Trade and hunger

– an overview of case studies on the impact of trade liberalisation on food security

John Madeley

A REPORT FROM CHURCH OF SWEDEN AID, DIAKONIA, FORUM SYD, THE SWEDISH SOCIETY FOR NATURE CONSERVATION AND THE PROGRAMME OF GLOBAL STUDIES

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Preface

In the discussion on liberalisation of the agricultural sector – through the WTO Agreement on Agriculture and the World Bank and IMF structural adjustment programmes – many NGOs strongly stress the point that there is a need to assess the actual impact the liberalisation has had so far on food security, poverty, ecological sustainability, gender etc. There are already a number of impact assessments on agriculture and trade made by various NGOs and UN agencies, small case studies as well as broader impact studies.

To facilitate use of this information already available, the Swedish NGOs Diakonia, Forum Syd, Lutherhjälpen and the Swedish Society for Nature Conservation asked John Madeley to track and gather as many as possible of recent relevant case studies by NGOs and related institutions (universities, UN-agencies) on the impact of trade liberalisation on food security.

The report includes:
• an index, also giving a very brief description on what each study is covering;
• an overview/summary of conclusions that can be drawn from the studies;
• summaries of the studies included.

As a continuation of the report, we kindly ask you to send any additional case studies that you know of or that are being conducted on the impact of trade liberalisation on food security to Johanna Sandahl, Forum Syd. These will be gathered and continuously posted on http://www.forumsyd.se/globala.htm, where this report is also available.

Copies of full studies as well as this document in .pdf file or papercopy can be requested from Johanna Sandahl, Forum Syd, Box 15407, 104 65 Stockholm, Sweden; tel: +46-8-506 371 64; fax: +46-8-506 370 99;
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Overview

This survey covers 27 case studies and experiences of the effects of trade liberalisation, (the removal or reduction of barriers to international trade in goods and services), on food security and poverty. Some run to several pages, others are much shorter. On the key question of what trade liberalisation has done to people who are already food insecure, their evidence appears remarkably consistent. The common and overriding message can be summed up in a sentence from Hezron Nyangito's study of Kenya – "liberalised trade, including WTO trade agreements, benefits only the rich while the majority of the poor do not benefit but are instead made more vulnerable to food insecurity."

The study looks at trade liberalisation under the World Trade Organisation's Agreement on Agriculture (AoA), signed in 1994; under World Bank/IMF-imposed structural adjustment programmes (SAPs), which have been going on since 1980, (and which led to widespread liberalisation of the economies of most developing countries well before 1994), and under regional free trade agreements. The role of WTO's predecessor, the General Agreement on Tariffs and Trade (GATT), also features. The GATT was signed in 1947 but did not consider agricultural issues until 1987, when the Uruguay Round of trade negotiations were launched. The AoA is a key part of 1994 Uruguay Round agreement which brought the WTO into being.

Under SAPs and the AoA, developing countries have to make significant changes in their food and agriculture policies. They are obliged to open up their economies to cheap food imports and to reduce and severely limit support for their farmers. Most SAPs require more sweeping liberalisation measures than are required under the AoA, and also demand related measures such as privatisation of state-run enterprises, the elimination of subsidies and price controls, and the abolition of marketing boards. By contrast, the AoA centres on trade liberalisation measures – it calls, for example, on member countries of the WTO to reduce tariffs on food imports by 24 per cent over a ten year period, (the 48 least developed countries are excluded from this and from other reduction commitments). The AoA – a deal largely stitched up by the United States and the European Union under pressure from business corporations – tightens the screw of structural adjustment. The 1996 Oxfam paper on the Philippines (study number 20) refers to the AoA as "an act of fraud" that will give rise to increased competition from imports and intensify rural poverty and destroy smallholder livelihoods. And unlike SAPs, the AoA is binding on member countries of the WTO (137 countries were members in July 2000).

In total, 39 developing countries are covered by these studies. The Philippines is the most surveyed countries, with seven studies listed here, followed by Mexico with five and Kenya with four. While the experience of most developing countries has therefore yet to be gathered in written form – although some may exist which this study was unable to find – the 39 countries are a significant representative sample of countries in Africa, Asia, Latin America, plus one in eastern Europe.

Why, according to the evidence of these studies, does trade liberalisation seem to be failing the poor? Its chief effects are summarised below.

1. Cheap imports

The majority of people in developing countries belong to farming families. Most farmers are small-scale, with at best a few hectares of land and sometimes much less. The problems for these farmers caused by cheap imports, made possible by trade liberalisation, comes across in most of the case studies. Cheap imports are coming from both developed countries (especially the US and the EU) and also from developing countries (imports of sugar into the Philippines from Thailand, for example)

Competition from cheap imports is putting farmers in developing countries out of business. Such imports are coming both through commercial channels and through dumping – food sold below the cost of production to dispose of surpluses, and usually cheaper than commercial imports and more damaging. Michael Lumor's study of Ghana, (in case study number 1), is just one of many in this survey which shows how food imports have demoralised small-scale farmers. Having produced maize, rice, soybeans, rabbits, sheep and goats, the farmers cannot obtain economic prices for them, even in village markets. Their produce cannot compete with cheaper imports. Domestic food production is at risk as the agricultural sector is placed in jeopardy.

The studies show that liberalisation has led to an increase in the prices of farm inputs, causing huge problems for small farmers. Forced to pay more for their inputs, they are often receiving less for their produce when they come to sell. The study of edible oils in India reveals this common problem of farmers paying more for their inputs but receiving less for their crop. In economic terms, trade liberalisation appears to have worsened the terms of trade between outputs and inputs.

Harvested food prices have not always fallen. In some countries – Madagascar, for example – there has been a significant rice in the price of major food crops, particularly rice. But because most of Madagascar's small farmers are net rice buyers, liberalisation "seems to have induced significant welfare losses among the country's primarily rural poor". According to the studies higher food prices as result of trade liberalisation would appear to be the exception.

Consumers may appear to gain from cheap food imports. But they only do so if they have the money to buy, which many people in developing countries don't have. And cheap food imports damage the livelihoods of small-scale farmers and also the countries' most basic economic sector – its food-producing sector. Also, if trade liberalisation gives more power to monopolies, then consumers eventually stand to pay higher prices.

While most of the studies deal with crops, such as soybean, maize, coffee and sugar, they also show how milk producers in Jamaica and Uruguay has been similarly disadvantaged by liberalisation, in their case of the dairy sector.

2. More priority for export crops

Trade liberalisation means more food imports; often it reduces the priority that governments give to their food crop sector, while increasing the priority they accord to crops for export. Many of the studies show that trade liberalisation has led to more land and resources being devoted to export crops and less to domestic food production. In Benin, for example, government incentives led to an increase in land under cotton; cotton exports have increased to the detriment of food production and food security.

The main study on Uganda points to evidence that the emphasis on exports, both traditional and non-traditional cash crops, has simultaneously meant a decline in the production of foodstuffs consumed locally, both in amounts and in variety. This has consequently undermined the food security of households.

Although governments are generally according more priority to the export crop sector, this does not necessarily mean that farmers are receiving better prices for these crops. World prices for many of them are declining – as is shown in the studies on Kenya, Sierra Leone and Uganda. As traders, and not government bodies, are mostly buying these crops, the price they offer the farmer will be related, in some degree, to the world price. But the power of the traders may mean that the price to farmers is far below the world price. (see section 10).

3. Large entities – transnational corporations (TNCs)

Trade liberalisation is proving very beneficial for large entities such as TNCs – this is clearly seen in the studies on India, Philippines, Uruguay and Cambodia. But it is not just proving beneficial for them, it also appears to be helping them at the expense of the poor. The study of cotton in India show how trade liberalisation is aiding TNCs at the expense of India's farmers. The FAO study notes that the process is leading to the concentration of farms, "in a wide cross-section of countries" and to the marginalisation of small producers, adding to unemployment and poverty.

Kevin Watkins' study of Mexico shows that the winners from trade liberalisation are concentrated in the country's fruit and vegetable growing areas where production is predominantly on large-scale, irrigated farms. There is a "dramatic increase in investment in these areas, with large farms or firms leasing land". This finding is consistent with a global pattern. The liberalisation boom that large entities and TNCs are enjoying seems to be coming at the expense of poorer producers.

(More studies are needed that detail which TNCs are taking over land, how much land is involved, how many local farmers are losing their land, etc.)

4. Landlessness

The Cambodia study show that more land has been bought and sold, leaving farmers with not enough or no land. Ten years since the adoption of the liberal market economy in 1989, it is estimated that between 10 and 15 per cent of the country's farmers are landless and that land is being concentrated in fewer hands. The top 10 per cent of the population own 33 per cent of cultivated land while the bottom 20 per cent own less than 4 per cent of cultivated land.

5. Women

The studies on Kenya, Ghana, Uganda, Zimbabwe, Mexico, Jamaica and the Philippines all show how trade liberalisation is impacting heavily on women and accentuating gender inequality.

In Kenya, as a result of the liberalisation of agricultural trade, many women cannot afford adequate chemicals and fertilisers, and farm output has declined, finds Hellen Jepkerich Too-Yego. The main Uganda study notes how liberalisation may mean that the local parastatal depot is closed down, and producers have to go out of the village to a local market to sell their produce. Failing to do this will oblige them to sell their produce to village traders who will benefit at their expense. Women are often faced with a very heavy workload which gives them little time to go to the local market to sell their produce. If they sell their produce in the village, they will get lower prices.

Women, who produce 60 to 75 per cent of food in most African countries, have been affected disproportionately by the elimination of subsidies, the drying up of credit and the surge of food imports as a result of trade liberalisation. Women have the responsibility for putting food on the family table; but prices of farm inputs have risen under liberalisation, and incomes of farming families have come under serious pressure. As a result, many have been forced to cut back on the quality and frequency of their meals. Life in Zimbabwe, notes the CIIR study, is becoming a nightmare, with everyone in the family was crying out for food. Zimbabwe is hardly alone.

In Mexico, research has shown how male labour migration increases the workload on women and children, who are often withdrawn from school. There has been a sharp increase in the frequency with which women are forced to migrate in search of work as day labourers. It has been estimated that women now comprise about one third of all the day labourers working in the Mexican countryside. "To the extent that liberalisation accelerates these trends, it will exacerbate problems of inequality and rural poverty", notes the study.

Studies on Kenya, Uganda, Zimbabwe show that trade liberalisation has had some positive effects – in Kenya, for example, it has enabled rural women to engage in micro and small enterprises. But the studies indicate that the negative effects far outweigh the positive.

6. Unemployment

There are no worldwide figures as to how many people have lost their jobs as a result of trade liberalisation over the last 20 years. In Mexico, between 700,000 and 800,000 livelihoods will be lost as maize prices fall, representing 15 per cent of the economically active population in agriculture. In India, the jobs of 3 million edible oil processors were lost. In Sri Lanka there was "a clear drop in rural employment", says the FAO study, with 300,000 jobs lost following the drop in the production of onions and potatoes. Worldwide it would not be unreasonable to estimate a figure of at least 30 million jobs lost in developing countries because of trade liberalisation and related factors.

7. Environment

The cultivation of cash crops for export imposes considerable environmental costs. In the Philippines, for example, the extensive use of agrochemicals in export-crop production has increased soil degradation and the loss of biodiversity.

As Francisco Lara points out, liberalisation encourages producers to abandon traditional and ecologically sound agricultural practices in favour of export monocropping. Also, the encouragement of agri-based exports in special development zones creates massive colonisation of critical watersheds and the depletion of water resources in irrigated areas, previously planted to food crops. Trade liberalisation can again lead to a more extractive and non-sustainable type of agriculture.

8. Government services

Under SAPs, liberalisation goes hand in hand with a reduction in government support for farmers, such as investment in agricultural research and extension, controlled pricing and marketing, and subsidies on inputs. Governments withdraw and leave their people to the free play of economic forces. People with money may survive but the poor are left stranded.

The Philippines is probably typical in that, as the SAPRIN forum found, insufficient state support for services such as irrigation, post-harvest facilities and farm-to-market roads has meant that small-scale farmers are unable to improve productivity levels or get their products to market at prices that cover costs.

9. Food self-sufficiency and sovereignty

The negative impact of trade liberalisation on food self-sufficiency, let alone food sovereignty, comes across in many of the studies. The effects of trade liberalisation on India's edible oils sector is startling. Binu S Thomas's account shows how India achieved self-sufficiency in edible oils in the span of a decade. But this has been outweighed by reductions in tariffs which allowed the import of huge quantities of edible oils. From attaining self-sufficiency in edible oils a mere five years earlier, India's imports during 1998-99 made it the world's largest importer.

10. Traders gain

In a number of countries, the liberalisation of markets has increased participation by private firms and individuals in the trade of food commodities, unlike in the past when public institutions dominated the trade. While, in theory, these activities could generate more employment opportunities, this does not seem to be happening.

Liberalisation has certainly increased the number and power of traders. In Uganda, for example, traders have "invaded" whole villages and used their bargaining power, and the farmers need for money (to buy inputs, for example), to buy harvested crops at low prices. At a later stage, the farmers sell the food at much higher prices. But household food security is endangered.

11. Migration

When trade barriers are lowered, many small-scale farmers are unable to compete with cheaper imports and leave their land to head for the cities and towns, adding to pressures on urban services. (There is a need for more detailed figures on such migration.)

12. Indirect effects

A number of studies show how changes in economic sectors, other than agriculture, have an impact on food security. In Kenya, for example, the liberalisation of textiles and footwear has led to imports flooding the domestic market and to a more limited market for domestically produced textiles and footwear. "This has led to a drastic decline in the production of cotton and, as a result, a loss of income to cotton producers, exacerbating the problem of food insecurity for most households in rural and urban areas", says one study.

In the Philippines, financial liberalisation has resulted in higher interest rates, lower investments, and higher costs for food inventories and stockpiling which fosters instability in the market for staple foods and threatens the food entitlements of the poor.

Conclusion

"Many of us have been saying for a long time that unchecked, liberalised global trade is a disaster waiting to happen. No one listened. Now it's happened", says J D Comtois in his study of Thailand.

Small-scale farmers are bearing the brunt of this "disaster". But consumers too are vulnerable. In free trade theory, production will allocate to where costs are low and consumers – poor as well as rich – will benefit from low prices. The reality is more complicated, however. As noted in section 1 above, if trade liberalisation gives more power to monopolies, then consumers eventually stand to lose.

To achieve food security a country or region does not have to produce all the staples needed. Much of the trade liberalisation of the last two decades have been based on the hope that agricultural production in developing countries will switch to high value crops for export. They should thus be able to import food.

But for example the study on Ethiopia highlights the fact that a government that liberalises trade cannot necessarily bank on higher export earnings, especially if it relies on a commodity as volatile as coffee. Trade liberalisation did not bring the government of Sierra Leone the hoped-for benefits from exports of cocoa and coffee. The FAO study found that countries had not been able to increase their exports. Also Bangladesh has experienced many problems trying to meet food security needs through exports.

Agriculture is the main source of livelihood for hundreds of millions of people in developing countries. If small scale farmers are out-competed without an alternative source of livelihood the availability of cheap imported food is not much of benefit for them. According to the studies, governments seems to be misled or pressurised to put too much faith in trade liberalisation, or to do it too quickly, without adequate preparation.

Antonio Tujan's study on sugar is a warning about a government cutting barriers and allowing in cheap imports before it has improved the efficiency of its own industry. Mexico liberalised its agriculture too rapidly under the North American Free Trade Agreement which meant loss of hundreds of thousands of livelihoods.

The studies indicates that trade liberalisation has brought significant changes, in terms of shifts of power. The already resourceful, including TNCs, seem to reap most of the benefits from the trade liberalisation partly at the expense of the already food insecure .

Trade liberalisation is only one factor exacerbating problems for the poor in many countries. These studies often reveal the interaction of factors that affect food security, such as privatisation, domestic economic and financial policies and the incidence of HIV/AIDS. As the study on Thailand points out "the mess isn't simple"; devastating weather patterns, massive unemployment, the need to earn foreign exchange "to bail out an unbelievably irresponsible private sector" are all factors.

But these studies from a wide range of developing countries suggests that wholesale liberalisation of food trade does not address the problems of food security and poverty eradication. They rather indicates that trade-based food security for the poor is – at least for the time being – more a mirage than a fact.

Yet liberalisation is a policy choice, it is not inevitable. This survey suggests that a fundamental review of the dominating policy paradigm is needed, and that, at the very least, WTO rules need changing so that developing countries can provide domestic support and other regulations to protect the livelihoods of smallholders and promote food security.

Gaps

- There is a need for more detail about the effects of trade liberalisation. For example, while liberalisation is perceived to help larger food producers, such as TNCs, at the expense of smaller producers – such as by taking over land that the poor can now longer farm economically because of cheap imports – the literature is generally sparse on details. Studies are needed that detail which TNCs are taking over land, how much is involved, how many local farmers are losing their land, etc.
- More case studies are needed for Latin America.
- Following trade liberalisation, migration to urban areas is increasing. Again, there is a need for more detailed figures.
- The WTO has done no studies of the type in this survey. Are they concerned about what the studies would show? Does it mean that the WTO is only interested in furthering trade liberalisation and not interested in its implications for development? As an international body concerned with trade, they surely have a responsibility to conduct studies of this kind. NGO pressure could encourage this.

The studies and examples in this survey come from different sources. My intention was to find all the recent country studies on trade liberalisation and food security. Some were already familiar to me, while others came via specialists and NGOs working in this area. I made a thorough search on the internet and, as far as I aware, everything on the web on this subject has been included – my apologies to anyone whose study has been missed. I have not excluded any country study I found. Others not on the web may have been missed. Many of the studies have been carried out by NGOs, some are more detailed and thorough than others, but all have something to tell us about the practical impact of trade liberalisation on the food security of the poor. *John Madeley*

Developing countries (across continents)

• Case studies

1. Trade and the Hungry: How international trade is causing hunger

APRODEV, August 1999

Food is more than a commodity that is sold and bought, it is the very means of life, the overriding human need; it is the social good. While people do not live by bread, rice, sorghum or cassava alone, food makes it possible for us to start and continue life. Lack of food kills, and causes most of the world's killer diseases.

