



Short Article

What Can the Poor Gain from Hong Kong Ministerial Meeting 2005?

Four years since the Doha Round was launched and well past the deadline set for its completion, some problems related to agriculture, services, and trade facilitations still exist. Under pressure, the WTO Director General urged the December Hong Kong Ministerial Meeting not to just be another checkpoint in the negotiations, but also the last and best chance to move this Round to a successful conclusion by the end of 2006 (WTO, 2005).

After six days (13 - 18 December 2005) of intensive negotiations, ministers from the WTO's 149 member governments approved a declaration that many described as significant progress from the July 2004 package. Five main achievements/agreements were reached in this meeting, namely (i) an end date for all export subsidies in agriculture; (ii) an agreement on cotton; (iii) solid duty-free, quota-free access for the 32 least-developed country members; (iv) a significant framework for full modalities in agriculture and non-agricultural market access; and (v) an agreement on services.

Among these agreements, the first three can be expected to have a positive impact on poverty alleviation, which Green (2005) termed as "the least worst" part of the results taken as a whole. The agreement to end export subsidies in agriculture by 2013 was only reached at the last minute. The elimination of export subsidies has been a recurrent problem, mostly opposed by developed countries, in particular the European Union. High subsidies in developed countries', amounting to US\$ 318 billion per year (World Bank, 2003), have created an unfair playing ground for most developing countries (Abbot, 2003; Madeley, 2004; Twyford, 2003). Many delegations welcomed the agreement on 2013 as the deadline for eliminating agricultural export subsidies, although most of them showed preference for an earlier date.

Elimination of export subsidies will encourage a better trade environment for developing countries to expand their agricultural sectors, including some Asian and Pacific countries. As stated by Rahman (2004), growth in agriculture is essential for poverty reduction since for every dollar spent on agriculture, another two dollars is generated for a developing country's national economy. Furthermore, history has demonstrated that agricultural development can generate higher incomes, which lead to savings and investments, and finally to abate poverty.

In terms of cotton, the elimination of export subsidies has been accelerated to the end of 2006. In addition, cotton exports from least-developed countries will be allowed into developed

countries without duty or quotas from the start of the period for implementing the new agriculture agreement. Moreover, it was also agreed to cut trade-distorting domestic subsidies on cotton by more than would normally apply under the new agreement, and to do so more quickly (WTO, 2005). This will create a better trade environment for cotton producing countries; mainly African countries (Green, 2005).

Agreement on solid duty-free and quota-free access for the 32 least-developed country (LDC) members again indicates that the heart of the negotiation intends to benefit LDCs. This agreement will give wider and more direct access for LDCs' products to developed countries' markets. This may be an effective avenue to reduce poverty in rural areas because around 2.5 billion people in the developing world depend on agriculture for their livelihoods (Green, 2005; FAO, 2005).

Although the commitments indicate positive signs toward poverty alleviation in developing countries and LDCs, we should not expect this to be automatically realized. The long history of trade negotiations teaches us that there are at least two main obstacles on the ground. Firstly, when the general platforms and political commitments have been agreed, there are always long discussions and debates to translate them into real policies or actions. Secondly, almost all countries, especially developed countries, have tricks up their sleeves to minimize the negative impacts of agreements on their protected sector (agriculture). They look to sacrifice some of their interests, but by using other rules under the WTO umbrella, they can compensate their losses. For example, a country can eliminate export subsidies, but at the same time, increase their domestic support through the green box, which does not entail limits for subsidies (Green, 2005). Similarly, export subsidies can be hidden under various forms such as subsidies on credit, food aid, or sales of exporting state enterprises.

To conclude, the Hong Kong Ministerial Meeting came with some positive results in the development issues of the poor. Some believe that these results have been a rebalancing in favour of developing countries. The task at hand now is to translate these political commitments into policy instruments and actions that will really benefit the poor ■

Written by Wayan R. Susila, UNESCAP-CAPSA, Bogor, Indonesia.

(References available upon request)

Flash **BREAKING**

India in 2006: Balancing Growth and Equity

The Finance Minister of India, P. Chidambaram, stated that in 2006 India will make substantial progress towards realizing its potential and sustain over 7 per cent economic growth in 2006. In addition, this high growth is expected to be followed by income distribution. The key to addressing growth with equity in the country is agriculture. The government needs to step up public investment and flows of credit to the farm sector.

