

Food production and export goods



**ASSIGN
BUSTER**

Assess the advantages and disadvantages for poor country governments of food production over export goods.

This essay argues that food production should be on top of the priority list of governments of the poor countries, because of the increase in of food prices globally at a time of global economic downturn and for the purpose of achieving food sovereignty and food security

The discussion highlight the failure of export of goods strategies, and complexities related to connecting poor economies with global market as a result of recommendations by IFIs which focus on the advantages international trade. The essay slightly engages with debate around the incapability of those institutions, and their strategies to tackle the implication of world food problem in the context of the poor countries; using conclusion and critique of case studies as disadvantages to draw the food production as a favourable option in response to this problem.

What poor countries means?

In brief, and in order to identify what meant by poor countries. According to Paul Collier (2007) those countries falls entrapped in four major areas, including “ conflict affected countries”, “ natural recourses” even if the recourses are available they suffer from phenomenon such as “ Dutch Disease” often perceived as miss management of resources, the problem of being “ landlocked”, and “ poor governance” which is combination of corruption and inadequate state administrative capacities together with other governance problems. Additionally to collier’s list Foster (1992) outlines weak state infrastructures, which in this essay refers simply to poor

or lack of: a transportation network, communication structures and technical capacities, which is axiomatically, refers to education systems and capabilities. For both authors the majority of population are very poor: landless poorly educated commonly superstitious etc. Within these countries the South Centre (2008) estimates that the bulk of population are consuming imported food; the centre argues the poor population are more vulnerable to rising food prices because food represents a high proportion of their total expenditure.

In today's globalised world is facing the worse global economic downturn since the great recession of the 1930s. Food is not just an important need for nutritional of humans to survive, it became more of fact reflecting sovereignty and independence of the state; in the case of the poor countries - if not in all countries at least for the majority-the state and its governing system is an inherited system from the economical relations of the colonial era. Food sovereignty could be more than a symbol for independence; it could work as basis for fair trade and development. In contrast FAO (2009) report establishes clear link between the global economic downturn and predict that it going to intensify implication on the poor countries as assuming decline in exports or capital inflows will soon occurs while the food import capacity (FDI, remittances and foreign aid).)

Patrick Kendall and Marco Petracco (2009) critically assess the impact of food import Caribbean and the dependence on its import has made the region more vulnerable and exposed to international market supply shocks, which are expected to boost again due to increasing volatility nature of food in the global markets. They criticises the shifts from subsistence to cash

cropping declined the ratio agriculture export earnings in GDP of the region “ from 9. 7% in 1980 to 4. 3% in 2004”(p. 783) while “ the ratio of expenditure on food imports to total foreign exchange earnings fell from 15% in 1980 to 9. 7% in 2004, and the ratio to total imports fell from 15. 5% to 8. 7%.”(p. 785)

On the basis of comparative advantages (which is not a static concept[1]), division of labour and free trade was introduced hypothetically it “ makes all materially better off than they would be if individuals or communities tried to provide everything for themselves” (George Kent, 2002). It was also assumed that within the globalization of world economy countries will be able to procure food from diverse sources and they will get the best prices through the open market. As a matter of fact trade does assist in growth of the economies of these countries either “ regionally” (Coe N. M.; Hess M.; Yeung H. W.; Dicken P. and Henderson J. 2004) or “ globally” (WTO, 2010). But this was never the case of food, where income of the poor among other mix variables influence the rate of under-nutrition and consequently it lowers fertility rates, human survival rates, health, and education capabilities of children, security and the overall energy of a country aspires development (Foster 1992). However, historically as in the case of sub Sub-Saharan Africa during the 1970s and 1980s integration into the world economic system “ at a time of historically unprecedented volatility in world food, energy, and capital prices. As a result of these burdens, smallholder farmers in Sub-Saharan Africa are very poor and are getting poorer” (Delgado 1997 cited in Kent, 2002 p. 2). While the world produces enough food for all the mankind currently (Kakar, Raziq, in 2009 FAO estimated that over one billion

individuals are “ undernourished” (FAO, 2009). “ After thirty years of falling global food prices in real terms, food prices have steadily increased since the year 2002. This trend began to increase in 2006 and prices rose even more sharply in 2008” (South Centre, 2008 p. 14) indicating that “ food prices rose by 52 per cent” (p. 1). Using twenty equation econometric model R. McFall Lamm and Paul C. Westcott study on The Effects of Changing Input Costs on Food Prices proves that changes in factor prices results quickly in change of food prices the results also indicates that food prices increase rapidly than non food prices. Consequently, the increase in prices will ultimately lead to unrest in many poor countries; bearing in mind that as result of 2007 food prices increase, “ 30 countries” experienced food riots “ where the world’s poorest people can no longer afford basic food” (Georgia Miller, 2008).