At the end of the second millennium, many millions of people lack enough nutritious food to live healthy lives. Some 840 million do not have food security, according to the UN Food and Agriculture Organisation. At the World Food Summit in 1996, governments made a commitment to halving the number of hungry people in the world by 2015, as a first step to the goal of food for all. "Trade is a key element in achieving food security", said the Summit declaration, "we agree to pursue food trade and overall trade policies that will encourage our producers and consumers to utilise available resources in an economically sound and sustainable manner".

But much of today's international trade does not appear to be helping to achieve food security. Representatives of civil society organisations from all over the world presented evidence to the Zeist conference that trade liberalisation – reducing barriers to trade – was harming, not helping, the food insecure. They warned that much liberalisation is taking the world away from, rather than towards, the goal of food for all. Trade liberalisation equals more imports, and more priority for crops for export. Often it reduces the priority that countries give to their food crop sector.

Structural adjustment programmes (SAPs) have been insisted on by the International Monetary Fund and the World Bank since the early 1980s, as the price that developing countries had to pay if they wanted assistance from the international community. SAPs typically require governments to slash public spending, cut subsidies and sweep away controls on trade.

More recently, the last round of international trade talks, the Uruguay Round, ended in 1993 with an agreement to reduce domestic support to farmers, to reduce the value and volume of export subsidies, and to convert all barriers protecting agriculture into tariffs. The least developed countries were exempted from these provisions. The Uruguay Round also ushered in the World Trade Organisation.

Since 1993 the European Union and the United States have made few changes in their agricultural policies, claiming that they had already made most of the changes called for in the Uruguay Round agreement. But as the richer countries acknowledged that net-food importing developing countries would lose from the changes – especially if food prices increased as was expected – they agreed to pay compensation. But compensation has not been paid, even in 1996, when food prices peaked.

The liberalisation of trade, the removal of barriers to exports and imports, are central to SAPs. These programmes assumed that liberalised agricultural trade would increase food output and lead to a better deal for farmers. For food-crop farmers, at least, this has proved to be an illusion, as several of the studies show.

Structural adjustment and trade liberalisation have been seen to have a "built-in" bias towards larger food producers, such as absentee landlords and trans-national corporations (TNCs), at the expense of smaller producers. SAPs lessen the role of the state, reducing its support for small farmers, while creating the economic environment that the corporations like. The TNCs are more interested in export crops rather than food crops, in lucrative foreign markets rather than in meeting local food needs. Food security is likely to be a victim of the growth of TNCs in the economy of a developing country.

In the 1980s, adjustment policies were needed in many developing countries. State-run organisations had often become bloated and poorly-run, and people were in danger of being exploited by state inefficiency. Adjustment was needed, but a huge charge against the SAPs, as determined by the IMF and the World Bank, is that they overlooked food security issues. They overlooked the most basic human need of all. So-called safety nets, intended to cushion the poorest groups from the harmful effects of adjustment, were often under-funded and ineffective. Some of the components of SAPs, including the liberalisation of trade, did not address the problem of food insecurity, but rather made the problem worse. Yet the impact of these programmes on food security has gone largely unrecognised.

The case studies – all from people with considerable knowledge of what is happening "on the ground" – bring out different aspects of the impact of SAPs and trade liberalisation on food security. A number of them show how SAPs have led to increased competition for land between export and food crops. With government incentives, export crops have won the battle. Exporters have gained – but the poor have lost. Their food security has been further eroded. The result of SAPs is that many low-income families are eating fewer meals each day, and the quality of the food they are eating has declined. No longer do they expect nutritious food, but any food they can get.

The studies show how liberalisation of food imports has caused an increase in food dumping in local markets, to the detriment of local farmers. For while upholding the virtues of free trade, the European Union and the United States distort markets in developing countries through dumping and producer subsidies. And SAPs oblige developing countries to open markets to a much greater extent than the openings required by the Uruguay Round agreement. This might even involve opening markets to products which have received subsidies from the EU and US.

The studies show how TNCs have gained from liberalisation at the expense of small farmers. They show that there is huge cause for concern. Trade liberalisation is a crude sledgehammer that is being used in circumstances that require sensitivity rather than heavy-handedness. Policy makers would ignore the evidence of this, only at the risk of jeopardising their commitments to World Food Summit goals.

Philippines

Sugar provides an example of the impact of the GATT-Uruguay Round on foodsecurity in a developing country. Antonio Tujan's study of sugar in the Philippines highlights a real dilemma. It is freely admitted that the sugar sector in the Philippines is inefficient. It suffers from high production costs, low efficiency and low yields, due to a lack of capitalisation and weak government support. Locally produced sugar costs more than double the current world market price.

The Philippine government has faithfully implemented its commitments under the Uruguay Round. It has liberalised trade and allowed the import of more sugar. But when imports from an efficient, low cost source are suddenly coming into a country that is an inefficient producer, the latter will go to the wall. Who pays the price? – the small farmers and sugar workers of the inefficient producing country, in this case, the Philippines. And, in this case, they number over 400,000 people. They are among the poorest sections of the country's population, they tend to be food insecure. It is hardly their fault that their country's sugar sector is inefficient, but they have to bear the brunt of liberalisation. As this study shows, many are already having to cut down on their food intake.

The Philippine government would have done better to postpone the implementation of its Uruguay Round commitments until it had done more to improve the competitiveness of the sugar sector. As it is, trade liberalisation threatens farmers and farm workers with hunger. Full deregulation and implementation of the Uruguay Round agreement will only make things worse.

This case study shows the limitations of the neat little world of economic theory, where trade liberalisation appears to make sense by contributing to the more efficient allocation of resources, ensuring that the cheapest producer wins. But such a simple theory can only be imposed on the complex world that makes up developing country agriculture at enormous human cost – in practice, at a cost to those who are already food insecure.

India

Cotton and rubber are the focus of two case studies in India. The expansion of both crops was encouraged by government subsidies in the 1980s, at the expense of food crops. Cotton and rubber cultivators enjoyed a short-lived boom, but this came to an end with the introduction of a structural adjustment programme in 1991, the withdrawal of subsidies and the opening of doors to imports from abroad. Costs of production soared, prices fell. Small farmers especially lost out.

Focussing on cotton, Vandana Shiva, Ashok Emani and Afsar Jafri consider the threat to seed security which is posed by globalisation, liberalisation and privatisation. As today's seed is tomorrow's food, so seed security and food security cannot be separated. The authors show the devastating effects that the government's privatisation of the seed sector (encouraged by the World Bank) has had, and how the culture of agriculture has changed. Instead of growing food in a sustainable way, farmers have been induced to grow crops for export, and the door has been opened for the entry of companies such as Monsanto into the seed market. They show how liberalisation is aiding TNCs at the expense of India's farmers, and examine a joint venture between Monsanto and an Indian company, which launched trials in 1998 of genetically engineered cotton seeds. The trials explode the myth that fewer pesticides need to be sprayed onto genetically modified crops.

In his case study of rubber in Kerala, Joseph John tells of how the government encouraged farmers to grow more rubber for export, and of the huge increase in land under the crop that took place. Then the government opened the import doors, under trade liberalisation. This led to the ruination of the small and marginal farmers the government had previously encouraged. As a result, the very living sustenance of the people in Kerala, a state which has so far avoided famine, is now in jeopardy.

East Africa

It was assumed that the SAP and trade liberalisation in Tanzania would improve agricultural production and lead to better prices and prompt payment for farmers' crops. But this has not happened, says Fellowes Mwaisela. He examines a food surplus and a food deficit region in Tanzania and considers key questions such as – do the farmers get better prices for their crops after rather than before liberalisation? Has the price incentive for food crops reinforced food security? Has trade liberalisation facilitated and increased the internal movement of food, making it accessible in traditionally food deficit areas? Is the liberalisation of agricultural trade a strategy for improving food production?

The answer to these questions is a resounding "no". The overall impact on food security of the liberalisation of agricultural trade is profoundly negative. Farmer incomes are declining and, at the same time, school and medical fees have been reintroduced under the SAP. Farmers have to part with some of the little money they earn, and have less to meet farming costs and to buy food in times of shortage. Food insecurity has thus increased. The basic problem is that Tanzania's SAP overlooked food insecurity.

In Kenya, women provide 75 to 80 per cent of the labour force in agriculture but receive only 40 to 60 per cent of the benefits. While women produce some three-quarters of the food, there are no specific strategies to help them. As a result of the country's SAP, and the liberalisation of agricultural trade, many women cannot afford adequate chemicals and fertilisers, and farm output has declined, says Hellen Jepkerich Too-Yego. Liberalisation has led to an increase of food imports into the country and caused food dumping (cheap surplus food from the North) in local markets, hitting the country's own farmers, she says; liberalisation has also led to an increase in the prices of farm inputs, putting them beyond the reach of most small farmers.

In structurally adjusted Kenya, persistent food deficits, decreased incomes, families eating fewer meals each day, poor infrastructure, poor medical services, increased alcoholism, hooliganism and loss of any reasonable protection for farmers, are now characteristic of rural life.

The SAP has had some positive effects, finds the case study. It has enabled rural women to engage in micro and small enterprises in village markets. As a result of freer marketing, women can now sell and buy farm produce like milk, maize, beans and vegetables, and some have increased their incomes. But the positive effects have been outweighed by the negative. Women are generally worse off today than in 1981.

West Africa

In his study of Benin, Roch Mongbo looks at the impact of structural adjustment programmes on the living conditions of urban households. Again, for large numbers of people, the impact has been negative. Food prices have risen, while incomes have come under serious pressure. As a result, many of the urban poor have been forced to cut back on the quality and frequency of their meals.

The paper points to another, widely overlooked, factor. Adjustment measures have been implemented on a national level, while food production and marketing operate on a regional basis. Regional trade in food has increased and a surplus of food, when it is produced by Benin's farmers, may be traded to other countries in the region, rather than be sold domestically. The regional food market, as it now operates, can therefore exclude Benin's poor.

And the economic reforms have not provided them with any compensating benefit. Benin's SAPs have paid no attention to regional effectiveness and competitiveness; they have failed to integrate the regional dimensions of food security into domestic policy.

The paper also shows how land for food production has to compete with cotton production. Following government incentives, land under cotton has increased, and cotton exports have increased. But the food security of the poor has been undermined.

Again, in Ghana, government trade and adjustment programmes have not favoured the rural poor, says Michael Lumor. Food imports, in the wake of structural adjustment programmes , have demoralised the small-scale farmers. Having produced maize, rice, soybeans, rabbits, sheep and goats, these farmers cannot obtain economic prices for them, even in village markets. Their produce cannot compete with imported maize, rice, soybean, chicken and turkey. Smallholder incomes have fallen and malnutrition among the rural poor has risen.

The key role of women in agriculture is again highlighted in this study. Although they produce most of the country's food, women lack equal access to productive resources, especially to land and credit, and to agricultural extension services. Trade liberalisation has led to the government giving priority to export crops, rather than to the food crop sector, and to food imports rather than to the encouragement of domestic food crop production. It is women farmers who bear the brunt of all this.

Bolivia

The Bolivian government seems to view globalisation as a utopia, and does not give priority to food security, says Teresa Mendoza Siles. But trade liberalisation has opened up Bolivia to imports and threatens to saturate the domestic market with products that have a detrimental effect on locally-produced goods. And liberalisation has caused the prices of local produce to plummet, whereas those of imports have risen and become unaffordable. Structural adjustment has plunged an indigenous population, the Quechua inhabitants, into abject poverty.

This case study is based on a survey that was carried out in the Santa Cruz department of Bolivia to discover the perceptions and conceptions of leaders in agricultural production and trade as they affect food security. It identified some positive effects – the generation of employment, for example – but one of the chief findings is that people feel there is a need to control the import of agricultural produce, and that if measures are not taken, then the agricultural reforms underway will be disastrous. And what emerges from the study is the need for government authorities, local businesses and NGOs to work together to develop strategies for improving food security.

The Zeist Declaration

The "Zeist Declaration", agreed by representatives attending the conference, says that food security "is a basic human right. Trade liberalisation and structural adjustment are threatening this right". It demands that the member states of the WTO conduct a comprehensive impact assessment of the AoA.

The Declaration recommends that national governments and the donor community develop policies "in favour of the small-scale farming sector, including access to land, credit and other productive resources, especially for women producers". Agribusiness transnational corporations "have reaped the gains from trade liberalisation", it says, but this has been accompanied "by a growing number of hungry people...the process of economic and trade liberalisation calls for an active international civil society as a counterbalance to the power of transnational corporations". It calls for a "Peoples' Summit" to be held on the issues of food security, food safety, food sovereignty and sustainable agriculture, and for a Global Convention on Food.

The NGOs at Zeist were church-related development groups that are closely in touch with what is happening on the ground. Their interest lies in telling the world the truth about the effects of structural adjustment and trade liberalisation on the poor. The World Food Summit commitment of governments was modest enough. Hunger needs to be abolished not halved. But even this modest commitment will not be fulfilled unless governments base their policies on reality and fully incorporate food security into world trade negotiations and agreements.

2. Structural adjustment policies: What are they? Are they working?

David Woodward, CIIR, 1993

Extract from section on the impact of adjustment on household food security and the environment.

The poverty impact of adjustment has important implications for household food security. Poor families most likely to lose from adjustment are precisely those most vulnerable to food insecurity. The price effects of adjustment are important, as food prices are often (though not always) increased by the raising of producer prices, reduction of subsidies and/or devaluation. The prices of some non-essentials may also rise – for example imported or subsidised fuels and health care, where user fees are introduced or increased. This reduces the amount of income left for food. When a family loses as a result of adjustment, it is primarily women and girls who are worst affected, through increased working time, loss of access to education and reduced nutrition.

Incentives to increase the exploitation of natural resources may result in unsustainable land use and increased deforestation. This may occur directly, through the promotion of unsustainable forestry for export, as in Ghana, or indirectly through the encroachment of export production into forest areas, as in the case of ranching in Brazil and shrimp farming in the coastal mangroves of Ecuador.

3. Country case studies: Kenya, Mexico and Bangladesh

Extracts from "Trade and Food Security", Sophia Murphy, CIIR, 1999

Kenya

Kenya has undergone structural adjustment programmes since the early 1980s. Some of the results have been positive, including for small landholders. The deregulation and liberalisation of the internal and regional economy have created opportunities for private sector economic development. But it has been increasingly difficult for farmers to command a fair price for their crops or to afford inputs for production in the deregulated environment.

The private sector is not vibrant enough to fully replace the government's traditional role as marketer of food, and most farmers lack the access to credit necessary to make their farms more profitable. Competition in world markets poses serious challenges for Kenya. Growing dependence on world markets for food and the continued servicing of high levels of external debt deprive other sectors of much needed foreign currency, while levels of foreign direct investment and official development assistance are very low.

The AoA has not helped Kenya overcome the weaknesses in its agriculture sector, which is the basis of much of its economy. The reduction of export subsidies and other forms of dumping is helpful, as is transparency in the import regimes of developed countries. But exemptions from liberalisation for staple food crops and specific measures to improve supply and marketing of locally-grown food are all additional measures that need to be considered.

Mexico

Mexico's experience of rapid economic liberalisation combined unilateral policy changes, accession to the GATT in 1986 and to the North American Free Trade Agreement with Canada and the United States.

Mexico's case shows what happens when a country implements liberalisation policies without providing for food security. The extremely rapid liberalisation of the agricultural sector was not a direct result of Mexico's commitments under the AoA but many of the policy changes were introduced in anticipation of signing the agreement. These changes include dismantling the protective tariff structure for staple food crops and substantially cutting support for producers and for stabilisation of consumer prices.

The collapse in the peso in 1994 generated very high inflation. As a result, levels of basic food consumption dropped by nearly 30 per cent, suggesting that hunger is growing. The millions of subsistence farmers that are among Mexico's poorest people have faced very large inflows of cereal imports from the United States. In 1996, with world prices at record highs, these imports caused a glut in local markets that forced down prices to some 20 per cent lower than those of the previous year.

US grain companies benefited from both the sales, and, as owners of processing mills in Mexico, from the subsequent low prices for corn in the Mexican market. Mexico's producers would benefit from proper enforcement of anti-dumping provisions to stop the flow of cheap grains.

Bangladesh

Bangladesh is classified as a least-developed country and, as such, benefited from trade preference schemes that are now being eroded as lower tariff levels are extended to all countries under the Uruguay Round Agreements. Stable export revenues remain elusive. The shrimp export industry (see below) provides an example of the many problems associated with attempting to meet food security needs through exports.

It is difficult to see much advantage for Bangladesh in liberalising its economy to compete in a global market. With the majority of its population dependent on small-scale agriculture for their livelihood, some protection for this sector, continued investment to improve productivity, and sound ecological management would seem more appropriate priorities to strengthen food security.

Shrimp: The development of this industry has raised serious environmental and social concerns. As land has gained in value because of shrimp production, public access has been cut and farmers forced off their land. The salinated ponds kill the trees and vegetables formerly cultivated in these areas and have reduced rice yields in surrounding fields. Shrimp aquaculture also reduces the amount of land available for cattle grazing, leaving people without a ready source of milk. The pollution, deforestation, soil erosion and other problems associated with shrimp ponds are not easily repaired. Local patterns of of landholding have been altered, as lands have been sold and smallholders pushed off. The disruption of land tenure has been so serious that the government of Bangladesh has now proposed legislation to protect poor farmers from land encroachment by more prosperous landowners.

• Views and statements

4. Synthesis of Case Studies

FAO Symposium on Agriculture, Trade and Food Security, Geneva, 23-24 September 1999

The countries studied were Bangladesh, Botswana, Brazil, Egypt, Fiji, Guyana, India, Jamaica, Kenya, Morocco, Pakistan, Peru, Senegal, Sri Lanka, Tanzania and Thailand. Overall the studies found that the AoA has led to a surge of food imports into developing 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, leaving the door open to transnational corporations.

'There was a remarkably similar experience with import surges in particular products in the post-Uruguay Round period', says the study, "these were dairy products (mostly milk powder) and meat products (mainly poultry). Some regions, notably the small island states of the Caribbean and the South Pacific, seemed to be facing difficulties coping with import surges of these products, with detrimental effects on competing domestic sectors". Under the AoA, 12 of the 16 countries had reduced domestic support for their farmers.

