



Short Article

Potential Ways Out for the Poor Farmers

Since placed as one of the main goals of the Millennium Development Goals (MDGs), poverty has been a highly prioritized issue in the international community and organizations. The first goal of the MDGs is related to poverty reduction, namely to reduce by half the proportion of people living on less than a dollar a day and to reduce by half the proportion of people who suffer from hunger by 2015. Today around 1.2 billion of the developing world's 4.8 billion people still live in extreme poverty on less than US\$1 a day (UNDP, 2003). Out of them, some 720 million living in extreme poverty are found in the Asia Pacific Region (ADB, 2004). This means that the governments in the region have a huge task to reduce the number of poor people by some 36 million every year.

However, hitherto various efforts to reduce poverty, either at the international organization or regional levels, have not shown any significant impact as yet. In particular, trade liberalization, expected to provide a major contribution to poverty alleviation despite being the main agenda since 1994 has not led to any significant affects on poverty alleviation (Madeley, 2004; Ravallion, 2004). Some studies even found that trade liberalization has been biased to developed countries (Abbot, 2002). Agricultural subsidies in the rich world total US\$ 300 billion; more than Africa's GDP and six times the amount of development aid to poor countries. In 2002, direct support to farmers of countries belonging to the Organization for Economic Co-operation and Development totaled around US\$ 235 billion, three quarters of the total OECD support estimate of US\$ 318 billion (World Bank, 2003).

Being less competitive in "conventional" biased markets, but with the possibility of taking advantage of poverty becoming one of the most important international issues, the poor may have some potential alternatives, namely, fair trade, geographical indications, and organic farming to escape from poverty. Although these three alternatives are not developed to specifically help the poor, given some supporting conditions, some poor farmers may be able to use these alternatives to rise up out of poverty.

Fair trade is an option that has the potential to help the poor. Fair trade helps exploited producers to escape from a vicious cycle and gives them a way to maintain their traditional lifestyles with dignity. This is because fair trade seeks to change unequal relationships between producers and consumers and to empower producers (Tallontire, 2001). To achieve this, fair trade includes some important principles of fairness, such as, (i) producers receive a fair price- a living wage or for

commodities, a stable minimum price; (ii) buyers and producers trade under direct long-term relationships; (iii) producers have access to financial and technical assistance; and (iv) sustainable production techniques are encouraged. The Fair Trade system benefits over 800,000 farmers, mostly poor farmers in Africa and Latin America that are organized into cooperatives and unions in 48 countries (Anonymous, 2004).

Geographical indications (GIs), a form of intellectual property covered by trade-related aspects of the intellectual property rights (TRIPS) agreement, is another market system that can benefit the poor. A GI refers to the use of a region's name by producers from that area in order to protect their reputation or to safeguard the expectations of consumers that have come to associate certain qualities with a product's geographical origin. Under this protection, the poor can benefit from their specific location, production technology, and culture to preserve their product from unfair competition. For example, Jamaican Blue Mountain coffee received a premium of 14.50 dollars per kilo in comparison to benchmark prices of Columbian milds (WTO, 2004). Coffee in Kintamani, Bali, is now in the process of being the first GI product in Indonesia.

Organic farming is a farming system that is sustainable through practices that avoid or largely exclude the use of synthetically compounded fertilizers and pesticides and do not use genetically modified organisms or GMO's. In 2000 some experts saw organic markets, especially in developed countries, entering a boom period. Market analyst Prof. Hamm has forecasted annual growth rates of 20- 40 per cent. While the world's total organic market for 2000 was around US\$ 16 billion, it increased to about US\$ 19 billion in 2001. Multinational corporations such as McDonalds, Nestle, and Unilever have entered the organic market. However, recent trends seem to indicate that the organic markets were not as large as expected.

Still, the poor have the potential to make use of these three alternatives, but these will probably provide only limited opportunity to achieve the overall targets of the MDGs. How this potential can be realized in the real world will depend on various factors, mainly the availability of effective pro-poor policies, markets access, resources, and skills ■

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(References available upon request)

FlashBREAKING



Malnutrition in Developing Countries

Malnutrition is the world's leading health problem, claiming 25,000 lives a day. Although enough food exists in the world today to feed the global population, the poorest people in the developing world are still going hungry primarily because they do not have access to the food the world produces. To meet Goal 1 of the Millennium Development Goals (MDGs), food supplies must be made more available and accessible to the poor in the developing world.

Anonymous, 2004. Food Access & Availability, Making Food Accessible to the Poor is Key to Fighting World Hunger, <http://topics.developmentgateway.org/special/food-access>.

Lessons from China in Reducing Poverty

In the last 20 years, between a quarter and a third of China's 1.2 billion population, or 300 - 400 million people have been lifted out of poverty. This is by far the fastest and largest rate of poverty reduction ever recorded. The achievement has been attributed to policy reforms and the support of the World Bank, according to the World Bank itself. Since 1981 the Bank has supported about 255 development projects totaling some US\$38 billion in China. Improved policies, new technologies and more efficient management methods have had a significant role in this achievement.

