

# Commodities, Governance and Economic Development under Globalization

Edited by  
Machiko Nissanke and  
George Mavrotas



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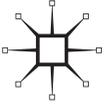
Edited by

Machiko Nissanke

and

George Mavrotas

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*In memory of Alfred Maizels*

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# Contents

<i>List of Tables and Figures</i>	xi
<i>Foreword by Richard Jolly</i>	xv
<i>Acknowledgements</i>	xvii
<i>Notes on the Contributors</i>	xviii
<i>List of Abbreviations</i>	xxi
<i>Preface and Introduction by Machiko Nissanke</i>	xxiv
<i>A Current Contextual Setting for Development Finance by George Mavrotas</i>	xxxii

## **PART 1 COMMODITIES, TRADE AND GOVERNANCE: REFLECTIONS ON ALFRED MAIZELS' LIFE, WORK AND LEGACY**

<b>1 Commodities, Cooperation and World Economic Development: The Mission of Alfred Maizels, 1917–2006</b>	<b>3</b>
<i>John Toye</i>	
Early life and education	3
At the Board of Trade	4
Research at the National Institute	5
Alf Maizels at UNCTAD 1966–1980	6
Subsequent academic contributions	12
Conclusion	14
<b>2 Poverty, Power and Global Economic Governance</b>	<b>19</b>
<i>Gerry Helleiner</i>	
Alf Maizels and global economic governance	19
Global economic governance and the role of developing countries	21
'Voice' and the problems of the poorest and weakest	23
Preferential treatment for the poorest?	26
Reforming G8 summitry for global governance	28
Elements of governance reform in international financial institutions	31
Elements of governance reform in the trade arena: the WTO	33
Conclusion	36

**PART 2 COMMODITIES AND THE GLOBAL ECONOMY IN THE TWENTY-FIRST CENTURY**

<b>3</b>	<b>Issues and Challenges for Commodity Markets in the Global Economy: An Overview</b>	39
	<i>Machiko Nissanke</i>	
	Introduction	39
	Commodity prices and economic development: a debate in a historical retrospect	43
	The recent commodity price movements in a historical context	49
	The impact of the global financial crisis on commodity prices	60
<b>4</b>	<b>Commodity Market Structures, Evolving Governance and Policy Issues</b>	65
	<i>Machiko Nissanke</i>	
	Introduction	65
	Changing landscapes of primary commodity markets and production	67
	Managing resource based economies over commodity price cycles	80
	Conclusion: policy implications and challenges	90
<b>5</b>	<b>Commodities Still In Crisis?</b>	99
	<i>David Sapsford, Stephan Pfaffenzeller and Harry Bloch</i>	
	Introduction	99
	Alf Maizels: commodity economist	99
	Primary commodity prices post-1980s: commodities still in crisis?	102
	Conclusion	106
<b>6</b>	<b>Asian Drivers, Commodities and the Terms of Trade</b>	117
	<i>Raphael Kaplinsky</i>	
	Introduction	117
	The Asian Drivers are a disruptive force in the global political economy	118
	Asian Drivers and the rise in commodity prices	121
	What has happened to the prices of traded manufactures?	128
	Terms of trade reversal?	130
	Will the terms of trade reversal be sustained?	132
<b>7</b>	<b>Uncertain Prospects of Commodity-Dependent Developing Countries</b>	139
	<i>Alice Sindzingre</i>	
	Introduction: a structural change in commodity markets?	139
	The central issue: the volatility of commodity prices	142
	Detrimental effects of commodity price volatility	146

The limited impact of China on price volatility and existing commodity based export structures	149
Beyond commodity prices levels: commodity-dependence and poverty traps	152
Conclusion: the difficulty of regulating volatility at the international and domestic levels	157

### **PART 3 CASE STUDIES OF COTTON AND COPPER**

<b>8 Cotton in Crises of Francophone Africa: Fatality or Challenge for Multidimensional Cooperation?</b>	<b>165</b>
<i>Michel Fok</i>	
Introduction	165
Cotton in continuous crisis	166
Multiple cotton crisis amplification factors	176
Moving beyond the cotton crisis	197
Conclusion	208
<b>9 Exchange Rate Management for Commodity-Dependent Countries: A Zambian Case Study</b>	<b>221</b>
<i>Elva Bova</i>	
Introduction	221
Theoretical background	223
What would pegging the export price do for Zambia?	226
What would do a counter-cyclical band do for Zambia?	235
Conclusion	240

