



AgEcon SEARCH

RESEARCH IN AGRICULTURAL & APPLIED ECONOMICS

The World's Largest Open Access Agricultural & Applied Economics Digital Library

This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.

Help ensure our sustainability.

Give to AgEcon Search

AgEcon Search

<http://ageconsearch.umn.edu>

aesearch@umn.edu

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*

No endorsement of AgEcon Search or its fundraising activities by the author(s) of the following work or their employer(s) is intended or implied.

Where to From Here?

Michael Taylor

Paper prepared for presentation at the “Prosper or Perish: Asian Poverty and the Australian Economy” conference conducted by the Crawford Fund for International Agricultural Research, Parliament House, Canberra, Australia, June 28, 2001

Copyright 2001 by Michael Taylor. All rights reserved. Readers may make verbatim copies of this document for non-commercial purposes by any means, provided that this copyright notice appears on all such copies.

Where to from Here?

SUMMING UP

MICHAEL TAYLOR

It is a pleasure to have attended the *Prosper or Perish: Asian Poverty and the Australian Economy* conference and to be invited to sum up the afternoon's session.

I also want to comment on the morning's sessions because The Crawford Fund, in convening this very important conference, has forced us to look at the way in which we are going to operate in the future; how we are going to address poverty and development issues.

Things have changed a lot over the last two decades. We have been motivated by humanitarian concerns in the past and concentrated our efforts on providing aid to alleviate poverty. I suspect that if we were to canvass the Australia population, or indeed the public in other Western nations, this humanitarian approach would rate highly. It's the thing we ought to do.

Speakers today, however, have shown that the context for development assistance has become very different. The world is much more interconnected, the distances between us are extraordinarily short and technology offers virtually instantaneous communication. We need to think about how we go about addressing poverty in this global framework. We can't just follow traditional practices.

MICHAEL TAYLOR, Secretary, Agriculture, Fisheries and Forestry - Australia has had a decade of extensive experience at chief executive level. Prior to his current appointment as Secretary, Department of Agriculture, Fisheries and Forestry - Australia, this included leadership of three Departments for the State Government of Victoria, and membership of a range of boards. Mr Taylor has been extensively involved in preparing and negotiating Commonwealth and State agreements and legislation, and in advising the State Government and Commonwealth / State Ministerial Councils on a wide range of agricultural, food, forestry, fisheries, energy, minerals, water, environmental and sustainable natural resource management issues.

All of the speakers emphasised that the institutional frameworks that we're going to need in the future are not necessarily the ones that we had in the past. All organisations find it difficult making that shift from comfortable past institutional structures to new structures that are much more relevant and much more effective. The change often means having to part with some quite cherished ideas and ways of doing things, even though they are not delivering much. A major challenge is to let go of the past when it is not actually delivering.

It is a tribute to Crawford Fund that it decided to continue the theme of last year's conference, *Food, Water and War*²⁶, into this year, by grappling with the difficult issues associated with poverty, development and trade, and the inter-relationship between them.

The presentations and case studies have shown that business can and must also play a role in helping individuals and communities to move out of

²⁶*Food, Water and War: Security in a World of Conflict*. Record of a conference conducted by the Crawford Fund, Parliament House, Canberra, 15 August 2000. ACIAR Monograph No. 73, 114 pp.

poverty, because it is trade and commerce that sustain development. We should think of aid as a starter engine, while poverty alleviation based on commercially-viable development makes for a long-term engine of growth, not just a patch up here and there.

The economic miracles that we have seen in many Asian countries over the past three decades have primarily been based on industrial and urban development. Little of the benefit of this economic growth has filtered out to the bulk of the population in the countryside. In fact, the development strategies often ignored agriculture and the rural sector, let alone acknowledged their fundamental importance to the economy.

The Asian financial crisis of the late 1990s showed just how tenuous much of the economic miracle was, and how uneven the development has been in most Asian countries. As we heard this morning from Ian Johnson, an efficient agricultural sector is vital to achieve balanced development. Since much of the poverty in Asia is concentrated in rural areas, the development of an efficient and ultimately prosperous agricultural sector will have the double benefit of reducing poverty and increasing national wealth. But, as we also heard from Ian, investment to ensure the adoption of science and technology in developing countries has been appalling. This is a message that people involved in agricultural science and technology, aid and development need to hear.

