Globalisation and the Rural Poor

Tony Killick*

This article surveys how globalisation is affecting rural poverty. The forces of change may affect the welfare of the rural poor through their influence on productivity, growth, income distribution, technologies, the security of livelihoods, and policies. There are both credit and debit entries: large potential benefits, for example from accelerated growth, but also real dangers that the rural poor will be left behind, for example that they will not have access to the knowledge and other assets necessary for success in a commercialised world. The article also discusses some of the influences on the ways the forces of change work themselves out, stressing the importance of market access, positive government policy stances and the assets of the rural poor.

For all their weak integration into economic life, the rural poor everywhere cannot escape the tides of change lapping the shores of their national economies and their agricultures. The forces of globalisation, commercialisation and liberalisation are particularly strong and intrusive. This article sets out to examine the little that is known about how these forces are affecting rural poverty. The first section summarises the chief forces of change impinging upon the rural poor; the next section considers the various avenues through which these forces impact on welfare; the third section examines the factors which determine these welfare consequences; and the final section sums up the findings.

The rural poor in a changing environment

The interaction of the forces of change playing upon it raises questions about the ability of traditional, small-scale agriculture to share in the potential benefits that change offers. The still rapid, albeit declining, population growth, combined with even faster urbanisation, creates ever increasing demands for feeding the towns, while leaving the rural labour force denuded of many of its most active male members. Urban populations are in general growing about twice as fast as the overall total in developing countries, and by 2020 are expected to exceed the size of rural populations (see Pinstrup-Andersen et al., 1999: Fig. 1, based on United Nations sources). Such trends are placing strains on the capacities of some traditional farming systems. Partly in consequence of these demands, the pressures of rural population growth, and the

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sometimes slow pace of technological progress, land is becoming gradually degraded. There is also what is now generally regarded as the fact of climate change, bringing with it growing uncertainty and vulnerability to an increasing incidence of extreme weather and natural disasters – another source of stress and a further requirement to adapt.

Important shifts are also occurring in the structure of world demand for agricultural goods. This is partly manifested in the rapid growth in industrial country demand for exotic tropical fruits and vegetables, but also by a less noticed ‘livestock revolution’ (Delgado et al., 1999), with demand for meat growing three times as fast in developing countries as in the industrial world, with total meat demand expected to double in 1995-2020 and with consequential increases in demand for cereals used as animal feed. These shifts create major new possibilities for farmers in developing countries but they also raise questions about the welfare of those who cannot adapt fast enough. In some regions the capacity to adapt is well proven, in others – particularly in Africa – much less so.

Compounding these pressures are the forces of globalisation. In the most general terms, this refers to the growing interdependence of the world’s economies, particularly the huge increases in capital movements and the rapid relative growth of world trade. Production, too, is becoming increasingly internationalised, with the rapid expansion of multinational corporations. These influences have joined forces with the declining informational and communications costs associated with the IT revolution to bring about increased technological interdependence. These same forces, aided by the international financial institutions, have also resulted in a considerable convergence in national governments’ approaches to economic policy – often radically different from the approaches of earlier decades – in favour of liberalised, market-led development.

The basic facts of globalisation are impressive. Accelerating an already well-established long-term trend, trade has grown at least twice as fast as global value-added in the past decade, at a pace which implies a doubling, in real terms, every twelve years.¹ There has been a related decline in trade protectionism, with industrial countries’ effective tariff rates declining from an average of about 12% in 1960 to under 3% in the 1990s (IMF, 1997: Chart 46). There has also been substantial developing country participation in this. For example, the number of developing countries accepting the obligations of GATT/WTO grew from 61 in 1980 to 110 in 1999; and in Latin America average tariff rates declined from an estimated 50% in 1985 to 10% in 1996 (Birdsall et al., 1998), combined with a large fall in the incidence of non-tariff barriers in the same period (IADB, 1997). While the expansion of agricultural trade has lagged, reflecting the generally lower income elasticities of demand for primary goods, and its share in total world trade has been falling, agricultural exports have nonetheless grown a lot faster than world agricultural output, so that here too globalisation is a fact.² The increase in financial flows has been much more spectacular, however. Average daily foreign-exchange transactions are estimated to have increased from $15 billion in

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¹ According to data in UN, 2000 (Table I.1) world GDP is forecast to have grown at 2.5% p.a. in 1990-2000 and world trade at 6.4%. The IMF’s forecasts, for 1992-2001, are of 3.5% and 7.0% respectively (IMF, 2000: Appendix Tables 1 and 22).
² According to the World Trade Organisation (2000: Table A1), world agricultural production grew at 1.9% p.a. in 1990-99, while world agricultural exports grew at 3.6%.
1973 to $1.2 trillion in 1995, with international capital movements now exceeding trade flows by a factor of sixty (Sutherland, 1998: 1).

Many of these trends have roots going well back into the nineteenth century, with the period 1914-45 seen as an aberrant deviation from a long historical trend towards increasing global integration.\(^3\) There is a widespread belief, however, that the pace is accelerating, the extent of integration becoming more pervasive and its influence on developing countries more intense.

At the same time, it is as well to bear in mind that globalisation has its boundaries. Most notoriously, there has been no internationalisation of labour markets remotely comparable with what has happened to capital markets. The estimate is that about 130 million people currently live outside the country of their birth – about 2.3% of the world population – and that figure is growing at only about 2% a year (World Bank, 1999a: 38). Immigration policies combine with natural cultural and language barriers to prevent more rapid growth, even though (or because) there are many in poor countries who would dearly like an opportunity to seek their fortunes abroad. The industrial world is partial in its commitment to the liberalisation of factor markets.

We should also bear in mind that the internationalisation of capital movements has been restricted to the private sector. Public capital, most notably development assistance, has declined, with 16 out of 21 OECD donor countries spending a smaller share of their GNP on aid in 1997-8 than in 1988-92 (World Bank, 2001: 189). This privatisation of financial flows is mirrored in other aspects of global economic life. The overall stagnation of aid has been compounded by particularly severe cuts in assistance to agricultural development, which fell almost 50% in real terms in 1986-96 (Pinstrup-Andersen and Cohen, 1998:1, citing FAO and OECD sources), and declined as a share of total sectoral aid from 20% in 1987-9 to 12.5% in 1996-8 (IFAD, 2001: Table 2.5).

Lastly, and of particular significance for the task in hand, agricultural liberalisation has so far made limited progress. Indeed, as will be shown later, simply inserting agriculture into the mandate of GATT/WTO during the Uruguay Round of trade negotiations was regarded as a major achievement, even though the actual freeing of agricultural trade was slight, with reluctance shared by many developing as well as industrial countries (Ingco, 1997).

Is globalisation a threat or a promise?

