

World Poverty, World Trade Conference

**Walb Student Union Ballroom
September 18-19, 2009**

"International institutions, free trade and peasants in developing countries: What interactions, what mechanisms and what consequences? The Algerian paradigm".

**M. Mohamed CHABANE.
Regional Center for Social Science Research.
Laboratory of Economics and Social Sciences of Rennes
Mail: mohamed.chabane@uhb.fr**

Introduction:

Each year, more than 36 million people, mostly women and children, die as a direct or indirect result of hunger. The majority of these deaths occur in the poorest countries in the world. Accordingly, it has been estimated that every 5 seconds a child dies because of malnutrition or of related diseases and lack of basic foodstuff. . It means, 5 million children per year. In the early 21st century, at the time of Internet and of Mars expeditions, hunger and famine are widespread demonstrations."Famines themselves occur with disturbing frequency" say Amartya Sen. The massacre by undernourishment and hunger of millions of human beings is the major scandal of the early 3rd millennium, writes J. Ziegler.

Today, according to FAO estimates, over one billion people worldwide are starving, 97% live in developing countries. The scarcity of local food supplies and the lack of access to these products are pushing the number of undernourished people to remain constant or increase.

In the past, people suffering from the hunger were people submitted to difficult weather conditions, war situations, or political problems, Ethiopia, Zimbabwe, Ukraine (1939), etc... Today, these categories represent only a small fraction of the hungry. The rest, about 95% are farmers, peasants unemployed or their families. Of these, 50% are small farmers, 20% of the rural landless, 10% of nomadic pastoralists or small fishermen, and 10% live in urban poverty. Only 5% are affected by food emergencies caused by armed conflict, exceptional climatic conditions (mainly drought or flooding) or due to severe economic transitions.

Paradoxically, those the most exposed to hunger are those producing food: peasants and rural dwellers, living on subsistence agriculture and very low yields (in rural societies to 70% or 80% more often). How can one explain this situation clearly and completely contradictory with logic? People who work hardest in the land to produce food can not feed themselves properly?

Generally, farmers don't buy their food; they had produced and sold the surplus production to cover the costs of their daily lives. A natural disaster is enough to ruin them. They had no food to eat or income to buy even if these foods are available on the local market (that was the case in the past in the Bengal region studied by Amartya Sen).

Those disparities in economic development, capacity funding, inequality in farm equipment, technical progress, inequalities in the use of fertilizers, infrastructure inequities faced by farmers are the main causes of their poverty. However, the sudden liberalization of agricultural trade (and its implications on the volatility of international prices of food) under the auspices of international institutions such as the WTO, are other factors that continued to plunge farmers in South total disarray.

Is the liberalization of agricultural markets the cause of peasant poverty?

According to its promoters, the liberalization of international trade based on the theory of absolute advantages of Adam Smith (according to which each country has an interest in specializing in productions for which it has advantages in terms of costs), should increase wealth of everything and everyone and had to bring prosperity worldwide. J. Stiglitz says that if trade liberalization was conducted fairly and if it was accompanied by measures and appropriate policies, it can actively stimulate development. Populations of the developed world as well as those of the developing world are supposed to win.

Today, if free trade has not functioned properly, it is partly because trade agreements concluded were neither free nor fair. They were asymmetrical. They opened the markets of developing countries to products of advanced industrial countries without full reciprocity. A large number of subtle but effective trade barriers, remained in place, putting developing countries at a disadvantage said Stiglitz.

This unbalanced system of international exchange (including the agricultural), required (under the auspices of international institutions, IMF, World Bank and WTO) lower protection and suppression duties. This situation caused a decline in budgetary revenues and revenues of the States, meaning a reduction in development costs, infrastructure, investment and protection of farmers ... etc.

This imbalance including from a dualism of differential treatment between developing countries and developed countries. For years, farmers in the South are suffering from injustice and merciless rules of international trade. This trade reminds J-Y. Cafantán based on "*an imposture*" entitles the richest states to put pressure on developing countries to open their borders while closing their markets to products from developing countries under the pretext that these countries no have not sufficiently opened their borders. The former head of the World Trade Organization said that while trade liberalization had not fully kept its promises, it is largely the fault of developing countries that do not open their advantage markets to free trade to globalize faster.

Yet, developing countries have been the first to liberalize trade and open their borders to exports from developed countries. Most have followed exactly the instructions from donors and international institutions during the implementation of structural adjustment programs (agricultural liberalization, removal of subsidies, the abandonment of protective measures, the disengagement of the State are the key measures of fiscal policy changes advocated by the IMF under the structural adjustment policies has seen a large number of indebted countries since the 1980s). They opened their domestic markets beyond the implication from trade commitments made to WTO, making their farmers the brunt of the prevailing system in the world. Both the IMF and World Bank crowded with indebted countries to impose a free trade. As was the case in Algeria which is still protected at one time, declining coverage was a condition to the granting of new loans by these institutions.

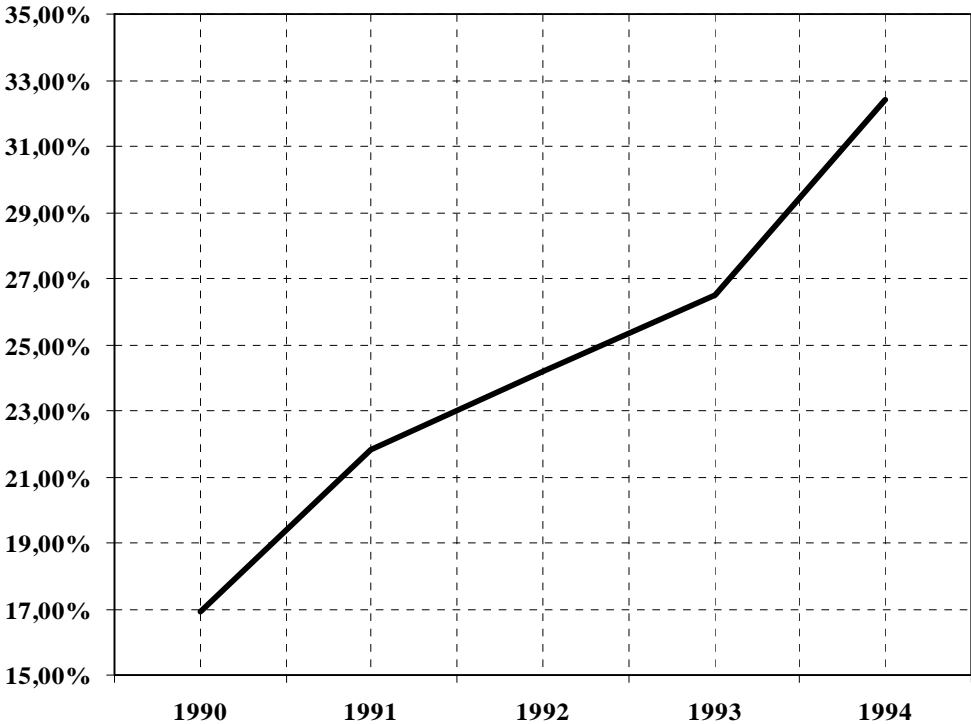
Algerian agriculture since the IMF intervention: A better opening for greater competitiveness

Since the changes made in the Algerian economy and the Government's use of SAP (Structural Adjustment Plan) in 1994, the farmers' situation kept deteriorating. Shock therapy distressed by the IMF has only complicated their situations.

The economic crisis compounded by a significant decay of public investment in agriculture, drove farmers' capacity to cope with production costs ever higher. Low investments have limited the creation of new jobs, resulting in a unduly large level of unemployment especially in the companions. This lack of jobs is logically accompanied by impoverishment of the middle class and impoverished masses.

There was a significant decline and precarious living standards and an enormous eroded purchasing power of the Algerian citizen during this period. This is mainly due to the high cost of living, the skyrocketing prices of basic foodstuffs, the result of the sharp increase in inflation as we see across the graph below (16.9% in 1990, 21.8% in 1991, 24.2% in 1992 and 26.5% in 1993), but mostly the result of the removal of subsidies enjoyed by major food before 1988 (see Chart 2).

