

Trade Liberalization and Poverty
Reduction in Developing Countries:
The Case of Africa

By

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ABSTRACT

Poverty is a worldwide phenomenon involves many people especially those living with one-dollar per day in many developing countries. Poor people in these countries count about 1.2 billion and most of them are in Africa and South Asia. Many of these countries adopted trade reforms and introduced structural adjustment policies to their macroeconomic in order to make their economics operate efficiently. But numbers of poor people in these countries are on increase. Trade liberalization, under World Trade Organization(WTO), was expected to reduce poverty in these countries, but unfortunately their populations still suffering from poverty. It is import to revitalize applications of both the trade reforms and the structural adjustment policies in order to integrate these countries, particularly the poor people with the winners of the trade reforms.

Key Words: Poverty; trade liberalization; structural adjustment

Introduction:

In the standard theory of international trade the principle of comparative advantage, emphasizes benefit of all countries in the realm of trade. The concept reflects a country specialization to export its abundant factor of products and import the scarce one. Many developing countries get themselves at a critical situation under the trade liberalization policies that brought by the World Trade Organization (WTO) agreements, when they opened doors for trade flows across borders.

The adopted liberalization polices have burden the domestic firms in the developing countries due to removing of subsidies and government support to these firms specifically small and medium agricultural one. It was expected that the Uruguay round agreements would have their positive effects worldwide and developing countries will gain from free trade.

Epstein(1998), refers to studies that provide their estimates to income increase of these countries due to implementation of these agreements, which came simultaneously with the peak of applications of structural adjustment policies. However, for many developing countries instated of harvesting fruits of the WTO's agreements to increase their income, unfortunately, they faced with an increasing poverty level as a result , particularly in the African region.

This paper aims to examine how trade liberalization contributes to poverty issue and to earnings of workers in developing countries, specifically in Africa, and highlights the main features of the current financial crisis in these countries.

Main Questions:

Some questions may be extracted from this objective, the main are:

- What is the relation between trade liberalization, income, and poverty?
- Has trade liberalization, through WTO agreements, improve labour earnings and contribute to reduce absolute poverty in developing countries?
- What can WTO do to reform the situation in these countries?

Literature Review:

Economists argue that countries can gain from trade through augmenting their comparative advantages and realize their specialization by intensifying their factors of production. As well they can gain from trade by realizing their economies of scale in production, as the more of one good a country produces, the lower is cost of production it becomes (Dun and Mtti, 2004).

However, when a country achieves its economic growth and utilizes its economic endowments. Then it changes its terms of trade, i.e., the rate of a country exports prices to its imports, as high terms of trade imply large welfare benefits from trade and vice versa. In addition, when a country accumulates capital, acquires technical progress, and augments its human capital and strengthens its capacity of research and development (R&D).

It can realize growth and move away from natural resource based on trade (Dun and Mtti, 2004). As depending upon exporting of primary products, particularly agricultural commodities, is a main characteristic of the developing countries. Therefore many of these countries failed to realize their economic growth and then failed to change their exports structure, pressed under concepts of specialization, because they continue keep depending upon revenues of primary products that have a fragile terms of trade. UNCTAD(2008), contends that during the most of the twentieth century, developing countries which are exported raw materials and import manufactures suffered from a long-term deterioration in their terms of trade due to declining trend in the prices of their products.

Poverty is an old phenomenon that appeared in the writings of Plato (360BC) who contrasted poor citizens who live in miserable, as they can only fed, and not paid in addition to their food. He argued they cannot, if they would, to get pleasure. While other men of the city acquire lands, build large and handsome houses, and they have gold and silver.

The phenomenon prevails in developing and exists in developed countries. In developing countries, poverty is considered as a permanent or absolute phenomenon. This is because it

measured in terms of basic items considered essential for life such as clothing, food, and shelter. Some researchers include minimum social needs to this approach such as education and security. Measuring poverty is largely discussed from various dimensions and understandings. Some researchers (Todaro, 1997; Laabas and Limam, 2004; Saunders, 2004 among them) argued about quantitative indicators using statistical techniques to count number of people under poverty line. While other literatures, for example (Rowntree, 1902; Townsend and Kennedy, 2004; Townsend., 2003) use qualitative measurements that discuss the numbers and trends of poverty. However, the United Nations Millennium Development Goals (MDGs) have considered many dimensions of poverty, which comprise income, hunger, disease, lack of adequate shelter, gender equality, and environmental sustainability. But income stands at the heart of the measures, as number of poor people who living with \$1 per day count more than 1.2 billion.