Compare the following statements:

- Globalization offers developing countries the opportunities to create wealth through export-led growth, to expand international trade in goods and services, and to gain access to new ideas, technologies and institutional designs. (Solimano, 1999: i)

and

Globalisation means decreasing national control and an increasing control over the economy by outside players, most significantly foreign banks. It also means putting agriculture in the hands of modern technology owned and controlled by large multinational corporations whose primary interest is to generate profits for themselves, and not the welfare of the people, or something as social-oriented as food security. (Tandon, 1999: 11, 22)

The capacity for globalisation to generate such wildly differing expectations is well-known and was further underlined by the riots accompanying the December 1999 opening in Seattle of the WTO’s Millennium Round of trade negotiations. On the narrower issue of its impact on the rural poor, there are similarly contrasting views, fed in this case by a paucity of hard evidence. At the level of economic theory, there is a presumption that trade liberalisation should be favourable to the poor in developing countries. Since these countries generally have an abundance of unskilled labour relative to other factors of production and to the more developed countries, freer trade should increase global demand for developing country exports embodying large inputs of unskilled labour, thus increasing employment, raising wages and reducing poverty. The reality seems otherwise, however, and many remain sceptical of the case for freer trade.

One difficulty is that the causal chain between the ‘super-macro’ facts of globalisation and the ‘super-micro’ facts of poverty, occurring at the level of the household and the individual, is a long one, hard to trace through, and difficult to research. It is nonetheless possible, in principle, to identify a range of different channels through which the various aspects of globalisation are liable to change the welfare of the rural poor: by influencing the efficiency of resource use, the pace of economic growth, and the distribution of income, through their impact on technologies, on the security of livelihoods, on policies and on the provision of public goods. The following pages sketch the ways in which each of these dimensions may impact on the rural poor.

**Static efficiency effects**

In simple terms, the potential efficiency effects of globalisation are closely related to the classical ‘gains from trade’ arguments: higher productivities as a result of access to global markets and resulting abilities to specialise and take advantage of scale economies, and from the efficiency effects of greater exposure to competition. In principle, the potential benefits are particularly substantial for small economies with limited internal markets – a category which includes virtually all least developed countries and a high proportion of other developing countries – and arguably less crucial for large economies like China and India. Again in principle, the potential gains to agriculture are also large, because globalisation enhances countries’ abilities to exploit comparative advantages arising from differing agro-ecological conditions. There are potential benefits, too, from the reduction of the usually large differences between best-practice and average yields within a single country’s agriculture, or even within given ecological zones, although this finding must be qualified to some extent by reference to the natural protection enjoyed by a good deal of farming, by virtue of high transport and other distribution costs, and the location-specific nature of a lot of its
output. These theory-based predictions of greater efficiency, moreover, receive support in the empirical literature. For example, a recent study by Miller and Upadhyay (2000) found total factor productivity to be robustly and beneficially influenced by both openness and exchange-rate competitiveness (‘trade orientation’).

At the national level, such arguments point in favour of participation in the trade growth which characterises globalisation, but it is easy to see how the rural poor could lose out. If taking advantage of globalisation means greater specialisation and increased competition, these features do not sit well with the facts of smallholder agriculture. For example, in the absence of affordable insurance arrangements, the poor seek to reduce the risks inherent in farming by means of diversification of livelihoods, not specialisation. Those who have land usually have either very small plots or larger areas of low-quality land. Many are faced with growing problems of water supply, especially in Africa.

In other respects too, small-scale farmers are ill-placed to withstand intensified competition. Many of them – and we are thinking here particularly of Africa and southern Asia – lack access to the technologies and market information that would enable them to comply with the stringent quality specifications which increasingly apply in agricultural trade, or to respond to subtle shifts in external demand. They often lack the knowledge and modern skills necessary to take advantage of emerging possibilities. They rarely have access to the credit and other financial services necessary to compete in the modern world. As is shown later, many are faced with extremely high transport and input costs, which again reduce their ability to compete. And there are some whose cultures place greater value on the maintenance of traditional ways of life than on material success in a competitive world, including many of the pastoralists who make up well over a tenth of sub-Saharan Africa’s rural population.

Quite apart from these disadvantages, there is the wider question of whether the economic and institutional infrastructure, and the structure of policies, are favourable to success in international competition. Table 1 shows the extremely varied extent to which developing regions have participated in the expansion of world trade. Unsurprisingly, East Asia is revealed as doing best, with an 85% increase in its trade share in 1983-98. South Asia also comes out positively, on the basis of a much-improved performance in more recent years, although its share remains small relative to its size. The Middle East and North Africa, by contrast, is shown as having lost nearly three-quarters of its share, although this is somewhat misleading because of the strong influence on the statistics of movements in world petroleum prices. SSA also comes out poorly, having lost half of its trade share in this period (continuing a longer-term declining trend). Evidently, producers in some parts of the world find success in world competition far easier than their counterparts elsewhere.

In short, there are real dangers to the rural poor, to set against the advantages for the wider economy. One important factor which will influence the outcome for them is the extent to which they are able to participate in cash crop production and to develop niche markets, where low labour costs and specific agro-ecological conditions weigh more heavily than modern technology and scale economies. Even where these conditions are not met, it is still possible for smallholder farmers to benefit, through the increased demands for food which may be stimulated by economic expansion elsewhere in the domestic economy, and the resulting increased employment and other opportunities outside farming.
### Table 1: Changing shares in world merchandise exports, 1983-98 (%)

<table>
<thead>
<tr>
<th>Low &amp; middle-income countries</th>
<th>1983</th>
<th>1998</th>
<th>Change in share</th>
</tr>
</thead>
<tbody>
<tr>
<td>East Asia &amp; Pacific</td>
<td>5.5</td>
<td>10.2</td>
<td>+85</td>
</tr>
<tr>
<td>Latin America &amp; Caribbean</td>
<td>5.6</td>
<td>5.2</td>
<td>-7</td>
</tr>
<tr>
<td>Middle East &amp; North Africa</td>
<td>6.8</td>
<td>1.9</td>
<td>-72</td>
</tr>
<tr>
<td>South Asia</td>
<td>0.8</td>
<td>1.0</td>
<td>+25</td>
</tr>
<tr>
<td>Sub-Saharan Africa</td>
<td>2.8</td>
<td>1.4</td>
<td>-50</td>
</tr>
<tr>
<td><strong>High-income countries</strong></td>
<td>72.6</td>
<td>75.4</td>
<td>+4</td>
</tr>
</tbody>
</table>

Source: Computed from World Bank (1999a) and (2001), Indicator Table 20.

