United Nations TD/B/C.I/MEM.2/11

United Nations Conference on Trade and Development

Distr.: General
9 April 2010

Original: English

Trade and Development Board
Trade and Development Commission
Multi-year Expert Meeting on Commodities and Development
Second session
Geneva, 24–25 March 2010

Report of the Multi-year Expert Meeting on Commodities and Development on its second session

Held at the Palais des Nations, Geneva, from 24 to 25 March 2010

Contents

Page

I. Chair's summary

A. Overview

1. The opening session of the second Multi-year Expert Meeting on Commodities and Development discussed key issues relating to the developments and challenges in commodity markets. It examined the identification of opportunities for the diversification of the energy matrix, how to use trade-related policies and instruments to resolve commodity problems and how investment and financial policies could enhance access to financial resources for commodity-based development.

2. In his opening remarks, the Officer-in-Charge of UNCTAD, deputizing for the Secretary-General of UNCTAD, underlined the need to give careful consideration to the recent global financial crisis and its implications for commodity markets. Particular focus should be given to commodity-dependent developing countries (CDDCs) with undiversified economies. Price volatility and deteriorating terms of trade have led, inter alia, to the debt crisis and food insecurity in CDDCs.

3. The Officer-in-Charge also highlighted the proposition that the enduring "boom and bust" cycle in the commodities sector may have been exacerbated by the global financial crisis. He pointed to research by UNCTAD and from the academic community showing that the commodity price boom could be traced to non-fundamental factors, including the so-called "financialization" of commodity markets.

4. Participants were urged to consider all of the issues raised in the background documents for the expert meeting and to address the policy questions raised therein.

B. Developments and challenges in commodity markets: current situation and outlook – agricultural commodities

5. By the middle of 2008, agricultural commodity prices had reached a 30-year peak. After the global financial crisis really took hold later in 2008, prices dropped dramatically and that continued in early 2009. By the second half of 2009, prices were back up again but much below the 2008 peaks. These dramatic price swings represented the latest "boom and bust" cycle in commodity markets.

6. While fundamental factors (such as crop failures in Australia and reduced outputs in Europe) were considered by experts to be the most important determinants of agricultural commodity prices, a number of additional factors were identified as being responsible for the turbulence in agricultural commodity markets in the last few years. Of these, experts considered the following to be the most significant:

(a) Speculation;

(b) Lack of investments in the sector in the preceding two decades, supply-side constraints, and the impact of climate change;

(c) Substitution of food grains for bioethanol production, for example.

1. Speculation

7. Experts pointed out that food price volatility has generally been lower over the past two decades than in the 1970s and 1980s. Notwithstanding, price volatility for grains and vegetable oils has increased, possibly because of a reduction in stocks and/or the use of food grains to produce biofuels in the face of escalating prices for fossil fuels. Experts noted that agricultural commodities such as rice and beef were also highly volatile during

2008, but that this was a transitory phenomenon and the short-term nature of volatility followed the pattern of speculators' position-taking activities. Some delegates expressed the view that an approach might be to regulate speculative activities, but experts pointed out that speculation provides liquidity to the market and that speculators are essential for price discovery and the operation of hedging mechanisms.

8. Experts noted that the situation of volatile food prices may have been made worse because of some short-term policy responses and measures taken, such as the imposition of tariffs and export bans. An expert drew attention to the necessity of developing financing mechanisms to support social safety nets for commodity export-dependent developing countries. Wildly fluctuating prices affect the ability of these countries to plan and implement their development strategies, including health, social and education programmes.

