries allocate their revenues? What should be the role of stabilization funds? How can economic diversification be stimulated? How can greater local procurement and benefits for local communities be promoted in the sector?
- What are the main elements of a strategy for oil-importing developing countries and what is the role of regional cooperation?
- How can renewable energy forms be developed in countries with weak markets, difficult access to credit and limited technological capacity?
- What can developed countries do to promote the development of biofuels and ensure sustainability in both production and use?

- Speakers:**
- (i) Main trends in global oil and gas trade: situation and outlook
Mr. Conrad Gerber, President, Petrologistics, Switzerland
 - (ii) Key trade and development issues: An OPEC perspective,
Mr. Francis Perrin, Directeur de la rédaction du Centre Arabe d'Etudes Pétrolières, France
 - (iii) Managing resource revenues for sustainable development and poverty reduction: the sharing of experiences
The case of Norway: **Mr. Arent Skjaveland**, Deputy Director General, Economic Policy Department, Norwegian Ministry of Finance
The case of Kuwait: **Dr. Mahmoud A. Mahmoud**, Head of Legal Compliance Department, Kuwait Investment Authority

Interactive debate

13.00–14.30 **Lunch**

14.30–16.30 **Session two: Minerals and metals**

Background

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The demand for minerals and metals has increased rapidly since the turn of the century, mainly due to industrialization in China and other Asian countries. Given the present outlook for capacity growth, the expected sustained demand increases in developing countries will continue to underpin strong markets for most mineral commodities at least in the medium term.

Demand growth has led to rising prices for minerals and metals and, in several cases, prices have reached record levels. The corresponding revenue increases have opened up possibilities for broader-based, diversified economic development and for poverty reduction. However, this desired outcome is not likely to come automatically and may require, in particular cases, special policy measures.

Mineral-dependent countries often need to adopt appropriate measures to deal with the macroeconomic challenges that may arise from large surges in mineral export revenues – particularly a tendency for domestic inflation to increase and for the real exchange rate to appreciate. This tendency may make a country's other exports less competitive on international markets and damage other sectors, including high-employment ones, of the economy. A complicating factor is that linkages between the mining sector and other parts of the economy are often weak, leading to under-utilization of the positive stimulus provided by the mining boom. Thus, a policy strategy for managing and investing revenues is critical for assuring self-sustaining economic growth from mineral wealth. Finally, the very high profits of mining companies have focused attention on the distribution of revenue between companies and Governments, as well as between national Governments and local communities in mining areas. In several countries, questions are being raised about the adequacy of mining taxation regimes as well as of the policies intended to ensure the maximum development impact.

Issues:

- How should mineral-exporting developing countries allocate their revenues? What should be the role of stabilization funds or other mechanisms for smoothing out variations in revenue flows?
- How can links between mining and the rest of the economy be stimulated?
- What mechanisms can be used to promote sustainable economic development in areas dependent on mining?
- How can attractiveness to foreign investors be reconciled with equity in revenue-sharing in investment contracts and taxation regimes?

Speakers:

- (i) Main trends in minerals and metals trade: situation and outlook
Mr. Magnus Ericsson, President, Raw Materials Group, Sweden
- (ii) Key trade and development issues
Mr. Raphael Kaplinsky, Professor, Open University, UK
- (iii) Key trends and development issues: An African perspective,
Mr. Siyanga Malumo, Director, Fieldstone Southern Africa, South Africa

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- (iv) Managing resources revenues for sustainable development and poverty reduction: sharing experiences
The case of Canada: Mr. Keith Brewer, Consultant, Canada

Interactive debate

17.30 *Reception (Restaurant of the Palais des Nation, 8th floor)*

Tuesday, 29 January 2008

Part II: Managing Trade in Agricultural Commodities for Sustainable Growth and Poverty Reduction

9.30–11.30 *Session three: Agricultural products*

Background

Agriculture remains the major source of revenue, employment and export earnings (foreign exchange) for many developing countries. After many years of price declines, the recent boom in commodity prices is good news for these countries and for the more than two billion people worldwide employed in agriculture. However, the record is mixed for exporters of agricultural products. While countries exporting vegetable oilseeds and oils, cereals, dairy products and some meat products have seen their terms of trade improve over the past few years, some of those exporting tropical agricultural products have seen the prices of their exports outpaced by those of their imports (e.g. fuels and food), and thus are experiencing a significant deterioration of their terms of trade.

The pattern of price developments in the agricultural sector is due to many factors. Supply constraints (i.e. production shortfalls and low world stocks of cereals) in the face of strong growth in consumption for food and feed, due to shifts in the composition of food demand in rapidly growing Asian countries towards high protein foodstuffs, as well as brisk demand for biofuels have triggered tightness in the grain sector and also the oilseed complex. High feed prices have also raised costs for animal production and resulted in an increase in livestock prices. In addition, rising petroleum prices have contributed to the increase in prices of most agricultural crops by raising input costs and by boosting demand for agricultural crops used as feedstock (most notably sugar, maize, vegetable oilseeds and palm oil) in the production of alternative energy sources, i.e. biofuels. While the combination of high petroleum prices and the desire to address environmental issues is currently at the forefront of the rapid expansion of the biofuel sector, the continued influence of this sector on food prices will also depend on developments in supply (at the present stage of technology mainly dependent on food crops) and demand in the biofuel sector itself. It is expected that demand for agricultural products will continue growing at historically high rates in at least the medium term.