### Dynamic growth effects

The above considerations relate to potential benefits that may result from ‘static’ gains in efficiency or productivity. Many would argue, however, that the essence of the case for maintaining open-economy-type policy stances lies with its potential for dynamic benefits, notably accelerated economic growth. Perhaps the two most obvious ways in which this might result are via the enhanced possibilities of export-led growth and the investment resulting from increased access to world savings, although there are other possibilities too, including improved access to foreign technological and managerial know-how.

There is a long-standing controversy about the connection between trade openness and GDP growth, and this has given rise to a large empirical literature. Here we cannot do more than summarise this by saying that the present balance of the evidence, while not disposing of the controversy, points in favour of the superior growth record of open economies, where openness is broadly defined. For example, Edwards (1998) concludes that greater openness accelerates economic growth and that large departures from free trade dampen it. Relatedly, the evidence suggests that liberalising countries outperform those with failed liberalisation attempts (Michael et al., 1991). Some have suggested that some minimum level of development is necessary before the benefits of export-led growth can be realised (e.g. Helleiner, 1986) but this hypothesis is not borne out by tests for this by Miller and Upadhyay (2000).

One reason for these results is that more open economies tend to enjoy higher rates of private investment, particularly foreign direct investment (FDI). Other things being equal, openness attracts foreign capital, and the evidence suggests that the growth-enhancing effects of FDI exceed those of domestically-financed investment (Balasubramaniam and Balasubramaniam, 1996). These effects can be quite large because of the rapid growth of FDI associated with globalisation: total flows to all

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4. For a critical review of methodological and data deficiencies in the cross-country evidence see Rodriguez and Rodrik (1999). Other recent contributions to this literature include Krueger (1998), Greenaway et al. (1998), Otani and Villegas (1990) and de Melo and Robinson (1990).
developing countries grew from $24bn in 1990 to $163bn in 1997 (World Bank, 1999a: Indicator Table 21). As is well known, these investments tend to be concentrated on a limited number of countries, particularly China, East Asian countries and some of the more advanced Latin American countries. Such countries claim the lion’s share, while South Asia and sub-Saharan Africa, for somewhat differing reasons, receive only modest amounts. However, when expressed relative to GDP, the regional discrepancies are less striking, although variations within regions remain marked as shown in the following 1990-96 averages of net FDI inflows as percentages of GDP (IMF, 1997: Chart 35):

<table>
<thead>
<tr>
<th>Region</th>
<th>Percentage of GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asia</td>
<td>3.5</td>
</tr>
<tr>
<td>Africa</td>
<td>1.9</td>
</tr>
<tr>
<td>Middle East &amp; Europe</td>
<td>3.6</td>
</tr>
<tr>
<td>Western Hemisphere</td>
<td>3.1</td>
</tr>
</tbody>
</table>

It is noteworthy that none of the regional averages exceeds 4% of GDP. Only in a few countries is FDI likely to make a really large difference to investment levels, which remain largely determined by domestic saving (IMF, 1997: 47).

Overall, then, the evidence indicates that openness promotes faster growth. But what might this do for the rural poor, particularly since little FDI flows into agriculture, least of all small-scale agriculture?

The evidence here is rather strong and points to the benefits for the poor of overall economic growth. Changes in income poverty can be broken down into the effects of changes in total GDP and changes in income distribution. Cross-country econometric studies have tended to show that growth effects dominate as explanators of changes in income poverty (although the connection with non-income indicators of well-being is less strong). Thus, Roemer and Gugerty (1997), using a sample of 61 observations drawn from 26 developing countries, found a roughly one-to-one average relationship between overall growth in per capita GNP and changes in the incomes of the poorest 20% and 40% of the population. In only six (mostly Latin American) out of 39 observations was per capita economic growth of greater than 2% a year associated with falls in the incomes of poorer segments of the population, although there were a number of additional cases where substantial overall growth left the incomes of the poor largely untouched.

In most economies which experienced periods of declining per capita GNP the incomes of the poor also fell. Lundberg and Squire (2001) provide further evidence of a strong positive effect of openness on growth. They also found that, when growth and inequality were examined simultaneously, GDP growth was far more amenable to manipulation by policy changes than income inequality, as conventionally measured by the Gini coefficient. For most policy variables, the responsiveness (elasticity) of growth was at least double the elasticity values for the Gini coefficient and mostly much more so. However, this result is no doubt sensitive to the choice of inequality measure.

These results are consistent with evidence from earlier studies. Fields (1989) found from a sample of 18 developing countries that in only one case was growth not associated with falls in income poverty. The World Bank (1995: 45 and passim) similarly found growth to be the most significant influence on changes in income poverty. From a total of 33 developing countries, poverty declined in 19 of the 24
experiencing positive growth and increased in all 9 of those with declining GDGs. Other World Bank work produces comparable results, including a study of the experiences of 20 developing countries in 1984-93 which found that a 10% increase in mean incomes resulted in an approximately 20% reduction in income poverty (Bruno et al., 1996). Ravallion and Chen (1997) find an average elasticity of poverty reduction to growth of 2.6. Some studies suggest that the incomes of the poor may rise less than those of the non-poor (e.g. Demery et al., 1995) but most evidence suggests that the poorest are substantially included in improvements from growth, and some studies find proportionately larger reductions in poverty-intensity indicators (see Baulch and Grant, 1999).

However, most of the studies reported above also find large country variations in the poverty elasticity around the average, drawing attention to the importance of the nature of the growth path as powerfully affecting poverty outcomes. Of particular relevance here is the strong influence of agricultural growth. Thus, Timmer (1997) finds a 1.6% increase in the incomes of the poorest fifth of the population for every 1% of agricultural growth, and other studies come to similar conclusions (Bourgignon and Morrisson, 1998; Lipton and van der Gaag, 1993: 14). The extent of labour-intensity of the growth path is another powerful influence on outcomes (Fallon and Hong, 1999).

The prime facie expectation, therefore, is that the dynamic effects of trade growth and globalisation-induced investment will benefit the poor, with openness leading to faster growth which, in turn, is likely to improve the incomes of the poor, particularly if the agricultural sector is included in the economic expansion. For reasons set out earlier, the expectation is that the participation of low-income countries in trade expansion will particularly encourage the production of the low-skill, labour-intensive types of output in which they are likely to have a comparative advantage, further underscoring the poverty-reducing potential. In fact, however, there is not much evidence that trade expansion in developing countries has actually taken this form. Rather, there is evidence that trade expansion has led to a relative increase in the demand for skilled labour. Possible reasons for this unexpected outcome are discussed later.

