foreign policy
in focus
Interhemispheric Resource Center
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Overseas Rural Development Policy

by Peter Rosset, Executive Director of Institute for Food and Development Policy—Food First.

The last fifteen years have seen an unprecedented decline in the standard of living of the world's rural poor, and a related upsurge in both internal and international migration as people search for options. To what extent is this related to rural policies promoted by U.S. foreign policy and development assistance?

U.S. development policy shifted dramatically during the early 1980s, and in that shift we can find at least a partial answer. Going back first to the postwar period—and especially in the wake of the Cuban revolution—there were three main axes of U.S. assistance and policy pressure. The first comprised efforts to build strong social welfare states as bulwarks against "subversion." The U.S. was perceived to be in a global rural battle for hearts and minds, fought against powerful movements for national self-determination which, tragically, were all too facilely labeled as communist. The approach of building strong states was exemplified by the Alliance for Progress aid package for Latin America and a limited emphasis on "meeting basic needs." The multi-billion dollar Alliance for Progress included financial assistance to agricultural ministries, agronomy faculties, and extension services; promotion of moderate agrarian reforms; and provision of subsidized credits, prices, marketing boards, and inputs. At the same time, business interests were a driving force behind the subsidized export of Green Revolution-style agricultural modernization based on improved seeds, pesticides and fertilizers, and the provision of credit so that farmers might adopt these technologies of dubious benefit.

Key Points

- U.S. policy has shifted from supporting strong states and basic needs to pushing free trade and structural adjustment.
- This coincides with a dramatic upsurge in polarization between rich and poor and accelerated migration to cities and Northern countries.
- The 1980s were a lost decade for the low-income countries (LICs), as poverty slipped back to pre-1960 levels.

These efforts worked to bring a significant portion of the peasantry into the modernization project. Together with protective tariffs levied by relatively strong developmentalist states and unprecedented levels of foreign direct investment and assistance, a period of marked economic growth took place in Latin America during the 1960s and 1970s. The irony of this era is that the rising expectations accompanying the boom were ultimately frustrated by inequitable distribution of benefits.

The second axis of U.S. development policy in this period was support for repressive military build-ups throughout the South—once again as a bulwark against communism and leftist advances. The final axis consisted of food aid, which ostensibly served the functions of covering local shortfalls in food production and generating local currency for further development projects. Unfortunately food aid created new markets for U.S. agricultural surpluses at the expense of local food producers in the LICs.

By the early 1980s the aid model was beginning to show signs of strain. While some of the rural poor had been included in economic development plans, real progress proved illusory for most of them because of the high economic and environmental costs of technology, the difficulty of competing with larger, better capitalized growers, and falling crop prices due to competition from U.S. food aid. The strong state model collapsed into a miasma of internal wars between entrenched and corrupt governing elites, presiding over governments bankrupted by the oil and debt crises, and revolutionary movements demanding redistributive reforms. Perhaps most painful to perceived U.S. interests, the strong states used tariff protection to favor local agriculture and industry, limiting the full extent to which foreign grain could flood their markets.

In the 1980s the U.S. dramatically changed the course of foreign assistance and development policy. With the end of the cold war, the strong state was no longer necessary to protect vital interests, and with the rise of neoliberal economic ideology its protectionist policies and domestic subsidies came to be viewed as obstacles to economic globalization. Structural adjustment policies were designed to weaken the state and open economies to further foreign investment and marketing.

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Problems With Current U.S. Policy

U.S. assistance since the 1980s has been made highly conditional upon the adoption of a lengthy series of structural adjustment reforms. These include the elimination of subsidies for domestic agriculture and industry, dramatic cutbacks in the social safety net, higher interests rates for local farmers and businesses, and the lifting of tariffs and other barriers to penetration of local markets by international capital. U.S. aid was often tied to compliance with similar requirements placed on countries by the World Bank and the International Monetary Fund (IMF) as well.

This policy package has produced the rising polarization occurring during the 1980s and 1990s, seen vividly in rural areas, as the large majority have increasingly been left out of development. Small farmers are being squeezed out of the food-producing business as tariff protection and subsidies are withdrawn. Meanwhile, the promotion of export cropping for large producers provides only seasonal employment to the displaced, insufficient to replace a farming livelihood. The focus on competitiveness in the world market has favored some producers, notably those linked to foreign corporations, but it has essentially weakened the position of the majority. While the earlier modernization project was to a limited extent about inclusion—to ward off communism—the emphasis on free trade and integration is about exclusion: the favoring of entrepreneurs and foreign investors over domestic majorities.

