Pro-poorness of trade policies: a review of international experience

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Sections 2-8 of the annotated bibliography draw heavily on work undertaken by Nambusi Kyegombe for an earlier study. Nambusi Kyegombe (nambusi.kyegombe@lshtm.ac.uk) is a former Research Officer within ODI's Poverty and Public Policy Group and is currently a PhD student at the London School of Hygiene and Tropical Medicine.

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Contents

1. Introduction

The impact of trade liberalisation on poverty has always been a matter of controversy and heated debate. In this short paper we review what the international literature has to say about trade policies (and complementary measures) with pro-poor effects. The focus here, therefore, is on the positive side of trade policies. The negative impacts of trade policies are acknowledged, but are beyond the scope of this paper.

Section 2 shows the effect that selected trade-related policies have on four key population groups: poor agricultural producers, poor consumers, poor workers (unskilled) and poor workers (skilled). We focus on six main policy areas: tariff policies, regulatory policies, agricultural commercialisation, preferences, price reform and complementary policies.

The evidence demonstrates that trade-related policies can indeed have a beneficial impact on the poor in a range of different ways. To illustrate: we see that lowering import tariffs can stabilise domestic prices, benefiting net consumers; export promotion strategies can encourage the emergence of domestic traders, improving price transmission, stimulating local supply responses and local demands for unskilled labour, driving up relative wages for the poor; relaxing quantity restrictions on imports can result in the increased availability of inputs and the variety of goods for consumers. The commercialisation of agriculture in Rwanda was found to result in a 5.3% growth in agricultural output, which in turn prompted a 6.7% growth in labour intensive rural non-farm employment, thus benefiting the poor (Mellor, 2002). Also, reducing government involvement in agricultural markets can increase levels of private investors, stimulating a reduction in food retail prices and increasing demand for low-skilled labour.

One important thing to note here is that trade policies do not automatically translate into benefits for the poor. As illustrated in section 2, there is a wide range of policies which are necessary if price signals are to be transmitted effectively from international to sub-national markets – thereby triggering a supply response – and if market deepening and integration over time and space is to occur – allowing domestic producers, entrepreneurs, workers and consumers to benefit from changes in trade policy.

Using a framework developed by Winters, McCulloch and Cicera (2001), section 3 provides guidance to policy-makers on how to analyse the impact of a particular trade policy on different parties. Section 4 outlines three case studies and the application of the framework in real life situations.

2. Evidence of pro-poor trade policies

	Poor agricultural producers	Poor consumers	Poor workers (unskilled)	Poor workers (skilled)
Tariff policies • Lowering import tariffs or providing export subsidies in food grain market e.g. rice and wheat in India (Srinivasan and Jha, 2001)	• Helping producers access world market and reduce mounting stock	• Stabilising domestic price, which is good for the poor who are net consumers of food grain products	• Boosting labour-intensive output and increasing employment (Krueger, 1983)	• Widening the skills gap and increasing returns to urban workers through capital imports e.g. in Costa Rica (Robbins and Grindling, 1999)
• Increasing openness, moving towards outward oriented/export promotion strategies	• Encouraging the emergence of traders in Malawi who buy food commodities from farmers and sell in urban areas of exports (Parris, 1999)		• Increasing the relative wages for female and unskilled labour in the exportable sectors in Mauritius (Milner and Wright, 1998)	• Skilled workers gained at the expense of unskilled workers in Chile (Ferreira and Litchfield, 1999)
Regulatory policies • Deregulation in agricultural market e.g. relaxing quantity restrictions of imports (Gisselquist and Grether, 2000)	• Increasing the availability of inputs to Bangladeshi agricultural producers	• Increasing the variety of goods for consumers in Bangladesh, Tanzania		
• Reducing government intervention in food-crop farming markets in Africa (Badiane and Kherallah, 1999)	• Increasing levels of investment by private traders and expansion in their activities	• Reducing retail prices for food	• Creating employment for low-skilled labour	
• Encouraging market integration of basic food crops (Heltberg and Tarp, 2002)	• Providing incentives for producers in Mozambique to start supplying the market			

• Liberalising trade regime by allowing private imports (Del Ninno and Dorosh, 2001)		Helping to stabilise Bangladesh's post-flood food crisis in 1998, increase access to food by the poor		
• Reducing enforcement of global labour standard through international trade agreement (Kabeer, 2004)			• Creating jobs for young women in the clothing export factories in Bangladesh (Kabeer, 2000)	
Agricultural commercialisation • Increasing agricultural commercialisation in Kenya e.g. encouraging farmers to shift from maize to sugarcane crop (Kennedy and Cogill, 1987)	• Significantly higher income for sugar farmers compared to non-sugar farmers	• Extra income spent on housing, education and improving nutrition	• Rise in demand for landless workers, increasing employment generation in the region as business expands	
• Liberalising agricultural sector in Egypt (Mellor and Gavian, 1999)	• Stimulating agriculture strongly increases the demand for goods and services produced by the poor		• 68% of job creation comes from agricultural and agriculturally-driven sectors. Such rapid growth in demand for labour would tighten labour markets and push up wage rates, benefiting the low-income group	
• Commercialisation of agriculture e.g. potato, coffee, tea crop in Rwanda (Mellor, 2002)			• A 5.3% rate of growth of agricultural output stimulates a 6.7% growth in employment in labour-intensive rural non-farm employment	

Preferences • EU-EAC (East African Cooperation) Economic Partnership Agreements (EPAs) e.g. zero tariff rates on all imports from EU for Tanzania and Uganda (Milner, Morrissey and McKay, 2005)	• Cheaper imports of intermediate and raw material inputs from the EU	• Consumer welfare gains as a result of trade creation in Tanzania and Uganda		
Price reform • Not keeping domestic price of rice in Indonesia below world price (Ravallion and Van de Walle, 1991)	• A food price increase may permit the government to reduce subsidies on (say) fertilisers used by food producers, thus allowing an increase in other public expenditures or a cut in taxes for producers			
• Elimination of price control and privatisation of the marketing board in Zimbabwe cotton market (Winters, 2000)	• Greater competition, more input services to small land holders			
• Removing rice export quota in Vietnam (Minot and Goletti, 1998)	• Net sellers of rice gain due to price increase			
Complementary policies • Investing in fertiliser, seeds, irrigation, infrastructure, etc. helps to improve supply response to trade liberalisation in Tanzania (Killick, 1993)	• More available inputs and better payment and crop collection give incentives to producers of export crops e.g. cotton			

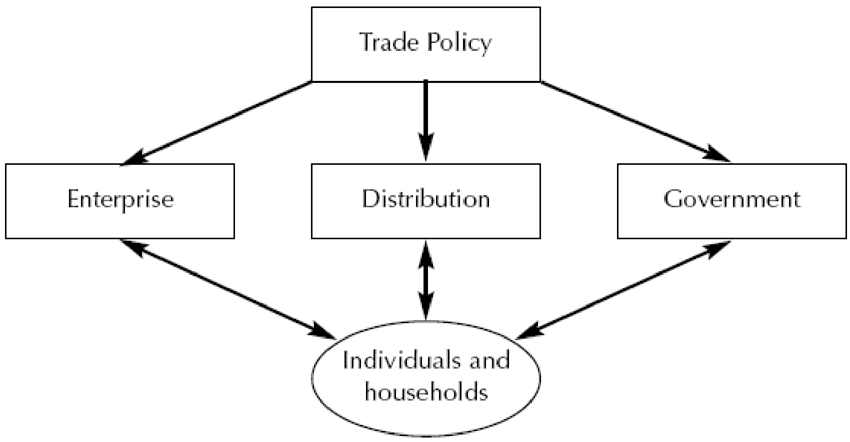
• Relaxing constraints faced by poor households (Alwang et al., 1996).	• Helping poor households double their gains from trade liberalisation in Zambia (Alwang et al., 1996) • More access to credit helps poor households get more inputs and better technology for production		• The lack of male labour for land preparation is a major constraint for traditional female-headed household in Zambia. Policies addressing this issue will help more unskilled rural workers be more productive	• Investing in agricultural technology can transfer knowledge and improve skills of rural workers
• Anti-poverty policies (de Janvry and Sadoulet, 1993)	• Helping rural Latin America to gain access to lands, employment and benefit more from trade liberalisation (de Janvry and Sadoulet, 1993) • Access to land, e.g. through redistributive land reform, can be essential in enabling the poor to benefit from reforms		• Elimination of policy biases towards mechanisation and extensive livestock operation will help poor households benefit from the employment creation resulting from reform	

3. A framework for analysing trade policies

Trade liberalisation is not an easy concept to define. In theory, it is the reduction of the official barriers to trade which distort the relative prices of tradable and non-tradable goods and those between different tradables. In practice, even if all the distortionary policies are identifiable, which is rarely the case, it is difficult to gauge the overall degree of liberalisation because one does not know how effectively the promised policy changes have been implemented nor how the various changes interact at a detailed level (Winters, 2000).

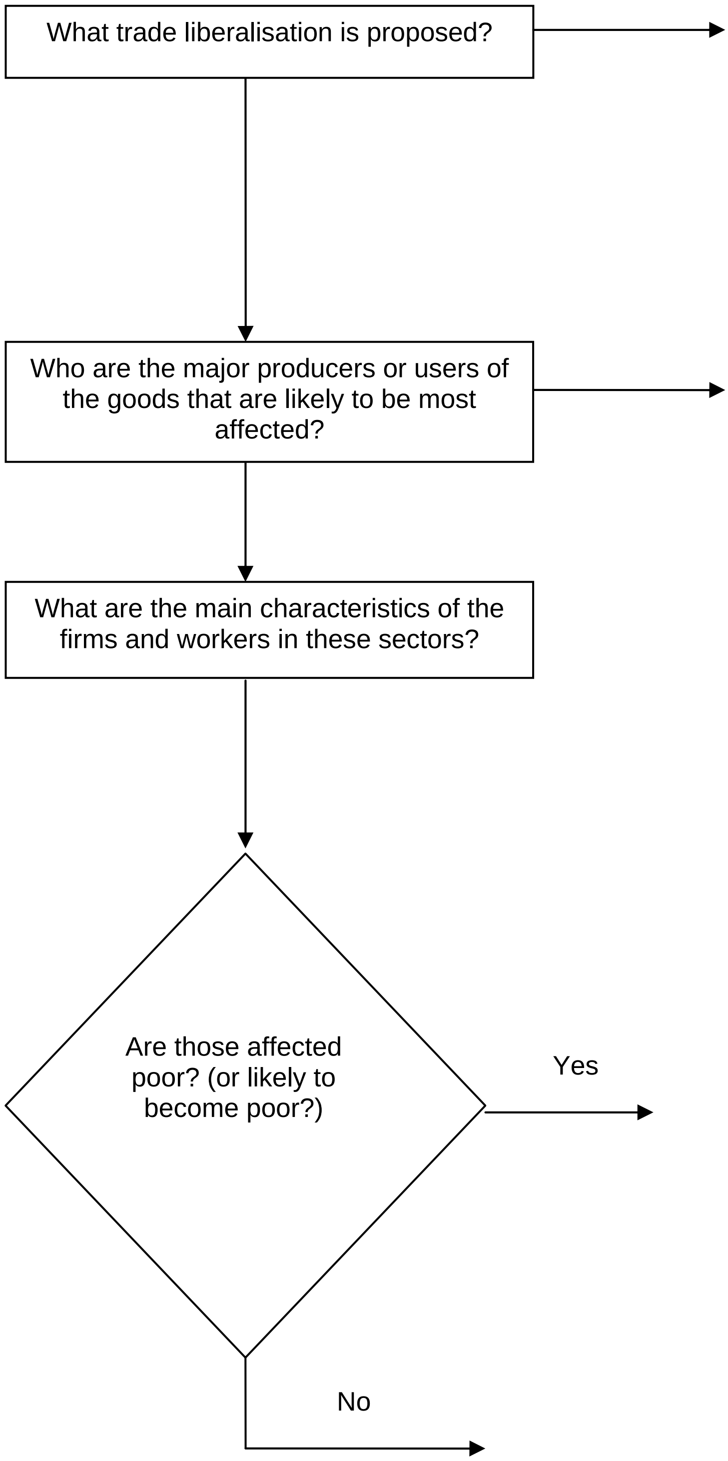
Figure 1 presents the analytical scheme for thinking through the impacts of trade policies (Winters, McCulloch and Cicera, 2001). There are 3 channels through which a trade policy can have an impact on individuals and households: (i) via enterprise channel, (ii) via distribution channel and (iii) via government revenue and expenditure.

Figure 1: The analytical scheme



Given a specific trade policy, policy-makers should start their analysis by asking themselves questions such as ‘which groups will be affected by the policy?’ and ‘what are the main characteristics of the groups affected?’, etc. Figures 2-5 illustrate diagrammatically which questions should be asked in each case and what necessary actions are to be taken. These flow charts by Winters et al. (2001) provide a clear, useful and easy to use framework for policy-makers when analysing the impact of trade policies on different groups.

Figure 2: Flow chart for policy-makers (enterprise)



Steps needed:

1. Find out for each good:
   - What is the world price?
   - What is the domestic price?
   - What is the current tariff or tariff equivalent?
2. From this, identify the goods that may experience the biggest potential change in price.

Steps needed:

1. List the main outputs and inputs of the main sectors in the economy.
2. Identify the sectors whose main outputs or inputs are likely to experience a large price change.

Steps needed:

1. For each of the sectors likely to be significantly affected, find out:
   - the location of the firms
   - the number of employees
   - the skill, age, gender of workers
   - the likely poverty status of the workers.

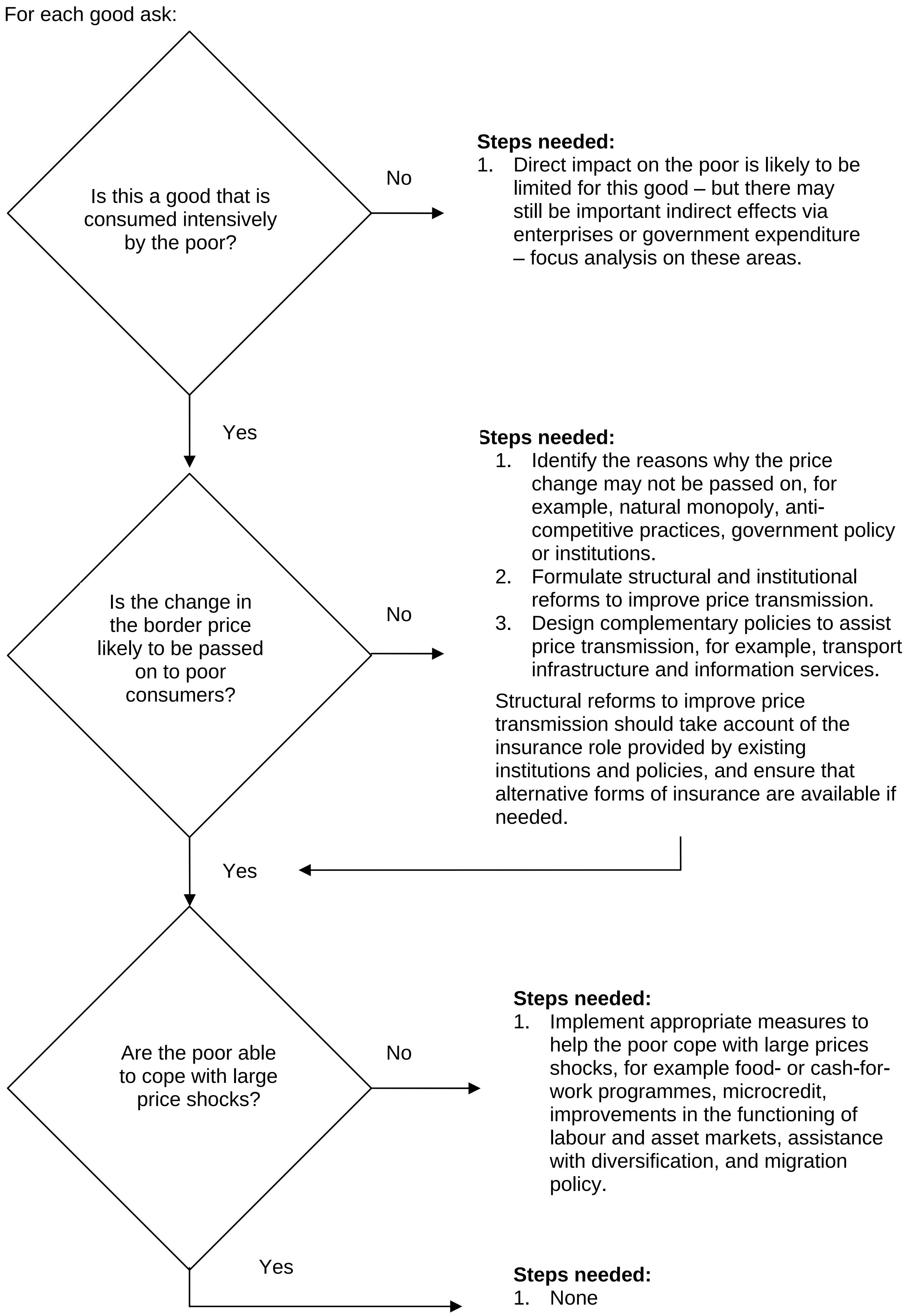
Steps needed (if effects adverse):

1. Put in place measures to mitigate the impact of the reforms on the poor.
2. Consider if there are alternative ways of achieving the aims of the reform that might have fewer adverse effects.

