

Trade liberalisation and food security: recent evidence

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At the first meeting of this series, Simon made the point that rural development is in trouble, that aid to the sector is falling, that it is not much in evidence and that there's no strong narrative. I agree that rural development is in deep trouble, that aid is falling but I disagree that there's no strong narrative. I believe there is and that it comes out of

recent evidence.

In speaking to this, I will be drawing on work I've done over the last three years, first of all research for this book, "Hungry for Trade: how the poor pay for free trade"*, a title not chosen in advance, but one which came out the material. In preparing this I spoke with resource-poor farmers in developing countries, in Geneva in 1998, at the time of the 2nd WTO Ministerial, and again in 1999 in Seattle at the 3rd Ministerial.

Secondly, work last year for a Swedish ngo, Forum Syd - this paper has 27, mostly NGO studies** - and more recently, earlier this year, reviewing the literature for CIDSE, a grouping of Catholic organisations in Europe. There are 64 entries in here, most of them official, UN, government and academic studies, some of which were initially in the French language.***

So what I am saying today is based on about a hundred case studies, extracts from papers, comments and farmer interviews - the case studies mostly done by academics in developing countries. There's a mixture of macro and micro studies, and while there's some variation in the macro studies, most of the macro, and overwhelmingly the micro studies, tell us that trade liberalisation - notably since the early 1980s when SAPs began, under regional free trade agreements, and since 1995, under the WTO's agreement on agriculture - is seriously detrimental to food security in the rural areas, that the poor are getting poorer not just relative terms, but in absolute terms, and that inequality is increasing. "A new face of 'apartheid' seems to be spreading across the globe", says a UNICEF study, "as millions of people live in wretched conditions side-by-side with those who enjoy unprecedented prosperity."

Very briefly I'd like to go through a cross-section of the evidence. I've tried to chose studies which have a direct bearing on the 800 million people who are food insecure - an unsatisfactory, sanitised phase. I think we should instead refer to people who are food insecure as chronically hungry or severely malnourished. I will try and do that. I chosen two overall studies and two from each continent. Inevitably this is going to be brief.

1. Paper represented at an FAO Symposium on Agriculture, Trade and Food Security, September 1999, Synthesis of Case Studies of 16 countries.

The studies find that the AoA has led to a surge of food imports into the 16 countries but not to an increase in their exports. This is forcing local farmers out of business and into the urban areas, and is leading to a concentration of farm holdings. "There was a remarkably similar experience with import surges in particular products in the post-Uruguay Round period", it says, mostly dairy and meat products, "a common reported concern was with a general trend towards the concentration of farms, in a wide cross-section of countries which has marginalised small producers and added to unemployment and poverty".

Unemployment, poverty and concentration of farmholding into larger entities are the key messages from this study. And note that this concentration is leaving land ripe for takeover or effective control by transnational corporations. In the symposium, where this study was presented, the point was made: "Countries don't trade, companies do". Any analysis of international trade which ignores that is not

dealing with reality.

(Countries: Bangladesh, Botswana, Brazil, Egypt, Fiji, Guyana, India, Jamaica, Kenya, Morocco, Pakistan, Peru, Senegal, Sri Lanka, Tanzania and Thailand).

2. Trade, Income Disparity and Poverty, Dan Ben-David (Tel Aviv University)

and L. Alan Winters (Sussex University), WTO secretariat study, June 2000.

This is the most pro-trade liberalisation study that I've found - says that liberalisation 'is generally a strongly positive contributor to poverty alleviation - it allows people to exploit their productive potential, assists economic growth, curtails arbitrary policy interventions and helps to insulate against shocks'. But it acknowledges that some people lose in the short run and adds: "it is far from obvious that the impact of trade liberalisation found on incomes in the middle and high-income countries could also be found in the poorest countries". A very important caveat, showing that inequalities between developing countries increase with liberalisation.

3. Kenya: Impact of the AoA on Food Security. Hezron Nyangito, Institute of Policy Analysis and Research, Nairobi, August 1999.

Finds that liberalised trade has led to increased imports of foodstuffs, mainly wheat, rice, maize sugar and dairy products...lowering producer prices, resulting in disincentives for increased domestic production. "The majority of the poor are not benefiting but are instead made more vulnerable to food insecurity", it concludes.

4. Madagascar: from the draft of the World Bank's World Development

Report, 2000. (Missing from the final report).

