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Globalisation and the Poor: Waiting for Nike in Ethiopia

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I. INTRODUCTION

The impact of globalisation on the poor is one of the most emotive debates in the development policy community. Just contrast two statements. Oxfam's submission to the UK government's consultation on globalisation states that "*the benefits of globalisation have been disproportionately captured by rich countries and powerful transnational companies, while poor countries and poor people have been left behind*" (Oxfam (2000)). A key World Bank report on the issue writes that "*a widespread view of globalisation is that 'it makes rich people richer and poor people poorer'. This simply does not seem to be true: poverty is falling rapidly in those poor countries that are integrating into the global economy*" (World Bank (2002)). In this paper, I will revisit some of the issues involved, focusing on poor developing countries. More specifically I will focus on one of the poorest countries in the world, Ethiopia.

In the general debate, globalisation is used as an evocative term describing the closer integration of societies and economies around the world. Integration is linked to lower trade barriers, reduced costs of transport, faster communication, including of ideas, and rising capital flows. Much macroeconomic policy advice towards African countries and other developing countries by the main international institutions has in recent few decades largely focused on trade and exchange liberalisation, as well as on creating conditions to encourage capital inflows. Much has changed in this respect in a large number of countries compared to, say, 20 years ago. Internationally traded goods are now widely available, while most African countries currently have exchange rate regimes close to full convertibility.

Ethiopia is no exception. Despite being a late starter in reforming its economic policy environment, it has embarked on many of the standard economic reform measures advocated by international institutions such as the World Bank and International Monetary Fund. Until 1991, the country had been embroiled in a civil war between regional nationalists and a regime largely dependent on funding and policy advice from the former Eastern bloc. This regime had enforced state control in the key economic sectors and large scale restrictions on internal and international trade. After its collapse and its replacement with a coalition of regional nationalist groups, an economic reform programme has started, still relatively slowly but steadily, involving liberalisation and privatisation of parts of the domestic economy, and

a start with international trade liberalisation and the encouragement of foreign investment.

This programme has brought clear benefits to economic activity in the country, but it would be hard to argue that its efforts to open up have brought large benefits in terms of substantial capital investment and employment creation, and with it, increased earnings. It could also be argued that the main reason for the lack of investment response has been the slow pace and the incompleteness of the reform efforts: more vigorous liberalisation efforts are then advocated as the solution. For example, the Ethiopian economic reform can be contrasted with the Ugandan economic reform efforts of the last 15 years, which has seen rapid and sustained economic growth of more than 7 percent per year on average. But even in Uganda the investment response has long been far smaller than the expectations created by the extent of liberalisation and remarkable reversal of the economic policy environment.

In this paper, I will discuss the challenges faced by poor African countries such as Ethiopia to beneficially engage in a more integrated world economy. More specifically, the risk of further marginalisation of African economies will be highlighted. This marginalisation is not just linked to the widely held view of a continent torn apart by civil conflict. Even in more peaceful contexts, i.e. in the majority of African societies, these risks are present and are linked to poor policy exacerbating the impact of poor geographic endowments. Ethiopia is no exception and faces an uphill struggle to lift itself out of this marginal position. Nevertheless, I will argue that it has few alternatives to increased openness if it wants to achieve widespread poverty reduction, but complementary measures would be needed. To back this up, I will present evidence on the distributional consequences of increased market integration. More specifically, the experience during the first, serious wave of market reform in Ethiopia, up to the mid-1990s, is documented, with an emphasis on its impact on rural poverty. The communities studied experienced on average strong positive effects from this reform, and poverty declined. But a dichotomy emerges across the poor: one group of poor, with reasonably good endowments in terms of labour, infrastructure and geography took full advantage and moved out of poverty; another group, with poorer labour and geographical endowments remained at the same, desperately low welfare level – and these households risk becoming increasingly marginalised.

II. GLOBALISATION AND THE POOR: THEORY AND MACRO-EVIDENCE

One has to be careful to identify correctly the 'theory' of beneficial globalisation. Simply speaking, it is the combination of standard arguments for free trade and markets, combined with an appeal to a *growth* effect from the trade regime. This is different from the results from standard trade theory, which simply predicts 'gains from trade' from exploiting comparative advantage – effectively a once-and-for-all increase in output and income. The 'globalisation' argument appeals to ever increasing output – growth – induced by openness. In the parlance of the endogenous growth literature, it suggests that trade-orientation is a specific 'initial condition', affecting long-run steady state output and growth. The mechanism by which openness affects growth could be manifold: from incentives to increase efficiency following more competition to the development of better market-oriented institutions from the confrontation with the rest of the world.

