Center for Island Pacific Research and Development

CIPRD Comment

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Chakriya Bowman: Agriculture Liberalisation Won't Save the Third World

The higher cost of food staples mean the urban poor in many developing countries will be made worse off by agriculture liberalisation

We are fortunate to live at a time when eminent thinkers like Bono and Bob Geldof are around to push the Doha trade agenda on behalf of the world's poor.

Certainly, there are likely to be benefits from finding trade-related solutions to poverty that go far beyond simply stopping Madonna from performing at global concerts. However, the rhetoric accompanying the Doha "Development Round" is causing some consternation among agricultural and trade economists.

Of the 100-odd developing countries in the World Trade Organisation, most (76 per cent) are net food importers. Those without a comparative advantage in agriculture face negative outcomes from the Doha talks, because the price of basic food staples will rise. Arvind Panagariya of Columbia University observes that it's unlikely these economies will become net food exporters even at higher world prices, and that quarantine issues and other non-tariff barriers will make it difficult for them to access developed markets. Meanwhile, the cost of food for the urban poor will increase their levels of hardship.

For those outside the Cairns group, which neatly encapsulates the economies with comparative advantages in agriculture, this round of talks will bring minimal benefits - and in many cases significant losses.

Australian National University visiting fellow David Vanzetti, an expert in agricultural trade modelling, suggests Africa will gain from liberalisation only if "it occurs within a context of preferential and exclusive access to northern markets". In a recent paper, Vanzetti and Marco Fugazza show there is potential for sub-Saharan Africa to actually suffer welfare losses. Only liberalisation of cotton has strong development potential for much of Africa.

Many stand to gain from Doha, not least of all Australia. World Bank economists estimate that under the current Doha scenario, welfare gains are likely to amount to $US96 billion ($130 billion), of which $US80 billion would accrue to developed economies. The poverty alleviation potential is limited and only occurs under a number of assumptions about the way developing economies manage reforms.

Instead, south-south trade - trade between the developing economies themselves - offers the greatest growth and productivity opportunities. This is particularly true when tariffs on manufactures are liberalised along with those on agriculture. Unfortunately, progress is unlikely during this round as the onus on developing countries to reform has effectively been removed from the negotiating table.

None of this is to say that trade liberalisation is bad for developing countries - far from it. But we shouldn't expect the problems of developing economies to be solved simply by agricultural exports to Europe. Some developing economies may benefit - Brazil, Argentina, Thailand - but others, particularly African economies, will suffer.

The impact on the Pacific is unknown thanks to a paucity of information for modelling but is likely to be negative. Given that Kiribati, Samoa, the Solomon Islands and Vanuatu all make the LDC list - and, many argue, so should Papua New Guinea - the benefits to our neighbours may be somewhat overstated.

It seems Bono won't be retiring just yet.

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