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When do Agricultural Exports Help the Rural Poor? A Political-Economy Approach

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Economy Approach

1. Introduction

Few issues are more guaranteed to generate a dispute among social scientists than the impact of the growth of agricultural exports on the welfare of the rural, often poor, worker or peasant in developing countries. The wide range of views reflects the excessively narrow models sometimes used to think through the issue. Only when a solidly political economy perspective is adopted does one have much chance of reaching a defensible judgment on the relative frequency of good vs bad outcomes, on which conditions make the difference between the former and the latter, and on whether at this point in time the "good" outcomes are likely to prevail.

Within each general perspective on the issue there are of course more and less persuasive points of view. From the economics side an example of the less defensible would be the idea that as long as exports are undertaken freely the activity must raise the incomes of the participants, among whom some will generally be poor. From the political side its counterpart might be the idea that developing countries are always so successfully exploited by the industrial countries that international trade, being just another manifestation of that exploitation, cannot generally help the developing country or the poorer people in it. Such perspectives are based on theory which is both too general and too loose to warrant much credence, the looseness relating substantially to the failure to take a close and careful look at the relevant empirical evidence.

2. The Basic Arguments on the Economic Side

Mainstream Western economics seldom incorporates the use of political power in its models of economic activity. And it tends to be "static" in the sense of focussing on the impact of one-shot changes in independent variables (e.g. relative prices, the composition of output between exports and non-exports, etc.) on the equilibrium levels of dependent variables when enough time has passed for a new equilibrium to be reached. One reason for the latter proclivity is that static analysis is much simpler than is understanding the dynamic growth process whereby savings, investment and technological change contribute to growth of the economy.[1]

There are three main lines of argument which singly and together suggest that trade in agricultural commodities should be

[1]Nelson and Winter (1982) have drawn our attention to how dangerous it is to focus too much on the static.

beneficial to the rural poor (and to the poor as a whole). They focus mainly on the export part of that trade, which in the typical developing country has been more important than the import component. The first two points are static; they involve the question of how trade would affect the incomes of various groups by leading to a reallocation of resources among products and by increasing the country's specialization in a smaller number of items. The simplest trade theory indicates that in the typical case a country's income will rise when a country shifts away from autarky and towards freer trade (e.g. by removing some impediments to trade); although some groups may lose, their losses will be less than the gains of the winners. It further predicts that low-wage countries will export disproportionately those items which are intensive in the use of labour, and that this will lead to an increase in their wage rates and hence a reduction in poverty (Krueger, 1988; others). This argument is not sector specific; it implies that labour intensive agricultural items like flowers would be exported, as would labour intensive manufactured goods like clothing. The argument holds for countries which are more labour abundant than their trading partners; in a world with a wide range of wages, it applies most clearly to the lowest wage countries, while the situation of those in the middle of the wage hierarchy is ambiguous.

The second argument of particular merit is that developing countries often have a comparative advantage in agricultural products, one which is often suppressed by tariffs in support of import substituting industrialization policies, or by export taxes whose main logic may be to raise public sector revenues. When such trade is suppressed, agriculture suffers and with it those who supply factors of production to that sector. Releasing the shackles on agricultural exports should raise the incomes of poor rural workers (Schiff and Valdes, 1992; etc.). Since rural incomes tend to be lower than urban ones (in part because of lower skills and in part because the transfer of workers from rural to urban areas requires an earnings differential in favour of the latter) a given increase in the demand for labour in rural areas is likely to have a greater poverty alleviating effect than were it to occur in urban areas. Non-labour income accrues to many people in agriculture (even if for most of them the amount is low), so the distribution of land used in the production of exportables and importables is also important to the distributional impact of trade. Where the export crops are not intensive in labour but in land (or a particular category of land) and/or other natural resources like water, and where ownership of that resource is unequal, the poor could lose whereas in the opposite case they should gain (Bourguignon and Morrisson, 1989). Thus it is generally believed that coffee exports from Colombia or Costa Rica, in both of which small coffee farms have played a significant role) would be more beneficial to the peasants and rural workers than such exports from

Brazil, where most of the farms are large. And smallholder tea production in Kenya or cocoa production in Ghana and Nigeria have been heralded as the most desirable type of agricultural exports. Glover (1984), Tiffen (1995) and others have pointed to the fact that small farm links with and subcontracting to large intermediaries may be a strong recipe for benefits. Though this facet of agriculture means that no general outcome could be expected to hold across a wide variety of countries, it leaves optimism whenever exportables are reasonably labour intensive.

The third strand in the "agricultural trade as poverty alleviator" line of thinking is dynamic, and is based on the general belief that free or relatively free trade promotes faster overall growth, i.e. not only does a higher level of trade raise incomes on a one-shot basis, but it also puts the economy on a faster growth path. Some authors have argued that freer trade raises savings, while others opine that it leads to faster productivity growth by speeding the transfer of technology, often through the MNCs but also through other means (Pack, 1992) .If this is the case, then even in a country where the static effects on the poor turned out to be negative (e.g. because the exportables were very capital intensive) and the short-run effect was therefore to increase poverty, in the longer run this effect would be reversed by the faster growth achieved.

To assess the persuasiveness of this set of arguments one must consider the various theoretical counter-arguments; even more important, one must take a look at the empirical evidence. On the former count, there are several points of significance which cloud the issue but leave open the possibility that in the typical case the optimistic expectation is valid. At this point it is important to distinguish among variants of the positive view. In particular, it may be applied to a single country or sector or more broadly across agriculture as a whole and for the developing world as a whole. And it may be refer to the poverty impact of current levels of the exports or to increases in those levels. It is more likely to be valid the narrower the range of its application. Clearly agricultural products which are quite labour intensive and are produced by small-holders in a small country should have a beneficial impact on poverty in that country. Those which have high income and price elasticity will have the additional advantage that an increase in exports, through expansion of production either in the same or additional countries, will increase the total benefits to producers of such items. When the share of income generated which goes to the poor is too low, because the item is not very labour intensive and the associated land rents do not go to the poor, then its impact is not likely to be positive. And when demand elasticities are low, expansion of production will not be beneficial to the whole set of producers even if production is labour intensive. Since both price and income elasticities of demand are low for many or most agricultural products, it is not surprising that there is a good deal of pessimism among economists as to the potential benefits of agricultural exports to the third world as a whole (Maizels, 1994).[2] Any such pessimism is a matter of degree, however, since even if the income elasticity of demand is relatively low, as long as it is not negative there will be space for a gradual increase in exports without their price falling. Thus the key question is the potential rate of growth of earnings from such exports. Those whose pessimism was based on a low elasticity of demand (e.g. Prebisch, 1950 and Singer, 1950) have contributed importantly to the underlying logic of import substituting industrialization.

