

**The Great Commodities Game:
Developing Countries Fight to Survive While Giant MNCs Thrive**

South Centre and Action Aid

Report of the joint event organized on 19 April 2008 in Accra, Ghana

South Centre is an Intergovernmental Think-Tank of the Developing Countries based in Geneva working on issues affecting the developing countries, including trade, innovation and access to knowledge, climate change and financing for development.



The Event highlighted the importance of taking action to address problems related to commodity dependence in developing countries, especially in Africa to ensure that rights and livelihoods of millions of small farmers do not get appropriated by a few giant multinational corporations. A joint South Centre – Action Aid report “Commodity Dependence and Development” was released during the event.

SESSION CHAIR: Dr. Yash Tandon, Executive Director, South Centre, Geneva

The agricultural sector needs to be reformed otherwise millions of producers in developing countries will not benefit. There are three levels of problems related to commodities:



a. Capture of State Policy

Our policy encourages agricultural imports. This destroys the capacity of farmers to add value to their production and to satisfy local markets. The state policy needs to protect local agricultural markets and not let them get captured by a few transnational corporations. Currently these corporations are taking advantage of their market position to appropriate agriculture production in developing countries.

b. Capture of Ideological Space

For over 30 years we have been dictated by ideologies of the Bretton Woods institutions. Opening up our markets under pressures to liberalize have decimated our local markets. We need to recapture our ideological terrain. The World Bank and the IMF are now on the defensive because their structural adjustment policies and prescriptions have failed. We see evidences on the ground but their ideological control remains.

c. Capture of Production and Exchange at the Producers Level

Capturing of production and exchange at a time when we are passing through fundamental changes in our ecology, such as climate change, which is bringing about challenges that calls for nothing but agricultural revolution of our times. Lake Naivasha is fast disappearing in Kenya because the farmers are using its water to grow flowers to export to Europe. What we are exporting to Europe are not flowers but water from Lake Naivasha which is dying as a result.

Dede Amanor-Wilks, International Director – West and Central Africa, Action Aid, Nairobi



UNCTAD is one of the few policy spaces where the issue of small producers can be protected. This space, occupied by UNCTAD, is the space we would like to defend.

Market concentration enhances the power of multinational corporations to dictate their terms, compounding the difficulties of commodity-reliant developing countries. These countries already struggle in the face of market price volatility which leads to fluctuations, and hence uncertainties in export revenues leading to an adverse effect in the income received by small producers. Nevertheless, the current paradigm puts blame on the African producers for not taking opportunity of the rising market prices of the commodities.

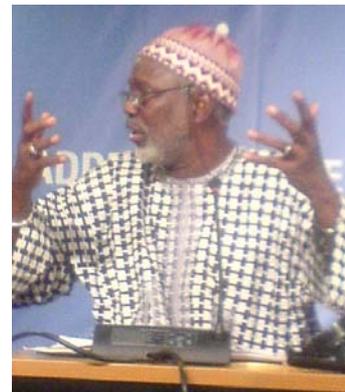
The Economic Partnership Agreements (EPAs) current sought by the European Union with the Africa, Caribbean and Pacific (ACP) group of countries need to be thoroughly evaluated. If left unchecked, then the impact of EPAs may one day make the impact of the Structural Adjustment Programmes (SAP) on developing countries look benign.

Mamadou Cissokho, President d'Honneur, Réseau des Organisations Paysannes et des Producteurs Agricoles de l'Afrique de l'Ouest, Dakar

The problem with the agricultural value chain is that if you produce a lot then you loose money and if you produce too little then also you loose money. So what are the poor producers in the rural areas supposed to do?

We cannot depend on “world markets” alone to solve our food problems. Instead there is a need for countries to take up their own responsibilities to protect farmers and local markets.

UNCTAD should not be afraid - it should be bold to defend its space and the rights of small producers.



Luisa Bernal, Head – Trade for Development Programme, South Centre, Geneva



The issue of agriculture and commodity prices needs to be given proper attention. Market systems on their own will not lead to an equilibrium which ensures fairer prices to the producers and all those involved in the value chain. When there is a hike in commodity prices, the benefits do not necessarily accrue to the small and poor producers. Instead it is usually the sectors down the value chain that benefit from these price increases.

Interventions are needed on both sides - on the supply side to ensure sufficient value addition to the farm produce, as well as on the demand side to check the concentration of a few multinationals in the value chain. This means that development strategies related to value addition must be seriously considered.

The South Face is produced by South Centre to provide space to voices and opinions of the South on global issues. Select presentations may also become available on South Centre Digital TV. <http://www.SouthCentre.org>

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This edition is produced by Vikas Nath while covering the ongoing UNCTAD XII Conference in Accra.