While their imports of food have increased, "these countries were not able to raise their exports. Significant supply side constraints prevented the countries studied from taking advantage of increased global market access", it says.

On Egypt, the study says: "the experience with trade has not been favourable. Imports have risen much faster than exports". Kenya "has experienced negative impacts from market liberalisation in the production of cotton". Thailand was the only country studied that increased its food exports.

Jamaica's "agricultural imports have increased significantly since the liberalisation process began", says the study. In Guyana, imports of food and live animals almost doubled between 1994 and 1998. "There is the fear that without adequate market protection, accompanied by agricultural development programmes , many commodities that have historically been produced domestically (e.g. milk, poultry, fruit, juice, beans, peas, cabbage and carrot) will be imported and the domestic diet will increasingly shift towards greater dependence on imported food products".

In the dairy sector of Brazil, "farm size is increasing....large scale industrial processing firms are moving in (e.g. Nestle, Parmalat) and traditional cooperatives are failing". In maize and soybeans, farms in Brazil "are being consolidated....by contrast, wheat, rice and cotton sectors are declining".

One of the case studies, on Sri Lanka, highlighted the displacement of people from rural areas. The document says of Sri Lanka: "Food imports have witnessed a significant increase since 1996...the surge in imports was also followed by a decline in domestic production in a number of food products, resulting in a clear drop in rural employment. It was reported that a loss of 300,000 jobs occurred following the recent drop in the production of onions and potatoes....further flexibility in support in the short to medium term is considered necessary to sustain agricultural development and food security". Apart from the Sri Lanka, no figures were given about the displacement of people from their land

On the overall economic impact on the 16 countries, the study says that "a common reported concern was with a general trend towards the concentration of farms, in a wide cross-section of countries. While this led to increased productivity and competitiveness with positive results, in the virtual absence of safety nets the process also marginalised small producers and added to unemployment and poverty".

Views expressed in the symposium:

- In any trade negotiations there are winners and losers, and so far the losers have been the small producers. More balance is needed in the AoA to help developing countries." – Hartwig de Haen, Assistant Director-General of FAO's Economic and Social Department.
- "Trade liberalisation will make developing countries more vulnerable to the shocks from the world market since world market prices determine domestic prices. The AoA has not really been very sensitive to the needs of food security in developing countries and does not treat developed countries and developing countries in a similar way" – Dr. Kirik Parikh, Director and Vice-Chancellor of the Indira Gandhi Institute of Development Research, Mumbai, India.
- Countries don't trade – companies do.
- US farmers don't sell to the world market but to Cargill.
- The impact of the AoA on the Caribbean region has been the loss of domestic markets to imports and increased small farm vulnerability. The Dominican Republic is experiencing a big problem with rural-urban migration, caused partly by trade liberalisation.
- WTO rules are binding on countries (unlike SAPs).
- The AoA could not lead to agricultural diversification.
- Control over the food production process has been taken away from the small farmer.

5. SAPRIN – national fora in Bangladesh, Ecuador, Ghana, Hungary, Mexico, Philippines, Uganda and Zimbabwe.

Launched in July 1977, the Structural Adjustment Participatory Review International Network (SAPRIN) is a worldwide network of civil society organisations challenging the imposition of structural adjustment programmes. The network is working with citizens' groups in 12-15 countries to organise public processes (forums) "to determine the real impact of World Bank-and IMF-supported economic-reform programmes and to chart a new course for the future". Originally the network said it was collaborating with the Bank and governments in 8-10 countries, but in 2000 said that the Bank was failing to honour its commitments negotiated with SAPRIN.

The fora have nonetheless gone ahead in a number of countries and found that liberalisation policies have had a significant negative impact on agricultural production and the rural sector, women, unskilled workers, and small and micro-enterprises, thereby exacerbating inequalities and leading to a further concentration of wealth.

Bangladesh

Participants at the SAPRI forum expressed their concerns over the fact that liberalisation measures included in the structural adjustment programme had resulted in a disproportionately high increase in the price of inputs (including fertilisers and other import dependent inputs such as seeds and irrigation), while agricultural product prices have stagnated. The Agriculture Minister acknowledged that the sector had been neglected as a result of the structural adjustment programme and that privatisation of the fertiliser sector had led to adulteration and cheating and placed the government in the position of having to protect corrupt business people from attack by angry farmers whose crops had failed.

Civil-society participants noted the polarisation and pauperisation of the peasantry as a result of the SAP and em phasised the devastating impact of the withdrawal of subsidies for the poor.

Ecuador

According to forum participants, trade liberalisation policies and the export-oriented strategy under the adjustment programme have severely affected production and employment and resulted in a process of de-industrialisation. The country has lost productive capacity and the ability to feed itself. Both the agricultural sector and national industry have been unable to compete with cheap imports or generate conditions that would improve production in order to compete effectively in foreign markets. In fact, Ecuador's international competitiveness has depended on currency devaluations instead of on expansion of domestic productive capacity. Trade liberalisation has boosted not the levels of production for export, but rather the profits of large exporters, who have benefited most from devaluations under adjustment. Meanwhile, restrictions on foreign investment have been eliminated, placing domestic producers at a further disadvantage.

Ghana

Participants noted that under the country's SAP there has been a shift in agricultural production, with more land and resources devoted to export crops and less to domestic food production. This has led to a decline in domestic food production, reduced food security for the poor, lower agricultural investment, and increasing income disparities between export and domestic food producers, exacerbating inequalities.

The removal of subsidies and cutbacks in social services have had different impacts on women and men. Women, who produce 60 percent of food, have suffered disproportionately from the elimination of subsidies, the drying up of credit and the surge of food imports as a result of trade liberalisation. The flood of cheap imports along with higher input prices (resulting from the removal of subsidies) have harmed local food producers. These measures, together with high interest rates and changes in the lending policies of the agricultural development bank, have contributed to a substantial reduction in agricultural investment, leading to declining productivity among food producers. In addition, devaluation and domestic inflation have led to higher food prices, which have not been matched by similar increases in wages. For those who still have jobs, real wages have not yet regained their 1970-74 levels. And, with increasing layoffs, the one-third of rural households which are net consumers of food are getting poorer and hungrier.

Hungary

Small and medium-sized enterprises involved in production and retail services in Hungary have been badly hit, and many eliminated, by that country's open-trade policy. The retail trade sector, in particular, suffered a crisis with the arrival of supermarket chains, often from abroad.

Without forward linkages to Hungarian outlets, food production is also being destroyed. The entry of supermarket chains and cheap goods from abroad, facilitated by the privatisation process, has distorted national consumption away from local products, like milk, that are of high quality in Hungary.

The plight of small producers has been greatly exacerbated, participants explained, by the growth of unemployment and poverty and the reduction in effective demand. Under liberalisation, not only has supply dropped considerably, but domestic demand fell about 15 per cent from 1989 to 1994, with per capita food consumption down sharply. This drop in consumption, disposable income and domestic demand is explained by the fact that some 1.5 million Hungarians have lost their jobs, minimum salaries are being taxed, and utility rates, pharmaceutical costs, school-related expenses and other household expenditures are all substantially higher because of the country's budget cuts resulting from fiscal policy reform. Little is being done about the growing impoverishment of a significant segment of the population.

Mexico

Forum participants explained that as part of the process of negotiating and implementing NAFTA, a series of liberalisation policies was adopted, including the removal of tariff and non-tariff barriers restricting imports, the elimination of subsidies to import-competing industries, and currency devaluations. Many of these measures were introduced in adjustment programmes prior to NAFTA's implementation.

The negative effects of these policies have been particularly dramatic in rural areas as a result of the impact on the agricultural sector. Participants cited the inability of farmers to compete with the U.S. agricultural industry, particularly in basic grains, resulting in part from the subsidisation of this sector in the United States and from the lack of subsidies available to Mexican farmers. Small producers have been those hardest hit; the credit market has been reoriented to large-scale, modern and capital-intensive production processes and export opportunities. These conditions have induced higher levels of migration to urban areas as well as across the border to the United States. They have also exacerbated the tendency toward the unsustainable use of natural resources, leading to greater environmental degradation.

Philippines

The trade liberalisation programme in the Philippines has led to increased income inequality and decreased food security, said SAPRI forum participants. They explained that domestic food producers have been negatively affected by the lowering of trade barriers, as well as by cuts in essential government services, both of which were mandated under the adjustment programme Insufficient state support for infrastructure services such as irrigation, post-harvest facilities and farm-to-market roads has meant that small-scale farmers are unable to improve productivity levels or get their products to market at prices that cover their costs. When trade barriers were lowered, many small-scale farmers were unable to compete with cheaper imports. The cultivation of rice and other staples was said to be on the decline, and many small-scale farmers who cultivate food crops were finding themselves further marginalised.

While some larger-scale farmers have been able to begin cultivation of cash crops for export, participants noted that any gains made in the sector can be strongly affected by international price fluctuations. They stressed that this type of cultivation also imposes large environmental and social costs on large sectors of the population. The extensive use of agrochemicals in export-crop production has increased soil degradation and the loss of biodiversity, they explained, and displacement of rural communities to urban settings has led to further marginalisation of small-scale farmers.

Forum participants asserted that the policies have generated little employment, caused environmental destruction, created health problems and endangered lives, violated human rights, exacerbated women's oppression, dislocated indigenous peoples and Moro communities, and provided no compensation for residents of affected areas. The physical and cultural dislocation of indigenous peoples and the disregard for their right to their ancestral domain, it was argued, is a critical land-tenure issue closely linked to the liberalisation of the mining sector.

Uganda

Finance Ministry and other official representatives argued that the agricultural sector liberalisation policy package – which included the elimination of price controls, the abolition of marketing boards, the reduction or removal of export taxes, the elimination of import controls, and the liberalisation of interest rates and the capital account – has led to a steady growth in agricultural output (in part through expansion of land under cultivation), including food production, as well as crop diversification and increased food security. They acknowledged, however, that the terms of trade for food producers had fallen, that there have been negative effects at the local, or household, level, and that poor rural physical and financial infrastructure has limited the presumed benefits of liberalisation.

Civil society representatives pointed to other problems associated with the liberalisation of the sector. The government has not consulted local producers in the process of policy formulation, and has instead imposed policies that do not address micro-level dynamics. With the elimination of government extension programmes, farmers have been left ignorant of current world trends and prices for crops, and thus are vulnerable to exploitation by middlemen. This problem is exacerbated by the displacement of small-scale traders, which is reducing competition in the sector. In addition, with the liberalisation of input markets, private traders now play the role of extension workers, advising on the farming methods such as the use of chemicals.

Liberalisation has not turned the terms of trade in favour of agriculture, and relative prices have not improved for producers in spite of increases in farm-gate prices. Instead, agriculture and rural production are heavily taxed through high transport prices, due in part to impassable roads. Petty trading has become a more profitable pursuit, with transport owners profiting from a retail price mark-up in the capital, Kampala, which can reach ten times the farm-gate price. Reduced profitability for agricultural producers contributes in large part to the very high poverty level in villages. As a result, participants in the SAPRI forum said, liberalisation is benefiting urban dwellers but not farmers.

Meanwhile, indigenous subsistence crops, such as millet, are disappearing because of the desire, it was explained, to produce cash crops such as bananas and maize. As a result, despite the government's view that there is an abundance of food, malnutrition is increasing in Uganda, according to civil society participants. Furthermore, since women continue to produce the lower-income crops, it was argued that liberalisation and privatisation have benefited men more than women.

Zimbabwe

Rapid liberalisation of trade and finance had left businesses and farmers unprepared to compete in the global marketplace. The trade liberalisation measures first introduced in 1991 were designed to open the country to foreign goods, introduce its products to the international market, and increase output, earnings and employment in both the industrial and agricultural sectors. In reality, only the first of these goals has been achieved: while the national market has been flooded with cheap imports, local businesses have been unable to find significant external markets for their products. Consequently, small and medium-sized industries have been forced to reduce production, go out of business or switch from manufacturing to importing, leading to a large drop in manufacturing output. With companies forced to lay off workers, employment dropped sharply between 1991 and 1998 and wages have deteriorated.

The liberalisation policies have also undermined the agricultural sector – which provides a livelihood for 70 percent of the nation's population – leading to food shortages and growing inequality. Trade barriers, price controls, subsidies and production quotas were removed as part of a programme the government anticipated would transform the country's small-scale, subsistence agriculture into widespread commercial farming. Participants noted that the majority of rural Zimbabweans have not benefited from this programme Some large-scale farmers have shifted production from food crops to high-revenue generating export crops such as paprika and cotton, contributing to local food shortages. Smaller-scale farmers have been hurt by the lack of access to key inputs such as land, farm inputs and credit and the loss of timely information previously provided by marketing boards. Overall food production during the 1990s has not kept up with population growth, so the country has been forced to import food, adding to the national debt.

6. Views expressed in an electronic debate on globalisation: Malawi and Mexico

Organised by the World Bank and the Panos Institute, May 2000

Malawi

Eunice Kazembe, Malawi's Ambassador to Taiwan

I have on-the-ground personal experience with the realities and effects of grand sounding economic theories thrust on people in the last three decades. But even I have not felt the full blunt of these effects therefore I speak as a partial observer. Those who would have given unadulterated testimony do not know that this forum exists, could not contribute to it even if they knew.

As long as we keep talking about the issue of liberalisation, structural adjustment and now globalisation largely in terms of GNP, economic growth, competitiveness and such technical terms, we will continue to gloss over the real issues and the dehumanisation and indignity that supposedly well meaning initiatives of the World Bank, IMF, WTO and such institutions can promote.

Times were when, in the villages I know, there was not just enough to eat, but of adequate variety to ensure healthy growth for children and physical stamina for the adults. Not anymore. Children are hungry and listless most of the time, their mental and physical potential sabotaged and limited from childhood. Adults, physically weakened, are unable to concentrate their minds and to work long hours as they used to. Times were when schools had books and writing materials, teachers had motivation because they earned enough to live on and had respect in the local community. Now most children go to school yes, but with nothing to write on, nothing to read. Teachers have immediate grave survival needs to meet. Faced with such dire needs the enthusiasm to concentrate on teaching young minds takes second priority....Time was when what the villager produced from the land had value.

Now, thanks to the twin forces of deteriorating terms of trade and continuous devaluation and depreciation of local currencies, even buying salt, called common salt, in the developed economies is equivalent to a major investment decision, to be saved for over a long period. Time was when villagers could go to a hospital and get medicine for their ailments and when really ill they could count on a hospital bed and a blanket. Not anymore. The hospitals are empty of medicine, beds grossly inadequate, and cover a luxury.

Time was when an entrepreneur could start some little enterprise and make some money over time (after all initiative pays). The entrepreneur could count on real return, on borrowing at affordable interest rates, on getting honest and trustful workers. Not anymore. Inflation is a fixture (from all the progressively more expensive imports), interest rates above 50 per cent, and workers too preoccupied with their own survival battles or too debilitated to give an honest days work.

Yes money can be made, by importing from the developed economies and the Asian Tigers at lower cost than can generally be produced locally, so you close your local farm or factory, right size, dabble in e-commerce and pour your excess profits on competing in life style with the Joneses in Silicon Valley. It is globalisation after all.

Money can also be made by growing things for export on foreign owned commercial farms, yes the hungry growing locally inedible vegetables for export, at non survival wages. Money can be made by laying your hands on the national till or whatever till you find nearest you. After all isn't the seizing of opportunity, any opportunity, the essence of capitalism which is the driving force behind liberalisation and globalisation. No money can be made by the villager working her own land (the most ready resource available to the villager), when she cannot afford the few bags of fertilisers, the seeds and the insecticides, courtesy of the structural adjustments,the liberalisation, the removal of support systems and the massive devaluations. Still people till the land fully knowing they will not get much out of it, in the hope that somehow, for once the odds will change in their favour.

This debate should not be about theoretical elegance, efficiency of markets, linkages between democratisation and economic development,etc. It should be about being human and about leaving space for others and allowing them to be human. It should be about compassion and a genuine search for creating feasible, workable and accessible opportunities for the millions out in the cold. It should be about a different vision for the world, a world not only moved by movements in global capital markets and the pursuit of more and more for the few who must work out harder and harder to get leaner and leaner and will in any case not take it with them when they depart, as they must.

I want to think that the next round of SAPs or whatever term will come into vogue will include in it a genuine initiative for re-humanising not just the poor but the rich who seem to think that history has no relevance. Otherwise how is it to be expected that globalisation will change the welfare of all those people in the village, all those poor out there, when from the word go it is such an unequal and unbridgeable race.

Globalización de la Economía Mexicana

Hola, mi nombre es Julio César Espinoza García, actualmente estudio la preparatoria en el Instituto tecnológico y de Estudios Superiores de Monterrey, en el campus de Querétaro, México. El presente ensayo habla acerca de cómo se ha dado la globalización de la economía mexicana.

México es un país que se ha abierto a la economía mundial, actualmente ha hecho tratados con países de todo el mundo. Dentro de los tratados más importantes están el Tratado de Libre Comercio(TLC), hecho con Estados Unidos y Canadá, los diversos tratados que tiene con naciones de Centroamérica y Sudamérica y el reciente tratado hecho con la Unión Europea.

Aunque los tratados hechos con otras naciones no significa necesariamente globalización, sí son un paso importante que permite la globalización. Son muy pocas las empresas mexicanas que tienen sucursales en otras partes del mundo, son muy pocas las empresas mexicanas que podemos llamar "globales", me refiero a una empresa global a aquella que tiene producción, venta y distribución de sus productos en varias partes del mundo. Por lo tanto, la globalización económica de México se ha dado casi totalmente en una sola dirección: la entrada de empresas "globales" extranjeras a México; empresas que se han adueñado legalmente de nuestros recursos naturales, de nuestras tierras y que nos han dejado realmente muy pocos beneficios.