Steps needed (if effects adverse):
From a poverty perspective, it is less important to mitigate adverse effects if those affected are not poor and not likely to become so – but it may be necessary from a political perspective to consider the distributional impact on the non-poor.

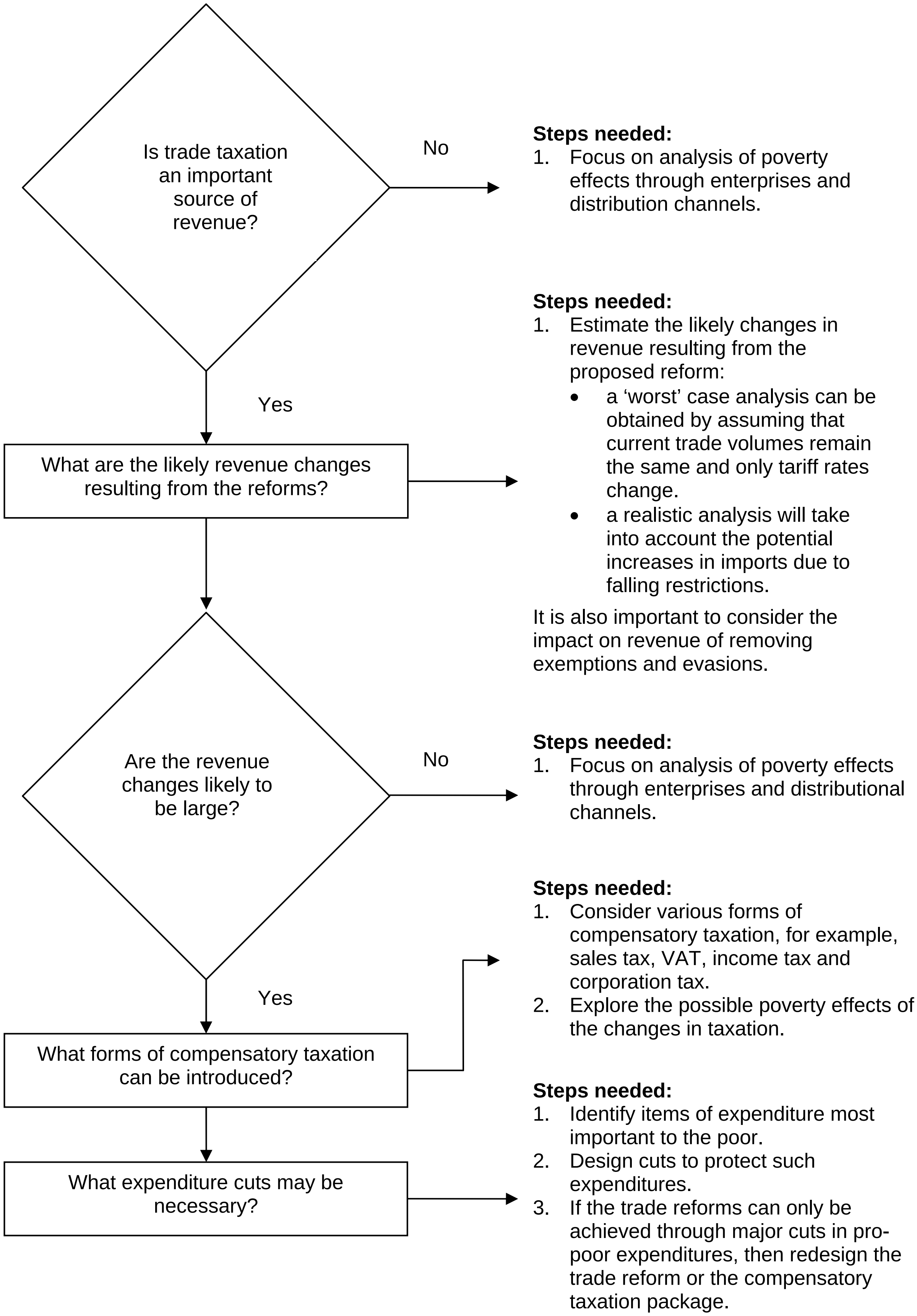
(Source: Winters et al., 2001)

Figure 3: Flow chart for policy-makers (distribution channels)



(Source: Winters et al., 2001)

Figure 4: Flow chart for policy-makers (government revenue and expenditure)



(Source: Winters et al., 2001)

4. Case studies

In this section we present three short case studies of trade-related policy changes which would have had an impact on the poor, namely: the removal of the rice export quota in Vietnam; the shift from import substitution to an export orientation in Sri Lanka; and the impact of reduced tariffs on government revenue in Cambodia, Laos, Myanmar and Vietnam.

The Vietnam case study demonstrates that policy-makers need to be alert to the complexity of tracing the impact of policy change. The removal of the rice export quota would increase the cost of rice – a key staple food – thus hurting many consumers, particularly those in urban areas. However, because many poor households tend to be net producers of rice, an increase in domestic market prices brought about by a removal of export quotas would result in an aggregate reduction in the poverty headcount. The fact that the ‘winners’ and ‘losers’ would be unevenly spread through Vietnamese society indicates that the government would need to identify a way of ‘compensating the losers’ over the short term, particularly since some of them would fall amongst the poorest groups who allocate 45% of their household budget to purchasing rice.

The Sri Lankan case study illustrates the changes that can take place when government policy supports a shift from import substitution to export orientation. This took place in the Sri Lankan economy in 1977, and resulted in the domestic price of manufacturing goods converging with those on the international market. Manufacturing grew, stimulated by the easy availability of inputs (particularly intermediate inputs) and capital goods. The export-oriented sector expanded rapidly during the early 1990s and manufacturing became increasingly labour intensive, providing more unskilled and semi-skilled job opportunities – which tend to be pro-poor. This growth in private-sector employment balanced shrinkage in the public sector and in small-scale manufacturing enterprises. This suggests that policy-makers need to be aware of shifts in the labour market and to implement policies that support labour mobility and the development of transferable skills.

The ASEAN-focused case study explores the likely impact of tariff reductions on member governments’ revenue and focuses specifically on Cambodia, Laos, Myanmar and Vietnam. The analysis shows that the reduction of tariffs on ASEAN-related imports would result in substantial revenue losses for these countries. Revenues from (total) tariffs currently deliver a sizeable proportion of government revenues, ranging from 7% in Myanmar to 25% in Cambodia. However, the reduction in tariffs (on ASEAN-related imports) may stimulate imports, resulting in a net *increase* in revenue (while tariffs remain) or may be compensated for by increased collections of value added tax (VAT),[1] or by tariffs collected on non-ASEAN-related imports. It is also likely that continued economic growth in the four countries will provide scope for increased revenue collection from alternative sources. The four governments are preparing for the impact of these changes on the composition of government revenue and have begun to institute changes, with Cambodia seeking to reduce non-compliance and Vietnam pushing to improve transparency and fight corruption.

[1] Many countries find the collection of VAT complex, and prefer revenue mobilisation through tariffs, despite their distortive effects.

Box 1: Removing the rice export quota in Vietnam – the impact on poor households

Vietnam started exporting rice in 1989 and since then has been amongst the three largest rice exporters worldwide, accounting for 11-13% of global rice exports. However, rice is by far the most important staple food in Vietnam, with 45% of household expenditure going on rice purchases in the poorest quartile compared with 13% in the richest (Vietnam household living standard survey, 1992-3). This illustrates that any trade liberalisation policy which impacts on rice prices is likely to affect the well-being of low-income families the most. The government therefore faces a trade-off between maintaining low prices for domestic consumers and generating foreign exchange earnings from rice exports, which has prompted the government to impose a quota on exports leading to persistent differentials between domestic and international rice prices. For example, the international (export) price of rice in 1995 was US$269 per ton compared with US$205 per ton in domestic markets.

Minot and Goletti (1998) used a multimarket spatial-equilibrium model to study the effect of higher rice prices associated with removing the rice export quota on income distribution and poverty in Vietnam. They found that eliminating the rice export quota would raise the average consumer price by almost 19%, the impact of which would depend fundamentally on whether a poor household is a net consumer or net producer of rice. Net consuming poor households would lose as a result of a price rise and net producers would gain. Analysis revealed that less than one-third of Vietnamese households were net producers who would gain from higher rice prices and somewhat more than half are net consumers, implying that a majority would lose from higher prices in the short run.

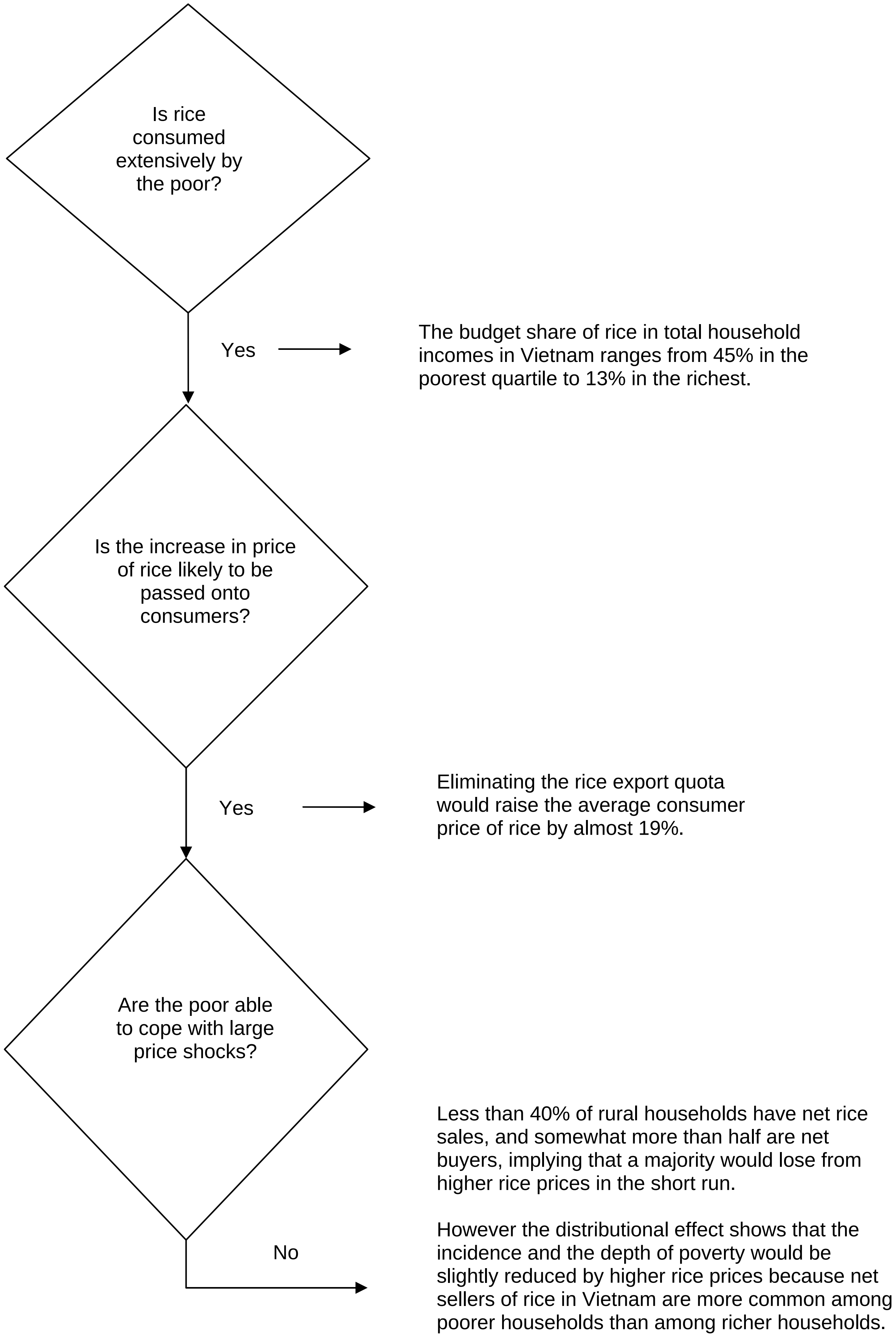
Deeper analysis showed that the real income of urban households, being primarily net consumers, would fall by 1.7% as a result of higher prices. The loss would be greater amongst the urban poor (-3.0%) than among the urban non-poor (-1.6%) because of the importance of rice in their consumption basket. On the other hand, rural households would gain from the quota removal, although the rural non-poor would gain somewhat more (4.1%) than the rural poor (3.8%) as the latter are more likely to be net buyers than non-poor rural households. Thus, poor households are always worse-off than non-poor households (either through losing *more* in urban areas or gaining *less* in rural areas), however, overall, the rural areas (where the majority of the poor live) *gain*, while their urban counterparts (mainly the non-poor) *lose*.

The percentage of households with net sales is greater among the poor than among the non-poor households, thus, it is evident that an increase in the price of rice would lift proportionally more households at the bottom of the income ladder out of poverty than those who are less poor. As a result, the overall poverty rate would fall from 25% to an estimated 23.8% following a 19% increase in the consumer price of rice, however the poverty rate would rise in urban areas (mainly net consumers) and fall in rural areas (mainly net producers).

This case study demonstrates the complexity of the relationship between the net purchase position and the welfare impact of policies that affect agricultural commodity prices. While at first glance this suggests that eliminating rice export quotas would raise prices and hurt many Vietnamese households, particularly those in urban areas, the distributional effect shows that the incidence and depth of poverty would be slightly reduced by higher prices. This is because there are more net rice producers among poorer households than among richer households in Vietnam.

The important lesson for policy-makers from this study is to pay attention to who gains and who loses from trade liberalisation policies, as outcomes will depend on their relative positions as consumers and producers.

Figure 5: The effects of trade-related policy changes through a distributional channel – a flow chart for policy makers



Box 2: Liberalisation, manufacturing and employment – a review of Sri Lankan experience

In 1977, Sri Lanka embarked on an extensive economic liberalisation process with a clear policy shift from import-substitution-based industrialisation to export-oriented industrialisation. Significant trade reforms were implemented, for example, replacing quantitative restrictions on imports with tariffs, revising the tariff structure, providing incentives for export-oriented foreign investment, duty free imports for inputs in the export manufacturing sector, and so on.