2. Lack of investment, supply-side constraints and climate change

9. Experts highlighted the persistent under-investments in agriculture in the last two decades. Investment in the sector is currently estimated to be about 0.2 per cent of total foreign direct investment flows. Low agricultural investments combined with supply-side constraints resulted in lagged response of supply to demand increases, which in turn aggravated price volatility. Participants pointed out the need for a substantial increase in investment in agriculture if extreme poverty and hunger are to be eradicated by 2015, and to address supply-side weaknesses. Increasing investments in the sector will also require rethinking the global commodity architecture and revisiting international commodity agreements. International organizations were asked to evaluate the developmental benefits of new trends, such as the boom in foreign direct investment and the "land grab" by sovereign wealth funds and governments seeking to protect the food security of their populations vis-à-vis those of host countries. Other proposals included the need to stimulate non-distortive domestic support to agriculture, boosting national agricultural programmes and regional economic cooperation. Climate change and resource constraints, especially with respect to water, were also pointed out as possible determinants of price movements. Delegates urged UNCTAD to conduct an in-depth analysis of the impact of climate change on agricultural production in order to identify relevant solutions to address the issue.

3. Use of food grains for biofuel production

10. Experts expressed different opinions relating to the quantum of impact on agricultural commodity prices arising from bioethanol demand, with estimates ranging from a 10 per cent to a 30 per cent increase in total.

11. During the ensuing discussions, most delegates identified subsidies paid on agricultural commodity production (e.g. cotton) in countries members of the Organization for Economic Cooperation and Development (OECD) as exerting a downward pressure on international prices, thereby discouraging agricultural investments. Experts also noted that the lagged response of supply (in this case to falling demand) may also have exacerbated price falls. Experts observed that demand can be boosted via stimulus packages, such as those implemented in OECD countries and some emerging economies such as China and India. In particular, the stimulus package of China was identified as a key instrument in demand recovery since the second quarter of 2009. The Chinese policy initiative increased demand mainly for minerals, ores and metals.

C. Developments and challenges in commodity markets: current situation and outlook – oil and gas, minerals and metals sectors

1. Oil and gas

12. Crude oil prices rose 15-fold between 1999 and 2008. From a peak of $147 in mid-2008, the crude oil price fell to around $30 per barrel by the end of 2008, remaining at this level for most of the first quarter of 2009. Prices then recovered to around $80 per barrel, and have stabilized at this level.

13. Experts noted that the sharp fall in the oil price from its peak in mid-2008 was due to a combination of factors: the unwinding of speculative positions, a sharp reduction in demand due to the financial and economic crisis and reduced access to trade finance. They identified three major trends in the global oil market:

(a) A demand shift from developed countries to emerging economies;

(b) An increasing influence of speculative trading;

(c) An increasingly strong interconnection between oil markets and other markets such as agricultural and financial markets (i.e. treating oil as an "asset class").

14. Regarding the demand shift from developed countries to emerging economies, experts noted that the oil price recovery in 2009 was partially due to a recovery in demand from China and India, offsetting a sharp reduction in demand from the OECD countries.

15. Regarding the influence of speculative trading on oil futures and derivatives markets, it was noted that whilst the number of oil contracts traded daily on regulated markets (commodity exchanges) and over-the-counter (off-exchange forward and derivative contracts) can reach up to 11 billion barrels, only 85 million barrels[1] are actually physically demanded each day for "real" consumption (i.e industrial, commercial and domestic uses). Accordingly, so-called "paper trading" volumes dwarf the volume of oil actually demanded for consumption. It was suggested that speculative activity amplifies the volume of oil traded and increases volatility. Nevertheless, some experts pointed out that price volatility is less pronounced for commodities traded on exchanges than those not traded on those exchanges.

16. Experts noted the role played by non-commercial players (i.e. actors with no vested interest in the underlying commodity) and raised the issue of tighter regulation and control of speculative trading. It was observed, however, that speculators bring liquidity to commodity markets, which is desirable for hedging purposes.

17. Regarding the interconnection between oil markets and other markets, it was noted that one outcome of this development has been that finding a price consensus in long-term markets is now more complex and may have translated itself into higher volatility. Some delegates observed that the large swings in the value of major currencies have also impacted on oil prices.

2. Minerals and metals

18. In early 2008 the markets were at their peak with an expansion in mine investment and record profits. However, by the end of 2008 prices had fallen, production cuts were required and some mines were closed. In common with other commodities, by the middle of 2009 a slight recovery was taking place.

[1] According to the International Energy Agency, global oil demand for 2009 is expected to decrease on a yearly basis to 84.9 million barrels per day.