El gobierno mexicano, a lo largo de la historia, ha otorgado muchas facilidades a las empresas para que se instalen en nuestro territorio. Inicialmente (algunas décadas atrás) las empresas extranjeras estaban libres de impuestos; afortunadamente ahora tienen que pagar los mismos impuestos que cualquier empresa mexicana. A pesar de esto, México continúa siendo un lugar atractivo para las empresas globales, quienes continúan instalándose en diversas partes del país. Esto es debido a lo barato de la mano de obra, pues mientras un trabajador de Alemania recibe más 30 dólares por hora y uno de Japón más de 20, un trabajador mexicano recibe sólo alrededor de 1.50 dólares. Como se puede ver, para una empresa alemana resulta muchísimo más barato producir en México que en su país de origen.

El gobierno mexicano continúa promoviendo la instalación de empresas extranjeras en México, puesto que de esta manera se generan miles de empleos y se disminuye con uno de los grandes males de nuestra sociedad: el desempleo. Sin embargo, estas empresas extranjeras son grandes monstruos que poco a poco acaban con los pequeños empresarios mexicanos, o por lo menos les quitan la posibilidad de continuar creciendo. Esto es debido a que las empresas extranjeras traen consigo tecnología nueva a la que los pequeños empresarios no tienen acceso; además, las empresas extranjeras poseen más capital para invertir y tienen un mayor prestigio en el mercado. Podemos pensar que no tiene nada de malo que las empresas extranjeras sean las que controlen el mercado interno, puesto que continúan empleando a los trabajadores mexicanos y continúan ofreciendo al público productos de calidad y suficientes para todos. Sin embargo el problema estriba en que las empresas extranjeras sólo ofrecen dos ganancias a los mexicanos: los sueldos y prestaciones que ofrecen a sus trabajadores y los impuestos que le pagan al gobierno; muy pocas veces reinvierten sus ganancias en el país, la mayoría de las veces se las llevan a otras partes del mundo o a su país de origen (con los dueños de la empresa). En cambio, si las empresas mexicanas controlaran el mercado las ganancias se quedarían aquí, tanto sueldos e impuestos como inversiones.

El gobierno mexicano necesita apoyar a las pequeñas empresas mexicanas para hacer a estas fuertes y tecnológicamente actuales, antes de permitir la introducción a México de empresas extranjeras. Este apoyo no debe ser sólo monetario, sino que también debe apoyar la educación de los trabajadores, agricultores y empresarios que lo necesiten; para que estos hagan un mejor uso de los recursos y conozcan las técnicas que permiten un mejor desarrollo de las empresas. Así como también debe impulsar la investigación científica, puesto que mucha de la tecnología que se utiliza en fábricas y sembradíos sólo se consigue de importación y por lo tanto resulta mucho más caro.

México ha aprendido a proteger su industria y su producción en general. Ha aprendido gracias a tratados como el TLC que sólo debe permitir el intercambio comercial en los sectores en los cuales las empresas mexicanas son fuertes. Por ejemplo, ha protegido a la industria lechera que todavía necesita desarrollarse más; así como también ha puesto varias restricciones en los tratados hechos con la Unión Europea y otros países. Lo que falta ahora es el apoyo del gobierno mexicano para que los sectores débiles de la economía mexicana se desarrollen más y alcancemos un nivel que pueda competir a escala mundial; de esta manera la economía mexicana podrá globalizarse y no sólo se podrá permitir la entrada de empresas globales al país, sino que más empresas mexicanas tendrán la capacidad de competir en los mercados extranjeros.

7. Government views on the AoA

Eexpressed in 1999 through a WTO process called Analysis and Information Exchange (AIE)

Through this process, governments shared in confidence some of their thoughts and views on the WTO's Agreement of Agriculture. A total of 45 countries submitted papers, 8 from developing countries. All showed concern over trade liberalisation.

India said in its paper that the 'major thrust' of the 'appears to be based on the hypothesis that liberalisation is the panacea for all ills in the agricultural sector'. India urged that developing countries be allowed greater autonomy in establishing domestic agricultural policy and be able to provide domestic support. A purely market approach may not be appropriate for developing countries, it said, rather, for some countries, it might be necessary to adopt a 'market-plus approach, in which non-trade concerns such as the maintenance of the livelihoods of the agrarian peasantry and the production of sufficient food to meet domestic needs are taken into consideration...while it may not be possible to immediately ensure that developing countries are able to produce at least a minimum percentage of their annual food requirement, this is a goal that has to be pursued'.

In a joint paper, Pakistan, Peru and Dominican Republic argued for consultations to be held on market access, special and differential treatment of developing countries and on the possible negative effects of the AoA reforms on non-food importing developing countries. El Salvador, Honduras, Cuba, Nicaragua, Dominican Republic and Pakistan said in another paper that the hoped-for improved market access to developed countries 'have not materialised'. In order to allow 'real and effective market opportunities', future negotiations should take into account the need to 'develop a package of measures aimed at improving the national food security, maintaining the standard of living of the rural population....and exempt such measures from the reduction commitment'.

Mauritius pressed in its paper for recognition 'to be given to the multifunctional character of agriculture in small island developing states and in small developing countries' - that, in a number of ways, agriculture plays an important role in the economic life of rural areas. It pointed out that while 'it is contended that trade liberalisation will impact positively on world markets, this has never been proved....the WTO is here to enhance welfare, not to promote trade liberalisation per se. The multifunctional character of agriculture can meet the same objective, i.e. enhanced welfare'.

Cuba pointed out that the AoA 'would be worthless' if at the end of its implementation, market access has been restricted. It said that it was difficult to contemplate any new commitments unless the effects of commitments so far had been determined.

Africa

• Casestudies

8. Effects of agricultural price and market liberalisation and other factors on food security in selected districts of Uganda

Vredeseilanden-Coopibo-Uganda, SNV-Uganda, OXFAM-Uganda, December 1998

The Ugandan Government has, since attainment of independence in 1962, pursued a policy of self-sufficiency in food production with a view to producing an exportable surplus where possible. Owing to the high degree of export concentration on one single commodity, coffee, in the late 1980s and the collapse of international coffee prices during the late 1980s and early 1990s, growing attention was paid to the prospects and support of Non-Traditional Agricultural Exports (NTAE) to reduce over dependence on coffee as a single foreign exchange earner and to expand the export base.

These NTAE include food staples such as maize, beans sesame and soy-beans. The promotion of NTAE is part of the implementation of Structural Adjustment Policies (SAPs) in the agricultural sector. Following price and market liberalisation, anyone was allowed to buy and export produce. Food crops that were formally restricted to household production are now produced extensively to meet minimum surplus amounts that households and other farmers could sell for export.

The adoption of these NTAE crops has had varied effects on the crop production structure which existed before market liberalisation. The crops are gradually replacing formerly traditional cash crops and altering resource and input allocation to cash and food crops. Of significance, there is now some evidence that the emphasis on exports, both traditional and non-traditional cash crops has simultaneously meant a decline in the production of foodstuffs consumed locally, both in amounts and in variety. This has consequently undermined the food security of households.

Field investigations also reveal that higher prices of agricultural inputs and increased costs of accessing social services have continued to compare very unfavourably with low incomes, and that even in a few areas where agricultural production is said to have increased it has not uniformly permeated all rural producers. One of the key factors here are the high prices of fuel products whose impact on prices of agricultural inputs is well known.

In addition, two aspects are often neglected that need to be taken into account when analysing the impact of liberalisation on food security at the household level: the fact that producers are also consumers, and that these policies may have a specific impact on women. This fact has particular importance when we consider poor farmers who can either be obliged to sell their products at the time of harvest because of cash requirements, but again buy the same commodity during the lean season, or may be producing less than what they require to cater for the home consumption.

It is clear also that the impact of policy changes on the level and variation of prices for small farmers' produce will not affect them in the same way as larger farmers who can afford to sell only their surplus and store whatever is required for home consumption. In the post-liberalisation situation, prices are often much lower at harvesting time than later in the year, and change will represent a loss of income for the farmer.

The impact on women arises from the fact that in Uganda, women are the main source of labour for food production though they at times do not control the output obtained. They may also be given special plots for production of cash crops. Depending on the situation, they, may gain or lose with the policy reforms as they have specific tasks to perform and specific sources for their personal income (of which part at least is used to fund functions benefiting the whole household). In a situation where a woman is the head of household, liberalisation may mean that the local parastatal depot is closed down, and producers have to go out of the village to a local market to sell their produce. Failing to do this will oblige them to sell their produce to some village traders or fellow farmers acting as trader who will take this benefit, at her expense. Women are often faced with a very heavy workload which gives them little time to go to the local market to sell their produce. In case they sell their produce in the village, they will get lower prices and their economic condition will deteriorate.

Specific findings: summary statements

Trends in agricultural production: Statistical evidence from most district agricultural offices reveals that the area under cultivation, especially for food crops, such as beans, finger millet, maize, sweet potatoes, ground nuts, sorghum, etc., has increased significantly. However average yield appears to have remained constant. In some instances it has indeed declined. The latter is consistent with evidence from the field where discussions with farmers revealed that crop yields had dropped considerably over the last 10 - 15 years. Thus the increase in area under cultivation simply signifies increased opening up of new land for cultivation, probably occasioned by increased population. It also points to declining soil fertility and to productivity of land. Community and focus group discussions (in one area) revealed that more and more marginal lands are being opened up for cultivation: forests are being cleared, swamps are being reclaimed, and even hill-sides are being cleared of vegetation. This phenomenon seriously threatens the environment, future livelihood, and hence future household food security.

According to information from communities, the situation in Kitgum was quite similar to that in Arua, with the area under cultivation increasing significantly and productivity dropping. Poor husbandry and incessant insecurity in the area are the cause for the declined productivity.

Accessibility of food: Liberalisation of markets has among other things enabled traders and business people to buy and sell various types of produce without restriction. In Kitgum District where insecurity has greatly interfered with production, this seems to have helped in increasing accessibility of food which is now purchased from other districts such as Gulu, Lira, Apac, Nebbi and Masindi. Suffice it to say, however, that those who are able to access this food (which is sold) are very few indeed as low income is yet another prominent problem for the majority of the people. Even in instances where a few households have some income, access to this is not uniform within the households. Thus, access to purchased food for those with some income should not be taken for granted.

Malpractice: One uniform feature reported in all districts is that of malpractice relating to sale of crops, in particular food crops. First, liberalisation brought about a ready market for the crops. This coupled with increased costs for social services, especially education and health (which is a product of the wider liberalisation policy promoted by the country's Structural Adjustment programme), was reported to be putting pressure on farmers to sell their crops. Traders were advantage of this situation to offer lower prices, but, perhaps more worrying, is to "short-change" farmers. In Iganga farmers reported "skewed weighing scales", tins with smaller volumes than was indicated on them, etc. Within households women complained about husbands who sell foodstuffs at give away prices and sometimes straight from the garden to the many traders who roam the villages. Outright theft of foodstuffs was also reported in both Pallisa and Iganga. This, it was noted, forced farmers to sell all their food as soon as it is grown so as to avoid losing it all. In the case of Kitgum farmers harvest all that they can in part to avoid it being taken by rebels, as is the case in Kitgum District, but also to be able to sell and get some income for other household needs.

Traders, too, complained of the drastic fall in standards and quality of produce which is sold to them. For example in Iganga they complained of maize and beans being marketed before they dry, and of pebbles and stones being added to foodstuffs in order to increase weight. These and other malpractice increasingly make it difficult for food to be available in sufficient quantities or reasonable quality at household level, hence growing food insecurity.

Accentuation of gender inequality: A more fundamental problem is that of increased gender inequality occasioned by the "monetisation" of food crop production. In both Pallisa and Iganga women reported that the sale of foodstuffs now means that they (the women) have to invest more time in agricultural production in order for them to satisfy the two needs of food and cash. This is because in the majority of communities the production of food crops is known to be a woman's job.

Food distribution, price and variety: One of the assumptions of liberalisation policy is that deficit areas would gain from areas of excessive supply. It is also assumed that competition would lead to a lowering of prices. However evidence from the field points us in a different direction. For instance, in Kitgum where food is brought by traders from neighbouring districts, the prices of foodstuffs remain quite high. On the other hand prices offered to producers in the neighbouring districts remain incredibly low.

A slightly different problem is that of food diversity. All field consultations highlighted the problem of a much reduced menu for most households. Increased marketing of crops has led to concentration by farmers on a limited range of crops, those that fetch money more easily, mostly beans and maize. This has been done at the expense of others crops. In addition to the implied problem of limited quality, this is also gradually leading to significant reductions in biodiversity.

Liberalisation, the extension service, and the cost of agricultural inputs: It was generally pointed out that in the period preceding liberalisation of agricultural markets nearly all the food eaten came from their gardens. Agricultural inputs, such as hoes, seed, and agrochemicals, were sold to farmers through co-operative societies at subsidised prices, and agricultural extension services were provided free of charge by the government. Market liberalisation had since changed this.

Now farmers have to not only pay in full at market (and often expensive) cost for agricultural inputs but also for extension services whose quality, they argued, had itself tremendously dwindled.

Cross-Border trade and sustainability: This point is argued from the point of view of district specificity. Price and market liberalisation have, for example, encouraged trade between Arua and the Democratic Republic of Congo. This has led to market distortions which may subsequently act as disincentives to domestic producers, especially given that local producers may not be exposed to similar production incentives or that the different currencies may have different strengths.

District Specificity: Research findings reveal that each of the four research districts have their own specificity and peculiarities. This is important for understanding the impact of market liberalisation on communities in these districts. Examples:

Tobacco farming in Arua: Tobacco is one of the major cash crops grown in Arua district. Both directly and indirectly it touches on the livelihood of many households in the district. This crop is quite labour intensive and, because it demands a lot in fuel energy (firewood), its processing also encourages the felling of trees and hence deforestation. Thus while on one hand tobacco growing is bound to lead to declined soil fertility and opening up of marginal lands, on the other hand the labour intensity compromises utilisation of labour vis-a-vis food production.

The specific issues for small-holder farmers in Arua are varied. First, until recently only one commercial firm, namely BAT Uganda, was responsible for the promotion and marketing of tobacco. This monopoly allowed the company to control inputs, marketing and price. The situation has in recent times changed a little, with entry onto the market of yet another commercial company MASTERMIND. The change has not necessarily improved on competitiveness, as the two monopolists have simply allocated themselves swathes of territory, but still continued to dictate price. Because small-holder farmers lack resources to invest in production they are easily persuaded to accept BAT or MASTERMIND terms which include provision of initial agricultural implements and seed, on condition they (the farmers) do not sell the mature tobacco crop to anyone else.

Another shortcoming is that even the two large commercial firms do not pay cash (a feature which is often hailed by liberalisation enthusiasts). So when farmers want to obtain cash, they sell to middle-men who offer much lower prices but in cash so that they (the farmers) can meet their immediate needs. However given the much reduced income from tobacco sales, farmers always find it extremely difficult to buy adequate amounts of food (which they now do not grow), a factor which threatens household food security.

This specific circumstance of Arua raises questions about the efficiency of market liberalisation in a situation where certain monopolies are still allowed to thrive, all operating against the backdrop of decreased food production and hunger.

Rice-Growing, Agrochemicals, and the aftermath of insurgency in Pallisa: Two key problems have devastated the district with respect to food security. First, in the late 1980s an insurgency in the district resulted in the loss of large numbers of livestock, thereby interfering with people's livelihoods and security. Secondly, the situation was made worse by the fast spread of the African Cassava Mosaic Virus (ACMV) which decimated virtually all the cassava crop in the district.

Cassava is still regarded as the most important and most liked staple food in Pallisa. These two factors, coupled with the earlier demise of cotton as the main cash crop of the area, are partly responsible for the emergence of rice as the substitute crop for cash-earning. However rice is extremely labour-intensive, and its cultivation hardly leaves any time for families to engage in other food production. The need for cash has further induced reckless use of agrochemicals, sometimes with very negative effects. In these specific circumstances the liberalisation of agricultural marketing has meant wanton sale of foodstuffs to the detriment of household food security.

Exchanging foodstuffs for other provisions in Iganga District: Iganga District is strategically located along the main highway that links Kampala to the Eastern Uganda towns of Tororo, Mbale and Soroti, and also to Kenya. The district also has long shoreline and shares borders with Kenya on the waters. Because of its location, Iganga District has seen a very active marketing of agricultural produce, in type of "barter" trade which takes place on the waters of Lake Victoria: exchanging Ugandan foodstuffs particular maize and beans. But in the last 5-10 years this situation has been further complicated by a market for Kenya made products, such as cooking oil, soap, etc. This trade is carried out by middle-men who buy all foodstuffs from farmers and exchange them for other provisions. The agricultural products exchanged mainly include fish, maize and beans.

Thus market liberalisation has made it possible for traders to "invade" whole villages and make unrestricted purchase of foodstuffs from them, which in the medium to long-term endangers household food security. It is not surprising, therefore, that in Bugadde (Iganga District) women confirmed that at harvest time they sell all their food to the traders, who at a later stage bring for sale maize flour at much higher prices.

Conclusion This study has highlighted a number of issues relating to the impact of agricultural price and market liberalisation on household food security. Although the objective of the study was to isolate the effects of liberalisation policies on food security, it also revealed the interaction of many other factors that affect household food security. The study has also brought into sharp focus the concept of food security from the viewpoint of communities themselves. Despite the diversity of livelihood systems and agro-ecological zones represented by the four different districts, some common themes emerged from the study. These include declining productivity, lack of access to agricultural inputs, market distortions, accentuated gender imbalances, and declining quality.

It is evident from that many rural people are more preoccupied with their survival, and are therefore struggling to wade off the decline in their livelihood systems. Pastoralists in Pallisa who have lost most of their herds have become settled cultivators. Fishermen facing declining fish catches in Iganga are also spending more and more time in cereal crop production as a source of food and to replace lost income. But it is also evident that the much acclaimed production for cash is raising serious problems, especially that of what is seen to be "unequal exchange" involving traders. To the majority of people the issue is not "purely" about marketing – it is about having access to food and other essentials of life, and being able to pay for education and health.

The results have challenged some conventional thinking among policymakers about rural development priorities. Policymakers believe that the answer is in developing and promoting free market systems for agricultural produce, which will in turn release the production potential. Rural people have articulated their problems rather differently. They have given highest priority to their agricultural production problems, very often related to staple crops, and marketing problems have occurred much further down the list.

