What's Next for Commodity Markets?
Informal Interactive Dialogue of the General Assembly on Commodity markets

Thursday, 31 March 2022
Trusteeship Council Chamber
United Nations Headquarters, New York

Summary by the President of the General Assembly

OVERVIEW

The President of the General Assembly (PGA) His Excellency Abdulla Shahid convened on 31 March 2022, the Informal Interactive Dialogue of the General Assembly on commodity markets, entitled "What's Next for Commodity Markets", in accordance with General Assembly resolution 76/194.[1]

The programme[2] for the event consisted of an opening segment, followed by presentations on COVID-19 and trends in commodity markets, two panel discussions and a closing segment. The panelists included renowned experts, high-level government officials and representatives from the private sector, non-governmental organizations and international financial institutions, among others.

The interactive dialogue was intended to provide space to review trends and prospects in global commodities markets in the context of the COVID-19 pandemic and the recovery process, as well as discuss energy access as a basis for economic structural transformation and economic and export diversification. The dialogue also discussed the process of establishing a sustainable export diversification strategy, and the role of technology for economic and export diversification.

OPENING SEGMENT

In his opening statement, the **President of the 76th session of the General Assembly H.E. Abdulla Shahid** emphasized that commodity dependence is not a sectoral issue but a broad-based developmental challenge. He highlighted the impacts of the conflict in Ukraine on the

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[1] https://www.un.org/pga/76/informal-interactive-dialogue-on-commodity-markets/
[2] https://www.un.org/pga/76/wp-content/uploads/sites/101/2022/03/UNGA-Dialogue-on-Commodity-Trends_final.pdf

fragile economies of commodity-dependent developing countries (CDDCs), giving rise to new challenges that undermine the recovery of these countries from the COVID-19 pandemic, weakening their capacity to meet the Sustainable Development Goals (SDGs). In this context, the United Nations Secretary General has established a Global Crisis Response Group on Food, Energy and Finance, which will advise on managing the immense and interconnected unfolding challenges to global food security, energy security, and financing. CDDCs, together with the international community, development partners, and the private sector, need to focus on diversification and value addition, which is the key to enhanced productivity and poverty reduction. CDDCs are also encouraged to promote investments that foster diversification to build more resilient, inclusive, and sustainable economies.

The Secretary-General of UNCTAD Ms Rebecca Grynspan emphasized the profound impacts of the war in Ukraine and the COVID-19 pandemic on commodity markets and CDDCs. The volatility of commodity prices highlights the fundamental vulnerability associated with commodity dependence, which is persistent and widespread in the developing world and needs to be urgently addressed. The recent increases in food, fuel and fertilizer prices threaten food security and contribute to an overall increase in consumer-price inflation. In addition, the climate change crisis poses significant challenges for CDDCs, which are expected to bear its worst impacts. It is crucial to build resilience through diversification of production and exports. In this regard, innovation and technological advancements can contribute to value addition and increase transparency along value chains, which can help to improve market access. Strong policies and effective coordination are crucial to achieve diversification and value addition. Immediate policy actions are needed to mitigate the spikes in food and fuel prices, strengthen social safety nets for the most vulnerable people, relieve developing countries from financial stress and promote the energy transition. The latter will be a particular challenge for CDDCs depending on fossil fuel exports. However, the energy transition also offers opportunities for exporters of key commodities needed for green energy technologies.

The **Director General of UNIDO Mr. Gerd Müller** highlighted that reliance on commodity exports has often failed to translate into economic growth and development gains. The high volatility of commodity prices and the proneness of commodity markets to external shocks inhibit long-term investments and innovation, which are the keys to industrialization and sustainable development. The war in Ukraine, the COVID-19 pandemic, and climate change present imminent challenges for food and energy security. Building partnerships is crucial to enable the transfer of knowledge and technologies and promote investments in resilient infrastructure and food and health systems.

