

# The Social Impacts of Trade Liberalisation: How can childhood poverty be reduced?

Debates on the consequences of globalisation mostly ignore issues related to children – particularly their well-being, rights and poverty experiences. However, globalisation and trade liberalisation are likely to have a major impact on the lives of poor children and their families. Given that children comprise a significant proportion of the population in developing countries, that impacts on children's welfare and poverty status tend to have a long-term effect on their development over their life-course and potentially generate intergenerational transfers of poverty, any discussion of the social impacts of trade must be approached from a child-sensitive perspective.

The international community emphasises trade liberalisation as a tool for poverty reduction. The 2005 UN World Summit agreed that:

*“A universal, rule-based, open, non-discriminatory and equitable multilateral trading system, as well as meaningful trade liberalisation, can substantially stimulate development worldwide, benefiting countries at all stages of development. In that regard, we reaffirm our commitment to trade liberalisation and to ensure that trade plays its full part in promoting economic growth, employment and development for all.”*

**(Resolution adopted by the General Assembly, 24 October 2005)**

Yet trade liberalisation does not uniformly affect all segments of a population and its effects on poverty reduction are not always experienced in the short term. Developing country governments must pay attention to these differential impacts in order to mitigate the inequities that trade liberalisation is likely to exacerbate in developing countries. Policy impacts on children need to be traced from the changes they generate on macroeconomic variables (from consumer prices to individual household livelihoods) and the complexity of differential intra-household effects. Such analysis is important if policies are to compensate for any negative impacts and to harness the benefits of liberalisation to improve the conditions of children living in poverty.

The impact of trade liberalisation on children is likely to vary between:

- girls and boys
- young children and adolescents
- children in rural and urban localities
- children in rich and poor households
- children whose households are involved in particular economic sectors.

Additionally, there are likely to be important differences in the impact of trade liberalisation between developing countries, according to their level of market integration, relative terms of trade, bargaining power in the world economy, the composition of their economies and the degree of comparative advantage in different sectors.

This briefing paper begins by examining the general ways in which trade liberalisation can affect children. It then discusses findings from Young Lives<sup>i</sup> (YL) quantitative and qualitative research in Peru and Ethiopia in order to demonstrate these impacts before discussing policy implications.

**Box 1: Key issues discussed during the WTO's Hong Kong Ministerial Conference, December 2005 with relevance to childhood poverty in Young Lives countries**

*YL countries are largely agricultural but also have developing industrial sectors. Among the issues discussed in Hong Kong as part of the Doha Development Round, three are relevant to the economic performance of YL countries and households whose livelihoods greatly depend on trade. These are:*<sup>ii</sup>

**Agricultural liberalisation:** The discussion centred on the elimination of subsidies to producers in OECD countries and of tariff barriers to commodities from developing countries. The agreement includes a satisfactory commitment to ensure developing countries have the right to protect the production of essential commodities. There was an additional agreement to eliminate all forms of export subsidies by 2013, but EU export subsidies account for only 3.5 per cent of its overall agricultural support. The ministerial text does not offer to cut the more important developed countries' domestic subsidies that result in dumping, and there is no guarantee from the agreements that developing countries will gain significantly greater access to Northern markets. With regards to cotton, the agreement to eliminate all forms of export subsidies from developed countries to this product in 2006 is a partial success given that export subsidies make up only 10 per cent of US subsidies for cotton. The offer from the US for duty- and quota-free access for West African cotton exports to the US market seems empty as West Africa does not export cotton to the US. Despite their limitations, however, the discussions on agriculture seemed to have been the most successful.

**Non-Agriculture Market Access (NAMA):** There was no significant progress in NAMA negotiations, with little impact on improving competitiveness since tariff barriers in this sector remain high, negatively affecting consumers. In the case of textiles and clothing, China and India, who have strong competitive capacity, will continue to gain from this position as they managed to preserve the flexibilities granted to developing countries. But least developed countries (LDCs) who are less competitive are likely to lose out.