As a result, the effective rate of duty (total duty collection as share of total imports) fell from 14% during 1978-80 to 8% in 1995, and by the mid-1980s only 40% of imports (in value terms) were subject to duties. There was also a considerable convergence of domestic prices towards world market prices for manufactured goods (see figure below).

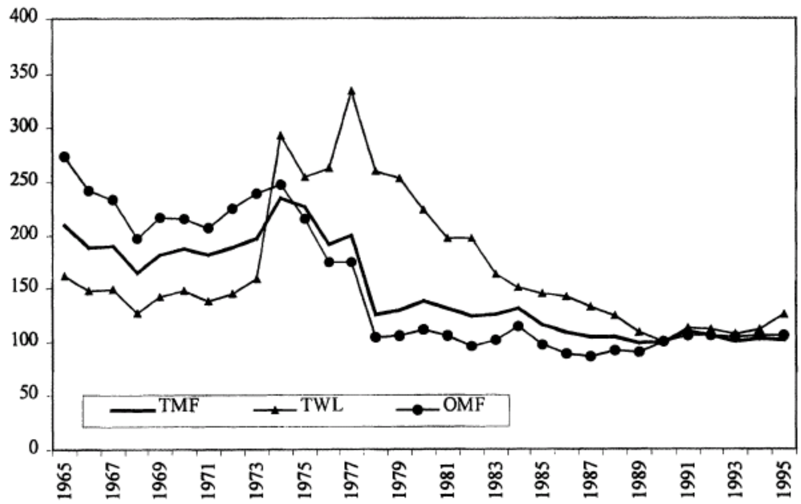


FIG. 1.—Domestic price to world price ratio of total manufactured goods (TMF), textiles and wearing apparel (TWL), and other manufactured goods (OMF), 1965–95 (1990 = 100). Sources: Our computations based on data from the following sources: U.S. Bureau of Commerce, *Survey of Current Business* for U.S. wholesale price index used as the proxy for world price; International Monetary Fund, *International Financial Statistics* for annual average rupee-\$U.S. exchange rate; and appendix tables A-5 and A-7 in Prema-chandra Athukorala and Sarath Rajapatirana, *Liberalization and Industrial Transformation: Sri Lanka in International Perspective* (Oxford and London: Oxford University Press, 2000) for output weights and Sri Lankan wholesale price index, respectively. Rupee-price world price index for each product category is the weighted average of U.S. wholesale price indexes (adjusted for exchange rate changes) at the two-digit level of the International Standard Industry Classification (ISIC). The weights used reflect the sectoral output shares of Sri Lankan manufacturing in 1990.

Following the 1977 reform, the manufacturing sector entered a rapid growth phase and manufactured exports expanded, mirroring a substantial decline in the share of dutiable imports. The share of manufacturing in GDP increased from 11% in the early 1980s to 19% by 1996. Exports of manufactured goods grew at an annual compound rate of 32% during 1978-95, and by the mid-1990s, their share in total merchandise exports was over 70%.

The major immediate cause of output expansion in the liberalised economy was the free availability of imported inputs and capital goods. In particular, the availability of intermediate inputs contributed to output growth through greater capacity utilisation.

Box 2: cont'd

Sri Lanka's manufactured exports are largely labour-intensive products e.g. clothing, leather goods, footwear, toys and plastic products, and this has been supported by liberalisation, with the factor content of Sri Lanka's exports changing radically from around 3% in labour-intensive manufactures during 1962-77 to nearly 60% during 1990-95.

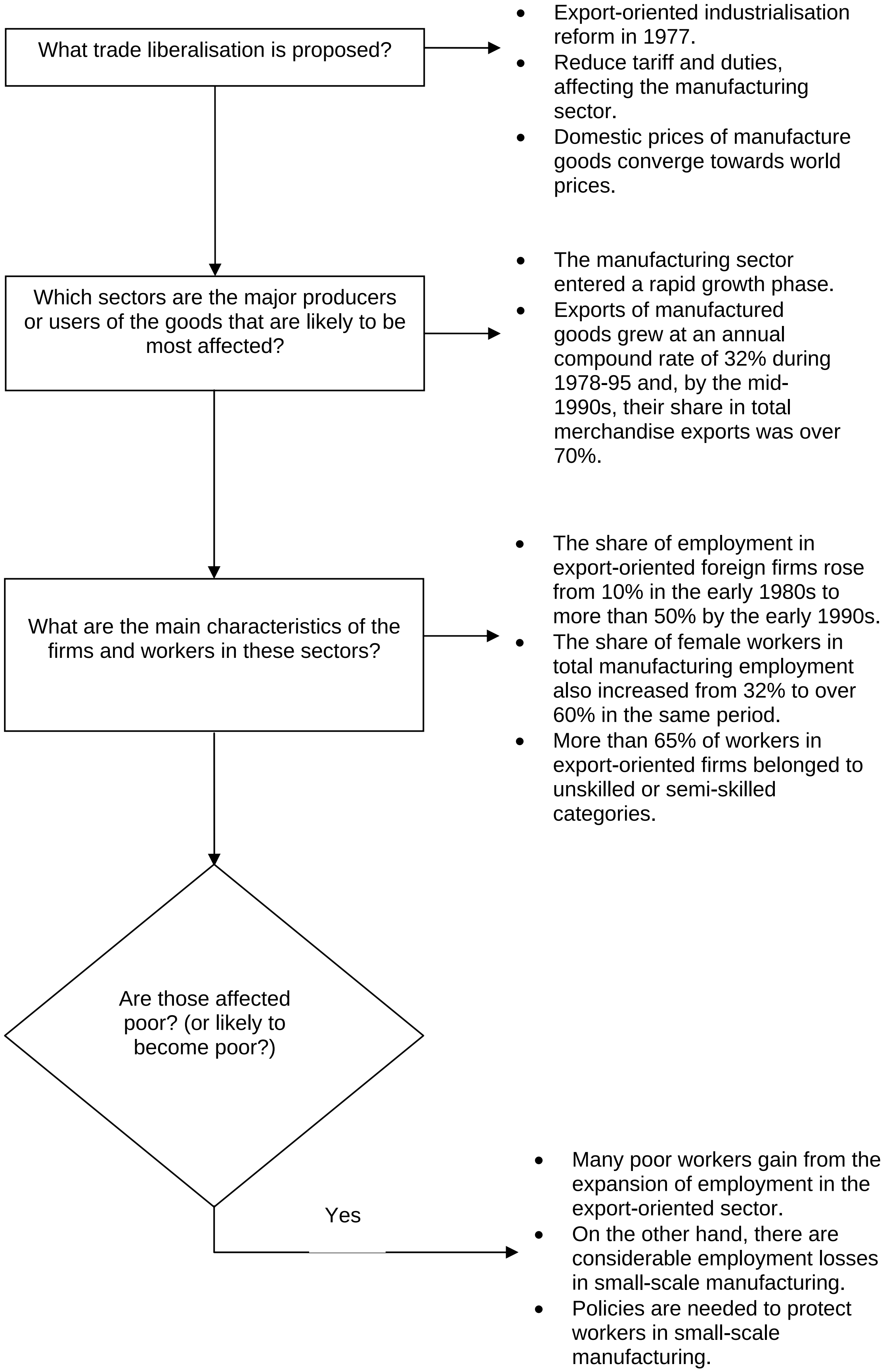
This trend has had important implications for employment in Sri Lanka, with a 6% growth in employment between 1977 and 1981, followed by even faster growth from the late 1980s onward. Employment growth has occurred predominantly within the private sector, which has counterbalanced contraction in employment by state-owned enterprises (SOEs) and the decline in the public sector's share of total employment throughout the period (from 45% in the early 1980s to about 16% in 1993).

The share of employment in export-oriented foreign firms rose from 10% in the early 1980s to more than 50% by the early 1990s. Reflecting the rapid expansion of export-oriented labour-intensive product sectors (mostly garments, shoes, sporting goods, etc.), the share of female workers in total manufacturing employment increased from 32% in the early 1980s to over 60% by the mid-1990s, and more than 65% of workers in export-oriented firms were unskilled or semi-skilled.

On the other hand, there is survey-based evidence that points to considerable employment losses in small-scale manufacturing. For example, total employment losses during 1977-80 in the handloom industry (an industry that was heavily subsidised during the closed-economy era) alone was estimated at 40,000. This draws attention to the need for policy-makers to balance employment effects arising from structural changes following trade liberalisation.

Source: Adapted from Athukorala and Rajapatirana (2000), 'Liberalisation and industrial transformation: Lessons from the Sri Lankan experience', Economic Development and Cultural Change *48 (3): 543-72.*

Figure 6: Enterprises – a worked flow chart for policy makers



Box 3: Common Effective Preferential Tariff and government revenue losses in Cambodia, Laos, Myanmar and Vietnam

As members of the Association of South-East Asia Nations (ASEAN), Cambodia, Laos, Myanmar and Vietnam are committed to the ASEAN Free Trade Agreement (AFTA), which seeks to reduce tariffs on all commodities traded within the member countries to between 0% and 5% *ad valorem* and eliminate all trade restrictions under the Common Effective Preferential Tariff (CEPT). The long-term vision of the ASEAN is to eliminate all tariffs completely by 2015 for its members.

There are real concerns for these countries that, as they reduce their tariffs in accordance with the AFTA guidelines, they will suffer significant revenue losses with adverse economic and social implications. Revenues from import tariffs in these countries constitute a sizeable proportion of their total government revenues, ranging from 7% in Myanmar to 25% in Cambodia (see Table 1a, below).

Table 1a: Tax structures in Cambodia, Laos, Myanmar, and Vietnam in 2001

	Cambodia	Laos	Myanmar[a]	Vietnam
Share of tax revenue in total revenue (%)	72	82	44	78
Share of non-tax revenue in total revenue (%)	28	18	56	22
Share of trade taxes in tax revenue (%)	35	11	16	23
Share of trade taxes in total government revenue (%)	25	9	7	18

Note: a) Data unavailable for 2001 therefore figures provided are for 1998.
Source: Tongzon and Khan (2005).

We can see from the table that taxation is an important source of revenue for the governments of these countries, contributing as much as 82% of total revenue in Laos. Trade taxes also contribute a significant proportion to total tax revenue, averaging nearly 22% for these four countries.

It is difficult to estimate precisely the impact of government revenue losses due to the reduction in tariffs. Total value of imports may go up even though tariffs are cut, depending on a number of factors. For example, if the price elasticity of net demand for imports is greater than one, the revenue gain due to increased demand for the now-cheaper imports may compensate for or even outweigh the revenue loss due to the tariff cut itself. In addition, the value of imports can also increase in response to increases in income, the extent of which depends on the income elasticity of demand for imports.

Tongzon and Khan (2005) estimated that apart from Myanmar, the other 3 countries stand to lose substantial amounts of customs revenue from ASEAN imports due to the implementation of the CEPT scheme (see Table 1b): Laos is likely to lose US$36 million due to the tariff reduction, amounting to more than 83% of its total customs revenue from ASEAN countries; Vietnam's estimated loss from tariff reduction is US$32 million, equivalent to about 9% of its total customs revenue from ASEAN imports; and the corresponding figure for Cambodia is US$17 million or nearly 14% of its revenue from ASEAN imports.

Box 3: cont'd

Table 1b: Revenue impact assessment for Cambodia, Laos, Myanmar and Vietnam

	CEPT schedule (year started/ finished)	**Customs revenue from ASEAN** (US$ million)	**Customs revenue from non-ASEAN** (US$ million)	**Total revenue** (US$ million)
Cambodia	2002	123	122	427
	2010	106	340	729
Laos	2002	43	14	233
	2008	7	48	303
Myanmar	1999	72	115	18,371
	2008	139	430	30,622
Vietnam	2001	376	1867	5582
	2006	344	5369	10352

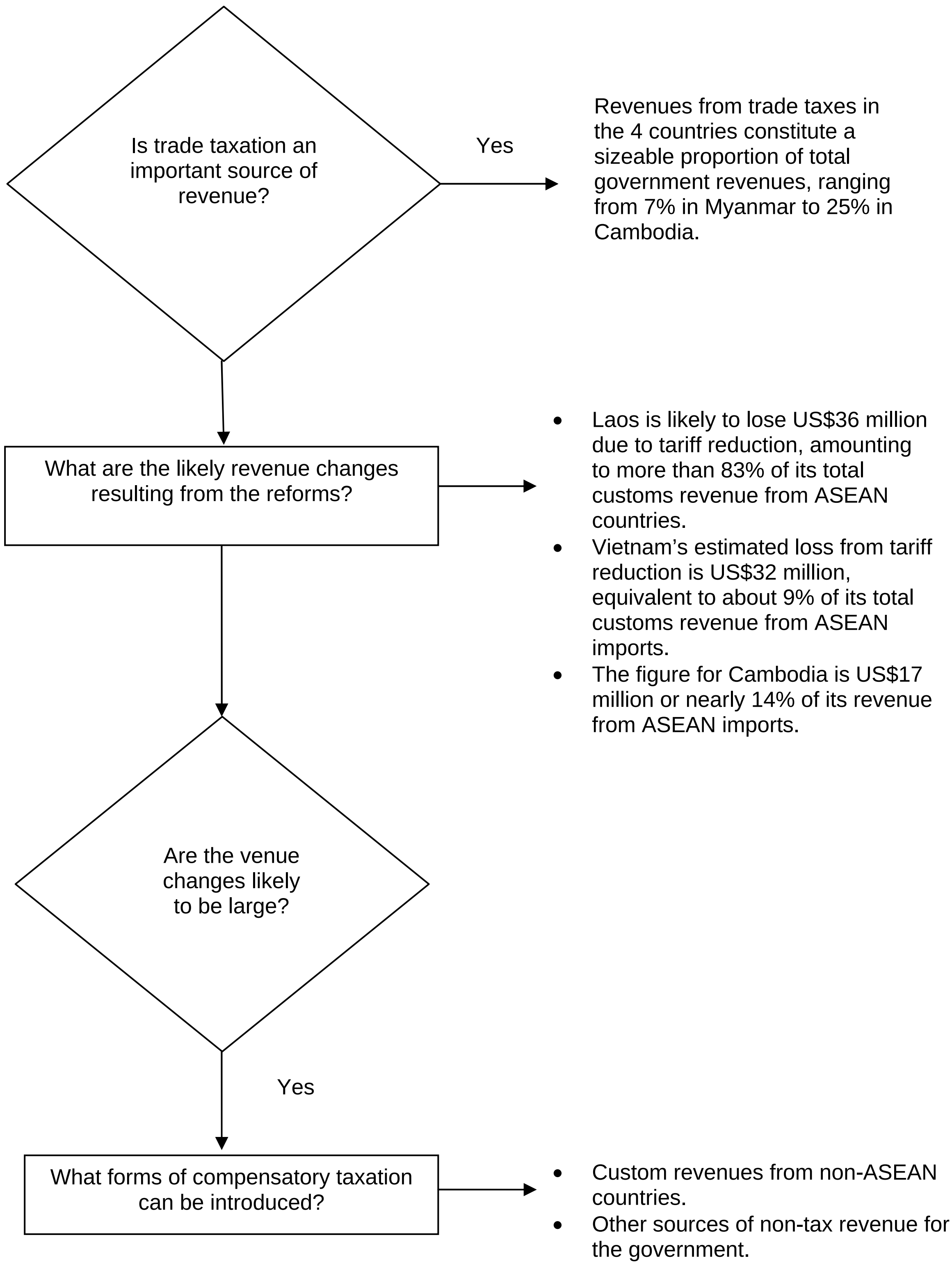
Source: Adapted from Tongzon and Khan (2005). Figures are authors' own estimations based on regression analysis (price and income effects).

