Trade and Hunger

By John Madeley

The following material is extracted from a new survey examining the relationship between trade and food security, poverty and the environment. "Trade and Hunger" distills the findings from 27 impact assessments on the effects of trade liberalisation on 39 countries in Africa, Asia, Latin America and Eastern Europe.

The consistent conclusion from these studies is that so-called "free trade" as promoted by the World Trade Organisation benefits only the rich, while making the poor more vulnerable to food insecurity.

Trade liberalisation (the removal or reduction of barriers to international trade in goods and services) has become a global prescription for the world's continued economic growth and universal prosperity.

But accumulating evidence on the relationship between trade liberalisation and food security and poverty suggests that there will be more losers than winners. This study examines how liberalisation has worked within the framework of the World Trade Organisation's (WTO) Agreement on Agriculture (AoA) signed in 1994; of World Bank/International Monetary Fund-imposed structural adjustment programs (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 also within the framework of regional free-trade agreements.

Under SAPs and 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 percent 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 (U.S.) and the European Union (EU) under pressure from business corporations—tightens the screw of structural adjustment. Oxfam has referred 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, numbering some 137 as of July 2000.

According to the study, trade liberalisation is failing the poor in a number of different ways:

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, come across in most of the case studies. Cheap imports originate from both developed countries (especially the U.S. and the EU) and also from other 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.

Ghana provides just one of many

examples of how food imports have demoralised small-scale farmers. Having produced corn, rice, soybeans, rabbit, 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 threatened 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. In economic terms, trade liberalisation appears to have worsened the terms of trade between outputs and inputs. Harvested food prices have not always fallen. According to the studies, higher food prices as the 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, consumers eventually stand to pay higher prices.

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

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have increased to the detriment of food production and food security.

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 are declining—as witnessed in case 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.

3. Transnational corporations (TNCs)

Trade liberalisation is proving very beneficial to large entities such as TNCs—as seen in the studies on India, Philippines, Uruguay and Cambodia. But it is not just proving beneficial to them, it also appears to be helping them at the expense of the poor.

The Food and Agriculture Organisation (FAO) notes that the process is leading to the concentrations of farms "in a wide cross-section of countries" and to the marginalisation of small producers, adding to unemployment and poverty.

In Mexico, 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 an emerging global pattern of increased profits for transnational corporations at the expense of poorer producers.

4. Landlessness

In Cambodia, 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 10-15 percent of the country's farmers are landless and that land is being concentrated in fewer hands. The top 10 percent of the population own 33 percent of cultivated land while the bottom 20 percent own less than four percent 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 Uganda, 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 the village grader 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 60-75 percent 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 import 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 one study, is becoming a nightmare, with everyone in the family crying out for food.

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In Mexico, 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: they now comprise one third of this workforce. "To the extent that liberalisation accelerates these trends, it will exacerbate problems of inequality and rural poverty," notes the Mexican case study.

Trade liberalisation can have positive effects—by enabling rural women to engage in micro and small enterprises in Kenya, for example. But the studies indicate that the negative effects far outweigh the positive.

6. Unemployment

There are no world-wide figures as to how many people have lost their jobs as a result of trade liberalisation over the last 20 years. In Mexico, 700,000 to 800,000 livelihoods will be lost as corn prices fall, representing 15 percent of the economically active population in agriculture. In India, the jobs of three million edible oil processors were lost. In Sri Lanka, 300,000 jobs were lost following the drop in production of onions and potatoes.

Globally, 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.

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.

7. Environment

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

Liberalisation encourages producers to abandon traditional and ecologically sound agricultural practices in favour of export monocropping. Also, the encouragement of agribased 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.

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 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 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. 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 effect of free trade on India's edible oils sector is startling. Tariff reductions allowing massive imports turned India from being self-sufficient in edible oils to being the world's largest importer in a mere five years.

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. In theory, this could lead to increased employment opportunities, which would be a positive move. But 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 need of farmers for cash (to buy inputs for example), to buy harvested crops at low prices. This puts more pressure on farmers and endangers household food security.

11. Migration

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12. Indirect effects

A number of studies show how changes in economic sectors, other than agriculture, have an impact on food security.

In Kenya, the liberalisation of textiles and footwear has led to imports flooding the domestic market. "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. These effects foster instability in the market for staple foods and threaten the food entitlements of the poor.

Conclusion

As the author of the Thailand study says, "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." 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. If trade liberalisation gives more power to monopolies, then consumers eventually stand to lose.

Much of the trade liberalisation of the last two decades has been based on the hope that agricultural production in developing countries will switch to high-value crops for export, enabling them to import food. But trade liberalisation in Sierra Leone did not lead to the hoped-for benefits from exports of cocoa or coffee. Ethiopia and Bangladesh have experienced problems in 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 imports is no help. Governments seem to be misled or pressured to subscribe to trade liberalisation, or to do it too quickly, without adequate preparation.

Trade liberalisation is only one factor exacerbating problems for the poor in many countries. The 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 indicate 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. A fundamental review of the dominating policy paradigm is needed, and at the very least, WTO rules need to be changed so that developing countries can provide domestic support and other regulations to protect the livelihoods of smallholders and promote food security.

Source: "Trade and Hunger - An Overview of Case Studies on the Impact of Trade Liberalisation on Food Security" was compiled by John Madeley for Church of Sweden Aid, Diakonia, Forum Syd, the Swedish Society for Nature Conservation and the Program of Global Studies.