The overwhelming evidence is that rural people are aware of simple methods and technologies to increase their production, but they are frustrated in their attempts to do so because of lack of means to acquire them. The implications are for a twin-tracked approach to promoting food security. This means that as the government moves into full liberalisation of all sectors of the economy there are some important public roles that the government and other development partners such as NGOs, bilateral and multilateral organisations still have to pay particular attention to. These include: continued investment in agricultural research with the aim of increasing productivity at the farm level; ensuring that there is an efficient farm inputs distribution system; establishment of an effective agricultural extension system; further improve market infrastructure such as the rural road network; ensuring that the farmers have market information; and reviving co-operative marketing and farmer organisations in order to increase the bargaining power of farmers.

9. Trade liberalisation and household food security: a study from Zimbabwe

M. Chisvo, CIIR, July 2000

Economic liberalisation (in Zimbabwe) has been carried out in the form of an Economic Structural Adjustment Programme (ESAP), i nfluenced by the IMF and World Bank, and the AoA. The evidence gathered in the form of literature reviews and focus group discussions (in two districts, Chivi and Mutasa) suggests that negative impacts of liberalisation outweigh positive ones. Linking the impact of liberalisation to food security is a complex task as there is considerable overlap between trade policy and other issues both domestic and international.

The ESAP, launched in 1990, aimed to liberalise trade and the domestic market for goods, services and finance, and to promote investment. Liberalisation of the agricultural sector provided farmers with a greater choice of buyers and traders for their produce. Liberalisation of the public transport system improved the mobility of farmers. Overall, local market access for farmers increased, and consumers have benefited in that liberalisation increased consumer choice.

The negative effects of liberalisation on farmers have been that the removal of subsidies increased production costs in real terms as inflation rose (inflation was 60 per cent in May 2000 and had been at or around 50 per cent for the previous 12 months). Farmers access to credit became limited owing to the privatisation of the Agricultural Finance Corporation (AFC). Closure of Grain Marketing Board (GMB) depots in remote areas affected market access and information, creating a void which private traders have not adequately filled. Retrenchment of government civil servants reduced farmers access to extension advice. A rapidly deteriorating economic climate partly a result of a patchy and ambivalent liberalisation process created further difficulties.

A number of factors further exacerbated the hardships faced by the poor: drought in the late 1980s and early 1990s; the HIV/AIDS pandemic, which by 1999 was killing about 1,500 Zimbabweans a week; a rising population growth rate; the beleaguered land reform programme; a drop in remittances to the rural areas from urban relatives owing to retrenchment of the civil service; and the deteriorating economic climate.

To date ESAP has had a greater impact than the AoA measures, as policies associated with ESAP went beyond the AoA green box measures (that is, items that were deemed non-trade-distorting and need not have been liberalised). Under ESAP, all agricultural parastatals were privatised (including lending institutions), domestic markets were liberalised, domestic prices freed from control as subsidies were removed, and the extension service downsized.

Since 1997, after significant falls in the value of the Zimbabwe dollar, there has been a return to protectionist policies characterised by a reintroduction of price controls on some basic food items, tariff protection and exchange controls. The reintroduction of price controls on maize in particular further undermined producers income earnings.

Zimbabwe's commitments under the AoA include the removal of import and export subsidies, the removal of subsidies to be replaced by direct income transfers, and reduction of tariffs. In practise however, very little has been implemented under the AoA.

Trade liberalisation under ESAP covered tariff reform, a supportive exchange rate policy, and improved export provisions. It also included expanding the Open General Import Licence (OGIL), which allowed the import of certain goods without a licence. By 1995, OGIL covered 25 per cent of goods, followed by the publishing of a tariff handbook covering all agricultural commodities and based on the international tariffication system, thus showing a commitment towards the international trading system. At the time of writing domestic trade in all agricultural products except maize has been liberalised. Trade in maize is partially controlled by the GMB.

Until the mid 1980s Zimbabwe exported maize and did not import it. The highest recorded export was in 1984 at more than 2 million tonnes. Imports of the crop began in earnest in the early 1990s during the drought period and have continued to gain momentum since trade liberalisation. In 1999 maize imports were at 390,719 tonnes compared to exports of 299,295, making the country a net importer. The value of food imports generally rose from ZimD848.7 million in value in 1995, to ZimD1.53 billion in 1997. Domestic producers have therefore faced increasing competition and there have been few effective policy interventions to adapt to the changes.

Conclusion

Market forces have not successfully addressed the problems surrounding domestic food production. The experiences of the two communities in this survey provide a strong case for entrenching food security as a basic human right, and as a principle for governments and international organisations including the WTO. Increased investment in research and development, a sound policy of direct income transfers to farmers and an equitable distribution of land to poor farmers through land reforms, should be considered by government.

The outcome of the next round of AoA talks at the WTO will be of vital importance to the food security of the poor in developing countries. Policy changes are likely to affect domestic and international agricultural production, and producer and consumer prices of food and goods. At the same time, protectionist policies pursued by developing countries to cushion the poor against adverse economic shocks could be made more or less feasible.

It is therefore important that international trade and economic policies (eg SAPs and AoA) and their impact on poverty are effectively assessed on a case by case basis before more wide-ranging ones are implemented.

Gender – extract from highlights of focus group discussions with women in Mutasa district: The questions asked mainly focused on how women were coping with the food needs of their households. When asked to comment on their current food security status, the women said, that life was becoming "a nightmare", since everyone in the family was crying to them for food. The rising cost of living as a result of ESAP has made them poorer; only the rich could affording to survive. Crop production is the major source of food and income but with the rising cost of inputs such as fertilisers, chemicals and seeds their welfare was becoming worse with each day.

The women's day starts very early in the morning (4 a.m.) with household chores and the preparation of food for the children going to school. After preparing food for the husband at 8 a.m. women either work in their garden/irrigation plot or the Dryland field depending on the time of the year until 12 noon before going home to prepare lunch for their children coming back from school. After lunch they will collect water and firewood and at times do the laundry before going back to their garden/irrigation plot to water the crops. At around 5 p.m. they return home to prepare supper for the family before retiring to bed.

On the other hand, women said their male counterparts wake up around 6 a.m. to go to the field to plough or weed depending on the time of the year. At around 8 a.m. they will return home for breakfast. After breakfast they would help their wives in the garden/irrigation plot. After lunch they do other male jobs such as carpentry, maintaining/repairing their homesteads. Wednesdays and Sundays are regarded as non-working days, Sabbath day and Church day respectively. These are the days when their male counterparts visit the beer place in their community or township.

Women were expected to ensure that their families have something to eat everyday. Their male counterparts may help them raise money by moulding bricks or thatching other people's houses or clearing new land. However, such activities would disturb their agricultural activities. Prices of basic commodities are rising on a daily basis. The women said their gardens were helping them meet a number of household needs such as buying food basics, salt, matches, and getting cash for paying the grinding mill fees.

Malnutrition is said to be an imminent threat in the area if the situation is left unchecked because the typical everyday meals constituted of mainly starch (breakfast – tea with sweet potatoes or round nuts; lunch – sadza with vegetables; and supper- sadza with vegetables). Meat is a thing of the past because of the scarcity of livestock to slaughter at household level as well as the high cost of red and white meat.

Some women are now undertaking cross-border shopping trips to South Africa, Mozambique and Botswana off season to obtain merchandise such as clothes, radios to sell to raise money for inputs and household requirements.

Vegetable production is one of the major sources of income and food for women. However, when they take their produce to Mutare, the city council charges them a fee only to sell from 8 a.m. to midday. Due to the stiff competition from large-scale commercial farmers in and around Mutare, many return home with little money or are forced to sell their produce at give-away prices in order to recover the bus fare and/or buy a few food items. Women said that they were failing to meet the quality standards wanted by buyers such as Wholesale Fruiterers and Manicaland Produce, which had offered to buy their produce through the efforts of the ICD development worker.

When asked to comment on whether the market would be enough to meet their food needs, the women respondents said no. They preferred to grow their own food and buy from surplus areas only when the need arises. Even though the market could provide what they need, their marketing activities cannot generate enough cash all year round. Also, remittances from working relatives in cities and towns were dwindling due to the high inflation. Instead, relatives and children working elsewhere were now relying more and more on their meagre maize output. To worsen the situation, the AIDS pandemic has made older women mothers again because their grandchildren are being orphaned by AIDS and they have a social responsibility to look after them.

10. Food Security and Trade Liberalisation: Experiences from Sierra Leone

Ritchie Jones, Action Aid, 1997 (adapted)

During the early 1960s, Sierra Leone was self-sufficient in its staple food, rice. This was imported only in small quantities and imports sold at about the same price as domestically produced rice. Quantitatively, rice was always available and production was stable.

Domestic production of rice started declining in the late 1960s with gaps in rice supplies increasingly met by imports. From 1975 to 1985 domestic production in rice decreased from 630,000 tonnes to 500,000 tonnes and self-sufficiency was reduced. The market price of rice was subsidised by government. The consumer price was also controlled; this led to hoarding and scarcity. Domestic production stagnated. An army worm invasion and over-flooding of the riverine grasslands depressed production.

In 1989 a Structural Adjustment Programme was introduced; trade liberalisation was one of its main measures. Exports were encouraged, with the complete removal of export taxes. Rice production has continued to decline. The inflow of cheaper imported rice compared to home produced rice has served as a disincentive for an increase in domestic rice production. Farmers in Sierra Leone produce on a small scale at high cost. Hence the market price of home produced rice is higher than the price of imported rice.

Trade liberalisation opposes the protection of domestic rice in order to make it more competitive with imported rice. Even with the duties levied on imports, and the control of the consumer price of imported rice, domestic farmers still lose out as they cannot produce above levels that compete with the consumer price set by the government. This served as a disincentive to home producers of rice.

With no restriction to trade and investments, large foreign companies were able to influence rice farmers to divert to tobacco cultivation. The switch affected the overall production of rice. Up to this day, many farmers are still engaged in tobacco growing even when profit margins have fallen.

Disincentive in the rice production sector resulted in low outputs with no meaningful surpluses being realised over consumption. This had two effects. Firstly there were no gains from trade liberalisation as only a small amount of produce entered the market. Secondly an increased number of households had no food reserves during a certain time of the year, known as hungry period. This period is marked by the complete absence of rice in most households.

Trade liberalisation in conjunction with the SAP has led to the devaluation of the national currency. This, in effect, increased the domestic price of food. Consumers became worse off as their purchasing power was reduced. Since rice production is mainly at subsistence level, there was no price incentive to trigger an increase in production. Prices of imports also increased, affecting the availability of improved agricultural inputs like fertiliser and other light farming equipment.

The civil strife attracted food aid which increased the availability of food in the short run. In the long run, some farming families relaxed their agricultural efforts, leading to shortages immediately after aid was withdrawn from their areas. With the availability of cheap, foreign food in the market, it took a while to entice these farmers to go back to faming as they foresaw the foreign competition.

Removal of subsidies on rice and fuel has caused increases in the price of food, making less available for poorer households. An increase in transportation costs impacts on the availability of food in remote areas, as traders cut their frequency of supplies. With no substantial real wage increase to meet price increases, income distribution came more skewed, with the majority poor spending more on food than the minority rich. The poor got poorer.

Government cuts in expenditure and tight fiscal management meant that the agricultural sector and private sector had little access to credit. Expectations of private-sector led growth did not materialise; redundant workers from the public sector continue to remain unemployed, thus reducing the overall purchasing power of the economy. As the terms of trade for coffee and cocoa, the country's main export crops, increasingly become unfavourable and trade liberalisation did not benefit Sierra Leone.

11. Impact of Uruguay (Round) Agreement on Agriculture on Food Security: the case of Kenya

Hezron O.Nyangito, IPAR, August 1999 (abridged and adapted)

The AoA will influence food security in Kenya because of its impact on maize, wheat, rice, sugar, dairy products and beef. These commodities have in the past been given a major policy focus to ensure food security and generate income for farm families. Policies used included government investments in agricultural research and extension, controlled pricing and marketing, and subsidies on inputs. However with the onset of policy reforms since the late 1980s there was a shift from government controls to liberalised markets. (In 1982 the World Bank insisted on the removal of distortions in the economy as a condition for disbursing loans to the Kenyan government). Reforms gained prominence in the food sector as from 1993, when it was liberalised to remove government controls on food pricing and marketing. Under the AoA, bans on food imports were removed.

About half the Kenyan population is food insecure and the outlook is gloomy, Food production has been on the decline since the late 1980s. The decline is attributed to poor price incentives as a result of bad pricing and marketing policies, high costs of inputs, low levels of input use, and drought conditions. With full liberalisation of the food sector in 1993, there was a dramatic producer price increase for all commodities except rice. The poor response in production, despite an increase in nominal prices is explained by the fact that real producer prices fluctuated heavily, while the terms of trade between outputs and inputs worsened. Consequently, the profitability of growing food crops was low. The prices did not provide adequate incentives for increased production.

The liberalised trade in commodities has also led to increased imports of foodstuffs, mainly maize, wheat, rice, sugar and dairy products. Cheap imports dampen the producer prices and create competition for domestic supplies, resulting in disincentives for increased domestic production. WTO rules can be limiting given the role that agriculture plays in the development of an economy and in achieving food security.

It can be argued that the availability of imports allows consumers to buy food cheaply. This is true if consumers have income to purchase the food. However most Kenyan consumers depend on agriculture directly or indirectly. Food imports reduce the market for domestic agricultural products and leave the majority of farmers and workers in agriculture-related industries with no alternative sources of income. Hence even if there are plenty of supplies of food imports, even at lower prices than domestic supplies, the ability of most people to buy it is limited. The problem is made worse by limited employment opportunities (agricultural or industrial) which are linked to agriculture.

Liberalised trade, including WTO trade agreements, benefit only the rich while the majority of the poor do not benefit but are instead made more vulnerable to food insecurity.

The liberalisation of textiles and footwear has led to a flooding of the domestic market with such imports and consequently a more limited market for domestically produced textiles and footwear. This has led to a drastic decline in the production of cotton and, as a result, a loss of income to cotton producers, exacerbating the problem of food insecurity for most households in rural and urban areas.

On a positive note the liberalisation of markets has increased participation by private firms and individuals in the trade of food commodities, unlike in the past when public institutions dominated the trade. These activities can generate more employment opportunities and are likely to improve food security. However the extent to which this has been achieved is not known.

Because of the dominant role that agriculture plays as a source of incomes, available evidence indicates that policy reforms and international free trade in agricultural products has impacted negatively on food security in Kenya. The provisions of the AoA are a disincentive to producers who have been used to huge measures of price and non-price support. It is evident that agricultural production has declined, reducing the amount of domestic food supplies available.

In the long run it is hoped that policy reforms will encourage competitive production in agricultural commodities and the efficient use of productive resources. This will however be possible if producers have access to improved technologies and an appropriate institutional supportive framework. Otherwise in the absence of an appropriate enabling environment, the policies will worsen the food insecurity problem in Kenya as investments in agriculture decline, resulting in decreased food production, farm and employment incomes.

12. Trade liberalisation and the coffee sub-sector: some implications for the food sub-sector (in Ethiopia)

Alemayehu Geda. A study prepared for Action Aid Ethiopia, November 1999 (shortened)

(Coffee accounts for around 65 per cent of Ethiopia's export earnings; it provides a source of livelihood for a substantial number of the country's farmers.)

Trade liberalisation, which is one component of Ethiopia's structural adjustment policy, has led to an increase in the level of exports, both in quantity and quality, to an increase in the area under coffee cultivation, and in private sector participation both in the process and marketing of coffee. The rise in value of earnings from coffee exports is chiefly due to the exchange rate policy.

The liberalisation scheme, however, does not show that the SAP, (or the AoA, which has a similar effect) has enhanced the competitiveness of Ethiopia's coffees in the international market. Ethiopia's share in the world market is too small (around 2 per cent) to bring about such an effect. Price liberalisation, by itself, may not bring a major change in the coffee sub-sector and needs to be accompanied by supply side policies.

The volume of coffee export, processing and farm income derived is largely dependent on both national and international trade policies. In this regard the government' s domestic (national) policy of coffee market (both domestic and export) deregulation as well as the reduction of coffee taxes are very relevant. However this does not necessarily imply that the country will benefit from the international market. In fact the evidence....shows that the world coffee market is volatile with no prospect of a rise in price. The latter has an important implication for food security. The government cannot rely on the international market to ensure food security, and caution needs to be exercised in this regard.

Even if peasants' earnings from the cash crop could increase following liberalisation, acquiring the require food depends on the efficiency of inter-regional trade in food. This requires the government or relevant institutions to invest in infrastructure and efficient information system to help ensure national food security.

One of the potential impacts of liberalisation schemes such as SAPs or AoA is dumping. Dumping, by depressing prices, can eventually reduce domestic food production. In Ethiopia the increasing trends of food imports and food aid need proper management and sensible intervention by state before they lead to the collapse of domestic food production and rehabilitation becomes costly. Concrete policy implication here could be the efficient targeting of needy food aid and domestic support or protection with regard (to) food imports.

Trade liberalisation in the coffee sub-sector has also resulted in the decline in the share of taxes on exports in total government revenue. This basically implies that there is a transfer of resources from the government to private exporters.

Since primary commodity exporting countries, such as Ethiopia, are price takers in the international market, global liberalisation by all developing countries implies a relative increase in global supply which is turn depresses export earnings and "trade based food security". This has the policy implication of either strengthening collective action to fight against the price taker position, or resort to "food sovereignty" by collective negotiation on the rules of the game such as the AoA.

Finally it should be underscored that an in-depth study using micro evidence about farm-gate prices, resource substitution and food market efficiency, among others, in required to come up with much more micro-focussed policy implications.

13. Madagascar

Extract from draft of the World Bank's World Development Report, 2000, forthcoming, September 2000

Reforms in Madagascar seem to have hurt the rural poor despite the increase in their output. Following reform, agriculture grew the fastest it had in 20 years (albeit still at a modest rate), with growth concentrated among the smallest farmers. But the evidence also shows deepening poverty during and following liberalisation, particularly in rural areas. Nutritional, educational and spending data all suggest significant deterioration in living standards among the country's primarily rural poor. An important cause appears to be the significant liberalisation-induced rise in.....all the major food crops prices, particularly rice.