PRESENTATIONS: COMMODITY TRENDS AND PROSPECTS IN THE CONTEXT OF THE COVID-19 PANDEMIC

The **Permanent Representative of Malawi to the United Nations in New York, H.E. Ms Agnes Chimbiri** moderated the presentation segment. In her opening remarks she underscored the challenge commodity dependence poses for the achievement of the SDGs – it is associated with numerous negative socioeconomic outcomes, ranging from low human and social development, and low productivity to political and macroeconomic instability. It is thus crucial for CDDCs to escape from the commodity dependence trap.

The representative of **FAO, Mr. Boubaker Ben Belhassan**, highlighted the impacts of the COVID-19 pandemic on agricultural commodity markets. The pandemic affected the supply, demand and trade of food commodities and thus caused concern over food security. Overall, global food production and trade proved to be resilient to the pandemic, with disruptions being short-lived. However, food prices started to rise in mid-2020, and, in the wake of the conflict in Ukraine, with the FAO Food Price Index reaching an all-time high in nominal terms in February 2022. Contributing factors to this price rise included COVID-19, unfavourable weather conditions, high energy, freight, and fertilizer prices, as well as trade policies in combination with strong global food demand. The ongoing conflict in Ukraine had a particularly strong impact on agricultural commodity markets since the Russian Federation and Ukraine are important exporters of fuel, food, and fertilizers. In particular, prices of fertilizers have increased faster than crop output prices, which has reduced the affordability of fertilizers and thus their use in production. Reduced exports from the Russian Federation and Ukraine could create a supply gap on international markets, drive prices further up and thus exacerbate malnutrition and food insecurity in many countries. In this regard, policy recommendations include ensuring open food, fuel, and fertilizer trade, avoiding ad-hoc policy measures such as trade restrictions, strengthening market transparency, diversifying food supply sources, and supporting vulnerable groups.

The representative of **UNCTAD, Mr. Janvier Nkurunziza** presented trends in global non-agricultural commodity markets in the wake of the COVID-19 pandemic and the conflict in Ukraine. The UNCTAD commodity price index declined by 35.7 per cent during the early phase of the pandemic from January to April 2020. This was followed by a continuous upward trend from May 2020 onwards, which accelerated at the onset of the conflict in Ukraine. While high commodity prices provide a boost for commodity exporters as they try to rebuild their economies in the aftermath of the COVID-19 pandemic, net food and fuel importers face higher import bills. This contributes to food insecurity, accelerate inflation, and could ultimately result in higher rates of poverty. Recent commodity price hikes and the high level of uncertainty in commodity markets are a reminder of the need to reduce commodity dependence and promote diversification. In this context, it is important to ensure access to affordable, reliable, and modern energy for all, as stipulated in SDG 7, as a key enabler for successful diversification.

In the discussion that ensued, one delegation noted the challenges faced by Small Island Developing States (SIDS) in reducing commodity dependence and achieving sustainable development. Another delegation highlighted the importance of market access for diversification and value addition in developing countries to be successful.

PANEL 1: THREAT OF CRISES – RENEWED IMPETUS FOR DIVERSIFICATION

The moderator, **Ms. Usha Rao-Monari, Under-Secretary-General and Associate Administrator for UNDP**, re-emphasized the importance of diversification and value addition for development. She highlighted the importance of enablers of diversification and value addition, including innovation, technology adoption, and finance. The impact of the war in Ukraine on food and fuel markets illustrates the fragility of global commodity markets to external shocks. This underscores the need to diversify, build resilience against commodity price spikes and reduce the global economy's overreliance on fossil fuels in order to prevent a rise in energy poverty.

Mr. René Bautz of the Global Gas Center highlighted the turbulence in energy markets in the wake of the COVID-19 pandemic and the war in Ukraine which have led to record levels in energy prices. He noted that these developments warrant a thorough evaluation of energy strategies going forward. In this context, the natural gas sector can play an important role. It can help to reduce CO_2-emissions by replacing higher-emitting fuels such as coal with natural gas. By applying carbon capture technologies or substituting natural gas with biomethane and synthetic gas, the CO_2-footprint of gas-fired energy generation can further be reduced. Diversification of energy sources and energy security are important energy policy objectives to which natural gas can contribute since it is a flexible fuel, and liquified natural gas (LNG) technology allows its transport over long distances, and storage. In this regard, it is important that the necessary infrastructure, including energy storage and transport facilities, are in place. Innovation and international cooperation are important to ensure a successful energy transition.

