

Successful Commodity-based Development Experiences

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The developmental state

- “Cross the chasm in one leap”
- Russia in the 1990s
- “Cross the river by feeling the stones beneath our feet”
- China in the 1990s
- strong government lead and competent bureaucracy
 - using *dynamic* comparative advantage
 - concern with food security
 - In Malaysia: “planning, planning, planning”
= strategy, analysis and leadership

Trading a greater number of agro-food products

An example: Malaysia

- Export orientation based on the private sector
- Open attitude towards both imports and inward direct investment
- Based on firm programming and monitoring by the government
- Civil service has continuity and works according to rules

Malaysia's diversification from rubber and tin exports

Results:

- Malaysia remains the world's second largest producer of natural rubber
- and a leading producer of tin
- it became the leading producer of both palm oil and tropical timber
- by 1993 natural rubber accounted for just 1.8 per cent of Malaysia's exports
- and tin 0.7 per cent
- >80 per cent of exports now are manufactures
- recent evidence of a decline in economic inequality

Learning from the Malaysian development experience

The first lesson, according to the Prime Minister's Economic Planning Unit:

“Each country must formulate its core development philosophy, policies, and plans suited to its particular circumstances and needs. It must also persevere while remaining pragmatic and flexible enough to modify plans so they remain relevant and suited to changing circumstances.”

Programmes to fight rural poverty in China

Lessons from this experience:

- Validity of precise monetary targets, as under the MDGs
 - Choose them carefully, according to local circumstances
- Careful monitoring of the outcomes of policy
- Honesty in recognising where it has not worked
- Complete readiness to alter, revise or even replace policies in the light of results

Trade and economic linkages

Kydd, Dorward, Morrison and Cadisch list:

- Upstream production linkages
- Downstream production linkages
- Investment linkages
- Indirect consumption and investment linkages

Policy pointers

Apparent conditions for success:

- Effective interaction between state and market
- Recovery in agricultural prices, especially for tropical export crops
- The size of the internal market and economies of scale
- Education standards and specialised labour
- High savings rate and strong domestic investment
- Public investment in rural infrastructure
- Reduced transaction costs, including freight
- Policy space to negotiate the terms of engagement with the international economy