19. During the discussions, a number of challenges were identified for the minerals and metals industry, which focused on how to respond to evolving demand patterns in the near and long term. These challenges include:

(a) Assessing and expanding productive capacity;

(b) Ensuring transparency and market efficiency to reduce volatility and to aid price discovery;

(c) A need to address the "Dutch disease" and the "resource curse".

3. Assessment and expansion of productive capacity

20. Experts identified a shift in production of some non-ferrous metals (copper, lead, nickel and zinc) over the last 50 years, from Europe to North America, Asia and Latin America, and, to a lesser extent, Africa. New trends in production, including recycling and "urban mining" were identified. In some countries, this represents up to 80 per cent of production. Improved mine restoration technology and improved extraction techniques from lower grade ores could have positive impacts on long-term production. However, production benefits in this regard may be offset by cuts in exploration budgets, which experts noted have been the largest in 20 years. This may translate into reduced production in the medium term.

21. Consumption also shifted from America to Asia, with China emerging as the largest consumer today. Experts noted that the changing pattern of production and consumption has resulted in important changes in terms of trade and investment patterns.

22. Experts noted that metals, like other commodities, have experienced a high level of price volatility. While price movements could be explained by a response to market uncertainty, other factors, such as the demand pattern from China, severe cuts in investments and, not least, investor speculation, have been identified as the underlying causes of recent price movements in the minerals and metals market.

4. Market transparency

23. Participants emphasized the importance of promoting market transparency in order to reduce volatility and the importance of introducing measures to control speculation, which has contributed in part to high and volatile prices. The importance of accurate data was identified as a crucial component of informed decision-making. In this respect, UNCTAD was urged to implement a resolution made at the thirteenth Oil and Gas Conference, which took place in Africa in November 2009. The resolution proposes that UNCTAD coordinate and facilitate the implementation of the Natural Resource Information Exchange, an interactive platform to exchange organized, standardized and exhaustive information on geo-scientific data as well as other data related to the exploitation, transformation and commercialization of natural resources.

5. "Dutch disease" and the "resource curse"

24. Addressing vulnerability to the Dutch disease was identified as one means of addressing the resource curse, the main causes of which are the prevalence of rent-seeking behaviour and non-representative forms of governance.

25. Delegates pointed out that it is important to separate the agricultural sector from the mining sector in finding solutions to the Dutch disease phenomenon. Solutions may be found in designing and implementing sound macroeconomic policies as has been demonstrated in Botswana, Chile and Norway.

26. In discussing the resource curse faced by some countries, attention was drawn to the need to ensure an equitable sharing of profits between investors and the host states, and between the latter and local communities. It was highlighted that many producing countries have been afflicted by the resource curse (i.e. they have not benefited in terms of economic growth from their natural resource endowments), although this need not be the case.

D. Review and identify opportunities for the diversification of the energy matrix, including renewable energies, while being aware of countries' needs to ensure a proper balance between food security and energy concerns

27. Experts presented the evolution of the energy matrix until 2030 under two scenarios: (a) a status quo (reference) scenario based on current consumption trends and carbon control policies, which may lead to unsustainably high levels of carbon emissions; and (b) an alternative scenario, which envisages a substantial increase in renewable energies and which can be encouraged by policy measures.

28. Experts highlighted the need for governments to design and implement policies with a view to increasing the percentage contribution of renewable energies to the total energy matrix. Further, it was noted that a shift in capacity towards renewable energy from conventional energy is already underway and that, according to recent estimates, the world renewable energy potential is about 20 times higher than current rates of consumption. Experts noted that the advantage of renewable energy is such that it does not always require big players for installation and distribution.

29. During the ensuing discussions, the primary focus was on the balance between renewable energy development and food security. Experts pointed to the following core issues surrounding the present food security versus energy debate:

(a) The need to identify linkages between biofuel development and food security;

(b) The need for a realistic debate about the contribution of biofuels to sustainable development as a basis for promulgating policies conducive for bioenergy development;

(c) The need to develop appropriate technologies.

