ABC OF MARKETS AND TRADE

A Support Resource on Markets and Trade for Trócaire's Sustainable Livelihoods Programme

May 2009

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The development of this resource was overseen and completed by a steering group consisting of Jennie Cornally, Sorcha Fennell and Michael O'Brien. Our thanks to Sarah Hunt (consultant) for her work in preparing the initial drafts.

Cover: Varieties of seeds and grains at a Meru market, Kenya. Photo: Ross McDonnell.

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Introduction

This resource arose initially from discussions at Trócaire's first Livelihoods and Environmental Justice Programme Annual meeting in Malawi (Lilongwe, September 2007). This annual meeting revised the wording of the objectives and strategies for the Livelihoods programme that were incorporated into the final version of Trócaire's Strategic Framework 2006-2016. The first objective is to increase the capacity of poor, marginalised and vulnerable people to secure sustainable and just livelihoods. The outcome of this objective is that people have sustainable and robust livelihoods that provide them with food security, a growing income and an improved quality of life.

The Malawi meeting included a mapping of current markets and trade specific work. This mapping confirmed previous trade based reviews and audits of Trócaire programmes. The mapping and reviews reveal a very broad range of activities, from support for marketing of peasant products to policy advocacy at the World Trade Organisation. Overall, our Livelihoods programmes continue to largely support subsistence based food production with a number of examples of diversified production being promoted in order to link food production with local markets.

In Rwanda the Sustainable Livelihoods programme deals with a range of food management aspects including production, collection, storage, processing and marketing. Small scale agro processing has increased agricultural products value, with examples of products being successfully marketed through national retail chains.

In Central America there is a well established practice of pursuing programme objectives at both the production and policy levels. The enabling environment is very much included in the region's approach to delivering on programme objectives with analysis of market opportunities being followed up through local initiatives e.g. local fair trade markets or through national advocacy on food security, aiming for example to influence government land policies to work on free trade agreements, such as the European Union Central American Association Agreement.

Scaling up, moving beyond subsistence based food production to engagement in markets is central to achieving the primary objective of our Livelihoods programme. Scaling up is considered within a sustainable livelihoods approach, whereby moving from subsistence based production to participation in local, regional, national and possibly international markets is complimentary to meeting peoples food security. Market mapping and trade feasibility studies are tools for identifying potential market opportunities. Linking programmes at different stages of engagement with markets can provide learning insights on how these opportunities might be advanced and linkages which may now be weak, such as export markets, where appropriate can be advanced.

Resource Outline

This resource, based on Trócaire's own programme work aims to illustrate connections between food production, markets and trade advocacy. The resource we hope can be used by Trócaire Livelihoods staff and support Trócaire's work on markets/trade as a basis for deepening understanding of the opportunities for scaling up and foster discussions on how this can be achieved.

The structure of the resource is the outcome of inputs made by Trócaire staff in Maynooth and the Livelihoods programme team. The resource is divided into four sections with a comprehensive glossary and references and links to resources section after the commodity case study in appendix 1. The resource can be built on and users are encouraged to insert and store additional case study material for cross organisational programme sharing in the document holder at the end of the resource.

At the Livelihoods and Environmental Justice Second Programme Annual Meeting (Delhi, September 2008), participants mapped the relevance of each section to their programme. Sections Two and Three were identified as having the highest relevance.

Section One discusses the importance of agriculture and trade for rural development and achieving sustainable livelihoods. This section sets the scene by providing a framework which outlines the relevance of markets and trade to sustainable livelihoods programming. The section may be of particular interest to programmes whose work is concentrated on service delivery for subsistence based production and links to markets are weak.

Section Two offers a set of tools for understanding markets, how they work and why they fail, and how this affects the production choices of small producers. An example of market chain analysis is given, along with a description of the different actors in the market. This section is of particular relevance for programmes which are promoting agricultural diversification and processing of primary products in order to add value and income to producers but whose links to markets are at an early stage of development.

Section Three focuses on the appropriate role of the state in developing policies that provide an enabling environment for participation in markets for trade. The type of strategies that favour the rural poor are set out and the role of civil society in ensuring that the state takes into account the needs of the poor is discussed. This section is useful in making links between the local and national level, treating how civil society groups can participate in advocacy and influence policy outcomes.

Section Four offers a framework for understanding the potential role of international trade in development and how the current international trade regime works. It includes a description of the institutions, agreements and issues around trade negotiations, and an agenda for trade justice at international level that captures the issues at local and national level for developing countries. This section is a good introductory resource for programmes which have identified the relevance of incorporating an international policy advocacy dimension but may be at an early stage in its rolling out, while for programmes already engaging at this level the chapter is a useful up to date reference to the international trade environment.

Trade policy links

This resource compliments Trócaire's ongoing policy advocacy work for trade justice. The references and links to resources section of the ABC of Markets and Trade includes a list of Trócaire policy papers/briefings on mulitateral/bilateral trade negotiations, addressing issues relevant to the WTO, the EU and its trade relations with Central America and Africa, Caribbean and Pacific countries as well as thematic issues such as Aid for Trade (AfT).

Nations are far from equal in their economic and human development conditions. Uniform rules for unequal trading partners produce unequal outcomes. International trade rules need to respect the varying economic conditions and stages of development of each State. Trade rules that permit the policy space for countries to pursue their development needs and priorities, particularly in sectors fundamental to human rights and development, including food, health, education, employment and environment are essential. Trócaire advocates for food, rural development, agriculture and trade policies that advance sustainable agricultural production and enhance the livelihood opportunities for small-scale producers/rural poor based on the principles of justice, solidarity and subsidiarity.

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1. WHY IS TRADE IMPORTANT?

Vincenta Pineda sells her organic vegetables at the Sunday morning market in Abancay, Peru. Photo: Orla Fagan.

Section 1 – Why is trade important?

There is increasing recognition that access to markets for small producers in low income countries is a route to poverty reduction, sustainable livelihoods and reaching the Millennium Development Goals (MDGs). However the current regime of agricultural trade rules favours large-scale commercial agriculture as the means for fuelling exports, trade and growth in developing countries and excludes the small farmer as a viable participant in economic production. In contrast, the sustainable livelihoods approach to rural development starts with the rural poor as active economic agents and offers a perspective for understanding the potential of trade for transforming livelihoods and for making agriculture a driver of pro-poor growth at local, national and international level. This first section discusses the importance of trade and agriculture for rural development and achieving sustainable livelihoods.

1.1 Rural poverty, agriculture, and human development

Although the world population has been urbanising steadily, poverty continues to be concentrated in rural areas. In this context, agriculture is important because the majority of people in the rural sector depend on it for their livelihood. According to the 2008 World Development Report which focuses on Agriculture in Development:

> *In the 21st century, agriculture continues to be a fundamental instrument for sustainable development and poverty reduction. Three of every four poor people in developing countries live in rural areas – 2.1 billion living on less than \$2 a day and 880 million on less than \$1 a day – and most depend on agriculture for their livelihoods*[1]

Of the 3 billion rural inhabitants in the developing world, 2.5 billion are in households involved in agriculture and 1.5 billion are in smallholder households[2]. The rural poor especially depend on agriculture for food security through subsistence production and wage labour; which provides jobs for an estimated 1.3 billion smallholders and landless workers[3].

Agriculture is also important because of the size of the sector relative to the overall economy. On average, agriculture and the industries and services connected to it, contribute to at least one-third of GDP in developing countries, making it central to overall growth and development.

In light of the above, rural development and agricultural production must be at the centre of any agenda for reducing poverty and achieving the Millennium Development Goals. At international level, it underlines the need for a political priority to be placed on models of rural development and agricultural trade rules that respond to the principles of bottom-up, pro-poor models of human development.

1.2 Models of agricultural and rural development

Given the concentration of the poor in rural areas, rural development has always been a central feature of development discourse. However, the debate has been characterised by a divide between the modernisation paradigm and its focus on large-scale agriculture that dates from the 1950s, and a newer focus on rural development based on small-scale agriculture that emerged in the 1960s.

Before examining these two models, it is important to highlight the main elements of the *sustainable livelihoods approach* since this is the approach that underpins Trócaire's work in promoting rural poverty reduction. The sustainable livelihoods approach is a 'bottom-up' model which emphasises the role of poor rural households in responding to ongoing economic processes:

> *"the starting point of the sustainable livelihoods approach [is] the assets and diverse strategies of a poor household"* [4]

This approach addresses the 'multiple realities' and injustices faced by the rural poor relating to dimensions of physical weakness, isolation, vulnerability, poverty and powerlessness.[5] It examines rural non-farm economic activity and its relationship to agricultural production (at least 40 percent of income in rural areas comes from economic activities off the farm) and recognizes that individuals and households may simultaneously engage in farming and other non-farm activities, thus highlighting that the rural poor engage in complex coping strategies with agriculture as one activity among a range of other actual and potential activities.[6] Trócaire programmes are therefore challenged to find the optimal level of support for both farm and off farm income generating activities.

The sustainable livelihoods approach also points out that the weak assets base of the rural poor influences their livelihood security and determines their production decisions. They have little land or are landless; have limited access to infrastructure or public services; suffer from high levels of malnourishment; are isolated geographically and socially; and are marginalized politically and economically. All of these characteristics make it extremely difficult for small farmers to sustain their livelihoods. As will be discussed in more detail below, these difficulties are exacerbated by the challenges presented by trade liberalisation and increasingly high levels of globalisation, including the occurrence of external shocks which are not anticipated, such as the current volatility in world food prices.

In general terms, the modernisation "growth centred" model has dominated policy choices. Driven by the logic of trade liberalisation at the international level in recent years, government interventions at the macro-level have aimed at promoting export-led growth and achieving macroeconomic stabilisation. The model targets the traditionally productive, large-scale and commercialised areas of the rural economy producing for export and has been accompanied by a reduced role for the State in key stages of agricultural production and marketing that used to target smaller producers. As a result, small-scale farmers have limited access to support services for agricultural production and marketing and are therefore rarely integrated into international trade markets.

The focus on export-oriented cash crops produced by large-scale farms is inconsistent with or contradictory to poverty reduction aims as it creates two biases: firstly towards the historically most productive regions and most developed commodities; and secondly, it targets those economically active in agriculture in the poorer regions who are less likely to be poor. Investment in rural areas is focussed around large enterprises and while this may indirectly help the poor by creating jobs and linkages, in very few cases are the landless and very poorest farmers targeted directly. Overall, the model does not consider the development of small-scale agriculture as a potential engine for growth in rural areas, it does not take into account the livelihoods of all actors in rural areas, and in effect reduces small-scale agriculture and rural development to secondary aims of development policies.

Much of the focus of the alternative small-farmer model of rural development outlined in table 1.1 revolves around satisfying basic needs, with self-sufficiency seen as a means by which rural areas could survive.

Table 1.1 Models of Agricultural Development in LDCs

Some of the main characteristics of the modernisation paradigm and the model for rural development based on small-scale agriculture and the differences between them.

Modernisation 'Growth-centred'	Rural Development 'People-centred'
• Modernisation 'Growth-centred' • State planning, top-down models • Large-scale commercial farming • New technology rapidly and efficiently adopted • Greater efficiency and more output • Small farmers leave the land and migrate to the city to offer cheap labour to new industries in LDCs • Sufficient food to feed urban population • Agricultural surplus used for exports, to drive growth and trade (industrial output grows too) • International integration • Poverty reduction as a trickle-down	• Bottom-up participation, locally specific approaches • Small farm efficiency • Labour intensity and small units support efficient use of resources • Viability of rural areas • Small farm agriculture as a driver of rural growth and non-farm linkages • Food security satisfied by a degree of self-sufficiency • Agricultural growth has a much larger impact on poverty reduction when based on small farmers • Poverty reduction is central, equity goals are satisfied too

However, the sustainable livelihoods approach illustrates that sustaining and regenerating the asset base behind self-sufficiency is difficult in the face of external shocks linked to higher levels of international integration and globalisation. As a result, this insulated model is increasingly unviable and it has become increasingly clear that small farmers *have to* participate in markets in order to achieve sustainable livelihoods and reduce their poverty levels.

1.3 Trade liberalisation and the participation of small poor farmers

1.3.1 The logic of trade liberalisation; winners and losers at the international level

According to the doctrine of free-market neoliberal economics, the driving force behind the current process of globalisation, trade liberalisation will be beneficial to the poor in developing countries. The argument is that opening up trade markets will bring overall mutual gains to all countries, developed and developing, with bigger markets for all producers and cheaper goods available for all consumers. Box 1.1 outlines the logic behind this argument.

Box 1.1 Trade and Trade Policy[7]

Trade is the exchange of goods or services in a market. Modern economies are based on specialisation and exchange in a variety of markets. This means that individuals and groups specialise in the production of a small number of items, producing a surplus. This surplus is used to exchange for other specialised items that they do not produce. Countries have different resource endowments, so for example it is expected that oil producing countries will export to those who do not have oil, and in turn will use the revenue to purchase other goods and services as imports.

Beyond natural resources, countries tend to specialise in the production of goods and services based on their *comparative advantage* in factors of production. For example, because wages are lower in textile factories in some Asian countries than in the European Union, the Asian countries can produce textiles more efficiently, and so have a comparative advantage in textile production.

A trade policy is a collection of activities undertaken by national governments which affect the quantity and value of exports and imports as well as goods produced and sold domestically. Policy instruments and measures include: tariffs, import and export quotas, import and export subsidies, production subsidies, safeguards and product certification.

The theory is that since developing countries have abundant cheap unskilled labour it should be relatively cheaper for them to produce goods such as agricultural commodities and textiles. This comparative advantage should lead to an increase in exports, fomenting greater production and thereby increasing employment, raising wages, satisfying food security and reducing poverty in developing countries. However, the reality is more complicated and many of the assumptions of this simple model do not hold.

The main problem with the theory is that trade liberalisation has not occurred evenly across all countries, so international markets do not work perfectly and there are huge distortions. Developed countries have not opened their markets to products from developing countries to the same extent that poorer countries have opened theirs. This is due to the fact that the rules of trade and liberalisation are dominated by powerful developed countries that tilt them in their favour; and these countries are in turn influenced by actors such as large multinational firms who have considerable market power, and strong farmer lobby groups which have political power. These dynamics constrain the options available to developing country governments for agriculture and rural development policy and limit the opportunities for the rural poor, in particular, in developing countries, resulting in their total exclusion from national and international markets for production and trade. Box 1.2 gives a clear example of how the European Union policy impacts on markets in developing countries.

Box 1.2 The European Union's Common Agricultural Policy (CAP)

This policy began 50 years ago with the aim of ensuring food security in post-war Europe and focussed on subsidising producers and buying up surplus output. The policy focus has evolved considerably, centring on the strength and competitiveness of the agri-food sector, along with environmental protection and conservation.

It still aims to ensure a reasonable standard of living for farmers in member states, to provide consumers with quality food at fair prices and to preserve rural heritage. Despite recent changes it still involves extensive intervention in the agricultural market with price supports and subsidies that help European Union farmers and import tariffs and quotas on imports that protect them from competition from cheaper produce from developing countries.

In many ways the CAP is contradictory to development aims:

- The amount of money spent on CAP is 44 percent of the European Union budget, a sum equivalent to the entire GDP of all African countries together.
- While the European Union also gives aid to developing countries, the protectionism in CAP means a loss of revenue to developing countries that is essential for their development. For example, it is estimated that 51 cents of every dollar in aid is lost through commodity price losses as a result of agricultural subsidies and declining terms of trade.
- It also generates oversupply in the European Union agricultural markets, which are then 'dumped' on third country markets, displacing unsubsidised products. This unfair competition and market distortion has a negative impact on local production.

According to the United Nations *Human Development Report 2003* in 2000 the average dairy cow in the European Union received $913 in subsidies, compared with an average of $8 received in aid per person in Sub-Saharan Africa.

1.3.2. Challenges and opportunities for small-scale farmers in the developing world

Small farmers in developing countries face huge challenges in participating in markets in this context of liberalisation and globalisation.[8] Firstly, the small farm unit works at local level, where connectedness to other markets is small. At the same time, greater integration into markets puts small producers under pressure since they must compete with farms that have greater technological capacity, in conditions of limited access to the support services and markets necessary for them to increase their productivity and competitiveness. The globalisation of commodity chains presents further challenges to the participation of smallholders in these global economic processes.

Added to these challenges is the fact that the production choices of small farmers are limited or conditioned by their livelihood insecurity and weak asset base[9] (as pointed out by the sustainable livelihoods approach), which makes it difficult for them to overcome their vulnerability to risk and uncertainty. Risks can be defined as damaging fluctuations in conditions, such as seasonal changes in prices or rainfall, which are to some degree understood or expected; while uncertainty is caused by shocks which are not well understood or expected, such as the current volatility in world food prices. Mitigating risk and uncertainty are costly and can cause small farmers to produce less and use their resources to protect themselves against the potential impact of the risks. In the face of a shock, coping strategies and adaptation can imply that farmers are forced to use resources that would have been invested in productive activities to meet food security needs. Climate issues such as desertification and drought have intensified the insecurity faced by the rural poor, further restricting their productive options.

Community support systems have traditionally offered some means of overcoming vulnerability and pooling risk. These have involved informal safety nets, market based interventions and social protection. The importance of community support systems as the basis for collective responses to livelihood insecurity is that they can form the basis for sustainable livelihood strategies. Collective action among farmers and other actors in rural areas can allow for pooling risk and pressuring for the provision of markets and engagement in them on fairer terms. However, community systems and associations are increasingly fragile and the HIV/Aids epidemic has had a devastating impact, especially in Africa. These forms of organisation need to develop on democratic principles, ensuring they are not manipulated by local élites and facilitate the participation of the most marginalised of the rural poor, especially women.

Other limitations to production choices include the access of small-scale farmers to stable and competitive markets for inputs, outputs, and finance, which is limited due to the imperfect nature of markets themselves and the reduced role of the State in the context of liberalisation in ensuring an enabling environment that opens up choices for small producers.

Due to the above limitations and the imperfect nature of markets, small-scale poor farmers are disengaged to varying degrees from market relations:

> *…the situation of a type of farm family that is neither fully committed to production for sale in the market nor confronted with competitive markets in all the inputs and outputs of the farm. The majority of farm households in developing countries maintain a significant, if somewhat varying, degree of autonomy from the market, as typified by the share of farm output that is consumed as family subsistence rather than sold in the market"*[10]

Alongside the challenges, there are also some opportunities for trade and agriculture to be an engine of growth in rural areas. One recent report[11] suggests that some important positive dimensions of globalisation for the rural poor exist and highlights the economic transformation underway in rural areas with growing linkages being established between urban and rural regions in developing countries. Elements of this transformation include migration and remittance flows, the growth of the rural non-farm economy, increased rural production for urban markets and rural consumption of urban products. In this context there are opportunities for small producers to take advantage of connectedness to markets to develop alternative livelihood strategies based on trade that permit rural communities to escape the poverty trap in a sustainable way. Other potential benefits for the rural poor include the availability of cheaper consumer goods, wage labour opportunities, and greater awareness of environmental considerations in agricultural production and related livelihood strategies.

In general terms, the potential for trade among small producers has not been sufficiently explored or exploited and the development of markets for them has not been given much attention. At the same time, initiatives like fair trade demonstrate clearly the potential value markets present for small scale producers. It is clear that the development of markets for trade at local level offers the potential to small farmers and rural communities to scale up from subsistence production to the implementation of sustainable livelihood strategies.