Mr. Roberto Echandi, former Senior official of the Costa Rican Government, highlighted the experience of Costa Rica in transforming its export basket from agricultural commodities such as coffee and bananas to a diversified set of export goods, including high-value exports. In addition to manufactured goods, services play an increasingly important role in production and exports. International trade and foreign direct investment (FDI) were key drivers of Costa Rica's economic diversification. In particular, efficiency-seeking FDI is an important factor for Costa Rica as it is targeted towards exports, generates foreign exchange, creates jobs, and strengthens human capital within firms. To attract efficiency-seeking FDI, a competitive investment climate and a predictable trade policy regime that ensures access to export markets are key factors. Furthermore, to ensure long-term sustainability, it is important to foster linkages between export-oriented sectors and domestic suppliers.

The representative of **IRENA, Ms. Mirjam Reiner (on behalf of Ms. Rabia Ferroukhi)** highlighted the opportunities offered to developing countries by the global energy transition. The energy sector plays a key role in the global economy. Decarbonizing the global economy is not only necessary to address the climate crisis, but the energy transition can also be a driver of structural transformation. The deployment of renewable energy, energy efficiency, and the electrification of sectors such as transport have a large potential to drive economic growth and generate employment in industry and services sectors. In order to benefit from these opportunities, it is important to build the necessary human capital base through investment in education, training, and reskilling.

In the discussion that followed, one delegation underscored the importance of diversifying energy supply sources and ensuring a smooth transition towards renewable energy technologies. In this regard, it is also important to have an integrated energy grid to balance supply and demand. One panellist (Mr. Bautz) noted the importance of innovation and new technologies such as power-to-gas, which can help to better integrate various energy sources and balance demand and supply over time. Another panellist (Mr. Echandi) highlighted the importance of a predictable, rules-based trading system so that the private sector can plan and manage long-term investments required for diversification and value addition. Another delegation emphasized the need to ensure access to reliable and sustainable energy to achieve diversification and structural transformation. A civil-society representative noted the key role of farmers in food security. Another delegation emphasized the importance of diversification to reduce commodity dependence in a manner that is inclusive and geared towards meeting the SDGs.

PANEL 2: OVERCOMING DEPENDENCE THROUGH TECHNOLOGY AND INNOVATION

The moderator, **Ms. Cristina Duarte, Under-Secretary-General and Special Adviser to the Secretary-General on Africa**, set the stage for the discussion on overcoming dependence through technology and innovation by highlighting the strong correlation between commodity dependence and low levels of human development. She noted that 85 per cent of Least Developed Countries (LDCs) are commodity dependent. She added that commodity dependence is a persistent challenge, as it takes an average of 190 years for a CDDC to halve the gap between their share of commodities in total merchandise exports to that of a non-commodity dependent economy. Short-term planning, vulnerabilities in policymaking, and a lack of access to technology and innovation exacerbate this issue. Overcoming commodity dependence also requires addressing the technological divide and improving access to technologies. She concluded that the key to overcoming commodity dependence is to build institutions that overcome dependence in all areas, noting that this was one of the objectives of the African Continental Free Trade Agreement.

Panellist **Mr. Shenggen Fan, Professor at the China Agricultural University**, highlighted the lessons from China's experience on the role of technologies in overcoming commodity dependence. The use of digital technology has transformed agricultural markets in China. E-commerce, influencer marketing, community-group buying, live broadcasting of agricultural tourism and other tools served to enhance agricultural supply chains and ensure food supply during lockdown. Technology also contributed to an economic boom in rural China, contributing to poverty reduction. Based on the Chinese context, digital technology has strengthened trade between urban and rural markets and has since penetrated other parts of the agricultural supply chain, such as agricultural production, organization, management, processing, circulation, storage, marketing, and branding. As a result, the number of farmers returning to their rural hometowns for employment and entrepreneurship has increased. Despite its success, e-commerce in agriculture faces several challenges, such as insufficient coordination of policies, uneven quality of e-commerce products, weak e-commerce infrastructure, and a shortage of agriculture e-commerce professionals. These could be addressed by establishing coordination mechanisms at the Ministry-level to promote rural e-commerce. It is also important to strengthen e-commerce infrastructure, integrate services to upgrade delivery logistics, and promote skills development. Partnerships with the private sector are also important.