Chidambaram, P., 2006. Chidambaram's New Year Wish: Over 7% Growth in 2006, Sify News, <http://sify.com/news/>, (01 January 2006)

Natural Resources as a Way Out of Poverty

A World Resources 2005 report stresses the urgent need to look beyond aid projects, debt relief and trade reform and focus on local natural resources to address the crisis of poverty in all parts of the globe. Environmental organizations have not addressed poverty and development groups have not considered the environment enough in the past. The model presented in the report details how natural resources, such as soils, forests, water, and fisheries, managed at the local level are frequently the most effective means for the world's rural poor people to create wealth for themselves.

World Resources Institute, 2005. Major Report Stresses Natural Resources as Path Out of Poverty, News Release, <http://newsroom.wri.org/>, (31 August 2005).

China Abolishes Agricultural Taxes

In order to promote rural development and to reduce inequality in China, the Chinese Government had completely abolished agriculture taxes across the country by the end of 2005. Accompanied by the development of infrastructure, such as roads in rural areas, the agricultural sector in China is expected to be more competitive in the global market.

Based on Wei, Zhang, 2005. China on the Watch for Fighting Social Inequality, New UNDP Report Says, <http://www.undp.org/dpa>.

Chronic Malnutrition in Lao People's Democratic Republic

Lao People's Democratic Republic is characterized by very poor human development indicators. Initial WFP vulnerability analysis shows that approximately 30 per cent of the population have insufficient food for more than six months per year and thus experience chronic food shortages. Chronic malnutrition is high, affecting 47 per cent of the population and food insecurity remains a problem, mainly in rural areas.

World Food Programme, 2005. World Hunger Laos: Overview, http://www.wfp.org/country_brief/.

One Year after the Tsunami: Conditions Remain Critical

One year after the devastating Indian Ocean tsunami, the United Nations Food and Agriculture Organization (FAO) warns that many areas on the west coast of Aceh, Indonesia, the worst affected region, are still in a critical condition. Half a million people are still living in temporary shelter. Given that sustainable recovery requires a five to 10 year effort, people are cautious that international attention and donor support will come to an end before the recovery is complete. One of the lessons learned from the disaster, which killed over 230,000 people and displaced some 1.5 million more in 12 countries, is the need for establishing a contingency emergency fund, for which the Secretary General, Kofi Annan has proposed between \$500 million and \$1 billion, in order to accelerate relief. The donor response to the tsunami disaster was huge, but there are still delays in getting help to the people who need it most. What the world needs is a standby global disaster fund that would make immediate intervention possible. While preparedness for such a disaster is virtually impossible, faster response funds have to be available within 30 days of a disaster, not six months, as is usually the case ■

UN News Centre, 2005. Year after Tsunami, Conditions Remain Critical in Many Areas, UN Agency Warns, <http://www.un.org/apps/news/story.asp?NewsID>, (9 January 2006).

China: Fighting Inequality

While successful in lifting 250 million people out of poverty over the past 25 years, China, during the same period, has seen income inequality double. A person living in a city earns on average \$1,000 a year, compared to just over \$300 in the countryside. An urban citizen can also expect to live over 5 years longer than a farmer. The government has realized the grave consequences of social inequity, and has started to tackle the problem by shaping its new economic blueprint to ease the strains of inequality. Three main policy instruments have been recommended. The first policy is to create equal job opportunities for all. This will require reforms in the household registration system (hukou) to ensure equal rights to workers migrating to cities, particularly for the 150 million migrant workers. The second policy is to invest in basic health services for the rural poor. This policy includes preventive health care, health education, planned immunization, and control of serious infectious and endemic diseases. The third policy is to make primary education a top priority, which relates to targeting the accessibility of high quality primary education, particularly for the rural population and establishing community universities for vocational training for disadvantaged groups and entrepreneurship training ■

Based on Wei, Zhang, 2005. China on the Watch for Fighting Social Inequality, New UNDP Report Says, <http://www.undp.org/dpa/pressrelease/releases/2005/December/china>.

Can Trade Work for the Poor?