1.4 Relevance for Trócaire's Sustainable Livelihoods Programme

Trócaire's sustainable livelihoods objective is to increase the capacity of poor, marginalised and vulnerable people to secure sustainable and just livelihoods. Agriculture is a key element of the programmes since the majority of partners are engaged in agricultural activities and the target population relies on agriculture for food security and basic income. The proposed outcomes of the programme are that:

a. People have sustainable and robust livelihoods that provide them with food security, a growing income and an improved quality of life.

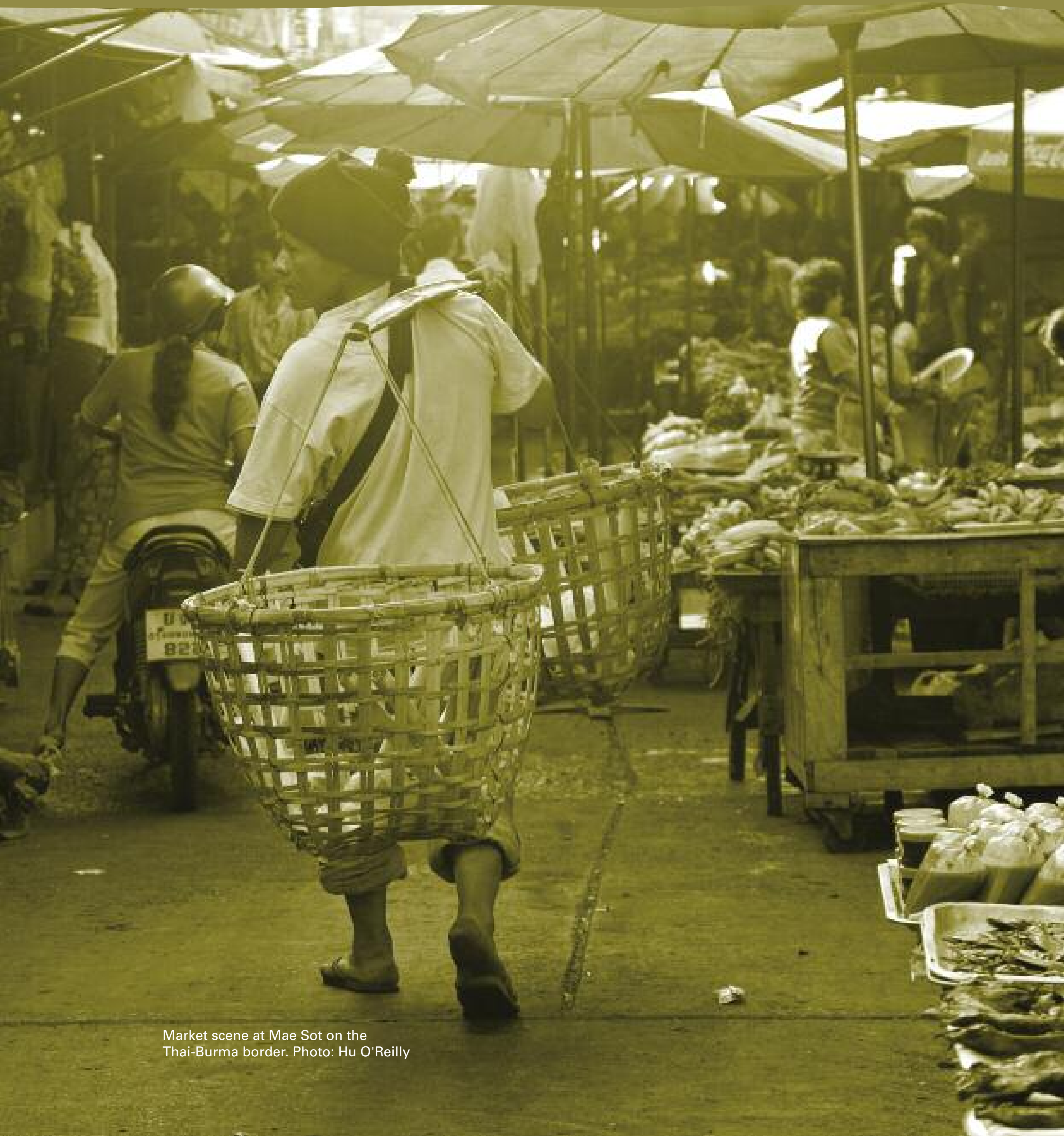
b. People's livelihoods are more resilient - they are better able to withstand and manage the impacts of natural and man-made disasters[12]

c. Trócaire increasingly researches and addresses the issue of migration[13].

The importance of markets for trade in agriculture for achieving these outcomes and sustainable livelihoods is clear:

- In the context of globalisation, trade matters because it provides an engine of growth to lay the basis for sustainable livelihoods and rural development.
- The exclusion of and limited options available to small farmers for trade is related to the impact of international trade rules on policy and production choices.
- The sustainable livelihoods approach offers an analysis of the asset base of the rural poor as the basis for identifying the opportunities and constraints for participating in markets for trade.
- Markets and trade are the means by which small producers can access additional income and resources beyond those available from subsistence production.

2. MARKETS



Market scene at Mae Sot on the
Thai-Burma border. Photo: Hu O'Reilly

Section 2 – Markets

THIS SECTION OFFERS A SET OF TOOLS FOR UNDERSTANDING MARKETS, HOW THEY WORK AND WHY THEY FAIL, AND HOW THIS AFFECTS THE PRODUCTION CHOICES OF SMALL PRODUCERS. AN EXAMPLE OF MARKET CHAIN ANALYSIS IS GIVEN, ALONG WITH A DESCRIPTION OF THE DIFFERENT ACTORS IN THE MARKET.

2.1 Markets: how they work and why they fail

The market refers to production and consumption decisions by households and individuals, the combined effects of which result in the determination of a market price for a commodity[14]. The market price is the amount of money charged for a product or service, or the value that a consumer exchanges for the benefits of having or using a product or service. This is influenced by the supply and the demand for the good. Greater supply is determined by the availability of inputs and intermediate services and means that more of the good or service is offered for sale and this usually pushes prices downwards. Greater demand means that people want to buy more of the good or service, determined by people's incomes, and the price of the good relative to other goods and services available. Value added describes how producers at certain points of the market make a good more attractive and increase its value over the cost of production as reflected in the price.

Markets work in different ways according to the number and size of participants on the supply and demand sides, the adequacy of the information flow between buyers and sellers and the physical infrastructure by which commodities are moved. Markets are competitive when there are numerous buyers and sellers each too small on its own to influence directly the market price.

Imperfect markets or market failure can occur when:

- Very large buyers or sellers can directly influence the market price, purchase or sale decisions: "monopoly"
- There is uneven distribution of information about prices, favouring some participants above others
- Markets are fragmented and unconnected due to poor transport and communications
- Markets are absent due to high transactions costs, information failures and other reasons such as barriers to entry, policy or regulations

If, for example, the market structure is dominated by one large seller, that seller can choose to limit their production and charge a high price to buyers. If there are only a small number of large participants in one stage, they can collude to set a high price in the same way. This is an example of unfair competition and represents an imperfect market. The result is that some people will not be able to afford this good or will have to sacrifice other purchases to buy this one. Small producers may not be able to compete with the large producers and will be discouraged from entering the market. If monopoly occurs in the input markets for agriculture then small producers may be unable to enter the market at all, which represents exclusion and an incomplete market.

Table 2.1 Elements for analysing Marketing Channels

Structure	the number, the size, and the diversity of participants at different points of the value chain
Conduct	reliability, timeliness, quality control and regulation of market activities
Performance	the speed and accuracy of price adjustments through the system; the stability of prices and margins; the efficient use of and fair allocation of resources at each stage; the accuracy and adequacy of information flows

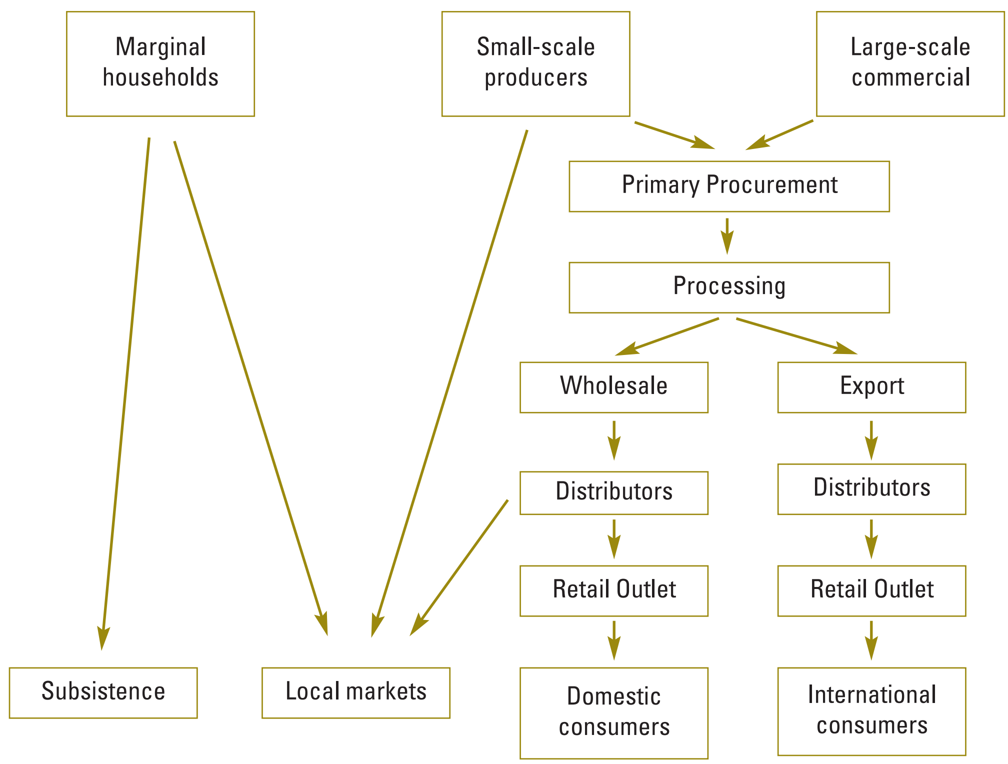
2.2 The agricultural marketing system

The agricultural marketing system transforms the commodity in time, space and form, each of which involves costs and risks:

- *Time:* involves all aspects of storage across seasons and years;
- *Space:* involves the transport of commodities from where they are initially sold to where they are finally purchased
- *Form:* involves all changes in the physical attributes of the commodity between farmer and consumer

The overall difference between the purchase price of a commodity by consumers and its sale price by producers is called the *marketing margin*; which captures all of these costs along the market chain. A typical market chain is illustrated in Figure 2.1 below.

Figure 2.1 Sequential stages of the market system[15]



Marginal households primarily produce for domestic consumption with any market links confined to local markets. Small scale producers will also supply the more readily accessible local markets but may also be linked through intermediaries to the more remunerative national and international markets where they will compete with large scale commercial producers.

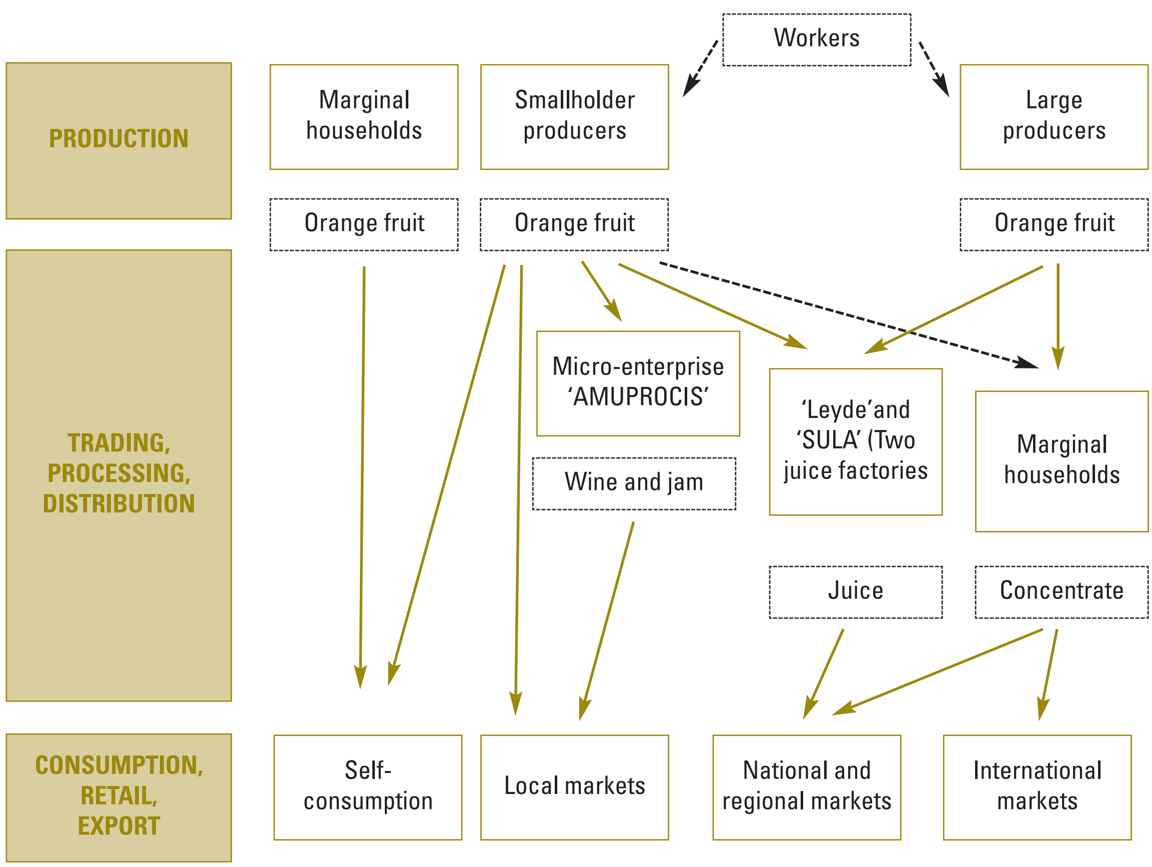
The case study in Figure 2.2 below illustrates the different production and market engagement choices made by different actors in rural areas in the Aguan Valley, Honduras, in the production and marketing of oranges.

Marginal households in the region often live in remote areas and have no form of transport to bring their oranges to local markets. The region is prone to hurricanes and flooding which can damage orange trees. Small producers living in remote areas with poor roads may pool their resources to arrange to bring their produce to the market and to wholesale traders who purchase oranges for businesses producing juice and concentrate.

Some communities have a local business to make jam and wine, but lack of market information and access to international markets means that this is only sold locally. Only a small amount of produce is sold to the juice and concentrate factories because the costs of transporting the oranges can be very high, more than it costs to produce the oranges. COFRUCTO is the only operation with a license and equipment for producing concentrate, so it has monopoly power to decide what price it pays for oranges. It can be difficult for small producers to bargain in the face of this power.

The international market for orange juice is dominated by a few large companies who can influence the price. This makes it difficult for small producers from the Aguan to develop a bigger market share in orange production.

Figure 2.2 Case study: Orange Production in the Aguan Valley, Honduras



2.2.1 Market chain analysis

The NGO Practical Action[16] has a well-developed approach to marketing systems, based on the analysis of market chains. These are often referred to as production chains, supply chains, market channels or value chains. At each stage in the market chain, the product changes hands through chain actors and at each transaction, costs are incurred and generally some form of value is added.

The more a product is subdivided or differentiated, the more specialised are the markets and the buying conditions. Distribution indicates the movement of products, usually through intermediaries, to a range of markets. These outlets may have local, national, regional or possibly export destinations. Value addition includes simple tasks that take place at the point of production, or it can involve moving the product, and carrying out processes such as processing, packaging and marketing that change the product and add customers. The performance or efficiency of a market chain is a result of how well the actors in the chain are organised and also how well the chain is supported by business development services and the enabling environment.

Market analysis assesses both goods and services along the chain and the relative strengths of market information and signals.

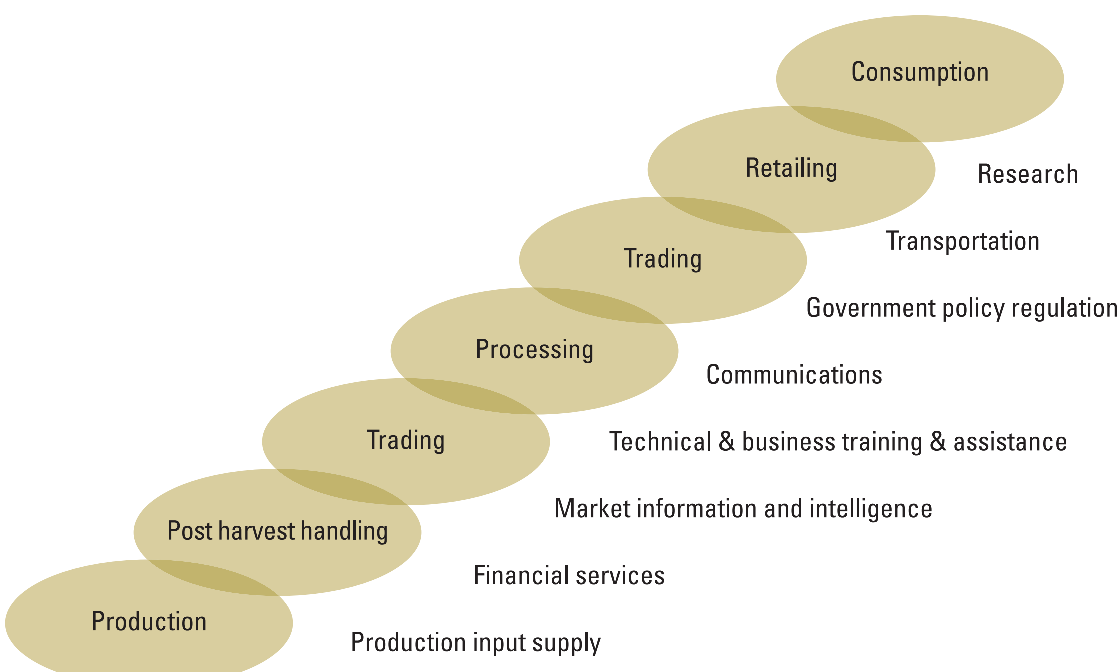
The product is the basic unit being traded; generally there are three forms

- Primary products (for example, oranges)
- Secondary products (for example, sub-products derived from oranges - juice)
- Tertiary products (further differentiation or processing of oranges including wine, jam and concentrate)

The type of market chain analysis illustrated in Figure 2.3 offers insights into:

1. operations of a specific market channel while focussing on its growth potential
2. activities and efficiency of actors along the chain
3. business support services involved
4. enabling environment (policy and regulatory environment)

Figure 2.3 Links in a typical market chain and business support services



2.3 The market chain and the production choices of the rural poor

The market chain also illustrates how the assets analysis from the sustainable livelihoods framework shape and constrain the production choices of small farmers. For example, if inputs are too expensive, this is an example of a barrier to entry to the production market. If small farmers have no access to credit, this is an example of a missing market, and farmers may have no resources to draw on to pay for inputs at the right stage of production. Equally, the farmers may face transaction costs at various stages of production, some examples include the cost of transporting produce, uncertainty about the future price of the product, or having only some of the inputs required to efficiently produce. Many of these transaction costs or disincentives can be traced to imperfect markets or market failures.