**Technological progress**

Intensified technology transfer has been a feature of modern globalisation. Indeed, this is one of the reasons for predicting improved growth. The major example of the past, but one largely resulting from public sector provisions, was the Green Revolution. Particularly in Southern Asia, this had the effect of raising the incomes of farmers and the demand for labour and for off-farm goods and services. While there remains controversy about the distributional effects of Green Revolution technologies, without doubt many formerly poor farm workers and farmers saw major improvements in their livelihoods, even though others were left out.

The focus today is on the potentials and dangers of biotechnology. In principle, the benefits here too could be large (Pinstup-Andersen et al., 1999: 27):

- by raising productivities, farmer incomes and consumption;

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5. The evidence is surveyed in World Bank (2001: chap. 11).
by lowering food prices – important for the very poor who typically spend a high proportion of their incomes on foodstuffs – and by improving the nutritional quality of some foods;
• by increasing employment opportunities and stimulating off-farm sources of income;
• by reducing risks, e.g. through the development of crops that are drought- and pest-resistant.

However, besides the vexed question of the extent of genetic risk inherent in biotechnologies, there are major unsettled questions about access and orientation, both internationally and within developing country agricultures.

At the international level, past biotech research has been most relevant to the problems of high-income countries, with some spill-over benefits for some of the more advanced food-exporting developing countries such as Argentina (ISNAR, 1996), although attention is now turning to some developing country export crops. Most such research is being carried out by a small number of multinational corporations. Demand considerations give this work a strong bias towards the problems of farmers in rich countries, with little attention being paid to developing country basic food crops and the problems of small farmers and less favoured areas. Results tend to be specific to particular environments, conditions or markets, and/or to require levels of know-how not commonly possessed by poor smallholder farmers (Maxwell et al., 2001: 7). It also seems likely that, within public institutions, globalisation will result in a greater concentration of basic agricultural research in a limited number of centres of excellence. What is crucial – but remains unresolved in an increasingly commercialised research environment – is freedom of access to the results of this research. If orientation were to remain concentrated on the problems of temperate agriculture and if access to results came to depend upon the power of the purse, many low-income countries would not only be unable to benefit from advances in knowledge but could suffer as a result of shifts in comparative productivities from themselves to high-income countries (IFAD, 2001: 153-7).

Within developing country agricultures there are analogous issues of orientation and access. The Green Revolution excluded regions without access to necessary water supplies, being particularly focused on raising yields in irrigated and high-potential rainfed areas. The crops to which it applied and the technologies which it required meant that it had little application to conditions in much of Africa. With the biotech revolution, similar issues arise: which crops will receive priority, to what agro-ecological conditions will it apply, to what extent will it focus on the needs and capabilities of poor farmers?

Distributional effects

The above discussion about the positive effects of growth on poverty needs to be qualified by reference to changes in income distribution. The impact of growth on income poverty is sensitive to both the initial distribution and how income shares change with economic expansion. As regards the first of these, the elasticity of poverty with respect to growth has been found to decline with the extent of inequality: the greater the initial skew, the smaller the power of growth to reduce poverty. Thus, a
recent study (Hanmer and Naschold, 2000: Table 1) of a sample of 58 developing countries, using the conventional gini coefficient measure of inequality, found that the growth-poverty elasticity in low inequality countries (gini <0.43) was -0.93 (meaning that a 1% increase in GDP would result in a nearly equal proportionate reduction in those living below the poverty line), whereas the elasticity was only -0.34 in high inequality countries (gini >0.43). Although the reasons for this are somewhat conjectural at this stage, some evidence further indicates that inequality is also bad for economic growth. Initially severe income (or asset) disparities are hence adverse for poverty reduction both by slowing the expansion of incomes and by channelling to the non-poor more of the income growth that does occur.

The above discussion of technological progress illustrates a broader concern about the development paths resulting from globalisation: a fear that they will be associated with widening inequalities, perhaps because of the skill biases of modern technological progress (McKay et al., 1999: 43; Lundberg and Squire, 2001). There is no inevitability about this, for it is well known that various East Asian countries successfully combined export-led growth with reducing inequalities. However, there were particular reasons for that, notably the effects of land reforms. The more recent experiences of these countries, where income disparities are beginning to widen again, and also of some Latin American countries, has led some to suggest that an open-economy stance results in widening inequalities. On the other hand, sub-Saharan Africa is the region where, so far as the data permit generalisation, inequalities are among the largest and probably widening, but Africa has pursued the least open-economy policies of all developing regions.

There is evidence that global inequalities have been increasing during the last decade or more, with Milanovic (1999) presenting world estimates for 1988-93 based on household survey data, reporting widening global disparities. These estimates combine both inter-country and inter-household trends, however, and it is far from clear to what extent they can be attributed to globalisation. Thus, Milanovic points out that his results are heavily influenced by the slow growth of rural incomes in populous Asian countries, combined with rapid urbanisation in China. Any strong connection of these factors with the forces of globalisation is doubtful. Corina (1999:12-16) also finds widening inequalities worldwide but goes further to hypothesise aspects of globalisation as causal factors: declines in the share of labour in total incomes during structural adjustment; trade liberalisation; the ‘financialisation’ of the economy and the rise in the financial rent between 1982 and 1996; ‘erroneous approaches’ to privatisation; changes in labour institutions; and in some cases erosion of the redistributive role of the state. There is, then, potential for the positive poverty-reducing effects of globalisation-induced growth to be undone by associated widening of inequalities, although it is impossible to gauge the extent of this on present evidence.

One thing that is clear is that if there are losers many of them are likely to be women (World Bank, 2001: chap. 7; White and Killick, 2001: chap. 3). Many rural women are hampered from benefiting from the changes arising from globalisation.

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6. The empirical literature on this is briefly surveyed in World Bank (2001: chap. 3).
7. Data in Deininger and Squire (1996) show inequalities in SSA, on various measures, to be about the same as in Latin America (e.g. with a gini coefficient of about .50), with indications that disparities are continuing to widen. See Collier and Gunning (1999: Table 3) for comparative evidence on openness in SSA and other regions.
They have less access than men to education and training, less time to devote to productive activities, less command over important resources such as land, credit and capital. In some developing countries the sexual division of labour precludes women from income derived from cash crops. They also have less incentive, with regard to control over income, to respond to economic signals. In poor households, the impact of technical change on men and women is frequently different, depending on whose tasks are mechanised, how workloads are affected, and who loses opportunities for paid work.

**Insecurity effects**

Poverty is not just about income. Among its other characteristics is the fact that the poor suffer more intense levels of insecurity than those more fortunately placed. There are large-scale movements of people in and out of poverty, with those who have managed to improve their positions often pressed back down again by natural disasters, inflation and other shocks. Some aspects of globalisation risk increasing such insecurity. Greater financial interdependence amongst national economies enhances the transmission of shocks from one to the other, a feature of the modern world dramatically demonstrated by the way financial crises in Russia and in East Asia in 1998 rapidly sent shock-waves around the rest of the world, leading to a global slowdown. The enormous explosion of cross-border movements of highly mobile financial capital, and the difficulties of regulating this, have resulted in a qualitative jump in the risk of financial shocks spreading around the world, again illustrated by the East Asian experience.