**Aid for Trade:** The Ministerial agreement sets out that "Aid for Trade should aim to help developing countries, particularly LDCs, to build the supply-side capacity and trade-related infrastructure that they need to assist them to implement and benefit from WTO Agreements and more broadly to expand their trade. Aid for Trade cannot be a substitute for the development benefits that will result from a successful conclusion to the Doha Development Agenda, particularly on market access."<sup>iii</sup>

*The aid for trade agreements in Hong Kong are not restricted to LDCs, but extend to other developing countries.*

*There was a favourable decision to create a WTO task force to build supply-side capacity for poor countries to take advantage of trading opportunities. However, the concern is that such an initiative is unlikely to involve significant new money on top of that already pledged for aid by developed countries. Rather, promised money is likely to be re-branded as 'aid for trade'. The text also refers to 'concessional loans', whereas grant aid would avoid further increasing of developing countries' debt burdens.*

## MICRO-LEVEL IMPACTS OF ECONOMIC POLICIES

Understanding the possible impacts of trade liberalisation on poverty among children involves identifying the different mechanisms through which it may affect household wellbeing and identifying the intra-household decision-making mechanisms that mediate impacts on children.

### *Trade liberalisation and household wellbeing<sup>iv</sup>*

- 1) Trade policy changes impact on domestic prices, and thus the consumption of goods and services. Net consumers will experience a greater welfare loss if prices rise more than their incomes, whereas net producers stand to gain.
- 2) Liberalisation generally affects wages and employment opportunities. Changes in wages and employment opportunities are likely to have a direct bearing on household wellbeing as they shape decisions on consumption, savings and use of household labour. Greater integration of women and children into the labour force may alter intra-household dynamics.
- 3) Possible reductions in public revenue from loss of import tariffs and export taxes. These could result in lower government revenue and anti-child knock-on reductions in social expenditure.<sup>v</sup>
- 4) Changes in government expenditure may affect government transfers to households. These include pensions, food-for-work schemes, conditional cash payments, and the level of subsidies available for certain consumption goods (eg food and medicine).

### *Intra-household effects*

Although there is no simple correlation between changes in aggregate household poverty and child wellbeing, there are several ways in which the effects can be transferred.

- 1) Changes in household consumption are likely to have an impact on resources allocated to children. In particular, the quantity and nutritional content of children's food, and their access to medicine, schooling, educational materials and clothing may be affected. The intensity and specific patterns and effects of these changes are likely to be mediated by intra-household decision-making and resource allocation dynamics. Resource allocation will also depend on how households respond to economic shocks. For example, some households may shield the effects of reductions in overall household income or children's consumption, at least in the short-run, by increasing the labour supply of adults, reducing food consumption among adults or selling household assets. However, this is not the case in all households and they will often discriminate against girls, allocating resources away from girls in favour of boys. These choices will partly be shaped by education levels of family decision-makers, the household wealth and asset base, family eligibility for governmental or NGO social protection and the impact of policies on the real costs households will need to bear. For example, in some countries services such as schooling may be fully state-financed with parents only having to cover day-to-day expenditure, while in others state subsidies may be minimal, thereby compelling parents to shoulder most of the costs.<sup>vi</sup>
- 2) Effects on children's time could lead to withdrawal from school and pressure to spend more time working in paid or unpaid activities. Even if children do not discontinue their education or start productive work, they may need to shoulder more domestic work responsibilities (including taking care of younger siblings) to compensate for the greater engagement of their parents, especially mothers, in the paid workforce. Changes in the balance of time between school, work and play/rest are likely to be different for girls and boys. In many societies girls take on more domestic work and boys more agricultural activities. In some cultural contexts, parents also value sons' education more highly than that of daughters, rendering girls the first casualties of any household belt-tightening. If trade liberalisation necessitates greater adult involvement in the paid workforce, the quantity and quality of caring time for children is also likely to suffer, especially in the absence of affordable quality childcare.

## EMPIRICAL FINDINGS FROM YOUNG LIVES PERU AND ETHIOPIA

Peru and Ethiopia are about to enter into trade agreements likely to affect the contexts in which children grow up. In December 2005 Peru – already a member of the World Trade Organisation (WTO) – concluded a free trade agreement (FTA) with the USA and Ethiopia is liberalising its economy in preparation for accession to the WTO and the COMESA (Common Market for Eastern and Southern Africa) FTA around 2008.