Trade and Inequality:

The Uruguay agreements require countries to remove trade barriers at specific arrangements to liberalize their trade. Developing countries are considered as more respondents to these arrangements than the developed countries which still setback accession of exports of the developing countries to their markets. As barriers to these exports come under a seal of non-tariff barriers of intellectual property rights and standards for health and sanitary, and standards for labour, and environment prerequisites.

As well these exports suffering from farm subsidies of the developed countries, which throw burdens on farmers in developing countries. Khor (2006) and Raman (2006) explain how cheap subsidized food products imported from developed countries have their negative impacts on farmers in developing countries and make them displaced their products due to the unfair competition.

In 2001, agricultural support for producers in OECD countries counted about 1.3 per cent of the group's GDP and prices received by farmers in these countries were 31 per cent above world prices, in average. While, 68 per cent of the OECD agricultural production received market price support (IMF and World Bank, 2002). Many cheap subsidized food products of developed countries imported at lower tariff and affected the respective products of the developing countries.

Table (1) shows increase of imports bill in some developing countries over the period 1970-2002, especially in African countries, while their export revenues from agricultural products have been decreased. This indicates decreasing of barter terms of trade, which weights a country gains from

trade. It is assumed that a country's terms of trade would gain if its exports prices were higher in relative to its import prices. Many empirical studies confirmed a continual deteriorated terms of trade facing developing countries (Zanias 2004, Broda2003, Ocampo and Parra(2003) among them. This causing reduction of producers' income and then reducing employment factors which may entail large losses of welfare (Winters,2000).

Table (1)
Total Food exports and Imports of Developing Countries
1970-2002

(Current prices US\$ million)

Country	average annual value					
	Exports			Imports		
	1970-84	1985-94	1995-2002	1970-84	1985-94	1995-2002
Africa						
Cameroon	393	464	499	63	153	164
Ghana	478	412	543	76	139	282
Kenya	498	784	1071	77	180	388
Malawi	164	303	435	15	77	71
Nigeria	489	286	446	1045	666	1287
Senegal	165	138	119	162	271	424
Tanzania	329	293	478	80	86	262
Uganda	331	258	366	21	34	135
Morocco	375	537	805	486	594	1234
Asia						
China	3262	10475	13323	2822	5296	9321
India	1727	2723	5322	1072	1069	2703
Latin America						
Chile	219	1142	2810	357	286	872
Guatemala	620	817	1409	67	163	479
Guyana	118	128	208	29	27	68
Peru	289	327	684	325	605	971

Source: Harmon Thomas(2006) " Trade Reforms and Food Security" FAO

At the same time, many developing countries adopted the structural adjustment policies (SAPs) introduced since the 1980s by IMF and World Bank. These policies are largely influenced macroeconomics and sectoral levels, especially the agricultural sector which is the main generator of export revenues of these countries, based on one or small number primary farm products with volatile prices (Table2).

The SAPs are based on specific measures that include surtaxes, withdrawal of government from business activities and sales its public assets through privatization programme. In addition to, reduction of public spending, elimination of export tax, reduction of employment in the public sector, price liberalization, subsidies reform, and increase fees and charges for services such as

education and health services. Agricultural products in many developing countries have affected by these policies.

Table (2)
Share of Leading Agricultural exports of some
Developing Countries 2000-2002