The revenue earned from non-ASEAN imports seems to provide a strong cushion against any fall in overall customs revenue, however. If these countries can maintain the healthy economic growth (of around 5-7% per annum) they have experienced in recent years, overall government revenue (tax plus non-tax) may rise substantially over the years, despite CEPT tariff reductions.

The governments of these four countries are acutely aware that substantial short-run declines in customs revenue are likely, and measures for compensating for these losses are already in place. Policies range from long-term capacity-building to strengthen tax administration systems (as in Cambodia) to measures to solve non-compliance by improving transparency and fighting corruption (as in Vietnam).

Source: Adapted from Tongzon and Khan (2005), 'The challenge of economic integration for transitional economies of Southeast Asia', ASEAN Economic Bulletin *22 (3): 266-83.*

Figure 7: Government revenue and expenditure – a flow chart for policy-makers



5. Annotated bibliography

Section 1: Pro-poor trade policies

Alwang, J., Siegel, P. B. and Jorgensen, S.L. (1996) 'Seeking Guidelines for Poverty Reduction in Rural Zambia', *World Development* 24: 1711–23.

Market liberalisation should have a positive impact on Zambian smallholders under ideal conditions. Since most of the rural poor are found in isolated areas, however, they will not benefit. Remoteness and lack of timely input supplies combine to eliminate the benefits from liberalisation. The authors show that the gain from trade liberalisation can only be maximised when markets are nearby, input delivery is timely, adequate cash exists to finance operations and good health prevails. In practice, poor households face many and sometimes all of these constraints. This research shows that the combination of all these constraints can reduce the gains from liberalisation by half, with female-headed households particularly badly affected, as well as households without access to oxen. The lack of male labour for land preparation is a major constraint for traditional female-headed households. Programmes to enhance access to labour include improved oxen rental markets, improved labour markets and improved credit markets. This can help to minimise the impact of late input deliveries that characterise many areas in Zambia. Again, this points to the critical role of complementary anti-poverty policies in ensuring poor households reap the gains from trade reforms. [Extracts from the named article and Winters et al., 2001: 144]

Athukorala, P. and Rajapatirana, S. (2000) 'Liberalisation and Industrial Transformation: Lessons from the Sri Lankan Experience', *Economic Development and Cultural Change* 48 (3): 543-72.

The Sri Lankan experience over the past two decades has clearly demonstrated that an outward-oriented policy regime can yield a superior industrial outcome compared with a closed-economy regime, even under severe strains of political and macroeconomic instability. The market-oriented policy reforms initiated in 1977 have led to far reaching changes in the structure and performance of the manufacturing sector in the Sri Lankan economy. The manufacturing sector has become increasingly export oriented, and it is no longer reliant on the fortunes of the traditional primary export industries to obtain required imported inputs. The Sri Lankan experience with export-led industrialisation so far can be explained as the joint outcome of trade liberalisation that increased the potential returns to investments that capitalise on the country's comparative advantage, and investment liberalisation, thus permitting the entry of international firms that have the capacity to take advantage of such profit opportunities. Despite political risk and policy uncertainty, rapid export growth was consistent with this policy configuration as it ensured a handsome profit in labour-intensive export production in a labour-abundant economy. [Relevant extracts from the article]

Badiane, O. and Kherallah, Mylene (1999) 'Market Liberalisation and the Poor', *Quarterly Journal of International Agriculture* 38: 341-58.

Following decades of heavy intervention in the pricing and marketing of agricultural products, many African governments have started to liberalise their agricultural sectors as part of a wider movement to reform national economies in the early 1980s. Nowhere has the impact on poor people been more direct than in the food sector. Poor people spend large shares of their income on food but also generate a substantial share of that income in the food sector and activities related thereto. The authors have tried to analyse the effect of reforms on the poor by looking at the adjustment in local food markets and their implications for poor households. The article documents the change in the major tradable food markets in Benin, Ghana, Madagascar, Malawi and Senegal. It shows that reforms, where effective, have been accompanied by greater levels of investment by private traders as well as falling real retail food prices. Besides the effects on prices and the cost of moving goods, reforms have also allowed an expansion of activities by private traders, as indicated by the increase in investment in marketing services. Such an expansion has been associated with a creation of employment for low-skilled labour and thus a generation of income for poor people. [Authors' summary]

de Janvry, A. and Sadoulet, E. (1993) 'Rural Development in Latin America: Relinking Poverty Reduction to Growth', in M. Lipton and J. Van der Gaag (eds) *Including the Poor*. Washington, DC: World Bank. (book)

De Janvry and Sadoulet (1993) outline the key role that anti-poverty policy must play in enabling rural development in Latin America. These include: (1) household-oriented strategies, which should promote a multiplicity of home-based activities, including animals and non-agricultural services, and should stress the key role of women and the importance of human capital formation; (2) access to land and security of access (through redistributive land reform when possible, the titling of squatters and revival of the land rental market), which can be essential in enabling the poor to benefit from reforms; and (3) elimination of policy biases towards mechanisation and extensive livestock operations, which will help poor households benefit from the employment creation resulting from reform. [Cited by Winters et al., 2001: 144]

Del Ninno, Carlo and Dorosh, Paul A. (2001) 'Averting a Food Crisis: Private Imports and Public Targeted Distribution in Bangladesh After the 1998 Flood', *Agricultural Economics* 25 (3): 337-46.

The 1998 flood in Bangladesh caused a shortfall of 2.2 million tonnes in rice production and threatened the food security of tens of millions of households. However, a major food crisis was averted as private imports, made possible by trade liberalisation in the early 1990s, stabilised market prices and supplies. The government's direct distribution programmes, though small compared to private imports, nonetheless increased access to food by poor households. Household survey data indicate that immediate relief efforts were well targeted to flood-affected households, as were transfers from NGOs. More broadly, the Bangladesh experience with the 1998 flood shows that in a liberalised trade regime, where private imports respond to price signals, food aid's contribution to the total availability of food may be minimal.

Ferriera, Pedro C. and Litchfield, Julie (1999) 'Calm After the Storms: Income Distribution and Welfare in Chile 1987-1994', *World Bank Economic Review* 13 (3): 509-38.

After rising during most – but not all – of the period 1960-85, inequality in Chile seems to have stabilised since around 1987. Following the stormy period of economic and political reforms of the 1970s and 1980s, no statistically significant Lorenz dominance results could be detected since 1987. Scalar measures of inequality confirm this picture of stability, but suggest a slight change in the shape of the density function, with some compression at the bottom being 'compensated for' by a stretching at the top. As inequality remained broadly stable, sustained economic growth led to substantial welfare improvements and poverty reduction, according to a range of measures and with respect to three different poverty lines. Poverty mixed stochastic dominance tests confirm this result. All of these findings are robust to different choices of equivalence scales. [Authors' summary]

Gisselquist, David and Grether, Jean-Marie (2000) 'An Argument for Deregulating the Transfer of Agricultural Technologies to Developing Countries', *World Bank Economic Review* 14 (1): 111-27.

The evidence presented in this article suggests that deregulating the trade of inputs leads to significant increases in the range and quality of inputs available to farmers, which in turn raises productivity and income. National seed markets in most sub-Saharan African countries are not large enough to support competitive, modern seed markets, but regulatory reforms can allow national markets to merge into regional markets that are large enough to ensure a competitive supply of seed for minor and major crops. Policies favouring regional seed markets in Africa include voluntary registration of varieties and limits on seed import controls to realistic phytosanitary concerns, allowing varieties and seeds to move more easily across borders.

Heltberg, Rasmus and Tarp, Finn (2002) 'Agriculture Supply Response and Poverty in Mozambique', *Food Policy* 27 (2): 103-24.

In this paper, the author applies the Heckman or switching regression framework to assess what determines the likelihood and extent of smallholder market participation within the Mozambican context of widespread poverty and subsistence production. Improved agricultural technology, access to markets, better risk management and expansion of basic physical capital appear crucial for agricultural market expansion. Risky and low-yielding environments, lack of basic farm assets and high transaction costs present large obstacles for integration of smallholders into the market economy. Substantial supply response can be solicited if barriers for market access can be overcome. Agricultural development programmes should invest in key non-price factors such as improved technology, transport infrastructure and farm capital, and strive to help farmers better deal with risk. The poor in Mozambique are more likely to live in high-risk and low-yield areas, and own fewer basic farm capital goods. To achieve pro-poor rural growth, addressing these factors and increasing the productivity and market integration of basic food crops is essential.

Kabeer, Naila (2004) 'Globalization, Labour Standards and Women's Rights: Dilemmas of Collective (in)Action in an Interdependent World', *Feminist Economics* 10 (1): 3-35.

This paper challenges the idea that a 'social clause' to enforce global labour standards through international trade agreements serves the interests of women export workers in poor countries. Drawing on fieldwork in Bangladesh and empirical studies, the author argues that exploitative as these jobs appear to Western reformers, for many women workers in the South they represent genuine opportunities. Clearly, these women would wish to better their working conditions; yet having no social safety net, and knowing that jobs in the informal economy, their only alternative, offer far worse prospects, women cannot fight for better conditions. Moreover, global efforts to enforce labour standards through trade sanctions may lead to declining employment or to the transfer of jobs to the informal economy. Lacking measures that also address the conditions of workers in this informal economy, demands for 'social clause' will reinforce, and may exacerbate, social inequalities in the labour market.

Kennedy, Eileen and Cogill, Bruce (1987) *Income and Nutrition Effects of the Commercialization of Agriculture in South Western Kenya*. Research Report 63. Washington, DC: International Food Policy Research Institute (book, available online at http://www.ifpri.org/pubs/abstract/63/rr63.pdf).

Research was conducted in South Nyanza district in Kenya, with the aim of evaluating the effects of a shift from maize to sugarcane on agricultural production, income, expenditures, consumption, etc. The authors found that annual income of farmers in the sugarcane outgrower's scheme is Ksh.670 per capita higher than the income of non-sugar farmers in the same region, which equates to approximately 25% of income. Farmers are making a profit from sugar. The net returns to family labour for sugarcane are approximately 3 times higher than the daily agricultural wage rate. Much of the incremental income earned by sugar farmers is spent on non-food expenditures. Merchants and sugar-producing households spend more on housing and education then other households in the sample. About 45% of merchants employ 2 or more employees, indicating that labourers may also benefit from the linkage effects of commercialisation through increased employment generation.

Killick, T. (1993) *The Adaptive Economy: Adjustment Policies in Small, Low-Income Countries.* Washington DC: World Bank (book)

The Economic Recovery Programme (ERP) of 1986-8 in Tanzania attempted to increase agricultural production by raising export crop prices. Prices for export crops rose by 10-80% each year of the programme, with similar rises in food crop prices. But the effects on production were mixed. In some years, price incentives were outweighed by the effect of drought. Increasingly, the ERP came to realise the critical importance of investment in fertiliser, seeds, technology, irrigation, replanting and extension. Export crops responded more where inputs were made available and payment and crop collection were improved. For example, 1987-8 saw record cotton production. In contrast, coffee production fell by 10% in 1986-7 due to disease, lack of fertiliser and slow crop collection. Though prices rose less in 1987-8 and 1988-9, production increases matched 1986-7: higher availability of incentive goods and inputs was responsible. The failure of development programmes to address these areas resulted in a poor supply response to substantial trade liberalisation. [Relevant extracts from the book (p. 208) and citations from Winters, McCullough and Cirera (2001) *Trade Liberalisation and Poverty: A Handbook*, p. 144]

Krueger, Anne O. (1983) *Trade and Employment in Developing Countries, Vol. 3.* New York: National Bureau of Economic Research (NBER). (book)

The NBER project on alternative trade strategies and employment analysed the extent to which employment and income distribution are affected by the choice of trade strategies and by the interaction of trade policies with domestic policies and market distortions. This book, the third and final volume to come from this project, brings together the theory underlying the trade strategies-employment relation and the empirical evidence emanating from the project.

Mellor, John (2002) *How Much Employment Can Rapid Agricultural Growth Generate? Sectoral Policies for Maximum Impact in Rwanda.* Agricultural Policy Development Project, Research Report No. 13. Cambridge, MA: Abt Associates Inc.

This paper argues that Rwanda should implement a commercialisation policy in agriculture, e.g. in potato, tea, coffee crops, as a means to boosting employment.

The study proposes a target agricultural growth rate of 5.3% and, furthermore, suggests that this has the capacity to generate a 6.7% rate of growth in the linked rural non-farm sector. The author presumes that growth in agriculture stands not only on yield increases, but also on increasingly productive labour. Because some of the growth is generated by yield improvements, a 5.3% rate of growth of agricultural output is associated with only an estimated 3.2% of employment growth. However, they suggest that this same growth in the agricultural sector would stimulate a 6.7% growth in employment in labour-intensive rural non-farm employment. Paired with similar analysis for the urban sectors, this analysis suggests that 88% of incremental employment is generated by agriculture (with two-thirds of that located in the rural non-farm sector stimulated by agriculture).

Mellor, John and Gavian, Sarah (1999) 'The Determinants of Employment Growth in Egypt: The Dominant Role of Agriculture and the Rural Small Scale Sector'. Cambridge, MA: Abt Assoc. (mimeo, available online at http://www.abtassociates.com/reports/IA07.pdf)

This paper highlights how stimulating growth of Egypt's agricultural sector can lead to employment creation. High growth rates for all of the sectors could provide an annual addition of 924,000 jobs by 2006/07. Sixty-eight percent of those jobs would be in the agricultural and agriculturally-driven sectors. Such rapid growth in demand for labour would tighten labour markets and push up wage rates. Low-income people would benefit twice-over, enjoying more employment at better pay, which should increase the economic well-being of the poor immensely. In conclusion, agricultural growth creates jobs and the autonomous non-agricultural sector stimulates agricultural growth. Employment growth in Egypt thus depends on strong growth rates in both the agricultural and non-agricultural sectors of the economy.

Milner C., Morrissey, O. and McKay, A. (2005) 'Some Simple Analytics of the Trade and Welfare Effects of EC Partnership Agreements', *Journal of African Economies* 14 (3): 327-58.

This paper provides a relatively simple and tractable method to estimate the static or short-run welfare effects on ACP countries of forming an EPA with the European Union. The method is applied to an EAC–EU EPA as an illustration, with estimates of effects on Tanzania and Uganda (due to data availability, Kenya analysis was not possible). It is assumed that all imports from the EU will be subject to zero tariff rates like imports from within the EAC. This will have very limited implications for the exports of Tanzania and Uganda, as their exports within EAC are very limited; both countries would, in principle, benefit from the EPA by being able to avail of cheaper imports of intermediate and raw material inputs from the EU. Although the two countries are in many respects quite similar, the study finds a negative short-run welfare effect on Tanzania but a small positive short-run effect for Uganda. This arises because Uganda experiences a relatively greater increase in imports from the EU that displace relatively inefficient imports from Kenya, and therefore experiences a larger consumption welfare gain. The situation is different for Kenya. In general, allowing for differences in product quality, imports from the EU could compete with Kenyan exports to other EAC members (and indeed with Kenyan local production). Although not directly estimated, the model suggests that Kenya would experience a welfare loss, as it could lose regional market share in addition to facing increased competition from EU imports. There is no scope for consumer welfare gains in Kenya from this source.

Milner, Chris and Wright, Peter (1998) 'Modelling Labour Market Adjustment to Trade Liberalisation in an Industrializing Economy', *The Economic Journal* 108 (447): 509-28.

This paper investigates labour market responses to trade liberalisation in an industrialising country. Short and long-run responses of employment and wages are examined using a specific factor trade model, which underpins the empirical work. Employment and wage equations are estimated using dynamic panel techniques for importable and exportable sectors in Mauritius and for a period covering both the pre- and post-liberalisation regimes. The empirical testing finds some support for the theoretical predictions of differential responses between sectors. Increases in female participation, however, appear to have dampened the adjustment burdens of liberalisation on importables. [Authors' summary]

Minot, Nicholas and Goletti, Francesco (1998) 'Export Liberalisation and Household Welfare: The Case of Rice in Vietnam', *American Journal of Agricultural Economics* 80 (4) (Nov): 738-49.

