



UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

UNCTAD

Commodity dependence and economic diversification

Short courses for Permanent Missions in Geneva
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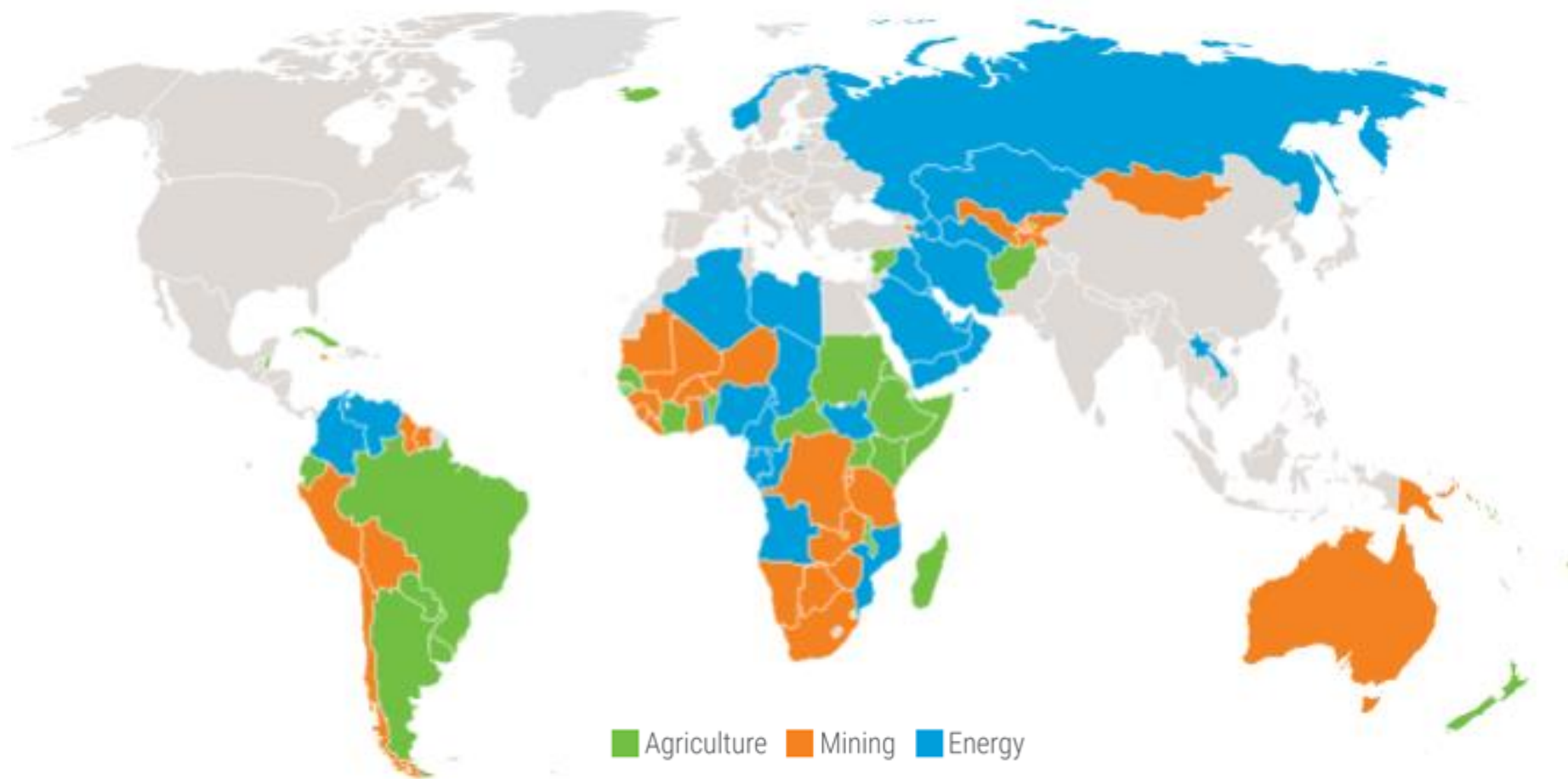


60 years
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Commodity dependence remains a critical issue for developing countries

Commodity-dependent countries and their main dependency, 2019–2021



Commodities, from the cereals in our meals to the cotton in our clothes and the copper in our electronics, are the bedrock of global trade.