Rice price changes, associated with liberalisation, are estimated to have led to welfare losses of more than 20 per cent for more than a third of the country's rice farmers who comprise most of the country's poor. Because most small farmers in Madagascar are net rice buyers, liberalisation seems to have induced significant welfare losses among the country's primarily rural poor, including a large proportion of rice producers. A natural response for immiserised smallholders is to increase their labour effort, which increases output. Hence the apparent paradoxical result of higher agricultural output and higher rural poverty.

14. Globalization and its impact on Zambia.

Venkatesh Seshamani, University of Zambia, Lusaka, Zambia, November 1999 (extract). A country report prepared for the Professors World Peace Academy

When the present Zambian government assumed office in 1991, it adopted a fast-paced and, by virtue of hindsight, a rather uncritical adoption of comprehensive policy reforms under the aegis of SAP. The reforms implemented within a period of barely two years included the removal of subsidies on food and agricultural inputs, market determination of prices, liberalization of interest rates, trade and foreign exchange market, and the introduction of user fees for education and health care services. This attempt at rapidly dismantling the erstwhile socialistic, public sector-dominated and state-controlled regime in order t o fall in line with the evolving global typology of a capitalistic, liberalized, competition-oriented, private sector-dominated and market-regulated system resulted in immediate adverse economic and social consequences.

The abandonment of the then existing state distribution and marketing system and reliance on the private sector to take its place led to a virtual collapse of agriculture and further impoverished the small-scale farmers who already constituted the single largest poverty group in the country. The drastic decline in formal sector employment has brought about an accelerated proliferation of informal sector activities. Such activities that include charcoal burning and beer brewing are resulting in reckless felling of trees and deforestation. Soil erosion is being caused by over-grazing and excessive use of chemical fertilizers on previously fertile soil. Chronic hunger in several parts of the country is forcing populations to forage wild fruits and roots and encroach on game management areas. Deforestation and soil erosion are together resulting in changes in rainfall patterns and the ensuing droughts.

15. The EU-South Africa Trade, Development and Co-operation Agreement: Analysis of the Negotiating Process, the Agreement and the Economic Impact

Eurostep, 1999

The Trade, Development and Co-operation Agreement between the EU and South Africa was signed on 11 October 1999 and provisionally came into force on 1 January 2000. It represents a new type of agreement that the EU is seeking to conclude with developing countries based on its current trade and development policy. This consists of building reciprocal preferential trade relations through the creation of Free Trade Agreements (FTAs) in conformity with WTO rules. One aspect of the FTA presented to South Africa was to test the wider application of a free trade approach to the developing world.

The EU is South Africa's main trading partner, absorbing about 30 per cent of its exports (compared to 9 per cent for the rest of Africa). The EU is responsible for about 50 per cent of total foreign direct investment to South Africa. Under the FTA, the EU will increase duty-free access to its market by 14 per cent for South African industrial exports and by 41 per cent for South African agricultural products. For its part South Africa will expand duty-free access to its market by 24 per cent for EU industrial exports and by 47 per cent for EU agricultural exports. By the end of the transitional period the EU will concede greater duty-free access in absolute terms to South African total exports (95 per cent) than South Africa will to EU total exports (86 per cent). However South Africa will open up its market to a significantly greater extent (26 per cent) than the EU (20 per cent) in relative terms.

The EU originally wanted to exclude 45 per cent of South Africa's agricultural exports, covering about 6 per cent of its total exports to EU, from the agreement. The list of exclusions contained popular and highly successful South African export products such as apples, pears, oranges, wines and cut flowers. During negotiations it offered a full liberalisation for South African industrial products without any quantitative restrictions and a limited reduction of the excluded agricultural products. In particular, it proposed duty-free tariff quotas (sparkling wines, cut flowers, cheese and curd; wines), duty-reduced quotas (cut flowers, canned fruit, fruit juice) and partial liberalisation (processed agricultural products). It offered to put excluded products in a 'reserve list' subject to regular reviews with a view to further opening of the market; to include a specific agricultural safeguard clause; and to reexamine the implementation modalities of the export refund system for certain agricultural exports to South Africa.

Only when the agricultural sectors are included does South Africa benefit from trade liberalisation with the EU. The overall conclusion is that the EU-South Africa agreement will very likely have a greater positive economic impact in the EU than in South Africa. An improvement in South Africa's favour, could be reached if the EU agrees to increase duty-free access to its market for South African agricultural products. The removal of agricultural duties would seem to be fundamental if a reciprocal free-trade agreement is to generate reciprocal benefits to the contracting parties. Trade between the EU and South Africa will be certainly be enhanced by the agreement, but benefiting to a much greater extent the EU than South Africa.

Asia

• Casestudies

16. Selling out: the cost of free trade for India's food security

Devinder Sharma., UK Food Group, November 1999

As the world's leaders gather in Seattle to negotiate the World Trade Organisation's (WTO) Agreement on Agriculture (AoA), this essay considers how free trade threatens the very foundations of India's hard-won food security.

It has taken almost 50 years of planning, research and implementation for India to emerge from the famine and shortages of the 'ship to mouth' days when the country was dependant on food imports. Because food availability emerged as a major constraint to the development process, achieving food security through self-sufficiency became the central objective of India's agricultural policy after Independence. Its achievements over the past three decades are remarkable by any standards, with food production outpacing domestic demand.

India's agriculture is now at a cross-roads. As the green revolution loses momentum, crop yields are stagnating and declining. The failure of food production to keep pace with population growth is perhaps the most depressing economic trend in India today.

The problems raised by intensive agriculture have been aggravated by the effects of liberalisation. As the focus of agricultural policies shifts to agro-processing, foreign investment and exports, the critical connection between agricultural production and access to food has been ignored. At a period when hunger is on the increase, cereals and meat produced by India's most fertile lands are being used, not to feed its people, but to make pet food and whiskey for foreign markets. As agriculture becomes increasingly industrialised, small farmers are uprooted from their land, forced into the swelling ranks of landless labourers, and the marginalised urban poor.

Following the WTO's prescriptions, India is desperate to open its doors to international trade, even though phasing out import barriers is a recipe for disaster. Improving agriculture and making it economically viable is the best way for India to eliminate hunger and reduce poverty and unemployment. Cheap food imports will only drive out millions of subsistence farmers from their meagre land holdings, destroying livelihoods and threatening food security.

The case of milk products shows how trade liberalisation is turning India into a dumping ground for international commodities. Although India is the world's biggest milk producer, cheap foreign imports are threatening the livelihoods of million of small milk producers. With the removal of quantitative restrictions on the import of skimmed milk powder, the EU, US, Australia and New Zealand are now preparing to flood the Indian market with cheap milk and milk products.

While India embraces free trade, foreign companies are taking control of its land, seeds and agricultural research – the vital tools which farmers have depended on to produce the nation's food stocks. As farming becomes the target of big business, the fields of India are being switched from food production to flowers and other cash crops. The environmental and social effects are potentially catastrophic. For the sake of the commercial gains of a few corporations, soil fertility is being destroyed by toxic pesticides.

In a classic case of economic hijack, the WTO's agreement on trade-related intellectual property rights (TRIPs) is now poised to hand over India's entire food supply system to a few transnational corporations (TNCs). In a frenzied scramble to patent life, food pirates are scouting for anything that is worth intellectual property protection.

The dominance of Indian agriculture becomes complete. At this rate, India will enter the 21st century with little control over its own bio-resources, indigenous medicines or traditional foods .

17. Sunset for India's Yellow Revolution? Impact of trade liberalisation on oilseeds in India – the case of soy-bean

Binu S Thomas, 1999, Action Aid, India (abridged and adapted)

Government initiatives led to an increase in total oilseeds production in India from 10 million tonnes in 1980 to 21 million tonnes in 1993-94, a growth rate of 5.8 per cent a year, the fastest of all major crops in India during this period. Groundnut, rapeseed-mustardseed, soybean and sunflower were the major oilseeds. More dramatically, edible oil consumption rose from 3.3 million tonnes in 1980 to 5.4 million tonnes in 1993-94, and imports fell from 1.6 to 0.1 million tonnes in this time. India had achieved the impossible – self-sufficiency in edible oils in the span of a decade.

The star of this impressive performance was a relatively new crop for India – soybean. Its production increased by 19.5 per cent per annum between 1979-80 and 1993-94, compared to 2.6 per cent a year for groundnut. The share of soybean in total oilseeds production in India rose from 5 per cent in 1980 to 20 per cent in 1994. More significantly, unlike in the case of rice and wheat under the Green Revolution where much of the gains went to better-off farmers, soybean cultivation was uniquely suited to dryland conditions and was largely undertaken by small and marginal farmers in these areas.

In 1980-81, India produced 0.4 million tonnes of soybean; in 1998-99, production peaked at 6.2 million tonnes, making the country the fifth largest producer after the United States, Brazil, Argentina and China. However production is expected to be sharply lower in 1999-2000 at around 5.2 million tonnes, with acreage declining by some 12 per cent.

Following a series of recent policies, many soybean farmers felt they had no choice but to switch to other crops. The discontinuing of the Market Intervention Operations in 1994 undermined price stability. Small and marginal farmers became exposed to the vagaries of a market they had little capacity to work to their advantage.

The sharp reduction in import tariffs on edible oils, effected by the government since 1995 following the signing of the Uruguay Round agreement, reduced the level of protection enjoyed by Indian oilseed farmers. In 1995, tariffs on edible oils were cut from 65 per cent to 30 per cent (36 per cent for soybean). This was further reduced to 20 per cent in 1996 and to 15 per cent in 1998. Non-tariff restrictions on the import of edible oils were also lifted. Following an outcry from edible oil processors, who were badly affected by the resulting increase in imported oil, the tariff was raised marginally to 16.5 per cent. These sharp reductions were not entirely mandated by the WTO's AoA. India's commitments to the WTO allowed it to maintain a tariff of 45 per cent in the case of soybean oil.

Large scale imports of edible oil over the last year (1998-99) have depressed prices for domestically produced edible oil; India is reported to have imported over 4.2 million tonnes during 1998-99. From attaining self-sufficiency in edible oils a mere five years earlier, India had come full circle to become the world's largest importer.

Indian soybean farmers have increasingly found themselves between a rock and a hard place, paying more for their inputs but receiving less for their crop. Widespread monocropping of soybean has resulted in reduced yields and increased susceptibility to both fertiliser and pesticides. High seed prices, following the failure of government bodies like the National Seeds Corporation to provide good quality seeds at the right time, have left the door open to private seed companies and also hurt farmers.

Discussions with farmers near Indore found that in 1999 farmers were incurring a net loss of over Rs 1,300 (approx USD 30) per hectare of soybean cultivated. Many have abandoned soybean for maize, fodder etc. Of the two million tonnes reduction in oilseeds production anticipated in 1999-2000, a million tonnes will be on account on soybean alone. The biggest contributor to the success of India's yellow revolution is now contributing to most of the decline in India's oilseeds production.

Apart from farmers, industry and trade have also been adversely affected by liberalisation of the edible oil sector. The large-scale imports of edible oils has hurt crushers and refiners. The solvent extraction industry, which is largely dependent on the extraction of oil and meal from soybean, currently operates at around 30 per cent capacity utilisation. Many companies have wound up operations. Traders and other intermediates have been hit; (editor's note: one estimate is that the livelihoods of at least 3 million people have been destroyed). There are concerns about the quality of cheaper imported oils, so consumers may also be affected.

From a variety of perspectives – farmers, industry, trade, consumers and the economy – the recent steps to liberalise trade in oilseeds have not paid off. There needs to be an urgent review of the low import tariffs on edible oils which are flooding the Indian market.

18. GATT and trade liberalisation in agriculture: an analysis of the Philippines and Southeast Asia

Fransisco Lara, CIIR, 1994

Extract from section on "The impact on environment"

Trade reform impacts on the environment in three ways:

1. The liberalisation of import controls creates a palpable effect on food and resources as food producers abandon traditional and ecologically sound agricultural practices in favour of export monocropping.
2. The encouragement of agri-based exports in special development zones create massive colonisation of critical watersheds and the depletion of water resources in irrigated areas, previously planted to food crops.
3. The transformation of economies of scale into growership arrangements to meet new export demands creates a more extractive and non-sustainable type of agriculture and provides corporate agribusinesses with the perfect excuse to avoid responsibility in shouldering environmental costs.

19. Trade liberalisation as a threat to livelihoods: the corn sector in the Philippines

Oxfam, 1996

Under the 1994 agricultural agreement of the Uruguay Round, the Philippines is liberalising imports of a wide range of agricultural commodities. Corn is one of the sectors most immediately affected. Quotas have been replaced by tariffs, which will be reduced over the next eight years, exposing domestic producers to increasingly intense competition from imports. That competition will be intensified by another element in the Uruguay Round agreement: namely, an expansion of the volume of imports allowed under a Minimum Access Volume agreement. According to the Philippines Government, these policy changes will have beneficial economic and human welfare outcomes, with trade acting as a spur to increased efficiency.

This Briefing challenges that assumption. It argues that increased competition from imports will intensify rural poverty. As many as half a million household livelihoods in the major corn-producing areas in the Philippines could be lost as cheap imports flood into local markets, driving down prices and household incomes. Based on OECD price projections, imports from the US, the world's largest exporter of corn, could be available at prices 20 per cent below the current domestic price by the end of the decade. By the year 2004, the price gap may have widened to 39 per cent, as tariffs are scaled down under the Uruguay Round agreement. The *Briefing* estimates that typical corn-producing households could see their average incomes decline by 15 per cent by the year 2000, and by as much as 30 per cent by 2004.

Such a deterioration would have profound implications for poverty and vulnerability. Around 1.2 million households in the Philippines – some 6 million people – depend upon corn for their livelihoods. In Mindanao, the main corn-producing island, over half of the population lives below the poverty line, with incomes insufficient to meet basic needs for nutrition, shelter, and clothing. It is a similar picture in the Cagayan Valley, the second most important corn-producing region. In contrast to the image of the Philippines as the latest Asian 'tiger' economy, social welfare indicators in both areas are more comparable to those of sub-Saharan Africa than south-east Asia.

Against this backdrop, a sustained decline in income from corn production will inevitably carry high social costs, as families are forced to reduce expenditure and generate new sources of income. Education levels will suffer as the poorest households reduce their investment in schooling and increase their reliance on child labour – a survival strategy which risks perpetuating poverty from one generation to the next. Access to food supplies will decline from levels which are already perilously low. Over one-quarter of households in corn producing areas suffer from subsistence poverty: that is, their intake of food is insufficient to meet basic nutritional requirements. One third of all children below the age of five are malnourished. Inevitably, the health status of vulnerable groups, most of whom have limited access to basic health-care facilities, will deteriorate. Meanwhile, the already heavy workload of women will be intensified, as they increase the hours spent in employment outside the home to compensate for income losses in the corn sector.

Market distortions

Supporters of the Uruguay Round agreement typically express the gains of trade liberalisation in terms of increased efficiency and enhanced national wealth, while conceding that the benefits will be unevenly distributed. This *Briefing* suggests that, in the balance sheet of winners and losers, it is the poor who will bear the brunt of the cost in the corn sector, with the impact of trade liberalisation measured in terms if increased hunger, deteriorating child health, worsening poverty, and social dislocation. Under any circumstances, these costs ought to be regarded as intolerable. Under the specific circumstances of world agricultural trade the case for liberalisation is flawed even in narrow economic terms, since markets are massively distorted by subsidies in the industrial countries. Liberalisation in the face of theses subsidies will not create a free market. What it will do is lock smallholder producers in developing countries into a highly unequal – and unfair – competition with the industrial farming systems of Europe and North America.

Contrary to the image of the post-Uruguay Round world agricultural market as a level playing field, a situation prevails in which the major exporters, notably the EU and the US, have continued to subsidise production and exports. These subsidies have increased since the conclusion of the Uruguay Round. In 1995, the industrialised countries collectively spent $182bn subsidies equivalent to 41 per cent of the value of production. By contrast, most developing countries tax their agricultural producers. One of the principal subsidisers is the US – the main source of the corn imports against which producers in the Philippines will be competing. Among the salient features of US agriculture are:

- the transfer of between $18bn and $25bn annually in subsidies to farmers
- subsidies for corn producers typically amounting to between $2bn and $5bn dollars annually
- resource to direct export subsidies averaging more than $1bn annually

Such facts suggest that whatever sway the concept of a 'level playing field' in world agriculture may exercise over the imagination of trade ministers, it is conspicuous by its absence from the real world. The full extent of the unequal competition into which producers in the Philippines are being forced is graphically illustrated by another fact. According to the OECD, the per capita transfer to farmers in the US amounted to $29,000 in 1995. In the main corn-producing areas of Mindanao and the Cagayan Valley, average per capita incomes amount to less than $300. Expressed differently, each US farmer receives in subsidies roughly one hundred times the income of a corn farmer in the Philippines. In the real world, as distinct from the imaginary one inhabited by free readers, survival in agricultural markets depends less upon comparative advantage than upon comparative access to subsidies – and this is an area in which exporters in the US will retain a dominant position. Liberalising local food markets in the face of such unequal competition is not a prescription for improving efficiency, but a recipe for the destruction of livelihoods on a massive scale.

Implementation of the Uruguay Round agricultural agreement over the next five years will not materially change this picture. As this Briefing points out, that agreement makes a distinction between 'indirect' subsidies, which are to be marginally reduced, and 'direct' subsidies, which are permitted under the World

Trade Organisation. Viewed from a market perspective, the distinction is of limited relevance. The end-result of subsidies in the US and the EU is to increase output and to artificially depress the price of exports. No effective disciplines on export subsidisation were agreed in the Uruguay Round, allowing the US and the EU to continue past practices, albeit under slightly different rules. Agriculture remains the only area of international trade in which export dumping is accepted as a legitimate trade practice.

The limits to liberalisation

The disturbing picture of rural poverty in the Philippines which emerges from this *Briefing* is a microcosm of a wider problem. Too often, trade liberalisation is viewed by governments as an end in itself, regardless of its impact on the lives of vulnerable communities; and regardless of the specific characteristics of particular markets. It is taken as axiomatic that free trade policies will maximise long-term human welfare gains, with any adverse affects discounted as a regrettable, but inevitable, transitional cost. Evidence form the Philippines suggests that the benefits from trade liberalisation in the distorted markets of world agriculture will impose unacceptably high costs which no government should accept. In the case of the corn sector, Keynes' observation that "in the long run we are all dead" has rather more resonance than the free market platitudes offered in support of the Uruguay Round agreement.

