



Short Article

Agricultural Diversification and Self-sufficiency

The implementation of food self-sufficiency programmes based on one particular food crop, notably rice, has not really been a success story in as far as managing food shortages in many developing countries is concerned. One argument underpinning this claim is that despite a food surplus in these countries, poverty and hunger remain commonplace (Todaro, 2000; Rosegrant and Hazell, 2000). The rural poor are not only excluded from access to the benefits brought by single-crop-based food self-sufficiency programmes (Grabowsky, 1985), but are also forced into secondary food crop farming on remote marginal lands for their subsistence (Rosegrant and Hazell, 2000).

The increasing dependency of a large number of rural poor people on marginal farmland has exacerbated environmental degradation. Rosegrant and Hazell (2000) confirm the occurrence of such environmental problems in the region. The degradation of environmental and natural resources is a real threat for the sustainability of agriculture. Accordingly, the future of agriculture in the region can only be secured if rural poverty is effectively alleviated; a target agricultural diversification can specifically contribute to.

What is Agricultural Diversification?

Agricultural diversification is not a new farming practice in developing countries (Francis, 1986). However, it has faced rapid declining in Asia and the Pacific, since governments have placed priority on expanding one main staple food crop (notably rice) in their attempt to achieve food self-sufficiency.

According to Hedley (1987), agricultural diversification may be classified into three types, namely horizontal, vertical and regional diversification. The first essentially deals with activities at the farm level, its functions being either stabilizing or improving farm income. Vertical diversification concerns improving a product's value added through the integration of off-farm activities with on-farm activities (Lynam, Sanders and Mason, 1986).

Regional diversification relates to specialization. When each region specializes in particular crops, agriculture becomes diversified from a national perspective. Its rationale rests on the concept of comparative advantage formulated by Ricardo.

Matching Agricultural Diversification and Effective Rural Poverty Alleviation

Making agricultural diversification based on secondary food crops advantageous for rural poverty alleviation in developing countries requires two conditions. The first is the existence of favourable and expanding markets for secondary food crop products. Without the existence of such markets, production of secondary food crops will

not financially benefit the farmers and hence, fail to help poor producers escape poverty. One way to create this market situation is to relax existing food self-sufficiency programmes, avoiding reliance on the production of a particular food crop alone, but to include secondary food crops such as maize and cassava. In other words, food self-sufficiency programmes need to be multi-food crop based. To make such a redesigned food self-sufficiency programme successful, governments have to implement effective food diversification policies.

Second is the existence of processing industries that use secondary food crops as basic inputs or raw materials. The demand for products such as bio-fuel and animal feed, which are produced from secondary food crops is now growing both at the international and national markets levels. However, most developing countries have not been able to exploit this opportunity for the benefit of their population due to a lack of supporting public policies, especially regarding investment and international trade. In the context of international trade, the AGRIDIV country studies reveal, for example, that some countries have become reliant on the importation of secondary food crops, such as maize, even though in these countries it is cheaper to produce domestically than to import (CAPSA, 2006). This peculiar import behaviour is attributable to the implementation of inappropriate international trade policies for domestic production.

The creation of favourable and expanding markets does not automatically benefit the rural poor. Poverty itself hinders most of them from reaping the benefits brought by these markets or the opportunities created by new uses for secondary crops. Therefore, the government's role is to support the poor in overcoming the constraints they face to beneficially participate in the market. It is a matter of implementing policies that open access to good infrastructure, financial systems, new technologies, good market information and markets for secondary food crops.

In terms of vertical agricultural diversification activities, processing industries are key for the generation of value added from secondary food crops. Therefore, the involvement of poor farmers in value added generation is critical to escape poverty. However, as discussed above, the farmers themselves cannot afford entry into this business. One way is to promote mutually beneficial business partnerships with the processing industry, which can be achieved through contract selling or similar agreements, an area where the government's role is to provide a secure legal framework and policy support ■

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(References available upon request)*

Flash **BREAKING****Bio-Product Market Value: Increasing**

The global market value of biotechnology crops hit US\$ 8.66 billion in 2005, registering a significant increase of more than half a billion dollars over the previous year. For 2006, the value of the global biotech crop market is projected to be more than US\$ 9.07 billion. In Asia, China and India are the two largest producing countries with a total area of 3.3 million and 1.3 million hectares respectively.

Fernandez, Rudy A., 2006. Bt Crop Global Market Passes \$5-B Mark, SEAMEO SEARCA Biotechnology Information Center, http://searcaweb.org/mailman/options/bic_searcaweb.org, (12 February 2006).

Female Participation is Growing

In the last decade, the share of women in the labour market has been increasing, although it varies among regions. For example, in 2005, 52.2 per cent of adult women were in employment, compared with 51.7 per cent in 1995. In 2005, women made up approximately 40 per cent of the world's labour force. While the number of active women in Latin America and the Caribbean has decreased, the Middle East and North Africa have witnessed greater female participation from very low initial levels.