The World Bank Group, 2004. China Gives Bank Poverty Award, News, Feature Stories, <http://web.worldbank.org/>, (25 October 2004).

What is Poverty Reduction Strategy Papers?

A Poverty Reduction Strategy Paper (PRSP) describes a country's macroeconomic, structural and social policies and programs to promote growth and reduce poverty, as well as associated external financing needs. PRSPs are prepared by governments through a participatory process involving civil society and development partners, including the World Bank and the International Monetary Fund (IMF).

The World Bank Group, 2004. Poverty Reduction Strategies, <http://web.worldbank.org/>, (10 August 2004).

Slowing Down Subsidy Reduction in Developing Countries

The WTO Committee on Subsidies and Countervailing Measures, on 4 November 2004, extended by another year (until the end of 2005) the transition period for the elimination of export subsidy programmes of 19 developing countries, including Fiji, Mauritius, and Papua New Guinea, under the implementation decision adopted at the Doha Ministerial Conference. Under the "fast-track" procedures agreed at Doha, the Subsidies Committee may grant annual extensions to these countries until the end of 2007, subject to an annual review of transparency and standstill obligations.

WTO, 2004. Transition Period Extended for Export Subsidies of Developing Countries, WTO NEWS: 2004 NEWS ITEMS, http://www.fao.org/trade/news_en.asp, (4 November 2004).

Asia's Optimism to Reduce Poverty

The newest Asian Development Bank report predicted that Asia as a whole is well placed to meet the MDG target of halving \$ 1-a-day poverty. With the incidence of poverty around 34 per cent in 1990, halving poverty incidence would require that it be around 17 per cent by 2015. On the basis of the approach used in the report, poverty was already down to just under 22 per cent in 2002 and thus, not too far from the 17 per cent required in 11 years time. Most countries, including China, Southeast Asia, and South Asia, will probably meet the first MDG target under the assumption that current growth rates continue under the two alternative scenarios for distribution: China and most of Southeast Asia meet the first MDG target if growth rates are low and distribution is less equal. With the exception of Nepal, South Asia also meets the first MDG target under a low growth with more equal distribution scenario. The Central Asian republics as a region and Mongolia will miss the first MDG target under benchmark growth rates and less equal distribution. For the Central Asian republics, Azerbaijan is predicted to meet the first MDG target under all the scenarios for growth and distribution. However, some countries in that region could miss the MDG target to halve poverty by 2015 ■

Based on ADB, 2004. Key Indicators 2004; Poverty in Asia: Measurement, Estimates, and Prospects, Asian Development Bank.

Poor Farmers Doing Research

Two thousand poor farmers in Dhaka, Bangladesh, whose average farm income is around US\$ 100 per year, took on the role of agricultural scientists. Over the course of 2 years, they proved that insecticides are a complete waste of time and money and they significantly reduced the amount of nitrogen fertilizer used. They saved on average, US\$ 17 per year, a 17 per cent rise for people who struggle to provide sufficient food for themselves and their families. This is enough to help put children through school and buy grain to tide them over until the next harvest. This is the result of the IRRI-led livelihood through Ecology (LITE) project that trained 2,000 farmers to perform experiments on their own fields. The experiments demonstrated that insecticides can be eliminated and the application of nitrogen fertilizer can be reduced without reducing yields. If LITE continues in this positive trend, in less than a decade, most of Bangladesh's 11.8 million farmers, will have eliminated insecticides and optimized their fertilizer use ■

Based on CGIAR, 2004. Bangladeshi Farmers Take on the Role of Scientists and Banish Insecticides, CgiarNews, September 2004.

Benefits of Reducing Hunger

Around a billion people in the world are malnourished and around a sixth of these are children. That is not only a deplorable human tragedy in its own right but it also leads to measurable economic losses, that is, further poverty. Those who survive the effects of malnutrition may be less productive, perhaps throughout their entire lives. Hunger also often leaves people more susceptible to disease, so that more output has to be devoted to health care. The benefits of reducing hunger and malnutrition are many. Better-fed people are likely to contribute longer to GDP. They are even likely to have healthier babies. Infant mortality is much higher for babies with low birth-weights. According to one study, an additional pound at birth reduces mortality by 14 per cent. Labour productivity can be strongly influenced by malnutrition at an early age, since it can affect people's size and strength. Stunted growth--one symptom of malnutrition--often leads to lower earnings. One study in Brazil found that a 1 per cent increase in height is associated with a 2-2.4 per cent rise in wages. Improved nutrition can allow children to perform better in school. Moreover, malnourished children may receive less education because they are not seen as good "investments". Eliminating hunger, therefore, can increase the prevalence of the skills needed for higher value-added jobs ■

Based on Economist, 2004. Feeding the Hungry, <http://www.globalpolicy.org/socecon/hunger/2004/0506magic.htm>, (6 May 2004).

