

3 November 2003

**Statement of H.E. Mr. Julian Robert Hunte,
President of the 58th Session of the General Assembly,
at the Open-ended Panel on Commodities of 27 October 2003 to the
Second Committee**

Thank you Mr. Chairman. Delegates:

General Assembly decided, in resolution 58/2, that a report should be presented to the Second Committee on the outcome of the Open-Ended Panel on Commodities, convened on 27 October 2003. Having opened and presided over the Open-ended Panel on this issue of critical importance, particularly for developing countries, I am now pleased to present that Report.

The Report of the Meeting of Eminent Persons on Commodity Issues (A/58/401) convened in Geneva on 22-23 September 2003 under the auspices of UNCTAD, and the summary of the discussion at the Recent Trade and Development Board on the Report of the Eminent Persons (A/58/15 [Part V]), provided invaluable input into the deliberations of the Open-ended Panel.

In remarks made at the opening of the Panel, your Chairman, Ambassador Iftekhar Ahmed Chowdhury, underscored the link between the deliberations of the Panel and the consideration of Item 91(g) on commodities by the Second Committee. His remarks placed the commodities issue into perspective, in the context of the development of commodity-dependent countries in the global economy. Mr Rubens Ricupero, Secretary-General of UNCTAD, gave a summary of the findings of the Meeting of Eminent Persons.

Four of the fifteen Eminent Persons who participated in the important UNCTAD commodities exercise - Ambassador Jorio Dauster, Mr. Roman Grynberg, Mr. Irfan ul Haq and Mr. Martin Kohr - were the Panellists. The Panellists provided details of the results of their deliberations set out in the Report, as their initial input into to the interactive discussion that followed. Mr Mark Ritchie, President of the Institute for Agriculture and Trade Policy, was invited to open the Panel's interactive discussion.

As the Report of the Meeting of Eminent Persons was important to focussing the deliberations of the Panel, it would, I believe, be useful to recall some of its pertinent elements. The Report contains fifteen recommendations for action. These are arranged in three groups - those to be addressed in the short-term, those to be addressed in the medium term, and those to be addressed in the long-term. The Report also makes five specific recommendations to which the Eminent Persons attach the highest priority, particularly in the context of follow-up by the General Assembly. These are:

- a) Enhanced, equitable and predictable market access for commodities of key importance to developing countries;
- b) Addressing the problems of oversupply for many commodities;
- c) Making compensatory financing schemes user-friendly and operational;
- d) Strengthening capacity and institutions; and
- e) Pursuing the possibilities for the creation of a new International Diversification Fund.

The presentations of the Panellists and the interactive discussion that followed covered a broad range of issues relating to the commodities issue. Among the interesting and notable perspectives emerging from the presentations of the Panel, and taken up in the course of the interactive discussions, was that the commodities issue is, at the same time, an "old" issue and a "new" issue. In this context, the Panellists emphasised the longstanding dependence of numerous developing countries on a few commodities for a major part of their income and export earnings. For these countries, the performance of commodities markets has a major impact on their macroeconomic stability, capacity to meet foreign debt obligations, balance of payments performance, success in poverty reduction, and overall sustainable development efforts.

Increased and sustained efforts to solve problems associated with commodity markets, including price declines and volatility, over dependence on a handful of commodities for export revenues and oversupply was regarded as critical action that had to be taken. In this context, improving competitiveness and ensuring better participation in global supply chains was considered to be key.

Panellists and participants identified a number of macro-economic patterns of central importance, that make the commodities issue a 'new' one, requiring renewed attention by the international community. Pertinent "new" matters, together with comments/issues raised in the context of the Panel discussion, and which are particularly important to the deliberations of the Second Committee were:

- a) **Commodities and Sustainable Development:** A new regime for commodity dependent countries was considered to be essential to long-term sustainable development.
- b) **Commodities and Millennium Development Goals (MDGs):** Attaining the objectives of the MDGs would continue to be a serious challenge in those countries contending with widely varying or declining income due to over dependence on the export of a single commodity, and had to be addressed.
- c) **Commodities and reduction of market participants:** The Panellist, in particular, noted that that the structure of the commodity markets of most developing countries is now marked by a

significant reduction in market participants, and because of that change, there has been a strengthening of the relative position of multinational firms in each commodity sub-market.

d) Commodities and HIPC: For many HIPC countries, the completion point and other markers of the HIPC debt initiative are crucially dependent on accurate forecasts for national revenues from the export of commodities. When the forecast is not met, the entire HIPC programme is undermined.

e) Commodities and the WTO: The Doha Programme of Work contains but a single paragraph on commodities. There was only one explicit commodity item - on cotton - on the Agenda of the recent WTO Ministerial held in Cancun, Mexico. Regrettably, that the WTO process was not even able to address the urgent demands of these West African countries on this single commodity.