ILO, 2005. Annual Global Employment Trends, United Nations, <http://www.ilo.org/public/english/region/ampro/cinterfor/news/>.

Fiji Diversifying Its Energy Sources

To minimize risks related to foreign exchange volatility, soaring global fuel prices and to promote an environmentally sustainable energy sector, Fiji Electric Authority has embarked on a strategy to diversify its energy sources and promote clean and renewable energy. The financing of this programme over the next five years is estimated at \$300 million.

ADB, 2006. Helping Promote Renewable Energy in Fiji Islands, <http://www.adb.org/Media/Articles/2006/>, (28 February 2006).

Agricultural Research is one Avenue to Poverty Alleviation

According to Prof. P. Pinstrup Andersen from Cornell University in New York, improving agriculture is the key factor in poverty alleviation. His work shows that every dollar invested in agricultural research generates about \$6 of additional income among farmers and about \$15 of additional economic growth in the society as a whole. This will clearly help poor people in affected countries.

Sent by Subroto, Meriatty, 2006. Millions More Starving by 2015, Written by Ania Lichtarowicz BBC News, <http://news.bbc.co.uk/>, (17 February 2006).

Poor People and Access to Energy

Energy is fundamental to the great challenge facing the world at the beginning of the 21st century: how to eliminate the unbearable levels of poverty without further polluting the environment or exacerbating climate change? The ministerial conference "Renewables" attempted to provide solutions to these issues? The conference committed to clear poverty-focused targets to improve poor peoples' access to energy. Energy is the lifeblood of human society, yet 1.6 billion people have no access to electricity. Some 99 per cent of those people live in developing countries. Four out of five of them live in rural areas. Following prevailing trends, there will still be 1.4 billion people without electricity in 2030. The international community needs to make appropriate, affordable and decentralized energy services available to the poor. Failure to grasp this opportunity will further marginalize the world's poorest people from the benefits of energy technology and put further pressure on the planet's dwindling resources. The conference also suggested a Pro-poor Policy Agenda: (1) Place energy at the heart of poverty reduction strategies; (2) Provide aid support to sustainable energy options for the poor; (3) Develop financing mechanisms to reach the grass roots level; (4) Increase national capacity for sustainable energy; (5) Leverage private sector partnerships to target the poor; (6) Engage the poor as active partners in delivering change; and (7) Best practice knowledge sharing. Access to basic, clean energy services is essential for sustainable development and poverty eradication, and provides major benefits in the areas of health, literacy and equity. The Millennium Development Goal of halving poverty will not be achieved without improved energy services to increase production and income, create jobs and reduce drudgery ■

ITDG, 2005. Powering Poverty Reduction, http://www.itdg.org/?id=powering_poverty_reduction, (4 June 2005).

Growth, Unemployment and Poverty

The number of people unemployed worldwide climbed to new heights in 2005, as robust economic growth failed to offset an increase in people seeking work. According to official estimates, the unemployment rate remained unchanged, after two successive years of decline, at 6.3 per cent. Global unemployment stood at 191.8 million people at the end of 2005, an increase of 2.2 million since 2004 and 34.4 million since 1995. The weakness of most economies to turn GDP growth into job creation or wage increases, coupled with a spate of natural disasters and rising energy prices, hit the world's working poor especially hard. Despite 4.3 per cent global GDP growth in 2005, only 14.5 million of the world's more than 500 million extreme working poor were able to rise above the US\$ 1 per person per day poverty line. In addition, in 2005, of the more than 2.8 billion workers in the world, 1.4 billion still did not earn enough to lift themselves and their families above the US\$2-a-day poverty line - just as many as 10 years ago. This indicates that economic growth alone isn't adequately addressing global employment needs ■

Based on OneWorld, 2006. Global Unemployment Grows, Youth Affected Badly, http://www.truthout.org/issues_06/012506LA.shtml, (25 January 2006).

Economic Impacts of Avian Flu

Avian flu has spread across at least 10 countries in Asia -from China and Pakistan to Indonesia. A meeting in Bangkok at the end of January highlighted the flu's "regional dimension" as well as the need for a regional approach to eradicating it. In economic terms, avian flu again underscores the importance of domestic consumption, agricultural exports, and tourism in Asian economies. Perhaps one key lesson unfolding with avian flu is the importance of bridging the socioeconomic gap between richer urban communities and poorer rural ones. The extent of the flu epidemic has again revealed the extent of poverty in rural Asia and the socioeconomic issues in Asian societies. For example, controversy is now brewing in Thailand over the perceived "injustice" of culling chickens on poor rural farms (and providing modest compensation), while poultry bred by large agricultural conglomerates and around Bangkok need only be vaccinated. In Indonesia, there were initial concerns that vested interests had unfairly prevented the culling of millions of birds. In rural Asia, a well coordinated socioeconomic uplift is crucial. Like SARS, which originated in poorer parts of the continent, avian flu underscores the importance of an aggressive policy to wipe out poverty and "balance" society. Beneath the Asian boom still lies poor economies and marginalized societies that not only breed disease but also sow seeds of social unrest and political destabilization ■

Based on Eric Teo Chu Cheow, 2006. The Japan Times, Tokyo, <http://www.worldpress.org/Asia/1835.cfm#down>, (20 February 2006).