### **PART 4 FINANCE AND GOVERNANCE UNDER GLOBALIZATION**

<b>10 A Role for Compensatory Finance in the 21st Century after the 2008 Global Financial Crisis</b>	<b>249</b>
<i>Adrian Hewitt</i>	
Introduction	249
The bubble economy and the global financial crisis	251
The whys and wherefores of compensatory finance mechanisms	252
The IMF Compensatory Financing Facility	253
STABEX and parallel and successor schemes	256
Assessment for compatibility with current commodity trade issues	260
New thinking on compensatory finance	264
<b>11 'The Bottom Billion': A Critique and Alternative View</b>	<b>269</b>
<i>Charles Gore</i>	
Collier's argument and its conceptual underpinnings	270
Weaknesses of the conceptual framework	273

Elements of an alternative approach	278
Implications of the 2003–2008 commodity boom and the global financial crisis	293
Conclusion	295
<b>12 Global Rules and Markets: Constraints on Policy Autonomy in Developing Countries</b>	<b>301</b>
<i>Yilmaz Akyüz</i>	
Introduction	301
Global economic integration and policy space	302
Multilateral disciplines and development policy	306
Finance and macroeconomic policy	312
Conclusion	327
<i>Index</i>	337

# List of Tables and Figures

## Tables

3.1	Monthly average world primary commodity prices, 2002–2007, 2008	51
3.2	Instability of prices of main commodity groups, 1968–2007	56
5.1	Trend estimates for individual commodity price series	108
5.2	Trend estimates for commodity price indices	109
5.3	Trend estimates for selected series	109
5.4	Trend estimates for beverage prices	110
5.5	Trend estimates for individual commodity price series	111
5.6	Trend estimates for commodity price indices	112
5.7	Trend estimates for selected series	112
5.8	Trend estimates for beverage prices	113
5.9	Trend estimates for selected series	113
6.1	Scope for China's increased consumption of basic metals, 1955–2003	123
6.2	Coal and oil imports, 1984–2006: China, India, the USA and the EU25	127
6.3	Distribution of global MVA	128
6.4	Developing countries in global R&D: 1970, 1990 and 2000	134
7.1	Principal characteristics of major commodity booms	144
7.2	Commodity dependence by geographical region, 1995–1998 and 2003–2006	154
7.3	Distribution of terms of trade shocks, 1970–2006	155
8.1	Cotton exportation incomes in six FACs	175
8.2	Cotton export earnings in national economies	177
8.3	Cotton fibre importation patterns into the European community (15 countries) before its recent enlargement	179
8.4	Variations in income elasticities of demand in selected countries	181
8.5	Textile fibre end-use consumption patterns, kg/capita	181
8.6	Diverging values in the estimation of price increases resulting from the abolition of cotton subsidies	185
8.7	Market share of quality demanding destinations (EU15, Taiwan, Japan) in the total exportations of cotton by some FACs	190
8.8	Average prices of cotton fibre imported into the EU15 according the origin (in US cents/pounds)	191

8.9	Companies trading more than 200,000 tonnes of cotton fibre	192
8.10	Traders' price advantage patterns in country X	194
8.11	Cotton exportation distribution in country X	195
9.1A	Testing for heteroscedasticity for LNE and LCPI	241
9.2A	Unit root test for LCPI and LNE	242
9.3A	Cointegration test	242
9.4A	Testing for Granger causality between LCPI and LNE	243
11.1	Boom and bust in world commodity prices, 2004–2009	294

## Figures

3.1	Average monthly price indices for non-fuel commodities (2000 = 100)	40
3.2	Log of real price of industrial commodities	46
3.3	Non-fuel commodity price indices for different groups	50
3.4	Monthly average commodity price indices (January 2002–October 2008)	50
3.5	Price dynamics for individual commodities (January 2001–October 2008)	53
3.6	Stocks of selected mineral commodities	55
3.7	Price–stock relationships for selected mineral commodities	55
3.8	Price trends and volatility of non-fuel commodities and crude petroleum in relation to manufacture	57
3.9	Non-fuel commodity price indices	58
4.1	Ratio of non-commercial open interest to total open interest in coffee C contracts on the New York Coffee Exchange	69
4.2	Nominal cotton prices in US\$ per kg	80
4.3	Nominal coffee prices in US\$ per kg	81
4.4	Real effective exchange rate	89
5.1	Real commodity prices 1900–2007	102
5.2	Real commodity prices 1970–2007	103
6.1	Surging commodity prices	117
6.2	Growth of GDP and exports from onset of rapid growth: China, India, Japan and Korea	119
6.3	China's share of growth in global demand of selected metals	122
6.4	Monthly average spot price of six key metals at the London Metal Exchange (January 1998 – June 2008)	123
6.5	Per capita consumption of base metals	124
6.6	China's share of growth in global demand of selected agricultural products	126
6.7	Index of oil and coal prices, 1980–2008	127
6.8	World manufacturing export price, 1986–2000	128