At a technical level it has been increasingly recognized that participants in international trade tend disproportionately to be large firms. Since such firms tend also to be more capital intensive than their smaller counterparts, this combination creates the possibility that increasing trade will not raise wages relative to the returns to capital in any country, not even the labour abundant ones. Thus if Brazil's exports of orange juice come from large plantations, then the effect on the wage bill is likely to be limited. Similarly it is recognized that international trade can cause losses due to lack of information on the part of, say, buyers of certain goods in less developed countries when their information is inadequate. Information has always been valuable in the distribution of the rents associated with trade and exports, and has intertwined with monopoly positions in such a way as to generate high rents.[3]

The fact that profits are often high in export activities (the most extreme being the vent for surplus situation-see Myint, 1958), means that the distribution of those rents is likely to affect the

[2] Maizels (1994, p.1686) notes that "the decline in real commodity prices since the early 1980s.....has been so sharp as to constitute a phenomenon not seen since the Great Depression of the 1930s." The 1990 level was 45% below that of 1980 and 10% below the 1930s low reached in 1932.

[3] Scitovsky (1985) emphasizes the high share of the benefits form t rade which often go not to the producer or the consumer but to the intermediary. Asymmetric information is of special value in the financial world; the Rothschild empire benefitted from quick distribution of privileged information among its branches in the different European countries through the use of homing pigeons. Monopolists often suppress information with positive social potential when its spread would lower their own profits. Industrial spies and like operatives attest to the private value of information and the desire of its holder to keep control.

welfare of may people. Trade affects the citizens of a country also through imports. Where the rural poor produce importables they can lose from freer trade. When the exchange rate fluctuates so that there are bursts of imports, such producers may suffer serious losses (which may even sink them) despite having a longer run or basic capacity to compete; countries which run balance of payments deficits (because of capital inflows or with a view to curtailing inflation) can wipe out or injure poor producers who are in fact acceptably productive. The overvaluation of the Mexican peso, together with the freeing of trade, has had disastrous effects on the small corn producers in that country, contributing to the Zapatista uprising.

There has also been a counter view to the idea that relatively free trade provides dynamic benefits to the poor, partly on the grounds that its growth benefits in general may be modest, and partly on the grounds that it may have a distribution-worsening effect, if for example it leads to the introduction of quite labour saving technology. Losses can result from the instability of the international markets, especially for primary commodities whose prices tend to fluctuate a lot. And they can result from a country's getting into a rut (e,.g. specialization in some primary product with falling price) from which it tends not to emerge--this classic dynamic argument has been returning to favour slowly after an implausibly long period during which static theory tended to dominate ideas in economics.[4] Whereas the data on demand elasticities in world markets are relatively easy to estimate, the theoretical understanding of the impact of higher levels of trade on poverty (rural or overall) through these sorts of dynamic effects is weak so its overall contribution can only be sorted out through analysis of the empirical record.

3. Arguments with Roots in Politics and Power

Political economists think more consciously and directly in terms of models of power and how it is wielded, and accordingly are somewhat less inclined than economists to the view that trade is likely to be of clear net benefit to developing countries. Writers in the Marxist stream (Lenin, 1966; Frank, 1969) and later those of the dependency school in Latin America (Sunkel, 1969, 1973) and elsewhere argued that international economic interaction between the centre countries and those on the periphery was both designed and destined to benefit the former at the expense of the latter--an argument most obvious under conditions of colonialism but having

[4] A commonly asked question at this time whether Chile, whose agricultural exports have boomed over the last couple of decades, will be able to move smoothly on from the simple stage of export-led growth to the phase where value added is greater.

considerable relevance under post-colonial conditions as well. One version relied on the idea that industrial countries need an outlet for excess production and the developing countries provide it.[5] The "unequal exchange" ideas of Emmanuel (1972) and others, whereby industrial centre countries have an advantage in the way they trade with underdeveloped primary product exporters and thus reap nearly all or even more than all of the gains from the trade falls in this category. Some authors emphasize the cooptation of developing country leaders, whereby they are induced by bribery or other techniques to act in ways inconsistent with the interests of their own countries but consistent with those of the industrial world. The dependency school, as its name implies, emphasizes the possible costs and disadvantages of being highly dependent on the industrial countries.[6] Even those economists who favour free trade would no doubt be less positively inclined to the benefits of trade if forced to analyze it in a clearly colonial context in which the colonial power sets all the rules and may have little direct interest in the welfare of the colony. But the combination of lack of familiarity with the political process and a general understanding that colonialism is in the past contributes to economists' limited use of power in their formal analysis, which instead proceeds on the assumption that all outcomes reflect initial resource endowments and that each actor freely chooses how to use his/her factors of production and spend his/her income. Recent focus on asymmetrical information has indeed moved some analysis in the direction of opening the door for taking direct account of power; the recent rise of institutional economics also broadens the horizon, though much of its focus is on the economic basis of institutions rather than on the implications of how they function.

Although political economists are on average less positive about the impact of exports in general, including agricultural ones, than are economists, some strands of their thinking may also put this phenomenon in a positive light. Even Marxist theory can be viewed in this light, since it essentially posits that the only way up for a society is for the workers to first be subjugated and exploited; later, after capitalism has raised productivity and the revolution has led to a redistribution of the fruits of that

[5] While there may be some truth to it under certain conditions, this argument in its extreme form is not plausible.

[6] A high level of trade is likely to increase certain types of risks (e.g. those related with sharp changes in the price of tradables), though it can reduce others. It tends also to shift life styles in the direction of internationally dominant ones, a sociological effect on which some authors put a great deal of weight (e.g. George, 1985) while others put none at all.

productivity, the workers reap the benefits. Some of the developing country histories alluded to below lend themselves to such an interpretation, though the ultimate redistribution towards the workers may have had more Kuznetsian (Kuznets, 1955) or Hirschmanian (Hirschman, 1958) than Marxist origins. Economies were stagnant and even declining until exports came along; this led to the poor being pushed aside, great wealth being created for the few, and the economies getting on a growth path which takes them to a point where the poor can start to beenfit. Possibly international trade is the mechanism through which the necessary initial loss to workers as capitalism takes hold can occur fastest and with as little total loss to the poor as any other alternative. Though there is no purely economic reason why the poor need to lose at all as growth gets started, it could be the only politically feasible route in quite a few countries.

A number of the arguments put forward are interesting for the intuitions which they reflect. Critics of agricultural exports sometimes note that the export of food when the population is hungry (the case of late Czarist Russia is an example but there are many others) highlights the fact that the country does not act like a family in terms of mutual support. Others (like Emmanuel) focus on "unequal exchange". Others are uncomfortable with the economists' argument that cash crop exports will not occur in free markets unless they make it possible to buy more food imports than could have been produced at home. Some of the criticism seems to reflect unfamiliarity with the basic ideas of comparative advantage, and hence must be second-guessed, though the intuition behind it might point to interesting aspects of the broader issues.

Since historians look at the longer run with less initial prejudices than either economists or political scientists, their interpretations are clearly of interest as well.

4. The Empirical and Historical Record

While it is uncontroversial that the labour intensive manufactured exports of Taiwan and other East Asian countries have been good for the growth in those countries and may have been a significant factor toward reductions in inequality, it is not clear that there is any recorded case in which agricultural exports have had this dual positive effect which in turn guarantees a strongly poverty-alleviating effect. Unfortunately there is usually little data on income distribution in those countries where agricultural exports are still very important.