### Peru<sup>vii</sup>

While it is likely the FTA will have a positive long-term effect on economic growth, YL research suggests that impacts will differ markedly across sectors of the economy and geographical regions with consequences for how children experience poverty. A key finding is the differential impact of trade between urban/rural locations and different geographical regions. Whereas the FTA is predicted to generate an overall welfare gain<sup>viii</sup> of approximately 2 per cent of household expenditure for most urban sectors, the estimated welfare loss among the bottom decile of rural households is likely to be around nine per cent. Findings show that in urban areas childless households stand to gain more from trade liberalisation than households with children, while the opposite is true in rural areas, where children tend to be regarded as 'productive assets'. The FTA might reduce the probability of children attending school by 0.3 per cent in rural areas, but increase the probability of attending school by 0.2 per cent in urban areas. Although the figures might seem marginal, they illustrate the differential impacts on urban and rural children, which are likely to exacerbate existing regional inequalities.

#### *Impacts on caregivers*

Female caregivers in Peru are likely to gain employment outside the home, either in the manufacturing sector or in agriculture as growth in export-oriented commodities offers scope to raise family incomes. This may have spillover impacts on the division of household labour. In the absence of adequate public childcare, care available to younger children may deteriorate and force older children to care for siblings at the expense of their education and leisure time. In the case of women who take up employment in the formal sector, the absence of adequate social security provisions (including maternity leave), or increased workloads for self-employed females (mainly those involved in agriculture) may lead to a decline in breast-feeding with adverse consequences for infant health.<sup>ix</sup>

#### *Child labour*

The FTA's effect on child labour will depend on changes in the opportunity costs of children's time and whether there is an income effect as a result of changes in employment or wages. Although analysis shows that it is unlikely that child labour in sectors with export potential will increase because of the FTA, child labour in non-tradable sectors (domestic work, local agriculture) may increase. This is because those households that lose income may be compelled to take their children out of school or reduce the time they dedicate to studying, to increase family income. To date, according to official statistics in Peru, 28.6 per cent of children between the ages of six and seventeen receive wages or are paid in kind. Around 90 per cent work in the informal sector for more than 45 hours a week (this does not include children involved in domestic work), so work in many cases competes with schooling. Evidence shows that in rural areas in particular, children are still widely seen as an important source of household labour.<sup>x</sup> Thus, children from jungle and highland areas – already some of the poorest in the country – stand to be further marginalised.

#### *Increased medical expenses*

The FTA is likely to lead to changes in access to goods and services. It is estimated that post-FTA children's use of health services might be reduced as medication prices rise due to stricter enforcement of intellectual property rights.<sup>xi</sup> This is of particular concern given the dearth of free health services for the poor in Peru.

## Ethiopia

Since 1990, when the socialist Derg regime was forced to introduce economic reforms, Ethiopia has been undergoing a gradual process of trade liberalisation. The Derg's successor, the Transitional Government of Ethiopia, has strengthened this reform process by undertaking a structural adjustment programme, including trade liberalisation, sponsored by the World Bank and the IMF. Ethiopia has entered into a number of trade agreements to promote national development, regional integration and international cooperation. Key among these is the Common Market for Eastern and Southern Africa (COMESA). Although membership has compelled Ethiopia to reduce some tariff and non-tariff barriers, it has not yet complied in full due to fears of short/medium term negative effects. In order to join the COMESA Free Trade Area in 2008, Ethiopia will need to reduce the tariffs on goods imported from other COMESA members by a further 90 per cent.<sup>xii</sup>

In preparation for its planned accession to the WTO in 2008, Ethiopia has begun compliance with the many conditions. In order to protect its domestic producers and minimise welfare losses, it is recommended that Ethiopia consider reinstatement of protective tariffs allowed within the organisation's framework for LDCs.<sup>xiii</sup> Although short-run projections indicate a (very small) welfare-depressing impact of liberalisation on the household, the long-term effects are likely to be positive.