Country	Exports earnings of top single agricultural commodity			Exports earnings of toptthree agricultural commodities		
	% total agricultural exports	% total merchandise exports	Commodity	% total agricultural exports	% total merchandise exports	Commodities
Africa						
Cameroon	29.7	6.7	Cocoa beans	67.9	15.3	Cocoa beans- Cotton lint -Coffee
Ghana	75.5	26.9	Cocoa beans	83	29.5	Cocoa beans- Cocoa butter -Tobacco
Kenya	39.9	18.6	Tea	55.4	25.8	Tea- Coffe-Pineapple (canned)
Malawi	76.1	69.2	Tobacco leave	95.5	86.9	Tobaco leave-Tea -Sugar
Nigeria	58.6	1.3	Cocoa beans	74.4	1.6	Cocoa beans- Nat.rubber-sesame
Senegal	43.7	6.1	Groundnut oil	60.9	8.6	Groundnut oil- Groundnut cake- Tobacco leaves
Tanzania	17.2	9.1	Cashew nuts	45.3	24	Cashew nuts-Coffee- Tobacco leaves
Uganda	41.2	19.7	Coffee	67.3	32.1	Coffee- Tobacco leaves- Tea
Moroco	13.6	1.4	Tangerines	37.8	3.8	Tangerines-Orange-Tomatoes
Asia						
China	7	0.2	Maize	13.9	3.6	Maize-Chicken meat- Rice
India	16.4	1.9	Rice	31.4	3.6	Rice- Cashew nuts- Coke of soybean
Latin America						
Chile	19.2	3.4	Ewine	43.7	7.7	Wine-Grapes-Apples
Guatemala	27.9	15.5	Coffee	57.3	31.7	Coffee-sugar- Bananas
Guyana	61.1	20.1	Sugar	93.2	30.7	Sugar-Rice- beverages- dist. Alcohol
Peru	28.2	2.7	coffee	41.8	4	coffee- Asparagus-Mangos

Source: Harmon Thomas: Ibid

In Sudan , for example, under the economic liberalization and privatization policies small and poor farmers are largely suffering ,as the government tend to confiscate the communal lands of the farmers and pastoralists in the rural areas and allocate them to the rich investors in consideration of a nominal rent.

Babiker (2008) explained that Malysian agricultural investment in Sudan allocated lands in the heart of the traditional farming and herding areas of the indigenous population in North Kordofan, while plans of the investors are direct to export from the products. He argues about the adverse socio-economic impacts that would have to be on the productivity and the living conditions of the population in the confiscated areas.

This in turn will increase number of poopers and push those who removed from production process to fight on shrinking lands for cultivation and cattle raising.

Thomas (2006) depicted implications of these policies in some of these developing countries. In Malawi, the removal of subsidies on inputs reduced producers' income and then reduced their purchases of inputs, which consequently reduced production and displaced some farmers from their products. In Ghana withdrawal of state facilities and assistance to the producers of rice, tomato and poultry products, and lowering of tariffs led to reduce competitive capacity of these products to face the cheaper imports similar products (Khor, 2006).

Labour Earnings and Trade Liberalization:

Labour markets connect between trade and poverty, because labour is the factor of production that enables consumers to gain their earnings in the market, and influences their welfare. Many economists have examined earnings inequality in the labour market, and attributed the phenomenon to various reasons that either belonging to the supply or demand side in this market.

Considering demand side that focuses on the impacts of trade and technological change on earnings inequality among workers, specifically between skilled and unskilled labour. Economists, (Haskel 1999, Katz and Murphy 1991, Yin 2000, Reenen 1993, Acemoglu 20002) among them, argue that technological change may increase demand for skilled –biased technological (SBT) changes, which in turn influence the relative wage or equilibrium wage of skilled (w_s) to unskilled workers (w_u) for the benefit of the first group, as this relation is expressed as ($\frac{w_s}{w_u}$).

Thus introduction of new products, e.g. computers, will tend to shift the labour demand curve in the older sector to the new one, causing loss of employment in the former sector. Economists researched wage inequality between skilled and unskilled workers in developing countries. Some studies argued about the phenomenon of SBT in these countries.

Zhu and Trefler (2003) addressed the wage inequality in the context of trade of developing and newly industrialized countries. They concluded there is an increase in wage inequality based on SBT in favour of skilled labour in developing and newly industrialized countries. While exports of the developed countries produced by the unskilled workers to developing countries causes increase in wage inequality between the two groups of workers in the developed countries. Borhat and Lundall (2004) explained that inflows of foreign direct investment (FDI) to developing countries encompass technological change. They interpret the FDI variable as the

determinant of return to education, i.e., it is the variable which contributes to the wage differentials in the developing countries.

The authors show that better compensation of skilled workers in the developed countries has its influences on the wages of skilled labour in developing countries. As the FDI of multinational corporations in these countries pay higher wages for their workers relative to domestic firms. Jaumotte et al. (2007) confirm the influence of the FDI on the wage inequality for the favour of the skilled workers in the developing countries.