6.9	Percentage of sectors with negative price trends, 1988/89–2000/01 by country groupings	129
7.1	The secular decline of commodity prices since 1845	140
7.2	Quantity of commodities used per unit of GDP, 1971–2001	141
7.3	Real commodity price indices, 1980s and 2000s	141
7.4	The volatility of real oil and non-oil commodity prices	142
7.5	Volatility of real price of industrial commodities, 1862–1999	143
7.6	Macroeconomic volatility and economic growth	147
7.7	Volatility of terms of trade growth (regional medians)	147
7.8	Sub-Saharan African oil-producing countries: oil production, 1965–2006	148
7.9	GDP growth in sub-Saharan Africa driven by oil prices, 2000s	149
7.10	Contributions of selected regions to annual consumption increase (period average)	150
7.11	African exports of natural resources to China over time	151
7.12	Africa's trade with China, the USA and the EU-15, 2006	152
8.1	Two centuries of cotton price fluctuations and crises	167
8.2	Support expenditures to US cotton growers' income, 2001	168
8.3	Cotton crises and linkage to production and consumption gaps	169
8.4	Production of cotton fibre in China and impact on the price Index A	169
8.5	Cotton production and export in FACs, 3-year moving averages	171
8.6	Price decline on the cotton market	171
8.7	Three decades of world exports and price index for cotton fibre	172
8.8	Cotton share in the textile fibre market	180
8.9	Comparison of FAC cotton productivity patterns	186
8.10	Cotton yield patterns in major francophone African cotton-producing countries	187
8.11	Comparison between FAC cotton quotations and the A Index	191
9.1	Nominal exchange rate and copper prices, 1997–2008	228
9.2	Pegging the export price, in US\$, 2000–2007	228
9.3	Pegging the export price, in ZKws, 1997–2008	229
9.4	Weights of different commodities, 2000	229
9.5	Prices of main Zambian exports, 2000–2008	230
9.6	Peg the export price index, in US\$, 2000–2008	230
9.7	Peg the export price index, in ZKw and the Zambian Kwacha, 2000–2008	231
9.8	Standard deviation of the different arrangements: PEP, PEPI and actual rate	231
9.9	Export net of real exchange rate movements, 2000–2008	232

9.10	Export performance under the PEP, 2000–2008	232
9.11	Export performance under the PEPI, 2000–2008	233
9.12	Inflation net of real exchange rate movements, 2000–2008	233
9.13	CPI under the PEP, 2000–2008	234
9.14	CPI under PEPI, 2000–2008	234
9.15	The US\$–Rand basket	238
9.16	The counter-cyclical adjustment of the band	239
9.1A	Log of CPI and of the nominal exchange rate, 1997–2008	241
11.1	The incidence of \$1-per-day poverty in LDCs grouped according to export specialization, 1981–1983, 1987–1989 and 1997–1999	280
11.2	Trends in the income gap between the world’s 20 richest countries and LDCs, 1960–1999	280
11.3	The international poverty trap of commodity-dependent LDCs	283
11.4	Trends in commodity prices for agriculture, metals and oil, 1948–2008	289
11.5	Increase of agricultural and non-agricultural labour force in LDCs for the decades 1980–1990, 1990–2000 and 2000–2010	290

# Foreword

## Alfred Maizels (1917–2006)

It is the job and joy of historians to rehabilitate forgotten reputations. In the case of Alf Maizels, his reputation needs no rehabilitation – but it does deserve wider recognition and some underlining. Maizels's work on commodity trade and prices, extending over fifty years, documented trends in a major area of international economic relations. Maizels followed the trail blazoned by Hans Singer and Raul Prebisch, but extended the data trail and deepened the analysis in a series of careful research articles and books, which continued almost to the time he died. His book *Industrial Growth and World Trade* became a much reprinted classic and his subsequent studies continued this pioneering work, particularly, *Exports and Economic Growth of Developing Countries* and *Commodities in Crisis*.

The chapters in this book elaborate on ideas in the tradition of Maizels' contributions, discuss them in relation to current problems and, in some cases, carry his work forward. John Toye's chapter brilliantly sets Maizels' contributions in the context of other work on trade. But Toye also shows how his lifetime contributions were the product of an individual with a first-class mind, a distinguished academic record and a diversity of interesting early research experiences, covering national accounting, war-time rationing and post-war work in the British Board of Trade.

But it is Maizels' international work for several parts of the UN that deserves to be singled out. This international work involved a brief period in the early 1950s when Alf was seconded to the UN's Economic Commission for Europe, during its heyday when it was headed by the Nobel Laureate Gunnar Myrdal and had included such economic luminaries as James Meade, Nicholas Kaldor and Walt W. Rostow. A decade or so later, Alf began a long involvement with the UN's new institution, UNCTAD. Initially, he was one of the experts invited to produce ideas for the 1964 conference. Two years after the conference, he was recruited to UNCTAD where, as Toye explains, he became the effective – if not titular – director of the Commodities Division. Maizels identified the key challenge for global policy as achieving a reasonable degree of stability in the main commodity markets and, where possible, achieving that stability at a reasonably remunerative price for the producing countries.