Transaction costs are risks to buyers and sellers that a market transaction will not fail. For example, if there are no buyers for products, farmers will lose their investment in production. Intermediaries that travel to collect farm produce will lose the cost of transport. Overcoming these risks is costly: it requires potential producers to protect themselves against failure, involving information gathering about partners in the market chain, developing trust and the capacity to penalise partners if they default on their promises, through deposits and other mechanisms. Market failure creates a number of risks. In particular, 'coordination risks' affect the rural poor when markets for inputs are imperfect or absent, and information and other financial services are unavailable[17].

Communications and infrastructure are central to the functioning of markets. Without information on what is happening at further stages in the market system, producers may have only incomplete information on which to base their production decisions. For example, producers in rural remote parts of the country may be unaware of a shortage of grain in urban areas. Some larger producers may have better access to information than small producers, giving them an advantage. 'Middlemen' may exploit this lack of information and use it to misinform buyers and sellers to raise prices. The spread of mobile phones is helping to overcome barriers to trade by enabling up to date information about the weather and demand[18]. Unreliability and imperfect information affects the decisions made by small producers about investment. If prices are volatile, or if there is uncertainty about whether they will rise or fall, buyers may not buy as much as usual and save their money to buy later. In turn, sellers may not produce as much or at all, leading to absent markets.

All of this highlights the complex choices involving risk, uncertainty and trade-offs between different household priorities (such as between food security and investment in agricultural inputs) faced by small farmers. A bias towards large-scale intensive crop production in trade and agricultural policies results in the exclusion of small farmers from participation in these markets, and the absence of other supporting markets essential for facilitating participation. However, the rural poor are not a homogenous group; a variety of production choices will emerge, based on the shifting asset bases of different poor rural households, and their relative connectedness to markets and global economic processes[19]:

2.3.1 Production choices of different groups in the rural sector

Marginal producers are the poorest of the poor in rural areas: production is for subsistence, involvement with local markets is minimal. The group has very low human, social and financial capabilities and resources and are almost solely reliant on land and other natural resources. The minimal resources available to this group make the transaction costs of participating in markets very high and there are high barriers to entry. While they are entirely delinked from production for international market chains and the structure of international trade rules and national agricultural policies does not favour their involvement any opportunity for moving beyond subsistence production rests with accessing local markets. They are highly dependent on environmental and natural resources for survival and often they provide environmental services of national and global significance for which they are not rewarded, such as tending forests and watersheds.[20] Equally, with high population concentrations, marginal producers can put pressure on natural resources like water and forests. Land rights and access to water are crucial issues affecting livelihoods. The most marginal groups in this sub-category include the landless and women. Access to all assets within each group is highly differentiated by gender.

Workers in rural areas are those who are employed directly in large-scale commercial agriculture, other small farms or in other non-farm activities in rural areas. While labourers generally may have greater human capabilities and social resources, access to labour can be sporadic and seasonal, and wages can be very low. Migration to urban centres and further afield is another strategy for this group, as they have the basic assets that facilitate moving from one location to another and using networks to seek employment. Within one family, some may work, and others may engage in a range of economic activities, directly or indirectly related to agriculture or migrate to urban centres. Trade rules affect this group through the bias in policy towards urban industry and large-scale commercial agro-enterprises. Labour standards in the agricultural sector are usually very low, and trade liberalisation ensures that wages are kept low in favour of capital investment in the sector.

Finally, some **small producers** are involved in market chains that have linkages beyond the local and national arenas, producing agricultural goods that are traded internationally. While the assets available to this group are relatively greater, their position is still precarious. Trade liberalisation and the political neglect of agriculture has made it increasingly difficult for small producers to benefit from and have an effective voice in the establishment of trade rules and agricultural policies. The dynamics of the international trade regime constrain the participation of small farmers in complex ways: from unfair competition through subsidies and dumping; quotas and tariffs inhibiting market access; to technical barriers such as food safety and social and environmental standards.

Without viable market chains for small producers, some of them may choose to quit the land and seek employment in rural or urban contexts. Others may live a precarious existence subject to the vagaries of international price trends, trade agreements and other barriers to market entry.

For all of these groups, markets matter for expanding livelihood choices and improving the trade-offs and incentives for production. Trade rules play an important part in determining the policy choices that constrain or advance the participation of small producers and the rural poor in general in market systems. In Trócaire's Sustainable Livelihoods programme we work with each of these groups requiring context specific strategies that facilitate market engagement.

2.4 Who's who in the market

In market systems there are numerous actors that influence the performance of the market. Each may have direct/indirect impacts on the livelihood strategies of the rural poor, and in particular the production choices of small farmers. Imperfect markets and market failure can be as a result of the low capacity of small farmers to participate. Incentives and disincentives are determined by the power and interest of other actors involved in these markets.

Input suppliers are central to participation in markets. If there is no input supply available locally, it can be very costly to purchase new seeds, tools and technologies for agricultural production. Even if there is a supply of inputs, if they are too expensive, this is a barrier to entry for small farmers. Predictable access to supplies of seeds and other resources is also crucial. Government agencies, or non-governmental organisations (NGOs) may intervene to help provide greater inputs, or to build capacity for the adaptation of skills and technology. However these interventions need to be carefully planned and efficiently implemented in order to contribute to sustainability.

Cooperatives and farmers associations can help small farmers at the production stage by working together to overcome some of the transaction costs that are barriers to entry. For example, they can pool resources to purchase inputs and use their influence to bargain for lower prices, or share information about prices. They play a particularly important role in the processing, storage and transportation stages of production.

Local civil society organisations, including NGOs and state technical support agencies can help small farmers develop better collective structures, improve skills and techniques, develop information and communications systems and build capacity to effectively deal with risks. Research is particularly important for developing new agronomic techniques and for overcoming challenges posed by increasingly unpredictable climates.

Other community structures such as micro-finance institutions, emergency committees, and local government can play a key role in providing support services to small farmers. Where these structures are weak, the local environment for production is disempowered. Women in particular are often excluded from these structures. Local government may be dominated by local power elites who have influence in the market, examples include, large enterprises, landowners, middlemen and moneylenders.

International NGOs and official donors often have large projects working with associations and other community organisations to strengthen their capacity. However the choice of intervention can have consequences for the power structures in local areas. The choice of crop or sub-sectors, the type of intervention and the decision of who to work with are critical. Participatory assessments at the diagnostic stage of the project cycle are vital for identifying the dynamics in particular local contexts.

Large-scale commercial enterprises are crucial because they have market power. Where large investments are needed for production, such as technology for harvesting, the costs of this technology may be too high for small farmers, who are unable to compete. Even when small farmers can produce with relatively low input costs, they may not be able to compete with the cheaper goods produced by the large producers. Large producers may have better information about supply and demand and find it easier to transport their goods. This lowers the risks they face. They also have better access to credit and to insurance markets. Government and private investment tends to favour large enterprises because of their importance to the economy and their higher profit margins, and in turn these large enterprises can be highly influential in determining the shape of government policy. As employers of significant numbers of the rural poor, large enterprises play an important role in sustaining the incomes of people living in rural areas. However the profit orientation of these agro-industries usually means that wages are very low and labour standards can be very poor or rarely enforced.

Finally, the large producer may have market power to influence the price and supply of inputs and output at national level, and crowd small producers out by pushing the retail price down too low, creating a monopoly. At international level however, these producers face a market dominated by the interests of multinational corporations based in wealthy developed countries. Over time, the trade regime has brought about preference erosion for agro-industry and market access can be restricted for certain products such as bananas.

International firms may own or operate the commercial enterprises. Alternatively, they may be one of only a few potential purchasers for the processing, distribution or retailing of products in international markets. This market power is overwhelming in the commodity markets such as bananas and coffee.

Furthermore, it is very difficult for producers in developing countries to compete with producers from developed countries that are heavily subsidised who can offer the same commodity at lower prices.

Middlemen and intermediaries are often very powerful in determining how local markets work. They are the trading links between different stages of production, between primary production, processing and retailing. At local level, they may be individuals or small groups that have control over the farm gate price and may manipulate or extort small producers by giving them an unfair price. At higher levels in the chain, larger operations may have market power: for example a single intermediary may have monopoly power, or may refuse to buy from small producers. This is especially true if large multinational corporations operate in the trading systems of agricultural markets in developing countries.

Other service providers are crucial for providing the enabling environment for markets to function. These include formal financial institutions providing credit for investment and insurance against risk and means of communication that give market information about prices and the trustworthiness of market actors such as middlemen.

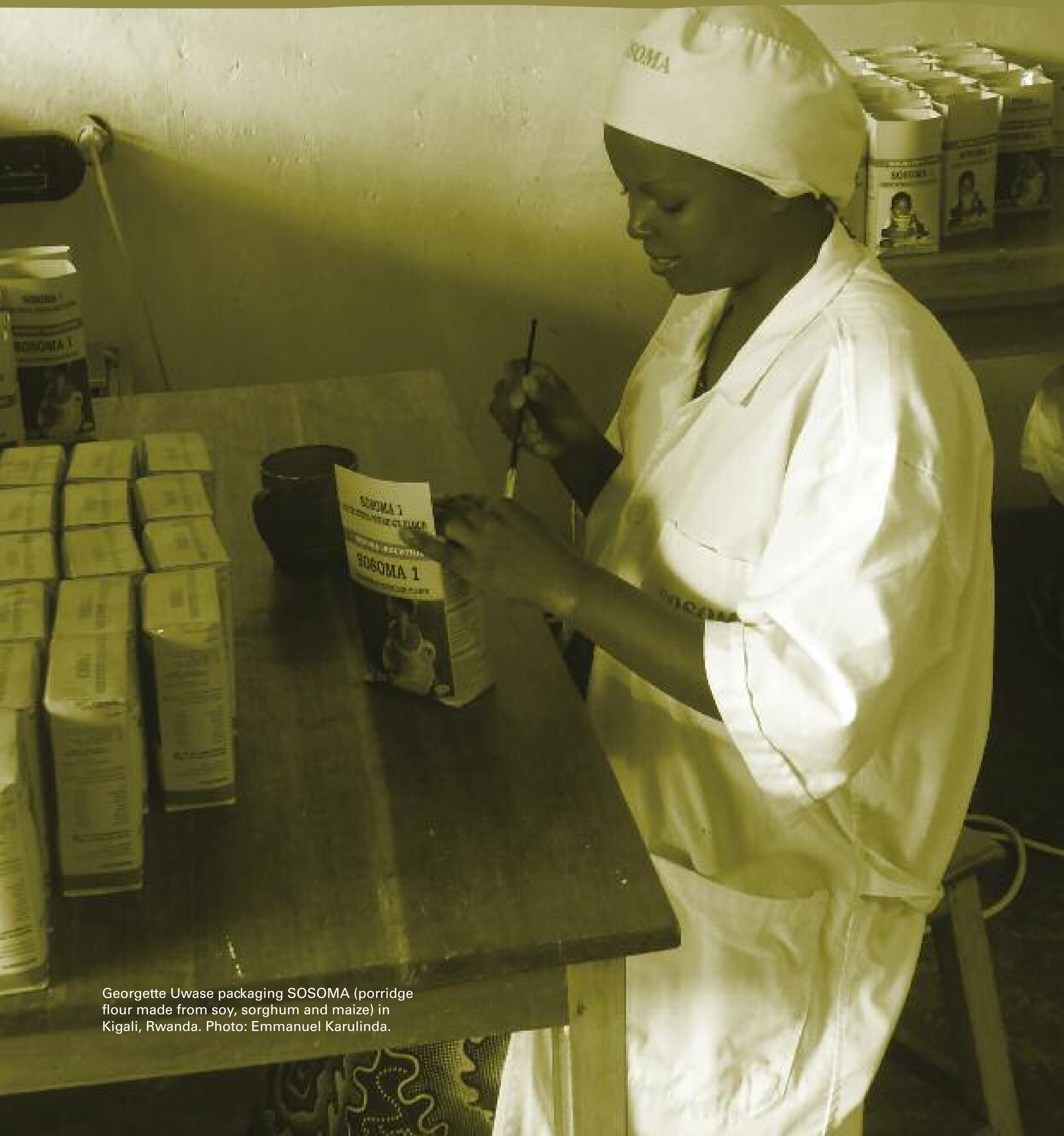
National government has an important role in facilitating markets. Where private intervention has failed, either because of the costs of setting up markets, or because of corruption, the state has a role to intervene to help set these conditions. The first area of intervention is the provision of infrastructure; the second is the development of business support services such as finance, technical support and communications. The final stage is to establish an effective regulatory role to ensure that market distortions are minimised and that fair market rules are observed. The next section covers in detail the role of the state in providing an enabling environment for participation of small farmers in markets for trade.

2.5 Key messages

Markets are central to the livelihood strategies adopted by the rural poor and market failure restricts the options and opportunities available to them.

- Markets and competition rarely function perfectly; there are many causes and types of market failure.
- The rural poor face livelihood insecurity and this affects their production choices. Barriers to entry and transaction costs may inhibit their participation in markets for trade. The assets and resources held by the rural poor will condition their production choices and whether they participate in agricultural markets for trade at local, national, regional and international levels. More needs to be done to support poor people's participation in markets.
- There are numerous actors in the market that have the power to undermine the functioning of the market and exclude small farmers participation.

3. THE STATE AND THE ENABLING ENVIRONMENT



Georgette Uwase packaging SOSOMA (porridge flour made from soy, sorghum and maize) in Kigali, Rwanda. Photo: Emmanuel Karulinda.

Section 3 – The State and the Enabling Environment

RURAL DEVELOPMENT REQUIRES AN UNDERSTANDING OF HOW MANY POLICIES, INCLUDING THOSE SPECIFICALLY AIMED AT AGRICULTURE AND TRADE, SHAPE AND CONSTRAIN THE PRODUCTION CHOICES OF SMALL FARMERS AND THEIR ABILITY TO PARTICIPATE IN MARKETS. THIS SECTION FOCUSES ON THE APPROPRIATE ROLE OF THE STATE IN DEVELOPING POLICIES THAT PROVIDE AN ENABLING ENVIRONMENT FOR PARTICIPATION IN MARKETS FOR TRADE. THE TYPE OF STRATEGIES THAT FAVOUR THE RURAL POOR ARE SET OUT AND THE ROLE OF CIVIL SOCIETY IN ENSURING THAT THE STATE TAKES INTO ACCOUNT THE NEEDS OF THE POOR IS DISCUSSED.

3.1 The market and the role of the state

Policy is the course of action chosen by government towards the economy. This includes the goals the government seeks to achieve and the choice of methods to pursue those goals. The government is defined as the group of people in charge of running a country, and who are responsible for making policy decisions. The state is defined as the whole set of public institutions responsible for the administration and enforcement of policy decisions.[21] Traditionally, state intervention is justified on the basis that markets do not work perfectly. The government can respond in a variety of ways to address a range of different types of market failure. Table 3.1 sets out a sample of market failures and possible state responses.

Table 3.1 Market failures and state intervention

Type of Market failure	Description	State Responses
Unfair Competition	The existence of monopoly power, so that one actor, or one group of buyers or sellers along the market chain can unfairly influence the price	• Price controls • Regulation • Control of operating licenses • State owned monopolies with controlled prices
Public goods	The huge fixed costs involved in providing public goods, such as roads and infrastructure.	• State provision • Sub-contracting • Public Private Partnerships • Privatisation of public utilities (water gas etc) • Regulation of private operators
Externalities	These are consequences of production that affect other people or the environment without being reflected in the price: pollution of all sorts is the main example	• Taxes and levies on pollution • Legal limits
Open access resources	These are usually natural resources like forests and water, which may be over-exploited, damaging the whole community and its sustainability	• State control • Conservation policies • Policing and penalties • Incentives for communities to tend to these resources
Incomplete markets	A good example is financial markets which fail to offer services to the poor because of the high transaction costs	• State provision • Incentives to offer broader range of services • Targeted schemes
Failures of information	When there is not enough of the type of information needed by all market participants, such as about price and risks	• Communications systems • Radio • Capacity building for technology
Macroeconomic problems	Issues such as foreign exchange, interest rates, money supply, inflation and taxation can only be handled by a central authority	• National fiscal and monetary policies
Social welfare	The market rarely works to improve distribution and provide social welfare, especially because of market failure. State intervention is justified to overcome poverty and inequality, and achieve social justice	• Total state control of the economy is one extreme; no intervention is the other • Effective regulation and social welfare provision is an alternative option

State intervention versus free operation of the market is a heavily debated issue in development discourse. In the 1960s, there was a strong emphasis on state planning for development. This was reversed in the 1980s under structural adjustment conditionality that insisted on liberalisation of markets and a reduced role for the state. Some of the pros and cons are weighed up in Table 3.2 below:

Table 3.2 State intervention v liberalised markets

Advantages of State Intervention • Overcoming market failure • Providing for absent markets • Facilitating participation of disadvantaged groups • 'Public welfare' motives	***Advantages of Liberalised Markets*** • Competition brings greater efficiency in the use of resources • Lower prices and greater consumer choice • Entrepreneurship is stimulated • Lower transactions costs
Disadvantages of State Intervention • State failure due to poor planning, incoherency and low capacity • Corruption and inefficiency • Technical, bureaucratic and top-down approach	***Disadvantages of Liberalised Markets*** • Perfect competition does not exist • Market failure can exclude the rural poor from participation • Profit motives can undermine social welfare objectives

Today, there is recognition that balance is needed between market liberalisation and state intervention. This is due to the fact that liberalisation has not produced the anticipated results in poverty reduction, which highlights the need for some intervention on the basis of social justice.

A recent review of major donor perspectives[22] on the importance of agriculture for development and the role of the state in facilitating this, found that there was consensus on:

(i) the central role of agriculture to economic growth and poverty reduction

(ii) the importance of agricultural markets for consolidating farm production and productivity gains

(iii) the role of the state in creating conditions for market (private sector) development

However, there are different approaches to what the appropriate role for the state should be and the type of private sector actors in the market: large scale or small scale farming. The following table illustrates the spectrum

Table 3.3 The appropriate role for the state?