Furthermore, globalisation is more generally associated with an accelerated pace of change in economic life, and increased exposure to competitive pressures, requiring a speed of adaptation which is disruptive, or which may simply be outside the range of possibilities of those with few modern skills or other assets. Finally, as indicated earlier, globalisation is linked to increased specialisation, but this, for all its advantages, increases vulnerability in agriculture, pushing farmers to ‘put all their eggs in one basket’.

While it is true that many of the shocks that may flow from the rest of the world will hit the urban sectors hardest, the East Asian case showed that there were a number of channels through which the rural poor were harmed – as a result of reduced remittances from relatives in the towns, from the return of unemployed migrants who then competed for work on the rural labour markets, and as a result of higher living costs. The problem was compounded by governments cutting back on social spending and rural infrastructure (World Bank, 1999b: 64-5). Attempts to introduce safety-net measures to alleviate the burden on vulnerable groups came too late and were of limited effectiveness. Among the consequences were a marked decline in rural saving and an increase in loan defaults, which, in turn, reduced villagers’ access to the new credit that might have helped tide them over.

Against this, the development of agriculture, which may be stimulated by globalisation for reasons already discussed, is itself a potent – the most potent – way of reducing insecurity of food and livelihoods, as has been demonstrated most clearly in East Asia. Moreover, there was initially a tendency to overestimate the damage caused by the East Asian crisis. With hindsight, the crisis was quite short-lived and the impact on poverty and employment, although severe in some cases, was less dramatic than at
first feared. There have been strong recoveries throughout the region, even in Indonesia, which has the largest structural weaknesses (IMF, 2000: 24-5).

**Policy effects**

Notoriously, many developing country governments have discriminated against agriculture and thus those who depend upon it for their livelihoods. This bias typically took the form of a combination of overvalued exchange rates, state trading monopolies for domestic and external marketing of agricultural commodities, and high tariff and non-tariff barriers on manufactured inputs in pursuit of import-substituting industrialisation. Deliberately or otherwise, revenues from commodity exports were used to fuel the growth of the civil service and a pro-urban bias which neglected agriculture.

One, partial, way of demonstrating such biases is to estimate the effects of overt and indirect taxation of agriculture (e.g. as a result of industrial protectionism and exchange-rate overvaluation) to arrive at calculations of the net protection or taxation of agriculture, a methodology adopted by Schiff and Valdés (1992, 1998). For a sample of 18 developing countries, their results are set out in Table 2.

**Table 2: Direct and indirect taxation/protection of agriculture (%) (averages for periods in 1960-84)**

<table>
<thead>
<tr>
<th>Region</th>
<th>Indirect protection</th>
<th>Direct protection</th>
<th>Net total protection</th>
</tr>
</thead>
<tbody>
<tr>
<td>Africa &amp; Middle East</td>
<td>-24.6</td>
<td>-21.7</td>
<td>-46.3</td>
</tr>
<tr>
<td>Asia</td>
<td>-22.8</td>
<td>-2.5</td>
<td>-25.3</td>
</tr>
<tr>
<td>Western Hemisphere</td>
<td>-21.3</td>
<td>-6.5</td>
<td>-27.8</td>
</tr>
<tr>
<td>Sample means</td>
<td>-22.5</td>
<td>-7.9</td>
<td>-30.3</td>
</tr>
</tbody>
</table>

Note: (a) Sample means include values for Turkey and Portugal, not included in above regions.
Source: Computed from Schiff and Valdés, (1998: Table 3).

Africa and the Middle East are recorded as having by far the most biased policies, but all three regions, as well as the sample as a whole, were penalising their agricultures through to the mid-1980s. The only country exceptions to this in Schiff and Valdés’ sample were South Korea and Portugal, although outside the sample there were African exceptions too. The most extreme offender in the sample was Ghana where, in 1958-76, a combination of undiscriminating industrial protection, massive currency overvaluation and heavy taxation of cocoa exports led to net negative protection of minus 60%.

Evidently, the rural poor, along with their more prosperous neighbours, stand to gain from a reversal of such biases. In principle, much of the thrust of the structural-adjustment-style policy reforms associated with globalisation has been intended to reduce such biases. These linger on, however, as is suggested by the estimates of
nominal rates of protection to agriculture and industry after implementation of the
Uruguay Round reforms (i.e. in the mid-1990s) in Table 3, showing large differences
between low- and middle-income countries and the rest of the world. In practice, the
net impact of reform packages on rural populations has been ambiguous, since reduced
public provision of agricultural and rural development support systems has to be set
against improvements in exchange-rate regimes and other liberalisation measures.
Similarly, Reardon et al. (1999: 389) refer to the ambiguous effects of reforms on
African agriculture and on the incentives faced by farmers, suggesting that an excessive
focus on macro-level reforms ‘has simply laid bare underlying structural weaknesses in
rural markets’. However, there have been major output and productivity gains in a
number of cases and the potential benefits for the rural poor from policy changes
induced by the necessity to adapt to intensifying international competition and other
pressures are certainly substantial in many countries.

Table 3: Nominal rates of assistance, by sector and country
grouping, post-Uruguay Round (%)

<table>
<thead>
<tr>
<th></th>
<th>Advanced industrial</th>
<th>Newly industrialised</th>
<th>Low- and middle-income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture and processed food</td>
<td>33</td>
<td>33</td>
<td>6</td>
</tr>
<tr>
<td>Other primary and manufacturing</td>
<td>2</td>
<td>6</td>
<td>11</td>
</tr>
</tbody>
</table>

Note: These are estimates of producer subsidy equivalents, which include the effects of export subsidies and
taxes, ‘voluntary’ export restraints and the tariff equivalent of QRs. The nominal rate of assistance to each
sector is calculated from detailed industry estimates by using production for each sector in each region of the
data base valued at distortion-free prices as weights. See source for further details.
Source: Hoekman and Anderson (1999: Table 1).