In 1974, Maizels was transferred to the Office of the Secretary General of UNCTAD, as the Director of the Economic Policy Evaluation and Coordination Unit. This was the time when UNCTAD was pursuing the idea of a Common Fund for support of a range of commodities, and he was closely involved both in formulating the ideas and in struggling to gain support

for them. But eventually, the Common Fund emerged as little more than a mouse after a mountain of labour – and Maizels left UNCTAD in 1980 to return to England, continuing his research on international trade from bases in Oxford, IDS and the UCL, though with a period as a Senior Fellow in UNU-WIDER where he produced the volume, *Commodities in Crisis*. One of his works during this period was with Machiko Nissanke when he produced two seminal papers on the distribution of aid and on the determinants of military spending in developing countries.

Alf Maizels was a person of modest and quiet demeanour but held deep and unwavering commitments to humanity and to a more equitable world. He made many creative and highly professional contributions – to international understanding, international policy and to the UN itself, as well as to economics and development studies. In the UN Intellectual History Project, we identified ideas as being one of the most important and significant contributions of the UN – and Alfred Maizels was a key player in contributing to them. We also quoted Lourdes Arizpe, a distinguished sociologist, saying that the UN has become a dream managed by bureaucrats. Alfred Maizels was one of the UN's distinguished professionals, neither a woolly dreamer nor a bureaucrat but, rather, a highly professional economist-statistician, using his skills to explore issues at the root of current problems and his ingenuity to devise realistic policies to deal with them. He dreamt of a better world, but worked with tough realism to move towards it. His research has left a legacy of the highest quality and professionalism.

PROFESSOR SIR RICHARD JOLLY  
*Institute of Development Studies*  
*University of Sussex*

# Acknowledgements

I am very grateful to all the participants in the Workshop on *Challenges and Prospects for Commodity Markets in the Global Economy* held in Memory of Alfred Maizels at SOAS, University of London, on 19–20 September 2008. They contributed greatly to the success of the workshop, where we had very productive discussions. Upon receiving their helpful comments and suggestions at the workshop, the papers included in this volume have been revised and updated. In addition to the chapter authors in this volume, my deep appreciation goes to those who presented papers, or acted as discussants or session chairs at the workshop. They are Hannah Bargawi, Henry Bernstein, Andrew Dorward, Peter Gibbon, Christian Häberli, Jane Harrigan, Richard Jolly, Deborah Johnston, Terry McKinley, Susan Newman, Colin Poulton, Jeff Waage and John Weeks. We are especially grateful to Richard Jolly for his opening remarks of appreciation of Alf's contributions and legacy from the perspective of the UN as an institution that embodies rich knowledge for promoting international development. His Foreword has made this book very special. With their presence at the workshop and by sharing their memories about Alfred Maizels' life, several members of Alf's family – namely, John, Judith, Beryl, Rick and Jack – made a lasting memorable contribution to the occasion. My particular thanks go to Hannah Bargawi who organized the workshop so efficiently and beautifully.

Regarding this book project, I owe my gratitude to Paul Rayment for his helpful advice throughout. Paul worked with Alf at the UN for many years, but could not contribute to the volume because of ill health. My book co-editor, George Mavrotas, was instrumental in initiating this book project. Though at different times, we shared valuable experiences in working for Alf. We both felt that it would be important to commemorate Alf's dedication to academic research with a book in his memory. Taiba Batool, a commission editor in Economics at Palgrave/Macmillan Press, has been an enthusiastic supporter and facilitator of this book project, displaying understanding and patience. A very special person who was constantly in my mind throughout was Joan, Alf's widow. She would have been delighted to witness the occasion and to be a part of this book project but, unfortunately, poor health prevented her from doing so. Both Joan and Alf have been most generous and supportive to me and to my family on numerous occasions. Similarly, Laurence Harris' support as a colleague has been invaluable. They were always there for me, giving me moral strength and courage to stand up on academic principle and integrity. The same applies to my own family, Nimal, Samaya and Hikaru. Without their unconditional love and understanding as my emotional bedrock, this volume would not have been possible.

MACHIKO NISSANKE

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**Michel Fok** has spent ten years as an agronomist to promote food crop production within a cotton company in Mali, in a privileged position to watch what cotton production means from sowing to exportation and what cotton market crisis implied in mid-1980s. Since his conversion to economics in 1997, he favours historically based analyses of cotton production and market.

**Charles Gore** is Special Coordinator for Cross-Sectoral Issues in the Division for Africa, Least Developed Countries and Special Programmes in UNCTAD. He was the team leader and principal author of UNCTAD's *Least Developed Countries Report* from 2000 to 2008. He is also Honorary Professor of Economics at the University of Glasgow.

