

27 October 2003

**Statement of H.E. Mr. Julian Robert Hunte,
President of the 58th Session of the General Assembly,
at the Open-ended Panel of the General Assembly on Commodities**

Excellencies, ladies and gentlemen,

Commodities, the issue to which this open-ended panel of the General Assembly will address itself, is an essential part of the larger issue of development, and as such, is a matter of critical importance, particularly for developing countries. It is, I believe, timely that this panel should be convened on the eve of the High-level Dialogue on Financing for Development. This permits insights the Panel will provide to be taken into account in the overarching framework of financing for development. It should also provide substantive and practical input into UNCTAD XI.

Given the mandate of the United Nations Trade and Development Board (UNCTAD), and its work in the area of commodities, I am pleased that the Secretary-General of UNCTAD, Mr Reubens Ricupero, is here for the Panel Discussion. The commodities issue comes before the Second Committee of the General Assembly. Leadership in that Committee is significant to ensuring an outcome that is balanced, and above all, implementable. Therefore, I am pleased that the Chairman of the Committee, Ambassador Iftekhar Ahmed Chowdhury, is here, and thank him for his personal efforts in this area. We have been ably assisted in our organisation of the Panel by the New York Office of UNCTAD and the Financing for Development Office. I wish to express my appreciation to them.

A review of available data on commodities indicate that the economies of fifty states - more than one quarter of the United Nations 191 member states - rely on commodity exports for more than fifty per cent of their export earnings. In forty of these states, less than four commodities account for the export earnings. About sixty per cent of the total export earnings of least developed countries come from primary commodities, a problem that also extends to many Land Locked Developing Countries and Small Island Developing States.

This data underscores the impact of commodities issues on developing countries, most of which remain dependent on them for a majority of their hard currency earnings. It is also evident that of the countries affected, most are grouped among the least developed countries, or countries affected by special circumstances, as is the case of landlocked and small island developing states.

Commodity dependence is a challenge to development planning, because volatility in sales volumes and prices have both a cyclical and secular nature, and result in uncertainty over

revenues. Price volatility is not a recent phenomenon. There have been significant fluctuation in commodity prices, for example, coffee, as early as the 1800s.

It is understandable, therefore, that commodities should be a key issue for the United Nations. Initially, focus was placed on declining terms of trade. The high point of the effort to combat the declining purchasing power of commodity exports came with the adoption of the Integrated Programme for Commodities, approved by the UNCTAD IV Conference in 1976. It was not until 1989, however, that the Programme was effectively implemented, in the form of the Common Fund for Commodities. By this time there had been a radical change in the accepted approach to development.

This Panel provides the framework in which we may review many of the issues concerning commodities, including dependence on commodities, the impact of the free market on that dependence, the use of commodities as vehicles for investment and speculation in deregulated and free capital markets, and the impact of these phenomenon on the natural volatility of commodity earnings due to climate disturbance and production cycles. As most commodities are priced in US dollars, the increased instability of exchange rates against the US dollar is also a key issue for consideration. These issues have no doubt made volatility in prices and production of commodities an increasingly important question in financing for development.

Global market conditions, and, in particular, relative to market access bear centrally on questions of cyclical and secular trends in prices and supply of commodities. Even if market access for commodities were to be improved, however, it would not offset the loss to developing countries caused by restriction on the import of processed commodities. It is instructional to note, in that regard, that major developed countries export more coffee by value than most producing countries, even though they have no domestic production. Producers are therefore finding themselves faced not only with declining trends in the terms of trade, but are also facing a continuous decline in their share of the value added generated by commodities, due to increased concentration in market structure.

It was suggested at both the Doha and Cancun Ministerial meetings of the World Trade Organisation, that there was much more to be gained in levelling the playing field in international commodity markets. Indeed, the matter of increasing the share of the final product price received by commodity dependent countries is a question that seems better dealt with at the intergovernmental level. We certainly look forward to comments that might be made on these issues, by participants or panellists.

Last year the General Assembly called upon the Secretary General of UNCTAD to convene a group of independent eminent persons to examine and report on commodity issues. UNCTAD has carried out its mandate, and the report of that eminent persons group will form the basis for our discussions here today.

Our distinguished panellists, drawn from among the independent eminent persons, will no doubt provide invaluable insight into the issue of commodities. I wish to thank them all for agreeing to

participate in these discussions. May I say, Panellists that I look forward with interest to hearing your perspectives on this crucial issue.

I also urge delegations to engage the panellists in a frank and open exchange of views. I ask you to bear in mind that the presentations, comments and observations are intended to provide crucial and substantive inputs into the summary of this dialogue that I will be preparing for transmission to the Second Committee. It is my hope that my summary will inform and complement the deliberations on the commodities issue when it is taken up in the Second Committee.

I thank you.