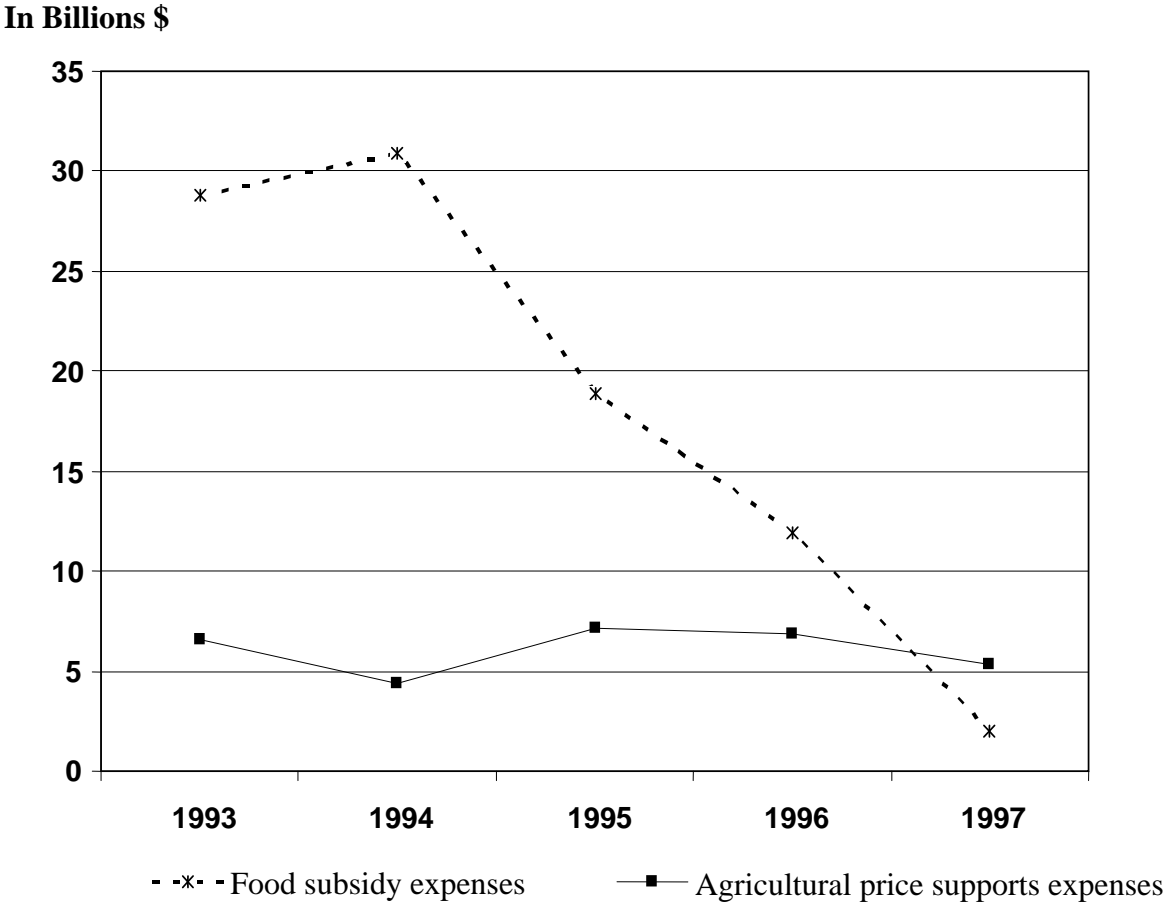
Graphic (1): Evolution of inflation rates in Algeria in the early 1990s



Source: Office for National Statistics in Algeria.

Indeed, stripped of subsidies they enjoyed in the past (see Chart 2), which kept their prices at a stable and accessible, food prices have been increased in an excessive manner and at times even brutal. This has affected the prices of all food products, with certain relativity, particularly for essential products: bread, flour, milk. The price of oil for example has been multiplied by 16, coffee by 9 by 15 butter, sugar by 12 in less than 10 years.

Graphic (2): Evolution of the amounts of subsidies from food prices and agricultural prices between 1993 and 1997.



Source: IMF Country Report No. 98/87, September 1998.

The price surge, accompanied by lack of domestic food, have been accompanied by an increase in the number of people suffering from food poverty and monetary acute. Poverty that is primarily a rural phenomenon affecting much of the 1.8 million rural households, especially households who have many children.

Thus, the prevalence of poverty in Algeria has reached 22% in 1995, the majority in rural areas. In 2005, the prevalence of overall poverty was 5.7%, while in 2000 was 12.1% and 8.1% in 1988. The change in the Gini index in 2005 was 31.8%.

The continued loss of farmers, their living conditions, underemployment, irregularity and the depreciation of farm work, development of industrial activities in cities are the most important factors that accentuated and accelerated the phenomenon of exodus. This phenomenon has become one of the worst and one of the most incurable problems, bringing negative impact on society: unemployment and slums.

Indeed, between 1966 and 1973 about 850 000 people migrated to cities, and around 520 000 between 1974-1977, a rate of exodus estimated at 1.3%, leading to a significant change urban population between 1966 and 1973 rose by 5.6% annually, against only 2% for the rural population. Latter estimated at nearly 7 542 000 in 1970 fell to the 6 628 000 people ten years later.

Today, the deal has not really changed. In the absence of interest for economic activities in rural areas and a clear and defined policy towards the development of rural areas, rural people continue to flood the cities, in more and more important. The following table illustrates the phenomenon of rural exodus from the years 1990 and estimates to 2020.

Table (1) : The share of rural population in total population.

Predicting the share of rural population in the total population in Algeria (in %)							Evolution Rural Affairs
1990	1995	2000	2005	2010	2015	2020	1990-2020
48,6	45,7	42,9	40,1	37,3	34,7	32,1	- 34%

Source : CIHEAM, Agrimed 2006.

Under the aegis of the IMF and following its recommendations, the Algerian agriculture is seen to lack the financial resources and equipment which remains a major obstacle to the work of farmers.

Since the, the sharp drop in oil prices, and the ensuing financial crisis of 1986 (and even before: all subsidies for the purchase of agricultural equipment disappeared from the 80s as seen Table 1 all subsidies and price supports were removed. Input subsidies of around 900 million dinars in 1985 were removed from 1993.

Prices of agricultural inputs of industrial origin, seed, fertilizer and agricultural equipment have increased significantly resulting in a sharp decline in their use. To obtain a tractor tire in 1981, a farmer had to pay the value of 22.3 tonnes of durum. Ten years later, more than double was needed, which is 48.3 tons. Terms of trade did not cease to deteriorate to the detriment of the farmer. This led to a dramatic increase in production costs, resulting in higher prices of agricultural products.

Table (2): Evolution of farm machinery (units)

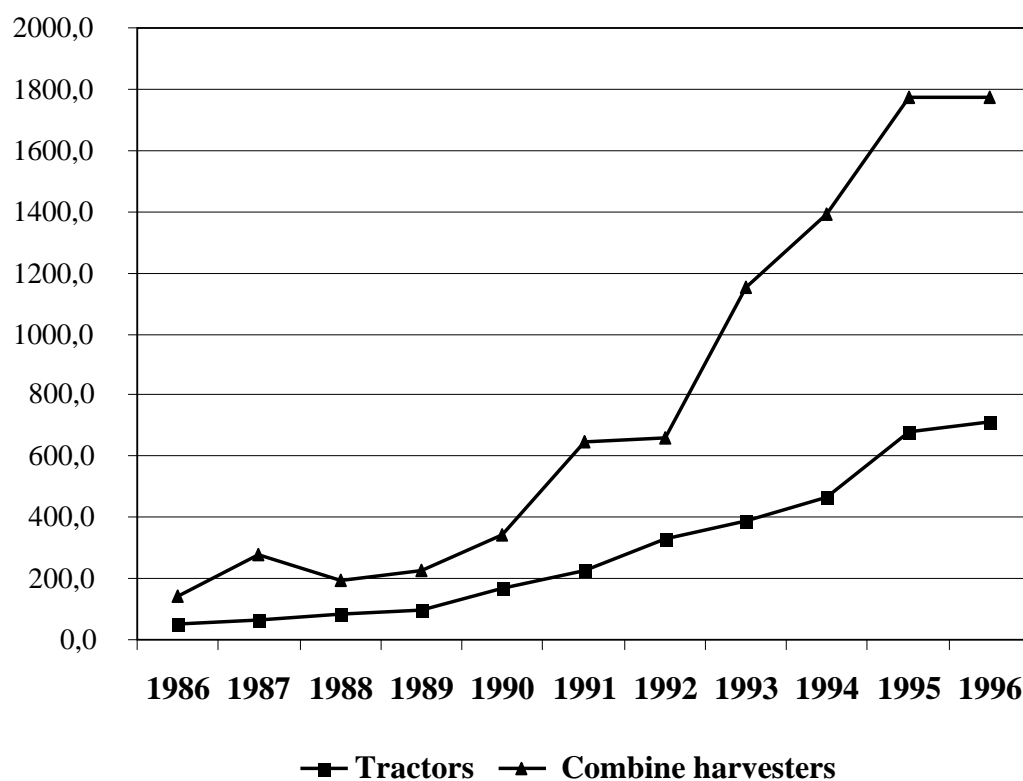
Années	1990	1991	1992	1993	1994	1995	1999
Tractors	4.342	6.837	6.185	4.575	2.424	1.329	1.008
Combine harvesters	493	472	568	199	147	30	47

Source : FAOSTAT | © OAA Division de la Statistique.

Moreover, even the prices of agricultural equipment sold by the state to farmers have increased dramatically as we see from the chart (2).

Graphic (3): Evolution of the selling prices of agricultural materials

000' dinars



Source: National Economic and Social Council

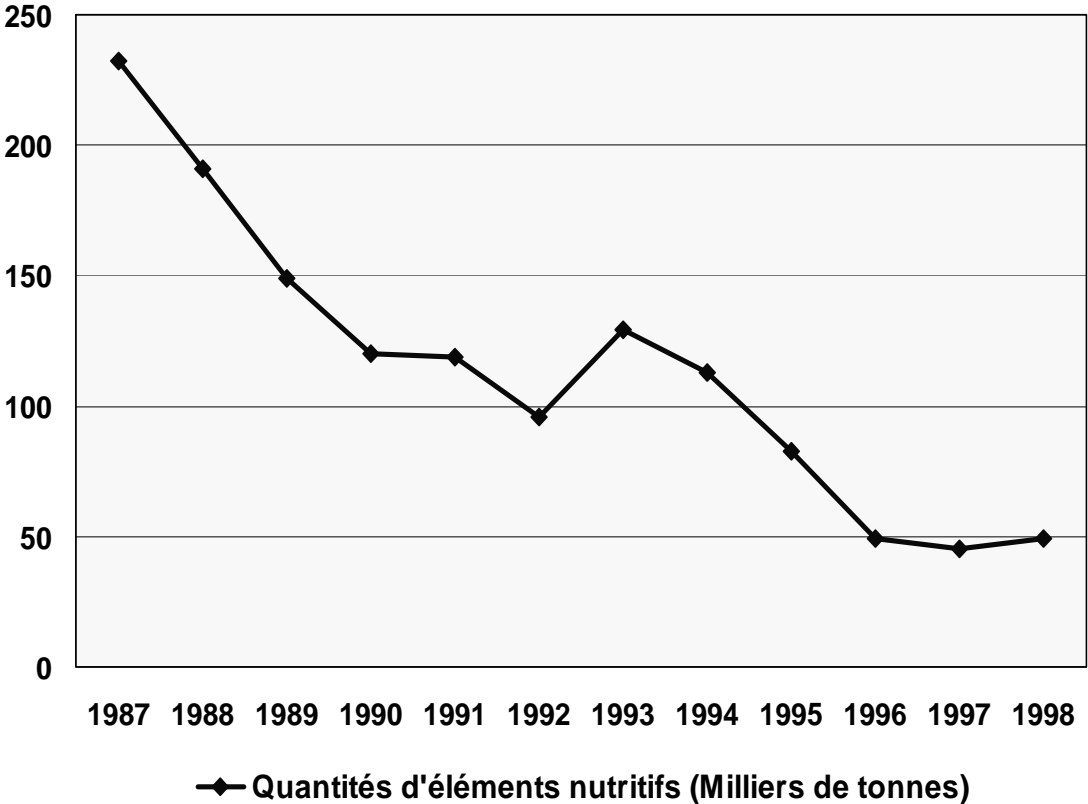
High prices and the accompanying shortage of agricultural equipment increased significantly the difficulties of farmers and overloaded advantage of their operating costs already heavy. This has weakened the use of mechanization and reduced opportunities for new farm equipment. The proof is the stagnation of the tractors number: according to FAO there were about 91 400 tractors in 1990, 91 200 in 1995, 92 900 in 1998, 9 000 Combine in 1992, 9 200 in 1999.