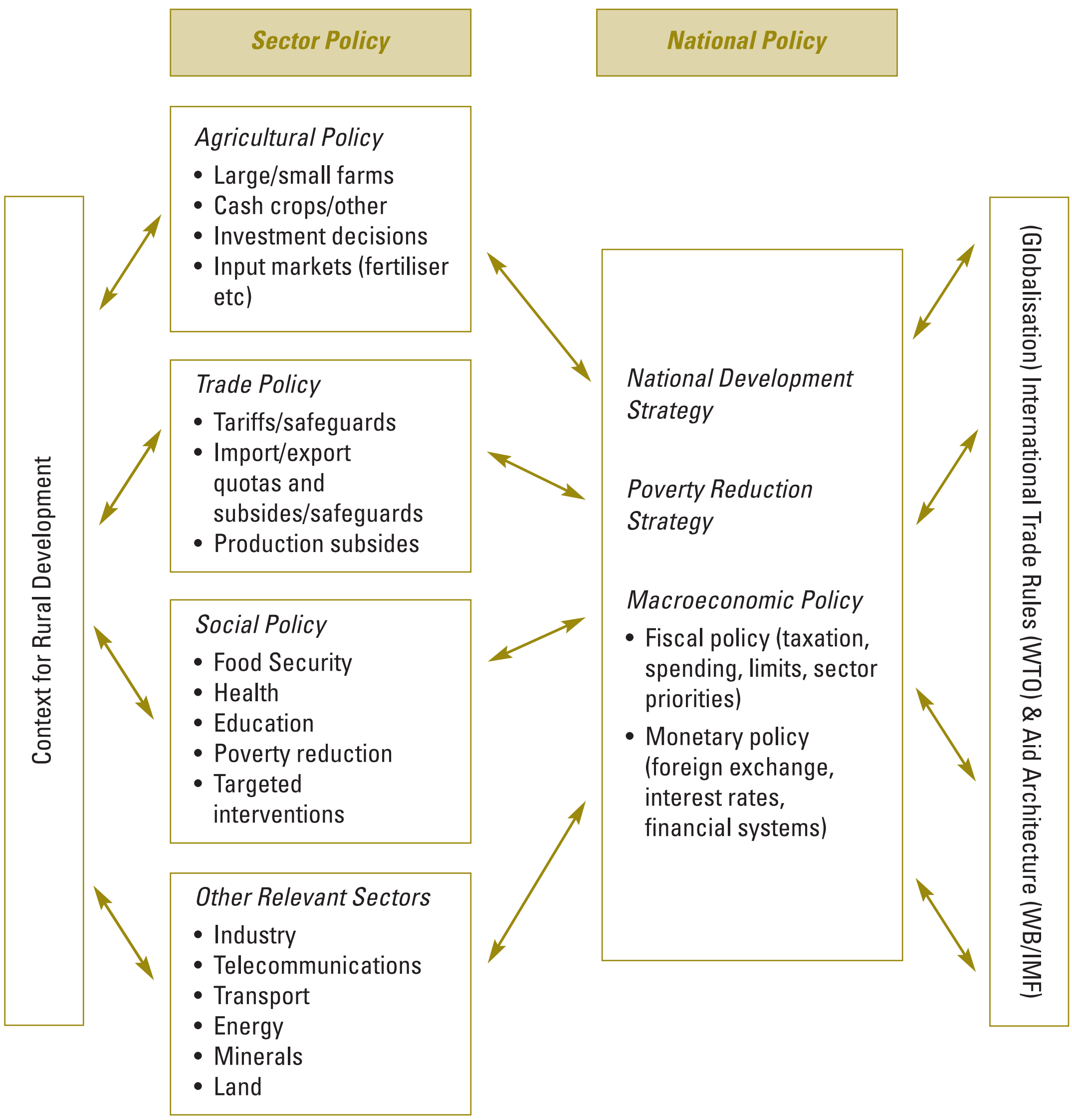
Free market	Coordinated market	Embedded market
Total neoliberal, minimal state intervention	Intermediate approach,kick start and facilitation role	Pro-poor approach, focussed on small-scale alternatives and targeted support interventions

The confusion about the linkages between macroeconomic development models, trade policy, rural development and the role of agriculture is evident in the contradictory approaches taken by trade and aid ministries in developing countries. It is also visible in the tension between the growth-centred approach to agricultural exports and the people-centred approach to rural development.

3.2 The policy context for rural development

The enabling environment intermediates between the international trade regime and the rural poor to shape and constrain production choices and participation in markets. It is determined by specific targeted policies, but also indirectly by the overall policy context as government policies at a number of levels affect the context for rural development and the generation of markets for trade. Figure 3.1 illustrates different levels of policy making and how they can interact upwards and downwards.

Figure 3.1 Levels of policy-making and the context for rural development

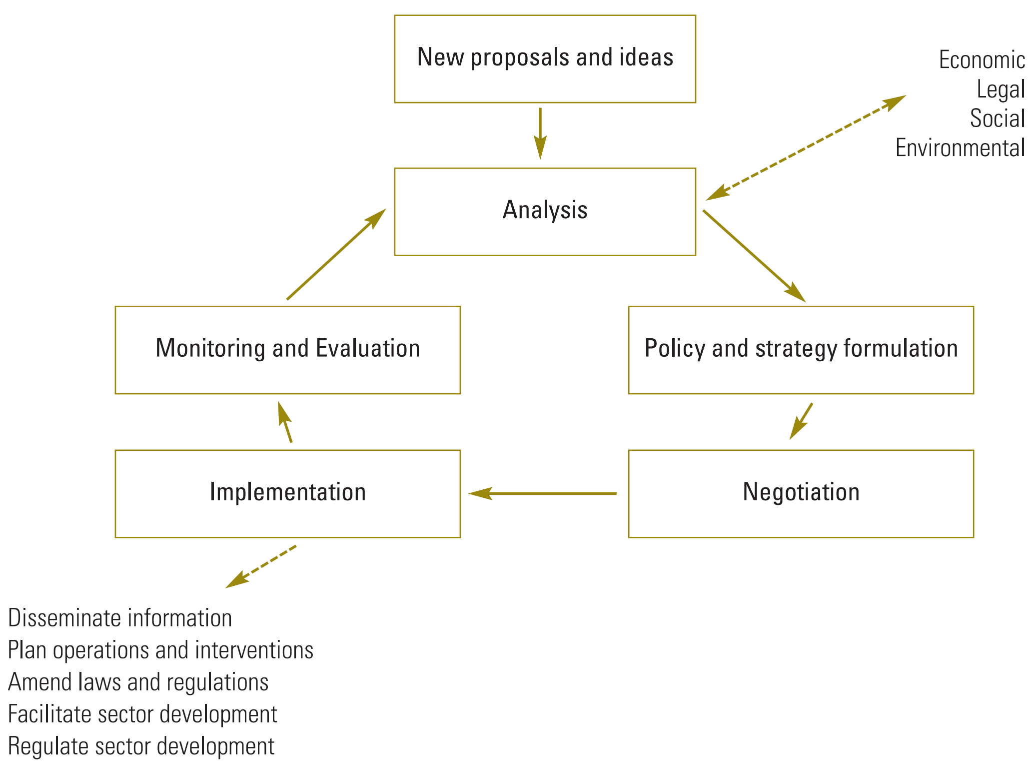


All policies are related and they 'meet' at the local level to shape and constrain the reality of the rural poor. In particular, opportunities for targeted policies for rural development are dependent on agricultural, trade and social policies as well as other sectors. Unless there is an integrated and coherent approach to empowerment of the rural poor in national development strategies, participation in markets is constrained. In particular, if macroeconomic balance and stability relies on an agricultural model that prioritises large-scale commercial production of cash crops for export, the room for policies in favour of the rural poor is small. At worst, interventions to reduce poverty at the local level may be contradicted by the bias in other policies against the participation of the rural poor in markets.

The government is supposed to represent and balance the needs of the entire population and to do this by using policy to direct state agencies. At each level of policy, different stakeholders are involved and can influence policy and powerful actors attempt to influence the rules of the game in their favour. If democracy is weak, it may be easier for these actors to achieve this. For example, if large farmers convince the government that their production is vital for the economy, policy may favour production subsidies, export oriented infrastructural development, and trade policies that support their needs, while ignoring other actors, such as small farmers. In this context, other essential services, such as financial institutions, may only have an incentive to support large enterprises and may be unable or unwilling to offer services to small farmers.

Many developing countries are characterised by weak systems of local government, which are dominated by local elites, including middlemen and large landowners who can dominate decision making. Strengthening community structures such as cooperatives, farmers associations and other grassroots organisations is one way of overcoming some of these issues. On the other hand, where local government is strong, it can be very difficult to scale up from the local level to influence sector and national policy decisions. This highlights the need for networking among communities to build links horizontally and to work together to forge vertical links for identifying opportunities to lobby for different policies in order to ensure an enabling environment that allows the rural poor to participate in markets.
Engaging with policy-making demands an understanding of the policy cycle, as set out in Figure 3.2.

Figure 3.2 The benchmark policy cycle[23]



The policy cycle is an outline framework that shows how a policy is ideally formulated in an ideal context. The cycle illustrates that all policies are conditioned by the power and interests of the actors it affects. However, there are opportunities to engage at all stages, to work towards fair and inclusive policy outcomes. Opportunities for engagement will be influenced significantly by both the policy timeline and local civil society capacities. The following case study in Box 3.1 offers an example from Zambia of engagement in the policy cycle for advocacy.[24]

Box 3.1 Participation in the Trade Policy Cycle In Zambia. Case study of the Magoye Smallholder Dairy Co-operatives and the Economic Partnership Agreement (EPA) Negotiations.

> If the EU trade negotiator visited us I would ask him to take our concerns into consideration and not put us out of business
>
> JH Mweemba, Deputy Chairperson of the Cooperative

The Magoye Smallholder Dairy Farmers Cooperative Society based in the Mazabuka district of Zambia's Southern province, was established in 1995 with the mission to be a major producer of milk and reduce poverty through income generation from the sale of milk. From an initial membership of 25 farmers who produced about 90 litres of milk per day, the membership had grown to 200 farmers, producing more than 2000 litres of milk per day by 2007. The income earned from the sale of milk by members is used to sustain livelihoods, for example, to pay for education, health and the purchase of household goods and groceries. The Magoye EPA project emerged in the context of negotiations on a new trade agreement with the European Union and the potential impact of an EPA on locally produced milk. The Magoye project sought to enable the Magoye farmers understand and engage in the EPA process as the dairy sector was likely to be affected by the increased imports from the EU under the EPAs.

The project created awareness on the Cotonou Partnership Agreement[25]/EPAs with the community through workshops and printed materials. Some workshops and information sessions were held in Magoye and others in the capital, Lusaka, with officials from the Ministry of Commerce Trade and Industry (MCTI). The deputy vice chairperson of the Magoye group also lobbied members of the German Parliament and COMESA, the body allocated with the responsibility for negotiating the regional EPA emphasising the importance of safeguarding the dairy sector.

The link created between government trade negotiators and the small-scale dairy farmers provided an opportunity for valuable information exchange and helped inform policy. As a result of this exposure to first hand farmers concerns, milk was included as a sensitive product to be protected under the EPA.

The Magoye farmers experience is an example of grassroots empowerment which facilitated engagement with policy markers on issues affecting them and an influencing of policy to reflect small farmers concerns.

3.3 The enabling environment for sustainable livelihoods

The fundamental questions about economic development revolve around what should be prioritised in the short term in order to achieve the long term goals of human development. Neo-liberalism prioritises economic growth above all other factors. However, it has been well illustrated that long-term trickle down approaches do not produce equitable outcomes. For this reason, an analysis of winners and losers from policy choices taken in the short and medium term is essential for determining their sustainability: economically, socially, politically and environmentally.

Enabling sustainable livelihoods requires a holistic approach to rural development.[26] Giving priority to improving the asset base of the poor and playing a facilitator role in developing markets are two key enabling strategies to help the rural poor to overcome constraints to production and benefit from the potential opportunities offered by trade.

Increasing opportunities for income from non-farm activities is important because it allows the poor to diversify and expand their income sources and contribute to rural growth. This offers the chance to smooth financing through credit and insurance and to provide resources for investment, as well as access to casual labour and money wages. However, it does not mean a reduction in the importance attached to agriculture as agriculture remains fundamental to the livelihoods of the rural poor, not least because of the linkages to non-farm activities: the main source of employment in rural areas is in agriculture and access to casual employment and wages is critical for livelihoods. Thus, the potential of off-farm activities depends on agriculture to drive the local economy. Where there is little market integration, food prices and production are critical for the real incomes of the poor. Table 3.4 describes some key areas of intervention for supporting small farmers and the rural poor.

Table 3.4 The enabling environment and policy goals

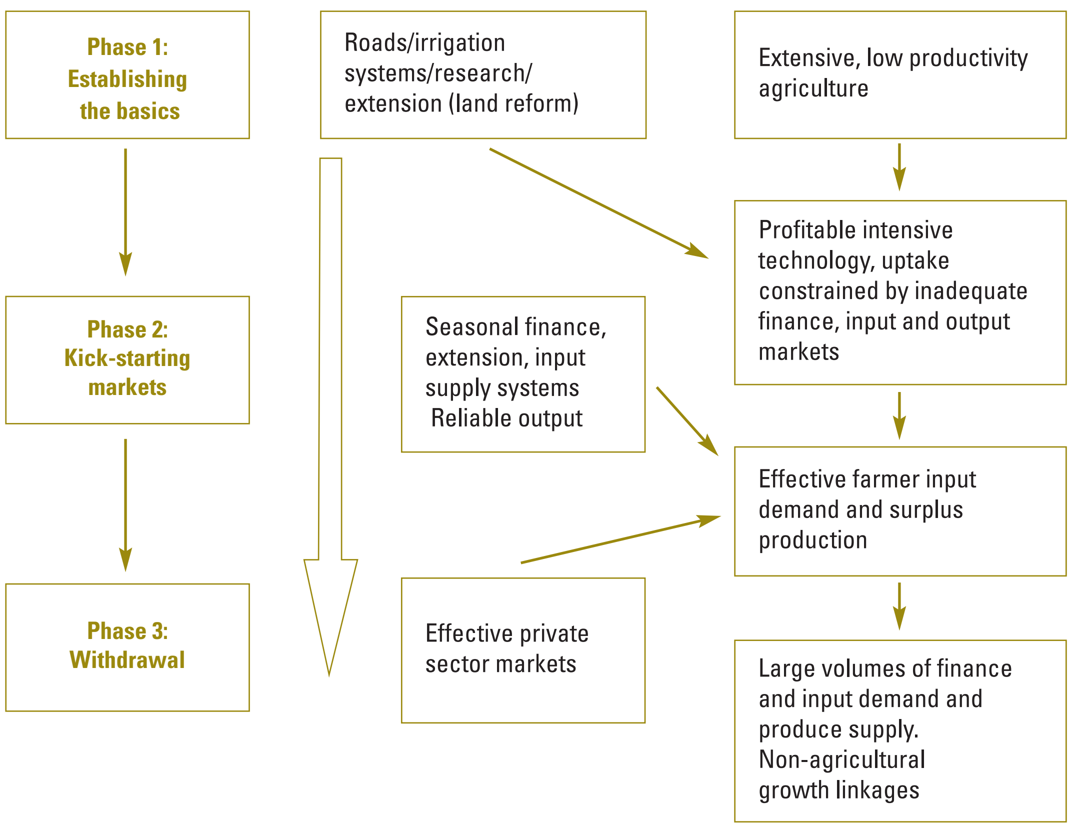
Area	Policy goals and their impact on agriculture and rural development	Who is involved
Capacity of the state	To develop clear, balanced policy goals To respond to the needs of the whole population To ensure coherent policy implementation To overcome corruption and provide good governance To better negotiate with international actors	National government State agencies Local government
Legal and regulatory reform	To provide clear rules and regularise land laws To protect small producers from exploitation To improve administration To protect the environment To improve quality and standards	Middlemen and traders Small farmers Large farmers International firms
Infrastructure and public goods	To balance development and growth demands To ensure efficient and fair provision of roads, energy and communications needs	Communities All farmers Community associations
Business Support Services	To overcome incomplete markets for inputs, finance and insurance	Service providers Middlemen Informal traders
Pro-poor development strategies	To ensure that welfare needs are consistent with growth policies To ensure the inclusion of marginal producers and women in the economy	Marginalised groups Small farmers Rural communities NGOs

These policy goals for agricultural and rural development have important implications for trade and development and the level of success of Trócaire's livelihoods work. International trade agreements and liberalisation has consequences for the policy space available in each of these areas. National poverty reduction strategies/development plans/trade strategies and related plans, more often than not emphasise commercially driven external trading opportunities and do not fully respond to the production, trade and marketing-related needs of small-scale producers and consumers. They are also weak in appropriately gauging the impact on local/domestic production of trade agreements.

There is a clear need and opportunity for Civil society organisations (CSOs) and community based organisations (CBOs) both at the national and district levels to proactively and critically engage in national debates around sketching out and establishing a comprehensive and integrated marketing and trade policy, by voicing and advocating for their specific needs in policy development.

The role of the state in providing an enabling environment to support small farmers requires a phased approach, as illustrated in Figure 3.3 below.

Figure 3.3 Policy phases supporting agricultural transformations[27]



However, government policy and state agencies alone cannot make market participation happen and civil society has an important role to play at various levels. A key role for civil society and Trócaire is to overcome the constraints that prevent the rural poor from responding as well as they might to market opportunities and an improved enabling environment. In particular, there are bottlenecks and obstacles that mean that despite careful planning, policy intentions may not be realised and progress may not flow as easily as suggested in the diagram. This could be due to poor planning, undue attention to power and interests in local settings, and a lack of capacity. Civil society has a role to play in giving voice to these issues and ensuring that attention is given to them.

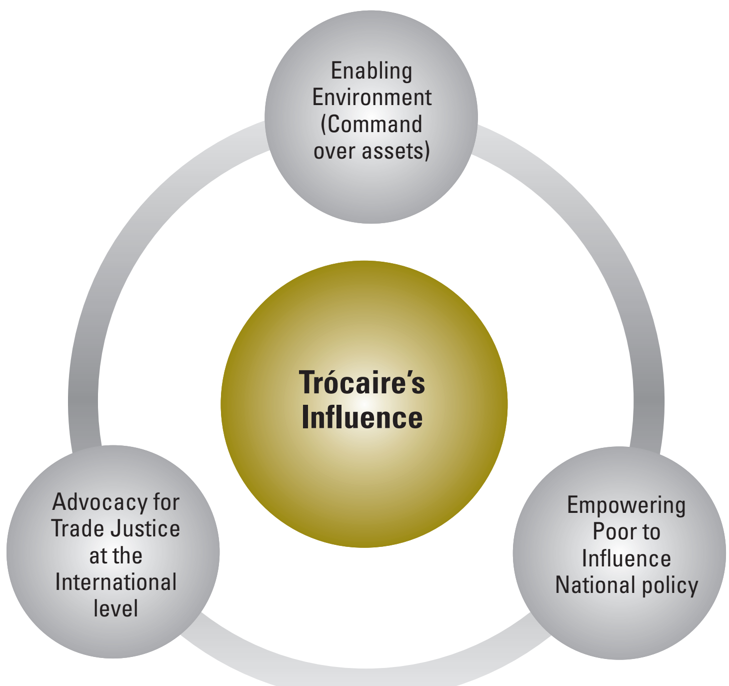
As the sustainable livelihoods approach highlights, the rural poor are not a homogenous group. Civil society organisations are best placed to understand the complex reality of the poor and ensure that interventions on their behalf are effectively implemented.

Given that the policy space at national level in developing countries for responding to particular contexts of rural poverty is constrained by international level agreements governing trade liberalisation, civil society has a key role to play in driving the demand for alternative models and demonstrating that they can work, and challenging the current international trade regime.

3.4 Relevance to Trócaire's sustainable livelihoods programme

Trócaire's Sustainable Livelihoods programme aims to build on the strengths of people and communities to overcome the injustices that perpetuate livelihood insecurity and to engage with markets in order to avail of the opportunities offered by globalisation. The approach has a number of strands as illustrated in Figure 3.4.

Figure 3.4 Strands of Trócaire support for CS engagement in Markets



The first involves influencing the enabling environment by supporting the poor to have greater command over assets that would raise their market effectiveness, notably land, water, finance and education; and over forces that limit their market access, such as poor information, weak institutions and poor infrastructure.[28] The second involves facilitating the poor and partner organisations to influence policy decisions in favour of an enabling environment at national level, and the third focuses on advocacy for trade justice at the international level, challenging the current agricultural trade rules that exclude and constrain the participation of the poor in markets for trade. The programme also engages with the broader context of rural development, including disasters, environmental issues and migration, and takes into account the diverse challenges faced by different groups of the rural poor.