Says there has been a significant liberalisation-induced rise in all the major crops, particularly rice, Because most small farmers in Madagascar are net rice buyers, this has impacted on the rural poor, and led to welfare losses of over 20 per cent for more than a third of the country's rice farmers who comprise most of the country's poor.

5. Mexico: Globalisation and liberalisation: Implications for poverty, distribution and inequality, UNDP Occasional Paper 32. 1997.

Looks at the impact of NAFTA. While at the macro level Mexico seems to gain under NAFTA, the winners in the agricultural sector will be concentrated on predominantly large-scale, commercial farm geared for the North American market. The losers will be concentrated among producers of maize, the country's staple food. The number of livelihoods lost in the maize sector as a consequence of trade liberalisation and the subsequent fall in maize prices, is estimated at between 700,000 and 800,000, representing 15 per cent of the economically active population in agriculture. "This has profound implications for rural poverty and for regional inequality", concludes the study.

6. Uruguay, case study. Friends of the Earth, 1999.

Until recently small producers in the West and South of Uruguay provided milk for the domestic and export market through the National Cooperative of Milk Producers; 80 per cent of the cooperative's 6,500 milk producers were small, family-run farms. The milk market in the Mercosur trade grouping has proved very attractive for food TNCs, including the Italian company Parmalat, also Nestle and Unilever. Milk powder is now being imported in large quantities, causing the bankruptcy of many small milk producers.

Again this study highlights the role of transnational corporations.

7. India: Impact of trade liberalisation on oilseeds in India, an Action Aid, India study, 1999.

Government initiatives led to a doubling in oilseeds production in India between 1980 and 1993-94 and imports fell to almost nothing. India had achieved self-sufficiency in edible oils in little over a decade. In 1995, following the AoA, tariffs on edible oils were cut from 65 per cent to 30 per cent. This was further reduced to 15 per cent in 1998. Non-tariff restrictions on the import of edible oils were also lifted. The tariff was raised to 16.5 per cent after protests from farmers who were going bankrupt. Imports of edible oil soared to 4.2 million tonnes in 1998, (up from 0.1 mt only 5 years before), and India had gone full circle to become the world's largest importer, from self-sufficiency only five years before. 'From a variety of perspectives', concludes this study, "farmers, industry, trade, consumers and the economy, the recent steps to liberalise trade in oilseeds have not paid off".

8. Cambodia: Impacts of trade liberalisation, conclusions of a conference in Malaysia, October 1998.

Landlessness is on the rise. More and more land has been bought and sold, leaving farmers with not enough or no land to support their livelihoods. Ten years after what was considered a reasonably fair distribution of land at the onset of the adoption of liberal market economy in 1989, it is estimated that between 10 and 15 per cent of farmers are landless. "We witness land being concentrated in the hands of fewer farmers", is the conclusion.

Before looking at the implications for policy, I'd like to look again briefly at some of the points that have been made about all this.

First of all, that you cannot separate the effects of trade liberalisation on food security from other factors - that fiscal policies, reductions in government supports, privatisation, all play a part. That can be true and it's acknowledged in the CIDSE paper, but in the vast majority of cases there seems to be a very direct link between the opening up of markets and the reduction of trading barriers and an increase in poverty, rural unemployment, inequality and food insecurity.

Secondly, some of the macro studies suggest that openness to trade is good for economic growth which will eventually create jobs, and that, in the long term, the food insecure will benefit. Other have a different view. Dani Rodrik of Harvard says, e.g. "there is no convincing evidence that openness in the sense of low barriers to trade and capital flows would increase growth and reduce poverty".

David Dollar and Aart Kray on the other hand believe that growth is good for the poor. If they had said "has been" their case, to me, would have been more credible, because their data is drawn principally from the 1970s and 1980s. "Past performance is not necessarily a guide to future performance" the adverts for ISAs and the rest tell us. And that is especially true in today's economically globalised world, which is very

different from the world of 20 years ago.

In today's globalised market place, in an international trading system where 70 per cent of world trade is between transnational corporations, I want to ask - who gets the benefit of economic growth now? Chiefly the TNCs rather than the small players. After 20 years of intense trade liberalisation, hunger has not fallen. And the destruction of small farmer livelihoods, and the concentration of small farms into large ones, is hardly conducive to sustainable livelihoods. Are jobs really being created? I see little evidence of that. We seem to be going in the other direction. Around 700 million people are today either unemployed or underemployed, and when it comes to job creation TNCs have a pretty dismal record, all too often generating unemployment rather than more jobs.