As for fertilizers and pesticides, prices have been multiplied by 3, resulting in a substantial decrease in consumption. The fertilizer was divided by 5 in less than 10 years, that of pesticides by more than 6 for the same period. If we had 33 kg of durum wheat to pay for 1 kg of phosphate fertilizer in 1981, we had to move 106 kg to buy the same quantity in 1991.

Algeria, which provided its farmers with a strong effort to increase fertilizer use in agriculture in the 1970s, found himself at the same level of use than that of the first years of independence, far behind level of use of its Mediterranean neighbors.

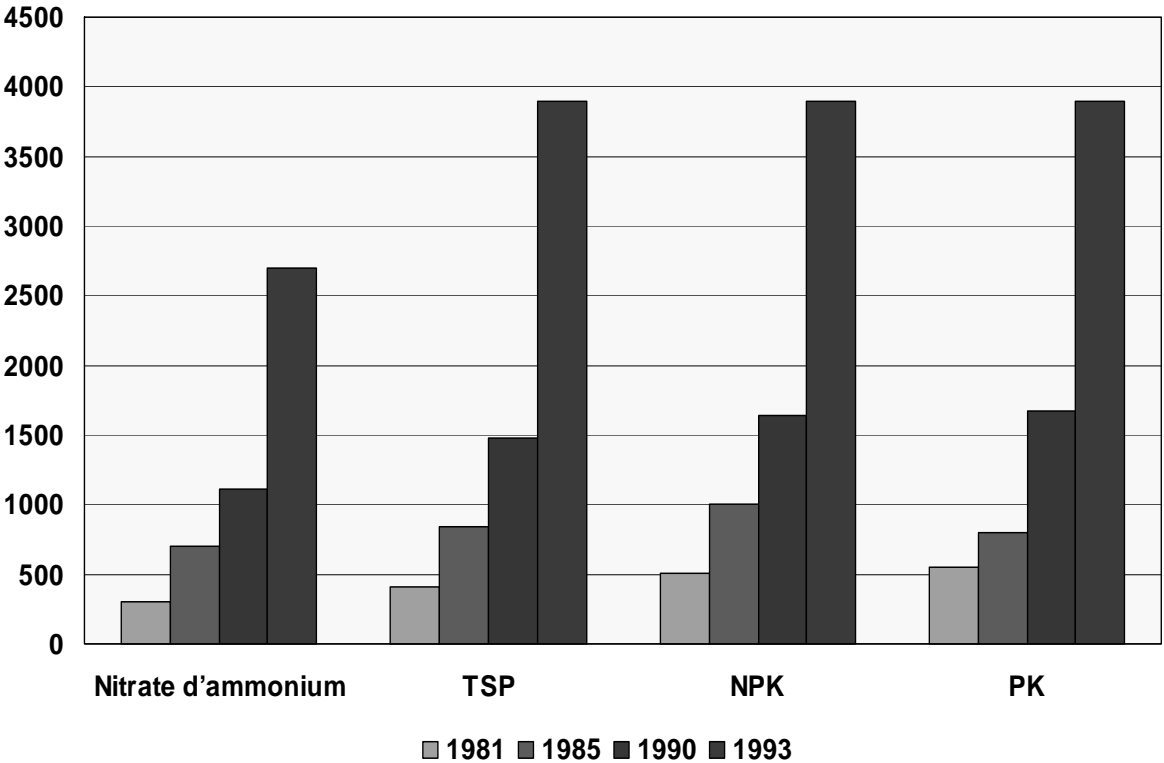
In light of the Chart 3, which traces the evolution of key of fertilizers (N, P, K) use, we can see the versatility and deterioration in the use of agricultural fertilizers in Algeria. It is clear that the relentless decline of fertilizer use was due primarily to increases in prices. They have been multiplied by 10 in a few time as we see from the analysis of graphs (5), which presents the changes in prices of some fertilizers (ammonium nitrate, TSP, NPK and PK) between 1981 and 1993.

Graphic (4): Use of fertilizers in agriculture between 1987 and 1998



Source: FAO report on the use of fertilizers in Algeria.

Graphic (5): Evolution of fertilizer prices between 1981 and 1993 (in dinars)



Source: compiled from the same previous report, p. 41.

The leading idea of trade liberalization imposed by the IMF and other institutions is clear and its application was more than justified in terms of fair treatment. It should especially allow the creation of a thriving international market for all. However, reality does not always conform to theory. Indeed, as rightly stated in an UNDP report which compare rich countries with yachts and poor countries with rafts "The rising tide of prosperity is supposed to lift all boats. But some are better paired than others. Yachts and ships are naturally inclined towards new horizons. As for rafts and other flimsy craft, they take water - and some of them are sinking. "

Interventionism, the developed country subsidies to their farmers which allows them to remain competitive in all the circumstances remain the cornerstones of an international economic system totally unfair to the South.

Analyzing the current situation shows that open economic borders just shoved down a bit more developing countries into hunger and poverty. The real problem does not arise at the level of liberalization itself, but the functioning of the international market. Market interest is to ensure equality between price and production cost. A market that does not work properly is a market totally devastating.

Injustice of the international trading system

Although WTO presents itself as the only international organization dealing with the rules governing trade between countries, thus helping producers of goods and services, exporters and importers conducting their business, these rules have only complicated the situation of millions of producers in the South and a little more impoverish their lives.

The Agreement on Agriculture adopted in 1994 as the outcome of the the Uruguay Round trade negotiations was intended to limit all aids and domestic subsidies to the agricultural sectors, as well as to initiate rules to reduce import restrictions. Afterward, it results in huge losses for the least developed countries, amounting to at least \$ 600 million, 1.2 billion \$ for Sub Saharien Africa.

During the summit in Seattle, the United States requested the outright elimination of obstacles to trade in food, and the abolishment of export credits. This was a legitimate claim and it would have been understandable assuming a fair international trading regime. But when the world market is far from a system of such liberalization, asymmetric liberalization allows some countries benefitting over others. Whatever the criterion used, the current regime of international trade is unfair to developing countries, noted Stiglitz.

Today, the world economic powers are seeking free trade agreements with developing countries on regional and bilateral basis. Nearly 25 developing countries have signed free trade agreements with developed countries, and over 100 are engaged in negotiations. Rich countries use "free-trade" (FTAs) and regional negotiating concessions they have been refused at the World Trade Organization (WTO), where developing countries can join forces and seek more favorable rules.

The persistence of global trade in this global trading system under the current rules of the WTO, seriously damages the interests of developing countries and their farmers. The WTO international law, says Stiglitz, is "an imperfect rule of law". They are set by bargaining, especially between poor and rich countries, and the interest of rich countries prevails in general.

As a result, millions of rural people in poor countries are forced to flee their lands, to leave their companions to crowd into cities in search of a more rewarding job than being a farmer. Free trade in food markets is a formidable war machine to make the poor hungry. It is an infallible strategy for creating hunger, said Vandana. Shiva.

Continuing the international trade liberalization along this path can only strengthen the mechanisms of impoverishment of the majority of farmers around the world, rural exodus and urban poverty. Rules based on free trade have made the food that is an essential element of human life, a fundamental right that all human beings should have access in time and space like any other commodity subject to the free market.

Malfunctioning markets and lower prices for agricultural products

The green revolution, the contemporary agricultural revolution that took place in developed countries, have had a demonstrable effect on levels of total global production of agricultural materials (which have increased substantially), but mostly on levels of agricultural productivity. Farmers around the world, reports the GRAIN report, had produced a record 2.3 billion tons of grain in 2007, up 7% over the year before. World production of cereals had more than tripled since 1961.

This was in parallel, a remarkable impact on prices of major agricultural products which have undergone considerable variations. Several countries that have benefited from the techniques and processes of the green revolution have exportable surpluses at low prices that have influenced the course of international price never optimal.

Indeed, the general trend of prices of most agricultural products has changed markedly down since more than half a century. In 50 years, the real costs of agricultural products, obtained by the most competitive producers in the world has been divided by 6 and in periods of rising surpluses, the international price approaches the cost of the 10% most competitive.