Marginal groups who produce for subsistence or local markets are most affected by distances and the absence of infrastructure for connecting to markets. Land reform, environmental protection and an integrated approach to food security, social safety nets and agricultural transformation are central for their livelihoods. This group will be most affected by the 'establishing the basics' elements of state intervention set out in figure 3.3. Civil society can support this group by enhancing their capacity to take advantage of new opportunities and to lobby to ensure that their needs are taken into account in policy decisions. Trócaire strategies include:

- *Equitable and sustainable access to natural resources and productive assets, with a particular focus on land and water*
- *Sustainable and efficient use and management of natural resources and productive assets*
- *Disaster Risk Reduction and vulnerability analysis informing livelihoods programmes*

Small producers who are already integrated in some way with global market chains will benefit most from the second and third phases of state interventions (kick-starting markets and withdrawal). Overcoming market failures, especially in inputs and financial services is of prime importance. Civil society can provide support to develop opportunities and identify viable market chains. Another crucial aspect for this group is the development of new models of collective action that empower small farmers who participate in markets to overcome a variety of risks and to compete more effectively. The lack of resources or market information and the risks of exploitation can be mitigated. In addition, farmers' associations can become powerful actors in lobbying for change in policies and their effective implementation at local and national levels. Trócaire strategies include:

- *Diversification of income sources through increased access to finance, value chain development, support for off-farm activities, support for the development of local markets, and for increased access to existing local and national markets*
- *Sustainable and innovative approaches to agricultural production*

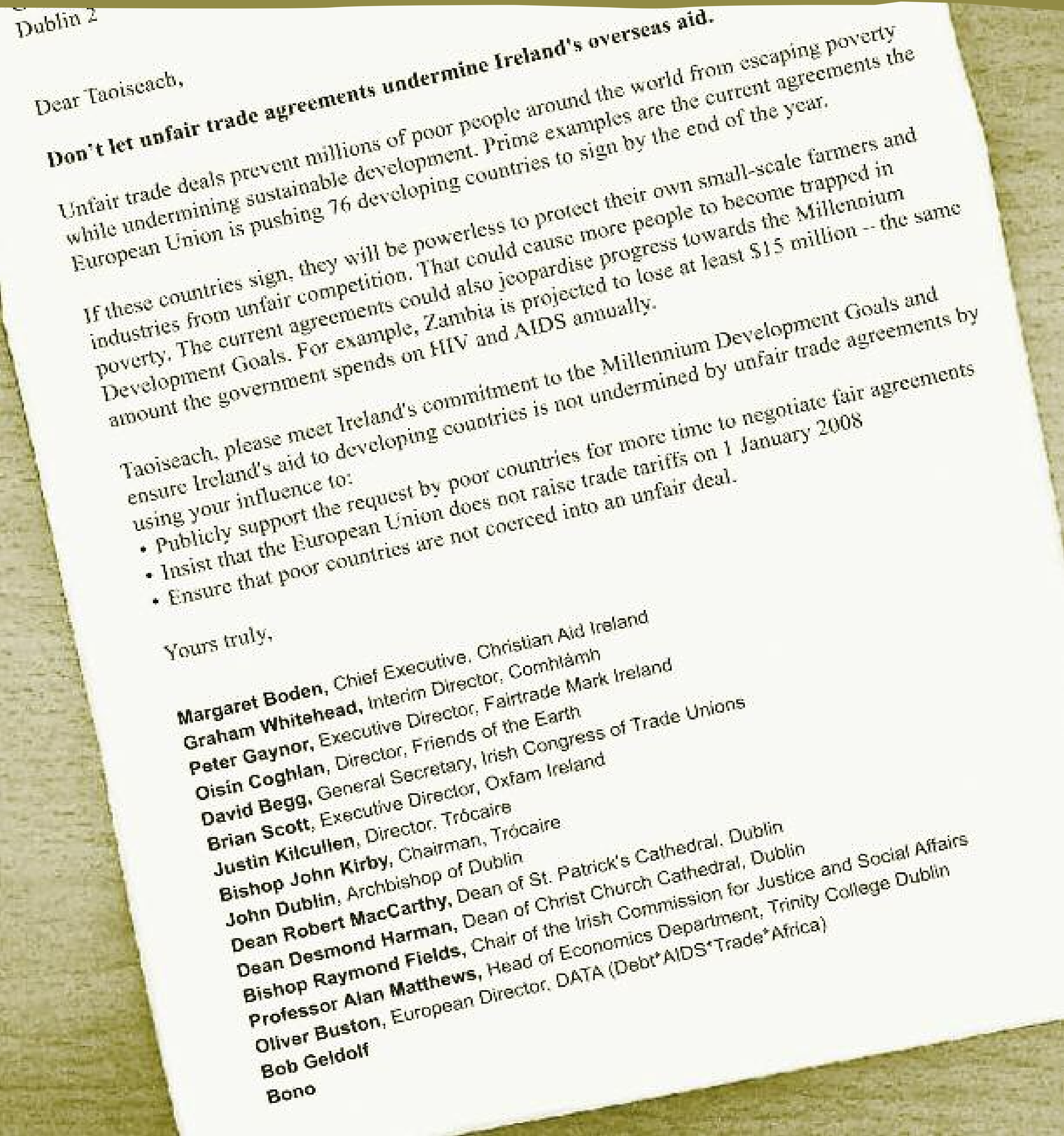
Finally, **other people in rural areas** will be affected by the nature of interventions to transform small-scale agriculture. Understanding the changing patterns of land use and the rise in non-farm income in rural areas are pivotal. In particular, this analysis helps to identify the causes and effects of migration from rural areas to urban areas. This is another key strategy for Trócaire's livelihoods programmes.

3.5 Key messages

- There is a role for the state in facilitating participation in agricultural markets and directing trade policy.
- Small-scale agriculture and rural development are affected by policy decisions and rules made at a number of levels and there are different actors involved at each level who attempt to influence the policy cycle.
- An enabling environment for developing markets for trade with the inclusion of small-farmers requires phased interventions by the state.
- Civil society has a role to play in ensuring that the most marginalised groups of the rural poor can influence and shape policy and benefit from the opportunities and for ensuring appropriate interventions.
- Trócaire has a key role to play in strengthening and supporting civil society's active participation in relevant policy processes.

4. TRADE JUSTICE AND ADVOCACY

To link with the EU-Africa Summit in December 2007, this open letter to the Irish Prime Minister from Civil Society calling for fair trade agreements was published in the Irish Times newspaper.



Dublin 2

Dear Taoiseach,

Don't let unfair trade agreements undermine Ireland's overseas aid.

Unfair trade deals prevent millions of poor people around the world from escaping poverty while undermining sustainable development. Prime examples are the current agreements the European Union is pushing 76 developing countries to sign by the end of the year.

If these countries sign, they will be powerless to protect their own small-scale farmers and industries from unfair competition. That could cause more people to become trapped in poverty. The current agreements could also jeopardise progress towards the Millennium Development Goals. For example, Zambia is projected to lose at least $15 million -- the same amount the government spends on HIV and AIDS annually.

Taoiseach, please meet Ireland's commitment to the Millennium Development Goals and ensure Ireland's aid to developing countries is not undermined by unfair trade agreements by using your influence to:

- Publicly support the request by poor countries for more time to negotiate fair agreements
- Insist that the European Union does not raise trade tariffs on 1 January 2008
- Ensure that poor countries are not coerced into an unfair deal.

Yours truly,

Margaret Boden, Chief Executive, Christian Aid Ireland
Graham Whitehead, Interim Director, Comhlámh
Peter Gaynor, Executive Director, Fairtrade Mark Ireland
Oisín Coghlan, Director, Friends of the Earth
David Begg, General Secretary, Irish Congress of Trade Unions
Brian Scott, Executive Director, Oxfam Ireland
Justin Kilcullen, Director, Trócaire
Bishop John Kirby, Chairman, Trócaire
John Dublin, Archbishop of Dublin
Dean Robert MacCarthy, Dean of St. Patrick's Cathedral, Dublin
Dean Desmond Harman, Dean of Christ Church Cathedral, Dublin
Bishop Raymond Fields, Chair of the Irish Commission for Justice and Social Affairs
Professor Alan Matthews, Head of Economics Department, Trinity College Dublin
Oliver Buston, European Director, DATA (Debt*AIDS*Trade*Africa)
Bob Geldof
Bono

Section 4 – Trade Justice and Advocacy

THIS SECTION OFFERS A FRAMEWORK FOR UNDERSTANDING THE POTENTIAL ROLE OF INTERNATIONAL TRADE IN DEVELOPMENT AND HOW THE CURRENT INTERNATIONAL TRADE REGIME WORKS. IT INCLUDES A DESCRIPTION OF THE INSTITUTIONS, AGREEMENTS AND ISSUES AROUND TRADE NEGOTIATIONS, AND AN AGENDA FOR TRADE JUSTICE AT INTERNATIONAL LEVEL THAT CAPTURES THE ISSUES AT LOCAL AND NATIONAL LEVEL FOR DEVELOPING COUNTRIES.

4.1 Trade liberalisation: the intended and actual impact

International trade has the potential to bring about enormous good in development terms. An exchange between parties, if fair, can be of mutual benefit and increase human well being, and trade liberalisation is almost always justified in terms of its potential to reduce poverty and improve the well-being of people in all countries through mutual gains.

In theory, the removal of barriers to trade within countries allows for more efficient production and therefore leads to net growth as there will be more production overall, and better use of resources. This is based on the idea that intervention in any market to affect prices or supply or to favour a particular set of producers causes inefficient uses of resources. Freer trade, or trade that has been 'liberalised' from state protection, can improve the range of products available to consumers. However, trade liberalisation also forces domestic producers to compete with goods imported from other countries that may be cheaper or of better quality.

From the 1980s, liberalisation of markets within developing countries has been taking place under structural adjustment programmes. However, the intended benefits have not trickled down to broader society; in part due to market failures. A report by the United Nations Council on Trade and Development (UNCTAD) 1996[29] concluded that the benefits of globalisation and liberalisation to low income agricultural producers are likely to be very limited; adding that where additional agricultural income is concentrated in the hands of larger producers, an increase in overall poverty is possible. The principal winners of liberalisation are those actors best placed to take advantage: powerful elites at national and local levels including middlemen, intermediaries and large commercial farms. Furthermore, the capacity of the state to regulate free markets and provide public goods has remained extremely weak. The wealth of elites has become consolidated while the economic options for the rural poor have been consistently constrained.

Developing countries not only liberalised internal markets but they also opened their markets to international trade, mainly to fulfil conditionalities imposed under structural adjustment and aid programmes. This meant that domestic industries now had to compete with cheaper, better quality products from developed country producers The theory of comparative advantage recommends that developing countries focus on labour intensive agricultural production. This led to an overriding focus on developing an export sector reliant on cash crops in agriculture favouring large-scale commercial enterprises, which has often been at odds with ensuring food security. It has also constrained the resources and policy options available to developing countries to intervene in the market to make it work for small producers and the poor.

In 1998 a FAO study[30] on the effects of liberalisation under the current trade regime found that it led to import surges but no corresponding export growth in sixteen countries studied, forcing local producers out of business. The concentration of farms led to increased productivity and competitiveness, but marginalized small producers and aggravated unemployment and poverty. Furthermore, the reliance on one or two commodities, such as coffee or tobacco, for growth has left developing countries vulnerable to fluctuations in the prices for these goods on world markets. Demand has not been as high as predicted and in general terms the prices for these goods have been falling over the last 30 years. Trade liberalisation has failed to provide the 'kick-start' for rapid growth in developing countries because of:

.. a tendency towards intensifying inequalities of income and wealth, as well as heightened instability

and uncertainty, which prevent general economic progress from being translated fully into improvements in the well-being of the poor[31].

4.2 Free trade and fair trade

The rhetoric of the free trade agenda comes from the most developed countries in the world, notably the United States and the member states of the European Union. It is ironic then that these countries continue to benefit substantially from a system of trade barriers and tariffs to protect their domestic industries, and non-trade barriers that limit access for goods coming from LDCs. In addition, there has been an uneven opening up of markets under the current trade regime: while developing countries have had to rapidly and drastically open their markets to trade, developed countries have retained many of their protectionist measures and dominate the agenda for setting trade rules, and at the same time benefit most from increased trade.

Who benefits from free trade?

More than 40 percent of the world population lives in low-income countries yet together they account for just 3 percent of world trade flows

Fair trade proponents argue that exchanges between developed and developing countries occur along uneven terms and should be made more equitable. While there is more trade under this current 'free' trade regime, there is no fair competition. This means that most of the benefits accrue to the wealthiest countries. Trade rules need to be changed to tilt the balance in favour of the poor populations of developing nations. Practices need to be introduced that aim primarily and explicitly to achieve distributive justice through people centred-approaches to production and trade which serve to alleviate poverty, enhance gender equity, improve working conditions and protect the environment. There are two dimensions to a pro-development trade liberalisation agenda. First it should recognise and seek to correct past unfairness in trade regimes, and secondly, it should not rely on a trickle-down approach to gains and poverty reduction in the long-term, but rather place human development concerns at the centre of an immediate agenda for action.

4.3 Trade and development

The international economic order affects developing countries through the rules that govern trade, debt, and aid or finance for development. These three areas are highly interrelated and interact with the complex realities of the rural poor. The institutions of this economic order reflect the power and interests that dominate it.

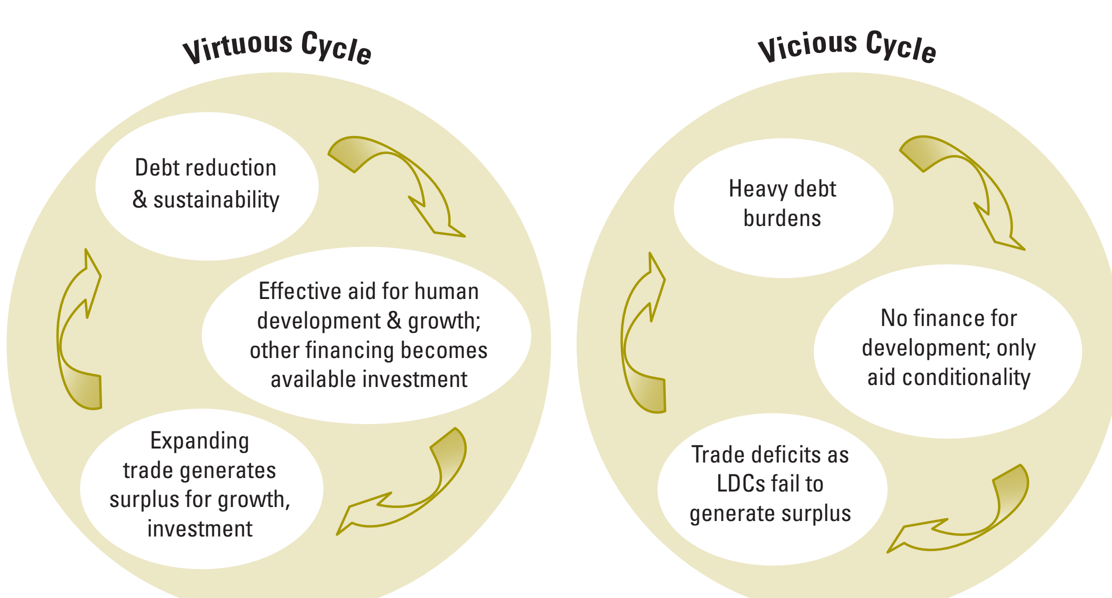
Table 4.1 The relationship between debt, aid and trade

The relationship between debt, aid and trade and the rules that govern the three areas constrains national development strategies in important interlinking ways. The diagram below illustrates the potential *virtuous* cycle

Debt	Past trade deficits and balance of payments crises left a large number of developing countries heavily indebted throughout the 1980s and 1990s. This meant they had no access to international finance for investment in development strategies. The IMF, as a lender of last resort, imposed structural adjustment programmes. From the late 1990s debt cancellation initiatives such as 'HIPC[32]' began to channel debt relief into poverty reduction; and facilitated sustainable debt restructuring.
Finance for development/ 'Aid for trade'	With limited access to international finance and investment markets, aid is a major flow of resources into developing countries. The conditions attached to aid are linked to debt repayment, structural adjustment, and liberalisation of markets for trade. But the purposes and effectiveness of aid are questionable: • Is this finance for development, or just to cushion the impact of neo-liberal globalisation? • Can 'aid for trade' help the poorest and those most affected by neo-liberalism to benefit from globalisation and trade?
Trade	Trade rules are set by the most developed, wealthy and powerful countries who promote freer trade as the means to generate more trade and sustainable growth for developing countries. In theory benefitting from trade requires developing countries to liberalise their markets; but without a guarantee of access to export markets or growth, trade deficits can generate more debt.

that can be generated between aid, trade and debt sustainability for development purposes. However, in practice, poorly designed development policy and coordination issues, as well as unequal and unfair trade rules, can result in a *vicious* cycle of underdevelopment, or in developing countries becoming trapped in some intermediate stage. The rules governing trade limit the development of markets within developing countries and so impact on the potential for empowerment of the rural poor to be productive economic actors as part of sustainable communities.

Figure 4.1 Debt, Aid and Trade: Virtuous and Vicious cycles



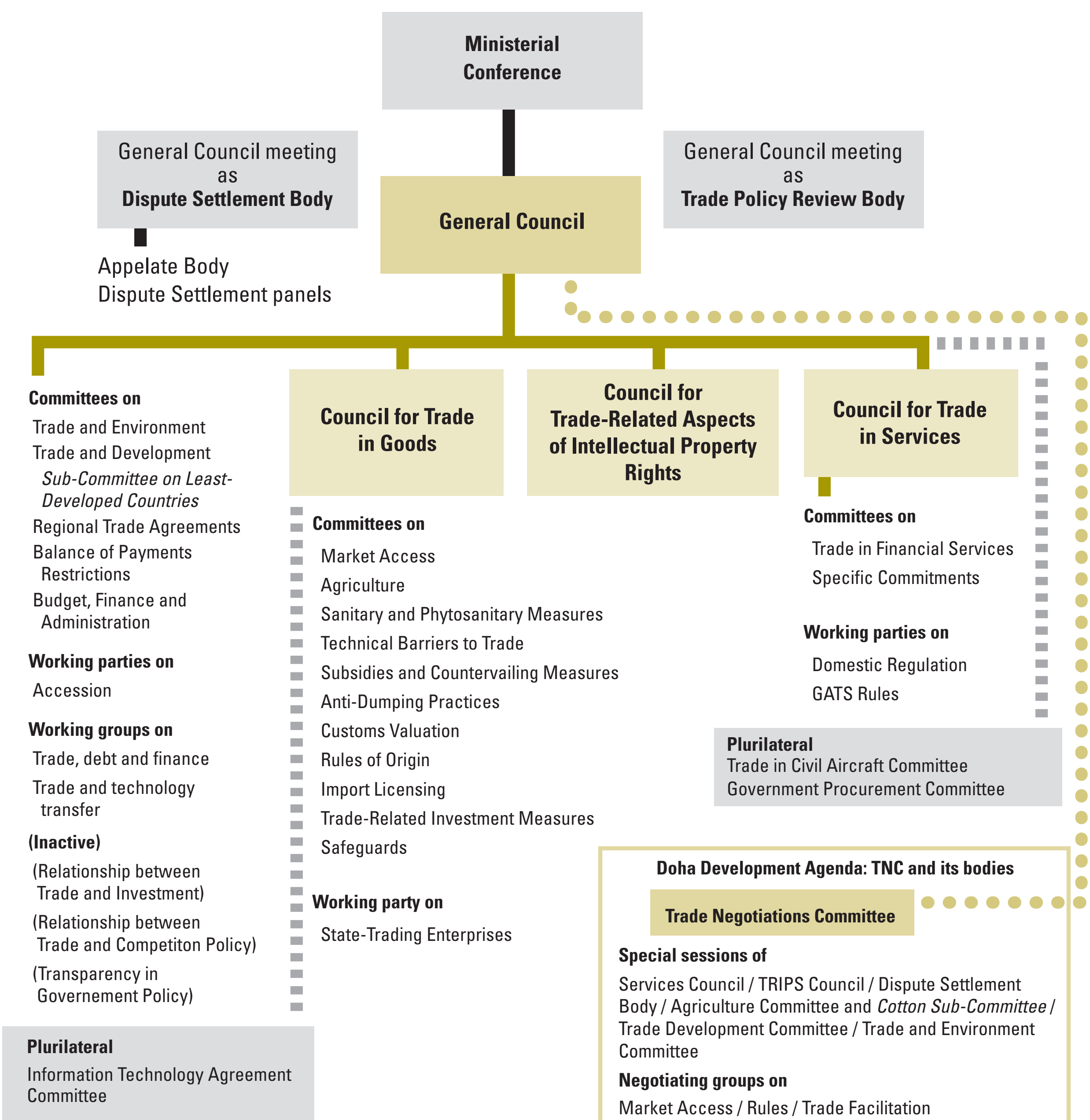
4.4 The World Trade Organisation

The institutions of international trade are where the rules of the multilateral trading system are set. The principal structure is the World Trade Organisation (WTO) and its component parts. The WTO was established on 1 January 1995 with a mandate to deal with the rules of trade between nations. It is the successor to the Generalised Agreement on Tariffs and Trade (GATT) that aimed to reduce trade barriers among countries in the period after the Second World War. The main purpose of the WTO is to help trade flow as freely as possible, serve as a forum for trade negotiations and provide for the settlement of disputes.