When these raw materials account for 60% or more of a country's merchandise export revenue, it's deemed to be "commodity dependent." While such dependence is a global concern, it affects developing countries the most.

Only 13% of advanced economies make the list, including Australia and Norway, compared with a staggering 85% of the world's least developed countries, according to UNCTAD's most recent State of Commodity Dependence report.

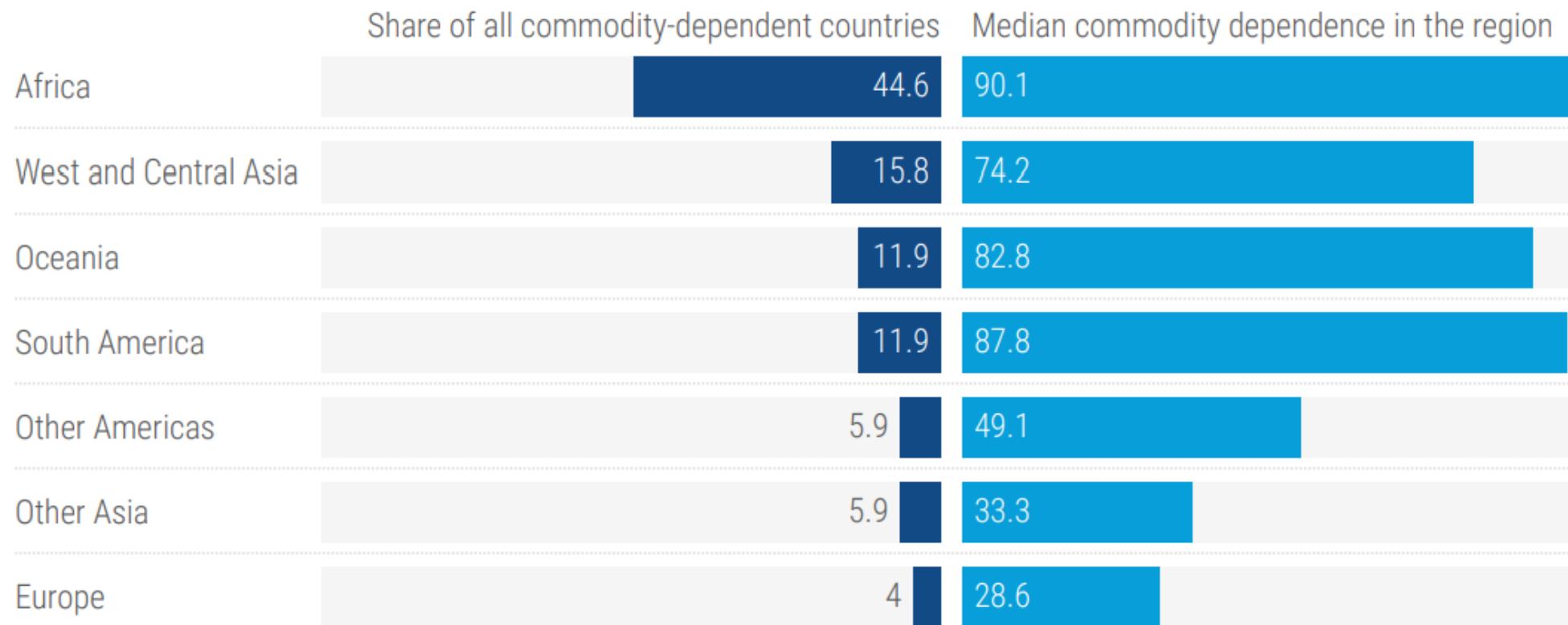
Of the organization's 195 member nations, 95 are classified as commodity-dependent developing countries.