On the other hand the evidence that agricultural exports are likely to contribute to a country's overall growth is more persuasive. Some cross-country studies of the trade-growth link distinguish agricultural from other exports and some do not; in any case the general tenor of a large literature is that exports do promote growth. The nature of these statistical exercises is such, though, that they usually address only the narrow question of whether a country where such exports are growing faster than elsewhere will also enjoy faster GDP growth. One reason to expect such a result relates to the fallacy of composition element of such studies; if one country is benefitting a lot this may be coming partly at the expense of other countries producing the same item and losing market share, thus leaving it unclear whether all producers as a group are gaining or not. The Prebisch-Singer hypothesis, to the effect that aggregate LDC gains from primary exports will be limited due to low demand elasticity--which is likely to take the form of declining terms of trade for that category, seems to be borne out for nonfuel primary products over the course of this century; Grilli and Yang (1988) report that the secular trend in terms of trade has moved against nonfuel primary products (vis a vis manufactured ones) at a rate of about 0.5-0.7% per year.[7] Since primary goods terms of trade fluctuate widely this result, which incorporates the sharp decline of 1978-82, contrasts with studies undertaken in the late 1970s which tended to show no clear long run trend. It is also true that within the average there are very different trends according to the product, cotton and rubber going down while beverages like coffee and cocoa have appreciated considerably (Barham, et al, 1992, 59).

Still, such prominent analysts as W. Arthur Lewis have argued that agricultural exports made major contributions to development in many developing countries by pulling them out of stagnation onto a growth path which they were able to maintain relatively well thereafter. The great wave of globalization which characterized the late 19th and early 20th centuries brought many developing countries into closer contact and involvement in world markets than had been the case before. Lewis (1978) refers to the period 1870-1913 as the "golden age" of non-European growth; the rate of growth of trade, mainly in primary commodities, from the tropics was nearly as high as from the temperate countries of recent settlement, and both almost equalled the rate of growth of trade of the "core" industrial countries. That the standard of living was much higher in the temperate countries than in the tropics and increased over time relative to that in the latter (Lewis, 1978, chaps. 7, 8; Bairoch, 1975) is attributed by Lewis to the difference in agricultural productivity, which also continued to increase. "The tropics were held back by their need for a technological revolution in agriculture such as has been occurring in Western Europe over two centuries" (Lewis, 1978, 202). At the same time he concluded that this entry was the definitive turning point which set many countries on a path of growth and development.

A significant debate in both the industrial and the developing

[7] Are the manufacturing goods prices measured well in this regard, so that they do not suffer from upward biases due to failure to deal well with quality change?

countries has swirled around the question of the internal distribution/employment effects of more open trade. For the developing countries the Hecksher-Ohlin theory was reassuring--since it suggested an increase in wages, but the events have tended to contradict it. A major reconsideration of whether and how globalization is contributing to the widespread observed increases in inequality in the Third World is now ongoing, with particular fervour in Latin America (Berry, 1997; Bulmer-Thomas, 1996; Altimir, 1994). The impact on rural distribution and poverty has been less analyzed than that for urban areas, since the data are much sparser, but the presumption is that the experience there is not the opposite of that for urban areas.

Though technical, static economic arguments may account for some cases in which the opportunity to export agricultural goods is prejudicial to the welfare of the rural poor, historically it appears that the main channel to that outcome has involved their displacement from the land they previously operated and the conflict associated therewith, and the pressures to achieve the rights over their labour services. In a word, when land and even labour becomes more valuable, the politics around its control changes to the benefit of the rich. A classic playing out of this pattern is seen in the history of Northeastern Brazil, where the export booms have been shown to coincide with worsening living conditions of the workers and vice versa. When the profits from exports were high, the hacendados limited the land and time the workers could allocate to their own activities to a minimum, and when those profits were low the workers had access to more resources for their own use (Barraclough, Furtado, Denslow) with each export boom the poor got worse off since the exporters took the maximum rent which meant squeezing the poor down to a minimum standard of living. Between those booms there was no point in doing so.

When the benefits to be obtained from exports are modest, they may not induce any conflict over the resources which produce them, but when those beneftis are potentially large, sabres begin to rattle. In country after country it has been the case that when land becomes valuable enough, the powerful push the weak off what land they had. Most often, though not always, what makes it valuable is the opportunity to export a high value product. At this point it will pay the rich to dispossess the poor of all of their land even if they cannot use it all, in order to guarantee cheap labour services by cutting the poor off from the option of cultivating their own land. El Salvador's recent civil war can be traced back to the evictions of the 19th century. The same goes for Guatemala, Viet Nam, Brazil, Sudan and many others (Berry, 1998a).

5. A Political-Economy Model of Agricultural Exports and the Welfare of the Rural Poor

Taking this aspect of the export-welfare relation into account, one can define a spectrum in terms of the ease with which the powerful can displace the poor from resources the latter previously controlled when those resources take on increased value. At one extreme is the static economic model in which resource allocation is given and cannot be changed by the use of power. At the other is the case where the rich and powerful can with zero cost take any resources they want at any time; when the payoff to some resources is not high enough the poor are allowed to use them. Probably no developing country is ever really close to either end of this spectrum; the use of power is always able to shift some resources to the rich when their value increases; and the resistance of the poor/weak is almost always enough so that takeing resources from them has some "expropriation" costs.[8] Not only rights to land but also those to labour can be transferred, in the latter case most directly by the institution of slavery or serfdom and more indirectly in other ways.[9] Expropriation costs will often be substantially different as between land or other natural resources and labour. The general question of interest is where on this spectrum of overall expropriation costs a given case lies.[10]

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[8] Peasants, like everyone else, have a sense of what is right and just. The intensity of their resistance to being pushed off land and their long memories of such injustice reflect this. Similarly, when the "equilibrium" product share of sharecroppers falls they resist out of a parallel sense of "just price."

[9] At the theoretical extreme of full rights transfer a worker would expend as much effort and do as good a job when working for the powerful as for himself; since this appears seldom to be the case, that extreme is correspondingly unlikely to be approximated.

[10] In theory the expropriation could go from the rich to the poor in cases where the poor are politically powerful. This is most likely to be so under political democracy or something akin to it. In the post-war political structure of Japan it was assumed that once a small farm agriculture was created it would contribute to stable democracy. Unfortunately for the poor to have political power through a non-violent political process, they usually have to already be small farmers or productive artisans. Usually this situation arises when the country is already well along the development path so that it is considerably less agricultural and the possible impacts of agricultural exports correspondingly less important.

The model as discussed here is also oversimplified in allowing only two groups, the poor/weak and the rich/powerful.

The costs to the poor of losing resources when their value increases can be thought of as having two components; the value of resources per se, and the costs of the struggle or transfer. For the powerful the benefits are the gain in resources minus the costs to them of the transfer. One might expect that there would be cases in which the poor gain from export booms and cases where they lose in this sort of model; in the former situations the basic economic considerations are positive enough to offset any less of resources and associated costs. Obviously the weighing off of benefits and costs is harder than were these all in simple dollar terms; here part of the costs of the conflict come in terms of insecurity, loss of life, suffering, etc.