f) Commodities and vulnerabilities: ECOSOC is now grappling with the definition of vulnerabilities in the context of LDCs; Every indication is that one key component of that definition might well be the vulnerabilities of countries to the external structural realities in the commodity markets;

g) Commodities and SIDS: This session, the Second Committee is preparing for the review of the Barbados Programme of Action for SIDS, and for the event for conducting that review, now scheduled for August 2004. A crucial matter for the economic viability of the SIDS is in many cases their dependency on a single commodity for export, a matter that should be addressed in the preparatory process and in the Conference.

h) 'Newer commodities': In earlier consideration of the commodities issue, it was taken by Governments that commodities referred to trade and processing of natural products, minerals and agricultural goods. Today, 'commodities' could now include industrial products and services that are marketed as if there were 'old' commodities. Such is the case in with commodities, such as computer chips and commodity service providers.

Panellists and participants went beyond noting newer aspects of the commodities issue to flag new ways that intergovernmental cooperation could contribute to a resolution of challenges in this area. They emphasised, in that context, that developing countries alone could not solve the problems in commodities markets arising from global market imperfections. A viable and long-term solution requires action by individual countries, as well as joint actions by consumers and producers of commodities, from developing and developed countries alike.

Suggestions for future action in the commodities area and for enhancing the visibility of the issue included the involvement of a range of international organizations and possible action these organizations could take. Concerned organisations and proposed courses of action, as well as action that might be taken in the context of the MDGs and UN Global Compact include:

- (a) The WTO: calls were made for the resumption of the Doha negotiations, and for giving special attention in the negotiations for cotton and other commodities;
- (b) The IMF: the connection between structural adjustment programmes and commodities and the importance of a well functioning compensatory finance systems was noted, and it was urged that these matters be considered;
- (c) UNCTAD: the need to enhance capacity building initiatives, establish new multi-stakeholder partnerships on commodities, and examine in detail the inter-relationship between national development and the global market, was stressed by panellists and participants alike. These are important themes for UNCTAD XI, to be held in Brazil in 2004;
- (d) The MDGs: it was proposed that commodity-dependency matters should be considered in the implementation of the MDGs
- (e) The UN Global Compact and individual commodity firms and their trade associations: Panellists and participants alike identified as a matter for urgent action incorporating a commodity focus into on-going corporate social responsibility efforts.

A member of the Panel, additionally, stressed that a long-term solution might be to take a new look at the establishment of an international export diversification fund. Regarding keeping the commodities issue under long term consideration, it was proposed that the Open-Ended Panel on Commodities might be maintained as a standing advisory group on commodity matters.

The Commodity issue is of importance to millions of people around the world. There is an urgent need, now more than ever, to address it. Importantly, one Head of State commented in his address to the General Debate that there is a "conspiracy of silence" on the commodities issue. It is instructive, in that regard that the sub-item on commodities, discussed under the topic of macro-economic issues, is a biennial topic in the Second Committee.

Also, in the Doha programme of work for the WTO, the commodities issue is mentioned in one paragraph only. Cotton received attention at the Cancun Ministerial Meeting because of the insistence of four African producers. Over the years, the work of UNCTAD, which established in the 1960s in part to deal with the commodities issue, has been severely curtailed. Now, public understanding of the commodities issue needs to be strengthened, resources allocated to the work on commodities need to be increased, and the visibility of the commodities issue needs to be enhanced through international dialogue. These were courses of action which Panellists and participants alike highlighted.

A comprehensive programme of action by all relevant parties, including the private sector and NGOs, is critical. The objectives of such a programme could include action for enhanced, equitable and predictable market access; solutions to the oversupply of commodities; user-friendly compensatory finance schemes; and technical assistance to strengthen national capacity

and institutions - including assistance in dealing with the problems arising from commodity market imperfections

The expert opinions and recommendations of the Eminent Persons were very much appreciated, as was the Secretariat support provided by the UNCTAD and the Financing for Development Office in DESA. I take this opportunity to once again thank them for their contribution.

Let me now conclude by emphasising the importance that I personally attach to cooperation in the commodities area, and particularly to practical solutions to address, as a matter of urgency, the plight of commodity-dependent countries. Our deliberations at this Fifty-eighth Session of the General Assembly have, I believe, raised the profile of our work in this area. It remains for us to sustain these efforts.

You will now move to the next stage of your deliberations of sub-item 91(g) on commodities, and particularly translating the deliberations of the Open-ended Panel and other relevant reports and discussions into what I hope will be an action-oriented, implementable resolution. Your Chairman has assured me that he will give this matter his personal attention. Let me assure you that I stand ready to work with your Chairman and to assist in any way I can to forge consensus on the resolution, and on any other issues in the area of commodities.

I thank you.