Trade liberalisation in Ethiopia has had mixed impacts to date:

### Positive changes

- a) Most of Ethiopia's trade consists of imports, chiefly of raw materials, manufactured goods and some capital goods, which have entered the market at lower prices than domestic goods. In aggregate, this decrease in prices has translated into greater consumption.
- b) Liberalisation has improved the efficiency of the domestic market – especially in manufacturing. However, given that this sector is not as labour-intensive as agriculture, it has not contributed to greater employment of unskilled workers and thus its effects have not been pro-poor.
- c) The overall effect of liberalisation on Ethiopian coffee has been positive, with coffee producers enjoying access to a large world market. (Around 47 per cent of Ethiopian coffee is exported, accounting for some 60 per cent of Ethiopia's total export earnings.)

### Negative consequences

- a) Coffee price fluctuations have exacerbated vulnerability. YL analysis indicates that the collapse in coffee prices in the early 1990s increased poverty in coffee-growing regions and surrounding urban areas. The decrease in the price of other important export commodities during the second half of the 1990s, including oil crops and skin and hides, also resulted in a slight decline in welfare.
- b) In 2003 foreign trade taxes (tariffs) accounted for 35 per cent of Ethiopia's total government revenue. Further tariff liberalisation from joining COMESA-FTA and WTO is likely to exacerbate the loss of such revenue. Nevertheless, to date Ethiopia has managed to sustain and actually increase its level of spending in 'pro-poor sectors' (education, agriculture and development of rural roads) during the post-reform period, despite reduced revenues from agriculture and trade liberalisation. However, the current level of public expenditure is not sufficient to tackle the root causes of poverty in the country, implying future inability to maintain public spending as revenue is reduced.<sup>xiv</sup>
- c) Given a largely unskilled labour force, the shift to more capital-intensive sectors, including textiles, is likely to lead to increased unemployment.
- d) The removal of import tariffs for fertiliser was accompanied by the removal of government subsidies on them, thereby increasing the net price of fertilisers, a major input needed by farmers, who make up 85 per cent<sup>xv</sup> of Ethiopia's population.

## Sector case studies

In order to better understand the impacts of liberalisation on poor Ethiopian households and children in particular, Young Lives undertook qualitative research in September 2005 in two coffee producing sites (Dale and Gimma in the State of Southern Nations, Nationalities and Peoples (SNNP) and one textile-producing site in the city of Awassa, in the SNNP Region).

Given that agriculture accounts for 45 per cent of GDP in Ethiopia, and that most of the population is involved in agriculture, the greatest impacts of trade liberalisation are felt in this sector. In particular, the case studies focus on coffee since smallholders produce 95 per cent of total coffee output and the sector is particularly vulnerable to international market shifts as over half of the total product is exported.

In the case of manufacturing, textiles are significant as they make up 8.42 per cent of gross value of production, employ 27 per cent of those in the sector and account for 19.3 per cent of wages paid.

### Coffee

YL qualitative research findings suggest that in coffee producing areas, entire communities – not only coffee farmers – are vulnerable to changes in international coffee prices. When coffee prices are high, the impacts on households and children involved in the retail and wholesale trade of coffee are very positive. Both male and female traders emphasised that compared to other community members they were better able to provide food, clothes, education fees and school supplies, save for future emergencies and invest in household assets.

In the case of coffee pickers, the impact of higher coffee prices led to increases in the daily wage rate (from three to four birr<sup>xvi</sup> per day in some cases). However, as this is only seasonal work the impact is less dramatic, although it allows poor families to supplement their income and invest in assets such as small livestock.

Because coffee production is labour-intensive, the demand for children's involvement in picking and selling is also very high. Although positive for children whose families are dependent on these wages for survival, it also encourages school dropout with probable long-term impacts on children's economic potential over time.