Mr. Michael Wurmser, CEO of Norge Mining, addressed how deploying new technologies in CDDCs can add value to primary commodities on-site. The mining industry is undergoing a transition in line with the global shift towards more sustainable practices. Firstly, there is the transition to green energy, which has increased the demand for certain metals as key inputs to electric batteries. Secondly, the adoption of Environmental, Social and Governance (ESG) standards has pushed the mining industry to evolve. At the same time, the side effects of the

COVID-19 pandemic and the war in Ukraine have led to a re-evaluation of supply chains to localize production to reduce risks and meet sustainability objectives. This transformation offers an opportunity for CDDCs that have traditionally served as a source of commodities without retaining much of the value generated along the value chain. A focus on a new model of “vertical value creation” is proposed to add value in countries that supply raw materials, for example, in the steel and battery industries. Such a model would allow countries with strong natural resource bases to become important global players in commodity-based manufacturing. It would offer various advantages: reduction of CO_2 emissions related to the transport of bulk resources, time and cost efficiencies, and reduced risks associated with shorter supply chains. At the same time, the development of processing industries would allow CDDCs to create jobs and achieve greater prosperity. While implementing this model requires greater technology transfer from developed to developing countries, vertical value creation has the potential to generate a win-win-win scenario for those involved, as well as for the planet.

Ms Xiaolan Fu, Professor at the University of Oxford, highlighted the importance of the State in laying the foundations for technology development. While developing countries, including some LDCs, are already engaging in “under the radar” innovation, it is not at the level required to address the challenges and disruptions related to the Fourth Industrial Revolution. Developing a national innovation system is a collaborative effort that involves the private sector, the State, public research institutes, and universities. At the same time, innovation is driven by capabilities, institutions, and incentives, which can be further shaped by the State. Digital technologies can be a tool to help developing countries recover from the COVID-19 pandemic, as seen with the positive experiences of digital technologies on agricultural production in China, India, and Bangladesh. However, some barriers hinder the adoption and usage of digital technologies, including sub-standard IT infrastructure, high costs of digital devices and networks, and a lack of confidence, skills, and awareness in using these technologies. To overcome these challenges and lay the foundations for an open national innovation system, the State is encouraged to: strengthen investments in research and development; and develop science, technology, and innovation capabilities; increase access to digital technologies by lowering costs, raising awareness, and designing training programs on digital technology, especially for women; and strengthen regulations to guide technological change. The UN could also aid these processes through the United Nations Commission on Science and Technology for Development, the United Nations Technology Facilitation Mechanism, and the Technology Bank for LDCs.

In the discussion that followed, one delegate noted that commodity dependence has a high degree of path dependence, where strong commodity exports tended to monopolize investment and policy attention. The delegate also enquired about the work of UN bodies and mechanisms on technology and ways to increase their effectiveness. In response, one panellist highlighted the role of the Technology Facilitation Mechanism and the General Assembly in highlighting the issue of technology and commodity dependence. In addition, UN bodies may further foster partnerships to support technology transfer by, for example, bringing together bodies with technological expertise and bodies focused on funding. Another delegate noted the difficulties related to technology adoption to overcome commodity dependence and pointed to the digital divide. Another delegate inquired whether there were any examples of successful technology transfer for commodity-dependent countries to consider. In response, panellists highlighted the need for governments to build infrastructure, reduce access costs, provide more training to develop skills, and improve regulations to strengthen the security of digital technologies to bridge the technological gap. Two delegations asked about the role of developed countries in supporting developing countries to overcome commodity dependence. In response, the panellists noted that partnerships between developed and developing countries could assist the latter in their path to diversification by greater development assistance and investments in other sectors, facilitating the transfer of technologies and know-how, adhering to environmental and social governance (ESG) standards, and creating value locally. In addition, developed countries should support the building of infrastructure and local innovation capacities. One civil society representative highlighted the important change that digital technologies had brought to commodity trading, including increased accessibility and generating new sources of supply. Another civil society representative, Foundation for the Emancipation of Women and Girls—FEWGI, highlighted their work in building the capacities of environmental and human rights defenders.