1. Linkages between biofuel development and food security

30. Some delegates suggested there is no direct link between biofuels development and food insecurity. It was suggested that other factors may explain the food crises, including the unequal distribution of food resources and an inadequate policy framework to address the problem. The use of sugar cane to produce ethanol, for example, does not compete directly with food production, and is therefore a more efficient means of producing biofuel than relying on corn. It was suggested that corn biofuel production is unsustainable in terms of welfare and environmental costs.

31. Some experts pointed out that food security has been partly threatened as a consequence of unsustainable practices in industrial agriculture. This is illustrated by falling grain yields, depletion of water (overuse and waste), erosion of top soils, the disappearance of pollinating insects including bees and the use of unsustainable agrochemical inputs.

32. Some delegates noted the importance of developing comprehensive agricultural models whereby agricultural production provides for the production of energy as well as other by-products for livestock production, for example. This model could be replicated in

other countries in order to encourage local consumption of agricultural by-products within a regional context, as part of a sustainable regional agricultural development programme.

2. Debate on the contribution of biofuels to sustainable development as a basis for promulgating policies conducive for bioenergy development

33. It was underscored that the huge potential of biomass in Africa creates important possibilities for improving widespread public access to energy if appropriate policies are developed to promote bioenergy. However, the obstacles to bioenergy development in Africa are huge, including a lack of sufficient public and private investment, risk perception, lack of technology and an appropriate regulatory framework. To address this situation, experts emphasized that there is a need to create: (a) an enabling legal and regulatory environment to develop bioenergy; and (b) a long-term energy market to minimize risk for investors and promote private sector participation. One expert described the African Biofuels and Renewable Energy Fund of the Economic Community of West African States, which has been set up to provide financing for renewable energies to address issues of energy security, climate change and the carbon market.

34. Delegates suggested other policy solutions could be used to manage energy consumption trends and to move away from the present energy situation. In addition to policy efforts at the global and national levels to increase energy efficiency, behavioural changes could be encouraged at the household level. For example, consumers could be drawn into using renewable energy via market and tax incentives. However, it was noted that the use of this approach depends on the extent to which governments are willing to relinquish taxes on fossil fuels, as these constitute a major source of revenues to the national exchequer.

35. It was noted that some countries have implemented recycling legislation resulting in a dynamic and sustainable energy system.

3. Development of appropriate technologies

36. It was suggested that the future of alternative energy is linked to technological innovation. The use of algae for the production of biodiesel was highlighted, as was the importance of biotechnology in the development of new crop varieties used to produce fuel. However, the genetically modified organisms debate continued with a discussion of the relatively large inputs required, together with susceptibility to disease and the impact of climate change. Experts expressed concerns about the monopoly of transgene technology in food and agriculture through gene patents. In this regard, the need for organic agriculture and localized energy and food systems was highlighted. These may have the potential to both feed the world and compensate for greenhouse emissions.

37. In countries with large human and animal populations, there are tremendous opportunities for producing energy from waste through anaerobic digestion technologies.

38. Some delegates were of the view that biofuels could be an significant element of energy security for developing countries and represent an important alternative to fossil fuel imports. It was mentioned that substantial progress in the production of energy from biomass has been made by some African countries. Delegates urged that the experience of deriving energy from sugared sorghum in Nigeria should be extended to other countries in the region. Experts also gave examples of other forms of energy that could be developed to help reduce dependency on fossil fuels.

39. In order to stimulate debate about how biofuels could contribute to the goal of sustainable development and a larger share in the future energy matrix, participants pointed out that there is a need to provide accurate, science-based information about biofuel production. This will be a key element allowing states an unbiased perception in the

process of establishing national policies concerning renewable energies. On the other hand, the use of broad and imprecise terms usually contributes to significant misapprehensions about biofuels. A balanced approach is necessary to compare renewable energy sources. This approach should present both the opportunities and the challenges of each renewable energy source within the social, economic and environmental contexts.