Note: The boundaries and names shown, and the designations used on this map do not imply official endorsement or acceptance by the United Nations.

Source: UNCTAD 2023. *State of Commodity Dependence*. Geneva.

Commodity dependence is higher in Africa

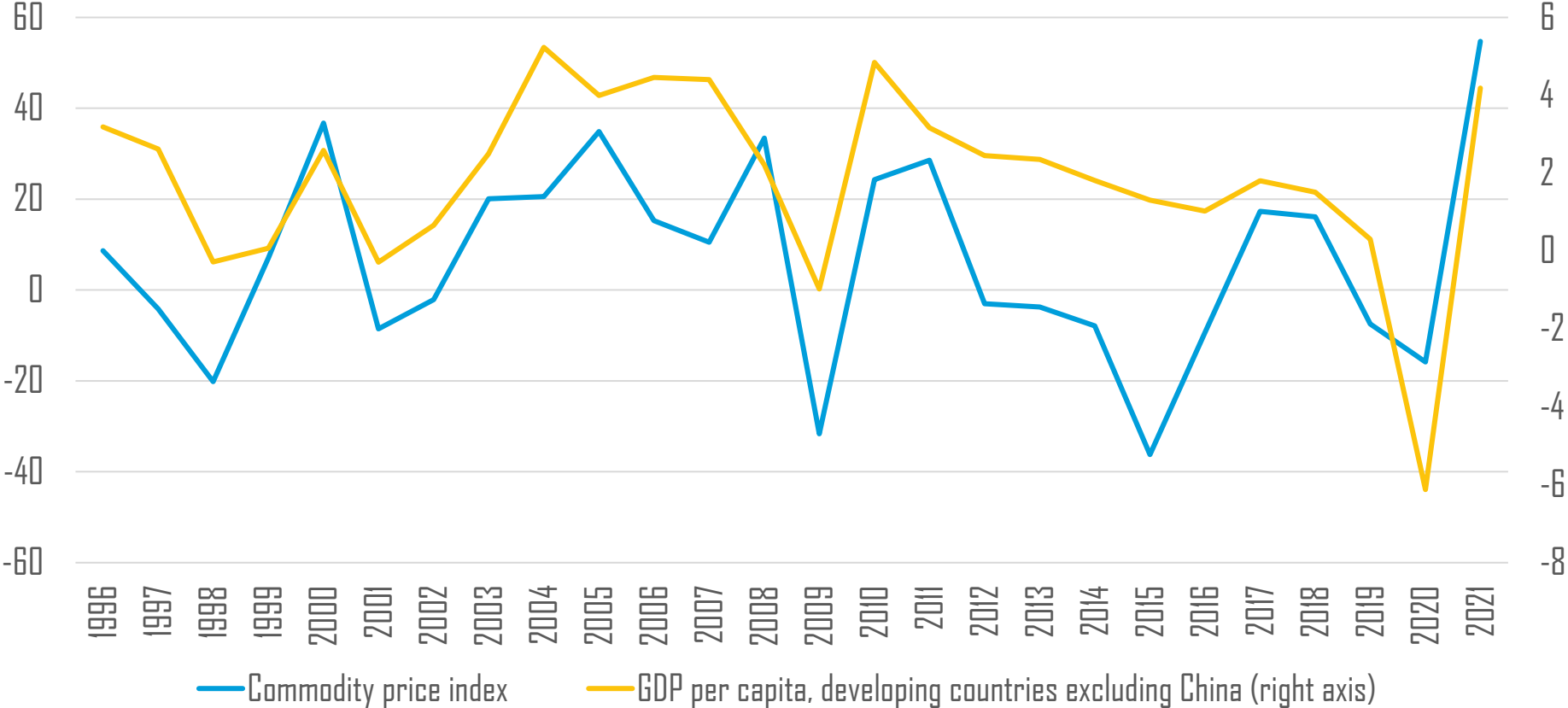
Commodity dependence by region, 2019–2021 (per cent)



Source: UNCTAD secretariat based on the UNCTADStat database.