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**Raphael Kaplinsky** is Professor of International Development at the Open University, UK. His current research interest is on the significance for the developing world of the rapid growth of the two major Asian driver economies, China and India. This includes the impact on the terms of trade and the growing significance of innovation in China and India for low-income consumers.

**Richard Jolly** is at the Institute of Development Studies, University of Sussex, UK, where he was Director from 1972 to 1981. From 1982 to 2000 he was Assistant Secretary General of the United Nations, as Deputy Executive Director of UNICEF for 14 years and then as Principal Coordinator of UNDP's *Human Development Report*. He is a co-writer of *UN Ideas That Changed the World*.

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**John Toye** is a former Director of the Institute of Development Studies, University of Sussex, UK, and a former Director of the Globalization and Development Strategies Division of UNCTAD, Geneva, Switzerland. He is the author, with his son Richard Toye, of *The UN and Global Political Economy*.

# List of Abbreviations

ACA	African Cotton Association
ACP	African, Caribbean and Pacific Group of States
ADM	Archer Daniels Midland
AIC	Akaike Information Criterion
AMS	aggregate measure of support
APROCA	Association des Producteurs de Coton Africains
ARCH	Autoregressive Conditional Heteroscedasticity
ARIMA	Autoregressive Integrated Moving Average
ARMA	Autoregressive Moving Average
BBCs	bottom billion countries
BIS	Bank for International Settlements
BRICs	Brazil, Russia, India and China
BWIs	Bretton Woods Institutions
CCFF	Compensatory and Contingency Financing Facility
CDF	Cotton Development Fund
CDFT	Confédération Française Démocratique du Travail (French Democratic Confederation of Labour)
CDO	collateralized debt obligation
CFA	franc a currency used by fourteen African countries
CFC	Common Fund for Commodities
CFF	Compensatory Financing Facility
CFTC	US Commodity Futures Trading Commission
CIF	a sales contract term indicating that price includes cost, insurance and freight
COMPEX	Compensation for Extracts/Export Earnings (EU Scheme)
CPI	commodity price index
CRB	Commodity Research Bureau (Reuters/Jefferies)
DAC	Development Assistance Committee (of the OECD)
DC	developing country
EDF	European Development Fund
EGARCH	Exponential General Autoregressive Conditional Heteroscedasticity
EPA	Economic Partnership Agreement
ESF	Exogenous Shocks Facility
FAC	francophone African cotton producing country
FAO	Food and Agriculture Organization of the United Nations
FDI	foreign direct investment
FEER	Fundamental Equilibrium Exchange Rate
Flex	Fluctuations in Export Earnings programme

FOB	free on board
GARCH	General Autoregressive Conditional Heteroscedasticity
GATS	General Agreement on Trade in Services
GATT	General Agreement on Tariffs and Trade
GCC	Gulf Cooperation Council
GDN	Global Development Network
GDP	gross domestic product
GM	genetically modified
GVC	global value chain
HIPC	heavily indebted poor country
ICA	international commodity agreement
ICAC	International Cotton Advisory Committee
ICO	International Coffee Organization
ICT	information and communications technology
IDA	International Development Association
IDS	International Development Studies, University of Sussex
IFF	International Finance Facility
IFI	international financial institution
IFPRI	International Food Policy Research Institute
ILO	International Labour Organization
IMF	International Monetary Fund
IMF-IFS	IMF International Financial Statistics
IMU	international monetary unit
INRA	International Natural Rubber Agreement
IPRs	intellectual property rights
IT	inflation targeting
ITFCRM	International Task Force on Commodity Risk Management
ITO	International Trade Organization
KNCU	Kilimanjaro Native Cooperative Union
LDCs	least developed countries
LSE	London School of Economics
MDGs	millennium development goals
MDRI	Multilateral Debt Relief Initiative
MFN	most-favoured nation
MNC	multi-national corporation
MUV	manufacturing unit value
NIE	newly industrializing economies
NIEO	New International Economic Order
NIESR	National Institute of Economic and Social Research
NYBOT	New York Board of Trade
ODA	official development assistance
OECD	Organisation for Economic Co-operation and Development
PEP	peg the export price
PEPI	peg the export price index