E. Investment and financial policies for accessing financial resources for commodity-based development, including with respect to official development assistance, Aid for Trade and other possibilities

40. Since the end of 2007, markets have experienced a critical shortage of liquidity and a concomitant aversion to risk. Throughout 2008 there was a $100–$300 billion shortfall in trade finance lending and by the fourth quarter of 2009 loan rates had risen to more than three times the rates for the same types of trade finance loans prevailing prior to the crisis. This reduction in financial liquidity, the so-called “credit squeeze”, has resulted in a reduction of developing countries’ trade opportunities.

41. Experts highlighted the disruptive impact the financial crisis has had on trade, and the discussion covered a number of core themes that have affected access to financial resources:

(a) Causes of the liquidity crisis and ways of addressing liquidity problems;

(b) Market volatility and perception of risk;

(c) Declining terms of trade for commodity export-dependent countries.

1. Cause of the liquidity crisis

42. A group of experts from the World Trade Organization, the International Monetary Fund and the World Bank have investigated the disruption to the trade finance market during the previous Asian market crisis. The study revealed a number of causes for the Asian market disruption. These included an increased perception of risk, lack of insurance provision when required, herd behaviour in trading markets, weak domestic banking systems, a concentration of risks within the banking system and a lack of policy coordination. The group has evolved into a forum that proposes best practice in trade finance. It is also promoting the need for a collaborative effort involving regional and international lenders to provide co-financing support to encourage private sector lending.

43. Participants highlighted the different sources of finance. Whilst official development assistance and economic cooperation (to target infrastructure development, for example) can be evaluated, the effectiveness and availability of sources of finance for small-scale producers is difficult to evaluate. Risks associated with short-term financing for small producers, including counterparty risk and non-delivery performance risk, were discussed and it was suggested that these may have been amplified following the dismantling of marketing boards in many CDDCs.

44. A number of proposals were made to address the financial liquidity problem. Discussions focused on a need to mobilize new resources by increasing the capacity of trade finance facilitation programmes of multilateral financial agencies, securing large supply chains through support by export credit agencies and creating a global trade liquidity fund to increase trade credit capacity among developing country banks. Reference was made to the Group of 20 (G-20) initiative to create an additional $250 billion in new trade finance capacity from three sources, namely:

(a) Export credit agencies from OECD and non-OECD countries. It was noted that these agencies provide working capital to finance both exports and imports and increasingly conduct operations on a regional basis to support local supply chains;

(b) Regional development banks and International Finance Corporation-enhanced trade finance facilitation programmes;

(c) The International Finance Corporation Global Trade Liquidity Programme and lending to commercial banks.

45. It was noted that since the G-20 in Pittsburgh there had been a return of liquidity in the main markets (North–North; Brazil, the Russian Federation, India and China – the so-called "BRICs"; as well as South–South). Attention was drawn to the key role played by export credit insurance agencies in supporting international supply chains. It was acknowledged, however, that improvements in liquidity had been slower in parts of Eastern Europe, Central Asia, Central America and Africa, for smaller players (in particular on the import side).

46. During the discussions, some delegates proposed that sovereign wealth funds should be persuaded to invest in contingency financing that could be utilized to stabilize developing country economies. Other delegates were more cautious, however, arguing that there is a need to identify the potential advantages of sovereign wealth funds vis-à-vis other sources of investment.

2. Market volatility and perception of risk

47. Experts highlighted the plight of CDDCs, particularly those in sub-Saharan Africa. It was pointed out that volatile markets have made it difficult for these countries to benefit from globalization. The reasons outlined included rent-seeking behaviour, weak institutions and weak macroeconomic management, which have increased the vulnerability of several countries to the Dutch disease. The underperformance of these economies could also be attributed to the failure of the prevailing international economic system to resolve outstanding commodity-related problems, in particular ensuring that trade takes place on a much more level playing field.

48. One expert stated that the issue is not of volatility, per se, but of "excess" volatility and the degree to which this places pressure on the most vulnerable. It was suggested that countries could become less vulnerable by reducing exposure to price fluctuations by improving market intelligence and forecasting, risk management and regional economic integration. Countries could also become more resilient to volatility by implementing measures such as "just in time" delivery, building foreign exchange reserves and identifying new markets or moving up the value chain.