It affects economic performance and exposes countries to shocks

UNCTAD Commodity Price Index and GDP per capita in developing countries excluding China, 1996-2021, (annual % changes)



Correlation coefficient = 0.62

Commodity dependence makes countries highly vulnerable to shocks, experiencing volatile incomes, macroeconomic and political instability, and low levels of development.

Discoveries of large natural resource deposits can trigger an influx of foreign currency, strengthening the domestic currency to a level that hampers traditional sectors' competitiveness. This, in turn, pushes the economy more towards commodities.

Dependence can leave an economy highly exposed to shocks, such as the COVID-19 pandemic, and price swings in international markets.

Of the 32 countries with low Human Development Index scores, 29 are commodity-dependent.

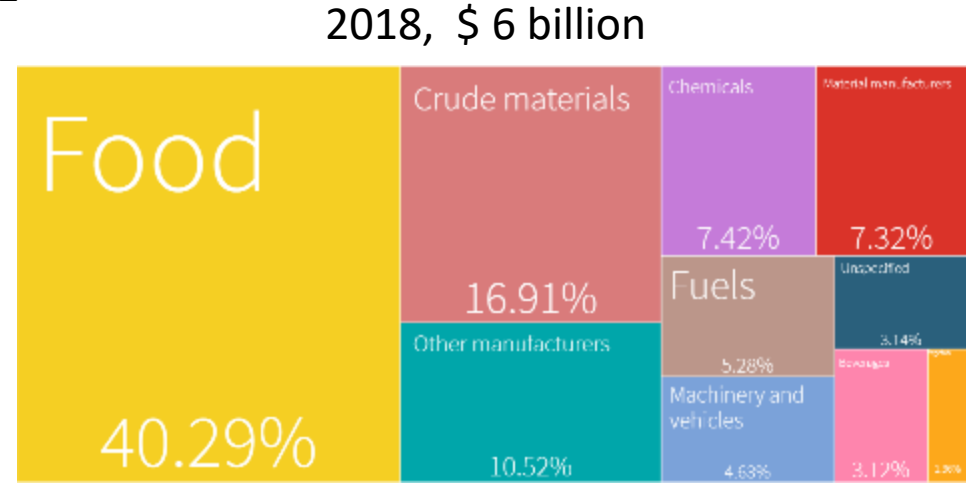
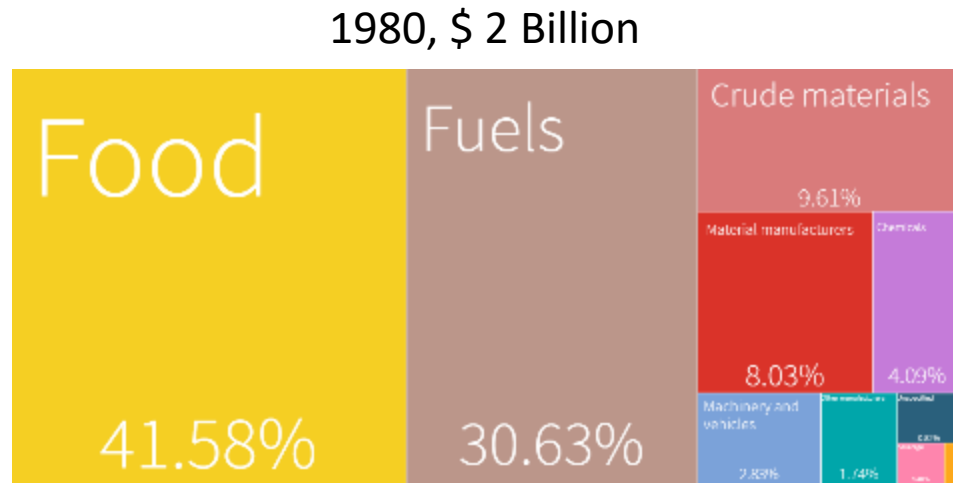
Source: UNCTAD.

