



Short Article

Has Trade Liberalization Induced Inequity?

During the last two decades, trade liberalization has been one of the main issues in international forums and international organizations, and under the ongoing Doha Round it will probably remain so for decades to come. Supporters of trade liberalization believe that through more efficient and fairer trade, economic growth will lead to poverty alleviation (Anderson, 2004; Jha, Nedumpara, and Gupta, 2004; World Bank, 2005). However, at the same time several studies question the role of trade liberalization on poverty alleviation, such as stated by Abbot (2003), Madeley (2004) and Twyford (2003).

Besides the link between trade liberalization and poverty, another related issue is the effect of trade liberalization on equity. The question of whether trade liberalization is a factor aggravating economic inequalities is drawing more and more scientists' attention. The ambiguous role of trade liberalization on poverty is, for example, stated in Kaleidoscope (2005). The results of most long-term series analyses show that the evolution of inequality - after decreasing or stabilizing for several decades - was back on the rise during the eighties and nineties.

However, most studies found that trade liberalization has a negative impact on equity, across and within countries. In other words, trade liberalization has aggravated inequity, especially between developed (DCs) and developing/less developed countries (LDCs), for, at least, two main reasons. First, the different stages of economic development between DCs and LDCs have led to varying levels of capacity to capture the global benefits of trade liberalization. DCs have advantages in terms of infrastructure, information systems, technology, and market networking, leading to a greater capacity to reap the benefits of trade liberalization (Abbot, 2003). Secondly, high subsidies in developed countries, amounting to US\$ 318 billion per year (World Bank, 2003), have caused an unfair distribution of the benefits of trade liberalization (Abbot, 2003; Madeley, 2004; Twyford, 2003).

In 2002, for example, direct support to farmers by countries belonging to the Organization for Economic Cooperation and Development (OECD) totalled around US\$ 235 billion. Subsidies by this group of countries account for over 90 per cent of the trade-distorting domestic support and export subsidies reported to the WTO. The figure is particularly striking

if one considers that in high-income countries such as those belonging to the OECD, agriculture only employs around 5 per cent of the labour force and contributes only 2 per cent to gross domestic product (GDP). In low-income countries, however, this sector provides around 70 per cent of the labour force with work and contributes 36 per cent to GDP (FAO, 2003).

In addition, producers of soybean, corn and sorghum in developing countries continuously face tough competition from producers in the USA since the 2002 Farm Bill of the USA established national loan rates for each commodity. These loan rates basically constitute a domestic support policy for the agricultural sector in the USA. In 2004 regarding corn and grain sorghum, these rates were to be \$ 1.95 per bushel and will remain at this level through 2007. The national soybean rate remains unchanged at \$ 5.00 per bushel. Developing countries cannot provide this kind of support; their producers have to face an un-level playing field (USDA, 2003).

Negative impacts of trade liberalization on equity are found in the Philippines case (Cororaton and Cockburn, 2005). Trade liberalization implemented between 1994 and 2000 generally reduced poverty, primarily through the substantial reduction in consumer prices they engendered. However, tariff cuts lowered the cost of local production and brought about real exchange rate depreciation. Since the non-food manufacturing sector dominates exports in terms of export share and export intensity, the general equilibrium effect of tariff reduction results in the expansion of this sector but a contraction of the agricultural sector. This, in turn, leads to an increase in the relative returns to factors, such as capital, used intensively in the non-food manufacturing sector and a fall in returns to unskilled labour. As a result, inequality worsens as rural households depend more on unskilled labour income. Similar results are also found in trade liberalization when looking at China. Trade liberalization boosted China's economy; however China has to make policy adjustments to balance the uneven distribution of benefits between the country's rural and urban regions (World Bank, 2005) ■

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(References available upon request)

Flash **BREAKING**

The Jakarta Declaration: Concrete Steps to End Poverty in Asia-Pacific

In a new partnership for regional cooperation, Ministers and high-level representatives from 40 countries pledged to translate their broad acceptance of the world's anti-poverty goals into concrete national financing plans that specify how much it will cost to attain these targets by 2015. The Jakarta Declaration requests the special assistance of the United Nations Development Programme (UNDP) and the UN Millennium Project for supporting sectoral needs assessments for national governments to achieve the MDGs.

UNDP, 2005. MDG's: Asia-Pacific Taking Concrete Steps to End Poverty, www.UNDP.or.id/press/view, (08 August 2005).

Promoting Wildlife through Organic Farming

Based on a study covering 180 farms from Cornwall to Cumbria in UK, it was found that organic farms are better for wildlife than those run conventionally. Organic farms were found to contain 85 per cent more plant species, 33 per cent more bats, 17 per cent more spiders and 5 per cent more birds.

Sent by Subroto, Meriaty, 2005. Organic Farms Best for Wildlife, BBC NEWS, <http://news.bbc.co.uk/go/pr/fr/-/2/>.

European Commission Responding to MDGs 2015 Deadline

The "Millennium plus five" UN World Summit taking place in New York on 14-16 September 2005 stated that new impulse and momentum are required for the world to meet the 2015 deadlines. In this line, the European Commission insisted on the need for a level playing ground and fair competition by enhancing market access for products from the Least Developed Countries.

