

## **Welcome speech to the emerging exchanges session's participants.**

I am pleased to welcome you at this forum on emerging exchanges. My thanks go to the Swiss Futures and Options Association, without whose support this forum would not have been possible. It is no coincidence that the United Nations Conference on Trade and Development, UNCTAD, is present at this Burgenstock meeting, and is organizing this forum. I participated, on behalf of UNCTAD, in Burgenstock meetings 15 years ago. We very much appreciate that, since last year, we have been able to renew this cooperation.

UNCTAD has a long-standing mandate on commodity marketing and risk management. We have worked on issues such as the functioning of the price discovery process on exchanges, the ability of developing country entities to use such exchanges, and the potential for new exchanges in developing countries. UNCTAD's work on the importance of futures exchanges for trade in particular commodities dates from the mid-1970s. As far back as 1983, UNCTAD suggested that futures exchanges could open trading floors in developing countries to enable easier access to their markets. Training for developing country entities on how to use commodity futures started in 1991. From 1993 onward, we have worked with a range of counterparties on the development of new exchanges and contracts, and improving countries' regulatory framework for commodity price risk management. We now work with the International Task Force on Commodity Risk Management, set up by the World Bank in 1998. It is expected that the Task Force will stimulate greater interest in these issues and ultimately, lead to greater support by the international community.

One reason that commodity risk issues have come to the fore of the international community's work programme is the change in commodity market structures over the past decade. World commodity prices are still highly volatile, but governments, at least in developing countries, have by and large ceased to shelter their citizens from these fluctuations. This is a problem, particularly for small producers. A very large number of often very poor people depend on these volatile markets for an inordinate part of their income. Unfortunately, these markets often do not work very well, and they are, in the economists' sense of the word, "incomplete". There tends to be a lack of players, poor market information, a poor commercial environment in particular with regards to access to credit, and markets for the transfer of risks are mostly weak or absent. At the same time, at the international level, facilities that were to compensate countries for lower-than-expected export earnings, or higher-than-expected import costs, have been abolished: the IMF has ceased to operate its compensatory financing facilities, and the European Union's STABEX and SYSMIN programmes have been discontinued.

There is little reason to wish to reverse the course of economic policy liberalization – by and large, liberalization is a good thing. However, in itself it is not a solution to many development problems, and its by-effects can, in some cases, worsen several such problems. There is nothing wrong with setting sail for a new continent, but one would wish then that the ships are sufficiently strengthened to confront the storms that may be encountered, and that the sailors are sufficiently well-trained to know what to do to avoid and manage risks – and one would also hope that there are enough life boats to save, in the case of an emergency, not only the lucky travelers in first class, but also the second-class passengers and the crew members. It is essential to accompany any liberalization programme with a targeted programme of institutional strengthening. And in case you started wondering where all this is leading: this is the reason why UNCTAD is here, in Burgenstock.

Well-functioning commodity exchanges can help level the playing field for poor producers. The technological developments of the past few years have made it easier for exchanges, or for the information generated on these exchanges, to reach a larger number of people, worldwide – to create a “Global Village”, as was discussed in our key paper for last year’s Burgenstock conference. They have also made it easier to develop new contracts, and even emerging exchanges – note the large number of new Internet exchanges. New developments like Wireless Applications Protocol– discussed in our background paper to this conference – may make it much easier for farmers everywhere not just to receive information, but to actively use exchanges, in a direct or indirect manner. A lot of work is evidently still needed to make sure that those who need information in order to make better decisions and get better prices can indeed get this information. And to ensure that those who need protection against volatile prices can indeed access exchanges to transfer their risks. We hope that the large exchanges present here in Burgenstock see this as a market: future clients are poor, but there are, unfortunately, many of them. They need information and risk management services, and experience shows that they are willing to pay for these. Technology is bringing the costs of supply of these services down. In this regard, there seems to be a very good potential for partnerships between established exchanges and emerging country counterparties. Hopefully, this forum will point to some of the concrete possibilities for such cooperation.

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