A parallel problem concerns the role of the WTO as a multilateral trading body. The Uruguay Round agricultural agreement is not widely understood in the developing world, and it has not been subject to public debate. Yet it is cited by the Government of the Philippines as an immutable fact of life which, having agreed to sign, it is now unable to challenge. In effect, sovereignty over national food policy has been transferred from Manila to a remote and unaccountable trade body in Geneva, which is inaccessible to civil society in Philippines. This poses an acute threat to democracy and accountability – especially in the context of an agreement which is so unbalanced. Legal niceties aside, the Uruguay Round agreement bears all the hallmarks of an elaborate act of fraud. It requires developing countries to open their food markets in the name of free market principles, while allowing the US and the EU to protect their farm systems and subsidise exports. Unfortunately, like most acts of fraud, the Uruguay Round agricultural agreement is better understood by its architects, for whom it will translate into lucrative export opportunities, than by its victims – the smallholder farmers whose livelihoods it will destroy.

This *Briefing* paper calls for a series of measures to protect corn farmers in the Philippines from unfair competition with the US. Some of these measures could be enacted by the Philippines Government. Others will require reform of the Uruguay Round agricultural agreement, which will be reviewed in 1999. The measures include:

- increased public investment in marketing infrastructure, including rural feeder roads and post harvest facilities;
- more effective implementation of the Comprehensive Agrarian Reform Programme in corn-producing areas;

- the restoration of quotas on corn imports to provide effective protection to local producers;
- the withdrawal of the Minimum Access Volume requirement, under which the Philippines is obliged to increase the volume of imports subject to a lower tariff from 130m tonnes to 217m tonnes;
- an immediate review by the Philippines Senate of the tariff schedule agreed under the Uruguay Round;
- the adoption by the WTO of a food security clause, allowing developing countries to protect their food systems up to the point of self-sufficiency for social, environmental, cultural and economic reasons;
- extension to agriculture of the WTO's anti-dumping provisions, outlawing exports at prices which do not reflect costs of production.

Finally, the focus of this paper is the corn sector of the Philippines. However, it raises issues which go beyond that sector, and beyond the Philippines. Governments across the developing world are liberalising their food systems, whether under the Uruguay Round agreement, World Bank – IMF adjustment programmes, or under their own volition. Producers in many of these countries are likely to face problems comparable to those experienced in the Philippines. This *Briefing* suggests that the potential social and economic outcomes of the liberalisation need to be carefully evaluated on a case-by-case basis, taking into account the specific circumstances of each country – and the particular world market into which producers will be integrated.

20. Asean Free Trade Agreement: too costly for Filipino farmers

Philippine Peasant Institute, 1999 (edited extract)

In December 1998, leaders of countries belonging to the Association of Southeast Asian Nations' (ASEAN) issued a "Statement of Bold Measures." This included accelerated trade liberalisation, such as removing obstacles to trade among member states, including abolition of high tariffs and the scrapping of quantitative restrictions and other non-tariff barriers. This will be of special benefit to low cost producing countries. (The ASEAN group comprises Brunei, Indonesia, Malaysia, Philippines, Thailand, and Singapore).

The Philippine government's view is that free markets offer the best route to attaining food security and that "trade will allow domestic food consumption to be met more cheaply by less costly imported supplies." The advantages of free trade, according to the government, are particularly marked for countries, like the Philippines, where the overall availability of domestically-produced food staples is on the decline, since increased imports will keep food prices low. Thus, to cover the country's food deficits, the government recommends that the country opens its agriculture market to foreign food producers and import their surpluses.

Furthermore, the removal of any domestic trade barriers will supposedly enable the Philippines to "reap the benefits of comparative advantage" and improve national economic performance by discouraging unproductive activities. The government does concede that liberalisation will create adjustment costs for small local producers, but insists that such costs will be outweighed in the longer term by opportunities for export and the wider benefits of modernisation.

Is there basis for such an argument? The Philippine government says yes and it has put forward a position for trade liberalisation that promotes the expansion of foreign markets for local agri-export interests.

Small farmers say no because the argument of liberalising imports and expanding exports through diversification into new crops fails to take into consideration the question of food security and environmental sustainability. Apart from this, the danger of losing their livelihood under a free-market regime is also clear.

In this light, they oppose moves to hasten rice tariffication as well as the further lowering of corn tariffs, both of which have direct impact on food security. Philippines has about 1.5 million rice farmers and one million corn farmers. The country has a total of three million hectares devoted to paddy rice farming, and 2.3 million hectares of corn.

Small farmers argue that the immediate effect of the government's acquiescence to trade liberalisation in agriculture is the marginalisation of food crop production. Declining incomes, especially in the grains, vegetable, and fruits industry, threatens the wide-scale bankruptcy of food crop producers. Indications of this marginalisation may also be seen in the gradual reduction of hectarage and production output for such crops as rice, corn, and vegetables. In turn, declining farm incomes further worsens food crop production and provokes a rapid shift to export crops in demand in the international commodity market. In general, marginalisation refers to the loss of agricultural competitiveness in essential sectors of the farm economy and the gradual transformation of the Philippines from an exporter to a net importer of food commodities.

Thus, trade liberalisation in agriculture puts the food security of the poor and powerless sectors in the Philippine economy, especially in the countryside, at a compromising position.

21. When Tariffs Rule: Philippine smallholder agriculture under the GATT/ WTO Tariff and Trade Liberalization Regime

Philippine Peasant Institute, 1998

In 1994 when the General Agreement on Tariffs and Trade (GATT) was up for ratification in the (Philippine) Senate, there was heated debate on the benefits and implications it posed for the country. Yet there was little debate over one fact – that it was the agricultural sector, particularly the impoverished and small farmers, that stood to be hurt the most by the treaty's call for full scale trade liberalisation.

Some three years since the Senate ratified the GATT and made us founding members of the WTO, an initial assessment on the validity of small farmers fears may be made.

Far from the promised trade surplus that would be reaped by Philippine agriculture under a WTO liberalisation regime, the opposite has been the case for the two years in which we have implemented the new tariff scheme. The hope was that agri-exporters would easily find new markets, enough to match or outpace the food and produce imports that Filipinos had acquired the habit of procuring. Not so. In 1995 the agricultural trade deficit reached the USD 150 million mark, up 30 per cent from the previous year's levels. In 1996 the agri-trade deficit rose again, this time by a whopping 81 per cent to USD 789.21 million. Initial estimates of the agri-deficit posted in 1997 place it at USD 763.8 million.

Filipino farmers share over local markets, meanwhile, was clearly being eroded by the entry of cheaper, often subsidised goods. Even bigger players in the sector – big sugar millers and planters, livestock and poultry integrators among others – were starting to hurt from the liberalisation, often resulting in policy demands from their end that tended to undermine the interests of small farmers and peasants. A halt to agrarian reform was one such call. Increasing corn imports' minimum access volume – the negotiated entry allowed at a vastly lower tariff – was another.

Even as these liberalisation pains were being borne, mainly by the vulnerable small players, the Philippine government proceeded at full steam with its other trade agreements.

During the 1996 Economic Leaders summit of the Asia Pacific Economic Cooperation (APEC), the Philippines submitted a host of trade and investment liberalisation commitments that embody the APEC vision of a borderless Pacific Rim by the year 2010. Under the ASEAN Free Trade Area (AFTA), due to be in place by 2004, similarly rapid liberalisation terms were being agreed to by the government negotiators, even including sensitive agricultural products like rice and corn.

All these point to a scenario where tariffs remain the only allowed form of protectionism that small producers can rely on in the interim. Eventually, if the economies of the world have their way, even these tariffs will ultimately give way to full liberalisation and borderless trade.

Yet however important tariffs have now become in the lives and livelihoods of small producers, they are hardly in a position where they can intervene in the formulation of tariff policy. A huge gap exists, even in their level of awareness of the tariff regimes that the country has committed to follow, and how these trade commitments stand to impact on their production and markets. An even greater need is enabling farmers' groups to participate actively in the determination of tariff rates, that, along with other factors, could make or break their capacity to survive in a liberalised economic environment.

At the level of policy there is an equally urgent need to convince trade officials to activity seek and heed small farmers views regarding tariffic ation. Thus far, the only representations from the agri-sector have come from the bigger and relatively less vulnerable players. Small farmers and marginalised producers should be assisted toward a better understanding of trade dynamics and a more active role in the setting of economic policies that will profoundly affect their communities, their families and their sector.

This publication hopes to serve as a preliminary step towards that direction. It discusses the tariff and trade commitments that the Philippines is a party to, these commitments' implications for the major agri sub-sectors where small farmers play a vital role, and the processes by which small farmers can be better able to understand and intervene in the current liberalisation regime.

Tariffs alone will not determine the fact of the Philippine peasantry amidst globalisation. (The study) does however recognise the increasingly important role that tariff-setting will play in the future of smallholder Philippine agriculture. As such, building up small farmer capacities – to survive in a free-for-all trade environment, as well as to intervene in the shape and pace of that environment – is an imperative.

22. Thailand Under Crisis: The Larger Picture and Food Security

J.D. Comtois, RRAFA, January 1999

Thailand's Structural Adjustment programme (SAP) is largely focused on privatisation of state enterprises (a goal the World Bank has been working for in Thailand for a couple of decades), high interest rates, and so indirectly very careful money lending by banks (low credit availability). This had the effect of slowing down the economy more than anyone had projected. But this was not too much of a matter for the technocracy who envisioned a strengthened agricultural sector since all those idle hands would of course return from whence they came – the farms – and it was going to be that strengthened agricultural sector that was going to pull Thailand out of the mire once again. Privatisation of various state enterprises would only mean more able bodies back on the farms.

Presently Thailand is reeling from the EU's restructuring of the Generalised System of Preferences (GSP). The EU is focusing preference on previous colonial nations and as such, Thailand has been the target of increased tariffs (or, as some may prefer to phrase it, reduced privileges). There have been many reports in the local media about how Thailand will cope with the decrease in net agricultural exports (EU is Thailand's second largest agricultural export market). Fruits and vegetables tariffs imposed by the EU will increase from a present 1.2 per cent average to 20.4 per cent. Thailand is the 11th largest vegetable-producing nation, according to the annual UN FAO survey, producing 500 million tonnes per year of 70 different kinds of vegetables. Such a move by the EU will have considerable effects on local farmers. Other food and fishery products will be facing tariff increases of between 20 and 50 per cent.

It was reported that at one point in 1998 Thailand was the only nation in the region with exportable rice surpluses. While this reflects favourably on Thai farmers ability to produce rice, the regional economic and meteorological crises put Thailand in the uncomfortable and politically volatile situation of being of The Haves while many of its neighbours were of The Have-Nots. Thailand quietly realised its predicament and made moves to safeguard itself. It ceased government to government credit for rice sales to Indonesia as well as cut down the usual amount of rice exported to that country. Manila was getting quite concerned with the amount of rice Indonesia was importing – 600,000 tonnes per month (not all from Thailand) – as it was a serious drain on global supplies and the Philippines itself was needing to be able to get some for itself. Regional multilateral stability could reasonably be expected to trip somewhat if the situation became any more acute. Thailand, indeed, had begun to talk of ceasing rice exports altogether should the regional food production crisis continue in order to ensure domestic supply. Now, with greatly feared drought falling heavily upon Thailand, the regional food crisis is only looking worse.

In what could be interpreted as a prophylactic courtship with its most serious rice export competitor, Thailand has entered in some deep-penetrating relations with Vietnam regarding the production, processing and marketing of rice. Heralded by Thailand as an Economic and Technical Cooperation (ECOTECH) effort under APEC, the move was seen by some as the birth of a questionable alliance of the two largest rice exporting nations. How will the WTO view it?

Finally, and quite importantly, Thailand spends about 100 billion Baht a year on price support measures alone. Just in the last month there has been announcements of multi-billion baht measures to aid cassava and rubber markets. Palm oil and sugar have also been recently addressed on a similar scale. On top of that, the government is always manoeuvring to provide seed, loans and other support to farmers throughout the year. Without pursuing the issue of the effectiveness of many of these expenditures, in the end it is important to note that much of this support actually goes against what is allowed under subsidisation agreements under the AoA. If Thailand's Mr. Supachai actually makes it to the top position of the WTO as is hoped by Thailand, what kind of pressures will this create to clean Thailand's domestic and export support habits and what effects would this hold on the farmers?

A policy paper issued by the Ministry of Agriculture and Agricultural Cooperatives (MAAC) released in June, 1998, proposed to increase areas of large tracts of land for high value cash-cropping by private industry. It also presents plans to attract private investors in a bid to increase the salability of presently poorly marketed crops. Such measures include increasing access by the private sector to agricultural cooperatives and access to various land reform areas. The policies also mention sustainable agriculture quite often in the context of reducing production costs by turning to locally available inputs (reducing costs associated with imported industrially prepared inputs).

Finally, there are funds being mobilised to focus on farmers cooperatives and other farmer savings groups for management improvements and other administrative needs.

Generally, policy has been trending towards increasing acreage under high-return crops. Lands only marginally productive for rice are targets for promotion of other crops that can better grow in those regions. While this may make sense in a land use perspective, these marginal areas are generally planted in rice for home consumption. In the June policy paper of the MAAC suggested crops to replace rice include fast-growing trees and cotton. An increase of food-production-substitution agricultural activities (almost seems to be a contradiction in terms) is certainly a volatile choice. If the measures used to encourage switching over to more favourable crops include comparably unfavourable loan or taxation terms against the planting of rice then hello hunger all over again – especially when considering the impending increase in food owing to the drastic regional shortages.

Farmer response

Rural suicide is up and mental health problems are climbing as evidenced by consultation statistics of regional health services. Rural crime is up and other social indicators are starting to blink red as well. There is trouble in the countryside. So much for the rural panacea .

Any other specific response to the crisis has been only sporadic – but one was particularly interesting. A farmer and member of Forum of the Poor, angry with the Chuan governments acquiescence with IMF/WB rules hi-lighted the farmers recognition of the power they (the farmers) presently hold. The man noted that if the farmers were to take to the streets, agricultures important foreign exchange earnings would be seriously impacted (agriculture provides about 400 billion baht – USD 11.11 billion – per year in foreign exchange).

NGO Response NGOs have been reacting as fast as they can to the improbable pace maintained by all the related institutions. The broad reach of Thailand's Alternative Agriculture Network (AAN) and the numerous associated organisations have been working to provide communities with the information they lack to understand what is going on.

A National Working Committee on Food Security, drawing from the broad expertise of the AAN along with other partner organisations is working to spread information to farmers. They are explaining what these dragons known as WTO, IMF, WB, APEC and ASEAN are exactly and how their policies, often seen as being far removed from every day relevance, affect every day life. This is an effort at bringing macro issues to the micro level. At the same time, data collection on food security issues are being collected from them for collation into a worms-eye view of the situation for presentation micro issues to regional and global for and also for presentation to representatives of such organisations as WTO, APEC and ASEAN.

Also in the process of being drawn together is a National Food Security Council which it is hoped will include representatives from all relevant sectors. This representative board of persons will be a panel of influential persons from Thai society who will lend credence to the efforts of NGOs (which in Thailand are largely held in relatively low esteem by the mainstream).

In Thailand much of this work is only now slowly taking off. The past year has been extremely busy with preparations – including more deeply familiarising ourselves with the policies and institutions at play – as well as mobilising necessary finances and personnel.

Observations

It is hopefully obvious at this point that the mess isn't simple: devastating weather patterns, massive unemployment, foreign food shortages putting pressures on domestic supplies, a need to earn foreign exchange to bail out an unbelievably irresponsible private sector (both domestic debtors and foreign creditors), external pressures to increase trade liberalisation (with Thailand, the [over-eager] teachers pet, working hard to maintain its favourable image) AND countries collapsing the world over with expectations for it to continue – all at the same time. As a result rural social upheaval is not an unreasonable concern. If it were to build up to such a scene, the doomsday predictions that picked Indonesia, South Korea and Thailand, in that order, as countries to blow up in political turmoil would be proved largely correct. The effects that would have on food security need not be expounded upon.

Many of us who habit waters outside the mainstream have been saying for a long time that unchecked, liberalised global trade is a disaster waiting to happen. No one listened. Now its happened. With so many nations so greatly dependent on others it does not create stability what-so-ever but rather just the opposite. If nothing else is painfully clear from this whole financial contagion this should be.

For this reason, Thai NGOs maintain that nations should be free to maintain policies that protect its citizens. Free trade in agricultural goods is not excluded from this philosophy. Free trade in agriculture is as unstable as unrestricted capital investment. When a nation outsources its food production, it makes itself only as secure as its providing nation. What happens when the next contagion is a food contagion?

Thai NGOs are presently working with the nations largest fraction of the national constituency to find solutions, through a macro-micro information exchange approach, to the crisis. They will be small, community scale efforts in resources management. They will be sustainable community development projects. They will be low input sustainable agriculture solutions. They will be information-sharing programmes. In short they will be local self-sufficiency projects and programmes that build community strength and involvement in the larger issues at play.

They will not involve support of free trade pursuits for free trade is for the vast minority of the national constituency until they screw up (again) when the majority need bail them out (again). Social safety nets should not be woven from the toils of the poor. A social safety net is not a handicraft.

• Views and statements

23. Impacts of trade liberalisation on Malaysia, Philippines and Cambodia

Conclusions of discussions held at a conference organisaed by ERA, Malaysia, October 1998

The huge level of dependence that Malaysia has on imported food commodities implies that changing trends in agreements on international trade will have a great impact for us. Consumers in Malaysia, as elsewhere, are affected by trade and trade policy. In this context, the GATT was established with the aim of fostering open and fair trade. As far as agriculture is concerned, GATT aims to create a market-oriented trading system.