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While these trends are mainly positive for developing countries producing agricultural products with strong price increases, they raise concerns – at least in the short term – for those countries dependent on food imports. The current hike in world prices of nearly all major food and feed commodities is having a ripple effect through the food value/supply chain, contributing to food price inflation and hence to greater food insecurity, especially in poor countries. In recent months, food riots have broken out in several countries and Governments around the world have implemented a series of measures to limit the increase of domestic food prices and prevent consumption from falling.

The agricultural price boom has also been accompanied by much greater price volatility (large price fluctuations over a short period) than in the past, especially in the cereals and oilseed sectors, increasing uncertainty over returns in agricultural markets. Finally, while high and low price events are typical occurrences in agricultural markets, periods of high prices tend to be short-lived compared to periods of low prices. In this context, an issue is how to cope with the eventual “bust” phase, which will inevitably come, in the price cycle.

Issues:

- Are individual producers in developing countries benefiting from international commodity price increases? Are price increases being passed down the supply chain?
- How can the gains from production and trade of tropical agricultural products be enhanced for producing countries?
- Is there a need to establish stabilization funds to attenuate the adverse impact of excessive price fluctuations in agricultural exports or imports (especially food) on low-income and food-insecure developing countries?
- To what extent does the production of biofuels compete with food security? How can biofuel exports be facilitated and their contribution to poverty reduction ensured?
- What is the importance and role of a rules-based international trading system in ensuring that international agricultural trade makes a positive contribution to development?

Speakers:

- (i) Main trends in trade in agricultural products: situation and outlook
Mr. Donald Mitchell, Lead Economist, Development Prospects Group, World Bank
- (ii) Key trade and development issues:
Mr. Christopher Gilbert, Professor, University of Trento, Italy
- (iii) Successful commodity development and diversification strategies: sharing experiences
The case of Malaysia: **Mr. Tawang Ariffin**, Director of Malaysia Agricultural Research and Development Institute

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The case of Brazil: Mr. Luis Fernando Vieira,
Coordinator, Embrapa LABEX, France

Interactive debate

*11.30–13.30 Session four: Adding value to agri-food exports and
complying with standards*

Background

In order to increase their gains from commodity production and trade as well as reduce their vulnerability to volatile and extended cycles of low commodity prices, commodity-dependent countries, especially those caught in a low-income commodity dependency trap on one or a few agricultural commodities, need to diversify their production and exports by adding value or shifting to higher-value products. The opportunities for such diversification are influenced by the existence of standards in international trade and the ability to comply with them.

While the importance of traditional barriers to trade in agricultural products continues to decline, technical ones, such as standards for food safety, are increasing. At the same time, standards developed to meet sustainable development concerns are touching on a wide range of sectors. These developments are driven by consumer concerns about the safety, quality, environmental friendliness and traceability of food products. While public authorities attempt to respond to these concerns by making official standards more rigorous, the private sector uses safety and sustainability concerns to generate competitive advantages and civil society organizations promote sustainability aspects of production processes. Although it is generally recognized that harmonization of standards and safety and quality requirements between countries and market actors would be desirable, practical difficulties and the differing objectives of standards render the harmonization process cumbersome.

Standards have nevertheless an important and positive role to play in the development and expansion of world trade. First, the compliance with standards enables the effective management of risks associated with the spread of plant and animal pests and disease, and the incidence of microbial pathogens or contaminants in food, especially in high-value added perishable agri-food products such as horticultural and marine products. Second, complying with standards helps to stimulate value addition, innovation and product differentiation. By certifying the quality of their products through standards schemes, developing countries' farmers can add value to their products, differentiate them and climb up the value chain. The problem is the capacity of small and poor farmers in developing countries to meet such standards.

Issues:

- How could public and private standards be used to facilitate market participation for disadvantaged small farmers in developing countries? How to adapt and apply them, taking into account the specific circumstances of developing countries? Which sectors are targeted?

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- How could importing firms and developing countries cooperate in supply chain management and what strategies could domestic retailers follow to confront increasing quality-based competition from global retailers?
- Will the increasing share of South–South agricultural trade change the way that standards are established and applied?
- What might be appropriate roles for Governments in this area?

Speakers:

- (i) Overview of standards: public and private
Mr. Nigel Garbutt, President, GlobalGap, South Africa
- (ii) Market trends and development perspectives for developing countries
Mr. Claude Mosha, Tanzania Bureau of Standards
- (iii) Success stories: sharing of experiences
The case of India: **Ms. Shashi Sareen**, Export Inspection Council, India
The case of Kenya: **Mr. Steve Mbithi**, Director, KEPHIS, Kenya

Interactive debate

13.30–15.00 **Lunch**

15.00–17.30 *Session five: The way forward – policy issues for development*

- (i) What needs to be done at the international level to ensure that commodity trade contributes to sustainable growth and poverty reduction in line with the Millennium Development Goals?
- (ii) What should be the roles of national Governments, international organizations and the private sector, including corporations, producers' associations and NGOs?
- (ii) How to foster cooperation between major stakeholders to make a significant impact on sustainable development and poverty reduction through commodity sector development.

Open discussion (led by representatives of member countries)

17.30–18.00 **Closing session**