

Can market access in the North to agricultural exports from the South have positive impacts on poverty reduction and sustainable development?

- Draft presented for discussion to prepare a MISEREOR position paper -

Market access as an engine for development

'Development through trade' is a key precept of current poverty reduction strategies. The aim of such strategies is to combat hunger and poverty in a sustained manner not only by providing development aid, but also by integrating poor countries into the world market. One of the core demands resulting from this is to open up the markets of the North to products from the South to a much greater extent than at present.

Considerable potential for economic development and poverty reduction in the countries of the South is ascribed to the opening up of agricultural commodity markets in particular. Therefore, the aim should be to ensure that developing countries make better use of their comparative advantages in the agricultural sector and enable them to expand their agricultural exports. Forecasts predict that a unilateral elimination of agricultural duties and quotas by industrialised countries would generate at least a two-digit multi-billion poverty-reducing income effect per annum. However, it must be said that these calculations are generally based on certain conditions that do not fully reflect the complexity of reality. The market and allocation theory neglects, for example, actual distribution structures. The distribution of access to agricultural production resources and infrastructure (land, water, capital, information, transportation etc.) in developing countries is generally very uneven. On average, approximately 70 per cent of the world's poorest people live in rural areas; in the world's poorest countries, this figure can be as high as 90 per cent. Many of these extremely poor people are small farmers who often till land in marginal areas such as on sloping sites with a high risk of erosion, in dry areas without irrigation facilities, or in remote areas with poor links to markets. Increasing access to distant international markets will be of little help to them. Even producers in a much more advantageous situation (e.g. those with more land in more favourable locations) would not benefit greatly from such changes because of a lack of storage and transportation capacities, and because of information on price and market developments that is either of little use to them or non-existent. Poverty and environmental crises in rural regions are usually an expression of a marked social imbalance. Sustainable solutions need the involvement of all stakeholders when setting targets and searching for suitable strategies. MISEREOR is of the opinion that trade liberalisation risks becoming an

end in itself and does not at all contribute to alleviating poverty if it is not considered in the context of existing (im-)balances of power, distribution situations, and environmental problems.

The problems of export-oriented agriculture in the South

Extending access to the markets of the North would in many cases mean promoting an expansion of export-oriented agricultural production in the South, which would only have limited poverty-alleviating impacts. Concrete experience gained by MISEREOR and its partners in the South shows that under present conditions, producing agricultural commodities for export in many cases does not reduce poverty, but in fact increases it:

- In countries where an insufficient amount of food is produced for the domestic market, export-oriented agricultural production swallows up land that could otherwise be used to produce staple foods.
- An increased focus on the exportation of agricultural products often goes hand in hand with an increase in food imports to feed the population.
- Export-oriented agricultural production often displaces producers who do not have secure user rights for land.
- Focusing production on export markets generally benefits medium-sized and large farms that have sufficient capital and land and hence the potential for capital-intensive mechanised agriculture.
- It is often multinational agricultural companies that profit from export-oriented agricultural production. The producers rarely export their products themselves. Farming families sell to middlemen, have supply contracts with companies, or work on the companies' plantations while simultaneously tilling small plots of land to feed themselves.
- When the focus of agricultural production shifts more towards the markets (and the world market in particular), the entrepreneurial risk for farmers increases. The risk for small family-run farms with little available capital increases superproportionally.
- Unstable world market prices often lead to massive income losses for small agricultural producers and also have a negative effect on agricultural wages and employment.
- The absence of income coupled with poor or non-existent subsistence farming often leads to food insecurity and hunger.
- Export-oriented agricultural production often exacerbates the increasingly ruthless exploitation of nature (forests are cleared to make way for soya production and extensive cattle farming, monocultures foster soil degradation and require a large amount of water, synthetic fertilisers, and chemical pesticides etc.). It is traditionally based on an

'extractive' logic that is founded on purely economic interests, clings to the principle of exploiting natural resources, and accepts environmental degradation and the decapitalisation of rural areas.

In view of this experience, Misereor considers the promotion of food self-reliance in developing countries and the development and stabilisation of local and national markets to be a greater priority in terms of poverty reduction than integration of these countries into the world market. In terms of trade policy, Misereor calls for the termination of the industrialised world's widespread practice of dumping agricultural products and advocates the right of developing countries to protect their domestic markets against cheap imports. In comparison to these goals, MISEREOR considers the aim of expanding access to the markets of the North to be of secondary importance.

Shaping access to international markets

Despite the greater relevance of local markets in the fight against poverty and the problems associated with export-oriented agricultural production, it is important to take into account the fact that many developing countries rely on agricultural exports economically and will continue to do so in the long term. Many small farming families and agricultural labourers rely on the production of crops such as coffee, cotton, bananas, sugar, or rice for export despite the low producer prices and low wages associated with them. Furthermore, it must also be acknowledged that there will always be an international trade in agricultural products. It is hardly realistic to aim for a world made up of agriculturally autarkic countries. In terms of development policy, the goal cannot be to disregard agricultural trade, but instead to shape it in a meaningful way. Against the background of increasing global trade in agricultural products and its negative consequences on poverty reduction, it is necessary today, more than ever before, to define how this trade can be regulated in such a way that it does not have a negative impact on small farmers, small farming structures, and on food security in the countries of the South, but instead has the greatest possible effect in terms of development and the promotion of sustainability. So the question of shaping access to Northern markets for agricultural products from the South plays an important role. In what sectors and under what conditions is such market access meaningful in terms of development policy?