One can distinguish at least three broad classes of situation or mechanism that can come into play to transfer resources to the powerful or to increase the value of their resources relative to that of the poor's. Straightforward use of power (force or threat of force) is the simplest. It is most likely to occur with little impediment (though varying cost to the poor) whenever the powerful are not constrained either by the victims' capacity to resist or by their own consciences or accepted rules. Land appropriation by the drug barons provides good examples. Rumour has it that in a village in northern Colombia whose peasants opted not to supply marijuana to the drug bosses, the latter opted to send a clear signal to such recalcitrants by lining up the residients and machine-gunning them. More often the take-over is at least cloaked in a more legal guise, which involves the state declaring communal property eliminated and providing individual land deeds to its friends and collaborators.[11] All societies have their "sharpies" who specialize in getting income or wealth away from the less cunning by ruse, by deceit,

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Usually there are important further distinctions within a society; a middle class may be significant and/or there may be cleavages within the rich/powerful group. Such cleavages often provide some potential coalitions with the poor/weak. Sometimes the state has a certain amount of independent power.

[11] The European "enclosures" were among the early examples of this process. In England the great periods were the 15th-16th centuries, when the purpose was to increase the amount of pasture available for sheep (the wool trade was the driving force in the process) and the 18th-19th centuries, when it was defended on the grounds of increasing agricultural efficiency. When the common land of the manor was divided up among landholders and fenced in, the peasant farmers were evicted and they and the landless labourers who depended for a major part of their subsistence on the right to graze livestock did not share in the division and many became paupers (Encyclopedia Britannica, Macropaedia, Vol. # 6, 1128).

etc.

Less extreme again and more subtle are the many cases in which for the land and labour resources of the weak to have full potential value the state (sometimes at the national level, sometimes local government or communities) must take complementary action, in the form of investment in infrastructure (roads, communication, R&D, etc.). By failing to do so it can keep the value of the resource down and facilitate its purchase at low prices, after which the provision of the relevant infrastructure raises it. Or it can provide the infrastructure which is complementary to large farms rather than to small ones. Mexico and Bolivia are interesting examples of situations in which, even though land reform broke some large farms into small ones which went to the peasants, the governments then spent so little on this reform sector that its productivity did not rise as much as it could have, while investing heavily in other areas to the benefit of a new agricultural elite. In Taiwan, by contrast, the Japanese invested heavily in infrastructure which was consistent with a small farm structure, probably simply because this was the most efficient model to extract the rice they wanted.

Another reflection of power arises when the behaviour of the powerful has negative externalities on the poor, even though they may not lose any resources in a physical sense. Thus, shrimp farming in Honduras damages the mangroves on which many thousands of peasants depend for their living (Barham et al, 1992, 57). Aerial spraying for pests in many countries damages crops on nearly small farms when the spray drifts over their land.

While it does not have to be exports which trigger a forced transfer of resources[12], in most cases it will require a discrete increase in potential value of those resources--enough to induce a concerted effort to effect the transfer, which may require some expenditure of resources and/or some political organization. Such a quick increase in value is often associated with a new export opportunity, which involves a large potential market. Whenever the opportunity arises the pressure for expropriation by force or by guile is evident. Where the benefits could in principal accrue either to the powerful (large) or the weak (small) but capacity to

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[12] It is now the case that certain types of abuses related to exports draw more attention than those related to domestic production, which makes it hard to be sure just how central a role the act of exporting plays in labour exploitation through practices like child labour, unacceptable labour conditions, etc. An example is the case of Persian rugs; such expropriation is hard to root out--when they could no longer operate in Iran they moved to Pakistan. Sometimes the international spotlight only shines when the exploitative acts or conditions hurt someone in the industrial world.

respond quickly determines who will take charge of the resources permanently, the powerful tend to win because their private response can be organized quickly while that of the small scale counterparts requires collective organization which may not be so quick, and because frequently the state helps the strong but not the weak.

In cases where the weak do get initial benefits from new opportunities and do well economically for a period of time, stronger or wilier ones are likely to try to appropriate such benefits. When small farmers are doing well in an export chain, say because of the labour intensity of a good, an effort will be made to find a more capital intensive (or more generally cheaper) way of doing it. In general the bias of technological change to save labour is income concentrating.

The basic dilemma of small-scale agriculture and hence of the rural poor comes when they require complementarity steps from the state. Then they are at the mercy of the rich whenever a good income opportunity comes along, unless there is some special factor working in their favour--either political power **per se**, in highly democratic societies, or some special defense against the expropriation of their resources. Thus, in the small farm coffee areas of Colombia, like the department of Caldas, the rich had a lot of trouble getting to the area because of a most difficult topography (e.g. requiring four weeks on mule back in some cases). The large can invest themselves, see opportunities faster and elicit state support much more effectively, so whenever change is rapid and the rents are big enough to attract the attention of the rich, there will be trouble. The cautious peasant[13], whose rationality has been honed over the long run, loses when the winds of change are blowing fast. Comparative advantage in practice depends on many institutional factors. There is usually an element of "construction" to any country's revealed comparative advantage, whether in agricultural or in other items.

Cash crops can have heavy environmental costs (Barham et al, 1992, 56).[14] It may be that the larger firms will have the advantage in responding to these externalities in a politically acceptable way. Such response is likely to involve capacity to do things quickly in an area involving considerable technical information and in a way which is negotiated with national and international authorities. Pesticide use can be a barrier to entry of the product

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[13] Described in detail by Lipton (   ).

[14] This has been a problem with Honduras winter vegetables; excessive use of pesticides leads to increased pest resistance, to the point where a crop has to be dropped. There is evidence of serious illness problems related to pesticide use, for both people and animals (Barham et al, 1989, 57).

into developed country markets (as with Guatemala vegetables in the U.S. market- see Carter et al, 1996, 43).

The economic and political factors mentioned above can all influence the overall impact of agricultural export activities on the rural poor. In order to better understand and predict that impact in specific situations, it would be desirable to identify likely interactions between the economic and the political factors, for example along the lines of those who relate the socio-economic system surrounding he production of a given crop to the technology involved in its production (e.g. Paige, 1975). Such identification is, for the most part, beyond the scope of this paper.

6. Illustrations of the Use of Power

From about 1850 on, agricultural produce became a major source of export earnings in Latin America and other parts of the world, and the growth of production for export profoundly affected land tenure and social relations in the countryside.[15] In some cases landlords were able to create a dependent labour force by pressuring the peasants off their land. In others overt conflicts occurred. One major form of conflict occurred when large commercial estates were created in areas of already dense Indian settlements; this was the origin of the great sugar haciendas in Morelos, Mexico, the coffee fincas set up in Guatemala and El Salvador and the sheep ranches in Peru and Bolivia (Legrand, 1986, xiii). Despite their sometimes strong resistance, the peasants usually lost these conflicts (Pearse, 1975; Browning, 1971). Often, too, major outbursts came later, as in the case of several Central American, with those of El Salvador and Guatemala the most dramatic--El Salvador's recently ended 12 year civil war claimed about 75,000 lives while four decades of armed conflict in Guatemala have killed about 100,000 (Pastor and Boyce, 1998, 4).