*"I stopped attending school because I had to sell coffee and earn an income because my father and mother are both teachers and they stay at their workplace all day long. I was thus responsible for taking care of my younger brothers and sisters by selling coffee."*

**(Girl 15 yrs, coffee retailer)**

Given women's relatively greater involvement as coffee traders and farmers, qualitative findings also highlighted the contradictory impacts on caregivers and their care work burden. Women emphasised both the important income effects and their greater sense of independence and decision-making power within the family as the main reasons for their involvement. However, they recognised that the quantity and quality of time with their children did suffer, including the inability to exclusively breast-feed babies during the first six months and provide food when older children came home from school.

Reductions in international coffee prices have often had serious effects on households and children. Dependence on coffee translates into multi-dimensional vulnerability.<sup>xvii</sup> Some farmers were compelled to destroy their coffee plants during price troughs because of the unavailability of surplus land for diversification. Others moved into the production of *chat*, a recreational drug,<sup>xviii</sup> which is easier to tend and more lucrative due to multiple annual harvests. However, there are concerns about the effects of chat on children's behaviour:

*"Chat brought about a negative impact on my children, changing their behaviour in the wrong way – they started chewing chat and became idle."*

**(Former male coffee farmer, Jimma)**

### Textiles

Our research shows that some households have benefited from the expansion of textile production. However, in the absence of adequate labour regulations, the entry of foreign investors who have implemented efficiency measures has resulted in the displacement of many workers or excessive working hours.

In Awassa, a city with several major textile factories, employment in textile factories brings significant material benefits but also entails serious health and job security risks with potentially serious spillover effects on children. Men and women employed as factory workers all stressed the way in which their ability to pay for health, education, clothing and leisure activities had improved as a result of their employment. Nevertheless, the work has reduced time spent with their children and has seriously long-term economic implications as it can induce ill-health and in some cases, anti-social behaviours. One mother emphasised that the hours and intensity of the work in the factory are having both tangible and intangible impacts on the time she spends with her children:

*"...working at a factory is not good for my health because of the difficult working environment there. Other female workers are also victims because some of them have suffered physical injuries; some have miscarried due to the heavy labour involved. ...Comparing my home activities with those women who work normal (office) jobs I have a problem when I get home from work, to have fun with my kids because I am always very tired after work. I also have a very small time to spend with them because of the night shifts."*

**(Textile factory worker, Awassa, woman aged 33 years)**

Factory work also results in vulnerability as it forces people to specialise and forgo the multiple income-generation activities with which they used to cushion income fluctuations. The recent experience of having to accept wage cuts and worsening work conditions – as foreign investors have taken control – has created a feeling of job insecurity. Some of the retrenched workers were those who had been most vocal about problems with working conditions.

Redundant workers revealed the harsh impacts of market structural adjustments on poor households and children completely lacking state social security support. As one former female factory worker who was laid off three years ago explained:

*"When I was dismissed the world turned upside down. I thought I was going to die. I thought I may have to get back to my parents. I was worried about what to feed my two kids. Added to my kids, there was a 15-year-old orphan girl who I adopted. I used to prepare kolo [traditional food] so that she could take it and sell it at school. She used to get a one birr and fifty-cent profit a day. I keep this profit in a safe place and use it to buy supplies for me to sell other small items."*

Other laid-off workers mentioned the loss of benefits such as subsidised healthcare and education fees that they had enjoyed as factory employees. They also noted the loss of prestige in the community, the difficulties with gaining access to credit to move into a new occupation and the need to sell family assets.



## POLICY IMPLICATIONS

Our findings point to three broad areas for policy interventions to ensure that trade liberalisation translates into poverty reduction and pro-child benefits: child-focused policies, policies geared towards supporting sustainable household livelihoods and adjustments to broad economic policies. In each one of these areas, we distinguish two categories of policies: trade-related and non-trade-related. The first refers directly to possible modifications in domestic policies that can help mitigate the negative consequences and take advantage of the positive short-term effects of trade liberalisation. The second set of policies is concerned with measures to compensate for the differential impact of liberalisation on individuals within the family in order to ensure more equitable results.