There is also the wider issue of the impact of structural adjustment reforms on the
poor. Not surprisingly, the influence of reform programmes on economic performance
is shown to be a function of the extent to which they have actually been implemented.
When implementation is good, there is strong evidence of an associated improvement in
economic performance, and with that improvement comes an enhanced potential
to reduce poverty. Implementation is often weak, however. One symptom of this is that
reform programmes suffer high mortality or interruption rates. A high proportion of
IMF programmes break down before the end of their intended life and, on average, past
World Bank programmes have taken twice as long to complete as intended, with both
shortcomings closely linked to non-implementation of policy conditions (Killick, 1998:
chap. 2). In fact, neither institution has ever been able to show a systematic correlation
between adoption of its adjustment programmes and improved growth, with the World

8. The following paragraphs are based largely on Killick (1998: chap. 2, and forthcoming). See also White
(1997); ODI (1999); Sahn (1996); Bredenkamp and Schadler (1999); World Bank (2001: chap. 11).
Bank admitting that ‘policies are driven primarily by the domestic political economy – and that donors are simply not very effective in influencing them’ (2001: 199).

If the growth effects of programmes have been mixed, what about their distributional consequences? They have often been criticised for imposing excessive burdens on vulnerable groups. However, the evidence suggests that the distributional effects of reforms have been more complex than that (Killick, forthcoming; World Bank, 2001: chap. 11). Evidence from a number of countries shows that reforms have often either been associated with, or been unable to prevent, growing inequalities. While it does appear in a number of cases that the differential effects of adjustment measures have been sufficiently powerful to induce a measurable narrowing in the size of urban-rural inequalities, this has mainly been the result of a squeeze on urban incomes. In fact, that a disproportionate part of the burden of adjustment is usually borne by the urban labour force is one of the few firmly established generalisations in this area, with the impact on the rural poor quite variable, as might have been predicted from the earlier discussion.

Overall, apart from the impact on the urban population, there is a distinct lack of evidence that structural adjustment has changed poverty to any large extent. Perhaps this is not surprising, since reform programmes are somewhat peripheral to the causes of poverty and are, therefore, unlikely to make a large impact, in either direction. What is clear, however, is that more energetic execution of agreed programmes could be expected to improve economies’ growth performance and hence the scope for poverty reduction. Half-hearted reform has been a major weakness.

Apart from their growth and distributional effects, have reform programmes adequately protected poor groups put at risk by the policy changes? Here too the evidence provides a mixed picture. It shows that, when faced with the necessity to cut back on their budgets, governments try to protect social spending, with the heaviest proportionate cuts falling on capital formation and economic services. However, this relative protection has not been able to prevent major absolute declines in social service provision in some countries. Moreover, so far as the rural poor are concerned, often severe cuts in spending on rural infrastructure and agricultural research and extension services can have serious welfare effects, even when social spending is maintained. While there is much evidence that a disproportionate share of the benefits is captured by the not-so-poor with respect to both social and economic services, such provisions remain ‘progressive’ in the sense that, proportionate to income, they remain more important to the poor (Castro-Leal et al., 1999).

The indications are that safety nets have had a mixed but improving record, but have been largely designed for essentially urban-based vulnerable groups, such as redundant civil servants. These schemes have included targeted subsidies and transfers of various kinds; employment-creation and retraining schemes; and special infrastructural development schemes in poor areas. Early evidence suggested that they had made little impression, being too small, reaching only a fraction of the targeted poor, and with regional, gender and class biases. But lessons have been learned and later results are more encouraging. Targeting and project designs have improved, and schemes have been made more accessible to the poor, albeit mainly the urban poor.
A summing-up

We have now surveyed a range of different channels through which the forces of change emanating from the wider economy are liable to affect the welfare of the rural poor. We have shown that these forces are apt to have significant impacts on the productive efficiency of resource uses, on economic growth, the distribution of income, technologies, the security of livelihoods, on policies and the provision of public goods. In virtually each of these cases, we have suggested that there are both credit and debit entries, potentialities and dangers. There is a huge potential benefit, for example, from an acceleration of growth following from fuller integration into a rapidly expanding market for exports. There are benefits to be had, too, from more productive resource uses, from improved access to technological advances and from policy improvements induced by exogenous pressures. Against these, there are very real dangers that the rural poor will be left behind; that they will not have access to the knowledge and other assets necessary for success in an increasingly competitive world; that food security may be reduced; that continuing political and policy biases will diminish their prospects of sharing in the potential benefits; and that globalisation will be associated with widening income disparities.

Determinants of outcomes

The question now arises as to which factors are likely to determine how the balance of the positive and negative tendencies will play themselves out. These can be organised under a number of headings: exogenous factors; market access; market failures and the assets of the poor.

Exogenous factors

As these affect the livelihoods of the rural poor, an important issue is whether we must expect a continuation of the long-term downward trend in world real agricultural prices that is now widely accepted as existing.9 Low income elasticities of demand for many (although not all) such goods are likely to continue to exert a dampening effect on markets, relative to the position for manufactures and services. However, there are reasons for thinking that the record of world food prices might be somewhat less negative in the next two decades than in the past, as a result of a slowdown in improvements in crop yields and a strong growth in demand for meat and associated cereals (Pinstrup-Andersen et al., 1999: Figure 15 and passim). The welfare effects of the trends that do emerge will, of course, vary greatly according to whether countries are net food exporters or importers.

A related exogenous factor concerns the future course of world trade reform and of the Millennium Round, thrown into disarray by the failure of the December 1999 conference at Seattle. In what was regarded as a significant breakthrough, the trade reforms agreed under the Uruguay Round included provision for reduced agricultural

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9. For example, data in World Bank (1999b: Table A2.11) indicate that, when deflated by a unit-value index of manufactures prices, world prices for agricultural export commodities fell by 47% in real terms in 1965-98.
protectionism, primarily in the developed world. This included tariffication of non-trade barriers, reductions in the resulting tariffs and reduced levels of domestic and export subsidies. The net effect of these changes was expected to be modest but to lead to some improvement in world prices for the affected goods, notably cereals and other temperate crops. Overall, the welfare effects on developing countries were expected to be small, typically well below 1% of GDP (Ingco, 1997: 14), but whether individual countries stood to gain from these reforms was likely to depend on whether they were net importers or exporters of the items in question. Rather more than half of all developing countries were net food importers and thus stood to lose (ibid.: 13), with a particularly heavy concentration of losers in Middle Eastern and African countries, whereas countries with already-established comparative advantages in food exports, such as Argentina and Brazil, stood to benefit.

While the overall impact of the Uruguay Round agricultural reforms was expected to be small in most cases, the precedent created and the trend set under way were potentially of great importance, and agriculture was intended to be one of the top arguing points in the Millennium Round talks, albeit with an ever-present danger that these would mainly involve developed country negotiators. The lesson for developing countries appeared to be that those with competitive agricultures – and favourable natural-resource bases and demographic situations – were the ones that stood to gain most (ISNAR, 1996: 10). Perhaps one of the chief benefits of any further trade liberalisation was that it would reduce the sustainability of policies biased against agriculture and increase domestic pressures for improved public provisions for the sector (Ingco, 1997: 20), although there were also signs that the European Union countries were coming to view it as in their interests to do a deal in the Millennium Round which provided for real progress (Tangermann, 1999). However, the Seattle breakdown raised questions about whether political realities in the United States were such as to permit the kind of give-and-take on trade matters necessary for talks to be productive.

