

Primary Commodities: Historical Perspectives and Prospects

By

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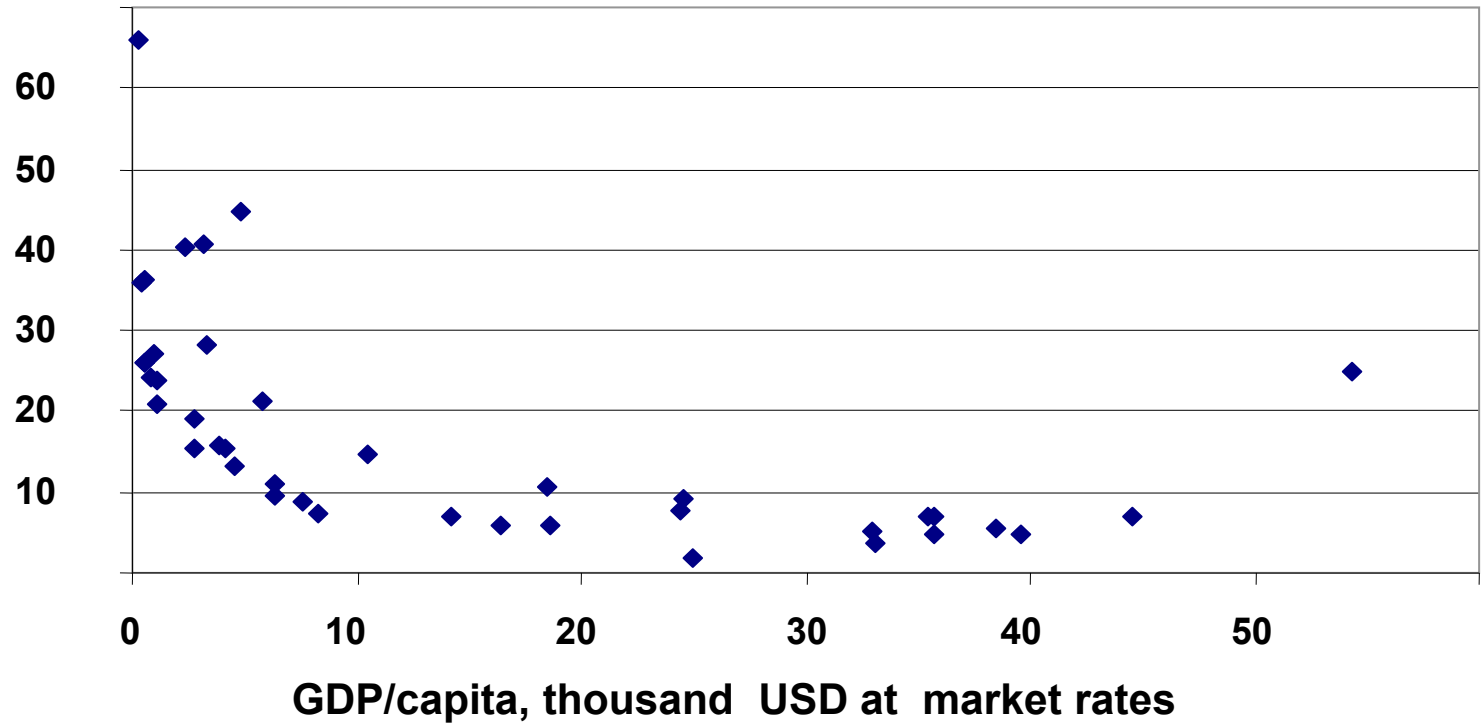
High-level seminar on
*Natural resources, finance, and development:
Confronting Old and new Challenges*
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Four Themes and Conclusion for Commodity Dependent Nations

- (a) Significance of commodities at different stages of economic development**
- (b) Transport costs and emergence of global commodity markets**
- (c) A 50-year period of public intervention and control**
- (d) Commodity prices: Trends and instability**

Conclusions

Share of primary sector in GDP about 2005, %



38 countries selected to assure a wide spread in per capita GDP.

Primary sector defined as agriculture, hunting, forestry, fishing, mining, and utilities.

Source: United Nations Statistics Division.

