A survey of findings on the poverty impacts of agricultural trade liberalization
The purpose of this survey is to review the available empirical evidence on the impacts of agricultural trade liberalization on poverty – considering both the impact of domestic and international liberalization. Since trade liberalization is generally an economywide phenomenon, with tariff cuts occurring across a wide range of commodities, we do not restrict ourselves to episodes where only agricultural trade was liberalized, although emphasis in this survey is given to agricultural trade policies. Furthermore, given the difficulty of isolating the effects of trade policies alone, we will also consider the impact of other types of external shocks which have the effect of changing the relative prices of tradeable and non-tradeable goods. By examining the way in which households adjust to such external shocks, we can learn a great deal about how they would respond to sharp reductions in tariffs, or significant changes in a country's international terms of trade engendered by multilateral trade liberalization.
Trade liberalization policies should also be coupled with training and other policies to help the poor move to expanding sectors. Investments can be part of the safety net – McCulloch noted that roads foster mobility and that agricultural extension services can improve the lot of rural farmers. William Masters, Professor of Agricultural Economics, Purdue University, focused his remarks on the potential for increased trade to affect the condition of the poor. The reduction of barriers to trade in agricultural products (including production subsidies, export credits and high tariffs) will open up opportunities for increased exports from some developing countries. Our analysis of these impacts on poverty in Zambia builds on two links, one connecting trade reforms with prices and quantities and another connecting household income and consumption patterns with those price and quantity changes. The estimated changes Cite this Item. The foregoing chapters have assessed the impact of global trade liberalization on world prices and the consequences of relative price changes for outcomes at the household level, especially for the poor in the poorest countries. This type of analysis complements the much larger literature focusing on the overall welfare effects of global reforms at the country and cross-country levels. Trade liberalization and analysis of poverty are complex topics, as is the analysis of linkages between them. As pointed out by Winters and McCulloch (2004), there are several factors causing poverty, and even within defined groups there are huge differences in the circumstances of individual poor households. Furthermore, Winters and McCulloch (2004) examine the response of households to different market adjustments. These models offer a more complete structure to simulate the general impact of trade liberalization on the national economy on long-term trends. The approach applies a two-step analysis. In the first step, a GE model is used to simulate the specific market liberalization shock to obtain sectoral and commodity price changes. Downloadable! The purpose of this survey is to review the available empirical evidence on the impacts of agricultural trade liberalization on poverty – considering both the impact of domestic and international liberalization. Since trade liberalization is generally an economywide phenomenon, with tariff cuts occurring across a wide range of commodities, we do not restrict ourselves to episodes where only agricultural trade was liberalized, although emphasis in this survey is given to agricultural trade policies. Furthermore, given the difficulty of isolating the effects of trade policies alone