For most of the LICs, and particularly for the rural poor, the 1980s were a lost decade. Living standards fell back to pre-1960s levels for the South's impoverished majority, and economic, social, and ecological crisis became widespread. With structural adjustment policies imposed on governments by international lenders, millions of the rural and urban poor were excluded from the development process. Credit, extension, subsidies, and technical education all fell by the wayside as budgets were slashed, and the lifting of tariffs flooded local economies with imported foodstuffs often available at prices below local costs of production. Poor farmers were caught in a squeeze between high production costs and low crop prices.

Simultaneously a significant amount of aid has been devoted to the promotion of nontraditional export crops. The thinking at the U.S. Agency for International Development (AID) was that traditional LIC exports such as coffee, cotton, beef, bananas, and sugar faced saturated, stagnant world markets with long-term trends toward declining prices. Yet technology advances in shipping and communication had made it possible for remote agricultural areas to serve the growing demand for year-round fresh fruits and vegetables by consumers in the North. Thus dynamic markets were opening for winter supplies of melons, snowpeas, green beans, broccoli, and other crops previously produced locally in the temperate zone, and Northern consumers were also acquiring a taste for novel tropical species like mango, papaya, and passion fruit.

Many of these crops were more suitable for smaller scale production than the traditional exports, which by the 1980s were largely produced in highly concentrated export estates. Thus two birds were to be killed with one stone: The export basket of developing countries was to be shifted in favor of products with more dynamic markets and rising prices, and small farmers were to be given a more profitable alternative to the local staple foods that they had previously produced, thus striking a blow at rural poverty. Since the early 1980s AID has heavily subsidized the nontraditional export crop industry in three dozen countries. The results have been less than heartening.

In most countries, nontraditionals have failed to displace traditional exports, though new entrepreneurial classes linked to fruit conglomerates have emerged in many areas. What initially appeared to be dynamic world markets proved to be limited, rapidly saturated ones, as dozens of countries compete to supply consumers with a surfeit of low-priced kiwi or cantaloupe.

The fate of small farmers in the nontraditionals industry has been similar their fate with traditional exports and in the Green Revolution. Nontraditionals are expensive to produce—requiring enormous quantities of pesticide, fertilizer and technical expertise, favoring larger, better capitalized producers. Because these are perishable products, small farmers are often unable to place their produce in Northern markets with acceptable quality standards, giving the edge to integrated grower-packer-shippers like the giant fruit companies. Unable to compete with better-financed growers, and heavily in debt because of high production costs, many small farmers have been driven out of business by nontraditionals. At the same time agrochemical technology has seriously contaminated the productive capacity of the soil in many regions and degraded the environment.

Key Problems

- Current policies have undermined the subsistence strategies of the rural poor.
- Promotion of fresh fruits and vegetables as nontraditional exports has intensified the displacement of small farmers and degradation of the environment.
- The winners have been transnational agrifood corporations, the losers the rural poor.

Because growing basic staples is no longer profitable either, due to free trade and cutbacks in subsidies, peasants have migrated to cities and to the Northern countries in huge numbers, fleeing the policy-driven collapse of rural livelihoods. The winners under current policies have been first and foremost international firms able to compete in the emerging global food system, and the net losers have clearly been the rural poor and the environment.

Reckless and short-sighted pro-corporation trade liberalization is the number one obstacle to viable rural livelihoods and environmentally sustainable production. The rural poor cannot be asked to compete in the world market from a position that is biased against them. But if the U.S. government adopts aid and trade policies that stand behind efforts by the rural poor to support themselves, then options for market integration on fairer terms can be explored and may prove successful.

The U. S. should drop its absolutist position on tariff barriers, allowing LIC countries to adopt selective protection for the production of staple foods. The ability to sustain a livelihood growing food would allow poor farmers to experiment in more lucrative cash crops with less risk of losing their farms to burgeoning debts.

Protection for food crops provides an opportunity for small farmers to produce for local markets at fair prices, and helps localities, regions and, countries achieve food security. Food security means not having to depend on the vicissitudes of world market supplies and price swings to feed one's population, region or household, but rather having the essentials on hand at stable prices.