Value in US\$ per kg, at prices in 2000

Iron ore	0.02
Steam coal	0.03
Wheat	0.12
Crude oil	0.21
Standard steel	0.25
Newsprint	0.40
Super tanker	2
Motor car	15
Dish washer	25
TV set	60
Submarine	100
Large passenger aircraft	600
Laptop computer	1000
Mobile telephone	2000
Jet fighter	6000
Windows 2000 Software, CD Rom	20000
Telecom satellite	40000
Banking service	almost ∞

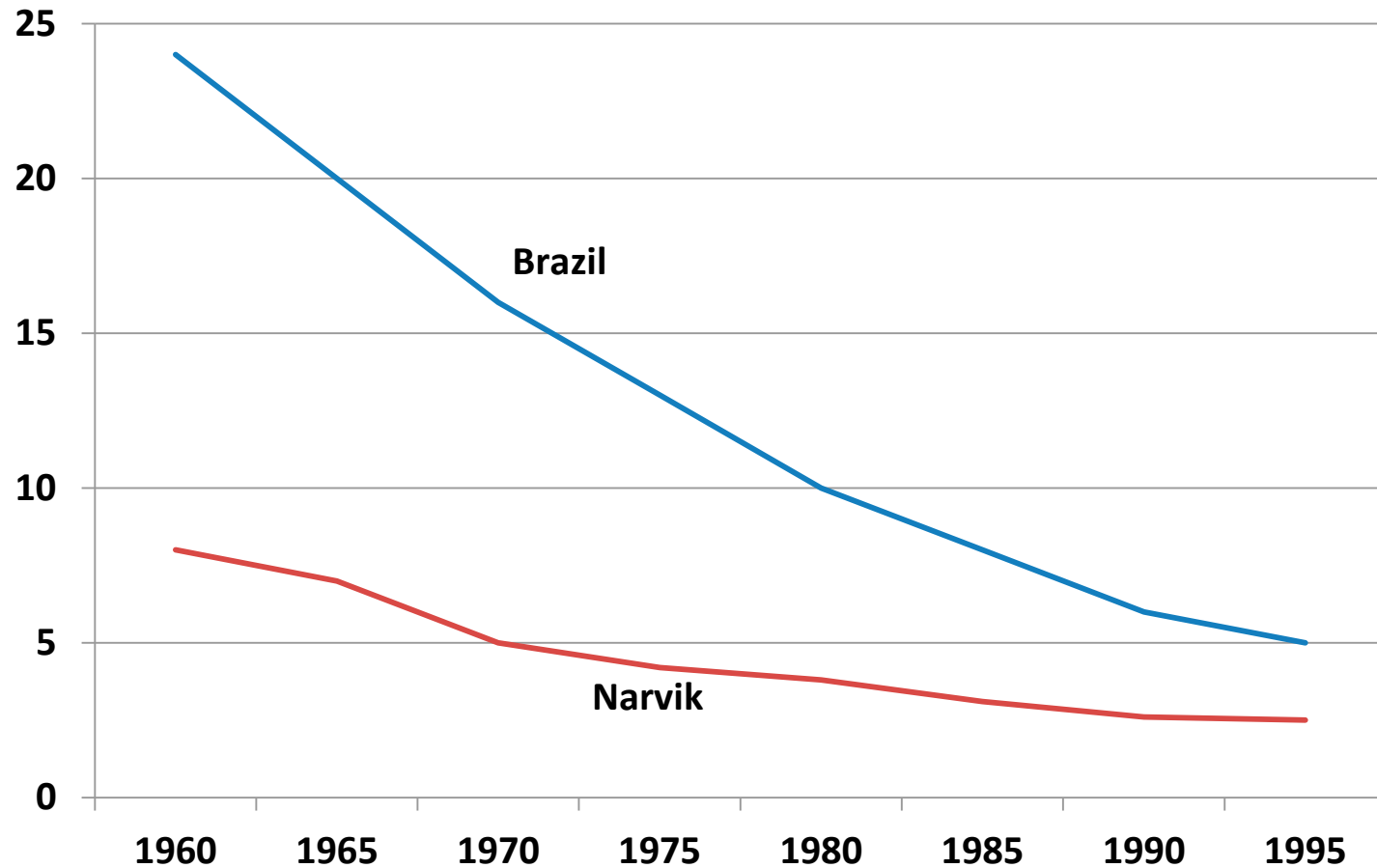
Source: Radetzki (2001).

Cost of shipping cotton or wheat from New York to Liverpool, Constant (1910-1914) \$/ton

1825	55.1
1857	15.7
1880	8.6
1910	3.5

Source: Bairoch, 1965.

Iron ore freight rates from Brazil and Sweden (Narvik) to Germany, \$/ton



Source: Lundgren, 1996.

State Owned Oil

1938 Mexico nationalization

1951 Iran nationalization

1963 Iraq nationalization

1966, State owned proportion still negligible

1970s Nationalizations in Algeria, Libya, Kuwait,
Saudi Arabia and other countries

1979, State owned proportion 55%

**After 1990: Not many privatizations in emerging
economies outside Former Soviet Union**

**2010, State owned enterprises control close to
90% of global conventional oil resources**

Source: Economist, 2010; Marcel, 2006; Vernon, 1983.