Meantime, and despite the Russian and East Asian setbacks, cross-border flows of financial capital are likely to remain very large, probably renewing their upward trend. The direct significance of this for the rural poor is limited, since little of this money is likely to find its way into smallholder agriculture. However, by reducing the pressure on domestic investible resources and through its multiplier effects, FDI may indirectly permit greater rural investment than would otherwise occur. Secondly, the recent experiences of countries like South Korea, Indonesia and Thailand suggest that the volatility of much international capital magnifies the harm done by ill-chosen domestic policies, especially in the financial and macroeconomic areas. This will tighten constraints on domestic policy-makers in ways that, on balance, may be to the advantage of the rural poor, especially if it results in the reduction of inflation.

So far as most developing countries are concerned, basic technological advances relevant to the rural economy can also be regarded as an exogenous factor, with the dangers described earlier. Here, as in the case of financial flows, this is likely to place a premium on good-quality domestic policies, in this case to encourage investments which embody such technologies, to promote adaptive research and to assist farmers to take advantage of what is on offer. One of the facts of the modern world is that countries cannot afford to fall behind in the advance and application of knowledge.
Market access

There are various dimensions to this: access to market information and the degree of integration into the wider economy, as expressed in terms of the transmission of price signals; possession of skills, finance and other assets that permit people to recognise and take advantage of market opportunities; and the extent of institutional and organisational development, including marketing and transportation facilities, as governing the level of transactions costs.

Limited integration is often a feature of the economic situations of the rural poor, although the extent of this differs widely across regions. Market information – access to knowledge about market conditions and opportunities – is often poor, leading, for example, to large price differences for identical products within quite confined localities. The extent to which price signals, perhaps emanating from a change in national pricing policies, are passed through to the farm-gate level is often quite weak – a particularly large problem in Africa (Ahmed and Rustagi, 1987: 115; Lloyd et al., 1997) and helping to explain the muted response of African agriculture to price liberalisation.

Affecting almost all these market access issues are the levels of institutional and organisational development and the quality of the rural transport infrastructure. On the latter, Delgado (1995: 5) notes that high transport costs in rural Africa reduce the tradeability of much agricultural output, effectively turning parts of the rural economy into systems that are only ‘semi-open’, even though they might otherwise be expected to gain heavily through participation in trade. For analogous reasons, remoteness, in terms of economic space, is found to be a major correlate of rural poverty. Thus, again commenting on Africa, Iliffe (1987: 235) writes of ‘destitute areas... remote from transport, bereft of services, unable to market crops or secure local employment, obliged to export labourers, victimised more by neglect than exploitation’. This feature is related to the fact that a high proportion of the rural poor live in less favoured agro-ecological areas. Remoteness raises transaction costs, reduces farm-gate prices and returns to labour and capital, and weakens incentives to participate in the monetised economy.

Quoting a wide range of empirical sources, Minten and Kyle (1999: 468) stress the impact of infrastructure on rural prosperity, affecting fertiliser and other input uses, raising producer price elasticities and enhancing market integration. They report research results from Kinshasa showing that the prices paid to farmers are highly sensitive to the mode of transport and the state of the roads, and they cite the work of Antle (1983) showing the transport and communications infrastructure to be an important constraint on agricultural productivity. A study of the influence of landlockedness by Limão and Venables (1999) confirms the powerful influence of transport costs on trade, finding that the median landlocked country has only 30% of the trade volume of the median coastal economy. The implication is that improving the infrastructure of the most badly affected countries stands to stimulate a large expansion in their trade volumes. IFAD (1999: Table 9) illustrates comparative roads development in the data reproduced in Table 4. This unfortunately does not include any Latin American countries, although a typical entry for that region may reveal statistics somewhat better than the Asian examples provided, and certainly much better than the
African ones, where low population densities make road-building financially burdensome.

Table 4: Comparative indicators of roads development

<table>
<thead>
<tr>
<th></th>
<th>Km of road per km²</th>
<th>% of paved roads</th>
</tr>
</thead>
<tbody>
<tr>
<td>Botswana</td>
<td>0.02</td>
<td>9.5</td>
</tr>
<tr>
<td>Ethiopia</td>
<td>0.03</td>
<td>28.0</td>
</tr>
<tr>
<td>Kenya</td>
<td>0.09</td>
<td>9.7</td>
</tr>
<tr>
<td>Malawi</td>
<td>0.05</td>
<td>12.2</td>
</tr>
<tr>
<td>Tanzania</td>
<td>0.02</td>
<td>...</td>
</tr>
<tr>
<td>Zambia</td>
<td>0.05</td>
<td>13.0</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>0.35</td>
<td>32.0</td>
</tr>
<tr>
<td>India</td>
<td>0.41</td>
<td>38.8</td>
</tr>
<tr>
<td>Indonesia (Java)</td>
<td>0.41</td>
<td>37.2</td>
</tr>
<tr>
<td>USA</td>
<td>0.67</td>
<td>85.0</td>
</tr>
</tbody>
</table>

Source: IFAD (1999: Table 9).

Market failures

We have earlier drawn attention to the short-term tension between the food-security strategies of the poor and the imperative for greater specialisation flowing from the forces of commercialisation. To a large extent, this tension arises from a combination of market and state failures to meet the latent demand for crop insurance and finance. Market failure in the provision of smallholder credit is well-known. The absence of a supply of insurance services is another important impediment. Thus, writing about the commercialisation of farming in Rwanda, von Braun et al. (1991: 12) note that, although smallholders could potentially gain from commercialisation and specialisation, the need for food security in the absence of crop insurance pushes them in the direction of subsistence and diversification of outputs.

Market conditions, particularly in less accessible areas, also often fail the poor by confronting them with monopoly and monopsony forces against which they have no effective defences, or with situations in which withdrawal of state provision has left a vacuum which remains to be filled by private enterprise. Output marketing is perhaps the most important example of the monopsony problem. In the past, the state itself was the cause of the problem, through the often gross inefficiencies of state-owned marketing agencies. There has in recent years been extensive privatisation. The overall consensus appears to be that farmers have benefited from this but that the results have by no means been without problems (IFAD, 2001: 168). Following the abolition of pan-territorial pricing and because of low levels of competition among private traders, farmers are sometimes confronted with a single buyer for their produce who can offer a low farm-gate price, thus reducing the benefits from, and incentives for, fuller
integration into commercialised agriculture. Participatory analysis reveals continuing dissatisfaction among many producers.