Stolper-Samuelson, stated that imposing of a trade tax raises, reduces or leaves unchanged the real wage of factor (F), i.e. labour or capital, used intensively in producing commodity (c). Based on this theory, Esquivel et al. (2003) confirm the impact of technology to increase wage inequality between skilled and unskilled workers in Mexico over 1988-2000. They argued that in 2000 the real average wage of non-production workers in manufacturing industry in Mexico was 2.25 times higher than that of production workers in 1988. The authors argued that the wage gap between skilled and unskilled workers' real wages in Mexico increased by about 27% over 1988-2000.

Trade Income and Poverty:

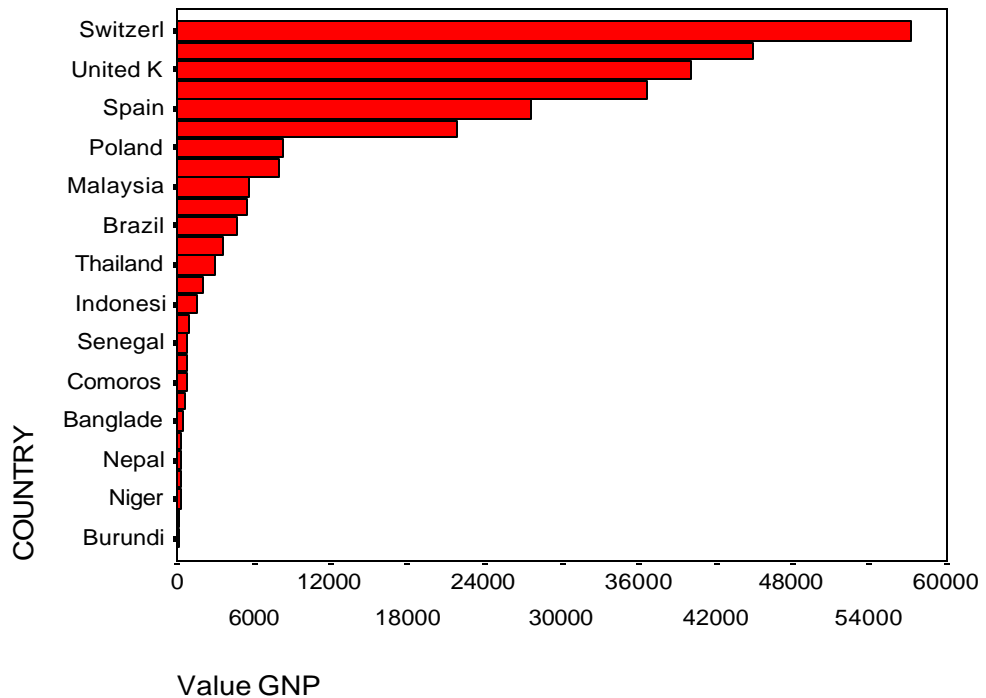
Income disparity between rich and poor countries is a quiet obvious phenomenon. The below Figure, shows distribution of the gross national income (GNI) of some rich and poor countries in 2006. It illustrates Switzerland with the highest income in this group of countries and Burundi is the poorest.

The Figure reflects a significance of poverty prevails in most of these countries. Todaro (1997) expresses how world income is in disparity, he argues that 80 per cent of the world's total income is produced in the economically developed countries by 20% of the world's people. Even though, poverty and inequality do not the same and each has its specific characteristics. But poverty and inequality are linked by income factor, which could increase poverty and inequality if the income stays stagnate or if the economic growth fell behind (McCulloch et al,2004).

However, poverty is a phenomenon with various characteristics which might be extended to cover health, social, ethical, economic etc. This creates various approaches to define poverty. The worldwide approaches measure the phenomenon in terms of income or consumption to indicate the welfare status. As it is difficult to measure income, the international poverty line has been established to express the minimum level of income that necessary to secure an adequate standard of living.

However, it is usually the international poverty line to be adjusted to local currency by using the purchasing power equivalent. Researchers have suggested various levels for poverty line. The most worldwide used is \$ 1 a day , which adopted by the World Bank based on 1985 prices, and then recalculated to the current level at \$ 1.08 a day based on 1993 prices. The World Bank is also used \$ 2 a day.