The question has been how to achieve the development of the agricultural sector. Mechai Viravaidya, Sandy Cuthbertson and Beris Gwynne pointed out that the traditional approach of providing development assistance in the form of aid has limitations. Projects assisted in this way often become an end in themselves because it is morally right to combat poverty, but such projects cannot be sustained.

Another challenge which I have heard Ian raise before is the contrast between the extraordinary amounts of money Western nations spend on subsidies compared to what they provide to developing nations in aid. If countries put the amount of money spent on subsidies into aid or, better still, commercially-viable development projects, there would be a fundamental improvement in the world's capacity to address poverty.

The key to addressing poverty through agricultural development is to ensure that this development is commercially viable. How do we do that? The answers lie in this afternoon's session *Asian Poverty – Development and Commercial Solutions*.

Dr Mechai Viravaidya, as only he can do, pointed out the fundamental importance of human capital as a driving force in development. This brings us back to the issue of institutional structures. 'Ownership' will have a key role in achieving success in any future development endeavour. The top-down approach from organisations and government agencies will not be enough in the future. A bottom-up approach and ownership by poor farmers of specific growth initiatives will play an increasing role in alleviating poverty.

That ownership is more likely to be present in initiatives in which the farmers have a stake, and for such projects to work they must have a commercial focus. As Brent Davis pointed out, trade can sustain development. Brent gave us some insights from a business perspective: how we get business much more integrated into the changed frameworks for the future; Beris Gwynne highlighted this shift to development based on mutually beneficial cooperation. There has to be something in it for the business sector.

Investment by Australian business in agriculture in Asia and assistance, in the forms of training, technical expertise and technology transfer, obviously benefit Asian farmers.

John Wurcker's case study showed that the Kazak herders benefited from the China Australia Sheep Research Project in several ways, including improvement in wool quality, and the introduction of better management of flocks, pasture and land. John emphasized that it was only when the project was given commercial focus that it started to make a real impact on poverty and environmental problems.

By improving farm management practices, agricultural production becomes more competitive and agricultural trade more viable, thus providing a strong base for the alleviation of poverty.

Dick Drew's case study on fruit fly management listed increased crop production, reduced waste, improved crop management practices and new trade opportunities as direct benefits to Asian farmers from Australian aid projects. Dick told us a wonderful story about how domestic fruit production in developing countries is gradually increasing and yielding new commercial opportunities for poor farmers as the damage caused by fruit fly is slowly being managed. He also pointed out that export is one of these opportunities, and that many developing nations could have an extraordinary export capacity once issues of quarantine and control of diseases and pests are successfully addressed. How will this be achieved? By good science, good technology and looking to where commercial partners can play a role in developing trade. The case studies by John Crosby and John Landos reinforce this conclusion.

So what does Australia get out of these projects?

As John Wurcker told us, the Sheep Research Project helped to build our relationship and our influence with China in wool matters. This has resulted in a more favourable policy towards imports of wool from Australia. Ultimately, it may build demand for wool within China, translating to demand for domestically-produced wool, which opens up opportunities for Australian service providers like Hassall & Associates, and ultimately for growth in imports of Australian wool.

So, recognition of Australian expertise can lead to new opportunities for Australian companies.

As John Crosby showed in his presentation, however, it is not always easy to set up business relationships. There are problems of language and different business traditions and experiences, not to mention the lack of strong financial and legal institutions and practices to underpin trade. Businesses shouldn't go into trade in Asia (or anywhere else for that matter) thinking they are going to make a quick dollar. It is a long hard road for all involved, but clearly mutually beneficial.

Remember John's opening comments? *I'm here to make money!* But the way he did it was in 'partnership' with the developing country, and with a view to giving that country serious long-term economic access to another market place. I think there is a very important lesson in that. We often look at things with a fairly narrow focus, but seeing what the developing country can get out of a business relationship too and selling that point to them to encourage cooperation clearly works. I think we ought to put more thought into such approaches.

Within my department – Agriculture, Fisheries and Forestry – Australia – we have a small but very influential program based on the idea of mutually beneficial cooperation. The International Agricultural Cooperation program is about facilitating trade between Australia and developing trading partners. Under this program Australia provides technical expertise and training assistance that helps government and industry to establish the systems and procedures necessary for agricultural development and trade. For example, the program has enabled the Australian Quarantine and Inspection Service (AQIS) to provide training to quarantine agencies in Indonesia and Thailand so they can adopt particular accredited inspection procedures.