Alongside market access, the responsiveness of public policies stands out as a crucial determinant of the effects of the forces of change on the welfare of the rural poor. Although Indonesia is not now everyone’s favourite example of wise policies, Mellor (1999: 36) draws a telling contrast between that country’s use of oil surpluses for a massive programme of investment in rural roads and Nigeria, which used easy oil revenues as an excuse for rural neglect.

**The assets of the rural poor**

The factors so far considered in this sketch of the determinants of abilities to benefit from the forces of change could be understood as referring to the mechanisms for transmitting market signals to farmers. But there is also the issue of how people respond to these signals, as influenced by the assets over which they have command, and by the labour-intensive nature of their comparative advantage as farmers. There is a large body of evidence which shows smallholder farmers to be highly responsive to changing conditions but subject to the constraints imposed by their market access and their assets. Education is supremely important here, raising abilities to respond to market signals and to adopt and adapt technological improvements, while also increasing mobility within the labour market. Lack of education is a universal correlate of poverty, although education also requires an expanding economy for people to be able to benefit decisively.

Although it is harder to generalise about this, access to land is another potentially binding constraint on responsiveness, not least because a combination of population growth, the marketisation of land and commercialisation of farming often threaten the access of the poor (Lipton and van der Gaag, 1993: 31-2). This explains why reforms which accelerate the marketisation of land may be a mixed blessing to smallholders. Access to water is another constraint for many. So is access to other forms of capital – equipment and other productive assets, and working capital – the absence of which is also likely to impact on farmers’ ability to respond quickly and efficiently to changing market signals. Taking all these factors together, the greater people’s access to assets, the less vulnerable and risk-averse they will be, and the better able to specialise and respond to new opportunities.

Lastly, we should remind ourselves that in many of the above respects women are especially disadvantaged and are particularly constrained in their inability to compete. Quite apart from the inequities involved, the inferior access of women to schooling and health services, land, credit and support services, as well as the excessive demands made on their time by the combination of farming work, childcare and household duties, hold back the progress of agriculture, where women’s labour is particularly important. The extent and inefficiency of this were demonstrated in a World Bank report on poverty in Africa which estimated that the various disadvantages faced by women reduce economic growth in Africa by nearly a full percentage point (0.8%) each year, with a concentration of this loss in smallholder agriculture (World Bank, 1998).
Conclusion

We have now discussed ways in which forces of change emanating from the wider economy are apt to affect the welfare of the rural poor, finding a rather large number of channels through which this may happen. We have also sketched some of the more important influences which mediate the way these forces work themselves out, stressing the importance of market access, positive government policy stances and the assets of the rural poor.

At this point we might revert to the theoretical presumption stated at the outset: that trade liberalisation will be favourable to the poor in developing countries. Since developing countries generally have an abundance of unskilled labour relative to other factors of production and relative to the more developed countries, freer trade should increase global demand for developing country exports embodying relatively large inputs of unskilled labour, thus increasing employment, raising wages and reducing poverty. We noted subsequently that the reality is more complicated than the simplifications of trade theory, and in particular that it is the demand for products embodying skilled labour which appears to be the most buoyant. From the above discussion we can hypothesise a number of explanations for this partial failure of reality to match theoretical expectations:

i) We should not exaggerate the extent of liberalisation that has actually occurred, either domestically or internationally. We have drawn attention to the very limited extent of agricultural trade liberalisation that has so far been achieved. In substantial degree, the free trade model is not working well because it is not being applied, i.e. because of extensive continued protectionism within OECD countries.

(ii) Similarly, within many developing countries liberalisation remains partial, industrial protectionism and other anti-agricultural biases persist, and market outcomes often differ markedly from the theoretical ideal.

(iii) Any residual tendency for the forces of globalisation to favour developing country labour-intensive agriculture tends to be offset by biases in technological progress in favour of temperate crops and capital- and skill-intensity.

(iv) A variety of factors prevent the rural poor from responding as well as they might to market opportunities and heightened competition: the forces limiting their market access (poor information, weak institutions, poor infrastructure, etc.) and their inadequate command over assets that would raise their market effectiveness, notably education, land, water and finance.

(v) A tendency towards intensifying inequalities of income and wealth, as well as heightened instability and uncertainty, prevent general economic progress from being translated fully into improvements in the well-being of the poor.

Finally, there are two important concluding points to bring out.
First, the above discussion of the position of the rural poor has largely been addressed to the position of the *economically active* poor, especially small-scale farmers and wage-labourers. It is important to stress, however, that many of the poor are not economically active. A recently published report on poverty in Africa, for example, makes a strong distinction between the economically dependent and the active poor (White and Killick, 2001: 16):

The literature on poverty in Africa has largely concentrated on the active poor ... [but] the indirect evidence is strong that dependants – handicapped people, the aged with no immediate family to help them, orphans, refugees and other displaced people, female-headed households reliant on remittances from men-folk in the towns, child-headed households where the eldest of the children take care of their siblings following the loss of their parents – are numerous and particularly likely to be impoverished.

As the report goes on to stress, the existence of large numbers of economically dependent poor draws attention to the dangers of relying upon growth, in agriculture as elsewhere, to reduce poverty *(ibid.*: 37):

... the extent to which growth raises the position of the economically dependent poor ... is entirely contingent upon the operation of traditional and other safety net provisions and, more widely, upon changes in the distribution of income. In societies where income disparities are widening, governments are unable or unwilling to make adequate social provisions and the efficacy of traditional sharing mechanisms is diminishing, the position of the dependent poor is highly exposed.

Second, we should revert to the concern expressed at the beginning of this article about the long-term ability of many poor smallholder farmers to respond adequately to population pressures, growing international competition and agricultural commercialisation. The long-term future of agriculture is almost certainly bound up with accelerated commercialisation and the greater use of modern know-how. These forces, the particular disadvantages suffered by smallholder farmers and the continuing growth of the rural labour force in many developing countries suggest that the rural poor will increasingly have to rely upon the sale of their labour. This means that their welfare is likely to be ever more closely linked to:

- the general development of the economy, including expansion of the industrial, service and other parts of the urban economy, to create alternative employment and enterprise opportunities for migrants from the villages, especially those coming from semi-arid and other low-potential farming areas. In the long run, migration and economic diversification will be necessary if a viable balance is to be maintained between people and natural resources in fragile areas.

- the development of a wider range of non-farming opportunities within the rural economy, increasing the already large importance of off-farm income
sources for the rural poor. Here we should note the strong links between the growth of the agricultural and non-agricultural parts of the rural economy.

- efficient labour markets that will encourage labour-intensive development paths and facilitate the absorption of rural labour, at reasonable levels of productivity and earnings, within both the rural and urban economies.

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