Vietnam has rapidly become one of the three largest rice exporters in the world, in spite of a binding export quota. This article uses a multimarket spatial-equilibrium model to examine the effect of further liberalisation on regional rice prices. Household data are then used to calculate the welfare impact of these price changes on different household groups. The results suggest that although rice export liberalisation would raise food prices and exacerbate regional inequality, it would also increase average real income and reduce (slightly) the incidence and severity of poverty. [Authors' summary]

Parris, Brett (1999) *Trade for Development: Making the WTO Work for the Poor.* World Vision Discussion paper (available online at https://worldvision.org.nz/reports/trade_for_development.pdf).

Trade liberalisation helps people to buy and sell commodities including food that they need from within the country or outside. This policy has facilitated the emergence of middlemen in Malawi who buy food commodities from farmers soon after harvest at very low prices and then sell these to cities or even outside the country. Sometimes some traders sell within the communities but at very high prices which households are unable to afford. The buying and selling is based on market forces of supply and demand but many farmers do not understand these forces. They get excited to see people buying the maize within the vicinity at any time. Very few smallholder farmers keep their produce to sell when supply is low in order to fetch high prices, which would bring them reasonable cash for fertilisers and other necessities. [Extract from report, p. 29]

Ravallion, Martin and Van de Walle, Dominique (1991) 'The Impact on Poverty of Food Pricing Reforms: A Welfare Analysis for Indonesia', *Journal of Policy Modeling* 13 (2): 281-99.

The authors simulate the effects on poverty of an across-the-board change in the rice price facing each market participant, as might occur with external trade liberalisation, bringing average domestic prices into parity with world prices. In 1981, rice prices in Indonesia were about 15% below border prices. The authors consider two price change scenarios: a 10% increase in the price of rice facing each household, and a 10% decrease. A food price increase may permit the government to reduce subsidies on (say) fertilisers used by food producers, thus allowing an increase in other public expenditures or a cut in taxes, both of which may benefit the poor.

Robbins, Donald and Grindling, T. H. (1999) 'Trade Liberalisation and the Relative Wages for More-Skilled Workers in Costa Rica', *Review of Development Economics* 3 (2): 140-54.

A prominent argument regarding the effects of trade liberalisation on the dispersion of wages in LDCs is that trade liberalisation should lower the relative demand for more-skilled workers by inducing between-sector shifts towards sectors intensive in unskilled labour. Based on a disaggregating, non-parametric approach that imposes little structure on the data, the paper presents evidence that trade liberalisation in Costa Rica led to an increase in relative demand. Other findings are consistent with the 'skill-enhancing-trade hypothesis', whereby trade liberalisation induces an acceleration of physical capital imports, which raises relative demand through capital-skill complementarity.

Srinivasan, P. V and Jha, Shikha (2001) 'Liberalized Trade and Domestic Price Stability: The Case of Rice and Wheat in India', *Journal of Development Economics* 65 (2): 417-41.

This paper analyses the effects of liberalising food grain trade on domestic price stability using a multi-market equilibrium model in which the direction of trade is determined endogenously and world prices are sensitive to the amount traded by India. Simulation results demonstrate that, contrary to popular belief, freeing of trade by India leads to greater domestic price stability even though world prices are more volatile. Freeing of trade by India also leads to higher world price stability. Under liberalised trade, variable levies subsidies are more effective in stabilising domestic prices compared to buffer stocks. It is therefore in India's interest to argue for non-zero binding on import tariffs and export subsidies at the WTO negotiations.

Tongzon, Jose L. and Khan, Habibullah (2005) 'The Challenge of Economic Integration for Transitional Economies of South-East Asia: Coping with Revenue Losses', *ASEAN Economic Bulletin* 22 (3): 266-83.

This paper seeks to estimate the revenue losses of Cambodia, Laos PDR, Myanmar and Vietnam (CLMV countries) due to the implementation of the Common Effective Preferential Tariff (CEPT) scheme resulting from their participation in the ASEAN Free Trade Agreement (AFTA), and to suggest appropriate policies for compensating the losses. It is evident that all CLMV countries, with the exception of Myanmar, stand to lose significant amounts of customs revenue from ASEAN imports due to the scheme. However, the overall government revenue (tax as well as non-tax) is likely to rise substantially in all CLMV countries despite CEPT rate reduction. This paper argues, therefore, that the countries should stay committed to the full implementation of the CEPT scheme despite temporary declines in their revenues. [Authors' summary]

Winters, L. A. (2000) *Trade Liberalisation and Poverty.* PRUS Working Paper No. 7. Brighton: Institute of Development Studies at the University of Sussex.

Before the reforms in Zimbabwe's cotton market (1991), the Cotton Marketing Board used its monopsony to impose low producer prices on farmers in order *inter alia* to subsidise the textile industry. In absolute terms, the first order effects will have been greater for larger farmers, simply because they produced more cotton. But ultimately, it probably affected smaller farmers most severely because they lacked the large farms' ability to diversify into other crops such as horticulture. Following deregulation and privatisation, there is now substantial competition between three buyers, one of which is owned by farmers themselves. Again, in absolute terms, this must have benefited larger farmers more than small ones, but there have been particular gains for the smallholders. These have included the fact that the buyers have chosen to compete with each other not only on price (which has increased significantly), but also by providing extension and input services to smallholders. While the latter are obviously reflected in the prices that the farmers receive, their provision fills a gap that would otherwise exist in small farmers' access to inputs (including, in this case, information). Hence, the changes have assisted small farmers both through an increase in price and by enabling them to produce more. [Extract from the paper]

Winters, L. A., McCulloch, N. and Cirera, X. (2001) *Trade Liberalisation and Poverty: A Handbook.*,London: Center for Economic Policy Research. (book)

Openness to trade has long been seen as an important element of sound economic policy – and trade liberalisation as a necessary step for achieving it. At the same time, continuing extreme poverty in developing countries is perhaps the biggest blemish on the contemporary global economic canvas. This handbook examines how concerns about the latter should affect our attitude towards and implementation of the former. The handbook considers the matter both from a general perspective and by exploring specific types of trade liberalisation. It draws on economic analysis, empirical evidence and practical experience to construct a broad framework to explain links between trade liberalisation and poverty. It shows how countries and liberalisations are likely to vary from case to case, and how to use the framework to identify the critical features of specific cases in practice. The book then discusses the sort of effects that liberalisation may have on the ground and the appropriate policy responses to problems that might arise.

Winters, L. A., McCulloch, N. and McKay, A. (2004) 'Trade Liberalisation and Poverty: The Evidence So Far', *Journal of Economic Literature* XLII (March): 72-115.

The paper is explicitly empirical in focus. The evidence surveyed in this paper demonstrates that there can be no simple general conclusion about the relationship between trade liberalisation and poverty. Theory provides a strong presumption that trade liberalisation will be poverty-alleviating in the long run and on average. The empirical evidence broadly supports this view, and, in particular, lends no support to the position that trade liberalisation generally has an adverse impact. Equally, however, it does not assert that trade policy is always among the most important determinants of poverty reduction or that the static and micro-economic effects of liberalisation will always be beneficial for the poor. Trade liberalisation necessarily implies distributional changes; it may well reduce the well-being of some people (at least in the short term) and some of these may be poor. Thus, while there are many causes for optimism that trade liberalisation will contribute positively to poverty reduction, the ultimate outcome depends on many factors, including its starting point, the precise trade reform measures undertaken, who the poor are and how they sustain themselves. Even within most of the individual causal channels that the authors identify, the outcome will vary from case to case.

Section 2: Trade reform, liberalisation and poverty[2]

Bannister, G. J. and Thugge, K. (2001) *International Trade and Poverty Alleviation.* IMF Working Paper Wo/O1/54. Washington, DC: IMF.

Empirical studies suggest that trade reform has a positive effect on employment and income for the poor; however there are winners and losers. If the transitional costs of trade liberalisation fall disproportionately on the poor, trade reform can be designed to mitigate these effects. This includes making reforms as broad-based as possible, sequencing and phasing them to allow for adjustment, and implementing social safety-nets and other reforms bearing in mind that the links between trade reform and poverty are complex, making systematic empirical investigations difficult.

Blake, A., McKay, A. and Morrissey, O. (2001) *The Impact on Uganda of Agricultural Trade Liberalisation.* CREDIT Research Paper No. 01/07. Nottingham: University of Nottingham.

This paper evaluates the impact on Uganda of the liberalisation of world trade, especially in agricultural commodities in the Uruguay Round. The authors draw three broad conclusions: first, the impact of multilateral liberalisation on a low-income country such as Uganda appears to be quite slight, albeit positive, largely because there is only a slight impact on the world prices of the agricultural commodities it exports; second, the principal gains actually arise from reforms that are essentially unilateral trade liberalisation; third, the impact is likely to be pro-poor. Although the largest proportional gains are to the urban self-employed, there are significant gains in agriculture that benefit almost all categories of rural household. [Authors' summary]

Borregaard, N. and Halle, M. (2001) 'Striking a Balance for Trade and Sustainable Development'. London: IIED (available online at http://www.iied.org/pdf/wssd_01_trade_long.pdf)

The authors argue that there needs to be an international trading system that contributes to sustainable development. This will come about if trade policy at the international level is built from the bottom up, through democratic processes at the national level that balance the interests of different stakeholders within a regulatory and institutional framework that safeguards social equity and environmental protection. It also requires an international system that guarantees adequate participation of all nations in defining the trading system, and an agreed code of conduct on how the rules should be applied. [Authors' summary]

Brooks, J. (no date) 'Agricultural Policy Design in Developing Countries: The Case for Using Disaggregated Analysis'. Background paper. Paris: OECD.

This paper focuses on disaggregated, rather than aggregate, consequences of reform and argues for disaggregated information on the impacts of multilateral and own-country agricultural policy reforms. It considers how such information can be integrated into the process of policy design in developing countries. The rationale for this work comes from the recognition that while reforms should benefit the majority of countries, some countries may lose overall, and within all countries there will invariably be losers as well as winners. The paper suggests ways in which policy-makers can identify the losers from reform and design policies appropriate to their needs.

[2] Sections 2-8 draw heavily on work undertaken by Nambusi Kyegombe for an earlier study.

Bussolo, M. and Lecomte, H.-B. S. (1999) 'Trade Liberalisation and Poverty'. ODI Poverty Briefing. London: ODI. (available online at http://www.odi.org.uk/publications/briefing/pov6.pdf).

This briefing paper suggests that:

- Trade policy potentially affects poverty through its effects on both growth and income distribution. The effects of trade on income distribution have been more firmly established than its impact on growth. This is significant given that poverty reduction is very sensitive to income distribution.
- Trade policy theory does not unambiguously suggest that protection has a negative impact on growth in developing countries. However, those countries applying more open trade regimes, together with fiscal discipline and good governance, have enjoyed higher growth rates than those implementing restrictive policies.
- An open and simple trade policy can foster some external discipline, helping to reduce distortions on domestic markets, and to narrow the scope for wrong or unbalanced policies in other areas, as well as rent-seeking and corruption which do not normally favour the poor.
- If trade policy benefits the relatively well-off by, for instance, protecting import competing sectors controlled by capital owners, then trade liberalisation is likely to redistribute income to the poor.
- Protection rarely helps the poor. Trade policy is not usually as effective as other more targeted fiscal measures (e.g. food stamps) in protecting sections of population or their incomes.

[Authors' summary]

DFID (2000) *Eliminating World Poverty: Making Globalisation Work for the Poor.* White Paper on International Development (available online at http://www.globalisation.gov.uk)

The paper identifies a number of challenges for the future in achieving the goals set out in the title. They include:

- meeting the International Development Targets set for 2015
- building effective government systems needed to reform economic management, and reducing corruption and conflict in developing countries
- promoting better health and education for poor people, harnessing the new information and communication technologies to share skills with developing countries
- creating conditions which attract private financial flows while minimising the risk of capital flight, strengthening the global financial system, encouraging international co-operation on investment, competition and tax that promotes the interests of developing countries and encouraging corporate social responsibility
- promoting equitable trade rules and an effective voice for developing countries, supporting continuing reduction in barriers to trade and improving the capacity of developing countries to take advantage of new trade opportunities
- reducing the contribution made by developed countries to global environmental degradation, ensuring developing country poverty reduction strategies reflect the need to manage environmental resources sustainably, and strengthening their capacity to participate in international negotiations
- increasing UK development assistance to 0.7% of Gross National Product, in line with the UN target, increasing the proportion of global development assistance spent in poor countries, ending UK tied aid, and providing faster

and more substantial debt relief for heavily indebted poor countries committed to poverty reduction

- building a stronger, more open and accountable international system, in which poor people and countries have a more effective voice.

[Extract from www.eldis.org]

Dollar, D. and Kraay, A. (2001) 'Trade, Growth and Poverty'. Washington, DC: Development Research Group, World Bank (available online at http://www.worldbank.org/research/growth/pdfiles/Trade5.pdf).

A key issue today is the effect of globalisation on inequality and poverty. The report first identifies a group of developing countries that are participating more in globalisation. Since China, India, and several other large countries are part of this group, well over half of the population of the developing world lives in these globalising economies. The post-1980 globalisers have seen large increases in trade, and significant declines in tariffs over the past 20 years. Their growth rates have accelerated from the 1970s to the '80s to the '90s, even as growth in the rich countries and the rest of the developing world has declined. The post-1980 globalisers are catching up to the rich countries while the rest of the developing world is falling farther behind. The report asks how general these patterns are, through regressions that exploit the within-country variation in trade and growth, and finds a strong positive effect of trade on growth after controlling for changes in other policies and addressing endogeneity with internal instruments. Finally it examines the effects of trade on the poor. Since there is little systematic evidence of a relationship between changes in trade volumes (or any other globalisation measure considered) and changes in income share of the poorest, the increase in growth rates that accompanies expanded trade leads to proportionate increases in incomes of the poor. The evidence from individual cases and from cross-country analysis supports the view that globalisation leads to faster growth and poverty reduction in poor countries. [Authors' summary]

Devarajan, S. and Mensbrugghe, D. (2000) 'Trade Reform in South Africa: Impacts on Households'. Paper prepared for the Conference on Poverty and the International Economy, organised by World Bank and Swedish Parliamentary Commission of Global Development, Stockholm, 20-21 October.

Using a calibrated general equilibrium model of the South African economy, with 24 types of households identified by ethnic background and income classification and labour disaggregated into 13 different categories, this paper assesses the impact of trade reform on household incomes and income distribution. The general conclusion is that trade reform will most likely improve the average welfare of black households but reduce that of white households. Within ethnic group, richer black and poorer white households stand to benefit. [Authors' summary]

Diao, X., Roe, T. and Somwaru, A. (2001) 'What is the Cause of Growth in Regional Trade: Trade Liberalisation or RTAs? The Case of Agriculture', *The World Economy* 24 (1) (January): 51-80.