In all of the Central American experiences the roots of rural violence lay in the displacement of populations when new export opportunities in the 19th or 20th centuries made their lands become valuable to groups with political power.[16] More extreme, the export

[15] Not all land grabs are associated with exports. In Latin America the subjugation of indigenous peoples and the very unequal allocation of land created a domestically-focussed latifundia-minifundia system and laid the foundations for a number of uprisings during the colonial period i.e. prior to the early 19th century.

[16] In El Salvador the process of peasant displacement occurred mainly in the 19th century. After pushing the indigenous communities off their communal property, the coffee oligarchy

interests often found it necessary to restrict the peasants' access to other land and to use force to control the labour supply. Low population density implied easy access to land on the part of the population, and it became an article of faith of both the coffee industry of the region and the colonial and republican administrations that "no one would work for wages as hired labour unless he or she was compelled." It seemed never to be contemplated that more labour might be forthcoming if the wage were higher (Bulmer-Thomas, 1987, 11). Governments which responded to the export interests, as most did, tended to be confrontational with labour. Most of these countries suffered "reactionary despotism," which generally received help from the outside, as in the cases of the U.S. interventions to put down the Sandinista uprising of 1932 in Nicaragua and to block the Arbenz agrarian reform of 1954 in Guatemala (Berry, 1998a). In the wave of peasant displacement which occurred in Central America after WWII as cotton and beef exports grew quickly in Guatemala, Nicaragua and other countries of the region, road construction financed by the international agencies in the 1950s and 1960s was a key facilitator; provision of U.S. beef import quotas to Central America, assuring it of a favourable position in the market, also helped to "construct" this comparative advantage. Large amounts of capital (some of it from credit) were necessary to get going--especially in cattle where it was necessary to establish a herd of the new breed appropriate for export; it was made available through private and state development banks, but only to those with sufficient collateral. Even where squatters were not evicted by the largeholders, the fact that cattle roam and destroy crops would often have the same effect.

Mexico's experience has much in common with that of Central America. Between 1880 and 1910 there was a sweeping consolidation of rural holdings which "detached an ever-increasing number of peasants from the land and created a new class of agricultural wage laborers" (Reynolds, 1970, 136). The previous combination of haciendas and small subsistence plots held by indians or mestizos, together with the "innately lazy and unproductive" Mexican peasant himself, were held jointly responsible for the backwardness of

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often had to deploy military force to maintain rural law and order and to suppress intermittent peasant revolts, the most serious of which occurred in 1932 when the Great Depression reduced coffee prices and the employers cut wages and employment; 10-30 thousand people died in the massacre which followed (Pastor and Boyce, 1998, 6). In Brazil the expansion of the coffee frontier with its large farms was accompanied also by the expropriation of settlers who were pushed onto public lands farther out on the frontier (Legrand, 1986, 88). The Colombian case is referred to below.

agriculture in the country. Accordingly, the government supported this enclosure movement, "in which federal land and peasant communal holdings, as well as other private properties with clouded titles, were redistributed to private land development companies and to individuals successful in gaining favour with the administration" (Reynolds, 1970, 137). The enclosure system deprived the peasants of their security and economic independence. Peasant displacement was by no means due exclusively to the existence of export market opportunities, though here too there was a symbiosis between the two. Though the **hacendados**[17] typically left considerable land fallow and were little given to searching for productivity-increasing technological improvements, they did direct their output increasingly to export markets, putting "the nation's submerged classes on the ragged edge of starvation for the first time since the middle of the colonial period" (Cumberland, 1968, 204). Production of foods declined even as the population expanded. The social pressures built up during this process led to the Mexican Revolution of the early 20th century which, though it led eventually to the partial restoration of land to the previously dispossessed, also caused enormous suffering by the rural poor (and others) in Mexico and may have cost as many as two million lives (Cumberland, 1968, 241).

Twentieth century Viet Nam provides another example of the expulsion and exploitation of long-established peasant populations to the end of achieving agricultural exports. Beginning in mid-19th century rice was turned into a major export commodity, through the creation of a class of large landholders (French and Vietnamese) who could produce substantial surpluses. Some of the land they got was newly colonized; the rest came from the displacement of peasants. Land distribution became extremely unequal, nationalist and socialist parties began to spring up after 1900, World War II created an opening for resistance and the eventual outcome was the Viet Nam War.

In other contexts export opportunities lead not so much to the displacement of the poor from lands they previously occupied as to conflicts with the powerful over previously unused land. In such cases the outcome is less obviously to their disadvantage; if they are able to acquire some of the new properties, and get work on some of those owned by the new rich they could easily be better off. Whether this is true overall, however, depends on the level of insecurity and violence associated with the whole process. Where a **frontier** is still being contested conflict arises easily. Much

[17] The size of the great **haciendas** which emerged from this process was enormous. Some were over a million acres (Cumberland, 1968, 203). In several states three or four **haciendas** owned a quarter or a third of all the land.

experience over long periods of time fits this category as settlement has moved into previously thinly populated lowlands and into jungle areas. Some of the expansion has involved production for the domestic market, and some for export. But expanding international demand has the economic force to quickly give what were often "waste" lands an economic value; in such cases the conflict between peasant settlers and land entrepreneurs is likely to be particularly intense. In Colombia growing conflicts over public land eventually compelled the government to intervene to clarify the legal definition of private property (Legrand, 1986, xvii). Its eventual support, at least de facto, for the landlords was one of the key contributing factors for the escalation of rural violence which broke out a decade later, extended over the two decades and left 200,000 dead and 800,000 homeless (Oquist, 1980). Legrand (1986, 170) concludes that although the colonos lost out in most cases, "Colombian frontier expansion gave rise to an ideology of peasant protest centred on the reclamation of public lands that remains a vital tradition in the rural areas today."

The Sudan's Mechanised Farming Project of 1968, designed to increase the country's exports of cotton (the main export item) pushed cultivators off the land and drove out pastoral nomads, then turned the land over to large scale operations which created relatively few jobs and channelled the gains to a new agricultural elite.

7. The Current Scenario: Has the World Changed and if so in What Direction?

How should one characterize the current process of agricultural export expansion? It is impossible to generalize or take a balance at this point, since in many cases it is not clear in what degree small-holders and hired labourers are participating in the new growth, and in general the empirical evidence on rural or agricultural income distribution and its changes is very scanty, especially in the sorts of countries (many in Africa) where such exports are quite important. At this point perhaps all that can be said is that (i) the physical displacement of peasants which occurred frequently in the past (perhaps most commonly and notoriously in Latin America in the 19th century and the first part of this one) is still present in some countries; one might guess that it will be less frequent as lands open to settlement become scarcer and rights more clearly defined, though there is still considerable potential for it in Sub-Saharan Africa (ii) the advantage of large operators in getting better support from the government frequently remains striking; Kydd (1988, 1686) demonstrates that the growth of the estate sector in Malawi depended on the supply of labour from the increasingly impoverished smallholder sector, which in turn was the result of government policy (or lack thereof) toward this sector[18]; but (iii) the phenomenon of contract farming, in which small producers sell labour-intensive products (especially vegetables and fruits) to larger companies gives promise of considerable job creation[19]; and (iv) there is increasing recognition that it is important to create income earning opportunities for the poor and there are now numerous cases in which smallholders do get support from governments and international agencies--many of them related to contract farming.[20] Whether the weak have on balance better defense against being marginalized and more positive advantages than before remains to be seen. Certainly there are sources of optimism, some in the more political domain and some related to the pattern of change within the purely economic determinants of the impacts of agricultural exports.