### Child-focused policies

#### *Trade-related measures*

- **Policies to improve the quality of schooling and promote secondary and technical training opportunities** could encourage children to stay in school, in the hope of obtaining better paid jobs located in trade-related sectors. Increasing the skills of young Ethiopian men and women would enable them to take advantage of more highly paid work opportunities in the manufacturing sector. There is also evidence that greater availability of an inexpensive skilled workforce would strengthen the country's comparative advantage and assist it to become more attractive for investment, promoting greater employment opportunities.<sup>xix</sup>
- With regards to children's health, two key issues emerge in the context of trade liberalisation:
  - 1) Specific attention should be paid to the potential rise in prices of basic medicines that may result from the introduction of stricter intellectual property rights. Governments should develop **compensatory measures to subsidise medicines for low income families**, and provide targeted free healthcare for the poor, particularly children.
  - 2) The **financing of children's healthcare is crucial**. In Ethiopia, expenditure in the health sector – in contrast to other pro-poor sectors – has been reduced as government revenues have declined as a result of reduced tariff incomes. An alternative within the WTO framework is the privatisation of health services, under the assumption that a private firm could provide health services more efficiently and at a lower cost. However, this should only be undertaken if the government absorbs the full cost of private providers, without it having an impact on users, through fees. Otherwise it would lead to exclusion of the poorest, including children.

#### *Non-trade-related measures*

- Given that children's time allocation is often affected by economic shocks, especially in rural areas, governments need to **provide incentives for children to continue in school**. This can be achieved by providing families with alternative income sources, including cash transfer programmes, and by supporting women's increased engagement in the workforce through **provision of communal or public childcare**.
- In Peru, the recently introduced **conditional cash transfer programme**, 'Juntos' (Together) could help reduce vulnerabilities that the FTA may cause by providing an additional incentive for families to keep their children in school with minimal income loss, as shown by the 'Oportunidades/Progresá' conditional cash transfer programme in Mexico which has partially offset the adverse effects of Mexico's FTA with the USA. In Peru, financing of public childcare programmes like Wawa Wasi and PRONOEI (early education) as well as subsidies for private and/or communal childcare services needs to be augmented to reduce the burden on older children who otherwise shoulder their mothers' childcare responsibilities.



## Household livelihood support

### *Trade-related measures*

- To minimise the vulnerability of households dependent on farming, it is important that the government uses the **protection mechanisms available within the WTO framework**. The Hong Kong agreements still allow developing countries with no Aggregate Measures of Support (AMS)<sup>xx</sup> commitments to continue their domestic agricultural support programmes, ensuring more stable benefits to the population dependent on agriculture.
- Given Ethiopia's comparative advantage, the textile and apparel industry has potential to generate employment (among semi-skilled and skilled workers) and to stimulate local cotton production. Taking full advantage of this potential would have required modifications to distorting non-tariff protectionist barriers in middle-income developing countries (like India and China), which undermine Ethiopia's competitiveness in this sector as well as the elimination of subsidies on cotton production from developed countries which artificially reduce market prices, neither of which is reflected in the WTO Ministerial agreement. However, an effective industrial policy that **stimulates local producers and actively identifies niches for Ethiopian textiles** in foreign markets could help retain gains in this sector.
- To ensure that the benefits of trade liberalisation reach poor families, it is important to **invest in improved infrastructure**. This is needed to improve access to markets and market information, make poor farmers more efficient, reduce their transaction costs and lessen dependence on exploitative intermediaries.

### *Non-trade-related measures*

- To some extent, households can mitigate the negative impact of price changes and reinforce any positive impacts by not consuming goods that have risen in price. However, ability to do so depends on a number of **broader policy-environment variables including access to appropriate credit and availability of substitute goods**. It is therefore important that credit provision mechanisms are geared towards the type of products in which households wish to invest and the timeframe needed to accrue profits. For example, if farmers only harvest once a year then the loan needs to be at least one year in duration.
- To ensure that the impacts of trade liberalisation are more pro-poor, measures need to be undertaken to **reduce the vulnerability of households that depend on coffee or other single crops** against natural disasters like drought and man-made disasters like deforestation. To promote livelihood diversification governments could introduce emergency funds that can improve farmers' resilience during crises without dramatically altering their livelihood patterns. Additionally, it is essential that the Ethiopian Government addresses demands from farmers in affected areas by implementing programmes to **reforest common lands** to stop soil erosion and further environmental degradation.