Figure: Per Capita National Income in Selected Countries, 2006 (in US dollars)



Source: World Bank, The World Bank Atlas, 2006

Table (3a) reports regional distribution of world poverty, it indicates the world headcount index, i.e. the percentage of population living below poverty line, based on \$ 1 a day. From this Table, the global poverty decreased by 11 per cent in 1993 from its level in 1987 and then by 23 per cent in 1998 from 1993 with a projection to increase slightly by 3.4 per cent in 2008. But the absolute number still stands at 1.2 billion over the period 1987-2008. While the number is estimated to decrease with a bit million in 2008 from 1998, when considering population living below \$ 2 per day(Table 3b).

Table (3a)
Population living below \$ 1 per day in Developing
and Transferring countries

Region	Number of people living on less than \$1 a day (million)					
	1987	1990	1993	1996	1998	2008e
East Asia and Pasfic	417.5	452.4	431.9	265.1	278.3	182.8
Excluding China	114.1	92.0	83.5	55.1	65.1	58.3
Eastern Europe and Central Asia	1.1	7.1	18.3	23.8	24.0	45.7
Latin America and the Caribbean	63.7	73.8	70.8	76.0	78.2	130.8
Middle East and North Africa	9.3	5.7	4.9	5.0	5.5	11.4
South Asia	474.4	495.1	505.1	531.7	522.0	465.0
Sub-Sahara Africa	217.2	242.3	273.3	289.0	290.9	406.2
Total	1173.2	1276.4	1304.3	1190.6	1198.9	1241.8

Source: World Bank " Global Economic Prospects, 2004

Table (3a) shows a declining trend for poverty rates in East Asia and Pacific (excluding China); the group has achieved a prominent reduction of poverty rates over 1998-2008, with an inverse trend in 1996-1998. However, the table demonstrates economic growth difficulties in Africa and South Asia to reduce number of poor people whose number in sub-Sahara Africa is expected to count double the figures of 1987, when it become about 400 million under both the number of population living below \$1 per day, and in case of living below \$ 2 per day (Table 3b).

Table (3b)
Population living below \$ 2 per day in Developing and
Transferring countries

Region	Number of people living on less than \$2 a day (million)					
	1987	1990	1993	1996	1998	2008e
East Asia and Pasfic	1052.3	1084.4	1035.8	863.9	892.2	632.0
Excluding China	299.9	294.9	271.6	236.3	260.1	218.3
Eastern Europe and Central Asia	16.3	43.8	79.4	92.7	92.9	100.8
Latin America and the Caribbean	147.6	167.2	162.2	179.8	182.9	227.3
Middle East and North Africa	65.1	58.7	61.7	60.6	62.4	74.7
South Asia	911.0	976.0	1017.8	1069.5	1095.9	1083.0
Sub-Sahara Africa	356.6	383.2	427.8	457.7	474.8	604.2
Total	2549.0	2718.4	2784.8	2724.1	2801.0	2721.9

Source: World Bank , 2004,ibid.

Moreover, liberalization of the financial markets , in both developed and developing countries, was proceeded to the trade liberation of the 1990s. The process was started in Latin America in

the 1980s, when debt crisis broke-out in Mexico and then many financial crises took place over the next two decades to involve developed and developing countries, such as the Asian crisis of the 1990s, American savings crisis and European exchange crisis during the same decade.

The current financial crisis is considered a direct result of the liberalization policies that deregulate the financial system across the world, particularly in the developed countries which have more integrated financial markets than what is in the developing countries.

It is alleged that, as it is known, the current financial crisis emerged in the housing finance market, specifically in the sub-prime mortgage and creeping into the other parts of the financial system in USA and the other developed and developing countries. The crisis associated with high oil and food prices. It is thought that (IMF,2008) availability and low cost of housing finance has contributed to worsening mortgage debts, as deregulation of mortgage markets, since the 1980s, in advanced economies provide households easy access for housing finance, which is increased residential investment in these economies.

IMF(2008) referred that in several economies, particularly the developed one, there are a connection between the macro-economy and the residential investments that added significantly to economic weakness in these countries. However, many other phenomena may be associated with the crisis, in many developed and developing countries inflation rates escalated, unemployment rates are increased, and global liquidity crisis appeared. As well high oil prices have been affected prices of many other goods and services, which directly depend on oil.