This paper delves into the debate on the proliferation of regional trade agreements by focusing on agricultural trade data over the period 1962-95 for countries that are currently members of NAFTA, Mercosur and the EU. It argues that the pursuit of a similar policy regime among relatively adjacent countries tends to have greater effect on neighbouring countries' trade than distant countries. The shift to more outward-oriented regimes is thus likely to induce a dynamic in trade among neighbouring countries. The results show that the growth in intra-regional trade indeed exceeds the growth in extra-regional trade. Intra-regional trade in agriculture is clearly the driving force behind the growth in world agricultural trade. [Extract from paper]

Greenaway, D., Morgan, W. and Wright, P. (2002) 'Trade Liberalisation and Growth in Developing Countries', ***Journal of Development Economics*** **67 (1) (February): 229-44.**

Trade liberalisation in developing countries over the last 20 years has often been implemented with the expectation of growth being stimulated; yet the evidence on its growth-enhancing effects is mixed. This paper argues that problems with mis-specification and the diversity of liberalisation indices used are in part responsible for the inconclusiveness. Using a dynamic panel framework and three different indicators of liberalisation, the paper finds that liberalisation does appear to impact upon growth, albeit with a lag. The evidence points to a *J* curve-type response and this finding is robust to changes in specification, sample size and data period. [Authors' summary]

Hoekman, B.; Michalopoulos, C.; Schiff, M. and Tarr, D. (2001) ***Trade Policy Reform and Poverty Alleviation.*** **Working Paper No. 2733. Washington, DC: World Bank.**

In this paper, developed as part of the World Bank's Poverty Reduction Strategy Sourcebook, the authors examine how to implement trade liberalisation as part of a strategy for alleviating poverty in developing countries. They discuss trade policy instruments, institutions, complementary policies, sector issues, adjustment policies, and safety-nets in an integrated approach to trade policy as a tool for poverty alleviation. The authors examine the patterns or models of trade policy that have been successful in alleviating poverty. They discuss the role of tariffs, non-tariff barriers, contingent protection (such as safeguards and antidumping), special import regimes (such as duty drawback), export taxes, export subsidies and trade-related institutions (such as standards, marketing, export finance, customs clearance and regional trade arrangements). Policies that complement successful trade reform, including macroeconomic stability, a competitive exchange rate, flexible labour markets, competitive product markets and policies that do not discriminate against foreigners in investment are also discussed. The paper suggests approaches to policies and institutions in services and agriculture, key sectors in poverty reduction, and explains the roles of retraining and safety-nets in dealing with the adjustment costs of trade liberalisation. Finally, the authors elaborate on guidelines for implementing trade reform and explain tools for assessing whether trade reform will help or hinder the poor in particular sectors in the short run. [Authors' summary]

Ianchovichina, E., Nicita, A. and Soloaga, I. (2001) ***Trade Reform and Household Welfare: The Case of Mexico.*** **Policy Research Working Paper 2667. Washington, DC: World Bank.**

The authors use a two-step, computationally simple procedure to analyse the effects of Mexico's potentially unilateral tariff liberalisation. First they use a computable general equilibrium model provided by the Global Trade Analysis Project (GTAP) as the new price generator. Second, they apply the price changes to Mexican household data to assess the effects of the simulated policy on poverty and income distribution. By choosing GTAP as the price generator, the authors are able to model Mexico's differential tariff structure appropriately: almost zero for North American Free Trade Agreement (NAFTA) members and higher tariffs for non-members. Even starting with low-tariff protection, simulation results show that tariff reform will have a positive effect on welfare for all expenditure deciles. Under an assumption on non-homothetic individual preferences, trade liberalisation benefits people in the poorer deciles more than those in the richer ones. [Authors' summary]

IMF/World Bank (2001) 'Market Access for Developing Countries' Exports' (available online at http://www.worldbank.org/economics/marketaccess.pdf).

This article praises the positive effects (economic growth, development, poverty reduction) of economic integration, which have largely been achieved by economic liberalisation. Although integration has certainly benefited some countries, these benefits have been uneven. Some countries have been marginalised by this process. The reasons for their marginalisation are, according to the article, due to deep-seated structural problems, weak policy frameworks and institutions and protection at home and abroad. The article proposes further liberalisation of trade, particularly in areas important to poorer developing countries. [Authors' summary]

Jensen, J. and Tarr, D. (2002) *Trade Foreign Exchange and Energy Policies in the Islamic Republic of Iran: Reform Agenda, Economic Implications and Impact on the Poor.* Washington, DC: World Bank (available online at http://econ.worldbank.org/files/3622_wps2768.pdf).

Iran has itself committed to substantial trade and market reform in its 3rd Five-Year Development Plan. It started, however, with non-tariff barriers on all products, a dual exchange-rate regime with the market rate more than four times the official rate, and domestic energy product subsidies of about 90% of the cost of energy products. Many of the existing interventions are justified as helping the poor. The authors develop a multi-sector computable general equilibrium model with 10 rural and 10 urban households to analyse the various forms, separately and together. Reflecting the large initial distortions (for example, energy subsidies are about 18% of GDP and Iranians pay about 10% of world market prices for energy), they find that the combined reforms could generate welfare gains equal to about 50% of aggregate consumer income. The gains to the reforms separately are about 5% of income from trade reform, 7% from exchange-rate reform and 33% of income from energy pricing reform.

Moreover, the results show that well-intentioned policies of commodity subsidies for the poor can have perverse effects. Direct income payments to all households (not just the poor) would have the effect of vastly increasing the incomes of the poor compared to the status quo. If the combined reforms are implemented, the poorest rural household is estimated to gain about 290% of its income, while the poorest urban household is estimated to gain about 140% of its income. [Authors' summary]

McCulloch, N., Baulch, B. and Cherel-Robson, M. (2000) *Globalisation, Poverty and Inequality in Zambia During the 1990s.* Paris: OECD Development Centre.

Zambia underwent a dramatic transformation in its economic policy during the 1990s. The election in 1991 of the Movement for Multi-party Democracy government saw the introduction of a series of major economic reforms designed to transform the Zambian economy from a relatively inward-looking and state-dominated economy to an outward-oriented economy based on private enterprise. Sharp stabilisation early in the decade was followed by reforms to open the economy to the rest of the world including exchange-rate liberalisation, trade liberalisation and capital account liberalisation. In addition, a set of structural and institutional reforms were initiated: including reform of agricultural marketing, a large privatisation programme, and reforms to the public sector.

These policies were intended to stimulate growth. However the combination of major structural reforms with falling copper prices and recurrent drought resulted in disappointing macroeconomic performance – only two years between 1990 and 1998 showed positive per capita GDP growth. Mining and manufacturing output and employment declined dramatically and, although external liberalisation helped to boost non-traditional exports, this did not compensate for the loss of employment in other sectors. Furthermore, earnings data suggest that it was less-skilled urban workers who bore the brunt of unemployment in the formal sector, with better-off workers being relatively protected. However, stabilisation policies reduced inflation and the effective rescheduling of the governments' debt obligations substantially reduced external debt servicing commitments over the decade. Furthermore, capital account liberalisation appears to have facilitated the resumption of private capital inflows.

An analysis of household survey data from 1991, 1996 and 1998 shows a dramatic increase in poverty and inequality in urban areas between 1991 and 1996 due to stabilisation, the removal of maize meal subsidies and job losses resulting from trade liberalisation and the privatisation programme. Between 1996 and 1998, despite economic recovery at the national level, the reduction in urban poverty and inequality was small. In rural areas, drought devastated rural livelihoods in the early 1990s, while maize marketing reforms principally benefited those near the major urban centres, and hurt more remote rural farmers.

Consequently there was little change in the overall poverty headcount for rural areas between 1991 and 1996, although there was a substantial reduction in rural inequality during this period. The rural sector experienced strong growth between 1996 and 1998, which translated into a substantial reduction in poverty in rural areas between the two years. However, differential access to inputs, transport and marketing services led to an increase in rural inequality. [Authors' summary]

McCulloch, N., Winters, L. A. and Cirera, X. (2001) *Trade Liberalisation and Poverty: A Handbook.* London: Centre for Economic Policy Research (available online at http://www.ids.ac.uk/ids/global/pdfs/tlpov.pdf).

The authors of this handbook use economic analysis and practical experience to illustrate the likely outcomes for the poor of reform of particular sectors. They argue that:

- Agricultural liberalisation is key to poverty reduction – but both developed and developing countries must liberalise.
- The liberalisation of services presents a major opportunity for growth and can help poverty reduction if care is taken to ensure access to key services for the poor. Current concerns about the way WTO will deal with public services are misplaced.
- Improved international labour mobility has huge potential for poverty reduction, especially if it focuses on the less-skilled sector. Resolving the practical and political difficulties of achieving this should be a priority.
- Improved labour standards could help the poor and international action can help to tackle poor labour standards, but these should not be linked to trade.
- The environmental threats faced by the poor are overwhelmingly local – they should be tackled by appropriate domestic environmental policy.
- International environmental problems should be tackled by international environmental agreements, not just trade sanctions.

[Authors' summary]

McKay, A., Winters, L. A. and Kedir, A. M. (2000) *A Review of Empirical Evidence on Trade, Trade Policy and Poverty.* DFID White Paper on Eliminating Poverty: Making Globalisation Work for the Poor. London: DFID.

This paper suggests that although trade liberalisation is not a poverty reduction strategy in its own right, it can have substantial indirect effects (positive and negative, short-term and long-term) on poverty.

Currently available cross-country evidence suggests that, on balance:

- both trade liberalisation and openness have a beneficial impact on economic growth, particularly when accompanied by good policies in other areas;
- on average, economic growth does benefit the poor proportionately;
- but there are variations about the average and these are likely to reflect, among other things, how trade reform was done and what the initial conditions are.

The following general conclusions seem to be reasonably robust:

- The poverty effect of trade reform will depend particularly on how it impacts on the agricultural sector, given the high concentration of poverty in that sector and its strong linkages to other sectors. Complementary policies, especially relating to distribution channels, are particularly important in this sector.
- Consumers benefit from trade reform and this includes the poor.
- Unskilled labour might lose in relative terms from trade reform, though there is little evidence for this outside Latin America. Nonetheless, investment in training by increasing the supply of skilled labour is likely to have a favourable effect on poverty.
- Trade liberalisation has often resulted in beneficial impacts on productivity, technology adoption and investment, which form the basis for long-run growth.
- Trade reforms need to be conducted in such a way as to not have an adverse effect on government revenue (for which there may be more demand in a liberalising environment); this will often mean that domestic tax reform will need to be carried out in parallel.

[Authors' summary]

Reimer, J. J. (2002) *Estimating the Poverty Impacts of Trade Liberalisation.* Working Paper No. 2790. Washington, DC: World Bank.

The author summarises and classifies 35 trade and poverty studies into four methodological categories: cross-country regression, partial-equilibrium and cost-of-living analysis, general-equilibrium simulation and micro-macro synthesis. These categories include a broad range of methodologies in current use. The continuum of approaches is bound on one end by econometric analysis of household expenditure data, which is the traditional domain of poverty specialists and sometimes labelled the 'bottom-up' approach. On the other end of the continuum are computable general equilibrium models based on national accounts data, or what might be called the 'top-down' approach. This survey gives particular emphasis to the means by which studies address factor market links between trade and poverty. The general conclusion of the survey is that any analysis of trade and poverty needs to be informed by both the bottom-up and top-down perspectives. [Author's summary]

Robbins, D. J. (1996) ***Evidence on Trade and Wages in Developing Countries.*** **Technical Paper No. 119. Paris: OECD Development Centre.**

This paper synthesises nine in-depth developing country (LDC) studies on the impact of trade on wages. It is traditionally assumed that trade liberalisation lowers relative wage dispersion in LDCs, whilst raising wage dispersion in developing countries. Evidence from cross-sectional household data for Argentina, Chile, Costa Rica, Colombia, Malaysia, Mexico, the Philippines, Chinese Taipei and Uruguay show: first, counter to one model in Leamer (1995), for countries with diversified trade, labour supply shifts generally shift wages; second, liberalisation was accompanied by rising relative wages and labour demand; and third, trade liberalisation often increases the inflow of machinery, and may partly explain positive relative demand shifts accompanying trade liberalisation. [Eldis]

Rodrik, D. (2001) ***The Global Governance of Trade: As if Development Really Mattered.*** **New York: UNDP.**

The author puts forward an alternative account of economic development, that questions the centrality of trade and trade policy and, instead, emphasises the critical role of domestic institutional innovations that often depart from prevailing orthodoxy. In this view, transitions to high economic growth are rarely sparked by blueprints imported from abroad. Opening up the economy is hardly ever a key factor at the outset. The initiating reforms instead tend to be a combination of unconventional institutional innovations with some of the elements drawn from the orthodox recipe. These combinations tend to be country-specific, requiring local knowledge and experimentation for successful implementation. They are targeted on domestic investors and tailored to domestic institutional realities.

Third World Network (2001) ***The Multilateral Trading System: A Development Perspective.*** **New York: UNDP.**

The paper makes suggestions on some systemic and structural aspects of the global trade system. First is the need to rethink the dominant model of trade policy. Instead of acting on the assumption that rapid liberalisation is beneficial for developing countries, the emphasis should be on the appropriate quality, timing, sequencing and scope of import liberalisation and the need for fulfilling conditions for successful opening up. If conditions for success are not present, import liberalisation can cause overall problems. Thus, a new approach is needed whereby developing countries are given the flexibility to make strategic choices in trade and other related policies. The need for such flexibility should be reflected in the WTO's rules and operations; and the World Bank and IMF should also review their conditionalities relating to trade. In addition, developed countries need to liberalise more rapidly in areas of export interest to developing countries, since the former have the capacity to restructure their economies, and have for so long unfairly restricted access to developing countries in areas such as textiles, agriculture and selected industrial products. Moreover, if developed countries provide more meaningful market access to developing countries, the latter will have more opportunities to expand their export earnings, thus increasing their future capacity for successful import liberalisation.

Tsikata, Y. (2000) Globalisation, Poverty and Inequality in Sub-Saharan Africa: A Political Policy Appraisal. Paris: OECD.

The paper explores the policies and political context underlying the response of African countries to globalisation, with an emphasis on trade liberalisation. African countries have had mixed experiences with globalisation, with some achieving better social outcomes than others. The outcomes suggest that it is possible to liberalise and reduce poverty and inequality (Ghana and Uganda), but that a more nuanced approach that takes complementary policies into account (Mauritius) is more sustainable.

The variance in the response to globalisation is a function of several factors which include the political-institutional framework, state capacity and external actors. Economic crisis and political change gave some non-democracies a mandate to liberalise in the short-run (Ghana, Uganda), but crisis was neither necessary (Mauritius) nor sufficient for liberalisation to occur. It did, however, insulate regimes and gave them political space to meet globalisation's challenges.

In the long-run, however, a political system that demands accountability and encourages coalition-building (such as in Mauritius) appears to create conditions that are more conducive to balancing the costs and benefits of globalisation and is more sustainable than crisis-driven reforms. State capacity determines the ability to independently design and implement complementary policies. Together with leadership, it determines how skilfully a regime can negotiate and build consensus around the response to globalisation. [Author's summary]

Wilson, J. S. (2002) *Liberalising Trade in Agriculture: Developing Countries in Asia and the Post-Doha Agenda.* Policy Research Working Paper No 2804. Washington, DC: World Bank.

The author provides an overview of the data relevant to the interests of developing countries as they engage in continuing agricultural trade negotiations set forth in the World Trade Organisation Ministerial held in Doha, Qatar, in November 2001. Wilson examines country performance in agricultural trade, income levels and population characteristics, with a focus on developing-country members of the Asian Development Bank. The author concludes that trends in agricultural trade in the past 10 years are quite heterogeneous across developing regions. Shares of agriculture in GDP are still high in the East Asia and Pacific and South Asia regions. Moreover, data indicate that trade reform in export partners, particularly OECD countries, will affect a significant share of the population in these developing countries, resulting in rural poverty alleviation. Trade liberalisation is expected to benefit net exporter countries, particularly those that are highly open to trade. What is also important, but often neglected, is a country's pattern of specialisation between domestic supply and exports. The impact of trade reform through the WTO negotiations, particularly reforms undertaken in exporting partners, can therefore have important implications in the post-Doha development agenda.

Winters, A. L. (1999) *Trade Liberalisation and Poverty.* Washington, DC: Global Development Network.