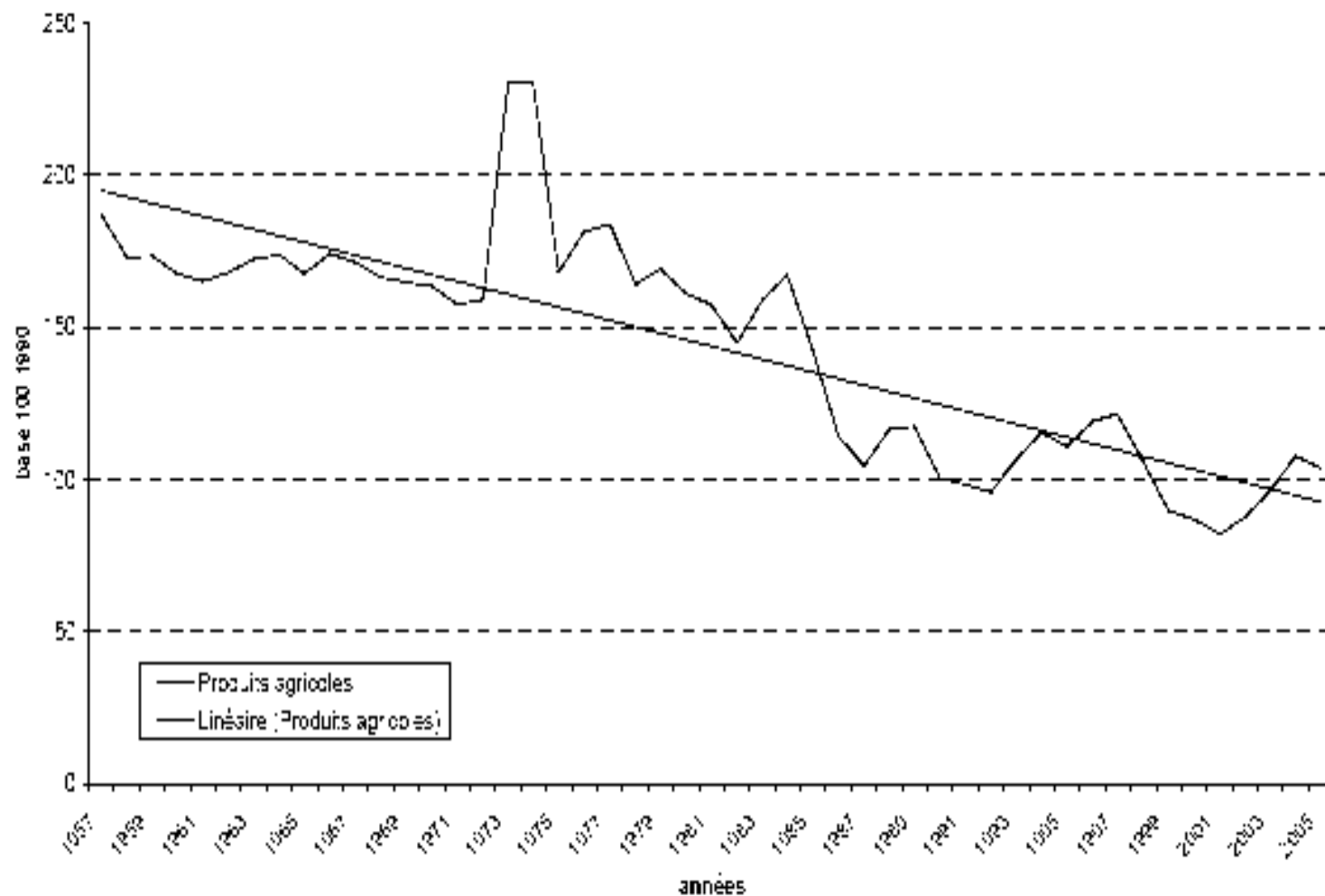
Therefore, we are now in a context of low international prices, with a long term real value decline since the 90s. In the period from 1977 to 2001, statistics from UNCTAD show a deterioration of food prices in the range of 3.3% per year. Agricultural commodities have experienced a downward trend of around 2% per annum in real terms.

The decline and instability in international prices of agricultural commodity have negative impacts on developing countries and particularly on the peasants who saw their revenues shrink drastically. Farmers in these countries are less competitive and less equipped compared to their competitors in developed countries, they will no longer, be able to sustain competition with their more productive and more profitable developed countries colleagues. .

As a consequence, millions of peasants are experiencing increasing impoverishment, victims of the prevalent economic system worldwide, millions of peasants victims of the opening of agricultural markets, of unfair competition against products highly subsidized and often much cheaper. Millions of peasants are disappearing. Millions of peasants condemned to flee by poverty and hunger.

For example, lower cotton prices by an average of 137 FCFA (0.27 \$) per kg induced a decrease in volume of production of seed cotton by almost 40% of annual production in Mali Burkina Faso, Togo, Benin, Cote d'Ivoire, Senegal and Tchad (according to statistics from UNCTAD and the ICAC).

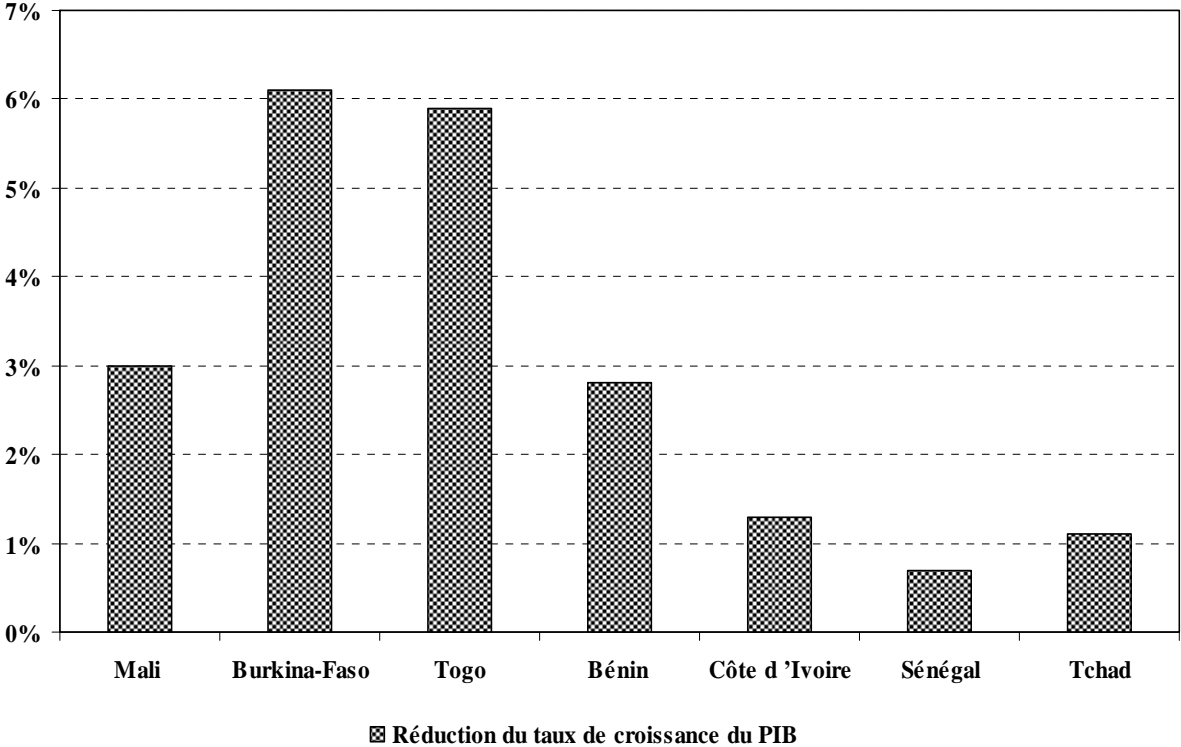
Graphic (6): Degradation of real prices of agricultural products 1957-2005. (Base 1990 = 100).



Source: Dynamics of international agricultural prices, an act of Seminar Seminar June 7, 2005, prepared by the Steering Group of the project on the regulation of international agricultural markets, p. 7.

The drop in producer prices over 2 years would reduce the growth rate of GDP from 0.8% to 6.2% coverage (in 2000, cotton represented 84% of export revenues in Benin, 47% those of Mali, 39% of those in Burkina Faso, 38% of those in Chad), as we see through the following graph:

Graphic (7): Reducing the rate of GDP growth result of lower cotton prices by an average of 137 FCFA:



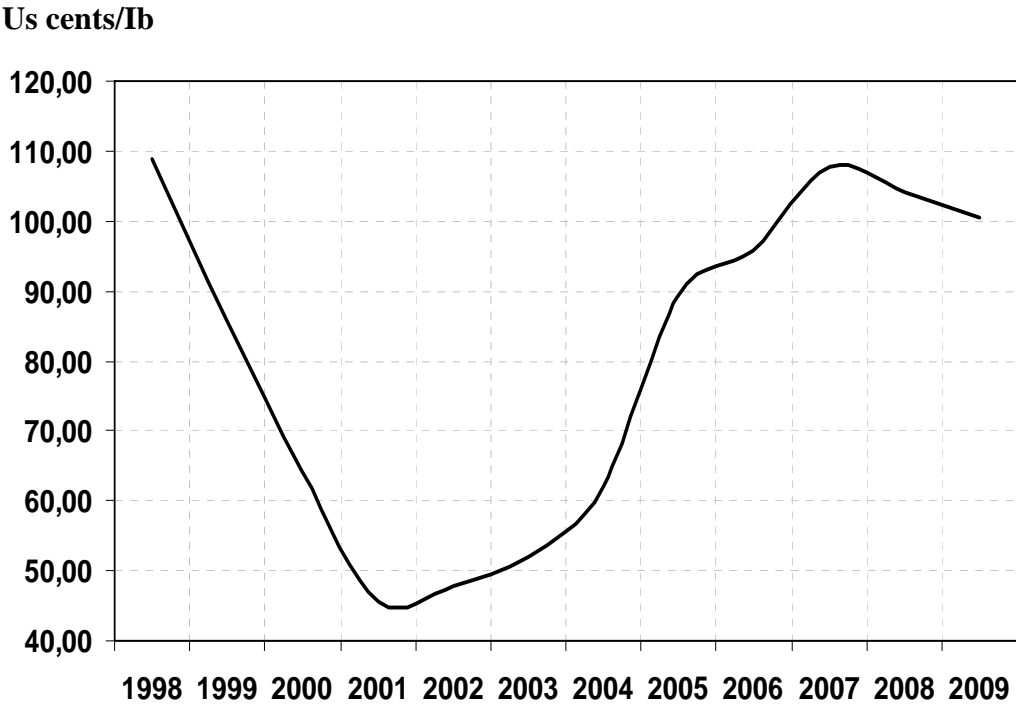
Source: Based on figures from Kevin Watkins, Oxfam Briefing Paper: Cultivating Poverty the Impact of U.S. Cotton Subsidies on Africa.

