

## Commodities Exports and the MDGs

The rural poverty dilemma and the international policy response

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The commodities sector in LDCs and African countries  
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## The Millennium Development Goals: Goal 1

“Eradicate extreme poverty and hunger”  
by 2015

### Target 1

Reduce by half the proportion of people  
living on less than \$1 a day

### Target 2

Reduce by half the proportion of people  
who suffer from hunger

## The Millennium Development Goals: Goal 8

“Develop a global partnership for  
development”

### Target 12

Develop further an open trading and financial system that  
is rule-based, predictable and non-discriminatory

### Target 13

Address the Least Developed Countries' special needs,  
including tariff- and quota-free access for their exports

### Target 14

Address the special needs of landlocked and small island  
developing States

## Millennium Development Goals

...no mention of commodities  
...or even agriculture

## What is poverty?

### Possible criteria:

- Size of monetary income
- Ownership of assets
- Economic inequality
- Marginal social position
- Vulnerability to risk
- Economic and social insecurity
- Excessive dependence on other people

❖ “Extreme poverty” or “destitution”?

## Extreme poverty and hunger

- 1.2 billion people live on less than \$1 a day
  - 75% of these live and work in rural areas
- Of the world's hungry people:
  - 50% from smallholder farming communities
  - 20% are rural people without land
  - 10% in communities that depend on herding, fishing or forests
  - 20% in towns and cities

### Where are poor rural people?

According to one summary:

- In areas that are resource-poor and risk-prone or remote
- In arid or semi-arid zones or steep hill-slope areas that are ecologically vulnerable
- In Brazil, the Sahel, the Philippines, Indonesia, Bangladesh, South Asian highlands, Andes...

### The poorest rural households

...generally contain women who are performing manual agricultural wage labour, and rely upon these female wages to survive

(J. Sender)

### What progress has been made?

...in 10 of the 32 countries of low human development, GDP per person is lower than in the 1970s.

(UNDP)

### Linkages between commodity exports and poverty

...are very complex...!

One conclusion from this:

- "One-size-fits-all" policies are not appropriate.

### The rural poverty dilemma

- Is there a future for smallholders and subsistence or semi-subsistence farmers in poor countries?
- If not, what can be done about it?
- Should we take present arrangements for agriculture and trade as the starting point and try to find ways for 900 million poor rural people to fit in with them?
- Or insist on the needs and interests of those people and seek ways for *others* to accommodate *them*?
- Those needs include:
  - ❖ adequate wages for poor workers' labour
  - ❖ adequate prices for poor farmers' produce

### The Least Developed Countries and Africa

Many of the poorest countries are in Africa

- Is there something special to Africa which hinders the fight against poverty?
- Or do African countries share certain objective features which inhibit the fight against poverty?

### Why countries fall behind under globalisation

1. Small size of domestic populations and markets
2. Remoteness from world markets, e.g. because landlocked;
3. Dependence on a small number of primary commodities for exports;
4. Predominance of rural sector and *rural* poverty;
5. Low capacity for economic diversification;
6. Lack of international competitiveness due to supply-side constraints

### The policy background: structural adjustment

- World Bank's Berg Report, 1980
- Policy to "get the prices right"
- Export orientation replaces import-substituting policies
- Debt Crisis created new leverage for World Bank and IMF in developing countries
- Rely on (static) comparative advantage
- Encourage international competitiveness by liberalising imports
- Often followed by economic stagnation or decline

### Chocolate and vanilla flavours of fallacy

#### "Fallacy of composition"

- Cocoa export volumes increased from 1.1m tonnes in 1980 to 2.5m tonnes in 2000
- But they fell in value from \$2.8bn to \$2.5bn
- Repeated with vanilla in 2004-05:
- Madagascar was urged to increase its vanilla production just at the peak of a price boom
- Prices crashed by 90 per cent within a year

### Internal and international economic integration

- Only one is universally promoted
- But *both* are needed
- Lack of *internal* integration is one of the features which prevents countries from benefiting from globalisation
- Need to build domestic and regional economic linkages
  - Especially in Africa

### The policy background: international trade rules

#### Agriculture in the Doha Round at the WTO:

- Developed countries' subsidies
  - e.g. on cotton
- Tariff peaks and tariff escalation
- "Special products"
- Preference erosion
- ❖ And likely impact on industry of tariff cuts under Non-Agricultural Market Access

### Regional trade agreements

#### African Growth & Opportunity Act:

- Who has benefited?

#### European Partnership Agreements:

- Will they help or hinder regional integration in Africa?
- A "back door" for changes which developing countries have already rejected at the WTO?