The paper asks how trade liberalisation impinges on poverty from a theoretical perspective, from a grass-roots perspective in two African countries, from an econometric and labour market perspective, and on the basis of the, surprisingly patchy, existing literature. It briefly considers the appropriate policy response to fears of liberalisation-induced poverty and the dimensions of future trade negotiations that may raise poverty issues. It concludes that, while care is required to minimise poverty impacts (care that has not always been taken in the past), open trade is generally an important component of development policy, and one which can play a positive role in poverty alleviation. [Author's summary] *not for citation

World Bank (2002) ***Globalisation, Growth, and Poverty: Building an Inclusive World Economy.*** **World Bank Policy Research Report 23591. Washington, DC: World Bank.**

Societies and economies around the world are becoming more integrated. Integration is the result of reduced costs of transport, lower trade barriers, faster communication of ideas, rising capital flows, and intensifying pressures for mitigation. Integration, or 'globalisation', has generated anxieties about rising inequality, shifting power, and cultural uniformity. This report assesses its impact and examines these anxieties. Global integration is already a powerful force for poverty reduction, but it could be even more effective. Some, but not all of the anxieties are well founded. Both global opportunities and global risks have outpaced global policy. The authors propose an agenda for action, both to enhance the potential of globalisation to provide opportunities for poor people and to reduce and mitigate the risks it generates. This report presents three main findings that bear on current policy debates about globalisation. First, poor countries with around 3 billion people have broken into the global market for manufactures and services; these 'new globalisers' have experienced large-scale poverty reduction. The second finding concerns inclusion both across countries and within them; the authors highlight a range of measures that would help countries in danger of becoming marginalised become integrated within the world economy. A third issue concerns the anxiety that economic integration leads to cultural or institutional homogenisation . [Authors' summary]

Yang, Y. and Huang, Y. (1997) ***The Impact of Trade Liberalisation on Income Distribution in China.*** **Canberra: National Centre for Development Studies.**

While poverty has been declining with strong income growth, China's income distribution has deteriorated in recent years. Trade policy has been advocated to address income disparities, especially those between rural and urban households. Using a computable general equilibrium model, this paper analyses the impact of trade policy on incomes of different households. Particular attention is given to the various non-farm sources of incomes for rural and urban factor markets. [Authors' summary]

Section 3: Trade and regional integration

Longo, R. and Sekkat, K. (2001) ***Obstacles to Expanding Intra-African Trade.*** **OECD Development Centre Technical Papers No. 169. Paris: OECD (available online at http://www1.oecd.org/dev/publication/tp/TP169.pdf)**

The paper analyses the determinants of intra-African trade (IAT) to assess the potential obstacles to greater sub-regional trade. It finds that infrastructure, particularly poor telecommunication networks and weak transport communications, is a crucial factor hindering IAT. Sound economic policies, such as the adoption of the Structural Adjustment Programmes (SAP) and good exchange-rate management, are conducive to IAT. [Authors' summary]

Schiff, M. (2002) ***Regional Integration and Development in Small States.*** **Policy Research Working Paper. Washington, DC: World Bank.**

The author examines the impact of various trade policies for small developing states in the face of changing international trends – including globalisation, the proliferation of regional integration agreements, the changing relationship between African, Caribbean, and Pacific (ACP) countries and the European Union (EU), the erosion of ACP preferences in the EU market, the Everything-But-Arms Initiative (a 2001 EU initiative providing 49 developing countries free access to EU markets), and the negotiations on the Free Trade Agreement of the Americas. The author concludes that: 1) The participants in South-South regional integration agreements should further reduce their external trade barriers; 2) The trade component of the Cotonou Agreement between the ACP countries and the EU is likely to harm those countries. The ACP countries should liberalise their trade regimes to reduce the size of transfers to the EU; 3) Small states should sign free-trade agreements with the rest of the Organisation for Economic Co-operation and Development (OECD), and pursue multilateral liberalisation; 4) Small states and other developing countries should intensify South-South regional co-operation in the area of regional public goods; 5) The EU and other OECD countries should provide country-specific technical assistance for 'behind the border' reforms in small states – something specified in the Cotonou Agreement for ACP countries – as well as assistance in implementing their commitments under World Trade Organisation agreements. [Author's summary]

Stevens, C. (1999) 'WTO: Understanding the Development Angle', Trade and Development Background Briefings. Brighton: Institute of Development Studies at the University of Sussex (available online at http://www.ids.susx.ac.uk:80/tradebriefings)

This is a series of 10 short background papers, each on a different aspect of the WTO agenda, describing how developing countries may be affected by different outcomes,and what preparations they need to make to participate effectively. Developing countries have joined the WTO in large numbers, in the expectation that its objectives of rule-based liberal trade will foster development. They will influence, and be affected by, the flurry of new negotiations scheduled for the turn of the millennium. [Eldis]

Venables, A. J. (1999) *Regional Integration Agreements: A Force for Convergence or Divergence?* Working Paper No. 2260. Washington, DC: World Bank.

The author examines the way in which the benefits and costs of a free trade area are divided between member countries. Outcomes depend on the comparative advantage of member countries, relative to each other and relative to the rest of the world. He finds that free trade agreements between low-income countries tend to lead to divergence of member country incomes, while agreements between high-income countries will cause convergence. These comparative advantage-induced changes may be amplified by agglomeration effects. The results suggest that developing countries are likely to be better served by 'North-South' than by 'South-South' free trade agreements. [Author's summary]

Wangwe, S. M. (1995) *Economic Integration in Southern Africa: Towards Cost and Benefit Analysis in Tanzania.* Discussion Paper Series Number 002. Dar es Salaam: Economic and Social Research Foundation (ESRF).

The paper offers an examination of the impact of economic integration on a broad range of distinct sectors. It includes agriculture, mining, transport, health, education, construction, tourism and labour markets. It also provides recommendations for an agenda for the integration process and the modalities of integration in relation to trade, institutions, transport macroeconomic policies and capital and financial markets. Wangwe advocates a modest pace for integration led by market incentives and automaticity rather than administrative discretion for incentives and preferences. [Eldis]

Weeks, J. (1999) *Have Workers in Latin America Gained from Liberalisation and Regional Integration*? London: Centre for Development Policy and Research (CDPR), SOAS.

This paper looks at what has occurred in labour markets during the twin processes of economic liberalisation and regional integration. Some main conclusions are:

- Workers in Latin America have not shared in the benefits of growth, either in terms of reduced unemployment or rising real wages. At the same time, their basic rights as workers have been progressively eroded. The issue is one of symmetry between capital and labour. Throughout Latin America, capital is free to organise itself into associations, to employ its resources to influence government policy, and through ownership of the media to present its views to the public. Extra-legal repression of workers' rights is endemic across the continent.
- Beyond these core labour rights, which are essentially the civil and human rights that democracies should guarantee their citizens, measures are required to establish minimum standards in the workplace. By reducing accidents and illness, workplace standards increase the productivity of workers, and reduce the health costs of society.
- Increased economic integration of the countries of the hemisphere has to date been a reactionary process based upon the repression of workers rights, and facilitating the concentration of wealth and power in the hands of capital. If this is to change in the future, it requires a growing labour movement to counter the strength of capital. A famous slogan of the labour movement states, 'the cause of labour is the hope of the world'. Never has that been as true as it is in Latin America today.

Winters, L. A. and Chang, W. (1997) *Regional Integration and the Prices of Imports: An Empirical Investigation.* Working Paper No 1782. Washington, DC: World Bank.

Winters and Chang explore the effects on the terms of trade of regional economic integration. They show why it is an appropriate measure of the welfare effects of such integration, comparing it with the many *ex-post* studies that base their conclusions on changes in the import shares of member and non-member countries.

They demonstrate, by using a simple strategic model, how member countries might gain in their terms of trade, and non-members lose through a lowering of preferential tariffs. Most important, they show that measuring such price effects, though difficult, is feasible.

This is the first *ex-post* study of its kind, the authors believe, and an improvement over previous *ex-post* studies on how integration affects the rest of the world. Using finely disaggregated data about Spanish imports of finished manufactures from major OECD trading partners, despite their noisiness, they found a consistent story over all of the country pairs examined.

Winters and Chang find that non-members (in this case, Japan and the United States) suffered detectable losses in terms of trade relative to European Community competitors in Spanish import markets for differentiated goods. [Authors' summary]

Yeats, A. J. (1998) *What can be Expected from African Regional Trade Arrangements? Some Empirical Evidence.* Working Paper No. 2004. Washington, DC: World Bank.

The author suggests that sub-Saharan Africa must adopt appropriate trade and structural adjustment policies to become more competitive internationally and to capitalise on opportunities in foreign markets. The exchange of regional preferences alone cannot reverse Africa's unfavourable export trends. A far more promising policy approach would be broad-based reductions in African trade barriers, on a most-favoured-nation basis.

For over three decades, sub-Saharan African countries have had an interest in regional integration initiatives to accelerate their industrialisation and growth. With the help of a more comprehensive database on intra-African trade than was previously available, Yeats examines a proposal to exchange trade preferences among sub-Saharan African countries. The data suggest that problems with African regional trade arrangements are more daunting than is generally recognised. [Author's summary]

Section 4: Gender and trade

Baden, S. (1998) *Gender Issues in Agricultural Market Liberalisation.* BRIDGE Report No. 41. Brighton: Institute of Development Studies at the University of Sussex.

The report argues how, until recently, economic analysis of agricultural markets and marketing paid limited attention to gender issues, focusing mainly on price analysis and market integration. Current concern with the institutional infrastructure to support market reform and development is creating greater awareness of and interest in the social and political factors underlying marketing organisation, including gender relations. Gender-aware economic analysis, at macro-, meso- and micro-levels is a valuable tool to identify ways in which women and men are differentially affected by processes of economic change, and also ways in which gender biases in institutions, including agricultural marketing systems, affect the implementation and outcomes of reform policies. [Author's summary]

Çagatay, N. (2001) *Trade, Gender and Poverty.* New York: UNDP.

This paper focuses on the relationship of trade on the one hand, and gender and poverty on the other, within the context of the human development paradigm. Specifically, it examines the impact of trade liberalisation on gender inequalities (primarily via employment, wages and the care economy) and the impact of gender inequality on trade performance. These interactions are discussed in light of mainstream literature on trade, growth and poverty reduction, which define poverty in terms of income or consumption and largely ignore gender. The paper also considers the policy implications of a gender-aware approach to international trade analysis and the current world trade regime. The principal conclusions that emerge from this analysis are: 1. that men and women are affected differently by trade policies and performance, owing to their different locations and command over resources within the economy; 2. that gender-based inequalities impact differently on trade policy outcomes, depending on the type of economy and sector, with the result that trade liberalisation policies may not yield expected results; and 3. that gender analysis is essential to the formulation of trade policies that enhance rather than hinder gender equality and human development. [Author's summary]

Evers, B. (2002) 'Gender, International Trade and the Trade Policy Review Mechanism: Conceptual Reference Points for UNCTAD' (available online at http://www.gapresearch.org/governance/BE%20evers%20unctad%20paper1.pdf).

The author argues that gender is an issue for economic policy and not just for social policy. Trade, investment and competition policies, like macroeconomic fiscal and monetary policies, are not gender neutral. They are usually formulated by men and have strong male bias, but have tremendous implications for women's employment, women's poverty and women's social burden, and ultimately for the well-being of the women, their families and the community. Trade can intensify pressure on women's working days which can have negative impacts on the household and community by reducing the time available for alternative activities (paid work; caring for children; household maintenance; sanitation and water collection).

Fontana, M. (2002) *Modelling the Effects of Trade on Women: the case of Zambia.* IDS Working Paper 155. Brighton: Institute of Development Studies at the University of Sussex.

This paper describes the application of a gendered computable general equilibrium (CGE) model to a set of 1995 data for Zambia. The principles of a gendered CGE approach are to account for household activities and leisure in addition to standard market sectors, and to treat men and women as separate factors of production. Two main trade strategies are analysed: the abolition of tariffs on manufactured imports and the effects of non-traditional agricultural export promotion. The experiments show that the liberalisation of manufactured imports causes smaller employment and wage gains for women than for men. Introduction of incentives in non-traditional agricultural exports suggests that women are favoured more by expansion of horticulture and groundnuts than by expansion of tobacco and coffee. Moreover, it reveals that the impact on female work is different depending on their level of education. The simulation also shows that reallocation of assets from maize to female-intensive crops makes women more productive but reduces their leisure time. A further experiment analyses the effects of a rise in the world price of copper and finds that women with higher education gain more than other female workers, from better wages and more leisure time. [Author's summary]

Fontana, M., Joekes, S. and Masika, R. (1998) *Global Trade Expansion and Liberalisation: Gender Issues and Impacts.* BRIDGE Report No. 42. Brighton: Institute of Development Studies at the University of Sussex.

The article argues that a major challenge for development policy aimed at reducing poverty is to enable a more equitable distribution of gains associated with trade expansion and liberalisation. This requires a better understanding of why some countries and social groups are able to benefit more than others from increasing trade flows. There is some understanding of these issues at country and regional level but there has been little consideration as yet of the gender dimensions of trade outcomes. This report argues that: (a) gender analysis is important in understanding why some countries, sectors, or regions are unable to capitalise on potential trading opportunities, which relates in part to rigidities and distortions, including gender distortions in factor markets; and (b) the benefits of trade expansion are differentiated between women and men, as well as between different groups of women, with implications for both gender equality and poverty-reduction goals.

The consequences of trade liberalisation and expansion for women, both absolutely and relative to men, have been mixed, with both positive and negative features depending on a range of factors and preconditions. These include gendered patterns of rights in resources, female labour-force participation rates, education levels and gaps by gender and patterns of labour-market discrimination and segregation, as well as socio-cultural environments. [Authors' summary]

Fontana, M. and Wood, A. (2000) 'Modelling the Effects of Trade on Women, at Work and at Home'*, World Development* 28 (7): 1173-90.

Foreign trade affects women's wages and jobs, their household work, and their leisure. This paper develops a model which covers not only all the sectors of the market economy, but also social reproduction and leisure activities, for women and men separately. The model, which in other respects is a standard computable general equilibrium (CGE) model, is applied to a simplified set of data for Bangladesh. Its use is illustrated by simulating the gendered effects of changes in trade policies and capital flows. [IDS]

Harrison, Ann and Hanson, Gordon (1999) 'Who Gains from Trade Reform? Some Remaining Puzzles', *Journal of Development Economics* 51: 315-24.

This paper focuses on three unresolved issues with regard to the impact of trade reform. First, many studies linking trade reform to long-run growth are surprisingly fragile. To illustrate the problems with this literature, the authors examine a popular measure of openness recently introduced by Sachs and Warner (1995), and show that this measure fails to establish a robust link between more open trade policies and long-run growth. The second puzzle they identify is the small impact of trade reform on employment in developing countries. Finally, they analyse evidence on the relationship between trade reform and rising wage inequality, focusing on the 1985 Mexican trade reform. Wage inequality in Mexico rose after the reform, which is puzzling in a Heckscher-Ohlin context if Mexico has a comparative advantage in producing goods that are low-skill intensive.

Harrison, G. W., Rutherford, T. F. and Tarr, D. G. (2003) 'Trade Liberalisation, Poverty and Efficient Equity', *Journal of Development Economics* 71 (1): 97-128.

Even if trade liberalisation results in aggregate welfare gains over all households, it is possible that the poorest households could lose. The authors illustrate two approaches to designing trade liberalisation in Turkey which ensure that the poor will not lose, however. The first approach uses direct compensation to losers, and the second uses limited policy reform, where exceptions to the across-the-board reform are chosen to meet the equity goal. In each case, Harrison et al. map out some of the efficiency costs of attaining these equity goals so as to inform policy-makers about the least costly way of attaining them. [Authors' summary]

Hertel, Thomas W.; Preckel, Paul V.; Cranfield, John A. L. and Ivanic, M. (2002) 'Poverty Impacts of Multilateral Trade Liberalisation', *World Bank Economic Review* 18 (2).