Indeed, cotton prices have been falling substantially since 1950 (36% between 1995 and 2005). This decline has had serious consequences (at macro and micro economic) on small farmers in poor countries, particularly in West Africa (where over 10 million people depend directly on cotton production in this region) since the cost of production in these countries is much larger compared to the price of international sales.

If we rely on the results of the study of K. Watkins, who attempted to calculate the cost of subsidies to U.S. cotton in 2002 on Africa, we observe that for the whole region, because of lower cotton prices, the loss amounted to 301 million \$, equivalent to nearly one quarter of what it receives in American aid. 8 countries producing cotton in West Africa accounted for about two-thirds (\$ 191 million) of all of these losses. As a consequence, the Burkina Faso lost 1% of GDP and 12% of its export earnings, Mali lost 1.7% of GDP and 8% of its export earnings, Benin lost 1.4% of GDP and 9% of its export earnings.

For coffee growers, the situation is no better. Early 90 years, receipts from coffee producing countries were around 10 to 12 billion dollars. In 2002, coffee producing countries received only did 5.5 billion dollars. Prices on world markets, which averaged 120 U.S. cents per pound in 80 years, declined to reach 50 cents a pound, the lowest prices in real terms for 100 years. Consequently, the decline in world coffee prices from 1995 to 2001 caused the destruction of 25 million coffee growers in 50 countries around the world (in 2000, coffee accounted for 56% of export earnings of Uganda 43% of those in Rwanda, 40% of those in Ethiopia). The decline in coffee prices since 1998 has been dramatic and is illustrated in the chart below.

Graphic (8): Composite indicator of green coffee prices, annual average from 1998 to February 2009



Source: International Coffee Organization (february 2009)

The stabilization of agricultural prices has a decisive role in increasing yields, but above all it is of fundamental importance for developing production in developing countries. But the instability of international prices makes very risky any participation in world trade for developing countries.

Indeed, the volatility of farm prices in recent years and their fluctuations have prevented the most vulnerable farmers in developing countries to be competitive. On the one hand, it has limited their ability to cope with growing surpluses of developed countries at decreasing prices. On the other hand, and above all, it excluded these countries from international trading system.

In 2004, the developing countries agricultural value added was about 11.5% of average GDP. The agricultural exports were about 6.6% of total exports. Declining world prices, together with a reduction in exports result of loss of market shares of developing countries.

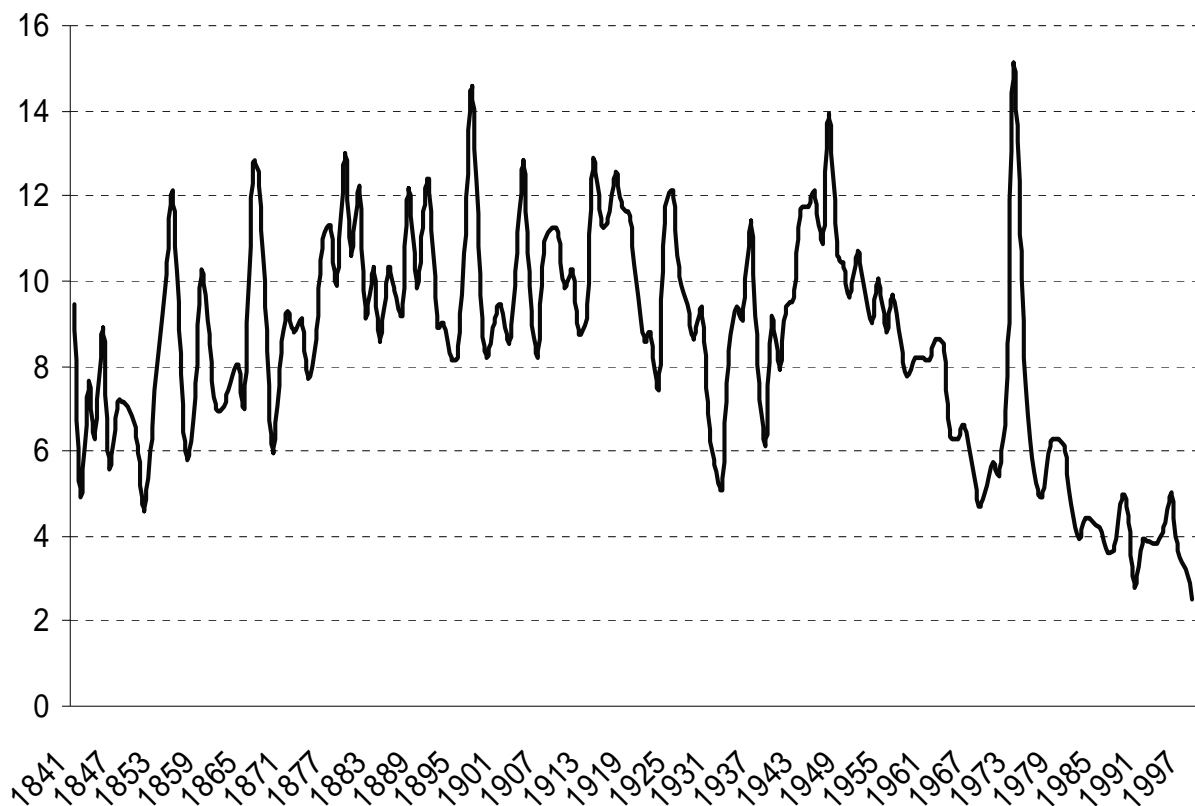
The example of Algerian grain

In Algeria, the grain (or grain equivalent) production of a typical farm is about 1000 T .Since a worker get about 1000\$ a year, the production cost is about 1/1000 \$ /kg. For that reason, exportable grains (which are only a surplus over self consumption) is sold at less than 10\$/qx.

At such a price, even the best equipped farmers in the world, the most technically advanced who use high yields selected seed can not compete. Without additional competitive advantages, farmers will necessarily be bankrupt, selling below their production costs (\$ 130 per ton in U.S. \$ 150 per tonne in Europe on average). They will never be able to export nor stay competitive or even maintain their business unless if they benefit from state subsidies in their countries. Such is the case for grains, in such agro-exporters as Ukraine, Brazil and Argentina (in these countries, the low production costs fall to \$ 80 per tonne), supported by their high technical equipment and gain from a labor among the cheapest in the world that grow on very large agricultural areas.

Thus, prices of wheat, for example, suffered a sharp decline, as we see around the next chart (including the period after the 2nd oil crisis).

Chart (9): Evolution of the real price of a tonne of wheat on the Chicago spot market (in dollars 1998/tonne)

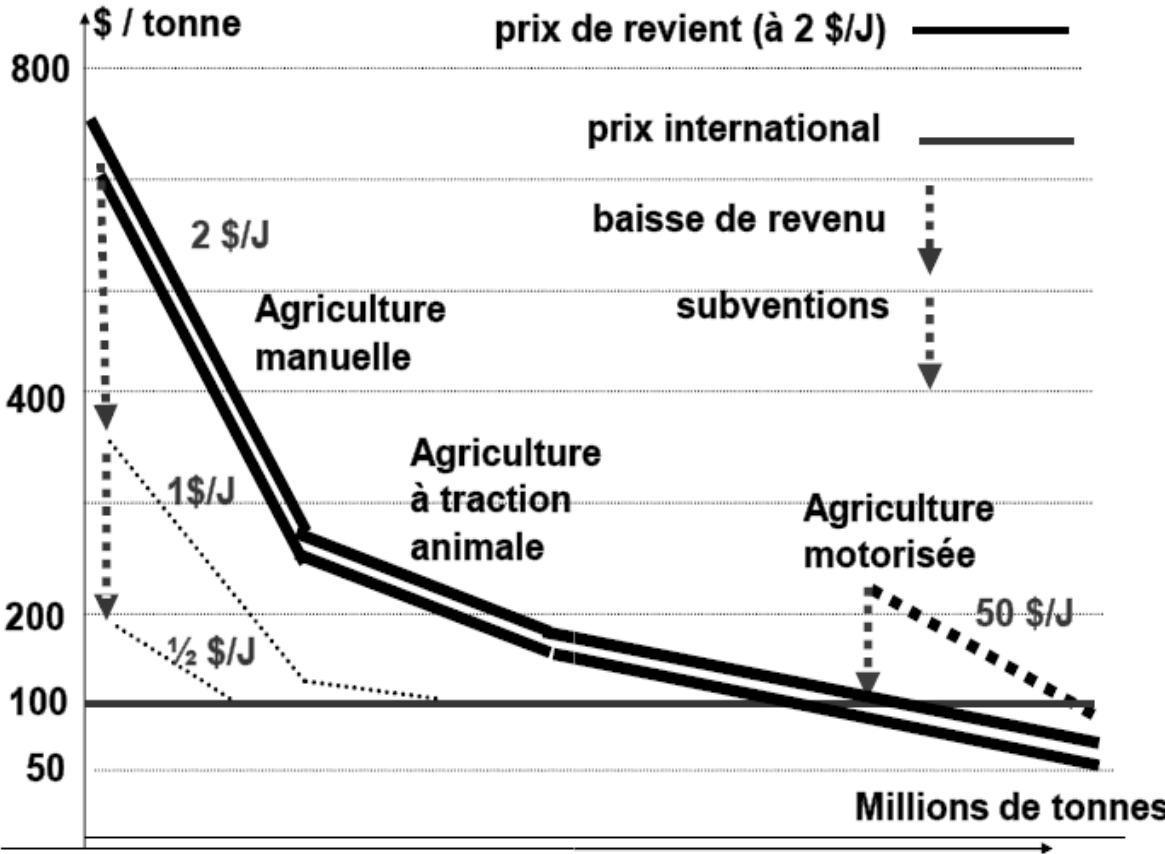


Source : Jean-Marc Boussard (Directeur de recherche à l'Institut National de Recherche Agronomique de France).