Key Recommendations

- Pull back from absolutist positions on trade liberalization.
- Support domestic food security policies for the LICs.
- Emphasize agroecological technology and participatory grassroots initiatives.

Fair prices for staples makes sustainable production practices viable—not because these practices are expensive but rather because no practices of any kind are possible if food production itself isn't profitable. This is a central reason why small farm productivity is often low in the South; farmers don't have an economic incentive to produce more.

Cuba is the exception to current trends toward market integration that proves the rule. Cut off from Western markets by the U.S. embargo and from former socialist bloc trading partners from whom it had previously obtained 57% of its food and most of its agricultural inputs, Cuba was forced to become self-reliant in the 1990s. Cuban farmers were given de facto protection from foreign competitors, and food prices rose substantially. Although production initially dropped due to a lack of agrochemical inputs, small private farmers led a comeback. Cuba has overcome its food crisis in the past two years, based on local production instead of imports. The success of small farmers led the government to break up the state farms and turn them over to the former workers. Production increases were obtained virtually without pesticides and fertilizers, using a combination of agroecological science and traditional knowledge to grow food in the absence of these inputs.

From that experience, there are important policy lessons that can be applied elsewhere. First, when farmers are given decent prices they can dramatically increase their output and their incomes. Second, they can do so with more sustainable technology. Third, when conditions are right small farmers can be more efficient producers per unit of land than large growers. In the process, they provide income for their families, protect the environment, don't migrate to overcrowded cities, and feed their countries—thereby saving scarce foreign exchange and creating food security.

These lessons are reinforced by experiences elsewhere. In Mexico and Central America a farmer-led movement called Campesino to Campesino has used agroecological practices to provide a renewed livelihood to thousands of peasants excluded from the modernization project in the early 1980s, demonstrating the power and importance of farmer and community participation and leadership. In India the state of Kerala, one of the poorest in terms of per capita income, ranks near the top in terms of literacy, life expectancy, low infant mortality and low birth rates. The secret to this success story is large and well-organized movements of agricultural laborers and small farmers.

Thus the basis for a new rural policy that works for the poor majority is clear. First and foremost, the U.S. must retreat from total free trade policies. Second, a food-security strategy needs to emphasize small and medium farmer production of staple foods through technical assistance, credit, and marketing support. Third, agroecological technology and traditional knowledge should replace the traditional agrochemical and biotech inputs. Fourth, agrarian reform, left off the agenda since the early 1980s, should be reconsidered. Fifth, participation in agrarian policymaking should include grassroots initiatives and more nongovernmental organizations and farmers' groups.

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Editors
Martha Honey (IPS)
Tom Barry (IRC)

Production
Grant Moser

Communications Director
Erik Leaver (IRC)

Orders and subscription information:
Mail: PO Box 4506
Albuquerque, New Mexico 87196-4506
Phone: (505) 842-8288
Fax: (505) 246-1601
Email: resourcectr@igc.apc.org

Editorial inquiries and information:

IRC Editor
Phone: (505) 388-0208
Fax: (505) 388-0619
Email: resourcectr@igc.apc.org

IPS Editor
Phone: (202) 234-9382/3 ext. 232
Fax: (202)387-7915
Email: ipsps@igc.apc.org

Website: http://www.zianet.com/infocus

sources for more information

Organizations

Bread for the World Institute
1100 Wayne Avenue, Ste. 1000
Silver Springs, MD 20910
Voice: (301) 608-2400
Fax: (301) 608-2401
Email: bread@igc.apc.org

The Development Gap for Alternative Policies (DGAP)
927 15th Street NW, 4th Floor
Washington, DC 20005
Voice: (202) 898-1566
Fax: (202) 898-1612
Email: dgap@igc.apc.org

Food First
The Institute for Food and Development Policy
398 60th Street
Oakland, CA 94618
Voice: (510) 654-4400
Fax: (510) 654-4551
Email: foodfirst@igc.apc.org
Website: http://netspace.org/hungerweb/FoodFirst/index.htm

Institute for Agriculture and Trade Policy
1313 5th Street SE, Ste. 303
Minneapolis, MN 55414-1546.
Voice: (612) 379-5980
Fax: (612) 379-5982
Email: iatp@iatp.org

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Interhemispheric Resource Center
P.O. Box 4506
Albuquerque, NM 87196-4506

Institute for Policy Studies
1601 Connecticut Avenue, NW
Washington, DC 20009

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