GENERAL STATEMENTS BY THE MEMBER STATES

Statements were made by: Belize, Bolivia (Plurinational State of), Botswana (on behalf of Landlocked Developing Countries), Cuba, Egypt, India, Indonesia, Kenya, Lesotho (on behalf of the Africa Group), Malaysia, Pakistan (on behalf of the Group of 77 and China), Russian Federation, United States of America, Uruguay, and Zimbabwe.

Member States reiterated the negative impacts of high price volatility of commodities, leading to increased vulnerabilities of CDDCs to external shocks and compounded economic challenges, including trade deficits, declining public revenue, fiscal strains, and debt sustainability. The COVID-19 pandemic and the war in Ukraine have exacerbated these vulnerabilities, resulting in food supply disruptions, increased food prices, higher fuel costs, lower tourism revenues, and difficulties in accessing international capital markets. They further recognized the need for value addition, diversification, and structural transformation for growth and development. Access to finance, technologies, innovation, markets, appropriate energy systems and infrastructure, and adequate human capital and skills are crucial.

Pakistan, on behalf of the Group of 77 and China, noted that high price volatility increases risks to trade and investment, uncertainty in revenues prospects, and undermines the development prospects CDDCs. The Group noted that some developing countries have managed to increase export earnings through diversification. However, the longer-term solution is to transform their economies structurally. The opportunities for value-addition are limited due to the absence of technology and other productive capacities. They underscored that most CDDCs need to overcome several constraints, including lack of experience and knowledge in manufacturing and marketing non-traditional commodities in international markets, inadequate infrastructure, difficulties in access to finance, access to technology, and unfair trade barriers. To implement diversification strategies successfully, developing countries require human and physical capital accumulation, including infrastructure, technology transfer on concessional and preferential terms, capacity development, including technical assistance to reduce information deficiencies and conform to international markets standards.

Botswana highlighted the challenges specific to Landlocked Developing Countries (LLDCs), listing transportation and logistics issues and geographic predicaments as additional impediments which hamper the achievement of the Vienna Programme of Action. To reduce commodity reliance, LLDCs are encouraged to: develop adequate productive capacities to stimulate recovery and realize sustainable development; implement policies promoting efficiency-seeking FDI, which attract investments in value-adding sectors; implement measures that overcome trade- and finance-related disadvantages common to the group, including high transportation costs, obstacles in transit countries and infrastructure.

Lesotho, on behalf of the Africa Group, noted that intra-regional trade represents a strong engine for structural transformation. In this regard, the African Continental Free Trade Area (AfCFTA) is a vehicle for promoting industrialization and value addition by facilitating the creation of regional value chains and promoting economic diversification. Promoting infrastructure development, creating a conducive environment for investments and entrepreneurship, and strengthening human capital is critical. Promoting technology and innovation is indispensable for strengthening economic diversification. While the COVID-19 pandemic has exposed the challenges of the digital divide, it accelerated the development of emerging technologies and innovations to tackle its health and socioeconomic implications. The international community must also prioritize policies to support debt sustainability, access to finance, and improving conditions of market access and technology transfer.

Some Member States highlighted that unilateral coercive measures may compound the vulnerabilities of targeted countries. The Russian Federation noted that the withdrawal of such measures would relieve tensions in transport, logistics, and access to finance, ensuring the continuity of supply and stabilizing international commodity markets. The US noted the exemptions of food and agricultural products from sanctions, and highlighted the importance of intellectual property rights in technology transfer for value addition and product diversification.
