



UNCTAD



Special event on facilitating the Participation of Landlocked Developing Countries (LLDCs) in Higher Segments of Regional and Global Commodity Value Chains: Challenges, opportunities and the way forward, New York, 1 October 2014

Issues Note

Context

Landlocked developing countries (LLDCs) find themselves in multiple development challenges. On the one hand, their geographical disadvantages, remoteness from international markets and the resulting high transit-transport costs as well as relatively small domestic markets continue to undermine their international competitiveness. On the other hand, their heavy dependence on low value-high volume primary commodities for exports (locked- in lower segments of the value chains), weak productive capacities and the overall lack of structural transformation in their economies have compounded further their prospects for growth, poverty reduction and overall development. For instance, according to UNCTAD's definition, there were 24 LLDCs (three-fourths of the 32 LLDCs) that were commodity dependent in 1995-1997, with a median share of commodities

in all exports accounting for 83.2 percent. This share rose to 84.5 per cent in 2011-2013. This shows that LLDCs are not only commodity dependent, but they are also among the developing countries that have not shown structural changes in their economies over the years. In fact, compared with other country classifications, LLDCs seem to be more commodity dependent than both transit (developing) countries and other developing countries: the median share in 2011-2013 among transit countries was 76.7 percent and among other developing countries 66.2 percent.

Consequently, the economies of LLDCs continue to be characterized by weak productive capacities, underdevelopment, widespread poverty, very high commodity concentration and exposure to greater volatility in international commodity prices. In sum, the duality of the "traps" facing LLDCs has made "landlockedness" a formidable development challenge that goes beyond the traditional focus on transit-transport problems of the countries concerned. In this regard, the second United Nations Conference on LLDCs to be held in Vienna, Austria, in November this year, is expected to agree on a post-Almaty Programme of Action which is comprehensive with implementable, measurable and realistic goals and targets.

Objectives

The special side event will focus on one aspect of the problem facing LLDCs - heavy dependence on primary commodities. The event assists to examine the challenges, opportunities and prospects to enhance the role of commodities, (including through diversification, value-addition and retention) in LLDCs' development. It also seeks ways and means to use commodities as lever for socio-

economic development of LLDCs, by taking policy measures and actions that facilitate their beneficial integration into regional and global commodity value chains, especially at higher segments. To that end, the side event is expected to generate policy debates and recommend practical policy options as a contribution to the ongoing negotiations on the post-Almaty Programme of Action.

Form and structure

The special side-event is a collaborative undertaking between UNCTAD, CFC and UN-OHRLS and will be open to all stakeholders - Member States, private sector and civil society actors. At the event, experts, consultants and academics will make presentations based on national case studies and academic research on issues such as the role and significance of the commodities sector in LLDCs' development; the impact of volatile international commodity prices and financial markets; the need for commodity-based policies and strategies and ways and means of facilitating the participation of commodity dependent LLDCs in regional and commodity value chains. The side event will also examine measures to address socioeconomic vulnerability of LLDCs arising from commodity dependence, including ways and means of mobilizing and facilitating domestic and foreign investment flows to LLDCs to link them to higher segments in regional and global commodity value chains.

Key issues

Key issues to be addressed during the side event include the following:

- a. How can LLDCs maximize the developmental impact of their natural resources wealth in the face of volatile international commodity prices and financial markets?
- b. What are the respective roles of trading and development partners, the private sector and civil society actors in enhancing the role of commodities in development?
- c. What mix of policies and strategies are needed to facilitate investment flows (domestic and foreign) to the commodities sector?
- d. How can domestic institutions and governance contribute to capture commodities' gain (investible resources) into development processes, reduce capital flights and accelerate the process of capital formation (accumulation)?
- e. Is there a scope for LLDCs to beneficially link to regional and global commodity value chains at higher value segments? And how?
- f. What are successful and less successful experiences as well as best practices to diversify including value addition (and retention) to the commodities sector to spur structural economic transformation in LLDCs?