According to the State of Food and Agriculture (SOFA, 2005) trade liberalization alone is not enough. Policies and investment must be put in place to allow the poor to benefit from trade opportunities and to protect the vulnerable against trade-related shocks. An FAO report says that industrial countries have the most to gain from agricultural trade liberalization, because their agricultural sectors are the most distorted by existing policies. Even though developing countries as a whole would benefit from liberalization, SOFA warns that some groups could be hurt in the short run. These groups include net food importing countries and countries that have been given preferential access to the highly protected markets of wealthier member countries of the Organization for Economic Cooperation and Development (OECD). In developing countries the greatest potential gains from agricultural liberalization will not depend on reforms of the agricultural support system in OECD countries but on reforming their own trade policies, which would encourage greater trade between them. SOFA also highlighted that the benefits of trade liberalization go well beyond the immediate impact on producers and consumers because the reforms would contribute significantly to economic growth and to raising the wages of unskilled workers in developing countries. The report gave recommendations to ensure that liberalization supports pro-poor outcomes. It calls for basic market institutions and infrastructure to be set up before opening national agricultural markets to international competition, especially from subsidized competitors. To ensure that the poor benefit from trade, SOFA urges a twin-track approach that would, on the one hand, invest in educating people, building institutions and infrastructure and on the other, provide safety nets to protect the most vulnerable people in society during the transition to more free trade ■

Based on Riddle, John, 2005. New FAO Report on Agricultural Trade and Poverty, <http://www.fao.org/newsroom/en/news/2005/1000173/>, (7 December 2005).

Debt Relief for Cambodia

Under the Multilateral Debt Relief Initiative, the IMF Executive Board has approved debt relief for Cambodia. Cambodia has qualified for IMF debt relief because of its overall satisfactory recent macroeconomic performance, progress in poverty reduction, and improvements in public expenditure management. Since 1999, Cambodia has enjoyed robust economic expansion, with annual growth rates averaging over 7 per cent and inflation being kept under control. The Royal Government has shown strong commitment to implementing its National Poverty Reduction Strategy, and improving public administration, in particular public expenditure management. Performance in these areas provides assurance that resources made available under the Multilateral Debt Relief Initiative will be used effectively. The IMF will provide 100 per cent of debt relief on all debt incurred by Cambodia to the IMF before 1 January 2005 that remains outstanding, amounting to approximately US\$ 82 million. The international community has made these additional resources available to help Cambodia progress towards its Millennium Development Goals ■

Based on Nelmes, John. 2005. IMF to Extend 100 per cent Debt Relief to Cambodia Under the Multilateral Debt Relief Initiative, the International Monetary Fund, Press Release No. 05/291, <http://www.imf.org/external/np/sec/pr/2005/>, (23 December 2005).

Flash EVENTS



International Conference on Agrarian Reform and Rural Development

7 - 10 March, 2006
Porto Alegre, Brazil

Contact:

ICARRD-Secretariat
c/o FAO, B-511
Viale delle Terme di Caracalla
00100 Rome, Italy
Fax: + 39 06 57053250
Email: icarrd-secretariat@fao.org

Agriculture and the Environment: Managing Rural Diffuse Pollution

5 - 6 April, 2006
The University of Edinburgh in Edinburgh,
Scotland

Contact:

Mrs. Karen Crighton
Phone: 01292 525282
Email: Karen.Crighton@sac.co.uk
Website: www.sac.ac.uk/contacts/karencrighton

The 12th Annual International Sustainable Development Research Conference 2006

6 - 8 April, 2006
Hong Kong

Contact:

The Centre of Urban Planning and Environmental Management
The University of Hong Kong
Phone: (852) 2859-2721
Fax: (852) 2559-0468
Email: sdconf06@hku.hk
Website: www.hku.hk/sdconf06 or
www.erpenvironment.org

The 1st IFOAM Conference on Organic Wild Production

3 - 4 May, 2006
Bosnia and Herzegovina

Contact:

The Agriculture Institute Banja Luka,
Gunnar Rundgren
Email: polj.institut.bl@blic.net or
gunnar@grolink.se



UNESCAP-CAPSA

Jl. Merdeka 145
Bogor 16111, INDONESIA
Phone: (62-251) 356813, 343277
Fax: (62-251) 336290
Email: capsa@uncapsa.org

 www.uncapsa.org

Flash EDITORIAL CONTACTS

EDITORIAL COMMITTEE Robin Bourgeois
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Book Review

