Breaking historical trend, commodities are booming since 2000.
The boom should be seen in the context of the rise of emerging economies.

Resource rich countries increased their terms of trade while manufacture exporters saw it diminishing.

Source: ESCAP Economic and Social Survey of Asia and the Pacific 2012
The great income divergence

GDP per capita in 1990 international dollars

Source: ESCAP Economic and Social Survey of Asia and the Pacific 2012

The new periphery

Change in per capita GDP, 2000-2010 (in billions of dollars)

Change in income per capita from 2000 to 2010 relative to the top quartile of income distribution (%)

Source: ESCAP Economic and Social Survey of Asia and the Pacific 2012
Development is associated with diversification

More diversified countries face lower competition

Source: Author based on data from the United Nations Commodity Trade Statistics Database (COMTRADE) and from the World Bank’s World Development Indicators.

Rich countries export products in a larger range of complexity

Complexity as a measure of how common are the products and how diversified are the countries that produce them.

What a country produces today affects what it will be able to produce tomorrow.

Example: evolution of complexity of Viet Nam’s product mix

Prices affect incentives to diversify towards more complex products

Source: Author based on data from the United Nations Commodity Trade Statistics Database (COMTRADE).
Prices affect incentives to diversify towards more complex products

Source: Author based on data from the United Nations Commodity Trade Statistics Database (COMTRADE).

How price shifts have changed incentives

Source: ESCAP Economic and Social Survey of Asia and the Pacific 2012
Policy options

Adapting to an era of high commodity prices

- **Catching-up** countries:
  - Diversify economic structure
  - Create productive employment opportunities
  - Increase domestic consumption

- **Commodity-boom** countries:
  - Shield import-competing and non-resource export sectors from deindustrialization
  - Use resource flows to smooth the ups and downs in revenue
  - Enhance human capital to foster technical progress in resource sector

- **Aspiring** countries:
  - Reduce reliance on few labour-intensive manufactures by participating in regional supply chains

- Strengthen social protection and boost agricultural productivity to cope with high food prices