UNCTAD (2008) reports that also high prices of the primary commodities have improved export earnings of the developing countries, but many of them did not benefit from such revenues due to high prices of many commodities that increase their bill of imports and then worsening their terms of trade, and their indebted difficulties due to their fragile exports that frequently facing price shocks (Cohen et al, 2008).

However, high prices of many commodities left their impacts on the income distribution on both social and economic levels in different countries. In developing countries, for example, some social groups, such as landlords and rich people, have been benefited from commodities export revenues, while the marginalized and vulnerable groups bear the burden.

This increased number of the poor and hungry people in these countries. According to FAO(2008) number of this segment in the society increased from 832 million in 1995-97 to 848 million in 2003-05, across the world, about 98 percent of them are in the developing countries. While those in Asia and the Pacific and sub-Saharan Africa count about 754 million in 2003-05 or about 89 per cent of the world hungry people in the same period.

However, numbers are expected to increase to more than 900 million due to the current unfold economic crisis. Fukuda-Parr (2008), expects that the crisis will contract the external markets of sub-Saharan African countries, decline the expected Official Development Assistance as donor countries direct their efforts to rescue their economies. As the current situation in developing countries requires development efforts in these countries to be based on a great role of their public sector.

He argues that pro-poor expenditure is the priority. This requires the governments of these countries to provide free health and educational services, social security programmes for the informal sector, increasing employment based on equality and competent, empowering poor and landless farmers to access for landownership. Because, as to the Human Development Report (1997) refers, land is a critical factor for rural people. The report confirms that while the agriculture is the main source of income for three-quarter of the poor people, about a quarter of the rural poor segment in developing countries are landless who do not have adequate security of tenure or title. And even those who often have land, often have holding small or unproductive to provide them a source of livelihood.

This would suggest democratic land tenure policies that protect the rights of the rural people to avoid causes of social conflict on land and natural resources. Braun (2008) argues that food insecurity can be a key source of conflict. While destruction of natural resources, drought and famine are the many ingredients of food insecurity. These factors were frequently recorded, since the 1970s, in Darfur and they are caused as the main factors of conflict in the area (Young et al., 2005).

Braun (2008) pointed out that food prices crisis has increased competition for land and water resources for agriculture, and then pushing some countries, with severe natural resources but have capital, under liberalization policies to invest in agriculture overseas. Such investments show inflow from Arab countries to Sudan, Ukraine, Thailand, and from Korea and China to South African countries, Philippines and Russia.

Edmund (2008^{*}), reported some investments of the rich Arab countries in Sudan and Ethiopia, he referred that Sudan eliminated duties on imports of the agricultural inputs such as seed, fertilizer and tractors. As well exports taxes, calculated as 30 percent, were removed and the government, the owner of the land, is granting 99-year low-cost rent, he adds that only during 2008 out 2 million acres were leased to foreign companies.

^{*} Edmund S and Sr (Feb. 2009)³, ³ "Foreigners farm for themselves in a hungry Africa", Los Angeles Times, September 28, 2008.

However, pro-poor domestic development policies can enhance the expected benefits of the WTO's agreements for these countries. Moreover, development attitudes of the WTO would focus on policies that can maintain the role of the poor people in developing countries, particularly in Africa.

Poverty Reduction:

Many scenarios and suggestions were established to reduce poverty over years. Economists and international institutions gave attention to the phenomenon since the 1970s, and provide different efforts that have continued to accelerate with declaration of the UN Millennium Development Goals(MDGs) which focus to half poverty by 2015. However, it is argued that trade liberalization contributes to poverty reduction. The general concept is derived from the standard comparative advantage theory and Stolper-Samuelson abundant factor of production.

McCloch et al.(2004) argue about the significant role of trade liberalization to reducing poverty and increase the global gross domestic product (GDP). They provide estimates of Harrison in 1992 that indicates a positive impact on income of developing countries with a portion of about 20% and developed countries have 80 % of the global income that estimated as \$ 93 billion. Banister and Thugge (2000) in their study of trade and poverty alleviation argue that trade liberalization has its positive effects on employment and income of the poor people. The authors content that usually structural reforms left winners and losers who include poor people.

In Western Africa, where cotton is a major source of income and export earnings. Gillson et al.(2004) calculates the share of the product to the total exports of these countries as 65 percent for Benin, 45 percent for Burkina Faso, 42 percent for Mali, and 34 percent for Chad. The authors argues that cotton prices have been depressed by government support to exporters, particularly in US , China, and EU.

