

# Wake up and smell the coffee, Oxfam

A few weeks ago, Oxfam launched a campaign to publicise the plight of coffee farmers in poor countries. It was right to do so. Large international retailing firms are making huge profits while small-scale growers face economic ruin.

Oxfam's Coffee Rescue Plan proposes that the big coffee companies finance the destruction of excess coffee stocks (to increase prices), and fund programmes to help farmers diversify into new livelihoods. These and other proposals are well worth investigating.

What is most notable about Oxfam's diagnosis of the coffee crisis, however, is what it does not mention: free trade. Many would not expect it to. Even *The Economist* recently referred to Oxfam as an opponent of free trade.

Oxfam is in fact a vocal advocate of liberalising agricultural trade. It agrees with Horst Kohler, chief of the International Monetary Fund, that "protectionism in industrial countries is the core problem in the fight against poverty". Oxfam reiterated its position the week after launching its coffee campaign, with a report on the adverse effects of US export subsidies on African cotton farmers.

It is indisputable that trade barriers imposed by govern-

ments in rich countries, including the lavish subsidies paid to farmers, exclude the vast majority of developing country exports from these markets. This is a glaring example of rich countries' hypocrisy — demanding that poor countries open their markets, while clamping shut their own. But, ironically, in their zeal to expose this double-standard, critics of western protectionism have embraced a rather extreme faith in the

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power of free markets to cure the ills of poor farmers in Asia, Africa and Latin America.

Oxfam admits that coffee farmers in the developing world face neither western trade barriers nor producer subsidies. What it will not admit is the logical implication of this. The lesson Oxfam should be drawing from the coffee crisis is that even when markets in rich countries are not closed, farmers in developing countries suffer anyway. Coffee farmers are, as Oxfam points out, very vulnerable to

fluctuations in global output, as well as to price manipulation by international conglomerates. They are also easy prey for local middlemen and corrupt officials.

The relatively barrier-free trading environment for coffee has not been the boon for small farmers that neoliberal economics predicted. So why is it that opening rich-country markets for other agricultural products will allow farmers of those crops not only to escape the same disastrous effects, but to actually free themselves from poverty?

One plausible answer is that coffee is a special commodity, in which the price-setting power of international firms is particularly awesome. Maybe, but many of the same powerful forces will bear down on farmers of non-coffee crops once these sectors are liberalised. After all, the main proponents of agricultural liberalisation — the Cairns Group of exporting countries — are closely allied with large agribusiness firms who are no more committed to the welfare of small farmers than Nestlé and the other firms targeted by Oxfam's coffee campaign.

Another seemingly plausible reason why non-coffee farmers will avoid coffee farmers' dismal fate once the trade barriers erected against them are

dismantled, is that coffee farmers face the extra burden of being unable to switch to the production of other crops. Why? Because western markets are closed to these crops. Once all commodities are freed from trade restrictions farmers will be able to shift into the most profitable crops, liberating them from the clutches of predatory traders and officials. This sounds like a neat squaring of the circle until we realise that even in the high church of neoliberalism — the World Bank — there is growing recognition of the enormous obstacles preventing poor farmers shifting cropping patterns. This is in addition to the risk of price-depressing gluts when exporting countries switch en masse into trendy crops.

Oxfam is right to seek a fairer deal for poor farmers by promoting non-market based solutions, which is what its Coffee Rescue Plan amounts to.

But it should go further by abandoning its support for the currently fashionable orthodoxy — shared by almost every mainstream development organisation, official or non-governmental — that poor farmers will trade their way out of poverty if protectionist barriers are removed.

It is understandable that Oxfam is enjoying its new-found standing with the Washington institutions which came with its embrace of market orthodoxy. Throw in the chance to continue berating the US and the EU for their undoubted hypocrisy on agricultural trade, and it is all just too alluring for a brand-conscious NGO to resist.

But the time has come for Oxfam to wake up and smell the coffee on free trade: its ability to contribute to sustainable poverty reduction has been grotesquely oversold.

*Rob Jenkins is Professor of Political Science at Birkbeck College, University of London. He is currently directing a research project on the WTO and poverty, funded by the Department for International Development.*

*The views expressed are his own.*



A coffee farmer in East Timor. Oxfam wants large firms to help small-scale growers Picture: AP