Earthquake and Tsunami Devastated Asia and East Africa

A devastating earthquake wreaked havoc with massive tsunamis sweeping through towns, villages and resort areas in South Asia, Southeast Asia and East Africa on the Sunday morning after Christmas. The affected countries are Sri Lanka, India, Indonesia, Thailand, Malaysia, Maldives and Bangladesh, Myanmar, and Somalia. The quake was the most powerful for 40 years measuring 8.9 on the Richter scale. The underwater earthquake off the Indonesian island of Sumatra caused death, chaos and devastation. The death toll in Indonesia has now reached more than 1,000,000 and is expected to continue to rise. The victims of the tsunami catastrophe have fallen on the people lives in coastal areas. As a general rule, most survivors fled their homes with only the clothes on their backs. The survivors urgently need food, water, medical help, clothes, shelter and fuel. Starvation appears imminent for thousands of tsunami survivors sheltered in the countries affected. Most of them are being placed in mosques and tents in open fields. Amidst the shortages of food, survivors are also suffering from serious mental trauma. It is no longer a state of civil emergency, but a real emergency situation. In *Banda Aceh*, Indonesia, as quoted by *Agence France-Presse*, victims try to sustain themselves by eating coconuts, even though supplies may only last for another day ■

Based on The Jakarta Post, 2004. Trauma, Hunger Plague Survivors, Vol.22 No.241, 30 December 2004.

Flash EVENTS



Modeling Agricultural Policies: State of the Art and New Challenges

3 - 5 February, 2005

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Book Review

Meeting the Challenges in an Era of Globalization by Strengthening Regional Cooperation

UN Publications, Economic and Social Commission for Asia and the Pacific, No. E.04.II.F.24 ST/ESCAP/2319, ISBN: 92-1-120378-3, New York, 2004

This book was prepared by a team of ESCAP staff. It deals with prospects of the involvement of Asia-Pacific countries in exploiting the benefits brought by economic globalization, whereby free trade is the common rule of exchange between nations. While the importance of global free trade for global prosperity has been well recognized for centuries, nations are still negotiating the ways by which it will be implemented. This is because global free trade offers both economic opportunities and challenges for any individual nation (Chapter 2). Logically, a nation's success in exploiting the opportunities is directly determined by its ability in overcoming the challenges. A nation's ability to overcome the challenges of global free trade is, in turn, determined by its state of social, economic and political development. Hence, if for developed countries global free trade is definitely welfare promoting, it can be welfare degrading for developing countries. But, the process of global free trade is unstoppable (introductory chapter).

As developing countries, most of the Asia-Pacific countries' involvement in the present process of global free trade is a matter of struggle, rather than a simple way to prosper. What would be the best way for these countries to survive this struggle through the global free trade process? The authors envisage that strengthening existing development cooperation among these countries through both regional and sub-regional development cooperation (such as ESCAP, ASEAN, and Pacific Forum) will be best. However, their evaluation of the existing regional and sub-regional development cooperation organizations, especially with regard to the four main pillars of free trade, namely: (a) trade, (b) transport, (c) information and communication technology (ICT), and (d) finance which are presented in Chapters 3 to 6 has revealed both weaknesses in the existing development cooperation networks, and factors that constrain them.

To overcome these problems, to ease the struggle for prosperity brought by global free trade the authors offer three basic principles for strengthening regional cooperation in Asia-Pacific countries (final chapter). Firstly, regional cooperation should be directed toward strengthening inter-country interdependence to promote stability and prosperity without ignoring national diversities in culture, politics, religion and the stage of development. Secondly, existing various interlocking frameworks for cooperation should be used as foundations for regional cooperation and this should, in turn, strengthen these

cooperation should be in line with WTO multilateral global free trade frameworks.

These principles seem logical as they emerge from rigorous exercise. However, their acceptance and implementation by Asia-Pacific countries still remains to be seen. Integrating these principles into existing development cooperation requires a massive improvement in development cooperation concerning each of the four pillars of free trade as the authors have correctly indicated. It is very questionable as to whether this massive improvement is workable. One of the key issues in this context is that improvement will require a great deal of adjustment to existing rules. It is not clear yet as to how such adjustment needs to be implemented and how the change of rules would affect the benefits and costs of the current cooperation to each country member. Countries which are likely to be affected adversely by the new rules will, presumably, oppose such adjustments from taking place. Furthermore, even if this adjustment process is beneficial for any member countries, it will be likely to take a lot of time to implement fully since a tedious negotiation process is likely to be desirable to ensure that the adjusted rules are beneficial for all member countries, which are quite diverse in their state of socio-economic and political development. This time requirement looks unlikely to fit in with the schedule of implementing global free trade set by the WTO.

Although this book was prepared by a team of staff members of UNESCAP's Poverty and Development Division, its focus is toward the promotion of free trade leading to sustainable growth, not about poverty alleviation. This does not imply it has no impact for poverty alleviation in the region. First of all, it has provided some new insights for the future direction of promoting sustainable growth in this region. The fact that sustainable growth is a pre-condition for poverty alleviation implies the study will have an indirect impact for poverty alleviation in the region. Secondly, development of mechanisms for raising funds for Small and Medium Enterprises (SMEs) for which shortage of funds is one of the stumbling blocks for their growth is another issue with which this study is concerned. Given the fact that the majority of poor in this region work in SMEs, the development of a funding raising mechanism will help to improve the economic status of many members of this group ■

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