49. Experts pointed out that it is important to analyse the impact of the financialization in commodity markets in order to take stock of the effects it had on the efficiency of the commodity markets and examine why markets behaved irrationally, so that lessons can be drawn from this. It was observed that traders in financial markets are making more money at the expense of poor farmers.

50. Experts suggested ways to manage market risk by proposing regulatory measures to control speculation. Proposals included applying controls on aggregate contract position limits, increasing transparency in some futures markets, assessing margin requirements and looking at the effectiveness of some market-based instruments. However, it was pointed out that markets should work "holistically" to ensure that tradable risk management instruments are effective.

51. Reference was made to risk management projects initiated by the Common Fund for Commodities that are under way for cocoa in Côte d'Ivoire and by the Food and

Agriculture Organization of the United Nations for cotton in Mozambique. Participants were invited to take part in the review of these projects.

52. It was suggested that UNCTAD should look at the possibility of creating physical exchanges to improve transactions and price discovery.

3. Declining terms of trade

53. Delegates suggested that subsidies in developed countries create distortions in global markets by reducing the prices of subsidized products, which renders the same products from non-subsidized sources in CDDCs less competitive. Agricultural subsidies therefore undercut the potential income from trade in subsidized products, which in turn creates social and economic impacts in CDDCs. It was argued that the extension of tariff-free and quota-free schemes to all products from LDCs in the international markets will help these countries recoup some losses caused by subsidies. Participants called for the rapid conclusion of the Doha Round of Multilateral Trade Negotiations and the elimination of subsidies and tariff and non-tariff barriers and measures.

54. The subjection of Lesotho wool and mohair exports to stringent sanitary and phytosanitary (SPS) standards was brought to the attention of delegates. In this regard, it was recommended that SPS standards should not be used as a protectionist measure, and that any such use should be brought to the attention of the World Trade Organization. It was suggested that Aid for Trade could be instrumental in improving Lesotho's production and marketing systems in order to enhance the country's ability to meet SPS and other private and public standards related to wool and mohair exports.

F. Review and identify how trade-related policies and instruments can be used for resolving commodity problems (Accra Accord, para. 93)

55. The recent commodities boom has demonstrated that rather than being an opportunity, the commodities boom has become the greatest obstacle to achieving the Millennium Development Goals and new strategies should be adopted in tackling the problem. As in the other sessions, experts emphasized price volatility as one of the causes of problems in commodity markets and being at the core of the so-called "commodity problematique". Addressing these problems requires remedies beyond simply looking at market fundamentals. The role of excessive speculation in the commodities futures markets was highlighted as a major reason for extreme price volatility and the boom and bust in commodity markets. Participants observed that as the percentage of the speculation grew, so did the volume of liquidity, and, in most cases, also the price volatility. However, other participants noted the usefulness of speculation in providing liquidity to the markets.

56. Discussions focused on the following issues:

(a) Speculation caused by manipulation, and excess speculation and means by which to deal with the ensuing problem of excess volatility that ensues;

(b) The need for diversification of the production sector or economic base;

(c) The issue of tariffs.

1. Speculation and market manipulation

57. It was suggested by experts that lower levels of speculation, perhaps in the order of 35 per cent (or, at the very least, less than 50 per cent) of total market volume would be preferable to speculative levels of 80 per cent as has been the case in the recent past.

Experts made a comparative distinction between "market manipulation" and "excessive speculation", both of which have the potential to distort prices and to increase volatility.

58. "Market manipulation" is a type of speculation undertaken by larger market traders who, knowledgeable about market fundamentals, might seek to take trading (long or short book) positions with a view to controlling short-term price expectations of other traders, producers or consumers of commodities. Information asymmetry can empower larger-scale trading firms to profit from potentially abusive position-taking to amplify price movements in their favour (for example, selling short in times of glut or buying in times of shortage). "Excessive speculation" refers to market participants who have no role in the markets other than as investors. These actors may "not care" about the outcome of their speculative activities except in terms of the potential profitability, or otherwise, of their transactions.