Oxfam International(2002), demonstrates that three among the Western African countries, i.e., Benin, Burkina Faso, and Mali are figured below in the UNDP Human Development Index as more than their population live below poverty line. According to Badiane et al.(2002) cotton is recognized as a strategic instrument for poverty reduction in these countries. As it can contribute to rural employment and income generation in the rural areas.

However, Oxfam (2002), estimates cotton losses off the Western African countries as \$ 334 million over 1999-2001, due to trade liberalization and cotton subsidies. It is obvious how this contributes to increase number of poor people in these countries.

Harrison,G.W., T..F. Rutherford and D.G.Tarr (1996)," Quantifying the Uruguay Round", in *The Uruguay Round and the Developing Countries*, edited by W. Martin and L.A. Winters, Cambridge University Press.

Winter (2000) has studied the impact of trade liberalization on some developing countries in Africa and on the labour market in South Asia. He concludes that poor people cannot always benefit from opportunities that trade creates because they lack either skills or capital. As the labour demand shocks under trade liberalization in South Asia have their positive impacts on wages of unskilled workers in the formal market, because their wages can be above the poverty levels. While their colleagues in the informal sector are left to suffering from negative impacts of the trade policy in the local market, nevertheless women in Africa and South Asia are prone to an increased earnings inequality in the clothing manufacturing industry.

Carneiro (2002), in his work on the impacts of trade on employment and poverty in Brazil, argues that trade liberalization alone will not be sufficient to reduce poverty and inequality in the country, but the inequality in educational terms is responsible for the segmentation in the Brazilian labour markets. Then the policy aims to reduce poverty and inequality has to target reduction of the disparity in the skill composition of the labour force to get more equitable labour market.

To Reform

Many commodities of developing countries, especially in Africa and other less developed countries; face technical barriers to access the developed markets beside their primary products face competitive subsidized products of the local products in these markets, this contribute to increase numbers of poor people in these countries. But this situation cannot be separated from the endogenous factors related to the economic development in these countries.

It seems difficult for these countries to achieve their social and economic development under the current macroeconomic policies they have adopted to undertake the structural adjustment programmes as recommended by the donors.

Meanwhile, these countries apply similar policies of WTO especially that concern subsidies. Many people in these countries, both in the formal and informal, sectors need support to access for the basic healthcare services, education, and social security. But under reduction of the government expenditure, i.e. stop subsidies, free health service, free education etc., they will continue in stay the poverty trap.

It is important to support such groups of population, particularly with lacking of social security programmes in these countries. Farmers who produce most of exports earnings need compensation when they face competition or face crop failure, though the recommendations of the structural adjustment programme went to reduce taxes on agricultural products but other various costs burden the producers. While many donors no longer provide development

assistance for these countries. According to the MDGs Report (2008), many donor countries have paid less attention to the technical cooperation, in the context of the MDGs, to boost production and trade of the developing countries. As technical cooperation for building trade capacity of these countries fell from 3.6 per cent to 3.2 percent of the total aid between 2003 and 2006.

However, it is important that, particularly under the current economic crisis, governments in Africa to adopt pro-poor strategies that based on social and economic support for the poor segments of their societies. Meanwhile, it is important that they have to re-consider land reforms for the benefit of the landless and poor farmers who are the majority of the rural population in these countries.

However, it is important to encourage government in these countries to improve their human capital through providing free education, training, free health service, and to spend more on research and development to improve their exports comparative advantages.

Conclusions:

Poverty is a historical phenomenon but it was absent in the context of the trade liberalization and the structural adjustment policies that increase sufferings of the poor people in the developing countries, particularly that adopted recommendations of the international donors. Moreover, applications of the structural reforms assume winners and losers, both among wealthier and poorer. But about 1.2 billion persons burden the impact of such reforms, as they get themselves probably living on one dollar per day.

It is clear that the last twenty years of application of the Uruguay agreements did not largely improve the income distribution in the developing countries. As most of these countries are still suffering deteriorated terms of trade, and many of workers and householders face earnings inequality which contribute to their impoverishment, as reduction of income is the main causes of poverty. Even though many researchers assume positive impacts of the trade reforms of these agreements, but the results are not the same as many people in Africa and South Asia are still a way from any benefits.

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Why it is still there?



How Can WTO solve the problem?