## Economy

### *Trade-related measures*

- Minimising general welfare losses caused by the differential distributional impacts of liberalisation depends on a **realistic timeframe for liberalisation**. A gradual transition will help ensure that losses in tariff revenues are compensated for by increased revenues from growth, thereby smoothing out any potential shocks on social expenditure allocations. This process should be accompanied by policies aimed at strengthening social safety nets, social protection measures and welfare programmes. It is also important to promote and enforce reasonable labour, health and safety standards, especially in the case of small and medium-sized factories.

### *Non-trade-related measures*

- Although government revenues might decrease in the short term as a result of lower incomes from export and import tariffs the composition of **expenditure needs to be reallocated so that key pro-poor sectors (eg education, health, nutrition), and particularly those targeting child poverty, are shielded from overall funding cuts**. Despite a decreasing revenue base the Ethiopian Government has managed to sustain its level of expenditure in three pro-poor sectors: education, agriculture and road development. It has fared less well with regard to health spending.
- Even when pro-poor allocations are retained, this does not mean that the resources available will be sufficient to cover sectoral requirements – in Ethiopia education expenditure is still well below comparable levels in other LDCs and is unable to meet even basic inputs to ensure adequate education coverage let alone a quality education for all children. Moreover, a country's liquidity constraints can limit the government's capacity to reallocate expenditure or raise revenue from alternative sources, at least in the short-to-medium term.
- **Political will** is also likely to play an important role. It would be valuable to monitor resources allocated to children over time, to have policies that both bind governments to a minimum threshold of social spending and to enable mechanisms to ensure child-sensitive budget monitoring.

