



MESSAGE FROM H.E. AMBASSADOR MUNIR AKRAM, PERMANENT REPRESENTATIVE OF PAKISTAN TO THE UNITED NATIONS AND CHAIRMAN OF THE GROUP OF 77, TO THE PARTICIPANTS AT THE ◆GLOBAL INITIATIVE ON COMMODITIES◆ (Brazilia, Brazil, 7-11 May 2007)

**Excellencies,
Distinguished Guests,
Ladies and Gentlemen,**

- 1- In my capacity as Chairman of the Group of 77, I am honored to share with this prestigious assembly some views and ideas on the “Global Initiative on Commodities”. I would like to express, at the outset, our appreciation to the Government and people of Brazil for hosting this meeting.
- 2- This gathering provides a valuable and timely opportunity to exchange views and understanding on the important subject of commodity, examine the level of progress accomplished in this sector and identify a consensus strategy of the international community in implementing the Millennium Development Goals. The commodity issue used to be perhaps the major economic issue on the international agenda, and was a major impetus for the establishment and initial work of the UNCTAD. However, from the last two decades, there has been a steady decline in the priority accorded to this issue. It is crucial to bring commodity back to the forefront in the international development agenda.
- 3- The recent growth in commodity demand has affected prices. This boom in commodity prices is due to increases in the prices of minerals, ores, and metals as well as of crude oil. Intense speculative activity has also added significantly to those increases. However, at the same period of time, prices of some commodity groups have dropped below their record levels to -25% for vegetable oils and -56% for tropical beverage compared to 1977. As we all know, commodities represent the backbone of the economies of the majority of developing countries. The centrality of commodities for the economies of many countries exposes them to a high level of vulnerability.
- 4- Linked with the commodity issue is the unfair nature of global agricultural trade, as agricultural products are the main exports of developing countries. For developing countries the problem lies in the North’s continued high protection through subsidies and tariffs. These two issues need to be addressed for achieving MDGs as well as for establishing a fair international economic order.
- 5- As tariffs continue their downward trend, particularly in manufacturing, another rising market access concern is the continuous surge of non-tariff barriers (NTBs), particularly those of technical nature. These include anti-dumping measures, new technical standards, new safety regulations, changed sanitary requirements, or more exacting procedures for import licensing and customs clearance. NTBs are damaging exports from developing countries. These barriers amount to a new form of protectionism, and one that is harder to detect and define. Surveying NTBs around the world is a challenge. They vary from country to country, change frequently, and are hard to classify and quantify.
- 6- For many developing countries especially those that are dependant on commodity import, they have registered terms of trade losses which have negatively impacted their economy. There is an urgent need for the international community to support the efforts made by developing countries

at national levels such as the integration of local producers into international supply chains, the innovative financing and risk management tools for agricultural commodity producers, the use of extractive industries' wealth for broad-based development, and the economic diversification in regions that depend on extractive industries. They should channel more resources to support commodities funds organizations such as the Common Fund for Commodities in order to allocate more resources to their activities.

7- On the occasion of the Second South Summit held in Doha, Qatar in June 2005, the Heads of State and Government of the Group of 77 stressed the need for “an integrated comprehensive international approach to enhance the contribution of commodities to development through actions which would, inter alia:

- i. address supply side constraints, in particular, Small and medium Enterprises of developing countries, to enable them to exploit their comparative advantage, add value and diversify;
- ii. explore establishing an export enhancement fund for commodity dependent countries to focus on institution building, developing key infrastructure and upgrading private sector capacity;
- iii. remove difficult market entry conditions such as those emanating from concentrated and changing market structures, as well as very stringent and diverse product standards;
- iv. enhance the access of developing countries to affordable credit and allocate funds for improving legal and regulatory conditions;
- v. systematically link debt repayment and debt servicing by commodity-dependent developing countries to adverse movements in prices of commodity exports and imports;
- vi. support the financing and implementation of the UNCTAD XI International Task Force on Commodities, including through the creation of an action group on South-South cooperation in commodities as well as underlining the need to strengthen the Common Fund for Commodities, in particular the second account;
- vii. continue efforts to make effective international commodities agreements concluded under the guidance of the United Nations intended to promote and improve production and trade of primary products of vital interest to developing countries.

