

Informal interactive dialogue on commodity markets

Friday, 26 April 2024, 10 a.m.

Trusteeship Council Chamber, UN Headquarters, New York

Concept Note

In line with General Assembly resolution 78/138, the President of the General Assembly for its seventy-eighth session will convene a one-day informal interactive dialogue "to review world commodity trends and prospects and possible strategies for economic and export diversification, as well as value addition for sustainable development, particularly in commodity-dependent developing countries, with the aim of sharing experiences and lessons learned."

Despite the growing importance of global value chains and technological transformation, two-thirds of developing economies remain commodity-dependent, relying on primary goods for 60% or more of total exports. This includes 66% of small island developing states (SIDS), 83% of the least developed countries (LDCs), and 85% of landlocked developing countries (LLDCs).

The economic consequences of this dependence are severe. The concentration of exports in the commodity sector tends to restrain industrial development and positive structural change, and cause countries to be vulnerable to boom-and-bust cycles of commodity prices. This often results in real exchange rate misalignment and endogenous impacts on institutional quality that can severely hinder sustainable development. Many commodity-dependent developing countries are among the most vulnerable economies. Of the 32 countries with the lowest human development index scores, 29 are commodity-dependent. Moreover, most developing countries have been trapped in a state of commodity dependence for several decades.

Recent economic factors have renewed the urgency to address commodity dependence, including the imperative of the energy transition and increased demand for energy transition minerals, the acute debt burdens developing countries face, and the drastic effects of climate change including on agricultural exports. Therefore, immediate action is needed to promote economic diversification and alleviate the escalating risks tied to commodity dependence.

Successful productive and export diversification requires commodity-dependent developing countries to boost value addition to be competitive in downstream segments, including in the industrial sector, and a consistent process of innovation and structural change that moves factors of production into higher value-added sectors and activities.

Objective

The event will discuss the persistence of commodity dependence, examine the emerging concept of a modern-day commodity dependence trap that hinders diversification in developing countries, and discuss possible pathways for countries to diversify into higher value-added activities and implement a sustainable structural transformation. The event will spotlight the critical role of economic diversification for developing countries to move out of commodity dependence and accelerate their progress towards sustainable development.

The event also marks 60 years of discussion on the relationship between commodities trade and development in the context of UNCTAD.

Format

The event will consist of an opening segment, two interactive panels, and a closing segment. In addition to Member States and Observers of the General Assembly, the meeting will be open to the United Nations system and relevant stakeholders.

Interactive Panel 1: Is there a modern-day commodity dependence trap?

The number of commodity-dependent developing countries increased from 94 to 99 between 2002/04 and 2020/22. A similar trend was evident among the most vulnerable developing countries. For example, the share of least developed countries that were commodity-dependent increased from 78% to 83% between 2002/04 and 2020/2022. Associated with the increase in commodity-dependent developing countries, the mean of commodity exports as a percentage of total exports among these countries increased from 83% to 85% in the same period.

The discussion on a modern-day commodity dependence trap is particularly timely given current developments, including (1) challenges posed by climate change and extreme weather events to developing countries dependent on the export of agricultural products; (2) the energy transition imperative, which poses significant investment challenges to countries dependent on oil/coal exports, particularly when the overall foreign direct investment (FDI) is falling; (3) the rise in demand for critical energy transition minerals (CETM), which may entice CETM-producing countries to focus on raw mineral exports; (4) the ongoing debt burden that many developing countries face, which may limit/restrict some of them in commodity exports as they need stable and continuing export earnings;

In this context, this panel will examine the persistence of a state of commodity dependence in developing countries and explore the following guiding questions:

1. Is there a modern-day commodity dependence trap? What are its elements, characteristics, and mechanisms?
2. What shape does such a trap take in today's economic environment?
3. How can new developments, such as the increasing demand for CETM and challenges posed by climate change and extreme weather events, reshape a commodity dependence trap in the twenty-first century?
4. What collective action can be taken by Member States?

Interactive Panel 2: Economic diversification to reduce dependence and increase the resilience of commodity-dependent developing countries

If commodity-dependent developing countries are to achieve the 2030 Agenda for Sustainable Development and the Sustainable Development Goals, in an increasingly uncertain global economic and political environment, they will need to become more resilient – by moving along value chains and diversifying production and exports. Diversification insures against future market shocks, generates economic growth, and drives structural transformation. It reallocates labour and capital across sectors and industries to produce a greater variety of goods and services. This reallocation can take place across broadly defined economic sectors, such as

a shift from agriculture to manufacturing or services, but it can also happen within sectors, such as when farmers start to produce non-traditional agricultural goods.

However, diversification has eluded the majority of commodity-dependent developing countries for decades. Moreover, countries now have to strive to diversify in a way never done before: through a low-carbon path in the context of climate change mitigation and the energy transition. This can be challenging since, historically, economic diversification has been achieved by the extensive use of fossil fuels.

Countries must also diversify in the context of rapid technological changes. Commodity-dependent developing countries cannot afford to miss this new wave of technological change. The average commodity-dependent developing country has about a third of the technological capacity of the average non-commodity-dependent developing country and less than five per cent of the average developed country.

This panel presents an opportunity for Member States to share their perspectives on ways to deliver urgent economic diversification of commodity-dependent developing countries to reduce their dependence and increase resilience. Some guiding questions for discussion include:

1. What are the emerging challenges and prospects for commodity-dependent developing countries to implement a successful diversification strategy?
2. What specific strategies can these countries adopt to enhance their technological capacity and innovation ecosystems for diversification?
3. What are the key sectors or industries that offer the greatest potential for driving structural transformation and resilience in commodity-dependent developing countries?
4. What innovative financing mechanisms can support the diversification efforts of commodity-dependent developing countries?
5. How can international financial institutions and development banks play a role in providing the necessary capital for diversification projects?
6. How can Member States and stakeholders support sustainable and inclusive diversification of these countries?

Outcome

The outcome of the interactive dialogue will be a President's summary to be circulated to all Member States and Observers, the United Nations System, and other stakeholders.