PRGF	IMF Poverty Reduction and Growth Facility
PRS	private regulation system
RHG	Réglement Général du Havre
SACU	Southern Africa Custom Union
SAP	structural adjustment plan
SBC	Schwarz Bayesian Criterion
SCM	Subsidies and Countervailing Measures
SDRs	special drawing rights
SDRM	Sovereign Debt Restructuring Mechanism
SDT	special and differential treatment
SITC	Standard International Trade Classification
SNIM	Société Nationale Industrielle et Minière (Mauritania)
SSA	sub-Saharan Africa
STABEX	EU System for Export Earnings Stabilization for the ACP
STE	state trading enterprises
SYSMIN	System of Stabilization of Export Earnings from Mining Products
TACRI	Tanzania Coffee Research Institute
TIM	IMF Trade Integration Mechanism
TNC	trans-national corporation
TRIMs	trade related investment measures
TRIPs	trade related aspects of intellectual property rights
TWN	Third World Network
UCDA	Ugandan Coffee Development Authority
UN	United Nations
UNCTAD	UN Conference on Trade and Development
UNECE	UN Economic Commission for Europe
UNIDO	United Nations Industrial Development Organization
VAR	Vector Autoregressive
WTO	World Trade Organization
ZCCM	Zambia Consolidated Copper Mine

# Preface and Introduction

Over the last three decades, economic globalization and integration have largely proceeded with increasing intensity, relying on the belief in the self-regulatory capacity of markets without adequate structures and systems in place to govern the process. In addition to environmental challenges posed by the climate changes, by mid-2007 this led to the appearance of large cracks that threatened the stability of the world economy on two fronts: the sharp hike of primary commodity prices and the global financial crisis. For a year or so, since mid-summer 2007, the financial turmoil with severe liquidity and credit crunch was seen to be confined, more or less, to financial markets and institutions based in the US and Western Europe. On the whole, the world economy managed to maintain its momentum on the back of the buoyant economic growth posted by emerging market economies, as well as resource-rich developing economies that enjoyed a commodity boom.

However, a series of events that hit the major financial markets and institutions in Wall Street in mid-September 2008 shocked the world and radically altered the fate and the course of the globalized economies. The fear of accelerating inflation and fuel and food shortages worldwide was completely overtaken by a greater fear of worldwide recession and depression engulfing all economies in the developing world, including emerging market economies in Eastern Europe, Latin America and Asia, as well as low-income developing countries in Africa, Asia and the ECLAC region with limited financial market linkages. No country has been any longer in a position to remain a mere bystander in the fast evolving financial crisis. The world economy has quickly entered a phase of global recession that is unprecedented in its depth and breadth since the Great Depression of the 1930s. The global financial crisis turned into a global economic crisis at a pace inconceivable hitherto as world trade has rapidly descended into collapse.

One of the main transmission mechanisms of the current global financial crisis to the developing world has been the commodity market linkage, which has manifested in a precipitous fall in commodity prices across the board, severely affecting the growth prospect of commodity-dependent low-income developing countries. Their current experience is indeed a stark reminder of the equally devastating experience endured by them in the early 1980s, when commodity prices collapsed amidst the sharp recession of the world economy following contractionary macroeconomic adjustments to major industrial economies.

In his seminal work, *Commodities in Crisis*, Alfred Maizels drew a parallel between the depth of the crisis faced by a large number of commodity-dependent low-income countries in the 1980s and that in the Great

Depression of the 1930s (Maizels 1992). Demonstrating the severity of the 'commodity' crisis then, he convincingly exposed how the beginning of the debt crisis of commodity-dependent poor countries in the late 1970s happened to coincide exactly with that of the 'conveniently forgotten' commodity crisis. Unfortunately, his in-depth and comprehensive analysis of commodity issues and his call for formulating correct international policy responses to the debt crisis, which would have led to an early resolution of the protracted debt overhang condition in low-income countries, has been largely ignored by mainstream academics and policy-makers, reflecting the gathering ascendancy of the dominant faith in self-regulatory market mechanisms to guide the development process.

All debt relief mechanisms employed since the outbreak of the debt crisis, including the HIPC initiatives, failed to pay sufficient attention to the plight of many commodity-dependent low-income developing countries as a consequence of huge losses of their purchasing power in international economic transactions, as well as that of the fiscal capacity to implement development oriented policies domestically. The resolution had to wait for a comprehensive debt cancellation embedded in the MDRI in 2005 to shake-off the overhang of the prolonged debt crisis. The persistent reluctance – or even refusal – to acknowledge commodity related developmental issues, and the resultant failure to deal with them effectively in a timely fashion on the part of international development community in the 1980s and 1990s, have entailed a heavy cost in terms of forgone development opportunities of primary commodity-dependent low-income developing countries, mostly in sub-Saharan Africa.

Amidst the current economic crisis, the plight of low-income countries appears to have been receiving much-needed attention from policy-makers around the world, as witnessed in the Communiqué issued at the London Summit in April 2009. This time, these countries are rightly recognized as innocent victims of the large-scale gambles taken by financial institutions in the West for the last several years. Given the scale of financial turmoil and the depth of its recessionary effects, felt worldwide, and backed up by overwhelming popular sentiments prevailing globally, there appear to be more open academic debates and policy discussions taking place on how to reform the global financial system and create a new international architecture for governing financial globalization.