Promoting Equity for the Poor, a World Bank Viewpoint

According to the World Bank 2006 World Development Report, inequality in opportunities, both within and among nations, sustains extreme deprivation, and results in wasted human potential and often weakens the prospects for overall prosperity and economic growth. To correct this situation and reduce poverty more effectively, ensuring more equitable access by the poor to health care, education, jobs, capital, and secure land rights, is one key strategy. Greater equality of access to political freedoms and political power, breaking down stereotyping and discrimination, and improving access by the poor to justice systems and infrastructure are crucial. Moreover, to level the playing field among countries, and thereby reduce global inequities that hurt the poor in developing countries, the report calls for the removal of trade barriers in rich countries, flexibility to allow greater in-migration of lower-skilled people from developing countries, and increased -and more effective- development assistance ■

Based on World Bank, 2006. World Development Report 2006: Equity and Development, <http://web.worldbank.org/WBSITE/EXTERNAL/EXTDE>.

Flash EVENTS



2006 Global Business Conference: New Paradigm, New Technique for Global Business Development and Strategy

22 - 23 June, 2006
Bangkok, Thailand

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Website: <http://www.ex-mba.edu/Eng/conferences.htm>

Energy, Environment, Ecosystems and Sustainable Development (Eeesd'06)

11 - 13 July, 2006

Vouliagmeni, Athens, Greece

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Book Review

Free Trade Area in Asia

Ramesh Chand, Academic Foundation, New Delhi, 2006, ISBN 81-7188-422-9

Free Trade Agreements (FTA) have pros and cons. The impact of FTA on the welfare of member and non-member countries is generally determined by examining trade creation and trade diversion within and outside the region. Trade creation occurs when some domestic production in a nation is replaced by a lower cost import from another nation. This increases the welfare of these countries through specialization, because domestic resources are supposed to flow to products with a comparative advantage. Trade diversion occurs when lower cost imports from outside the FTA region are replaced by higher cost imports from a nation within the FTA because of preferential treatment to members of the FTA. This can have a positive or negative impact on the welfare of the members but it definitely reduces the welfare of non-members.

The author analyses the implications of FTAs in Asia on regional and global welfare based on macroeconomic statistics. He proposes a strategic framework for regional integration to take advantage of emerging trade opportunities within Asia. Using two indicators, the author identifies the extent of regional trade bias and its impact; the Intensity Index for Trade (IIT) and the Index of Propensity to Trade (IPT). IIT shows whether countries in a region are trading proportionately more among themselves relative to the outside world. If there is no regional concentration of trade, then IIT is one. The value of IIT for intra-regional trade becomes more than one if there is a regional trade bias. IPT is obtained by multiplying IIT by the openness of trade (the ratio of GDP traded in total GDP). An increase in IPT indicates trade creation while a decrease in IPT indicates trade diversion.

Analysis of the IIT from 1990-2000 shows that trade among developing Asian countries (DAC) had a strong neighbourhood bias. The increased regionalization of DAC trade is primarily attributable to the increased regionalization of trade of non-agricultural products, among others, arguably due to the low level of agricultural trade liberalization. Concomitantly, the share of trade in GDP increased significantly. Rapid growth in internal trade in the region has been accompanied by growth of trade outside the region. This has created trade opportunities outside DAC, namely, external trade creation. Based on the analysis of IPT, the author suggests that trade creation has been stronger than

trade diversion for the world as a whole. In other words, the regionalization of trade in developing Asia during the 1990s improved welfare both for developing Asia and for the rest of the world.

The book concludes that policy changes initiated by Asian countries during the last decade have led to increased regionalization of trade in DAC, while increased regionalization has been accompanied by trade creation and not trade diversion. The author describes the current situation as ironic since the fast growth of intra-regional trade in Asia has not been followed by any regional integration in the form of trade agreements which cover the whole Asian region. This has deprived Asia of a vast opportunity for trade creation and improvements in the welfare of Asian countries. The initiative for governments to forge a suitable trading arrangement for free trade is recommended.

The book provides the reader with well organized basic information explaining how regional trade has developed in Asia and statistical evidence, which shows the emerging trade regionalism has not been harmful to global welfare, at least at the macro level. However, the book leaves several questions unanswered if we consider the implication of the conclusions in the context of poverty alleviation on the ground. First, were the fruits of regional trade expansion really enjoyed by poor people? Second, did trade creation and changes in industrial structure, which definitely happened through the specialization process, benefit the poor? Third, are the positive impacts of FTAs also expected for the agricultural sector? We should not forget that this sector absorbs most of the labour in developing Asian countries.

The message of the book is, one infers, that the task of researchers and policy planners in the era of FTAs is to monitor carefully what transpires in the world of poverty and provide prompt actions to capture opportunities for people to escape from poverty or to mitigate the negative impacts of free trade for the rural poor ■

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