The Marrakesh Agreement signed in 1994 was the final act of the Uruguay round of negotiations that prepared the foundations of the WTO. It formalised a commitment to a framework for sustainable development within the goals of the WTO. This included raising standards of living, ensuring full employment, ensuring large and steadily growing real incomes and demand, and expanding the production of and trade in goods and services.

There are three levels of decision-making in the WTO: the Ministerial Council, the General Council and the principal technical negotiation committees or Councils. There is also a separate Dispute Settlement Mechanism.

Figure 4.2 WTO Organigram



4.4.1 WTO Rules and Agreements

The trade regime the WTO represents is based on agreements negotiated and signed by the majority of the world's trading nations, which provide the legal ground-rules for international trade and commerce. There are three key principles:

Most-Favoured Nation Treatment	The basic rule of the multi-lateral trading system which lays down the principle of non-discrimination; meaning that the application of tariffs and other trade policy measures should not discriminate among WTO members
National Treatment Principle	This rule prohibits countries from discriminating between imported and equivalent domestically-produced products, both in terms of the levy of internal taxes and in the application of internal regulations
Predictable and increased access to markets	This rule recognises that free trade is a process and that initially some protection of domestic products against foreign competition will continue

Theoretically, the rules should be established by the consensus of all members. However, in practice the WTO is dominated by its most powerful members: wealthy developed countries such as the United States, and the members of the European Union. Increasingly, a handful of large developing countries, namely Brazil, India and China, have enjoyed greater power and influence. These members often meet behind closed doors and influence the rules, undermining transparency of the WTO process and the principles of democratic negotiation. Many of these countries are heavily influenced and responsive to the interests of powerful transnational corporations, who have successfully lobbied for rules to operate in their favour. The WTO agreements can be visualised as follows:

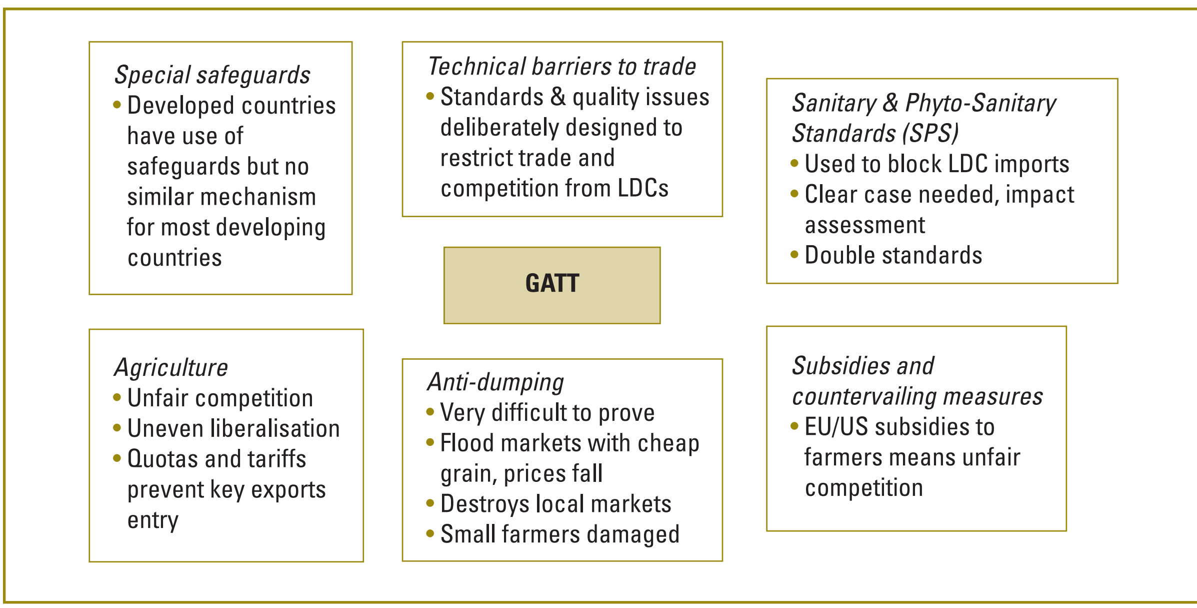
Table 4.2 The WTO Agreements

Umbrella	AGREEMENT ESTABLISHING WTO		
Council	Goods	Services	Intellectual property
Basic principles	GATT	GATS	TRIPS
Additional details	*Other goods agreements and annexes including:* • *Agriculture* • *Sanitary and phyto-sanitary measures* • *Technical barriers to trade* • *Anti-dumping agreements* • *Subsidies and countervailing measures* • *Safeguards*	*Services annexes*	
Market access commitments	Countries' schedules of commitments (and exceptions)		
Dispute settlement	DISPUTE SETTLEMENT		
Transparency	TRADE POLICY REVIEWS		

4.4.1.1 GATT

The GATT agreement covers international trade in goods and was originally signed by 23 participating countries in 1947. It was an informal multilateral agreement that was later amended and expanded to include many more countries in a series of rounds of negotiations. These negotiations have moved members towards freer trade through the removal of tariff and non-tariff barriers. The Uruguay round of the GATT created the WTO as a formal international body to administer the agreement and its implementation is the responsibility of the Council for Trade in Goods, comprised of representatives from all members. There are eleven committees which deal with specific subjects and all of which have some impact on rural development and agricultural and trade policies in developing countries.

Figure 4.3 Some significant impacts of GATT on agriculture in LDCs

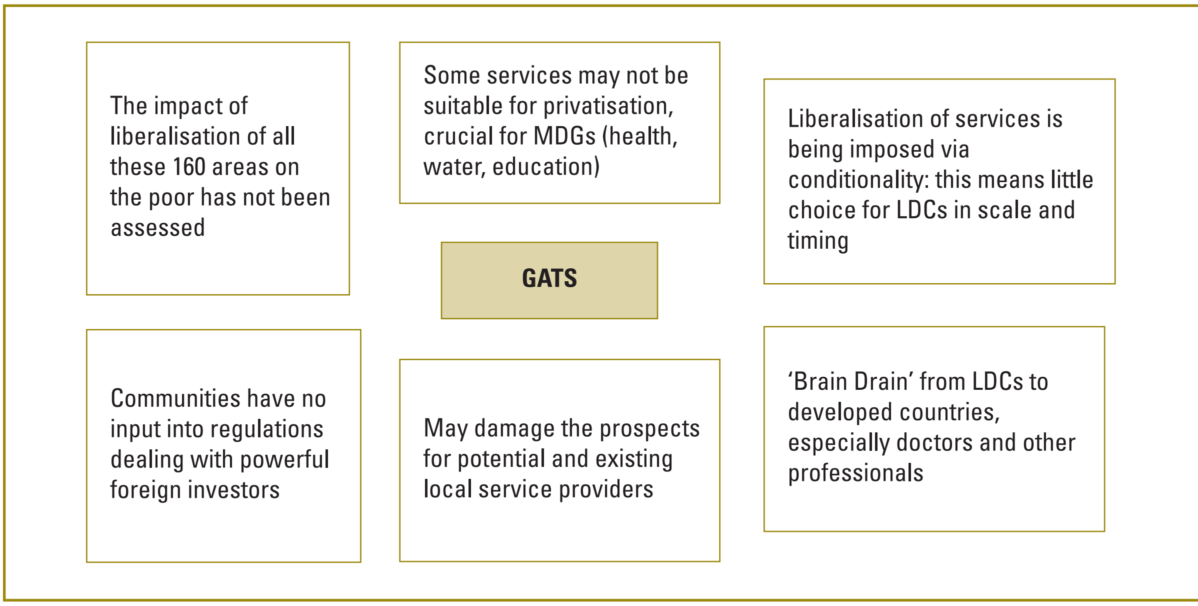


The rules governing international markets determine the viability of different models of agriculture and the prospects for viable market chains involving small producers. SPS and technical barriers to trade issues can exclude small producers and the rural poor from participation.Practices such as subsidies for producers in developed countries and dumping grossly distort the playing field for 'fair' trade between producers in developed and developing countries. Special Safeguard Mechanisms offer the potential for protection for developing country goods that are particularly sensitive for issues such as food security. Current safeguard mechanisms are mainly available to developed countries to protect their 'sensitive' industries. A New Special Safeguard Mechanism (SSM) with more flexible arrangements than those applied under existing safeguards are needed to cater for the human development needs of LDCs[33].

4.4.1.2 GATS

The General Agreement on Trade in Services (GATS) sets the rules for trade and investment in services. Services are estimated to represent between 60 and 80 percent of the GDP of WTO member countries. The agreement covers the provision of a service to buyers within or from one country by a firm in or from another country. Because such transactions do not involve a physical product crossing borders, they were not covered by GATT. In the mid-1980s, they were recognized as a form of trade and were later incorporated into the WTO under this separate agreement, GATS. The agreement covers 160 service sectors such as road building, water delivery, education, health care, telecommunications, tourism, postal delivery, social security, a variety of municipal services, and insurance.

Figure 4.4 Potential impacts of GATS on livelihoods in LDCs

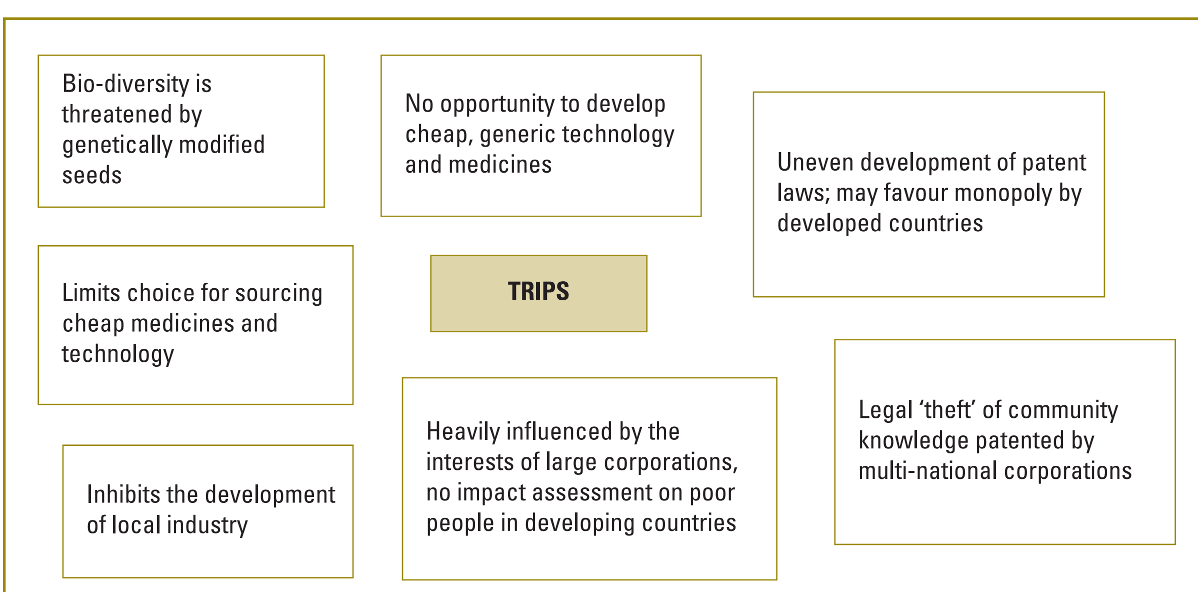


The scope of the GATS agreement is potentially very broad covering government services at all levels. It also obliges countries to provide national treatment to foreign service providers and for them to select and negotiate the service sectors to be covered.

4.4.1.3 TRIPS

The agreement on Trade Related Intellectual Property was negotiated in the Uruguay Round. It is a minimum standards agreement which allows members to provide more extensive protection of intellectual property if they wish. It details the minimum standards of protection to be provided by each member in each of the main areas of intellectual property covered. It also sets out the domestic procedures and remedies for the enforcement of intellectual property rights; and states that disputes between WTO members around TRIPS obligations are subject to the WTO's dispute settlement procedures.

Figure 4.5 Potential impacts of TRIPS on Livelihoods in LDCs



4.5 UNCTAD and GSP

UNCTAD aims to support the development-friendly integration of developing countries into the world economy. Since its inception, it has sought alternatives to the dominant international economic order, especially the trade regime. The organization serves as a forum for intergovernmental deliberations and undertakes research, policy analysis and data collection on key issues. It provides technical assistance tailored to the specific requirements of developing countries, with special attention to the needs of the LDCs and economies in transition.

UNCTAD developed the concept of a Generalised Scheme of Preferences (GSP). The 1968 resolution stated that:

> *the objectives of the generalized, non-reciprocal, non-discriminatory system of preferences in favour of the developing countries, including special measures in favour of the least advanced among the developing countries, should be to increase their export earnings; to promote their industrialization; and to accelerate their rates of economic growth."*

Under GSP schemes, selected products originating in developing countries are granted reduced or zero tariff rates over the rates accorded under the Most Favoured Nation rates. The least developed countries receive special and preferential treatment for a wider range of products and deeper tariff cuts. GSP schemes were authorised under GATT in 1971.

The European Union has provided GSP under a series of agreements with a group of countries called the ACP, covering 78 of the world's least developed states from Africa, the Caribbean and the Pacific. The first agreement signed in 1975, the Lomé Convention, was replaced by the Cotonou agreement signed in June 2000. Based on principles of partnership and combined aid, trade and political goals, the main objective was to reduce poverty consistently with the objectives of sustainable development and the integration of the ACP countries into the world economy. It included political dialogue with the involvement of civil society and economic actors. The trade elements focussed on reciprocal liberalisation in accordance with the WTO rules, and 'trade cooperation' was replaced by a development cooperation approach. This agreement was due to expire in 2007 and be replaced by regionally negotiated Economic Partnership Agreements (EPAs) with different groups of the ACP countries.

Other European Union initiatives include the 'Everything But Arms' initiative which grants duty-free and quota-free access to the European Union to LDCs for nearly all goods excluding arms. The exceptions were sugar, rice and bananas which were subject to extensive phasing in periods. In the United States, the African Growth and Opportunity Act(AGOA) was signed into law in 2000, and offered greater concessions to African countries in addition to those included within the prevailing Generalised System of Preferences. The Caribbean Basin Initiative granted further preferences to countries in that region for certain goods to access markets in the United States on a preferential basis.

4.6 WTO trade negotiations: progress to date

The highest decision making body in the WTO is the Ministerial meeting. The first Ministerial meeting took place in Singapore in December 1996. The agenda for the Seattle Ministerial in 1999 called for a new approach to global negotiations, to include an accelerated negotiation framework for opportunities in agriculture, manufactured goods and services; broadened participation in the WTO with increased accountability and openness; a focus on increasing the participation of LDCs; and developing the dispute settlement mechanism. The massive civil society protests around the meeting marked the tone, and the negotiations broke down as developing countries formed coalitions and contested the agenda.

The so-called Doha 'development' agenda was launched at the Doha Ministerial in Qatar in 2001 and it explicitly tasked WTO members with taking up the concerns of LDCs. This agenda recognised that developing countries have not benefitted from freer trade as much as was anticipated, and that these countries have more to lose, in human development terms, unless the trade regime reflects and corrects this. However, progress in taking concrete actions from this agenda has been fraught with difficulty. The talks broke down at the Cancun Ministerial in 2003 as African trade ministers walked out of the talks because the development agenda that had been set in Qatar was turned inside out: the European Union put issues not yet included in the WTO agreements relating to investment, competition, trade facilitation and transparency in government procurement (known as the 'Singapore issues') ahead of the Doha agenda.

WTO rules are encroaching into areas considered the realm of domestic policy, constricting further policy space around trade, and around development in general. Coupled with the domination of macroeconomic policy by structural adjustment programmes through conditionality enforced by the World Bank and the IMF, developing country sovereignty is seriously threatened. In particular, the threat from GATS affects the role of the state in providing public goods – essential for the enabling environment that affects all dimensions of livelihood strategies, especially those for participation in markets and trade.

In July 2008, WTO members failed to conclude negotiations on the Doha 'development' agenda. Difficulties centre on the fact that the issues most important to developing countries e.g. special safeguard mechanism, have not been adequately addressed, and the process needs to be more inclusive. The existence of GSPs under WTO rules to cater for developing countries has not been sufficient to overcome the constraints faced by developing countries as they attempt to compete with producers from developed countries that are receiving protection and subsidies. At a time of great volatility in agricultural prices, the challenges become more complex. Meeting the food needs of an increasing global population while also addressing the imperative of reducing carbon emissions leading to the emphasis on agro-fuels has been one of the factors leading to a reversal in the decline in prices for many agricultural products. The increasing returns from hikes in world food prices however are concentrated among commercial rather than small scale producers with poor people in net food importing countries being doubly disadvantaged.

4.7 Regional Trade Agreements

Stagnation in the WTO talks on the Doha agenda has prompted greater activity by the United States and the European Union to negotiate regional trade agreements and economic partnership agreements with blocks of countries in developing regions.[34] In general, these negotiations are even more unbalanced than the negotiations at the WTO. Given the overwhelming power of the United States and the European Union, the negotiations are highly asymmetric and tend to weaken the regional interests of the developing countries involved. In the case of the United States, agreements such as the North American Free Trade Agreement covering Mexico and Chile,and CAFTA-DR, covering five Central American countries (Honduras, Nicaragua, Guatemala, El Salvador and Costa Rica) and the Dominican Republic, reflect and advance the interests of the United States and new global players (especially corporations), and are a way of increasing geopolitical and economic power. A free trade agreement with Morocco was signed in 2004, and others with Malaysia and the Southern African Customs Union are underway.

