

Analysis of agricultural trade liberalization on the poverty reduction in Asia

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Abstract

The impact of globalization on poverty is a subject where there are strongly held views but relatively little detailed empirical evidence, particularly at the micro level. Some view globalization as a panacea which will reduce inequality and contribute to the elimination of poverty on an international scale, while others are deeply suspicious of the process, believing that it will lead to further concentration of the benefits of growth, both inter- and intra-nationally. On both sides the links between globalization and poverty outcomes are rarely established empirically, tending rather to be assumed a priori. Some of the most abject poverty in the world is concentrated in farming communities. Agricultural trade liberalization has a crucially important role to play because poverty is concentrated in rural areas and activities in poor countries. Over 70 per cent of the poor in developing countries live in rural areas. Agriculture is the largest employer in low-income countries, accounting for about 60 per cent of the labour force and producing about 25 per cent of GDP. Agriculture is one of the most distorted sectors of international trade. Trade barriers facing developing-country exporters of agricultural products are four to seven times higher in industrialized countries than the barriers facing their exporters of manufactured products, and two to three times higher in developing countries. Ninety-six per cent of the world's farmers – approximately 1.3 billion people – live in developing countries. In the rural areas of the developing world, close to 900 million people live on less than \$1 a day. Rich countries spend billions subsidizing their agricultural sector, leading to chronic overproduction and dumping surpluses on global markets. For millions of families in the developing world, farming is not an occupational choice; it is the sole available means of survival. A sustainable, fair system of farming and farm labour can feed poor families, generate income and put children through school, laying the foundations for a better future for a large proportion of the world's poor. If there is one sector in which developing countries ought to have an edge, it is agriculture. In practice, however, this is not so. As long as developing country farmers have to contend with cheap imports produced by heavily subsidized agriculture in rich countries. For poor countries, agriculture should provide the first rung on the ladder of development. Agriculture is one of the most important elements of successful development and poverty reduction. Agricultural growth increases agricultural incomes and wages, stimulates local economies and non-agricultural sectors and can reduce food prices (which decreases poor people's expenditure). Agricultural exports also generate vital foreign exchange. Nearly 40 developing countries depended on agriculture for over 50 per cent of their export earnings in 1998-2000. Asia is the world's largest and most populous continent. It comprises about one third of the world's landmass and 60 percent of the world's population. It is about 45 million square kilometers and is also included 46 countries that more than 95 percent of them is developing countries. In countries such as India, Bangladesh, Indonesia and China there has been a strong connection between poverty reduction and agricultural growth. No equivalent relationship, on this scale, could be found for manufacturing and services, in either rural or urban areas. According to one UN study, "Developing country shares of agricultural commodity exports have slumped, from 31.7 per cent in 1970-1972 to 26.4 per cent in 1998-1999; and the Least Developed Countries' share dropped from 3.5 per cent to 1.0 per cent during the same period. Like ending hunger, reducing poverty requires that current high levels of agricultural protection come down. Subsidized competition and trade-distorting domestic supports in developed countries must be curbed. But market access barriers must be brought down everywhere. Forty percent of global agricultural trade already is among developing countries themselves. Most of the future growth in demand will be in developing countries, so they must join in as full partners in the creation of a more open global food system. It is the surest route to reducing poverty in all countries. The benefits of globalization in food and agriculture could outweigh the risks and costs. For example, globalization has generally led to progress in reducing poverty in Asia. "But it has also led to the rise of multinational food companies with the potential to disempower farmers in many countries. Developing countries need the legal and administrative framework to ward off the threats while reaping the benefits." Openness towards international markets, investments in infrastructure, the promotion of economic integration and limits on market concentration, could make globalization work for the benefit of the poor.

Regarding to this introduction, is presented following recommendations and strategies for hunger and poverty reduction.

Intensification of existing patterns of farm production;

Diversification of production, including increased market orientation and value added post-harvest activities; Increased operated farm size, either through consolidation of existing holdings or the extension of farming on new agricultural land; Increased off-farm income to supplement farming activities; and exit from agriculture, involving migration from rural areas.

competitive agribusiness and commerce as tools for poverty reduction

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