Importance of Economic Diversification

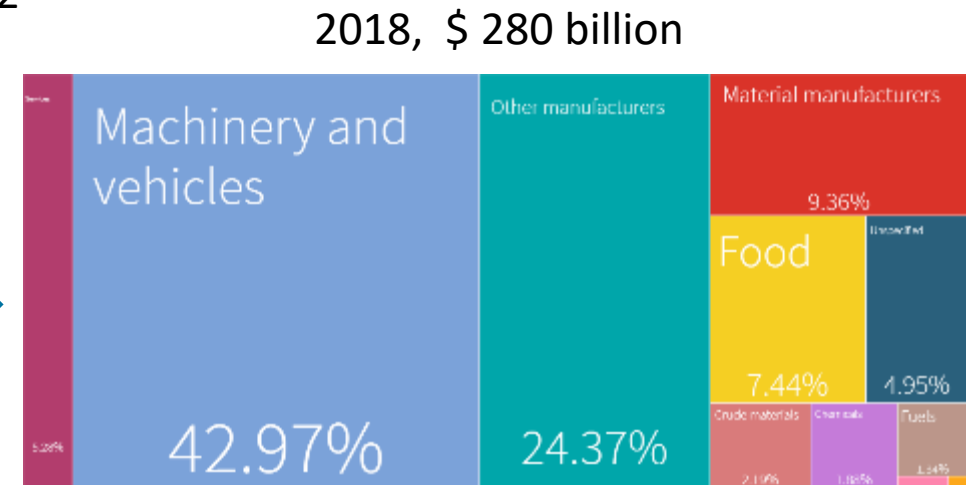
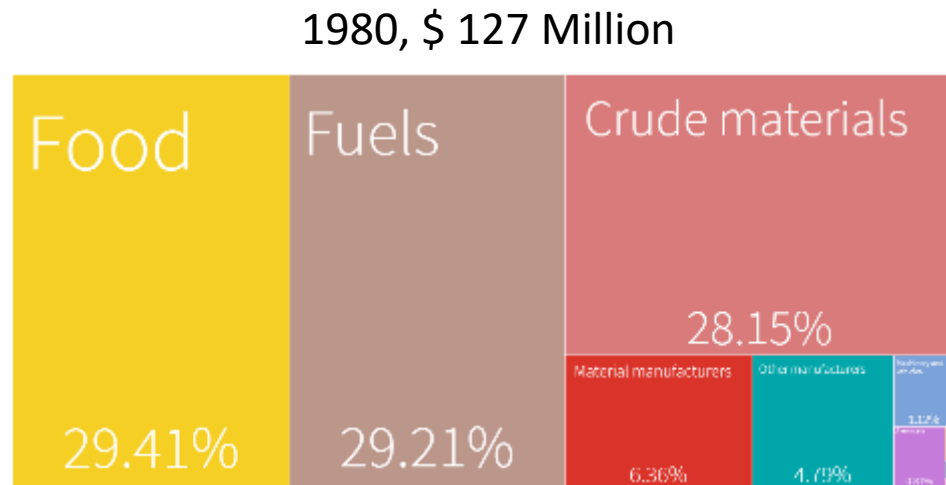
- Reduce vulnerability to commodity price volatility
- Mitigate revenue dependency
- Encourage the sustainable development of countries dependent on primary commodities
- Promote employment opportunities and skills development
- Promoting innovation and technological advancement
- Strengthening economic resilience and long-term growth