59. It was suggested that the cause and effect of both market manipulation and excessive speculation should be addressed to the extent that some of the excesses of volatility could be curbed. Perhaps this could be achieved by limiting the number of contracts tradable by speculators, reducing the hedging and price discovery functions of commodity exchanges or developing a method of taxing speculative activity, which has been proposed in some academic spheres.

60. Specific examples of excess volatility were mentioned, such as the 25 per cent change in the price of oil over the course of a single day when the oil market was at its most volatile during the financial crisis.

61. It was suggested that reform in markets may be needed to overcome the problem of margin-seeking by speculators (so-called "noise traders") who may only be interested in financial return without paying attention to the concomitant supply chain and livelihood issues that may ensue. Perhaps a cultural change, supported by the enhancement of cooperative efforts between commodity producers and consumers, could be encouraged. The international commodity agreements of the 1970s were referred to as a potential model for such cooperation but not, perhaps, involving the creation of buffer stocks, and taking into account the current market reality.

2. Diversification of the economic base

62. It was observed that commodity production and export volumes are closely linked to development prospects for countries dependent on commodities. However, actual development itself in commodity export-dependent developing countries has not been commensurate with the economic growth and performance of the commodities sector in those countries. Accordingly, diversification is an essential component for tackling this problem, and policies could be introduced by countries to encourage diversification (processing/value adding to primary commodities/higher income-elastic products). Delegates referred to success stories in a number of countries adopting policy measures to enhance prospects for value addition in the commodity supply chain.

63. Another expert highlighted the increasing role of trade-related policies in horticulture in Africa. He dwelt on the use of policies and instruments in the development of the sector, including the creation of an enabling environment for investments by the government, the role of the private sector, facilitating access to credit, reducing costs and simplifying standards compliance as well as creating the necessary conditions for African producers to participate in the higher levels of the value chain. Horticultural exports have taken off in several African countries, with exports amounting to $1 billion in Kenya and South Africa, $300 million in Egypt, Ethiopia and Morocco, and $70 million in Uganda and the United Republic of Tanzania. The sector is also relatively well developed in Ghana and Zambia, each of which exports mainly fruits and vegetables, respectively. In his presentation on the state of the horticultural sector in Kenya, the expert underlined some

challenges facing the sector, notably supply-side constraints (infrastructure problems, lack of affordable credit, technological challenges, standards, energy and taxation) and market access issues.

3. Non-tariff measures

64. Much was made of the need to address the issue of non-tariff measures in the commodities sector. In particular, the discussion turned to the problems related to meeting stringent standards and therefore a need to ensure that the issue of standards is properly addressed. Developing countries do need to know and understand which public and private standards should be complied with. The “Sustainability Claims Portal” developed by UNCTAD (and funded under the European Union’s All ACP (African, Caribbean and Pacific Group of States) Agricultural Commodities Programme) is an important tool in training and equipping ACP exporters to comply with these standards.

65. Participants also discussed resource rents and how, in particular, how these rents might be channelled into funding development programmes for commodities and the establishment of national development strategies. Experts pointed out that commodities by themselves represent wealth, value and opportunity, but when there are “rent-seekers”, there will also be the “resource curse”.

II. Organizational matters

A. Election of officers

66. At its opening plenary meeting, the multi-year expert meeting elected the following officers:

Chair:	H.E. Mr. Guy-Alain Emmanuel Gauze (Côte d’Ivoire)
Vice-Chair-cum-Rapporteur:	Ms. Rina Soemarno (Indonesia)

B. Adoption of the agenda and organization of work

67. At its opening plenary, the multi-year expert meeting adopted the provisional agenda for the session (contained in TD/B/C.I/MEM/2/6). The agenda was thus as follows:

1. Election of officers
2. Adoption of the agenda and organization of work
3. Developments and challenges in commodity markets: current situation and outlook
4. Review and identification of opportunities for the diversification of the energy matrix, including renewable energies, with awareness of countries’ needs, to ensure a proper balance between food security and energy concerns
5. Trade-related policies and instruments and how to use them for resolving commodity problems
6. Investment and financial policies for accessing financial resources for commodity-based development, including with respect to official development assistance, Aid for Trade and other possibilities
7. Adoption of the report of the meeting

C. Outcome of the session

68. At its closing plenary meeting, on Thursday, 25 March 2010, the multi-year expert meeting agreed that the Chair should summarize the discussions (see chap. I).