Agriculture Growth and Rural Poverty: A Review of the Evidence

Sohail J. Malik, PRM Working Paper No. 2, Asian Development Bank, Pakistan Resident Mission, Islamabad, 2005

This Working Paper, produced by the ADB Pakistan Resident Mission, intends to investigate the apparent paradox of agricultural growth and rising rural poverty in Pakistan. The paper has six sections including the Introduction, and Conclusions and Policy Recommendations. In the Introduction a short review of existing literature about growth and poverty helps to better understand the paradox of a country experiencing reasonable growth in agriculture (more than 4.5 per cent per year during the 1990s) along with a considerable rise in rural poverty.

Section 2 focuses on national and regional trends giving a clear picture of the evolution of rural poverty in the country. The rural poverty rate increased from 25 to almost 40 per cent and poverty prone areas are the Sindh and southern Punjab, especially the cotton areas. Rainfed Punjab in general is found to have the least share of rural poverty. The author identifies the major sources of income in rural areas as wages/salaries, transfer income, crop income, rental income, and livestock income. He also shows that rural poverty is associated with crop income as the major source of income, while in better off areas transfer income and wages/salaries play an important role. However, poor households rely more on wages and salaries while for non-poor households crop income plays an important role. This and other data indicate that diversification as a risk limiting strategy is linked with lower poverty incidence.

Section 3 is dedicated to the analysis of agricultural growth. It shows that the 4.6 per cent agricultural growth during the 1990s was a "statistical artifact" due to overestimates of livestock sector growth, and of the forestry and fishery sectors. It also shows that average growth fluctuated greatly on an annual basis including years with negative or almost zero growth. A point made by the author in the analysis of the rural poverty dynamics is that the negative impact of a bad year for a poor household cannot be fully compensated by a good year that may follow, hence poverty increases in spite of apparent reasonable growth. Moreover, the paper indicates that excluding the overestimates, agricultural growth was only 3.1 per cent per annum, which one has also to rest the population increase of 2.5 per cent per year. Consequently, what is left is a paltry 0.6 per cent per capita annual growth in agriculture.

In Section 4, the reader can understand why this limited growth did not benefit the poor. The first argument relates to land distribution and tenancy arrangements. A simple piece of data suffices: the number of small farms increased from 19 per cent in 1960 to 58 per cent in 2000. In addition, the paper confirms the

well-known result that the highest share of poor households is found in tenant operated farms. The author concludes in Section 4: "Given the unequal distribution of land, benefits arising from increased crop production will continue to accrue primarily to large farmers".

The next topic in Section 5 is a short review of the rural labour market including a comparison of trends between the farm and non-farm sector. Data shows a decline of real wages in both the non-farm sector and for permanent agricultural workers; only a slight increase is apparent for casual (family) workers.

Drawing from these findings the author proposes in Section 6 several policy recommendations. Basically, the cornerstone is that since there is ample evidence to prove agricultural growth alone does not help the rural poor in Pakistan, it should be accompanied with a stronger will to address specifically the problems of the rural poor. This includes, among others, to focus also on the non-agricultural sector in the poorest areas, to focus on non-land-dependent activities, and to apply minimum wages legislation to the agricultural sector. The author advocates also for further research in order to bridge the still existing data and knowledge gaps regarding the situation of the rural poor in Pakistan.

This working paper is a very valuable effort to dig deeper into hot issues such as the relationship between growth and equity with more field evidence. The discussion is well organized and arguments are supported by many tables and figures including detailed Appendixes. It combines many references with fieldwork and clearly shows some key determinants of rural poverty in Pakistan. As such, it makes good reading not only for those who are interested in the country but also for anybody who wishes to better understand the dynamics of rural poverty in South (and probably Southeast) Asian countries.

The only weak point is maybe that the Policy Recommendations Section is rather short. Given the quality of the work and relevance of field data, more detailed and operational options could have been proposed. However, we share the author's opinion that more analytical work is needed and greater advocacy for

pro-poor policies in rural areas is a must. More country papers of this quality are needed in Asia and the Pacific ■

Reviewed by Robin Bourgeois, IS/DB Programme Leader, UNESCAP-CAPSA, Bogor, Indonesia.