The majority of the relevant literature suggests a negative association between cash cropping and income distribution, identifying uneven adoption of varietal and other improvements by farm size (following the literature on the Green revolution) as one cause of this outcome, and placing part of the blame on government policy. This view could be too pessimistic; adoption of Green Revolution varieties ultimately turned out to be much less uneven

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[18] In some countries (Pakistan is one) bureaucratic red tape discourages some potential fruit/vegetable exports. Such impediments usually weigh more heavily on small-scale participants.

[19] Certain export root crops require up to 4000 work-days per hectare while corn requires just 60 (UNCTAD, 1995, 25). A considerably higher share of income can accrue to the poor than for traditional export crops--Fox, Swanberg and Mehne (1994, 27) estimate that the share of farmgate prices going to the bottom quartile has reached above 60% for some vegetable crops as opposed to below 25% for traditional export crops. Much of the work is done by women; for example in Africa where they have often been associated historically with vegetable production they shift easily into the export of these products (Little, 1995, 29) though often most of the income still tends to go to the males when they own the land or the input systems are directed at them. Generally the situation of women is better in processing than in cultivation; that income, earned away from the farm, helps empower them in their relations with their husbands and fathers, as well as improve their subordinated role in rural social structures (Glover and Fusterer, 1990, 137).

[20] Rama's (1985) survey of agribusiness indicates that in many instances governments have tried to improve conditions for the small producers.

than had been at first feared. A second concern is that expansion of export crops diminishes the output of food and can as a result raise food prices. Von Braun and Kennedy (1986, 2) conclude from their longitudinal analysis that the two are not competitive, since they find that "most countries either manage a combination of growth in both cash cropping and food production or fail to manage either", with appropriate agricultural policies being the secret of success. Cash crops can be important to food production if imported inputs are important, as Sharpley (1988) has argued for Kenya, and there are other elements of complementarity. But this issue must be considered unsettled, with the outcome likely to vary from country to country.

In any case, selected examples make it clear that a negative distributional effect is not inevitable. Chaiken (1983) describes the successful development of a frontier community in the Philippines, based on cash and food cropping and off-farm labour, stressing the importance of kinship ties in providing support and reducing inequalities. Fiji defended its small scale sugar industry (Ellis, 1988) through a combination of tenurial arrangements, contract terms, grower participation and a ban on harvesting equipment.

Carter et al. (1996) emphasize the range of possible impacts of agricultural exports. Since in each of three cases studied (Paraguay--which stands out for its agricultural-export-led growth of recent decades, Chile and Guatemala) the amount of labour absorbed in the boom crop decreases as the size of the farm operation grows, so it is clear that unless small operators are involved, both labour and non-labour income going to the poor will be less. They observe:

"The social welfare impacts of the export booms thus depend in the short run on which classes adopt the crops: in the longer run, these impacts depend on the patterns of structural change that shift land between classes (and secondarily, alter levels of employment). If adoption of export crops favors smallholders, as it has in the Guatemalan highlands, then the positive impacts on the rural poor will tend to be magnified, and more and more so over time if the boom renders smallholders more competitive in the land market."

"In the frontier region of Paraguay, the boom in wheat has given rise to precisely the opposite interaction. The boom, which directly favors large-scale farmers who absorb relatively little labor per hectare, has occasioned a pattern of structural change over time in which the shift of land to large farms has accentuated the negative impacts of the boom on the rural poor, creating a highly exclusionary growth trajectory that leaves peasants out as both producers and workers."

"The Chilean experience falls somewhere in between these two cases. The fruit export boom has bypassed the traditional minifundia sector and the small-scale farm sector created from the remnants of the agrarian reform. Over time, land has shifted from smallholders to larger holdings. At the same time, export crops on large farms seem to absorb more labour than the traditional crops (and farms) that they displace. The effects on social welfare of this partly exclusionary process have probably been aggravated by the restructuring of the workforce toward more seasonal labor." (Carter et al, 1996, 57-58).

The best crop for the rural poor would be one that they could adopt on most of their land and grow competitively with larger farmers. None of the above examples fully fit this model; in all three cases crop characteristics worked against the small farmers one way or another. The contract-farming regime for vegetable exports from the highlands of Guatemala appeared to be the competitively dominant mode but, according to Carter et al (1996, 43) its dominance is proving to be short-lived. Exporters have begun to abandon it because of increasing costs associated with quality measurement, in particular problems with pesticide residues which have been threatening entry into the U.S. market. Intense supervision of smallholders' pesticide use appears infeasible because of the costs of monitoring. In the Chilean case economies of scale (e.g. in production and packaging) were an impediment to small producers. Exporter credit was available but most smallholders and parceleros were not able to obtain loans.

The general thrust of many, perhaps most, agro-export strategies has been to emphasize labour intensive crops. Where labour interactivity is high (where quantity and/or quality can be raised by workers making careful choices during the production process) small farmers can have the advantage. But "on the whole, more competitive biases seem to be working against small-scale producers than working for them." "Larger farms are often favoured by the human capital intensity of many export crops, product perishability and the resulting need for vertical integration, and the absence of insurance markets"....."small scale producers seem to be favoured only by labour interactivity, highly fragmented holdings that make land consolidation costly and (where they exist_ contractual relations and cooperative institutions that reduce some of the other biases" (Carter et al, 1996, 58). These authors conclude that "informed pessimism" is in order.

In each of these cases land distribution appears to have become increasingly concentrated. In Paraguay, land holding has long been highly unequal, large landowners traditionally tolerated widespread squatting on areas not being used, often a major proportion of their holdings (Carter, Barham and Mesbah, 1996, 54). There was also an official colonization policy to distribute state-owned land usually in remote parts of the interior. But since the 1960s land has become much more scarce, pushing up its price and making it less affordable by the poorer farm families; meanwhile evictions of new squatters are more common than before. In strife-torn Guatemala a similar process has been occurring during much of the post War period and continues at least in some regions (Pape, 1997). Chile has seen a marked increase in the concentration of landholding over the last 20 years, firstly as a direct result of the partial undoing of the earlier land reforms of the Frei and Allende administrations, and secondly through what is probably a combination of purely economic forces (some of the exports are capital intensive, making it hard for small-holders to participate) plus a bias on the part of complementing infrastructure.

The New Smallholder Exports: Contract Farming

Although the time path of the terms of trade for agricultural exports as a group is not encouraging nor are the distributional impacts of a number of exports, the demand elasticity for a quite labour intensive category of such products, fruits and vegetables[21], and the rapid growth of trade in this area gives grounds for hope.[22] With it has come a new wave of contract farming on a large scale, creating the hope of not just a large increase in demand for labour but also in farm business income. These non-traditional exports also create the possibility of diversification at the farm level, by involvement in the related processing and trade activities, thus augmenting the working opportunities and incomes of the rural poor. Is contract farming the modern-day equivalent to the development of small farm exports of coffee, tea, cocoa and other crops at earlier times? Or is it the equivalent of subcontracting in manufacturing export processes?