Access to the markets of the North: a precept of responsibility and fairness

Policies and models from the North have been responsible to a considerable extent for the expansion of export-oriented agricultural production in the countries of the South and the dependence of these countries on the exportation of agricultural products. From the colonial and mercantilistic trade and economic structures of the past, to the spread of 'modern'

production techniques that require a high level of external inputs, the so-called 'green revolution', and the promotion of a focus on exportation in the structural adjustment programmes sponsored by multilateral financial institutions, the North has had a huge influence on the development of the agricultural sectors of the developing countries. Moreover, debt servicing requirements have forced many countries to expand their agricultural exports in order to generate foreign currency. Even though the North has shaped the export-oriented agricultural sector in the South in this way, environmentally destructive methods of production and the non-observance of minimum social standards in the South are often used by industrialised countries as an argument in favour of their own protectionism. At the same time, the North itself is pursuing an agricultural model that is environmentally unsound, favours large, intensive farms in particular, and also leads to the sale of considerable surplus on the world market (i.e. it is export-oriented). In view of these facts, it is not justifiable for industrialised countries to protect their markets to the best of their abilities while at the same time pressing developing countries to open up their markets. So in order to make North–South trade relations fairer, the North should open its markets more to agricultural products from the South.

Fairness versus sustainability

In general, the liberalisation of agricultural trade favours an agricultural model that is based on large farms and unsustainable methods of production. A generalised opening of agricultural markets in the North would lead to an expansion of export-oriented agricultural production in the South with all its negative social and environmental consequences.

Improved market access also has consequences for the agricultural sector in the industrialised world. Farmers in the North would be exposed to increased competitive pressure that would probably lead to a further concentration and intensification of agricultural methods as well as the abandonment of production in certain areas. This would run contrary to political efforts to achieve a multifunctional agricultural sector that meets also environmental, social, and cultural needs in the North.

For reasons of fairness, calls for greater market access are justified. However, an expansion of agricultural trade may result in further marginalising the poor and damaging the environment.

How can this dilemma be solved?

MISEREOR is of the opinion that an increased market access in the North to agricultural exports from the South should be shaped in a moderate and differentiated manner. An expansion of agricultural trade in itself is not conducive to development. The potential of export orientation to contribute to development and poverty reduction varies from product to product and from country to country.

agricultural exports from the South should only be promoted if they ensure fair conditions and sustainable production through jointly defined rules. In order to make sure that agricultural trade can contribute to the eradication of poverty worldwide, it is of prime importance to organise this trade according not only to economic criteria, but also to social and environmental criteria. That this is feasible is demonstrated by the ‘fair trade’ sector, which orientates itself around people and their rights, helps poorer small farmers getting access to international markets, and ensures that they get an appropriate share of the income generated by the exportation of their goods. Fair trade contributes to ensuring higher incomes for small farmers’ families, dignified working conditions, and environmentally sound production conditions.

A reform of the multilateral rules governing global agricultural trade should, in terms of access to Northern markets for agricultural products from the South, first and foremost seek to facilitate better and more stable prices that benefit producers in developing countries. Moreover, amended regulations should ensure that production of agricultural commodities for export respect minimum environmental and social standards. The following proposals could help focus access to Northern markets on these goals:

- Facilitation and implementation of supply management systems: implementation of mechanisms to control supply on international agricultural markets. This would lead to fairer and more stable producer prices.
- Abolition of tariff escalation: Rearrangement of the tariff policy according to which the tariffs that are imposed on processed products are higher than those on raw materials.¹ This would promote the development of food industries in the countries of the South as well as a greater balance of trade between raw materials and processed products.
- Linking Northern protection to export policies: Import quotas² are permissible as long as domestic production/the supply side is controlled in such a way that the protected production is not exported. Imports from developing countries within the import quota should be given preferential access at the internal price. This would protect domestic producers in the North without distorting prices on the world market. The people producing the permitted imports could benefit from a high price.³
- Facilitation and implementation of ‘qualitative market access’: import quotas should be allocated according to development and sustainability criteria that would be defined jointly

¹ For example, the tariff that is imposed on cocoa powder and chocolate is higher than that imposed on raw cocoa. This makes the importation of processed products less attractive/unprofitable.

² Import quotas allow for the importation of a specific amount of the protected product. Once this limit is reached, no more of that product may be imported.

³ A regulation of these kind for agricultural products was once included in the GATT (see Sophia Murphy: *Agricultural Trade: Time for a new Framework*, paper for the conference ‘Breaking the Deadlock in Agricultural Trade Reform and Development: How could a Leaders’ Level G20 make a difference?’ Oxford, 8–9 June, 2004).

by the importing country and the relevant exporting developing country involving its civil society (e.g. farmers' organisations, trade unions). These criteria would be based on internationally agreed minimum standards regarding labour conditions, environmental protection, and consumer protection. A higher tariff would be imposed on imports that do not meet these criteria. Industrialised nations should help developing countries to reach these standards.

- Limitation of the market concentration of transnational companies: implementing existing regulations governing competition and establishing new/revised ones where necessary so as to reduce the high level of vertical and horizontal market concentration in international agricultural trade. This would increase other players' chances of benefiting from agricultural trade and access to the markets of the North. Producers could negotiate more appropriate prices.

Conclusion

Widening access to markets in the North for agricultural products from the South should be assessed and shaped in an appropriately differentiated manner. In order to make sure that agricultural trade contributes to the eradication of poverty at global level, it is of prime importance to ensure that this trade is organised according not only to economic criteria, but also to social and environmental criteria. At the same time, the significance as far as poverty reduction is concerned of further opening the agricultural commodities markets must be seen in relative terms. With regard to trade policies conducive to poverty reduction, it is of a higher priority to developing countries to be able to protect their own domestic markets against cheap food imports and to stop the industrialised countries' massive dumping of agricultural products. Creating and strengthening local markets should take precedence over an orientation toward the world market. International development aid and governmental support should primarily aim to strengthen family farming production, local markets, and the development of sustainable agriculture.

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