Diversification and international trade

Country 1

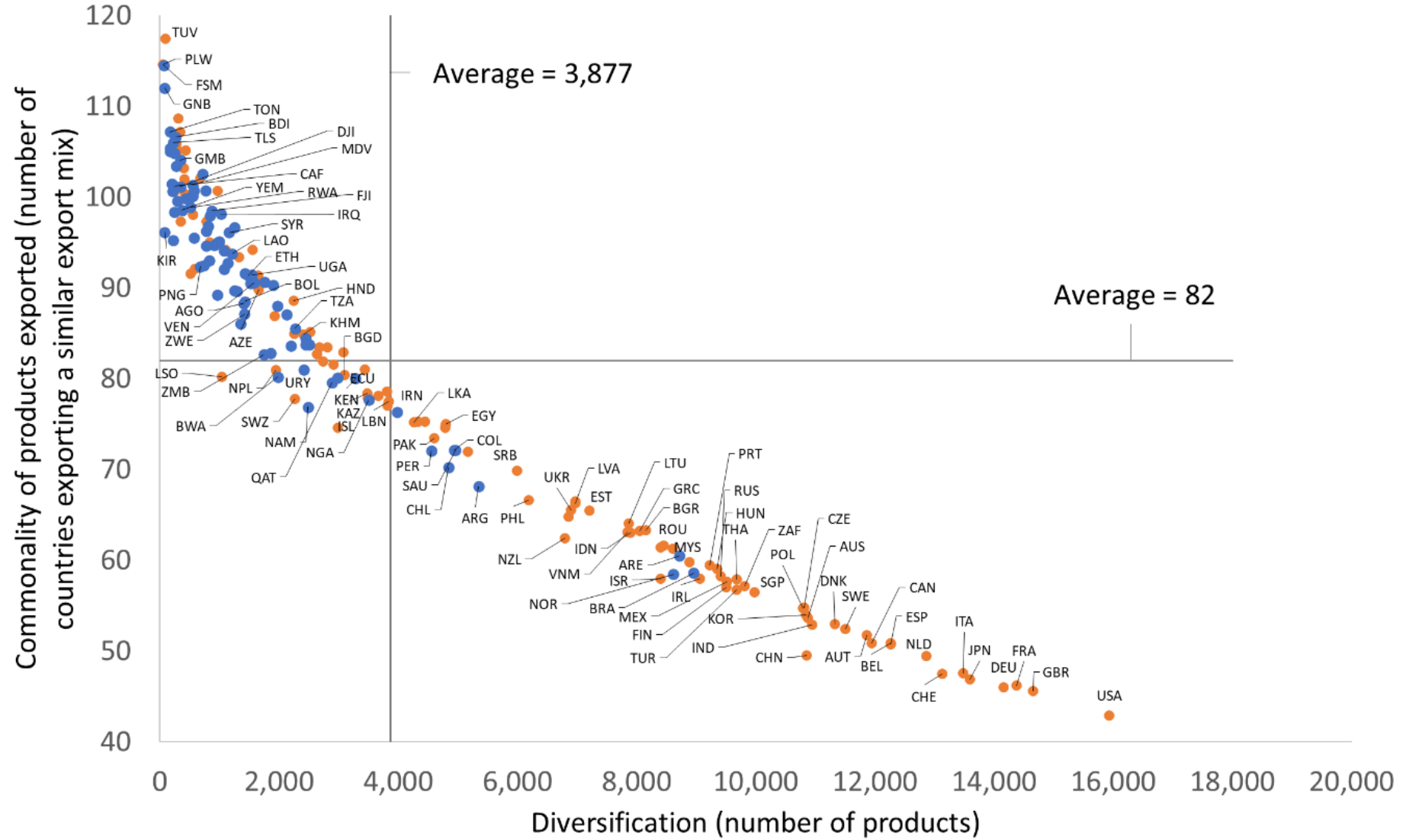


Country 2



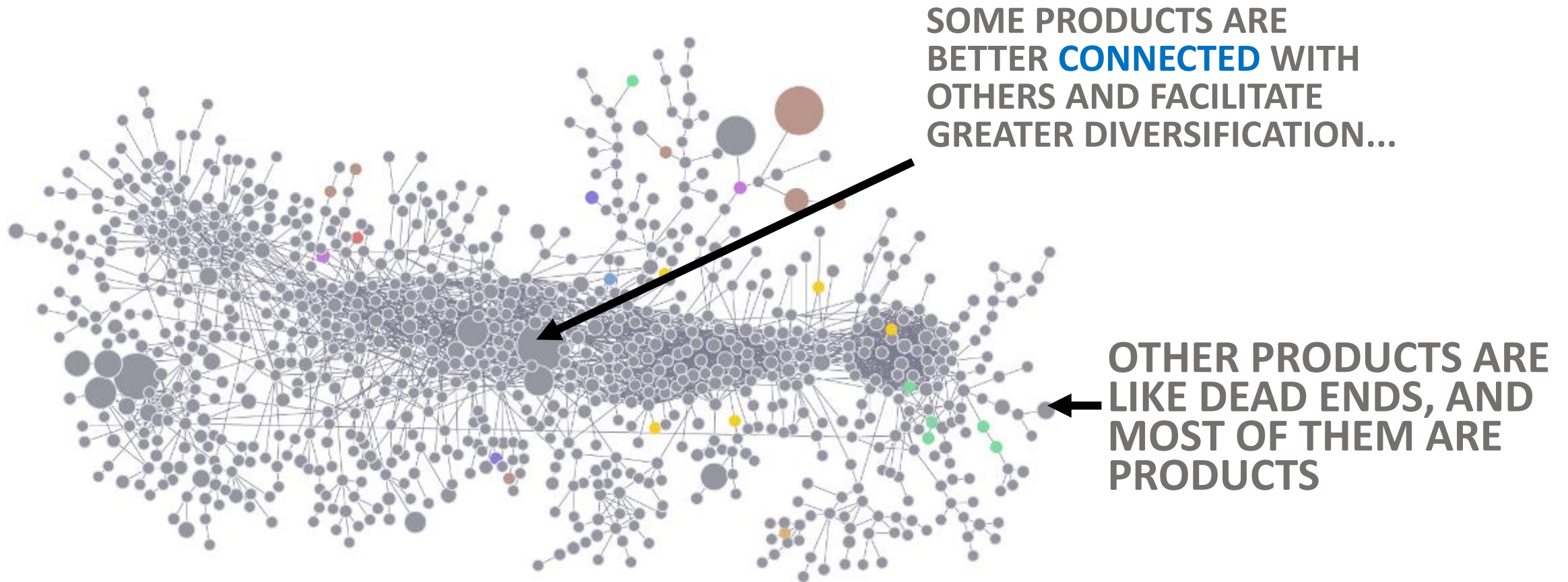
Diversification is associated with lower competition

Association between diversification and ubiquity, 2019



Source: UNCTAD Secretariat based on calculations from UN Comtrade.

