

**Closing Statement**  
**UNCTAD Deputy Secretary-General Joakim Reiter**  
**7<sup>th</sup> Global Commodities Forum**  
***Breaking the chains of commodity dependence***  
**16 July 2016**  
**Nairobi, Kenya**

Honourable ministers,  
Excellencies,  
Ladies and Gentlemen,

The crash in commodity prices since 2014 has brought macroeconomic difficulties in many commodity-dependent developing countries, especially oil exporters.

But, as the discussions of this forum have highlighted: high, low or volatile prices are not the only problem.

There is a more pervasive problem.

Most exporting countries were unable to convert windfalls from the 2004-11 commodity price boom into structural transformation and reduction in poverty levels.

This is actually an old story of developing countries not benefiting enough, and not using the benefits well enough, from the production and trade of commodities.

This cannot continue.

We should never miss the opportunity of a crisis. Times are tough but there are remedies and, low commodity prices, taking firm action is all the more urgent.

Indeed, there are actions that can and will now have to be taken to harness the revenues of commodities to sustainable development.

Let me focus my closing remarks on three important ideas of future action that you have discussed during this forum.

**First, we need to get a handle on trade misinvoicing and other illicit flows related to the trade of commodities**

Professor Ndikumana shared with us yesterday his estimates of the magnitude of trade mispricing on commodity exports and imports in five developing countries.

The figures in his finding are striking.

There are literally tens of billions of dollars of export earnings and government revenues lost to trade misinvoicing. This represents a drain on government revenues, and certainly a lost opportunity for all commodity exporters and their citizens. It reduces the ability of countries to drive growth, diversification and poverty reduction, and achieve the SDGs.

Therefore, it is clear that we need to address trade misinvoicing. But it is also clear that this requires more transparency and more effective cooperation, from exporting and importing countries, and traders. UNCTAD stands ready to support all of you in these efforts.

My second message is on policies to promote greater value addition.

Improved local content is a way to improve the value and revenue countries can get from their exports of natural resources. However, for this to happen, countries have to adopt a long-term approach based on developing human capital.

In this context, we need to update the policy options we suggest to developing countries, to help them "break the chains of commodity dependence"

Early local content policies disappointed, boosting only low-value activities in the host country.

Drawing from these past shortcomings, panellists in this forum highlighted on the need to abandon a short-term approach to local content framework, characterised by governments imposing, in isolation, penalty-based conditions on extractive projects.

Of interest was the assertion by private sector representatives on the importance of training programmes including skills and enterprise development.

UNCTAD is active in this area, with programmes such as Empretec - as are our partners at the Commonwealth Secretariat and other international organisations - but our role in skill and enterprise development need to be expanded.

My third message of today is on the importance of regional value chains.

Developing countries, especially in Africa, must develop regional value chains to expand their export markets and broaden their export baskets

Of course, export diversification has been prescribed for many years, without many examples of successful implementation.

The rise of global value chains (GVCs) has had a mixed effect on this picture for commodity producers.

On one hand, developing countries now see a more disaggregated chain, with more activities for which they can compete.

On the other hand, developing countries now face more questions to answer: "what activities should we pursue? And how do we prepare ourselves?"

In this regard, international organizations could help countries in identifying the best opportunities for developing new products and export markets, given their comparative advantages.

Another piece of the puzzle is the assistance for developing countries to streamline their trade procedures and lower trade costs, thus improving their competitiveness when entering new markets.

There is a clear message for developing countries, especially in Africa emanating from this forum: to pursue regional value chains, to grow the markets for exports, without incurring the high transportation costs that can render their exports uncompetitive.

Finally, allow me to briefly refer to the ministerial session. At this session you debated whether to "go green or go coal". This highlights the tough question we have to answer: on the one hand, energy for all and, on the other hand, the necessity of reducing carbon emissions.

The UN and UNCTAD's position is clear on this: coal is a dead end. We must convert power generation to renewables to reduce the carbon footprint of our global economy. Otherwise, we cannot achieve the sustainability enshrined in Agenda 2030.

Also, in the discussions about agricultural development, several ministers highlighted the importance of putting women at the centre of this agenda: women provide the majority of agricultural labour on small farms in Africa, but earn less. This is an issue of great importance for UNCTAD, and in fact, later in the UNCTAD 14 programme we have a special session on this topic.

Let me conclude by congratulating everyone for a successful Forum. You have indeed highlighted a number of critical areas where more action is needed. We, at UNCTAD, stand ready to shoulder our responsibility and look forward to carrying these outcomes and messages forward through UNCTAD 14 and beyond.

As a final note, I would like to sincerely thank all of the partners that made the 2016 Global Commodities Forum such a resounding success:

- Our Co-organisers:
  - The Commonwealth Secretariat and
  - The FAO.
- And other partners:
  - The OECD Development Centre
  - The Swiss Trading and Shipping Association (STSA)
  - The Global Network of Export-Import Banks and Development Finance Institutions (G-NEXID)
  - The World Energy Council - Global Gas Centre
  - The Intergovernmental Forum on Mining, Minerals, Metals and Sustainable Development
  - The East African Tea Trade Association
  - Nairobi Securities Exchange
  - Bloomberg, and
  - Dormans Coffee

Thank you very much to all of you for your attention.