The European Union has a range of agreements and negotiations in place. The Euromed agreement covers Morocco, Tunisia and Algeria. There are separate agreements in place with Mexico and Chile, negotiations are underway with Mercosur, while negotiations began with the Central American region and the Andean region in late 2007. In April 2007, the EU foreign ministers gave the go ahead to the EC to start negotiations for a free trade agreement with three of the most dynamic economies in the world: India, South Korea and the Association of South East Asian Nations (ASEAN).[35]

So far the ACP countries have formed six regional groupings, each negotiating separate EPAs with the European Union. These EPAs were intended to replace the GSP set out under Cotonou and the 'Everything But Arms' initiative. However a significant number of LDC-ACP countries have resisted the EC's demand to negotiate an EPA, stating a preference for continued trade under the EBA regime.The key feature of the EPA is that it is based on reciprocal access to markets, which precludes special treatment. A range of issues known as the 'Sinagpore issues', namely transparency in government procurement, competition and investment rules, that are beyond the scope of WTO agreements, are also included in the EPAs. Moreover, the European Union has tended to force its own agenda and processes on these negotiations, using tactics such as threats of higher tariff duties, endeavouring to leave no space for discussion of alternative proposals, sidelining dissent and pushing deadlines.[36]

In reality, these regional trade agreements reflect the extent to which the powerful developed countries are able to open the markets of developing countries to the subsidised agricultural products of their own producers. The argument that increased food supply will lower prices, and thereby free up labour from agriculture for industry, and therefore decrease poverty is naïve given the pervasive market failures and adjustment costs facing developing countries. 'Aid for trade' fails to sufficiently provide for structural funds to overcome these difficulties.[37] The pros and cons of WTO and Regional Trade Agreements are set out in Table 4.3 below:[38]

Table 4.3 WTO Agreements v Regional Trade Agreements

Advantages of Multilateral Agreements • A more level playing field • Transparency and rules • Dispute settlement mechanism • Greater Negotiating capacity of LDCs / The WTO is the only international forum for discussing trade rules	Advantages of Bilateral/Regional Agreements • More favourable access for developing countries • Other benefits such as aid and political dialogue
Disadvantages of Multilateral Agreements • The negotiations take a very long time • In practice the process lacks transparency, participation and accountability • There is agenda setting power • It is difficult to monitor all aspects	Disadvantages of Bilateral/Regional Agreements • Power imbalance • Interests and agenda-setting • Bullying tactics in negotiation • Opaque process • Inconsistency and incoherence with other trade agreements • Issues beyond the WTO are included (e.g. Singapore issues)

4.8 Achieving trade justice

The path from more and freer trade to poverty reduction is not direct or automatic, and can only be achieved with principles of trade justice guiding all negotiations and agreements. This resource highlights that the rules and forces dominating the international trade regime have an impact not only on trade at international level, but on the enabling environment for markets in developing countries, and on the production choices of the rural poor. The following agenda highlights the main features of Trócaire's position and how it relates to livelihoods objectives:[39]

Table 4.4 An Agenda for Trade Justice and Sustainable Livelihoods

1. Progress on agriculture in trade negotiations needs to be delivered as set out in the Doha declaration, and political will for new models of trade and agricultural development is needed

2. Trade distortion that generates poverty must be eliminated

   At international level,
   - Developed countries have an historic benefit from subsidisation
   - The end of GSP will make competition more difficult for developing countries
   - Dumping must end, through better ways of measuring the incidence and the impact, and understanding of how it is linked to production subsidies
   - A clear schedule for elimination of the most damaging subsidies known to be trade distorting is needed, and discipline placed on the use of others

   At national level
   - The current approach to market liberalisation has a negative impact on the poor and favours only an industrialised model of agriculture
   - Liberalisation also means lost revenue from tariffs on imports from developed countries
   - The poor pay the cost of liberalisation, because there is no policy space for alternative approaches to rural and agricultural development

   At local level
   - Provide an enabling environment that facilitates the participation of small farmers in agricultural markets for trade
   - Strengthen the advocacy capacity of people living in rural areas to give voice to the needs of the rural poor, and to demand policy responses

3. The development challenge is to promote an alternative model of agricultural and rural development that works for poor people and offers sustainable livelihoods

   At international level
   - Ensure differential treatment for developing countries
   - Protect rural development with special products, and give policy space for countries to choose which products to protect
   - New Special Safeguard Mechanisms are needed to protect food security, livelihood security and support rural development

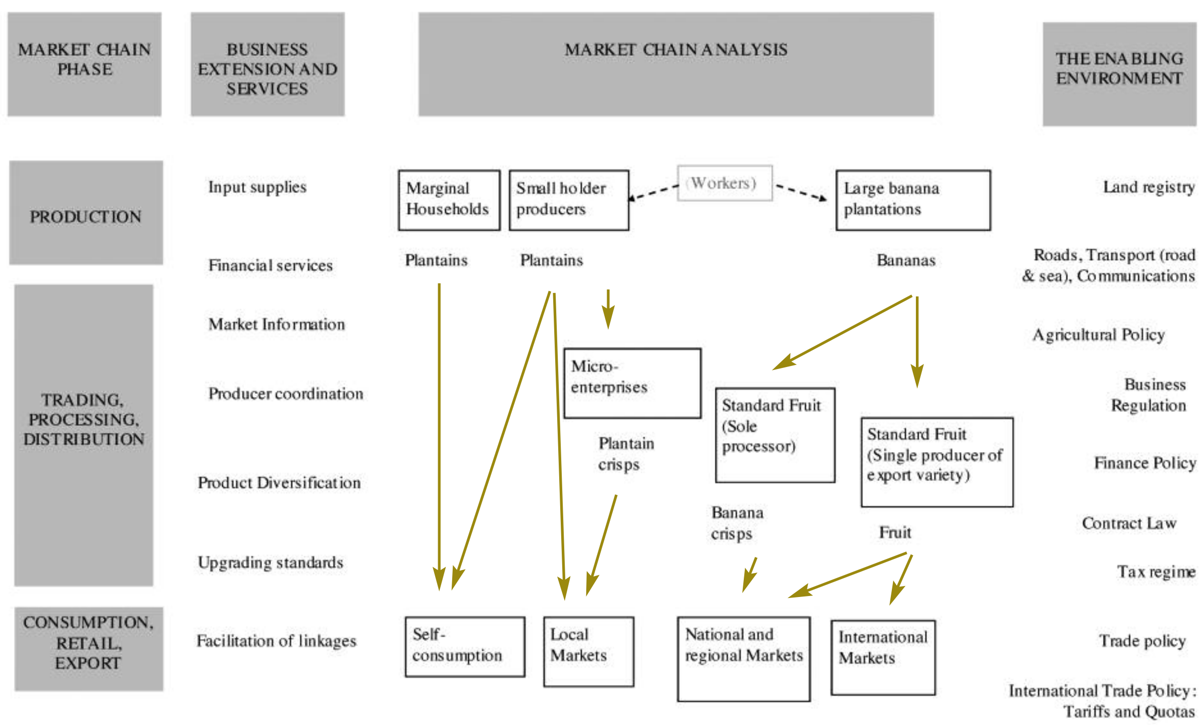
   At national level
   - More open policy space for sustainable agricultural development options
   - Political will to place the needs of the poor first and consider alternative models
   - Phase and target interventions to overcome market failures
   - Empower the rural poor to benefit from the opportunities and potential of global economic processes by strengthening their assets

4.9 Key messages

- Liberalisation for free trade did not produce the intended poverty-reducing impacts in developing countries. Moreover, developed countries have not reciprocated by liberalising their markets to competition from developing countries in the same way. Therefore the free trade agenda has not delivered.
- The international economic order constrains many of the opportunities for development at the local level in rural areas of developing countries. Trade rules are one element of this and these are defined by the WTO, GSP and through regional trade agreements.
- Trade justice requires a revision of the rules at international level, and at every intermediate level between international agreements and small producers.

Appendix One: Integrated case study of Bananas

Case Study: Market Chain Analysis of Bananas in Honduras



This case study, which starts with banana production in Honduras, allows an illustration of the importance of markets, the role of the enabling environment, and the constraints imposed by international trade rules.

Starting at the local level, of the 46 different varieties of banana in Honduras, only one is used for export. Other growers produce other varieties that are cheaper to source locally and that can grow without the need for expensive inputs such as fertiliser. These plantain varieties are costly to move from remote rural areas that may only have limited access to roadworthy vehicles or boats along the coast. Information about the market does not reach these communities so the risks involved are high. There is no access to credit or insurance, and because the crop tends to peak at one time of the year, competition among many small producers inhibits collective action to pool risk. Investment in quality standards and processing is minimal. In local wholesale markets, powerful local traders can exploit the small producers who have travelled long distances to trade their plantains. Bananas and plantains are expensive to store and to transport for trade in export markets. These costs represent huge barriers to entry for small traders in bananas.

The production and processing of the export variety of banana is wholly in the hands of the Standard Fruit company, and is a classic example of a cash crop. This company has enormous power to pressure the Honduran government to introduce policies that keep the costs of production low because of the amount these exports contribute to GDP. This effective monopoly has generated further investment in plants and equipment for storage and transportation internationally, for product diversification, and for inputs to ensure that sanitary and other quality standards are upheld. Still, internal transport can be problematic and costly. Distribution to the national market is done through intermediaries. This sole producer clearly has huge power relative to any other producer considering banana production for export. The total separation of the export market from local production excludes the rural poor from participation except as workers. It also gives the company power to keep wages low and work standards at a minimum.

The theory of comparative advantage should mean that Honduras can benefit from its relatively low costs in banana production. But there are problems with this – not least because the international trend price of bananas has fallen over the past 30 years (although there has been some volatility in the past five years). In addition, Honduras is not the only regional producer: all of the neighbouring Central American countries also specialise in banana production, and some have lower costs. At international level, the Honduran portion of the Standard Fruit company is subject to quotas and tariffs under the WTO agreements. In addition, until 2007, Honduran bananas were not included in the ACP group of countries covered by the Cotonou agreements and so had no preferential treatment from the European Union, and are still subject to quotas.

This also inhibits the development of niche markets in organic and 'fair trade' bananas from Honduras, which could directly benefit poor rural communities and help integrate them in a sustainable way into world markets and global economic processes. Changes in the international rules to grant market access would be required, and this would also entail political will for a role for the state in facilitating an enabling environment. The role of civil society is to identify these opportunities and help rural communities and small producers benefit from their realisation.

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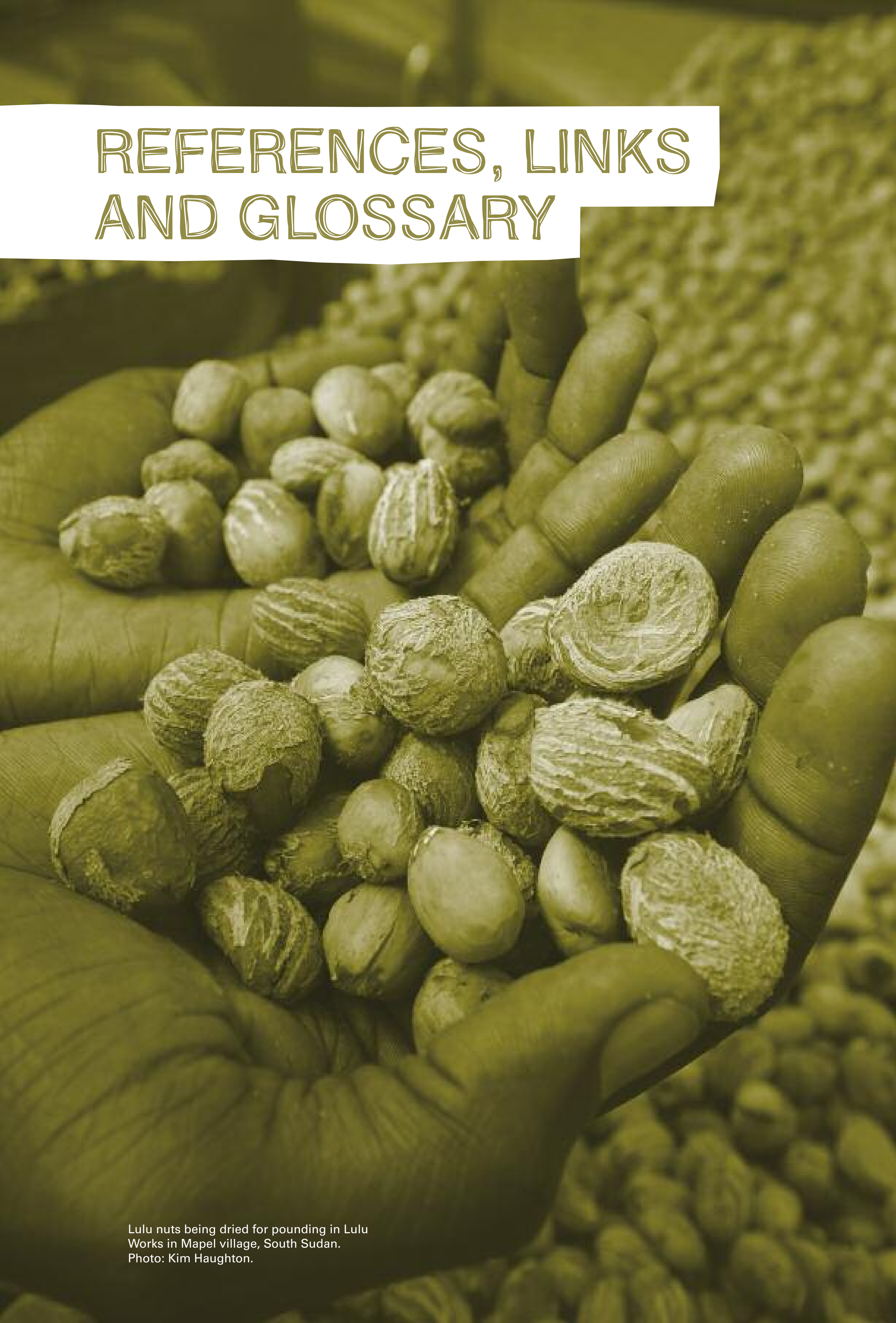

Lulu nuts being dried for pounding in Lulu Works in Mapel village, South Sudan. Photo: Kim Haughton.

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Glossary

ACP Group
A group of countries in the Africa, Pacific and Caribbean that were the original signatories to the Lomé Convention with the European Union members in 1975. Most of the original members had had colonial relations with European Union members.

Agreement of Safeguards
WTO rules for protecting home industry from foreign competition. These are usually seen as responses to unfair trade practices such as dumping and subsidies.

Agreement on Textiles and Clothing
Also known as the Multi-Fibre Arrangement, covered the world trade in textiles through a system of quotas. It expired in 2004 and the quota system was dismantled.

Aid
International aid, overseas aid, or foreign aid. Assistance provided by countries and by international institutions such as the World Bank and the United Nations, to developing countries in the form of monetary grants, loans at low interest rates, in kind (materials, labour) or a combination of these.

AGOA
Africa Growth and Opportunity Act. Grants a number of African countries tariff free access to markets in the United States for a number of specified products. In order to qualify, African countries must meet certain conditions, including IMF and World Bank structural adjustment programmes and facilitating investment from companies based in the United States.

Anti-dumping Agreement
WTO Agreement that disciplines anti-dumping actions. Dumping occurs when goods are exported at a price less than their normal value, generally meaning they are exported for less than they are sold in the domestic market or third country markets, or at less than production cost. Article VI of the GATT 1994 permits the imposition of anti-dumping duties against dumped goods, equal to the difference between their export price and their normal value, if dumping causes injury to producers of competing products in the importing country. The Anti-dumping Agreement includes certain substantive requirements that must be fulfilled in order to impose an antidumping measure, as well as detailed procedural requirements regarding the conduct of anti-dumping investigations and the imposition and maintenance in place of anti-dumping measures. A failure to respect either the substantive or procedural requirements can be taken to dispute settlement and may be the basis for invalidation of the measure.

Balance of Payment
A summary of all the international transactions of the residences of a country with the rest of the world during a particular period, usually one year. It is the difference in value between payments into and out of the country (including money, goods and services).

Balance of Trade
Receipts for the export of goods and services less payments for the imports of goods and services. It is the main determinant of the current account balance, and is part of the balance of payments.

Bilateral Trade Agreement
A trade agreement between a small group of countries – this term should indicate a trade agreement between just two countries, but it gets loosely used in trade agreements with five or more countries.

Bretton Woods
A town in New Hampshire, America at which a 1944 conference launched the IMF and the World Bank.

Common Agricultural Policy
The European Union's agricultural policy system covering tariffs, quotas and subsidies throughout the farming sector.

Capital
Different forms of wealth; a factor of production, usually refers to the plant and equipment used in production or a stock of financial assets.

Capitalism
An economic system based on private property and private businesses. At least a major part of economic activity is carried out by private individuals or organisations seeking to make profit; but it can be compatible with some forms of public ownership and state regulation.

Cash Crops
Crops which are grown for their commercial value, (money) rather than to be consumed by the grower; some of these may be grown specifically for export.

CAFTA
The Dominican Republic–Central America Free Trade Agreement, commonly called DR-CAFTA. It is a free trade agreement encompassing the United States and the Central American countries of Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua. In 2004, the Dominican Republic joined the negotiations, and the agreement was renamed DR-CAFTA.

COMESA

The Common Market for Eastern and Southern Africa, consisting of 21 countries in Eastern and Southern Africa. COMESA was established in 1994 to replace the Preferential Trade Area of Eastern and Southern Africa that was established in 1981. The member states of COMESA are Angola, Burundi, Comoros, Democratic Republic of Congo, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Madagascar, Malawi, Mauritius, Namibia, Rwanda, Seychelles, Sudan, Swaziland, Zambia and Zimbabwe. The aims and objectives of COMESA as defined in the Treaty are to facilitate the removal of structural and institutional weaknesses of member states so that they are able to attain collective and sustained development.

Comparative Advantage

A component of free market theory that states that if each country made just those things which it could produce cheaper relative to a foreign country, and then trade with other nations to get that which they could produce relatively cheaper, wealth would expand and everyone would benefit.

Conditionality

The practice by which the IMF makes its loans conditional on the borrowing country adopting a structural adjustment programme or economic policy package. In the 1980s and 1990s these programmes included stringent austerity measures for developing countries that have been heavily criticised.

Cotonou Agreement

A partnership agreement between the European Union and the ACP Group, signed in June 2000, replacing the Lomé Convention. The main objective of the agreement is to reduce poverty, consistent with the objectives of sustainable development and the integration of the ACP countries into the world economy. Political dialogue, involving civil society and social and economic actors is included. It established a new trade arrangement, characterized by reciprocal liberalization in accordance with WTO rules and 'trade cooperation' was replaced by a development cooperation approach. This agreement was due to expire in 2007 and be replaced by regionally negotiated Economic Partnership Agreements with different groups of the ACP countries.

Customs Duties

Duty levied on imports of goods and services from foreign countries; also charged on some exports.

Customs Union

A union of two or more states to form a region in which there are no import or export duties between members but goods imported into the region bear the same import duties. The European Union is an example.