Most researchers examining poverty and multilateral trade liberalisation have had to examine average or per capita effects, suggesting that if per capita real income rises, poverty will fall. This inference can be misleading. Combining results from a new international cross-section consumption analysis with earnings data from household surveys, this article analyses the implications of multilateral trade liberalisation for poverty in Indonesia. It finds that the aggregate reduction in Indonesia's national poverty headcount following global trade liberalisation masks a more complex set of impacts across groups. In the short run, the poverty headcount rises slightly for self-employed agricultural households, as agricultural profits fail to keep up with increases in consumer prices. In the long run, the poverty headcount falls for all earnings strata, as increased demand for unskilled workers lifts income for the formerly self-employed, some of whom move into the wage labour market. A decomposition of the poverty changes in Indonesia associated with different countries' trade policies finds that reform in other countries leads to a reduction in poverty in Indonesia, but that liberalisation of Indonesia's trade policies leads to an increase. The method used here can be readily extended to any of the other 13 countries in the sample.

Joekes, S. (1995) *Trade Related Employment for Women in Industry and Services in Developing Countries.* Occasional Paper No. 5. Geneva: UNRISD.

This paper first sets out what is known about the relation between different types of industrialisation and female employment in the light of evolution in regulatory arrangements for world trade. It then goes on to raise a new issue, that of the significance, in relation to female employment, of the rapid expansion in international transactions in services. As part of the analysis, this paper examines the experiences of five countries (Bangladesh, Uganda, Morocco, Jamaica and Vietnam) selected for attempts at policy dialogue on gender issues under Phase II of a UNDP/UNRISD project. The analysis points to several areas of concern for gender policy: there is a possible relationship between the degree and duration of export orientation in manufacturing and the wage gap by gender; the distinction between educational attainment levels *per se* and the subjects in which women obtain educational qualifications will become increasingly important in future; the evidence indicates that, in many developing countries, TNCs (Trans National Corporations) are becoming increasingly important as employers, especially in certain parts of the services sector.

Kanji, N. and Menon-Sen, K. (2001) 'What Does the Feminisation of Labour Mean for Sustainable Livelihoods'. London: IIED (available online at http://www.iied.org/pdf/wssd_13_gender_long.pdf).

It is only now, a decade and a half after the global acceptance by most countries of economic liberalisation and market-oriented growth as strategies of choice for development, that reports on their negative impacts are being recognised as reliable. There is now sufficient evidence that these processes, particularly in the South, have resulted in greater inequalities in income and assets between and within countries. It is difficult to arrive at general statements about the specific effects of liberalisation and market orientation on women, since these are mediated by the level of development, forms of integration into the world economy and pre-existing socio-economic inequalities in a particular country. Nevertheless, and despite country-specific variations, the phenomenon of 'feminisation of the labour force' is emerging as a common theme in discussions of the way in which global economic changes and market-led growth have impacted on women. [Authors' summary]

Minot, Nicholas (1998) 'Distributional and Nutritional Impact of Devaluation in Rwanda', *Economic Development and Cultural Change* 46 (2): 379-402.

This study examines the impact of devaluation in Rwanda by combining price changes associated with the 1990 devaluation (both hypothetical and historical) and simplified household-firm models of urban and rural households. The results indicate that price changes associated with devaluation have a proportionately greater negative impact on the real income of urban than on rural households and, within each sector, a more adverse impact on high-income than on low-income households. Furthermore, the impact of price changes associated with devaluation has a surprisingly small effect on caloric intake. These results suggest that, in economies similar to that of Rwanda, the claims that devaluation has a large negative impact on income distribution and nutrition may be overstated.

Moghadam, V. M. (1999) 'Gender and Globalisation: Female Labour and Women's Mobilisation', *Journal of World-Systems Research* V (2): 367-88.

This paper casts a gender perspective on globalisation to illuminate the contradictory effects on women workers and on women's activism. The scope of the paper is global. The sources of data are UN publications, country-based data and newsletters from women's organisations as well as the author's fieldwork. The paper begins by examining the various dimensions of globalisation – economic, political and cultural – with a focus on their contradictory social-gender effects. These include inequalities in the global economy and the continued hegemony of the core, the feminisation of labour, the withering away of the developmentalist/welfarist state, the rise of identity politics and other forms of particularism, the spread of concepts of human rights and women's rights, and the proliferation of women's organisations and trans-national feminist networks. The author argues that, although globalisation has had dire economic effects, the process has created a new constituency – working women and organising women – who may herald a potent anti-systematic movement. World-systems theory, social movement theory and development studies should take account of female labour and of oppositional trans-national feminist networks.

UNCTAD (1999) 'Trade, Sustainable Development and Gender'. New York: UN (available online at http://www.unctad.org/en/docs/poedmm78.en.pdf).

This publication contains materials of the Pre-UNCTAD X Expert Workshop on Trade, Sustainable Development and Gender held in Geneva from 12-13 July 1999. Forty-three articles reflect experiences from developing and developed countries and economies in transition. These papers deal with conceptual and practical issues and are grouped around three major areas: globalisation and gender; trade-related issues and gender; and specific problems of LDCs and gender. Presentations of the above material as well as the agreed conclusions and recommendations adopted at the Workshop may further promote an exchange of experiences and views on policy-related issues of trade, sustainable development and gender, and assist in formulating policy recommendations and measures, including at UNCTAD X, for further action in this field. [Authors' summary]

Section 5: Child labour and trade

Chowdhry, G. and Beeman, M. (2001) 'Challenging Child Labour: Transnational Activisim and India's Carpet Industry', *Annals on the American Academy of Political and Social Science* 575: 158-75.

Transnational movements have become an important component of an emerging and relatively recently theorised transnational civil society in the field of international relations. Non-governmental organisations, social movements, and social activists concerned with the global issues of poverty, environment, and human rights have created an intellectual and political global space outside the national territorial space to give voice to their concerns on issues of transnational importance. This article examines the transnational human rights movement around the issue of child labour in the carpet industry in India. Although the intersection of child labour with the carpet trade was utilised effectively by Indian and German activists to bring about changes in child labour use, the more foundational impact has been the creation of Rugmark, a label that certifies child-labour-free carpets and provides services for the rehabilitation and education of children involved in the carpet industry. [Sage Publications Ltd]

ILO (2002) *Every Child Counts: New Global Estimates on Child Labour.* Geneva: International Labour Organisation.

As part of its effort to increase the knowledge-base on child labour, the ILO has prepared new global estimates on the overall magnitude and distribution of working children. This includes estimates on economically active children, children in child labour that requires elimination and the extent to which children are engaged in hazardous work and other worse forms of child labour. [Authors' summary]

IPEC (1996) *Child Labour in Commercial Agriculture in Africa.* Geneva: ILO (available online at http://www.ilo.org/public/english/standards/ipec/child/91africo.htm).

This paper seeks to briefly review the available evidence on the extent and types of child labour in the commercial agriculture sector in the Africa region. Information and data are included from case studies carried out on the child labour situation in commercial agriculture in Kenya, Malawi, South Africa, United Republic of Tanzania and Zimbabwe. The purpose of these studies was to document contrasting conditions and hazards of child labour in commercial agriculture, to analyse the relevance and efficacy of measures already taken to improve working conditions among children and to reduce the use of child labour, and to identify additional feasible measures and activities. [Authors' summary]

Toor, S. (2001) 'Child Labour in Pakistan: Coming of age in the New World Order', *Annals of the American Academy of Political and Social Science* 575: 194-224.

The issue of child labour in Pakistan's export industries has become the topic of much controversy, and in some ways has triggered the debate over trade and labour standards. Consumer protests and boycotts in the North have led to initiatives being taken by various national and international organisations. However, this article takes issue with the current projection of child labour as a function of children's poverty and lack of education and families' lack of awareness. The author argues that it is impossible to understand and even address the child labour problem without placing it against the backdrop of the dynamics of the current neoliberal international political economic system. Toor concludes by arguing that the only way in which the issue of social and labour rights can be once more given precedence in an increasingly socially disembedded world economy is through political engagement with the forces of globalisation, namely, the World Bank, the International Monetary Fund and the World Trade Organization.

Section 6: Globalisation and health

Drager, N.; Woodward, D.; Beaglehole, R. and Lipson, D. (2001)* ‘Globalisation and the Health of the Poor’*, Development* 44: 73-6*.

The authors present an analytical framework for considering the effects of globalisation on the health of the poor and put emphasis on the indirect effects of globalisation operating through the macro economy, household income and other sectors. They suggest that these effects are as important to health outcomes as the direct effects of globalisation on health risks and the health sector. In order to maximise the positive effects of globalisation on the health of the poor, they argue it is necessary to develop policy coherence across multiple sectors. [Sage Publications Ltd]

Walt, G. (2001) ‘Globalisation and Health’, *Medicine Conflict and Survival* 17 (1): 63-70.

Globalisation means different things to different people; a general definition is the increasing movement of information, material and people across borders. It can be considered in terms of five conflicting but inter-relating themes: economic transformation; new patterns of trade; an increasing poverty gap associated with widening health inequalities; the revolution in electronic communication; and the growing role of non-state actors, such as non-governmental organisations and transnational corporations, in global governance. Globalisation is both an opportunity and a threat, but it is not inexorable. Successful action against its undesirable aspects is possible. [Frank Cass and Co. Ltd]

Section 7: Trade and natural resources

Breitenbach, M. C. and Fényes T. I. (2000) ‘Maize and Wheat Production Trends in South Africa in a Deregulated Environment’, *Agrekon* 39 (3) (September): 292-312.

Qualitative control measures and government regulation of the marketing of agricultural produce was seen as distorting the working of the market mechanism. Trade liberalisation, with tariffication of agricultural produce and the deregulation of the marketing of agricultural produce was therefore promoted. It was expected that producers of agricultural produce would respond to liberalisation efforts and deregulation in a way that would move production closer to some optimum point. An analysis of production trends for maize and wheat confirms that production of these commodities has moved closer to an optimum point, especially after the deregulation of these markets. [BIDS – Reprinted by permission of Landbou-Ekonomievereniging van Suid-Afrika, Agricultural Economics Association of Southern Africa]

Gibbon, P. (1998) *Peasant Cotton Cultivation and Marketing Behaviour in Tanzania Since Liberalisation.* Working Paper sub-series No. i.98.16. Copenhagen: Centre for Development Research.

This paper discusses the debate around structural adjustment and African agriculture, the history of the Tanzanian cotton sector and farming systems in the main cotton growing area of the country before reporting the results of a small survey of cultivators carried out at the end of the 1997/8 seed cotton marketing season. This survey, carried out in the fourth year of market liberalisation, covered crop sales, farming methods, marketing behaviour and perceptions of the marketing system. [Author's summary]

NRET/NRI (1998) 'Ethical Trade and Sustainable Rural Livelihoods'. Chatham, UK: NRI (available online at http://www.nri.org/NRET/nracre.pdf).

The paper explores the actual and potential contribution ethical trade can make to the achievement of sustainable rural livelihoods. It includes a description of ethical trade (Section 2), followed by an analysis of the building blocks and trade-offs that affect participation in ethical trade (Section 3). Section 4 describes the livelihood components required to participate in ethical trade initiatives, Section 5 the strategies adopted by various ethical trade schemes and Section 6 the outcomes of these schemes for sustainable rural livelihoods. The paper ends with conclusions about the actual and potential contribution ethical trade can make to sustainable rural livelihoods. [Eldis]

Page, S. (1999) *Environment Benefits from Removing Trade Restrictions and Distortions: Background for WTO Negotiations.* London: ODI.

The interaction between environmental and trade policies emerged as an issue at the end of the Uruguay Round of trade negotiations in 1994. It has been feared by developing countries as a potential excuse for protection, but the work of the Committee on Trade and the Environment (CTE) at the WTO has tried to shift the debate to looking also at ways in which improving access by developing countries to developed markets can lead to more environmentally-friendly production, in addition to the conventional gains to income and development from trade and the potential effect of reducing poverty on increasing care for the environment. The CTE has provided a forum for discussing some of the issues and started to identify products, but there is now a need to clarify the analysis and look at products in more detail.

Liberalising trade improves the efficiency of production by allowing production to shift to the cheapest location. The objective of an environmental approach is to seek liberalisation of those products where that increase in efficiency is particularly concentrated in efficiency with respect to processes which might damage the environment. This criterion can be added to the conventional negotiating objectives of finding products with severe problems of access and a significant impact on the exporting economy. Because developing countries already have a range of schemes giving preferential access to developed countries, analysing the effects of any new preferences or improvement in access can be complex; the clearest possibilities are likely to be found among goods where developed countries subsidise domestic production, because there has been less liberalisation at the multilateral level and there are few examples of preference. These criteria and the suggestions made in the discussions at the WTO give a preliminary list of products to consider. For some there is clear potential for reforms in trade policy and subsidies to help both development and the environment. [Author's summary]

Shepherd, A. and Onumah, G. (1998) 'Liberalised Agricultural Markets in Ghana: The Roles and Capacity of Government', Paper 12, Green Series. Birmingham: DAG (available online at www.bham.ac.uk/idd).

Since Ghana became committed to a structural adjustment programme several years ago, the onus has fallen on government agencies to take on new and unaccustomed roles in respect of liberalised markets in agricultural products. A study under the Role of Government in Adjusting Economies research programme, co-ordinated by the

Development Administration Group[3] at the University of Birmingham, examines the case for government intervention in the production and marketing of export and food crops grown in Ghana, specifically cocoa, maize and rice. The findings point to alternative relationships between the government on one hand and (on the other) producers and marketing agents, and analyses the institutional conditions under which they operate. The researchers question the wisdom of withdrawing state intervention from certain key areas (such as cocoa marketing) where it continues to uphold significant gains and advantages. [Authors' summary]

Section 8: Fair/free/ethical trade

Page, S. (2003) 'Towards a Global Programme on Market Access: Opportunities and Options'. A report produced for IFAD by ODI, London.

The purpose of the report is to identify ways of increasing the access of small rural producers in developing countries to markets, with the objective of reducing poverty. There is strong evidence that those not integrated into markets are among the poorest. The report concentrates on market access and uses existing knowledge to indicate the possible effects of the different forms of market access on poverty. Initiatives which assist producers at the point of market access can act on choice of product, the technology of production, the organisation of the producer, marketing the organisation of national and international markets (including fair trade), transport, finance and other infrastructure for trade, and government policy towards all of these.

Ponte, S. (2001) *The 'Latte Revolution'? Winners and Losers in the Restructuring of the Global Coffee Marketing Chain.* Working Paper 01.3. Copenhagen: Centre for Development Research (CDR).

This paper uses a Global Commodity Chain (GCC) approach to examine the transformation of the global coffee marketing chain and its repercussions in developing countries. It focuses on shifts that have occurred in the last two decades in the international coffee trade regime, on regulations at the domestic level in producing countries, and on changes in corporate strategies and consumption patters. These are assessed in relation to the evolution of the organisation of the chain, its mode of governance, the ownership of characteristics at various 'nodes', and the distribution of income along the chain. The paper also explores how the restructuring of the coffee chain has affected different groups of actors and suggests some policy directions to address the emerging imbalances. Finally, it assesses the contribution offered by the coffee case study to wider debates that are taking place in the GCC literature.

Shafaeddin, M. (2000) *Free Trade or Fair Trade? An Enquiry into the Causes of Failure of Recent Trade Negotiations.* Discussion Paper 153. Geneva: UNCTAD.

The article draws attention to the deadlock in the negotiations during recent WTO meetings, which has demonstrated the severe differences among various groups of member countries. This paper focuses on frictions between developing countries and industrial economies in the particular area of trade in manufactured goods. The purpose of this paper is to argue that the failure of the negotiations is related to a number of fallacies and contradictions surrounding the concepts and practices of universal trade liberalisation and infant industry protection. [Eldis]

[3] Now the International Development Department (IDD).