Smallholders in Algeria are far from being competitive with these farmers. International prices settled at a cost of producing the 15th percentile volumes produced in the world at \$ 100 per tonne (cost of production in Australia or Canada themselves below the cost of the lowest production Argentine exportable surpluses or Ukrainian to \$ 80 tonne). Thus, the international price of cereals is below the cost of producing 85% of volumes produced in the world. It is far below the production costs of hundreds of millions of farmers who produce less than 1 ton of grain per year at a cost of \$ 400.

What will be the fate of the Algerian small farmer producing less than 1 000 kg of grain per year at a cost of \$ 400? We see through the following graph. More international prices fall, the more farmers fall into poverty, migration and famine. As a consequence, thousands of the poorest farmers are dipping below the poverty line, condemned to exodus to the cities.

Graphic (10): Degradation of agricultural output prices



Source: Marcel Mazoyer, *The right to food for 9 billions human in 2050*.

Example potatoes in Algeria

In 2007, Algeria was bound to import large quantities of potatoes from Canada, Turkey, Italy, France and Spain. The average price of kg of cargo was \$ 0.18 per kg. Including taxes and duties, a kilogram of potatoes is expected to arrive at the consumer level at a price between \$ 0.35 and 0.4. In these circumstances, faced with this competition, what will happen in the production of Algerian farmers who exploit their potatoes with a cost which is located between 0.3 to \$ 0.35?

Many farmers are no longer able to operate. Because of lack of capital, they will not be able to invest and renew their means of production. A decline in income follows. A catastrophic loss of living standard follows.

At the same time, the state is forced to import to fill the gap. Thus, food imports in Algeria were increased by about 5.7% in volume, compared to 2007, including grains and dairy products (up 21.71% for dairy, 100.55% for cereals). They reached 7.716 billions \$ in the year 2008 of which \$ 3.967 billion for cereals and \$ 1.295 billion for dairy products (CNIS).

Recourse to imports of cereals, edible oils, sugar and milk is needed daily and increasingly for the needs of the population. This has increased the weight of the food bill, and is increasing the foreign exchange resources devoted to this objective: \$ 1 billion in 70 years, 2 billion in 80 years and 2.5 billion in 90 years 3 billion dollars in 2005. It reached \$ 4.954 billion in 2007, 7.716 in the year 2008 of which \$ 3.967 billion for cereals (1.987 billion dollars in 2007) of \$ 1.295 billion for dairy products (1.064 billion dollars in 2007) (CNIS). Thus, food imports increased by about 5.7% in volume compared to 2007, including grains and dairy products (up 21.71% for dairy, 100.55% for cereals). Imports of other food products have grown in value in the following percentages: 37% for coffee and tea, 22.7% for beef, 2.4% sugars and 2.6% for pulses.

Today, Algerian farmers suffer. They suffer from their precarious status. They suffer of inequality in competition, which obstructs any change, and prevent them to participate in development. They participate in national development. They endure the international trade rules which prevent them even from earning a reasonable living standard.

Agricultural implications of the accession of Algeria to the WTO

Algeria, which wants to join the WTO, must ratify all international agreements which have governed the international trade during the GATT period, up to and including the cycle of the Uruguay Round in Marrakesh ratified in 1994, which specify the relations of acceding countries for everything that concerns precisely agricultural products. Although Algeria is not presently a contracting party to the Uruguay Round, neither to WTO, it will have to comply with the rules of this organization once accepted as a member. Registered in 1986 to the agenda of GATT negotiations, the Agreement on Agriculture was to begin the phasing out of subsidies granted to agriculture in all its forms, financial support or tariff protection and customs.

The Uruguay Round was to replace all non-tariff barriers into tariffs, even very high in order to establish greater transparency in transactions and international trade in agriculture. This agreement was made also of sanitary and phytosanitary issues and measures to protect markets and agriculture, domestic support and export subsidies for domestic agricultural products. The domestic support must be reduced by about 20% over 10 years for the category of developing countries Algeriabelong to. The agreements of the Uruguay Round forbid, moreover, the prohibition of use of non-tariff barriers (quotas, export restrictions and quotas, price floor, etc.).

Tariffs to be reduced by 24% over 6 years in developing countries, after a period of 10 years. A minimum of 15% reduction should be conducted for each tariff line at the end of the period. Even export subsidies are now regulated. These export subsidies will, after 6 years be reduced by 36% in value, based on the levels of values 1986-1990, while the quantity of subsidized products should be reduced by 14% to 21% in developing countries.

Regarding sanitary and phytosanitary, nothing in the Uruguay Round agreements prevents the establishment of national regulations to protect the health of people, animals, and plants. However, the agreement lists the SPS that should not be used as nontariff barriers to import.

The crisis in agriculture in Algeria

The agricultural situation in Algeria is still worrisome. Despite some improvement in global indices, the activity is still in deficit, and far from satisfying the domestic demand even if its contribution to GDP is constantly changing (722.8 billion DA in 2008 against 702 billion DA in 2007) as we shall see now.

Graphic (3): Sectoral contribution of agriculture in GDP at current prices.

	2003	2004	2005	2006	2007	2008
Contribution of agriculture to GDP	515.3	578.9	579.7	639.7	704.2	716.0
Share of agriculture in GDP	9.8%	9.4%	7.7%	7.6%	7.6%	6.5%

Source: IMF Country Report No. 09/111, April 2009

The agricultural sector is still subject to endless restructuring and reorganization, thus perpetuating the corruption of an already devastated area, far from guaranteeing its economic role and its productive activity. Since independence, it has been confronted to a multitude of problems of all kinds: natural, technical, financial and human. These difficulties are real obstacles to its growth and development but also the main and the most important cause of the failure of agriculture to meet local demand:

1. Low natural endowments: The agro-climatic conditions are unfavorable to agriculture in much of the country, blocking the production (lack of land, water and capital, etc...), severely limiting the possibilities of intensive agricultural activities and are partly responsible for this situation. Indeed, in Algeria, the agricultural sector employs only about 41 million hectares or just over 17% of the total area. 2 million hectares of such areas only have a level of rainfall

above 450 mm. This area is broken down as follows: 31.9 million hectares of rangeland, 0.8 million hectares of unproductive land and 8.2 million hectares of agricultural area (UAA). UAA total reported to the agricultural labor force represents a ratio of 1.9 hectares per agricultural worker. It currently represents approximately 0.20 (ha / cap.) And could rise to 0.13 in 2025, under the pressure of urbanization, erosion, desertification and degradation of vegetation cover. This ratio is among the lowest in the Mediterranean basin. 0.55 ha in Spain, 0.50 ha in Greece, 0.42 hectare in France.

2. The low priority given to agriculture in the allocation of public resources: In 1967, the agricultural sector contributed more than 12.9% to national GDP. It fell to 9.88% in 1987, to 11.15% in 1988 and 10.5% in early third millennium. In the field of employment, in 1966, over a total occupied population of 1.7 million, agriculture employed nearly 870 000 persons that is, more than 50%. Even today it represents over 21% of the total workforce. It makes use of more than 1 236 000 workers. Despite this, the state investment does not follow, contrary to the past situation of the 1970's, when it accounted for almost 40% of total investment.