But will it not be local firms that create jobs? Some, maybe, but if local firms want help from government to get an activity of the ground, forget it in most cases, because under the TRIMs agreement of the WTO, domestic companies cannot receive any help that is not accorded to foreign companies. Surely that agreement is in urgent need of reform, because it subordinates development policy to trade policy.

Given that economic growth will chiefly benefit TNCs, it follows that the negative impact on the poor is unlikely to be only short term. On the contrary, in a world of displaced small farmers, where TNCs own or

control the means of production, poverty is hardly likely to be alleviated, nor food security advanced. Neither can the chronically hungry cannot rely on the long term to overcome problems the system has created for them in the short term.

Thirdly, it has been argued that the problem is not free trade because the world does not have free trade, that whereas developing countries have liberalised their economies, Western countries have not done the same, that if the CAP is scrapped, if the West allows market access for Third World products, then free trade will deliver the goods. I agree that the CAP should be scrapped and that improved market access is needed for Third World products, but again I have to ask - who would benefit?

In a market to which small-scale resource-poor farmers have access but compete with TNCs, who's likely to gain the order when there is such a huge imbalance of power, where TNCs have significant cost advantages over small-scale producers? You could put a village green tennis player on the centre court with Pete Sampras at Wimbledon today and when the shout "play" is heard, both would have access to the hampship trophy. Access, in itself means nothing.

In terms of reducing the number of people who are food insecure, chronically hungry, I would suggest that the reform of the CAP and improved market access would make only a tiny contribution.

And the world does not have free trade for reasons that have little to do with European protectionism. Rather we have corporate managed trade where TNCs are powerful enough to distort the global marketplace. Look at the international agri-food scene, at the market concentration that spans fertilisers, pesticides, seeds, cereals, processing, shipping and retail. Look at how few conglomerates are involved at the global level and at how vertically integrated they've become. All the major traded agricultural commodities are dominated by a small number of TNCs.

Amartya Sen points out that the real debate is ultimately not about efficiency of markets, nor about technology or even free trade, but rather that "the inequality of global power is the problem". Yes, but surely the liberalisation of agricultural trade that has gone on in the 20 years has benefited TNCs and exacerbated the inequality of power.

So what are the implications from the evidence? Four things - first of all, that regulation of TNCs is needed: I agree with those who say that whereas the 20th century was dominated by a struggle against totalitarian systems of state power, so the 21st will be marked by a struggle to curtail excessive corporate power. And it will be a struggle. I worked, much earlier in my life, for 10 years for a TNC. I've seen for myself the clever ways they try to overcome regulations. Read Eric Schosser's book "Fast Food Nation" for a good insight into their thinking.

Secondly, that the pace of trade liberalisation in developing countries should slow down and any further liberalisation should be introduced only very gradually. A new WTO round would I suggest not be helpful at this stage for people who are food insecure.

Thirdly and connected, to recognise, to quote an UNCTAD report, that "the benefits of liberalisation to low-income agricultural producers are likely to be very limited" and to shift the policy emphasis from trade liberalisation to production which can benefit the food insecure. The box that Duncan is going to talk about would help. There's enormous potential to build on good agricultural practice which is working for the poor. A Univ. of Essex project lists over 200 examples of sustainable agriculture

which are yielding impressive results. It's well to remember that food is a fundamental human right, and that trade is but a means.

Finally, that as the mainstream trading system, dominated and distorted by TNCs and by Western country protectionism, is likely to yield few benefits for the chronically hungry, we need to take a serious look at the alternative system. In the 1996 World Food summit plan of action, governments say: "we will strive to ensure that trade policies are conducive to fostering food security for all through a fair and market orientated world trade system".

Its the "fair" bit that's needs more emphasis. Trade can help the food insecure, but only I would suggest if it's fair. Again there is huge potential in the alternative, small at present, but rapidly growing fair trade system. Sales of fairly traded coffee, e.g. in the UK have increased by 49 per cent a year in the last five years, (126 cents a lb arabica). Five per cent of all coffee growers are now selling through this system. The importance of this is not only price, it also lies in strengthening the position of local producers, the beginning perhaps of countervailing power to the corporations.

I call all this a pretty strong narrative. That we recognise the need to curtail excessive corporate power, that if policy is based on good practice and that if more support is given to assist that good practice, the 2015 target World Food summit target of halving the number of food insecure people can be achieved.0

* Published by Zed Books, price £9-99, ISBN 1 85649 865 4

** Forum Syd: <http://www.forumsyd.se/globala.htm>

*** CIDSE: <http://www.cidse.org>