Contract farming has been heavily promoted in quite a few countries since at least the 1970s and there is now a proliferation of such schemes around the LDCs, some totally private, others with government involvement. Export activity has been based on both formal and informal marketing arrangements, the latter consisting of exports through family or ethnically-related agents of firm-owners abroad. Formal arrangements typically consist of foreign owned affiliates and joint venture undertakings that have arms-length contracts with manufacturing and distribution companies abroad; they are most common in food products, where the processing plants have high fixed costs which give them high incentive to keep

[21] These items constitute the bulk of what are sometimes referred to as nontraditional agricultural exports. Whether fresh or processed, they have the potential to create a great deal of employment per unit of sales.

[22] Under the Uruguay round tariffs on fruits and vegetables were scheduled to decline by 28% in the EU, 39% in the USA and 33% in Japan (Barham et al, 1992, 16). Though on the exports from LDCs the cuts will be less than on those applied to products mainly traded among developed countries.

a steady flow of products coming in. Contract farming provides a number of benefits to the grower, relieving him of responsibility on the technical front, cutting risk of low prices, and improving credit access (Glover, 1987, 441).

Smallholders often comprise the pyramid base of vertically integrated systems of non-traditional agro-export production, processing and marketing. Contract farming arrangements involving a thousand smallholders or more are not uncommon. Sometimes such arrangements are the result of political and social as well as economic considerations. In Ghana where most of the land surrounding pineapple plantations is still under indigenous tenure system, estates must usually utilize outgrowers in order to expand exports. National development policy has ensured that the farming be done by small holders in the case of Sri Lanka also (USAID, 1994, p.viii). In the Gambia, on the other hand, the government has intervened to award large concessions to big firms so that the importance of the smallholders in horticultural exports has decreased since the late 1980s (Little, 1995). Sometimes transnationals have used outgrowers as an alternative to or in addition to plantation-style agriculture when fearful of land expropriations and militant labour strikes (Little, 1995). Sometimes they contract in order diversify spatially to reduce the risk of supply failure. In Kenya the green beans operation between a French company and a private Kenyan company relies on raw material supplies from some 20,000 resource poor smallholders in Western Kenya (Jaffee, 1992, 75). The former moved from own production to contract farming to avoid the supervision costs associated with producing high quality vegetables with a large wage-labour force (von Braun et al, 1989). Its presence had a demonstration effect as a number of domestic producers established processing plants and export networks. Incorporation of smallholders has often been facilitated by the physical infrastructure and institutional support provided by governments, as in the case of Lam Nam Oon in Thailand (Dolinski, 1992). Local representative farmer organizations such as cooperatives have sometimes played an important role in making smallholders competitive with larger farmers (Kumar, Lieberson and Miller, 1994, 20-21, cited by UNCTAD, 1995, 23). Such associations help bring together the producers with importers through trade fairs, information on external markets and technologies etc.[23] Federations

[23] Fox, Swanberg and Mehen (1994) describe the non-traditional exporters guild of Guatemala. Glover (1987, 444) notes that growers' organizations can help with the communication between the contractor and the large number of small producers. Some companies will not go into an area unless an organization exists. Sometimes, however, the local government is wary of such organizations and discourages them.

of smallholders have sometimes gone as far as carrying out research to improve the quality of farmers' products, as with the guava paste association in Colombia (Duran, 1995). Alternative Trade Organizations (ATOs) have helped raise smallholders incomes in some cases by training them in storage, processing and marketing, thereby taking over some of the functions of contractors and increasing members' incomes accordingly (Coote, 1992; Tiffen, 1995).

The agribusinesses which opt for plantation forms of production or contractual arrangements with just a few large producers are often associated with foreign direct investment and tend to have a high level of vertical integration. But processing of non-traditional exports does not have to be on a large scale as witness the guava paste case in Colombia. Usually it is not a matter of doing everything on a large or small scale, so companies often subcontract the labour intensive parts of the work and do the rest in-house. Flexibility of smallholder production is valued to deal with demand swings (Jaffee, 1994).

Authors like Glover have cautioned against the optimistic view of contract farming as a new, simple model for agricultural development. The conflicting goals of raising exports, keeping profits up and benefitting the peasants may conflict. Various problems can arise for the small farmers, including manipulation by the contractor, favouritism for preferred growers through date allocations, bribes of field inspectors, poor technical assistance, late payments, etc. Where individual growers are dissatisfied a common response is to form a growers association; when producers are heterogenous in size etc. this can be hard, and in the extreme absentee growers may be fronting for the company (Glover, 1987, 444). Even governments which would like to help the rural poor may be constrained by the perceived need to milk the agriculture sector for quick foreign exchange benefits.

The overall contribution of the new agricultural exports, and within that category of contract farming, to poverty alleviation in rural areas will depend on the magnitude of such export growth and on the benefits to the rural poor per dollar of sales. On the former count it seems likely that the impact can be substantial in small countries located near large industrial country markets--the Central American countries are the most obvious example, but markedly less significant in large LDCs. In Sub-Saharan Africa non-traditional agro-exports were by the 1990s third in value behind coffee and cocoa but ahead of tea, cotton and tobacco (UNCTAD, 1995, 15) and their share has risen rapidly in a number of these countries. Smallholder contract farming is also quite common in Guatemala--accounting for US$80 millions of exports in 1992. The main overall evidence comes from the rate of increase in these types of exports from developing countries at a world level. For the two regions most likely to benefit substantially, Africa and Latin America, the data are somewhat but not highly encouraging.

For the particularly relevant category "vegetables, fresh and preserved" (of which a large majority are in the "fresh" category), there has indeed been rapid growth of exports from both of these regions, a tripling over 1985-95 (Table 1). But even with this rapid growth, these exports only account for 1% (Africa) and 1.5% (Latin America) of all exports as of 1995. The two regions together have maintained but not increased their share of world trade at about 11% over that decade. The early 1990s were a period of especially strong growth, however, and an optimistic projection of that trajectory would undoubtedly create interesting possibilities for smallholder output and employment. But the total effect would not be large unless the market continued to grow fast for a rather lengthy period. As for fruit (less relevant since on average less characterized by smallholder production), this category has declined in share of total exports for both regions, as their combined share of world trade plummeted from nearly half to under a quarter. The data do imply that these categories are becoming a more important component of non-fuel primary exports (essentially agricultural products), since the share of that broader category in total exports has been falling systematically--from 46% to 32% in Africa between 1970 and 1992 and from 45% to 30% in Latin America/Caribbean (World Bank, 1994, 191). Vegetable and fruit exports as a share of GDP fell in Africa from 9.7% to 8.3% and for Latin America from 5.9% to 4.8% over this period.