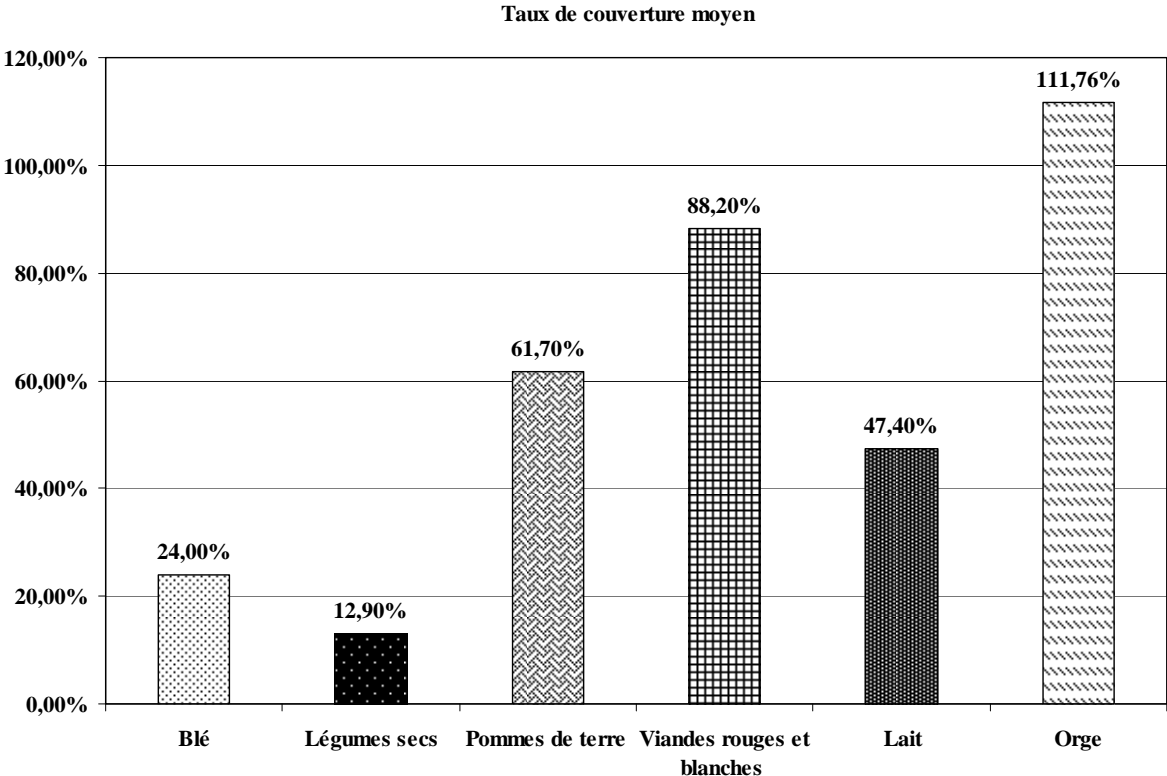
3. Mediocrity and paucity of machinery endowment: the lack of machinery stands as a major impediment to agricultural work in Algeria. It is one of the largest obstacles to raising productivity. The availability of traction cover about 66.31% of total requirements estimated at 163.07 million hours, representing a volume of 108 available time, 14 million hours. Low-power tractors (tractors under 45 hp) represent approximately 64.34% of total needs, or, 105 million hours. Medium and high power tractors (over 45 hp) are approximately 35.66% of total requirements, or 58 million hours. 9% of total holdings, that is 91 891 farmers only possess at least one tractor,. This gives a ratio: 87 ha / tractor if one relates to the number of tractors available. If one relates the total surface of cereal and pulses with the the number of combine harvesters, one gets a ratio of 494 ha / MB. There is a pump for 7 ha of irrigated land. There are only 2 175 planting potato units available.

4. Technical deficiency and scientific backwardness in agriculture: Algeria, which provided its farmers with a strong effort to increase fertilizer use in agriculture in the 1970s, found himself at the same level of use as it was at the time of early independence, far behind its Mediterranean neighbors. According to statistics from CNES, the consumption of fertilizers in Algeria was 25 kg per hectare in the early 1980s, 12 kg / ha in the early 1990s, 6 kg / ha in 1996. In 2002, according to UNCTAD, Algeria uses only a third of what is used in Morocco , or 15.93 kilograms per hectare : 311.6 thousand tons of fertilizer to 6 713.1 thousand hectares in Morocco, against 51.2 thousand tons for 3 213 thousand hectares in Algeria (one of the lowest rates in the world according to statistics from UNCTAD). While according to FAO data (2005), and according to the world average consumption of nutrients, Algeria is expected to reach 850 000 tonnes per year, it does not exceed 100 000 tons (FAO, 2005, p. 27).

5. The lack of capital and the restricted access to credit: To obtain seeds, tools, fertilizers, pesticides or herbicides, farmers are forced to borrow and incur debt. In Algeria, the amount of average debt per farmer is 7150 dinars for a total debt of 20 billion dinars (\$ 280 million). In the absence of adequate income and collaterals to raise money by borrowing from banks, full time farmers will try to borrow money from individuals, in order to invest and revive business. The peasants then become preys to a vicious circle which too often ends in catastrophic situations whence harvest is poor. In Algeria, 70% of farmers run small farms, which cover only 25.4% of the total UAA. Only 3.1% of holdings are benefitting from bank loans.

Accordingly, the Algerian agriculture sank into problems. A review of production levels and the review of the agricultural trade balance can only confirm this. The industry does very little domestic demand for food products as we see across the graph (11). In 2008, agricultural production declined in volume by about 5.3% over that of 2007. This decline is consistent with a decline in crop production of about 10%, itself the result of a significant reduction in cereal production levels of around 60% (40.2 million quintals in average for the period from 2003-2007 to 17 million in 2008) and pulses by nearly 18% over the same period (MARD).

Graphic (11): Coverage rate of domestic production relative to demand:



Source : Our statistiques.

Under these conditions, what impact will have the of Algeria's accession for the agricultural sector in general? What will be the impact on small farmers, Algerians in particular? Necessarily, it will not be very different from what happened in similar situations, where small farmers borne the brunt of their accession to the WTO. Here are some examples:

The case of Honduran rice farmers

Since the mid 1980s, international rice prices have experienced a downward trend, driven by weak global demand but also by open borders and international markets for agricultural products. One country that opened its borders strongly is Honduras. Before accessing WTO, this country was self-sufficient for rice with a surplus for export, through its system of protection from foreign imports.

But after signing in the WTO, the country witnessed a total reversal of the situation. Under pressure from the IMF and World Bank a free agricultural trade was imposed, by the abandonment of the protections and the elimination of tariffs, the country had its domestic market flooded by cheaper than local products, including the U.S. rice. Local rice had to face unfair competition from imported rice American community, heavily subsidized, taking advantage of subsidies equivalent to 65% of the costs of rice production in Honduras.

U.S. policy for this product is also based on a strong level of support to farmers in two forms: price supports in the form of production contracts between producers and government. Loan campaign available when the world price is below a reference price for a specified quality. Thus, the U.S. occupied the 4th position of exporting countries worldwide, with a volume of 11.3% of rice sold in the world, while the proportion of its output does not exceed 1.5% of world production. Faced with this competition, rice production collapsed in the country. As a consequence, rice production fell to cover only 1% of domestic needs, the rest being covered by U.S. imports.

In Jamaica, in less than 40 years since 1960, more than 95% of farmers producing milk renounced continuing their activities. Today, only 200 dairy farmers remain in the national territory, and struggle to preserve their local market share (7% in volume). They lost nearly 20 million liters of market share in 1993 and 2002, from market liberalization and the lifting of trade restrictions on imports of milk, returned in force in 1992. They are forced to leave and unemployment by the invasion of imports of subsidized milk powder from the European Union, which largely cover the annual Jamaican consumption of 170 millions liters.

The same scenario is now developing in Dominican Republic. Over 100 000 dairy farmers found themselves unemployed since 1990, forced the cessation of their activities which became unprofitable because of the low price of imported milk powder (24 000 tons per year) coming at 70% from the European Union, nearly 17 000 tonnes per year.

Since the accession of the Dominican Republic to the WTO in 1995 and abandonment of the quota system for milk powder (imported less than 32 000 tonnes per year) and the elimination of customs duties for that matter (tax 20%), the local dairy farmers are struggling to resist the tide caused by the European milk sold consistently 25% cheaper than local milk (about the home market price). This is thanks to the export subsidies of which the European milk producer's benefits: grants ranging from €680 minimum and up to €1090 per tonne. As a consequence, milk imports have tripled in the five years which followed the accession of the Dominican Republic to the WTO, reaching a volume of 352 000 million liters. Thus, the Dominican Republic became a very important market for the European milk. It is the 5th largest market for exports of milk powder from the EU, causing enormous harm to the 30 000 farmers working in the sector.

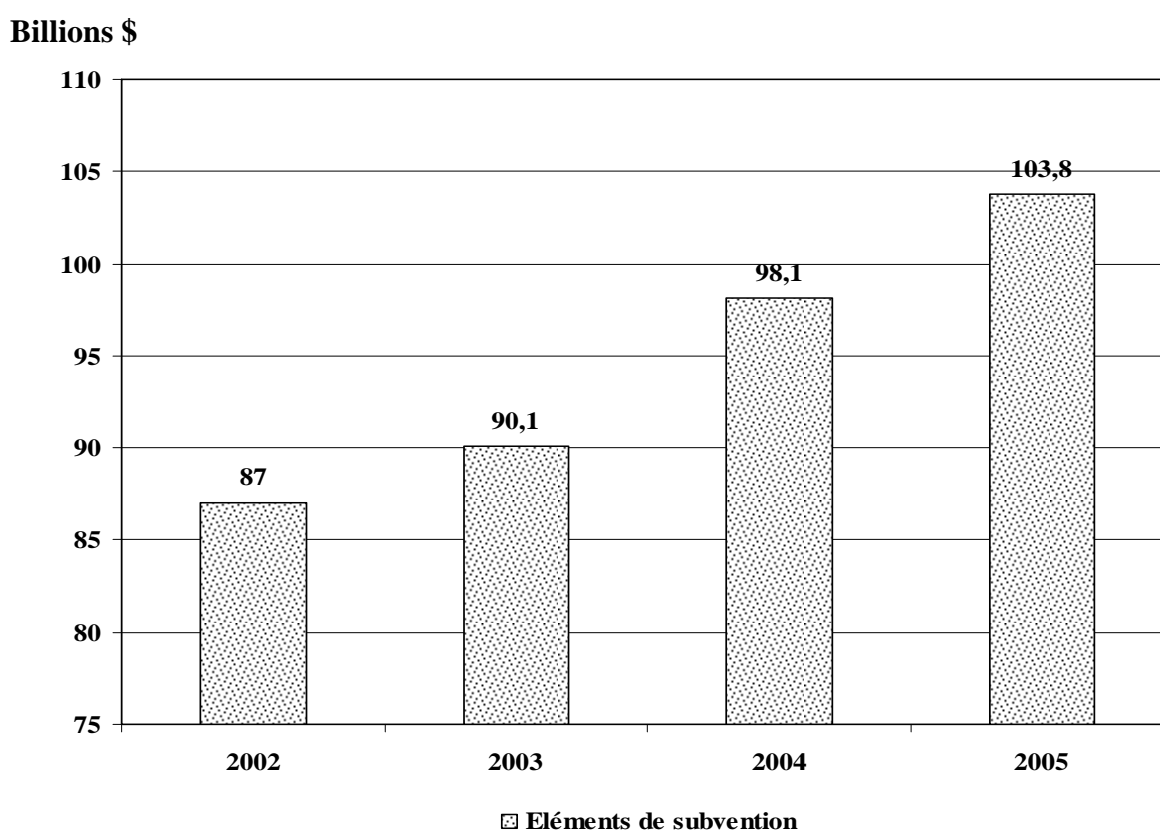
In Mexico over 1.7 million people were forced to leave the countryside in Mexico, twenty years after implementing the Free Trade Agreement (NAFTA). Less than two years after its entry into force, imports of U.S. corn to Mexico exempted from customs duties increased by 120%, doubling the quota stipulated by the agreement. Other U.S. agricultural products have met the same fate. Products from a predominantly agriculture tamed several advantages (loans, technical progress, means of intensification...), leaving no chance of rivalry Mexican peasant production. But above all, products from a heavily subsidized agriculture, allowing it to sell below cost of production