Debt Service Costs

The interest payable on debt, excluding the repayment of the amount of money originally borrowed.

Debt

Money owed by one person or organisation to another. A debt contract states the terms of borrowing including the interest, payments and time period, as well as what collateral or guarantees must be provided. Private debt is held by individuals or organisations. National debt the debt of a country's government and it may be owed to residents or to foreign lenders.

Deficit

A loss that results when expenditure exceeds revenue, or income.

Dispute Settlement Mechanism (DSM)

The WTO mechanism that processes disputes. It has four phases:

1. Parties to a dispute are obliged to see if they can settle their differences in consultations; if no agreement is reached after 60 days the complainant can request a panel.
2. The panel is a three-member panel decides the case in a semi-legal process. Where the dispute involves a developing country, one panellist is from a developing country. The panel report is circulated to all WTO members and becomes the ruling of the DSM unless it is rejected by consensus or appealed.
3. Either party can appeal the ruling of the panel based upon points of law; to be heard by three randomly selected members, which may uphold, modify or reverse the legal findings and conclusions of the panel.
4. Surveillance of implementation: The violating member is required to state its intentions on implementation within 30 days of the report being adopted by the DSB. If the party fails to implement the report the two countries enter negotiations to agree on appropriate compensation. If this fails, retaliation through trade sanctions may be permitted, the level of which is subject to arbitration.

Doha Declaration (2001)

The document agreed upon by the trade ministers of the member countries of the WTO at the Doha Ministerial meeting. It articulates the work programme of the current Doha round of negotiations.

Doha Development Round

The Doha round aims to further liberalise global trade with a special emphasis to be placed on improving the trade opportunities of developing countries. Negotiations continue as a completion date remains elusive.

Doha Ministerial

The WTO ministerial meeting held in Doha, Qatar, in November 2001, at which it was agreed to begin a new round of multilateral trade negotiations, the Doha Round.

Dumping

Selling goods in a foreign country at a price which local producers regard as unfairly low, or at less than production cost.

Economic Growth

The expansion of the output of an economy, usually expressed in terms of the increase of national income, or GDP. Economic growth can be measured by changes in GDP.

Economic Partnership Agreements (EPAf)

New agreements in negotiation between the European Union and the ACP group of countries in six regional blocs:

- the West African Economic and Monetary Union
- the Central African Economic and Monetary Union
- the Southern African Development Community
- the East African Community
- the Caribbean Forum of African, Caribbean and Pacific States
- the Pacific

European Union

The European Union is a political and economic union of twenty-seven member states, located primarily in Europe, with internal free trade and common external tariffs. The objectives of the European Union are:

- to promote economic and social progress;
- to assert the identity of the European Union on the international scene;
- to introduce European citizenship;
- to develop an area of freedom, security and justice;
- and to maintain and build on established European Union law.

Everything But Arms

Part of the European Union's GSP. It grants duty-free and quota-free access for all imports coming from the least developed countries with the exception of armaments. Transitional arrangements are in place for the special treatment of tariffs on sugar, bananas and rice.

Exchange Rate

The price of one currency in terms of another.

Exports

Goods and services produced in a country and sold to non-residents. Visible exports are goods sent abroad; invisible exports are services sold to non-residents, such as tourism.

Export Processing Zones (EPZ)

Deregulated industrial zones introduced by poor countries to attract international investment. Imported materials are processed before being exported again. Often environmental and labour standards and national tax regimes do not apply.

Foreign Direct Investment (FDI)

The purchase by the investors or corporations of one country of non-assets in another country. This involves a flow of capital from one country to another to build a factory, purchase an existing business or buy real estate.

Free Trade

A policy of unrestricted foreign trade, with no tariffs or subsidies on imports or exports, and no quotas or other trade restrictions. The theory of free trade contends that everyone in the world will be better off if each nation eliminates tariffs and other barriers to the flow of products across borders.

Free Trade Area (FTA)

An area in which states eliminate tariffs among themselves but maintain individual tariff schedules on imports from non-member countries. Because imports could enter through the country with the lowest tariff and then be exported to other members in the framework of a FTA, 'rules of origin' are used to determine whether a good is eligible for tariff-free treatment.

Generalised Agreement on Trade and Tariffs (GATT)

The WTO agreement setting the rules for international trade in goods, originally signed by 23 participating countries in 1947. This was an informal multilateral agreement that was later amended and expanded to include many more countries in a series of rounds. GATT became the principal institution regulating trade policy until it was subsumed within the WTO in 1995. It continues to exist as one of the WTO's 28 sets of trade rules.

Generalised Agreement on Trade in Services (GATS)

The WTO agreement setting the rules for trade and investment in services. Services are estimated to represent 60 to 80 percent of the GDP of WTO member countries. The agreement covers the provision of a service to buyers within or from one country by a firm in or from another country. Because such transactions do not involve a physical product crossing borders, they were not covered by GATT. In the mid-1980s they were recognized as a form of trade and were later incorporated into the WTO as this separate agreement, GATS. The agreement covers 160 service sectors such as road building, water delivery, education, health care, telecommunications, tourism, postal delivery, social security, a variety of municipal services, and insurance. The scope of the agreement is potentially very broad covering government services at all levels. It also provides for countries to provide national treatment to foreign service providers and for them to select and negotiate the service sectors to be covered.

Generalized System Preferences (GSP)

A formal system of exemption from the more general rules of the WTO. It offers tariff preferences for developing countries, by which developed countries let certain manufactured and semi-manufactured imports from developing countries enter at lower tariffs than the same products from developed countries.

Gross Domestic Product (GDP)

The total value of final goods and services produced in the country during a calendar year. GDP per person is the simplest overall measure of income in a country. Economic growth is measured by the change in GDP from year to year.

Globalization

The process by which businesses or other organizations develop international influence or start operating on an international scale. It is frequently used to identify a trend toward increased flow of goods, services, money and ideas across national borders and the subsequent integration of the global economy.

Grants

Definitions of grants as aid keep changing. Most grants are some form of 'soft' loan, with low interest and repayments spread over a long period of time beginning after a ten-year grace period. Grants may be associated with conditionalities.

Heavily Indebted Poor Countries (HIPC) Initiative

Proposed by the World Bank and the IMF in 1996, and extended by a meeting of finance ministers of the G-7 meeting in Cologne in 1999. It proposed debt relief for the 42 poorest countries which had 'unsustainable debts' if they met a number of criteria, which included stable government structures and stable budgets in which the gains from debt relief would be invested in education and social spending. It is a comprehensive, integrated and co-ordinated approach to debt reduction that requires the participation of all creditors: bilateral, multilateral and commercial. Central to the Initiative is the country's continued effort toward macroeconomic adjustment and structural and social policy reforms. Following a comprehensive review a number of modifications to the Initiative were approved in September 1999 to provide faster, deeper and broader debt relief and strengthen the links between debt relief, poverty reduction and social policies. By 2007, 29 countries had qualified for full debt relief.

Interest Rate

The amount charged or paid for a loan, usually expressed as a percentage of the sum borrowed.

Imports

Goods and services bought by residents of a country but provided by non-residents. Visible imports are goods physically brought into the country. Imports of services, or invisible imports, may involve the supplier entering the country, for example to put out oil-well fires, or residents going abroad to enjoy the services of airlines, hotels, or entertainments.

International Monetary Fund (IMF)

An international organization established in 1945 which aims to promote international trade and monetary cooperation and the stabilization of exchange rates. In 1971 the IMF began providing emergency funds to developing countries that experienced debt crises, conditional on the implementation of structural adjustment programmes. The IMF voting system is weighted in proportion to the amount invested which means it is controlled by the major industrial powers.

Intellectual Property

Private property rights in ideas. This may take the form of copyright, where material such as books or music can be copied only with permission from the copyright owner, who can charge for this; or patents, where processes or product designs can only be used with permission from the patentee, who can charge a licence fee. Such property rights originally rest with authors or inventors, or their employers, but can be bought, sold or inherited.

Intellectual Property Rights

Monopoly protection for creative works (intellectual property) such as writing (copyright), inventions (patents), processes (trade secrets) and identifiers (trademarks).

International Financial Institutions (IFIs)
The World Bank, the IMF and the Regional Development Banks.

Least Developed Countries (LDC)
The world's poorest countries, defined in 1971 by UNCTAD as those with very low per capita incomes, a share of manufacturing in GDP of under 10 per cent, and a literacy rate under 20 per cent. By 1990 there were over 40 such countries, with average per capita incomes of under 10 per cent of the world average.

Loan
Money lent on condition that it is repaid, either in instalments or all at once, on agreed dates and usually that the borrower pays the lender an agreed rate of interest. When the lender and borrower are in different countries with separate monetary and legal systems, loans bear extra risk.

Lomé Convention
Agreements between the European Union and the ACP group, which were first signed in 1975, replaced by the Cotonou Agreement in June 2000. It set in place the principles of negotiation: partnership, contractual relations, combined aid, trade and political goals.

Liberalisation
To remove or reduce restrictions on economic activities, reducing the role of the state in an economy. Liberalisation is the progression towards system of free trade.

Market Access
The freedom to sell in a market. Market access may not be available for natural or institutionally imposed reasons. Natural obstacles include distance and inability to meet the requirements of customers; institutional obstacles include legal restrictions on entry, tariffs and quotas, and rules excluding possible suppliers. Improved market access for their producers is therefore an important aim of governments entering trade negotiations.

Marrakesh Agreements
Signed in 1994, as the final act of the Uruguay round of negotiation that prepared the foundations of the WTO. It formalised a commitment to a framework for sustainable development within the goals of the WTO. This included: raising standards of living, ensuring full employment, ensuring large and steadily growing real incomes and demand, and expanding the production of and trade in goods and services.

Millennium Development Goals (MDGs)
Adopted unanimously by the Millennium Summit of the United Nations General Assembly in 2000. The goals are intended to promote human development in order to improve living conditions and address key global imbalances in poverty, hunger and diseases.

Most Favoured Nation (MFN) principle
Article I of GATT 1994 is an obligation that requires not to discriminate between goods, services or companies on the basis of their origin or destination.

Multi-national Corporation
A firm that operates in two or more countries.

National Treatment Principle
Article III of GATT 1994, which is an obligation that requires imports not to be treated less favourably than domestically produced goods once they have entered the country.

Neoliberalism
A political label with multiple meanings, neoliberalism is primarily associated with the goal of reducing the role of the state in social and economic affairs. Critics argue that neoliberal policies prioritise corporate profits over the welfare of the people in society at large.

Non-Tariff Barrier
Any policy that interferes with exports or imports other than simple tariff, prominently including quotas and technical barriers such as quality standards/rules of origin.

Open Economy
An economy which has transactions with the rest of the world. These may include trade in goods and services, movements of capital, transfers of information and technical know-how, and migration of labour. Most economies are at least partially open for some of these forms of contact; very few if any are completely open for all of them.

Opportunity Cost
The amount of other goods and services which could have been obtained instead of any good. If it had not been produced, the resources used in making it could have been used to produce other goods and services instead. If it had not been bought, the money spent on it could have been used to buy the other goods.

Preferential Trading Agreement
A group of countries that levies lower (or zero) tariffs against imports from members than outsiders, including FTAs, custom unions and Common Markets.

Privatisation
The transfer of a business, industry, or service from public to private ownership and control.

Protectionism
The practice of shielding a country's domestic industries from foreign competition by taxing imports.

Public Sector
All institutions owned and controlled by government. These include national, provincial and local government, extra-budgetary governmental institutions and non-financial public enterprises

Quota
The quantity of goods of a specific kind that a country permits to be imported without restrictions or imposition of additional duties.

Reciprocity
A principle that underlies GATT negotiations, that countries exchange comparable concessions.

Reciprocal Trade Agreements
Agreements between two countries to open their markets to each other's exports, usually by each reducing tariffs. Early trade rounds under the GATT consisted mostly of reciprocal trade agreements.

Rules of Origin
Rules applied in free-trade areas to determine whether goods qualify for duty-free admission. Normally such rules specify a minimum percentage of inputs which have to come from member countries.

Sanitary & Phytosanitary Regulations (SPS)
Quality standards to protect health, of humans, plants, and animals. These regulations are subject to rules in the WTO to prevent them from acting as non-tariff barriers to trade.

Sanction
A punitive mechanism used to encourage a country to adopt or revise its policies. Trade sanctions might include increases in tariffs. Trade policy is most commonly used against a country where the government has violated human rights.

Sovereignty
The principle that the state exercises absolute power over its territory, system of government, and population.

Structural Adjustment Programmes
Structural and sectoral adjustment programmes initiated as part of IMF and World Bank conditional lending require governments to undertake policy reforms intended to stimulate production and improve public and national finances. A typical package included an emphasis on export growth, trade liberalisation, financial market liberalisation, reducing inflation and the public wage bill, the privatisation of public services and macroeconomic stability.

Special and Differential Treatment
Specific legal provisions giving developing and least-developed countries preferential treatment are included throughout the WTO agreements. These special provisions include:

- Longer time periods for implementing agreements and commitments,
- Measures to increase trading opportunities,
- Provisions requiring all WTO members to safeguard the trade interest of developing countries,
- And support to help developing countries build the infrastructure for WTO work, handle disputes and implement technical standards.

Subsidy
A payment by the government to either a seller or a buyer of a certain product or service, thereby altering the price or cost in a way which affects the output. Governments usually make payments to domestic producers to offset partially their costs of producing and selling certain goods and services. Subsidies are commonly used to support infant firms just entering a new market, to bail out older firms suffering from intensified competition, and to provide support for sectors (such as farming) that are deemed essential.

Sustainability
Meeting the needs of the present without compromising the ability of future generations to meet their own needs.

Sustainable Growth
Growth that does not negatively affect the poor, workers and the environment; economic growth that is just fair and improves likelihood of such growth in the future.

Tariff
A duty (or tax) applied to goods transported from one country to another, or on imported products. Tariffs raise the prices of imported goods, making them less competitive in the market of the importing country. Sometimes the term is used to describe an export tax.

Technical barrier to trade
A technical regulation or other requirement applied to imports in a way that restricts trade. Examples include testing, labelling, packaging, marketing and certification.

Terms of Trade
The relative price of a country's exports compared to its imports.

Trade barrier
Any action by a government that restricts free trading between organizations within that country and the world outside.

Trade Deficit
Occurs when the value of imports into a country exceeds the value of its exports.

Trade Facilitation
The simplification and harmonisation of international trade procedures. Trade procedures cover the activities, practices and formalities involved in collecting, presenting communication and processing data required for the movement of goods in international trade

Trade Liberalization
The reduction of tariffs, quotas, and other barriers to permit more foreign trade and investment.

Trade negotiation
A negotiation between pairs of governments or among groups of governments, exchanging commitments to alter their trade policies, usually involving reductions in tariffs and/or non-tariff barriers. Trade liberalisation usually involves agreements between a number of countries and is co-ordinated by the WTO.

Trade-off
A choice that is made between competing expenditure and revenue priorities.
Limited resources available to households and governments means that more spending or investment in some areas must mean lower spending in others.

Trade policy
Any government policy affecting international trade.

Trade Policy Review Mechanism
The periodic review of the trade policies and practices of the member countries of the WTO, conducted and published by the WTO.

Trade Regime
The rules and practices prevailing in international trade.

Trade round
A set of multilateral negotiations, held under the auspices of the GATT, in which countries exchanged commitments to reduce tariffs and agreed to extensions of the GATT rules. The Uruguay Round established the WTO which subsumed GATT.

Transparency
An essential condition for those operating in a market, which ensures that the rules to which they are subject are made obvious. Generally, it ensures that the reasons behind measures and the applicable regulations are clear to all, so that all are treated fairly.

Trade Related Intellectual Property Rights (TRIPS)
An agreement negotiated in the Uruguay Round. It is a minimum standards agreement which allows members to provide more extensive protection of intellectual property.

TRIMS
An agreement reached in the Uruguay Round to attempt to control national policies such as investment subsidies which have significant effects on international trade.

United Nations Conference on Trade and Development (UNCTAD)
Established in 1964 to promote worldwide development through trade. It is a source for technical assistance for developing countries around issues of trade and development.

Uruguay Round
The round of multilateral trade negotiations under the GATT that commenced in 1986 and was completed in 1994 with the creation of the WTO. It was the biggest negotiating mandate on trade ever agreed and all the original GATT articles were up for review. The talks extended the trading system into several new areas, notably trade in services and intellectual property, and aimed to reform trade in the sensitive sectors of agriculture and textiles.

World Bank
An international banking organization established to control the distribution of economic aid between member nations, and to make loans to them in times of financial crisis. The World Bank has historically focused on large infrastructure and other development projects.

World Trade Organisation (WTO)
Established in 1995 as the successor to the 1948 GATT. It administers trade agreements, provides a forum for trade negotiations, and monitors national trade polices for the 153 member countries. The overall aim is to reach a single framework of rules for trade and "trade-related" activities for all members.

END NOTES

[1] *World Bank (2008:1)*
[2] According to the World Bank (2008:269), for much of the developing world, smallholders are defined as operating a farm of 2 ha or less.
[3] World Bank (2008)
[4] Ellis and Biggs (2001: 445)
[5] (Chambers 1983).
[6] Ellis and Biggs (2001)
[7] Based on Malawi Economic Justice Network Civil Society Trade Literacy Training Manual 'Promoting participatory economic governance'
[8] ODI (2002)
[9] Devereux (2001)
[10] Ellis (1992:13)
[11] Mitchell and Shepherd (2006)
[12] Please see "Disaster Risk Reduction", No. 1 in the Trócaire Learning for Livelihoods Series
[13] Please see "Migration", No. 2 in the Trócaire Learning for Livelihoods Series
[14] (Ellis 1992:7)
[15] Adapted from Ellis (1992)
[16] Albu and Griffith (2005)
[17] Dorward et al (2004:614)
[18] Example of same to be found in Concern Worldwide's work in Kenya. For more information on same see: http://www.concern.net/what-we-do/where-we-work/a727/Kenya.html
[19] Mitchell and Shepherd (2006)
[20] Ibid p
[21] Ellis (1992:8)
[22] Cabral and Scoones (-)
[23] Adapted from MEJN
[24] Civil Society Trade Network Zambia 'The Capacity of Small-scale farmers to Influence the EPA negotiations. The Case Study of the Magoye Smallholder Dairy Farmers Cooperative Society in Zambia'.
[25] Cotonou Partnership Agreement is an ACP-EU partnership agreement constituting a framework for trade and economic cooperation between the ACP states (except Cuba) and the European Community, signed on 23 June 2000 as the successor to the Lome Convention.
[26] This section is adapted from Dorward et al (2004) and Poulton et al (2006)
[27] Dorward et al (2004)
[28] Killick (2001)
[29] UNCTAD (1996)
[30] FAO 1999 "Synthesis of Country Case Studies" Paper presented at FAO Symposium on Agriculture, Trade and Food Security: Issues and opinions in the forthcoming WTO negotiations from the perspective of developing countries.
[31] Killick (2001:174)
[32] Please see Glossary for a more detailed explanation
[33] See Trócaire (2006) Research Paper for further information
[34] CIDSE (2008)
[35] See CIDSE paper 'Agriculture in Regional Trade Agreements: A comparative Analysis of US and EU agreements' (April 2008)
[36] FTA Manual (2008)
[37] Trócaire briefing paper 'Implementing Aid for Trade to Reduce Poverty'(March 2009)
[38] CIDSE (2008)
[39] Adapted from CIDSE (2005)

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