Sent by de Casabianca, Philippe, 2005. Millennium Plus Five UN World Summit, http://europa.eu.int/comm/trade/index_en.htm.

Timor-Leste Focusing on the Development of Secondary Crops

Through the Agriculture Rehabilitation Programme (ARP), the Government of Timor-Leste will focus on the development of upland crops like maize, beans, Irish potato, sweet potato, cassava and vegetables. This programme is intended to improve cropping diversity and food security by reducing risk and improving the quantity of food consumed.

Sequeira, Luis, 2005. Timor-Leste: Food Production Rises, Livestock Increases as More Trained Staff Implement Agriculture Rehabilitation

Programme, The World Bank, <http://web.worldbank.org/WBSITE/EXTERNAL/NEWS>.

World's Welfare: Increasing but Uneven

Worldwide, the level of welfare has been increasing over the last decade. The proportion of the developing world's population living in extreme economic poverty, defined as living on less than \$ 1 per day, has fallen from 28 per cent in 1990 to 21 per cent in 2001. Infant mortality rates in low- and middle-income countries have fallen from 86 per 1,000 live births in 1980 to 60 in 2002. Life expectancy in these countries rose from 60 to 65 between 1980 and 2002. Adult literacy has also improved, though serious gender disparities remain. Male adult literacy (percentage of those aged 15 and over) rose from 78 per cent to 83 per cent in low- and middle-income countries between 1990 and 2002 while female literacy rates rose from 62 per cent to 70 per cent. However, it has been far from even, and the global picture masks large regional differences. Global trends in poverty reduction have been dominated by rapid growth in China and the East Asia and Pacific region. In Sub-Saharan Africa, on the other hand, GDP per capita shrank 14 per cent, poverty rose from 41 per cent in 1981 to 46 per cent in 2001, and an additional 150 million people are living in extreme poverty. Other regions have seen little or no change. During the early 1990s, the transition economies of Europe and Central Asia experienced a sharp drop in income and poverty rates rose to 6 per cent by the end of the decade ■

Based on World Bank, 2005. Trends in Poverty Over Time, Overview, <http://web.worldbank.org/>.

The Fight Against Hunger

The number of chronically undernourished people in the world remains stubbornly high (more than 850 million people). At the same time, however, more and more countries are showing that it is possible to move quite quickly towards large-scale national programmes to reduce hunger. Governments are coming forward with new determination to address hunger. FAO and its partners are advising politically committed countries to prepare ambitious food security programmes, taking halving hunger by 2015 as their goal, focusing initially on what can be started with limited resources but a high confidence of success. Instead of aspiring to double crop or livestock yields we need to shift tactics towards empowering very large numbers of farm traders; less ambitious performance for better household nutrition. For programme design it means that very skilled agricultural extension staff can be substituted with trained farmers to help their own and neighbouring communities identify and apply what they consider the best solutions to chronic hunger. The access dimension of food security can also be addressed by progressively building a range of safety net programmes, targeting different categories of food insecure people. The International Alliance against Hunger and civil society itself have crucial roles to play in what is truly a national goal. Once people are convinced that hunger reduction is possible in our lifetimes, it can actually take place quite quickly. There are no insuperable technical or even financial hurdles. It's mainly a question of humankind resolving to make hunger - like slavery - a thing of the past ■

Based on FAO, 2005. Good News on the Fight Against Hunger: Q&A with Andrew MacMillan, www.reliefweb.int/rw/RWB.NSE, (1 July 2005).

Lao People's Democratic Republic: Improving Roads to Reduce Poverty

Over a 10 year period, poverty incidence in Lao PDR fell from 46 per cent to 31 per cent of the population, that is, by 1.5 per cent per year. Between 1997-1998 and 2002-2003, rural poverty incidence in Lao PDR declined by 9.5 per cent of the rural population. This analysis found that improved road access was a significant factor of this decline. Between 1997-1998 and 2002-2003, the improvements in road access took the form of providing wet weather access to areas which already had dry season access. This strategy had a high pay-off in terms of reduced poverty incidence. Additional investment in the form of road provisions offers the opportunity for further poverty reduction. Nevertheless, there is also a high return to providing dry weather access to the most isolated households of Lao PDR those who have no road access at all. They still constitute 31.6 per cent of all rural households in Lao PDR and are being left behind by the development of the market economy. By providing them with dry season road access, rural poverty incidence could be reduced permanently from the current 33 per cent to 29.7 per cent. A further reduction to 26 per cent could be obtained by providing all rural households with all-weather road access. The benefits of rural road provision, measured in terms of poverty reduction or any other dimension of economic welfare, must of course be compared with its costs. Nevertheless, the results of this study confirm that in a country like Lao PDR, where roads are primitive, improving road access is an effective way of reducing rural poverty ■

Based on Waar, Peter, 2005, Roads and Poverty in Rural Laos, Australian National University, Division of Economics, RSPAS, <http://ideas.repec.org/p/pas/papers/2005-04.html>.