The main cause is the subsidies:

The U.S. and EU give subsidies to their farmers while not allowing others to practice similar policies indeed, the United States subsidies to agricultural producers have become a form of social assistance to farm businesses. About 30 000 farms (1% of total) receive nearly ¼ of the amount spent, on average, \$ 1 million per farm. 87% of subsidies go to 20% of farmers, everyone felt so close to 200 000 \$. Nearly 2.5 million small farmers, receive the remaining 12% grants. Everyone receives nearly 7 000 \$ (Stiglitz, 2005, pp. 164-165).

The United States declare that their obligations to the WTO on agricultural support have presented the following figures, as subsidies notified, summarized in the graph (12).

Graphic (12): Elements of subsidy United States (\$ billion)



Source : Information note n°70 IDEAS's center.

According to UNDP estimates, the increase in industrialized countries subsidies to farmers and protectionist barriers in agriculture (30%) are costing \$ 45 billion annually to developing countries (UNDP, 1997). The larger are grants to developed farmers, the stronger are effect on international prices downward, and the greater is effect on farmers in developing countries. As a consequence: more U.S. agricultural products are exported to Mexico and elsewhere at very low prices, far below international market prices. Mexican peasants, too fragile and poorly protected, are no longer resistant. This means mass exodus. This means hunger for millions people.

In the United States and the European Union (theoretically fighting for the installation of a profitable market for all, particularly to developing countries), which export large quantities of agricultural products on international markets (and thus a major player in determining world prices), massive subsidies paid to farmers and aid granted to producers represent about half the value of agricultural production.

Several studies have shown the adverse impact and the perverse nature of these subsidies on world prices of food products that are highly damaging to developing countries. One of the most famous is the FAO study on the impact of domestic and trade policies on the world cotton market.

Subsidies depress the world price of cotton, because the costs of exports from countries which subsidize their farmers are low. Not only subsidizing countries will not import (loss to farmers in developing countries) but in addition they will flood the world market with overproduction at low prices. This reduces the ability of farmers in the South to face the challenge. This reasoning can be extended to other commodities markets (wheat, etc).

The larger are the grants the more serious is the more important are the downsizing effect on international prices, and the impacts on farmers in developing. Increased subsidies and protectionist barriers in the agricultural sectors of industrialized countries at a rate of 30% costs nearly \$ 45 billion annually to developing countries. "Several countries in Central Africa and West Africa are victims of injustice in the United States and the EU. These countries subsidize their agricultural producers, ignoring the rules of the WTO. Such practices destroy national economies weaken the country [...]"

In 2004, support levels were over 200 billion dollars. Particularly high subsidies for commodities like rice, sugar, milk, wheat and meat. In 2005, levels of support granted to producers in Korea and Japan reached 60% in average farm incomes. They were around 70% of farm income in Iceland, Norway and Switzerland. In 2006, support to producers in the OECD area was estimated at \$ 268 billion, or \$ 214 billion and represented 27% of farm receipts. Together with support provided for services of general interest provided to agriculture, such as research, infrastructure, inspection services, marketing and promotion, total support to agriculture accounted for 1.1% of GDP OECD in 2004-06.

In the case of cotton, for example, the report on the situation of agricultural markets in 2004, states that the various forms of direct support to farmers in the United States and the European Union allowed farmers producing cotton at prices below costs of production. Similarly, the EU became the largest exporter of sugar, injecting \$ 2.2 billion in grants in support for beet sugar produced by its farmers (80% of income to producers of sugar are subsidies).

European sugar is exported at prices that are 75% lower than its cost of production. The United States and Europe have brought to perfection the art of praise free trade while designing agreements that protect against imports from developing countries says Stiglitz. Developed countries continue to heavily subsidize their farmers, dangerously hurting developing countries.

Conclusion: Review the rules of free trade, key development for farmers?

"The WTO provides a forum [...] to guarantee equal conditions for all and contribute to economic growth and development. The founding principles still guide the WTO remain [...] non-discriminatory treatment by the Members and between them and a commitment to transparency in the conduct of activities. The opening of national markets to international trade [...] encourage and facilitate sustainable development, improve the well-being, reduce poverty and promote peace and stability. "

Years after the creation of the WTO, liberalization of international trade that would increase the wealth of all nations and bring a global economic prosperity has not kept its promises. Inequality has persisted between states and within the same nations. Reality does not conform to expectations. Worse, these inequalities have widened. The following statistics give us reason

In 1998, the average incomes of people in 100 countries out of 174 counted showed a sharp decline, the three wealthiest persons in the world possessed a fortune greater than the total GDP of 48 poorest nations gathered together. The assets of the 15 richest people ahead of the GDP of all Sub-Saharan Africa. The wealth accumulated 32 of the wealthiest in the world exceeded the total GDP of South Asia.

In 2001, according to the "world development report", the 1% richest in the world had a combined income equal to the 57% poorest. The 10% of wealthier residents of the United States (about 25 million people), their combined income exceeded the 43% poorest of the whole world (that of 2 billion people). Approximately 25% of the world's inhabitants share 75% of global income.

In 2003, while Gross National Income per capita (GNI) in Norway exceeded \$ 43 350, was around \$ 39 900 in Switzerland, this indicator was only \$ 260 Central African Republic, to \$ 210 Mozambique, Niger \$ 200, \$ 300 in Burkina Faso, \$ 290 in Mali and Madagascar, and \$ 250 in Chad. This extreme poverty was not confined to African countries. It extended itself to the former Soviet bloc. The gross national income per capita in Kyrgyzstan did not exceed \$ 330, that of a Tajik is less than \$ 191. The average income of an Ethiopian citizen was 481 times lower than that of a Norwegian citizen; 443 times lower than that of a Swiss citizen.

Today the situation is not better, "the 500 richest people in the world have a combined income greater than the 416 million poorest. Alongside these extremes, the 2.5 billion people living on less than \$ 2 per day (40% of world population) account for 5% of global income. The 10% richest, who almost all live in high income countries, account for 54%.

1 billion people who suffer from hunger, and malnutrition because of their extreme poverty have no access to physical or economic resources, sufficient to get a , safe and nutritious food which would enable them to meet their energy needs to lead a healthy and active life. 4 in 10 of the world population of nearly 6.5 billion people live on less than \$ 2 per day and one in six (16%), living on less than \$ 1 per day or more 980 million hunger has enough to eat in this world for the future.

While in its assessment of the results of the World Summit FAO considered the number of undernourished people should fall by 31 million per year between 2001 and 2015, 10 years after its introduction, the trend is totally opposite. 842 million suffering from hunger by 2005, nearly 854 million people in 2006, over 75 million more people in 2007. The persistence of hunger and poverty worldwide in the Third Millennium, simply demonstrates the size and the structural nature of this problem. ^

Ending hunger and poverty around the world, means to provide opportunities for raising their living standards to those who suffer. . The key to exit from poverty is a high accumulation of capital in the hands of poor farmers. There is every reason to do so: the marginal productivity of capital among the poor is huge, a profitability of 100 to 200% per year is to be expected (that figure observed in Black Africa), But the bankers in search of profitable investments are biased in favor of like Mr. Madoff (who promised less than half this reward!) . The reason is simple. This stems mainly from the price volatility and market instability of agricultural materials, which prevents any economic calculation and any guarantee for the future.

Furthermore, lifting people out of the southern countries of the trap of hunger and poverty that goes astray, would require a revision of the rules of international trade and free trade, especially in the agricultural sector. It is not possible any longer to continue to treat the diets of millions of people like any commodity subject to the cold rules of free markets. As soon as possible, agriculture should be isolated from malfunctioning markets, but above all it will be necessary to protect the peasantry in developing countries by establishing a differentiated treatment that allows them to develop and increase their productivity.

Agricultural markets are malfunctioning; they are not effective and don't guarantee the optimal use of resources. In the absence of a global authority capable of correcting this inefficiency, it is necessary that national states should do it (as for example the USA for cotton.) But for doing this, it is necessary that nation states can isolate their privacy from the rest of the world, just as the USA did! They have every right to do so to protect their farmers, but they should not prevent others from doing it!

Rich countries must also adopt a new global economic system more equitable and completely different from the current liberal system in order to achieve justice in treatment between them and the poor. The presently ruling world system is unequal and unjust. It allows to feed the rich from capital intensive agriculture and leaves helpless to themselves the the peasants and farmers of the South. The WTO must review its rules. Differentiated treatment is needed to protect the peasants of the South and help them to develop themselves.

More humane policy makers are necessary. They would force agro-exporters and Northern farmers to consider farmers in developing countries as people who lack means (so that they must be helped to develop them) and look at agricultural commodity, rather than goods subject to the cold rules of free trade, as staples for millions of people suffering from hunger and poverty.