These are the sort of things that John Landos has been doing: building capacity, infrastructure and institutional arrangements. John spoke about advising the Lao government on what they needed to do in relation to sanitary and phytosanitary procedures to join the World Trade Organisation, and how quarantine services in the Pacific Island countries could facilitate agricultural exports. John described an extraordinary set of initiatives, with informative examples which will be of interest to departments in terms of market access and the import risk assessment process. Helping developing countries to lift their quarantine skills, so that they can reduce the threat posed by pests and diseases, will enhance not only the productivity of those countries but their ability to export and ultimately to improve their overall economic well being. The sort of assistance that John has spoken about gives a bit of a kick-

start to the engine of economic growth, which goes all the way back to addressing poverty in rural and regional areas.

These are practical examples of how Australian business can assist the development of agriculture and thus alleviate poverty by removing barriers to trade and opening up new commercial opportunities.

Conclusion

All speakers this afternoon have shown that the alleviation of poverty through agricultural development has its best chance of success where such development is commercially based. If businesses are convinced that there are commercial opportunities for them in investing in agricultural development in Asia they will do so. The challenge here will be to convince business that such cooperation is mutually beneficially.

The presentations have shown that a number of Australian businesses are already convinced. The work of The Crawford Fund - this conference, and the Fund's ongoing support for international agricultural research - is integral to the process of involving business in the business of development.

What many overlook is the message of last year's conference: that agricultural development contributes to the alleviation of poverty and balanced development, which in turn contribute to political and economic stability, and nothing contributes more to business confidence than stability. So whichever way you look at it - morally, philosophically, economically - everyone benefits from the alleviation of poverty.

In the short time I have had to provide this summary I haven't done great justice to our speakers, but they have done a wonderful job and provided us with some real insights. I would like to thank our speakers on behalf of you all.

I now welcome participants in the discussion panel, Tim Fischer, Beris Gwynne, George Rothschild, Bob Clements, Ian Johnson and Mechai Viravaidya. This is an opportunity to draw out some of our keynote speakers on the broad theme of the conference.

This afternoon we have suggested that getting business better integrated into the aid program and making sure that we improve the way we deliver it is not being purely humanitarian but provides an engine of long-term growth. But how good are we going to be at doing that, and making sure we also address critical economic and social issues? I invite Ian Johnson and then Dr Mechai to respond.

Ian Johnson

It is important not to underestimate the private sector: for example, I know very few farmers who are not in the private sector. So when you go to the rural economy you really are working with the private sector: private entrepreneurs who face of a lot of difficult hurdles. The role of business, the role of the private sector, and the role of entrepreneurs are absolutely fundamental to long-term rural and economic development.

There are cases involving public goods that the market itself will not deliver satisfactorily, and in these you need to have creative public / private partnerships. Clearly setting the rules out, setting the market frameworks for private entrepreneurs is absolutely critical. Whether it's direct foreign investment, whether it's relationships between Australia and Asia, or whether it's on-the-ground entrepreneurs who are dealing day in, day out, with the management of their land, the private sector business sector is vital.

Dr Mechai Viravaidya

It's time for action; we've talked long enough.

I'd like to see AusAID or whoever controls AusAID be a little brave and try out something new: funding Australian companies that are hardly investing in countries of Asia: Philippines, Vietnam, Thailand or China. Give them some money and just say the whole idea is poverty elimination. The money can be in the form of cash or tax credits or whatever; they'll know what to do and try it out; when it succeeds you have really developed another avenue to success.

If you go through governments of partner countries you're not going to get the results because (I just have to keep on saying it) they are not accountable for their performance. But if you do let the companies in and take a good look at many of the issues, they are going to do a very good job. I believe that part of the redirection of foreign assistance in the future should be through your companies. They've got a lot of systems, a lot of skill: how to organise, how to produce, how to finance, how to market - that's all part of business, it's not part of government. You are going to see much better results; you have seen some already; keep pushing.

The other one is that in some countries still think that they are communist. It is very hard to establish NGOs - 'oh, it's terrible stuff'. Don't establish an NGO: just set up a company and make a loss like an NGO. In Vietnam it's very hard to do, but in Laos and China establish a company and make some losses. You say 'we are a company that's going to do promotion of vegetables with the farmers'; just help the farmers; if you make a loss it doesn't matter. Now if things go well, by the time the country changes you've got a company going and the company can help set up an NGO to do other things. The reverse is possible too, as I have shown in Thailand.

So I'd like to see some change in Australia, as this is probably the country most likely to be able to change in this way. Why not try it out?