However, in order to avoid repetition of the catastrophic transmissions of the financial crises spilling over into world trade and real economic activities, reforms are also required, beyond the system of financial regulation and supervision, to governance structures over the globalization process as a whole, including world commodity markets and trade. Such reforms would demand a deeper understanding of interfaces between the recent developments in commodity markets and trade, and their implications for international trade, finance and economic development.

We hope this book – a collection of essays assembled in memory of Alfred Maizels – will be an important, timely contribution to meet these pressing needs for in-depth academic studies in the field. Alf had long been a mentor and role model in academic research for many of the contributors to this volume, as well as a dear friend and colleague. We learnt from him not only technical skills, but also the devotion required to strive for a just and fair world through academic research. Though he was characteristically modest and unassuming, his lifetime contribution to development economics – in particular, in the fields of commodities, international trade and finance and their implications for economic development of low-income countries – is of immense importance. The high quality of his academic work has earned him a reputation that only a true scholar such as he would deserve.

This volume is the outcome of our collective wish to celebrate his legacy and contribution to development economics, and a mark of our deep appreciation of his pioneering and monumental research into trade, commodities and development issues. It is dedicated to his lifetime achievements, covering his work from an analytical perspective and placing his research, at this very critical juncture, in the context of contemporary policy debates, and exploring the validity of his findings in the light of new empirical evidences. This book is also the successor to our earlier volume, which was dedicated to Alfred Maizels on the occasion of his 75th birthday (Nissanke and Hewitt 1993). As with our first volume, this book is therefore a tribute to his consistent exposure of the weaknesses of neoclassical paradigm as applied to the North–South relationships. Throughout his professional life, he made very effective use of his masterful skills in the statistical analysis of historical and empirical data, his outstanding intellectual capacity to clarify many of the unrealistic assumptions in neoclassical theory and profound insights to offer practical solutions to issues related to problems facing low-income countries in the international economic arena.

Following George Mavrotas' piece, placing the relevance of this volume in the current contextual setting for development aid and finance, the rest of the volume is divided into four parts.

Part 1, by John Toye and Gerry Helleiner, presents reflections of Alf's life and work in commodities, trade and governance. The authors worked along with Alf over many years as prominent development economists, sharing convictions similar to Alf's in the need to build a fair international economic system for developing countries.

Chapter 1 by John Toye traces Alf's lifetime work and academic contribution to our understanding in the fields of commodities, international trade and economic development, spanning from the pre-war period to the first decade of this century.

Gerry Helleiner focuses his discussion in Chapter 2 on Alf's years working at the UNCTAD as an international civil servant. Following Alf's position

as a sophisticated pragmatic analyst and a political realist, he also emphasises how much Alf anticipated the growing need for reforming global economic governance structures so that the voices of poor countries were legitimately accommodated. Hence, while John Toye's contribution provides Alf's research with detailed historical narratives over the past three quarters of a century, Gerry Helleiner addresses contemporary, pressing questions on how to improve global governance systems – their processes as well as in their institutional architecture – in the light of fast changing global economic and political realities.

Part 2 is devoted to a discussion of the recent development in world commodity markets, its effects on trends and volatilities of commodity prices and market structures, and its implications for economic development of commodity-dependent developing countries. All five chapters can be seen as efforts on the part of each contributor to update Alf's analysis in his classic volume *Commodities in Crisis* by incorporating trends and structural changes observed during the 1990s and 2000s.

Chapters 3 and 4, by Machiko Nissanke, examine the recent trends and the newly emerging governance structures affecting commodity markets and production, and discuss new challenges, opportunities and development policy issues in the light of these structural changes.

Chapter 3 aims at providing a road map to the subsequent chapters of the book. It presents an overview of the development by examining the recent changes in price trends and volatility across a number of primary commodities and evolving international commodity policies in the context of historical 'commodity' debates.

Chapter 4, by Machiko Nissanke, examines the evolving governance structures over commodity markets, trade and production at both global and national levels, based on the recently conducted country case studies. In particular, it discusses the effects of rapidly expanding derivatives markets on the price formation and volatility in coffee markets, and examines how processes of price formation and mechanisms of distribution of price changes have been affected by the changing landscape of commodity markets and production at different nodes of the commodity chain. This is followed by an examination of the changing pattern of distribution of price changes in commodity trade along the vertical chain, and how the withdrawal of state support has created new institutional environments for producers, affecting their productivity and livelihoods, and hence the export performances of the coffee and cotton sectors in Tanzania. It further discusses domestic policy issues related to macroeconomic management of resource-based over commodity price cycles, drawing on a case study on the Zambian copper boom. The chapter concludes with discussions of new challenges facing policy-makers of the global community and national governments in order to address commodity related developmental issues.