Malaysia, as a member of the Cairns group (of food exporting countries), endorses the view that measures be initiated to achieve full liberalisation to trade in agriculture by eliminating agricultural policies distorting trade. Malaysia is one of the few developing countries which is a net-exporter of food. Even as early as the period 1983-1985 her net food exports amounted to an average of RM 1311.7 million (about USD 345 million). But closer examination of this figure reveals that the primary cause for enjoying such a privileged position arises from Malaysia's large exports in animal and vegetable oils which were about RM 1999.9 million. Similarly, in 1997 palm oil and cocoa beans together accounted for an export income of RM 10924.1 million whereas total food imports amounted to RM 10044 million.

Looking at imports and exports in an aggregative sense, Malaysia is undeniably a net food exporter. It is therefore understandable why the government would want to support trade policies that benefit its status as a net exporter.

A more people-oriented examination reveals the bias behind such a view. Most of the food commodities that Malaysia imports (such as wheat, raw beet and cane sugar, and dairy products) come from developed countries like the United States of America, Australia and New Zealand. Not withstanding the discourse on liberalisation, the developed countries have heavily subsidised agricultural sectors. Regardless of the merits or claims of long-term benefits through free trade and liberalisation, it is also clear that any liberalisation would result in higher world prices and thus increased import prices of food....The outcome of Malaysia's position would be one where the burden of liberalisation is thrown on the ordinary consumer, who would have to pay more for the beef, butter, sugar and wheat that they purchase. This will serve only to further erode the real incomes of the urban and rural poor.

Philippines

Analysis of the "October 16 Committee" of NGOs and peoples organisations

The current design and implementation of macro economic policies and programmes that advance trade openness and financial liberalisation entails dangerous social and political results and further undermines the food entitlements of the poor. Reliance on international supplies to meet the demand for staple food such as rice is dangerous for democratic governance. With less than 5 per cent of global surpluses in rice traded in world markets, the failure to access a sufficient share of this commodity in times of regional and international shortages can result in serious social and political instability. The current framework of trade liberalisation policy is one of accelerating tariff reduction in staple foods such as rice and corn. This policy promotes a recourse to imports as a way to meet local demand that undermines local prices, reinforces an urban bias through a "cheap food policy", and is wasteful in foreign exchange.

The framework of financial liberalisation renders the local currency vulnerable to speculative attack, undermines the net value of wages and incomes, and intensifies unemployment. Financial liberalisation has also resulted in higher interest rates, lower investments, and higher costs for food inventories and stockpiling. These costs foster instability in the market infusion of basic staples and cripples the ability to maintain household stockpiles, and ultimately threatens the food entitlements of the poor.

The food problem in the Philippines displays the tendency of absolute hunger and chronic hunger to move in different directions. Economic growth in the past has resulted in declines in absolute hunger, but the infrastructure further threatens the food entitlements of the poor and vulnerable. Land conversion results in the increased vulnerability to entitlement failure as intended beneficiaries are deprived of an important endowment that can improve their entitlement to food.

Cambodia, Boua Chanthou, Padek Cambodia

As the market economic system becomes more entrenched in the life of the Cambodian people, many problems are emerging that have implications for the food security situation in the country, especially the rural communities. In the rural areas, 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 livelihood. 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. Recent study has shown that the top 10 per cent of the population own 33 per cent of cultivated land and the bottom 20 per cent own less than 4 per cent of cultivated land.

Agricultural activities have depended very much on the wimps of nature. Year after year, droughts and floods have chased some farmers out of their villages, resulting in urban migration, temporary for some, permanently for others.

Agriculture contributed some 42.4 per cent to GDP in 1996, down from 51.5 per cent in 1991. Rice is the most important crop, accounting for a third of the total value of agricultural production. Cultivated land for rice accounts for just less than two million hectares, still below the level in 1996-7 of 2.5 million hectares. This is largely due to the disappearance of mechanised rice farming around the Tonle Sap plains and the presence of some six million landmines throughout northwestern Cambodia.

In 1996, Cambodia produced 3.39 million tons of rice which is adequate, at least in aggregate terms. However, deficits were reported in many provinces. Many households are not sufficient in rice. In fact 70 per cent of households produce less than 50 per cent of their rice requirements. This is due to inadequate communication system and information flow, market imperfections and the general absence of the rule of law. United Nations organisations, such as WFP and ILO, respond to the situation by importing rice for food-for-work programmes.

As for other food, it is noted that traditional community access to forest and fisheries resources has been eroded alarmingly in recent years through privatisation of these resources to commercial interests. The forest cover of Cambodia has declined from an estimated 73 per cent during the middle of the 20th century to an estimated 58 per cent at present. In the fisheries sector, most of Cambodia's most productive inland fisheries have been allocated as concessions to business interests.

Latin America and the Caribbean

• Case studies

24. Uruguay gas, milk, soft drinks, sugar, small farmers

Friend of the Earth Uruguay, 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 (Conaprole); 80 per cent of the cooperative's 6,500 milk producers were small, family-run farms.

The milk market in the Mercosur regional trade grouping (Uruguay, Brazil, Argentina and Paraguay) is huge – 22,000 million litres per year. This has proved very attractive for incoming food TNCs. Uruguay has also been seen by these companies as a good base for regional production and trade, because of benevolent fiscal policies for foreign investors, loans from the national bank to transnational companies, and for increasing deregulation of labour (pushed forth and supported by the same foreign companies. The Italian multinational Parmalat arrived in 1992. Parmalat and Nestle compete for Mercosur's market.

The global milk market has been seriously affected by a number of problems including high European subsidies for powdered milk exports to Brazil (a country that absorbs a high proportion of Conaprole's exports). This generated financial problems for the cooperative. Several companies, including Exxel, Unilever, Danone, Bongrain and Leche Pascual made advances towards Conaprole.

"Externalisation policies that want to subordinate the company to foreign interests are causing the bankruptcy of small milk producers," said Luis Goichea, Secretary General of the Association of Workers and Employees of Conaprole; "we know about the lack of ethics of transnational food companies. They are not concerned with production for food and the healthy sustenance of local people, only making more and more profits with less and less effort".

Vegetables and fruit have also been affected. "Cheap imports of products such as Chinese garlic, processed tomatoes and onions from Spain, Asian pears, Greek processed peaches and Dutch potatoes; and, from the Mercosur region....lettuce, red peppers, sweet maize, lentils, apples, grapes, carrots and many other things, mean we cannot compete. When we take our products to the local market, prices have been pressed down ten times by these imported products".

25. Trade liberalisation, poverty, and distribution

Kevin Watkins, Human Development Report Office Occasional Papers no 32, 1997

As a country which has gone further than most in adopting policies designed to accelerate integration into the world economy, Mexico is an important case study. Moreover, under the umbrella of the North American Free Trade Association (NAFTA), Mexico is developing particularly close ties with the USA. As such, it provides an insight into the problems of economic integration between countries at widely divergent levels of development.

Agriculture

Econometric analysis suggests that Mexico will gain in net income terms as a result of further specialisation and trade with the US. But behind this overall projected income gain is a complex picture of winners and losers. In the agricultural sector, the winners will be concentrated in the fruit and vegetable producing areas. These account for around 40 per cent of the total value of Mexico's agricultural exports, but only 6 per cent of arable land area, with production concentrated on predominantly large-scale, irrigated farms along the North Pacific coast, the irrigated valleys of El Bajo, and lowland areas such as Michoacan, Guerrero, and the coastline along the Gulf of Mexico. NAFTA has already contributed to a dramatic increase in investment in these areas, with large farms or firms leasing land.

The losers from free trade will be concentrated among producers of maize, the country's staple food. Maize accounts for around half of Mexico's agricultural land area – and maize production occupies a pivotal position in maintaining rural livelihoods, generating income, and ensuring food supplies. Most smallholders are net-deficit households, selling maize in the post-harvest period and carrying out wage work to buy it after household supplies have run out. The vast majority of Mexico's maize farmers are operating on poor land, with limited access to credit, inputs, and equipment. Yields in rain-fed areas average around one fifth of the average for the US Mid-West, against which the maize sector will be required to compete as trade restrictions are withdrawn. Estimates of the number of livelihoods which will be lost in the maize sector as a consequence of trade liberalisation vary. According to one study, between 700,000 and 800,000 livelihoods will be lost as maize prices fall, representing 15 per cent of the economically active population in agriculture.

If this assessment is accurate, it has profound implications for rural poverty and for regional inequality. According to the World Bank, the depth and scale of poverty in Mexico has been worsening in rural areas. Over 30 per cent of the rural population live below the income poverty line, and the poorest rural areas are characterised by significantly lower access to water, electricity, and housing. With real wages in rural labour markets declining, and unemployment rising, it is unlikely that an increase in off-farm employment will compensate for income losses from maize. As a result, households will be forced into increasingly desperate survival strategies, including labour migration to commercial farm areas, to urban centres, and to the US.

Gender

There are important consequences for women. Research on the Tarascan plateau of Michoacan has shown how male labour migration increases the workload on women and children. The withdrawal of children from schools in response to these pressures is one of the prime mechanisms for transmitting poverty across generations. At the same time, there has been a sharp increase in the frequency with which women are forced to migrate in search of work as day labourers. It has been estimated that women now comprise about one third of all the day labourers working in the Mexican countryside. To the extent that liberalisation accelerates these trends, it will exacerbate problems of inequality and rural poverty.

Liberalisation and poverty

The Mexican case is particularly instructive for the insights which it provides into the accuracy of broader claims about the benefits of liberalisation and structural adjustment. Since the mid-1980s, Mexico has been an international pace-setter in pursuing policies conducive to globalisation. Financial markets have been deregulated, the agricultural and manufacturing sectors have been exposed to increased competition through the reduction of trade barriers, and public assets – including most of the commercial banking system – have been privatised on a large scale. By the early 1990s, almost 90 per cent of imports fell into the non-controlled category. All of this marks a profound departure from the period up to 1980, when Mexico remained a highly regulated economy.

On the incidence of poverty, we see a marked worsening in the extent, depth and severity of poverty between 1984 and 1989. This is reflected in increases in the headcount ratio and the widening poverty gap. For example, the proportion of the population categorised as extreme poor increased from 19 per cent in 1984 to 24 per cent in 1989. After 1989, the number of individuals living in extreme poverty in urban areas decreased slightly until 1992. In rural areas, where over 80 per cent of those living in extreme poverty are located the absolute numbers of poor people increased throughout this period, rising from 6.7 million to 8.8 million

While evidence for the period since 1992 is sparse, it is likely that poverty levels have worsened in the wake of the 1994 financial collapse. More than one million Mexicans lost their jobs during the crisis as the economy was thrown into reverse gear. Financial adjustment pressures were transmitted to the poor through deteriorating public sector provision, in addition to lost employment and lower wages. As the government cut public spending to meet its debt payments, and comply with restrictions imposed by the United States and international financial institutions, the threadbare social safety-net on which vulnerable Mexicans depend is disintegrating.

Liberalisation and deregulation in Mexico have provided widely divergent sets of opportunities and threats to different regions and social groups. For owners of capital, the privatisation of State industries and the 1992 land reform, which allows investors to purchase smallholder land, have created new sources of wealth accumulation. In the midst of one of the most severe economic crises which the country has ever faced, the number of billionaires increased from ten to fifteen. In 1996, their combined wealth was equivalent to 9 per cent of Mexico's GDP.

Large-scale commercial farms and private industries geared towards the North American market have also benefited. New jobs are being created in the northern states which span the maquiladora zone and in commercial farm areas along the Pacific coast and irrigated valley of El Bajo. But these are not the states in which the social dislocation and loss of livelihoods are occurring on the largest scale.

As the revolt in Chiapas and the mounting level of political violence in Mexico testify, serious questions have to be asked about the wider social implications of continuing along the current economic policy path.

26. Corn and NAFTA: an unhappy alliance

Alejandro Nadal, "Seedling" (A GRAIN publication) June 2000 (extract)

Mexico is the centre of diversity for corn and its stock of germplasm has contributed in a decisive manner to global production of the crop. The North American Free Trade Agreement threatens the ability of Mexican farmers to continue to grow this important crop and the ability of consumers to afford it. It also presents a serious threat to Mexican growers ability to conserve and develop these genetic resources. Shortsightedness and short-term fiscal gains on the part of the Mexican government mean that NAFTA is pushing to eradicate corns curator's from the agricultural landscape.

Mexico is home to thousands of varieties of corn. The vast majority of its three million corn growers rely heavily on a wide variety as their main guarantee against crop failure. Every year, approximately two million corn growers in Mexico engage their attention and collective experience in the art of selecting seeds for the next agricultural cycle. The seeds are selected according to their ability to respond to needs which are, in turn, determined by the environmental and physical characteristics of the regions in which they operate. Most of these planters grow their corn in mountainous areas and their plots are subjected to an irregular rainfed regime. These plots are located in sloping terrain or in the valleys, and these upland production conditions frequently include poor soils, strong winds, early frost, and diverse pests.

Probably the single most important element in NAFTA is the inclusion of corn. Prying open the Mexican market had been an objective of the powerful North American corn producers lobby since the 19th century. With an annual production of 240 million tons, the US is the largest producer of corn in the world, and carries a critical weight in determining the international price of this basic commodity. From the Mexican government's perspective, including corn in NAFTA enables the country to focus on more labour-intensive crops and to free up the fiscal resources used to subsidise inefficient corn producers. Average national corn yields are less than 2 tons per hectare, compared with 10-12 tons in the US, although some producers in Mexico have yields comparable to the US.

In the quest for particular qualities in the corn they grow, Mexican farmers continue to maintain and enhance the corn gene pool. The harsher the environment, the more innovative the farmers need to be and the more risk-reducing strategies are needed. For this reason, the poorest producers are the most important curators of corn's genetic resources. But their critical role went unrecognised in the NAFTA negotiations. The logic embedded in the agreement is for these poor producers to exit the corn sector (if not agriculture altogether) in order to enable the economy attain a higher level of efficiency.

The fact that the best US hybrid seeds would be outperformed by Mexico's varieties in most of the environments in which corn is produced in the country was also ignored by government. Under conditions of poor soil fertility, hybrids frequently yield less than local varieties.

In addition, Mexican highland germplasm displays an exceptional ability to withstand frost and hail, and to emerge from deep planting (an important quality when the initial rains are interrupted) with good quality grain. This capacity of local varieties to outperform modern high-yield hybrids under conditions of biotic and abiotic stress is based on the plants excellent adaptive features; this explains why penetration of hybrids in corn production has never reached the high rates obtained in wheat production. Thus it is not surprising that in Mexico today the use of hybrid varieties is restricted to about 25 per cent of the corn area.

All pre-NAFTA studies justifying the inclusion of corn in the trade pact assumed that subsistence growers would not be affected by the price reductions. It was assumed that because the crops of these producers are not marketed, price cuts would leave them unaffected and, in fact, the reduction of tortilla prices would be beneficial. However, this view ignores the fact that subsistence producers do not live in economic isolation and that many of their needs have to be satisfied through purchases of marketed commodities, which requires cash. Household income is obtained from various sources: local off-farm labour, remittances from migrant workers, and petty sales of grain.

The capacity to carry out the process of conservation and development of corn genetic resources depends on the knowledge base of households and communities. As migration takes place, and as the pressure of poverty is endured, the capacity to conserve and develop these resources is severely diminished. Poverty and migration conspire together to leave behind a deteriorated capacity to select seeds according to relevant criteria, and to identify the specific agro-environments into which each class of seeds can be productively inserted. The process of genetic erosion mediated through the disappearance of the institutional and social base is one of the major threats to Mexico's corn growers and their capacity to improve their livelihoods.

The first step in this process of genetic erosion is more related to the loss of information on genetic variability than to the loss of specific genotypes. Genotypes may be preserved for some time in gene banks. But because genetic variability is mediated by social groups or institutions, the reduction in genetic variability will take place when the social group acting as curator of this resource disappears. The position of the corn producers in Mexico that perform this important service is increasingly perilous thanks to the economic forces unleashed by trade liberalisation. NAFTA is pushing to eradicate corn's curators from the agricultural landscape, a move which will have a profound impact on global food security in the 21st century.

27. Dumping in Jamaica: Dairy Farming undermined by subsidised EU exports

Eurostep, November 1999 (adapted)

Jamaica has favourable conditions for dairy production. There is ample pastureland, no water shortage, and a well-adapted cow breed, the 'Jamaica Hope'. While there are two very large farms, each with over 1000 head of cattle, some 3000 small and medium sized dairy farms produce the bulk of the domestic milk production. Small-scale producers, owning up to ten dairy cows, make up about 80 per cent of the dairy farmers. Some of them are women who run their own business. In addition there are several thousands of beef cattle farmers (most of them with only a few animals) who also produce milk.

When the Jamaican government was forced to liberalise imports as part of World Bank led adjustment policies, problems started for the dairy farmers. Jamaica liberalised milk powder imports in 1992 and only a 5 per cent tariff remains. Until then, Jamaican dairy farmers were largely protected from subsidised imports and the sector was doing well.

Smaller dairy farmers, in particular, have paid the price for the forced adjustments in Jamaican dairy policy. Milk imports, especially from the European Union, are much cheaper than locally produced milk. Subsidised European milk powder is replacing locally produced milk as the input for the Jamaican dairy industry, cutting the income and undermining the livelihoods of farmers. In 1998 and 1999, they had no option but to throw away more than half a million litres of milk. This was after they had already given away part of their milk, donated it to hospitals, sold it directly to consumers at low prices, or used it as animal feed. The position of the smallscale producers is weak as they don't have fixed contracts with the processing industry.

Ironically, hundreds of thousands of dollars of aid (in particular through the FAO) are still being spent to support the development of Jamaica's dairy farming. The European Union is using some 4 million Euro in export subsidies, undermining these efforts. These EU subsidies have led to halving in the world market price of milk, and only a few countries can now compete.

Over the last few years, several smallscale farmers in Jamaica have been actively destocking by selling or slaughtering animals, in an effort to minimise losses. In response to the crisis for these farmers, the Jamaica Dairy Farmers Federation – representing small and medium sized dairy farmers – is trying to set up alternative processing and marketing channels. At the same time the JDFF is calling on the European Union to put an end to using export subsidies to penetrate the Jamaican market. Unless the EU stops using export subsidies on dairy products, the future of dairy farming in countries like Jamaica looks bleak.