Nepal's Poverty Level Down

The percentage of people living below the poverty line in Nepal has dropped significantly in less than a decade despite a nine-year Maoist rebellion that has strangled economic development says a report prepared by the government with support from the World Bank. Poverty levels in rural areas, where the Maoists have a strong presence, fell to 35 per cent from 43 per cent while in the more secure urban areas it dropped to 10 per cent from 22 per cent. Besides, the Nepal Living Standards Survey report said the poverty level decreased to 31 per cent in mid-July 2004 from 42 per cent in 1996, fuelled mainly by more remittances from Nepalese working in neighbouring India, Malaysia, Korea and the Middle East. "Foreign remittances have played a key role in reducing the number of poor people because almost one third of all Nepali families were receiving part of the money", said one member of the National Planning Commission ■

Based on AlterNet, 2005. Nepal Says Poverty Down Despite Revolt and Turmoil, <http://www.alertnet.org/thenews/newsdesk/B284027.htm>, (05 May 2005).

Flash EVENTS



2nd Biomass-Asia Workshop

13 - 15 December, 2005

Don Muang, Bangkok, Thailand

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High Level Policy Dialogue on Biotechnology for Food Security and Poverty Alleviation: Opportunities and Challenges

7 - 9 November, 2005

Bangkok, Thailand

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Workshop on Strengthening Food and Agricultural Statistics in the Pacific in Support of Food Security and Poverty Reduction Strategies and Programmes

10 -13 November, 2003

Nadi, Fiji

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Book Review

Indonesia: Progress Report on the Millennium Development Goals

Bappenas, Government of Indonesia, Jakarta, 2004

The Millennium Development Goals (the MDGs) have been a global concern since their declaration at the Millennium Summit held in September 2000 in New York. This report discusses the current position of Indonesia regarding the process of pursuing the Millennium Development Goals (the MDGs). It also makes a brief assessment of the prospect of Indonesia to achieve the set targets by the year 2015. The report was prepared by a collaborative team of the Indonesian Government and the United Nations that consisted of more than 50 experts.

The report consists of two parts with an appendix containing a set of tables containing basic data used in supporting discussion. A summary of national data used for monitoring the MDGs in Indonesia is also presented in this report. Part 1 sets the underlying background for this report and gives some basic information concerning the MDGs. A brief discussion about the development context of Indonesia is also provided in this part.

Part 2 is the report's backbone. The major source of data for discussion in this part is the National Socio-Economic Surveys. The data coverage for the discussion is the period of 1990-2002. The MDGs consist of 7 goals with a total of eleven targets. Except for Goal 6 and 7, judged with trends of indicators for the set targets of these five goals from 1990-2002, the report shows Indonesia is on the right track in pursuing the MDGs. The report does recognize that the period of observation is still long away from the final year of the MDGs (2015). Accordingly, the report identifies and discusses challenges that Indonesia will face in realizing the set targets of each individual goal. To overcome these challenges to enable the country to stay on track to achieve the set targets by 2015, the report briefly highlights policies and programmes desired for each individual goal.

As for the set targets for Goal 6 (combating major diseases HIV/AIDS, malaria and tuberculosis) and for Goal 7 (ensuring environmental sustainability), the current position of Indonesia is quite contrary. The reports indicate that the prevalence of HIV/AIDS, tuberculosis and malaria has a strong tendency to increase overtime. This does not mean that the government has not worked hard to control the spread of these major diseases. Rather, it explains the magnitude of difficulty in combating their spread. Meanwhile, integration of the principles of sustainable development into national policies and programmes remains a problem in Indonesia. This is because Indonesia still heavily relies on the exploitation of natural resources and agriculture

to energize its economy. It is, therefore, not surprising that this report shows the tendency of greenhouse gas emissions as one indicator of the performance of Goal 7, has not declined, but increased in Indonesia. With regard to the other five goals, the report has also identified challenges and proposed policies and programmes desired to overcome them so as to enable Indonesia to achieve the set targets by 2015.

This report has brought valuable insights in understanding the current position of Indonesia regarding the realization of the MDGs' targets. It also demonstrates how useful such information is, not only in monitoring the process, but also in guiding the formulation of policies and programmes to direct it to achieve the set targets. Apart from these valuable insights, another important thing that one can learn from this study is despite the fact that benchmarking is a crucial point in monitoring and guiding the process of pursuing the set targets of the MDGs, its development is a complex task that requires massive data sets of a variety of aspects of social, economic and environmental context.

The relevant question is how many developing countries have collected this required data? Data collection and filing require both funds and expertise. Analyzing and interpreting such data sets also requires complex expertise. The availability of these requirements is, in general, very limited in most developing countries. It is hard to imagine these countries being able to realize the targets of the MDGs for their own countries even if developed countries help them through financial assistance, like forgoing their existing outstanding loans as commonly suggested, without solving these basic problems.

The realization of the set targets of the MDGs has required close collaboration between the developing and the developed countries in many respects, including the World Trade Organization. We live in one global space where our life and future are interdependent. Such interdependence makes us like one body with many integrating parts. The pain that one part suffers will pass through the body into the other parts. This report would have been more valuable for Indonesia if it had explored the issue of the need for global collaboration, especially from the perspective of Indonesia ■

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