Unless international finance and trade institutions namely (WTO, IMF, World Bank) are reformed, there are no hopes for poor countries to compete in the global trade. “ Free trade” remains elusive as long as the rich countries still applying production protection policies such as producer’s subsidy[2]and tariffs which represent at their end reflecting “ Export restrictions” to the developing countries productions, while demanding them to open their market doors for the global trade (Wall 1999; kent 2002, Gowa 1994; OECD 2007; Coote 1996; Lloyd, P. J. 1999). The World Bank (2008) recognises this very well stating “ By removing their current level of protection, industrial countries would induce annual welfare gains for developing countries estimated to be five times the current annual flow of aid to agriculture” and predicting that “ Poor countries that export cotton or oilseeds, such as Chad, Sudan, Burkina Faso, Mali, and Benin, stand to gain. Among the big expected

gainers are Brazil, Thailand, and Vietnam”. (p. 11) So far no protectionist policies have been lifted. In fact the international finance and trade institutions have no strong influence upon the rich countries policies. Meanwhile, the reform agendas has been extended to cover the whole United Nations system’s and structure’s; whereas the heart of the reform is in financing the global organisation(Gordon 1994; Müller 1992). Having people as Jeffery Sachs (2010) the Harvard University Professor of Economics advocating “ the idea of taxing transactions between banks and financial institutions to raise funds for global issues like poverty”. One might argue that “ the implementation of Aid for Trade programmes would also contribute to solving the crisis as they could help developing countries to integrate into international markets through trade. However, the impact of such programmes in boosting agricultural productivity is not clearly established” (South Centre 2008 p. 37) In contrast Kevin Danaher (2001) is calling for the abolishment of those financial and trade institutions building his argument in fairness and usefulness. Until the “ stalled” trade negotiations (Hall-Matthews 2010) or reform around those financial institutions reach consensus or at least level of agreement, the situation on poor countries in term of faire trade and food security remain the same as early 1980s since threats of famine became more of “ curse” in countries like Ethiopia (Hancock 1985) and Nigel Twose (1984)) critics as cited in Hancock 1985 remains valid, when it goes to see the “ result of an IMF intervention in the third world is the acceleration of change in agricultural practices, resulting in even greater concentration on crops for export, at the expense of food crops for local consumption” (p. 124); in other words the land that “ should be feeding their people is producing food for European and north

<https://assignbuster.com/food-production-and-export-goods/>

American consumers” concluding that “ these systems lead to deprivation for million”(p. 127). Ironically, similar conclusions to the 1980s rhetoric has been reached within the International Development Committee of Great Britain (2009) that the poor countries are losing billions of dollars every year “ to tax evasion by international companies” and they need to be assisted to benefit from their “ own resources”.

Indeed that not every single poor country has enough resources for achieving “ food self-sufficiency” which refers to 100% coverage of a nation needs (Dhliwayo 1988 p. 15), neither food production refers to agro-grain it can also refer to aqua food such sea food fisheries or managing animal products; bearing in mind the advances in science that mankind has reached, and possible support food producers which could be through protection policies research and “ extension organisations” (p. 31) as in the case of farmers. The more they can produce the more secure the country becomes in terms of development and stability.

In general export of goods and engagement in trade may be an excellent way of making earnings for generating wealth at large scale, but creation of wealth as an end does not necessarily mean the fundamental needs of the poor will be served, bearing in mind all the miseries that Europe has gone through during the industrialisation era. Export of goods might it not be a good way for securing fundamental survival necessity for the poor people, such as food and water. The whole Marxist literature is discussing that accumulation of capital makes few people richer; I mentioned this here to highlight that the propensity that is expected from good exports and investment in production is contingent by many other factors and

<https://assignbuster.com/food-production-and-export-goods/>

expectations such as profitability and success in competition with well established firms within unstable global markets and financial system undergoing a crisis the risk for that choice grows greater and greater. Indeed with the option to grow food there are also great risks such climate change; which does not necessarily means drought, it could also takes the form of heavy rains and floods or any other natural disasters. At (page 1) I added weak infrastructures to Collier's(2007) similarities of the poor countries, this weak infrastructures hinders trade in global competition more than it affect agriculture, indeed any improvement in those infrastructure and capacities will have positive inputs toward these countries development. A clear example

A clear example by Marc Wuyts(1993) who studies the case of Tanzania 1960s up 1970s when Tanzania's economic policy has centred an investment strategy with the aim to speed up economic development with assistance of aid and less concern for its consequences, he argues that not scrutinizing the consequences of the “ aid-driven state-led investment strategy in the context of an open and structurally fairly inflexible economy” (p. 160) which relied on few export crops in order to obtain hard currencies, has reduced the country growth rates which was assumed to be attained and has wrecked the economy to become aid dependent in both financing investments and imports of consumer goods. He continues to argue that while agriculture, which was not the main beneficiary of this strategy, it determined its unpleasant ending. Ray Bush (2000) discuss similar case of prioritising cash crops for export in Egypt where the International financial institutions reforms have failed to make the economic prosperous; instead “

changes in diets and food purchases to economise on household expenses; extra labour time associated with searching for cheaper food in the souk and sales of livestock, jewellery and other household assets” (p. 242). He considers “ Market driven solutions” fails to take into account the Egyptian rural people lifestyles and their way to “ address their uneven access to resources”. He noticed that there is inadequate attention by the international agencies to the ongoing market failure, and the ways in which people are adopting themselves with crisis. Instead they are “ focused on notions of peasant ignorance and poor technology” (p. 248).

Bartra, Roger and Otero, Gerardo (1987) conducted analysis cash crops in contrast with subsistence crops in Mexico, using prices and production data from 1940 to 1983 their analysis reflected a twofold crisis one is deterioration of peasant economy; the second is related the production of cash crops reflect the local capitalist crisis in the field of agriculture.

While export of good requires government facilitation of trade processes (Collier 2007) and encouragement commonly understood as less state led interventions accordingly easier to perform. Normally the food production strategy makers expect governmental control and state led interventions; which varies from the level of “ land reform laws” Foster(1992) and protection of producer’s policies to the level of micro support such as “ research and extension” services for farmers(Ramasamy and Selvaraj 2007). But in principle the governments of poor countries are expected implement state led interventions and play more role than safe guarding the society.

Conclusion

Oversimplifying some issues How come I ask a poor hungry man to trade and invest?