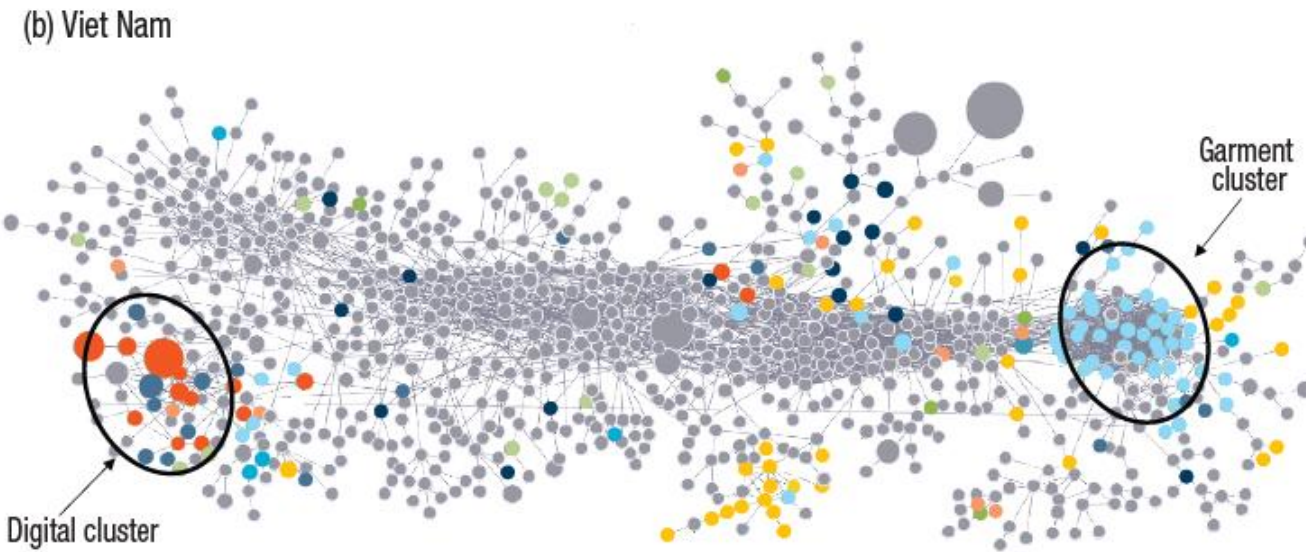
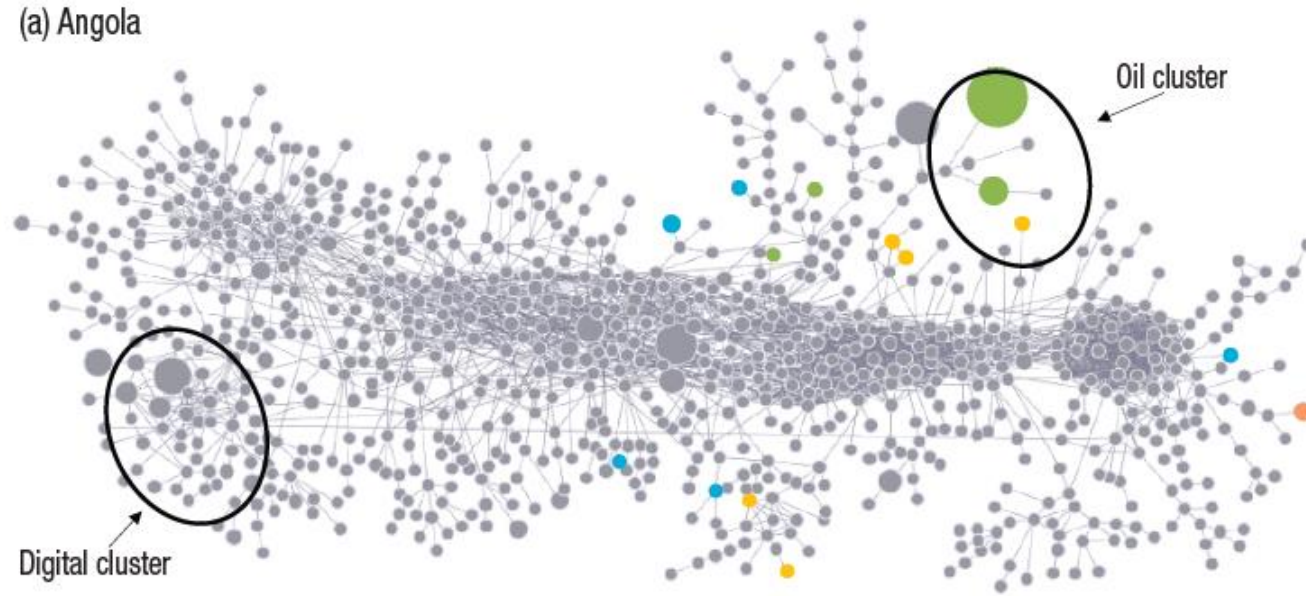
Diversification depends on the path...



The product space that displays the products connected to each other based on the probability that they will be exported together

Horizontal Diversification

- Bigger jumps require stronger support from the Government



Source: UNCTAD calculations, based on data from the Harvard University Atlas of Economic Complexity.
Note: Each node represents a product; if a node is connected to another, it means the country also exports the connected product.



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Thank you



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