As for the distribution of the gains from nontraditional agricultural exports, the evidence is generally encouraging for smallholder contract farming, in spite of the inevitable exceptions, and of the fact that benefits will not necessarily accrue to the poorest in any given region or in the world, reasonably so for other types of contract farming (where labour intensity can be high but is not always) and less than reassuring for other nontraditional export channels--partly because too little organized evidence is available. In cases of contract farming high labour intensity itself is a positive sign. Direct evidence on the distribution of gains reflects the fact that the share accruing to the large companies involved (e.g. MNCs which undertake contract farming) varies widely.[24] Broccoli and other winter vegetable production in Guatemala occurs mainly on small farms and the distributional impact of such production appears to be positive. The evidence from one region--Cuatro Pinos, revealed that members continue to grow corn on a majority of their land (50-60% vs 80%

[24] Goldsmith's (1985) review of 12 case studies reports a significant positive impact on rural incomes in almost every case, though most indicated uneven impact among the program participants.

for the control group of non participants) but nonetheless they produced more corn per hectare of farmland, perhaps because of better access to fertilizers, the nitrogen-fixing feature of snow peas or better cultivation practices. This case illustrates the fact that the effect of exports on food production can be positive, at least when the land remains in the hands of smallholders.[25] The conditions surrounding Central American melons suggest that the companies will reap much of the benefit (Barham et al, 1992, 60). In Costa Rica, the first Central American country to respond to the crisis of the 1980s by launching an export drive, the leading firms have been mainly foreign, and there does not appear to have been much participation by small farmers; in spite of the country's history of a strong cooperative movement, cooperatives and small farmers export only a tiny portion of the new items. Barham et al (1992, 70) attribute this outcome in part to lack of government and AID interest in promoting their participation. In spite of the range of situations observed, it seems likely that, if the demand for the sorts of products handled by contract farming is sufficiently price and income elastic so that their total value continues to increase rapidly, they will paly a significant positive role in raising the incomes of relatively poor rural people in the developing world. In other words, it seems less likely that the other possible problems cited would be the reason why this type of export might not make a significant dent on rural poverty.

Average distributional outcomes are probably less promising when nontraditional agricultural exports do not take the contract farming route. Chile's fruit boom has led to the creation of a new agrarian bourgeoisie, which includes urban industrialists and professionals (e.g. agronomists and MBAs), foreign investors including MNCs, and some of the previous landholding families also (Rodriguez and Vanegas, 1989). Education has been important to getting in and access to capital has been central. Although medium sized farms play an important role in the production of some nontraditional exports in Chile, in general the tendency has been toward concentration and multinationalization. Nonetheless there has been quite an increase in demand for labour, much of it seasonal; many urban residents, including unemployed household heads and youth, have participated. And there is some evidence that wages in fruiticulture have begun to rise. Paraguay's exclusionary

[25] Interesting as they are as tests of the contract farm model, it must be remembered that small countries like Guatemala are special cases in several important respects. As in Costa Rica, the promotion of nontraditional exports has been an integral part of U.S. assistance policy since the mid-1980s; the Caribbean Basin Initiative provisions gave free market access to a wide range of new agricultural products.

experience with nontraditional exports has been noted above.

The balance sheet on the various forces at work can be finally judged only by the overall outcomes, even though data on the changes in exports by product, the employment related to each and so on is helpful as well. The information on income and welfare distribution and changes in the status of people in rural areas is still too partial to provide much of a test thus far. With time the evidence will become more conclusive.

8. The Prospects

When smallholders do participate extensively in exports the effects can clearly be quite positive. The secret is to make sure that this happens. Whenever the agricultural exports in question are sufficiently labour intensive or are produced by smallholders (or both) then the result should be positive. The question is how often and under what circumstances this outcome will emerge. The situation in agriculture is in many respects parallel to that in non-agriculture, especially manufacturing. Trade expansion is likely to have a positive effect on employment and on the income of the poor when smaller enterprises are tied directly or indirectly into exports, and this normally happens hen the technology is labour intensive; otherwise the outcome may be the opposite (Berry, 1998b).

It is clear that policy matters greatly to the impact of agricultural trade expansion. Though market forces alone will pull some small producers of labour intensive items into export activities and keep them there, it is likely that in many other cases this will happen only when appropriate complementary investments are undertaken, impeding red-tape removed, etc. One of the barriers to success may lie precisely in the fact that exports, regardless of how carried out, are viewed by some as the answer to everything; this view pulls countries into the "new gimmick" syndrome which has often been so negative in the past because it detracts from the idea that it is necessary to work on many fronts. The strongly ideological attachment many economists have to freer trade and more open markets is dangerous in that it may lead to an overestimate (partly needed for political purposes) of the relative role that this policy area can play. Agricultural exports may indeed be the best recipe for poverty if the right people do them but a disaster if the approach is laisser faire, in which anything goes, including land grabs and control of public policy by the rich. One of the tricky aspects in steering a good course in this policy area lies in the fact that clear signals of what is profitable are needed to induce people and investment into an activity. But the same signals can also induce theft, takeover of public policy and marginalization of the weak. What institutions and can help a country to achieve the former effect while minimizing the latter?

Thus far, nontraditional agricultural exports have been important primarily in Africa and parts of Latin America. This fact rises two concerns. First, if this model is not relevant to Asia, and especially to South Asia, its potential impact at the world level is greatly reduced thereby. Second, it is in Africa that ambiguous and changing patterns of land rights, together with sometimes heavy-handed governments, create the greatest risk of the drive for exports leading to losses by the smaller, weaker members of rural society. The idea that large farms are likely to be more efficient than small ones remains common here, as in some of other parts of the world, and the attractiveness of distribution of land in large units to political allies is a natural incentive to favour them See the other paper and Norma etc.

It should be noted that the above discussion essentially abstracts from the subtler questions related to benefits and costs of a more outward oriented economic strategy, including such issues raised by the dependency school as the transfer of industrial country tastes to the developing countries (George, 1985).

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Table 1
Exports of Fruits and Vegetables: Absolute Values and Share of Total Exports; Developing Countries of Latin and Central America and of Africa
(Millions of U.S. Dollars)

	1985	1990	1995
Africa (developing)			
Total Exports	62,023	77,891	76,076
Vegeatables (fresh and simply preserved)	200	326	607
Vegetables (preserved and prepared)	74	143	196
Veg./total	0.44	0.60	1.05
Fruit, fresh/dried	1,367	1,184	1,508
Fruit, preserved/prepared	213	319	394
Fruit/total	2.55	1.93	2.50
Veg & fruit/total	2.99	2.53	3.55
Latin America*			
Total	87,536	117,686	182,305
Vegetables (fresh and simply preserved)	696	1,373	2,440
Vegetables (preserved and prepared)	89	165	309
Veg./total	0.90	1.31	1.51
Fruit, fresh/dried	4,148	3,843	4,938
Fruit, preserved/prepared	966	2,000	2,050
Fruit/total	5.84	4.96	3.83
Veg & fruit/total	6.74	6.27	5.34
World			
Vegetables**	9,401	19,593	30,372
Arica (developing) and Latin America*/world	11.3	10.2	11.7
Fruits***	14,205	27,954	39,428
Arica (developing) and Latin America*/world	47.1	26.3	22.6

* Including Central America, south America and Mexico.
** Includes both "fresh and simply preserved" and "preserved and prepared".
*** Includes both "fresh/dried" and "preserved/prepared."

Source: United Nations, International Trade Statistics Yearbook, selected years.

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