8- There is a need to recognize the importance of commodities for the development process of developing countries in particular the most vulnerable among them, the Commodity Dependent Developing Countries (CDDCs). In this context, increasing the resources of the international institutions which invest their efforts on commodity should be given more attention. It is crucial to bring commodity back to the forefront in the agenda of the international community. It is also important to identify and agree on the best ways to strengthen the nexus between trade, food security and industrialization, based on the lessons from experiences of countries that have succeeded in achieving growth from a commodity base.

9- The Group of 77 welcomes the work of the Common Fund for Commodities which is willing to undertake activities to strengthen developing countries farmers with a view to integrating them into global commodity chains. It is important to stress that this objective should be taken one step further to explore and exploit opportunities for South-South trade and new trade creation. We are encouraged by the support provided for the establishment of regional commodity exchange instruments in particular in Africa.

10- Regarding market access, market entry and competitiveness, I wish to stress that the WTO Doha negotiations on agriculture and manufacturing sectors present a good opportunity for developing countries to benefit from further tariff reductions, particularly in industrialized country-markets. We hope that progress will be made in addressing market access concerns on the part of developing countries particularly in agriculture.

11- Trade in services - policies on services in developing countries, are being shaped by dynamic factors-both internal and external. Governments are facing the challenge of realigning multidimensional objectives, when seeking to maximize development dividends accruing to them from progressive liberalization of services economy. Limited experience of developing countries makes it extremely difficult for policy makers to assess options available to them for creating coherent policy environment for trade in services supportive of development.

12- We are of the view that the assessment of trade in services is particularly important, as it helps developing countries' governments and regulatory authorities in designing, pace and sequencing of services. As pointed out in the document, the lack of adequate, reliable and internationally harmonized data at the sectoral level has made it very difficult to undertake sound assessment in the area of services. The assessment of trade in services should help identify conditions for increasing beneficial participation of developing countries in international trade in services and services negotiations.

While considering strategies to deal with the commodity issue, the following steps need to be considered:

- a. The recommendations of the eminent persons' group on commodities should be followed up by the UN system and other international agencies.
- b. Coordination with the Common Fund for Commodities in FAO as well as other initiatives such as the Integrated Framework (IF) should be strengthened in order to provide to countries technical assistance in commodity-based development programming.
- c. The International Task Force on Commodities launched at UNCTAD X1 is an important initiative. Adequate funding resource should be provided so that the Task Force could start implementing the programmes for which it was established.
- d. Compensatory finance schemes to insulate developing countries from the effects of price volatility should be examined and its feasibility and implementation should be worked out.
- e. An international export diversification fund could be established to assist developing countries to diversify commodity base, and to add value to their commodities through processing and manufacturing.
- f. The global framework within which agricultural trade is conducted should be reviewed in a comprehensive manner. The review should incorporate the loan conditionalities of the international financial institutions.
- g. It is very important to have effective programmes to assist developing countries in improving their productive and trade capacity. The International Trade Centre (ITC), UNCTAD, UNIDO and the multilateral and regional development banks need to identify programmes that could assist small and poor producers to expand and diversify their production capacities, and to add value to their commodities through processing and manufacturing.

13- On services, the Hong Kong Ministerial Declaration set out new sectoral and modal

objectives, approaches and timeframes of negotiations. Developing countries actively participated in the preparatory process and contributed to this collective achievement. We wish to express our sincere appreciation to the Common Fund for Commodities for its continued valuable support extended during the course of the negotiations in the area of services. It helped understand development implications of services negotiations build trade policy and regulatory capacities and identify policy options.

14- In conclusion, let me stress that the Group of 77 is encouraged by the recognition in December 2005, by the WTO of the important role of commodities in economic development and global trade issues for developing countries, and the adoption of a specific paragraph on commodities in the Hong Kong Ministerial Declaration. The next step calls for the allocation of more resources to commodity development measures in order to reach the Millennium Development Goals.

I wish all success to your deliberations.