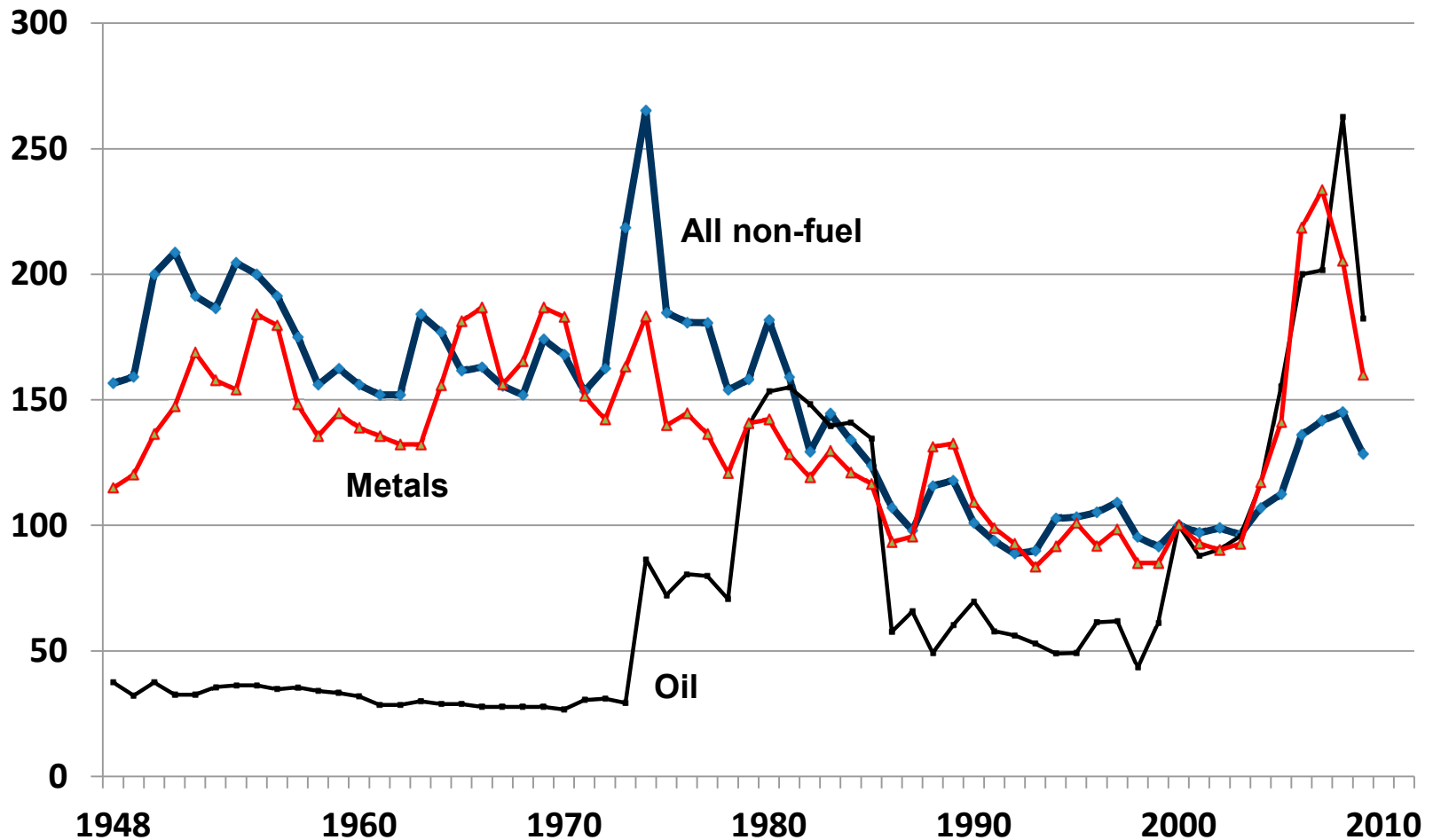
State controlled share of Western World production, %

	1975	1989	2005
Bauxite	25.5	43.3	18.0
Copper	52.1	64.4	20.1
Gold	3.0	3.0	1.6
Iron ore	41.9	64.1	3.9
Lead	14.0	13.9	2.0
Nickel	3.9	22.2	8.0
Zinc	17.1	19.8	4.0

Notes: (a) Western World is defined as world except FSU, former communist countries of Eastern Europe, China, Vietnam, North Korea and Cuba. b) Controlled share is defined as capacity with majority state ownership, or capacity with dominant state ownership position with no other dominant owners.

Source: Raw Materials Group (2006).

Commodity Price Indices in Constant US\$. 2000=100



UN's Index of Manufactured Exports from Industrialized Countries is used as deflator.
Sources: IMF, UNCTAD, United Nations, World Bank.

Policy Implications for Export Dependent Nations

- ✓ **Slow demand growth, watch China**
- ✓ **Global competition on account of low transport costs**
- ✓ **Fallacies of deep public intervention in the commodity sector**
- ✓ **Current price levels above long run equilibrium, likely to decline**
- ✓ **Commodity dependence not a trap; benefit from competitive advantage!**