D. Adoption of the report of the meeting

69. Also at its closing plenary meeting, the multi-year expert meeting authorized the Vice-Chair-cum-Rapporteur, under the authority of the Chair, to finalize the report after the conclusion of the meeting.

Annex

Attendance[2]

1. Representatives of the following States members attended the expert meeting:

Algeria
Angola
Argentina
Azerbaijan
Bahrain
Belgium
Benin
Brazil
Cameroon
Chad
China
Côte d'Ivoire
Cuba
Cyprus
Dominican Republic
El Salvador
Ethiopia
Finland
France
Germany
Ghana
Haiti
Indonesia
Iran (Islamic Republic of)
Iraq
Jordan
Kuwait
Lao People's Democratic Republic
Lesotho
Libyan Arab Jamahiriya
Malaysia
Mali
Mauritius
Mexico
Morocco
Myanmar
Namibia
Nepal
Nigeria
Oman
Paraguay
Philippines
Poland
Romania
Russian Federation
Saudi Arabia
Senegal
South Africa
Spain
Suriname
Syrian Arab Republic
Thailand
Togo
Turkey
United Arab Emirates
United States of America
Venezuela (Bolivarian Republic of)
Viet Nam
Yemen
Zimbabwe

[2] For the list of participants, see TD/B/C.I/MEM.2/Inf.2.

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

African Union
Common Fund for Commodities
Common Market for Eastern and Southern Africa
European Union
International Grains Council
International Jute Study Group
Organization for Economic Cooperation and Development
Organization of the Petroleum Exporting Countries

3. The following United Nations organization was represented at the session:

Economic Commission for Africa

4. The following specialized agencies or related organizations were represented at the session:

Food and Agriculture Organization of the United Nations
International Grains Council
International Labour Office
World Bank

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

General category

Ingénieurs du monde
World Association of Former United Nations Interns and Fellows

6. The following panellists were invited to the expert meeting:

(Listed in chronological order of intervention)

Mr. Andrey Kuleshov, Chief Projects Officer, Common Fund for Commodities
Mr. David Hallam, Commodities and Trade Division, Food and Agriculture Organization of the United Nations, Rome
Mr. Etsuo Kitahara, Executive Director, International Grains Council, London
Mr. Christopher L. Gilbert Ph.D, Professor of Economics, University of Trento, Italy
Mr. Curtis Stewart, Head of Economics and Environment, International Lead and Zinc Study Group, Lisbon
Mr. Benoit Lioud, Head of Analysis, Mercuria Energy Trading SA, Switzerland
Mr. Ludwig Hachfeld, Litasco SA, Switzerland
Mr. Mae-Wan Ho, Director, Institute of Science in Society, London
Mr. John Gault, President, John Gault SA and Associate Fellow, Geneva Centre for Security Policy, Geneva
Mr. Thierno Tall, Director, African Biofuels and Renewable Energy Fund, ECOWAS Bank for Investment and Development, Lomé
Mr. Giacomo Luciani, Director, Gulf Research Centre Foundation, Geneva Office
Mr. Marc Auboin, Counsellor, Trade and Finance and Trade Facilitation Division, World Trade Organization, Geneva
Ms. Machiko Nissanke Ph.D, SOAS, Professor, University of London
Mr. Adrian Hewitt, Head of the ODI Fellowship Scheme and Research Fellow, Overseas Development Institute, London
Mr. Stephen Mbithi Ph.D, Fresh Produce Exporters Association of Kenya, Nairobi

Mr. John R. Gagain, Director of Global Studies of the Fundación Global y Desarrollo, Dominican Republic

Mr. Vincente Yu, Programme Coordinator of the Global Governance for Development Programme, South Centre, Geneva