- <sup>i</sup> Young Lives is a 15-year longitudinal policy-research project in four countries – Ethiopia, India (Andhra Pradesh), Peru and Vietnam – which aims to influence national policies to improve the wellbeing of children living in poverty.
- <sup>ii</sup> Draws on Oxfam International (2005) *What Happened in Hong Kong? Initial analysis of the WTO Ministerial*, December 2005, Oxfam Briefing Paper 85 and Te Velde, D. (2005) *The WTO: Towards Hong Kong, A 10 point summary of relevant research at the ODI*, Overseas Development Institute (ODI) Briefing, December 2005. [www.odi.org.uk/speeches/wto\\_05/ten\\_issues1.pdf](http://www.odi.org.uk/speeches/wto_05/ten_issues1.pdf)
- <sup>iii</sup> From the Draft Ministerial Declaration formulated at the WTO Hong Kong Ministerial, according to the Doha Work Programme, 18 December 2005.
- <sup>iv</sup> See also Anderson, A., Gillson, I. and Bird, K. (forthcoming) *Guidelines for empirical case studies of the effects of trade liberalisation on children*, Overseas Development Institute and Waddington, H. (2004) *Linking Economic Policy to Childhood Poverty: A review of the evidence on growth, trade reform and macroeconomic policy*, CHIP Report No. 7, Childhood Poverty Research and Policy Centre. [www.childhoodpoverty.org/index.php?action=documentfeed/doctype=pdf/id=87/](http://www.childhoodpoverty.org/index.php?action=documentfeed/doctype=pdf/id=87/)
- <sup>v</sup> See Winters, A., McCulloch, N. and McKay, A. (2004) 'Trade liberalisation and poverty: the evidence so far', *Journal of Economic Literature*, vol. XLIII, 72-115. [www.ingentaconnect.com/content/aea/jel/2004/0000042/00000001/art00002](http://www.ingentaconnect.com/content/aea/jel/2004/0000042/00000001/art00002)
- <sup>vi</sup> Ansell, N. (2005) *Children, Youth and Development*, London, New York: Routledge.
- <sup>vii</sup> The finding for Peru are taken from the following YL working paper: Escobal, J. and Ponce, C. (forthcoming) *Trade liberalisation and children's welfare: assessing the impact of a FTA between Peru and the United States*.
- <sup>viii</sup> The welfare effects are modelled based on two links: the impact of trade liberalisation on domestic prices and the effects caused by these price changes (mainly consumption and hourly income).
- <sup>ix</sup> Winters, A., McCulloch, N. and McKay, A. (2004) 'Trade liberalisation and poverty: the evidence so far', *Journal of Economic Literature*, vol. XLIII, 72-115. [www.ingentaconnect.com/content/aea/jel/2004/0000042/00000001/art00002](http://www.ingentaconnect.com/content/aea/jel/2004/0000042/00000001/art00002)
- <sup>x</sup> Bredie, J.W.B. and Beeharry, G.K. (1998) *School Enrolment Decline in Sub-Saharan Africa: beyond the supply constraint*, World Bank Discussion Paper No. 395, Washington D.C.: The World Bank.
- <sup>xi</sup> Valladares, G. (2005) *Evaluación sobre los potenciales efectos sobre acceso a medicamentos del tratado de libre comercio que se negocia con Estados Unidos*, Peruvian Ministry of Health. [www.minsa.gob.pe/portal/Especiales/TLC-MINSA/EstudioTLCSalud\\_ResumenEjecutivo.pdf](http://www.minsa.gob.pe/portal/Especiales/TLC-MINSA/EstudioTLCSalud_ResumenEjecutivo.pdf)
- <sup>xii</sup> For more details, see Ferede, T. (2005) *A synthesis of trade policy regimes and trade liberalisation in Ethiopia*, Addis Ababa University.
- <sup>xiii</sup> Birhanu, F. (2005) *Ethiopia's WTO accession: a strenuous step for a poor nation seeking economic prosperity*, Policy Research and Advocacy Department of Action Aid Ethiopia, Addis Ababa.
- <sup>xiv</sup> UNDP (2005) *Linking the National Poverty Reduction Strategy to the MDGs: a case study of Ethiopia*. [www.undp.org/mdg/goodpractices/Ethiopia-casestudy.pdf](http://www.undp.org/mdg/goodpractices/Ethiopia-casestudy.pdf)
- <sup>xv</sup> According to Ethiopia's PRSP, the agriculture sector is a source of livelihood to over 85 per cent of the population.
- <sup>xvi</sup> Birr is Ethiopia's currency. One pound is equivalent to around 15 birr.
- <sup>xvii</sup> Vulnerability to fluctuating international coffee prices has been exacerbated by drought and deforestation with knock-on impacts on local climates.
- <sup>xviii</sup> Chat is a drought-resistant crop with mild stimulant effects which is used and legally traded in Ethiopia.
- <sup>xix</sup> Ferede, T. (2005) *A synthesis of trade policy regimes and trade liberalisation in Ethiopia*, Addis Ababa University.
- <sup>xx</sup> Price support measures have been the most important type of policy measure within the non-exempt category. Price support can be provided either through administered prices (involving transfers from consumers) or through certain types of direct payments from governments.

This briefing was written by Paola Perezniето and Nicola Jones.

Based on country case studies by:

**Peru:** Escobal, J. and Ponce, C. (forthcoming) *Trade liberalisation and children's welfare: Assessing the impact of a FTA between Peru and the United States.*

**Ethiopia:** Ferede, T. (2005) *A Synthesis of trade policy regime and trade liberalisation in Ethiopia*, Addis Ababa University.

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The Young Lives Project is an innovative longitudinal study of childhood poverty in Ethiopia, India (Andhra Pradesh State), Peru and Vietnam. Between 2002 and 2015, some 2000 children in each country are being tracked and surveyed at 3-4 year intervals from when they are 1 until 14 years of age. Also, 1000 older children in each country are being followed from when they are aged 8 years.

Young Lives is a joint research and policy initiative aiming to reduce childhood poverty. It is co-ordinated by an academic consortium (composed of the University of Oxford, the University of Reading, the London School of Hygiene and Tropical Medicine, London South Bank University and the South African Medical Research Council) and Save the Children UK, incorporating both inter-disciplinary and North-South collaboration.



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