Chapter 5, by David Sapsford, Stephan Pfaffenzeller and Harry Bloch, explores the behaviour of commodity prices with a view to assessing the extent to which the problems of the 1980s, highlighted by Alf, persisted throughout the 1990s into the current decade. Their structural stability analyses show that exclusion of the years 2006 and 2007 from the sample removes all evidence of significant upward movements in trend and, therefore, trend reversal of the *real* commodity price index calculated using the manufacturing unit-value (MUV) index as deflator. Their results provide evidence of a negative long-run trend in real prices accompanied by a significant downward level shift post-1991, suggesting that the commodity crisis of the 1980s was propagated throughout the 1990s into the first decade of the twenty-first century.

In Chapter 6, Raphael Kaplinsky attributes the recent increases in commodity prices to the rise of the two major Asian driver economies – China and India – and predicts that the trend might be sustained in the near- and medium-term, if not the long-term, notwithstanding the sharp and very rapid fall across the board in commodity prices in late 2008. He argues that the post-2000 boom represents a structural shift in the global driver of demand, with China and India exhibiting high, growing commodity-GDP elasticities. Furthermore, he argues that the Asian drivers are also the key factor behind the recent terms of trade reversal, reflecting a shift from Schumpeterian-rent-intensive manufacturing sectors to Ricardian rent-intensive commodity sectors with the consequent impact on price formation.

Alice Sindzingre, in Chapter 7, focuses her analysis on the continued high volatility of commodity prices and the market failures characteristic to commodity trade and production, both at the global and local levels. She discusses negative effects of price volatility on commodity-dependent developing countries, and argues that the growth of China and other emerging countries is not likely to modify price volatility in the medium term or commodity-exporting countries' dependence. She suggests that the high commodity dependence could lead to poverty traps for these economies that might be compounded by other processes, such as fragile institutional arrangements.

Part 3 of the book contains two case studies of the cotton and copper sectors.

In Chapter 8, Michel Fok examines the recent changes in cotton trade and production – namely, the increasing importance of Far Eastern markets and the adoption of biotechnology in several larger producing countries. Foreseeing a larger productivity gap between these countries and poorer cotton producing developing countries, he suggests the latter group of countries could suffer more from the continuing deterioration of the terms of trade of cotton along with greater world price fluctuation. Focusing on the francophone African cotton producing countries (FACs), he argues that the factors underlying the cotton crisis since the mid-1980s still prevail, and

have been exacerbated by recent trends in demand, supply, price formation and currency exchange movements, and identifies crucial challenges in the international cotton-policy arena and in cotton-dependent countries.

Chapter 9, by Elva Bova, presents an empirical examination of the macro-economic effects of the adoption of the PEP proposal of pegging the exchange rate prices of exported commodities for Zambia, which is heavily dependent on copper exports. Her simulation analysis shows that, under a PEP, exports and domestic prices will move pro-cyclically with respect to the commodity price cycle, and that the exchange rate will be more volatile than the one currently adopted by the economy. In the light of the limitations of the PEP, she advances an alternative arrangement that consists of a band whose width changes according to the phases of the copper price, in which the margins are larger under low copper prices to allow for adjustment through depreciations, while they are narrower when commodity prices increase, so as to avoid excessive overvaluations that would jeopardize non-traditional exports.

Part 4 of the volume presents discussions on financial mechanisms for dealing with commodity price instability and governance issues raised by Gerry Helleiner in Part 1.

In Chapter 10, Adrian Hewitt traces the history of international and inter-regional compensatory finance instituted in the 1970s and 1980s in dealing with economic problems facing commodity-dependent low-income countries. He argues that, instead of becoming established as a settled adjustment mechanism with some permanence, endowed either with adequate funding or modelled as a self-financing mechanism in a post-Keynesian world, the schemes (STABEX, the Compensatory Financing Facility (CFF), SYSMIN, COMPEX, FLEX and the CCFF) were used by industrialized countries as a calming mechanism and an antidote to the Common Fund. The Common Fund was seen, at that time, as threatening over-regulation of commodity markets and, eventually, rigid supply management. He suggests that, under the rapidly changing conditions facing the global economy, with a shift of economic power more to emerging market economies and some resource rich countries in the twenty-first century, the global community is presently more ready for fresh thinking towards a new scheme of international compensatory finance, this time one that could play an important role as an instrument of stabilization properly designed and adequately endowed to operate counter-cyclically.

In Chapter 11, Charles Gore presents a critical assessment of the recent influential publication by Paul Collier, *The Bottom Billion*, focusing on the conceptual underpinnings of Collier's analysis and, in particular, the relationship between globalization, commodity dependence and poverty. The chapter puts forward an alternative view of the problem of the poorest countries that is rooted in three concepts: the international poverty trap, blocked structural transition; and the interrelationship between polarization