The impact on the poor is typically not well identified in theory – if only since most growth models are representative agent models. However, the argument typically is an extension of the standard distributional impact of the trade liberalisation in standard theory – based on the Hecksher-Ohlin model, or related insights from the Stolper-Samuelson setup. In particular, labour is the most abundant factor in most poor developing countries, so that trade liberalisation would encourage specialisation in labour-intensive production, increasing labour demand. Labour is usually the only asset of the poor so that trade liberalisation results in poverty reduction. The growth effects from openness further contribute to poverty reduction, via increased labour demand.

There is empirical evidence of the expansion of labour-intensive production in developing countries, consistent with their comparative advantage. Davis and Weinstein (2003) found that developing country exports as a whole are now indeed labour-intensive. Countries such as China, India, Bangladesh, Sri Lanka and Indonesia – due to their population size constituting the majority of the population of the developing world - all have a share of manufacturing in total exports above or close to the world average. There is also evidence of substantial poverty reduction in a number of developing countries over recent decades, most notably in China, where between 1978 and 1999 the number of poor declined by more than 200 million. Other more recent success

stories include Vietnam, where poverty was cut in half in the 1990s, while World Bank data show that poverty also declined by about 4 percent per year in Uganda and India between 1993 and 1998.

The success in poverty reduction is typically larger in countries that have been able to increase their share of trade to GDP substantially since the 1980. World Bank (2002) defines the 'globalisers' as the top third of developing countries in terms of the extent that they have been able to increase their trade share in this period – in total about 3 billion people, dominated by China and India in terms of population[1]. It is indeed the case that on average these 'globalisers' have been more successful both in terms of growth and poverty reduction than the other developing countries. The presence of China and India in this group is then largely responsible for a global decline in absolute poverty levels in the 1990s. This needs to be qualified by the fact that inequality has nevertheless increased in the largest 'globaliser', China, although not necessarily in other countries in this group.

But the use of the term 'globalisers' may be misleading[2]: the fact that trade increased is not necessarily caused by a conscious policy of trade, exchange rate and financial liberalisation. The causal link between openness, growth and poverty reduction is harder to proof, and is still hotly debated. For example, Dollar (1992), Sachs and Warner (1995) and Dollar and Kraay (2001) claim that liberal trade policies cause growth. Rodriguez and Rodrik (1999) argue that these studies are methodologically flawed and that they mainly show that good economic institutions matter for growth, not trade-orientation. In Rodrik's view, liberalization may not be all that important and activist policies could well bring about more substantial trade and growth increases. Dollar and Kraay (2001) further show that there is a one-to-one relationship in mean income growth and income growth of the poorest 20 percent, leading to the insight that 'growth is good for the poor', which should be properly understood as meaning that inequality is not affected: proportionately, the gap between the poor and the mean individual remains constant. They argue further that trade does not change this relationship. Ravallion (2001) finds compelling evidence that while on average openness does not affect inequality, in low income countries it is associated with greater inequality. He also finds that even though on average growth is inequality-neutral, beyond this average there is a diversity of experiences across the world, with some growth episodes coinciding with increases in inequality and other with decreases in inequality.

The notion that openness may not deliver growth and poverty reduction should be qualified. There is no evidence of any countries succeeding in bringing down poverty substantially without increasing growth (Ravallion (2001)). There is also not much evidence of countries in the world delivering substantial growth via persistent protection, or of countries that have been able to increase their growth rates by increasing protection. Openness may well be a characteristic of successful economies, possibly a necessary condition, but its importance and sufficiency is still debatable.

While some developing countries have been able to increase growth and their trade share, and reduce poverty, many others have failed in all these respects. Most of Africa and quite a few Asian and Latin-American countries are in this situation, comprising about 2 billion people. If anything, many of these countries appear to become increasingly marginalised in the world economy, with negative per capita growth rates in the recent decade and small but significant increases in poverty levels, and possibly even 'club convergence' towards permanently lower levels of income per capita. A key issue is then to understand why. A simple explanation may be that they had bad policies, not least in terms of trade orientation. But this cannot be the full story: quite a few of these African, Asian and Latin American countries did introduce some trade liberalisation in the last two decades, but with little impact in terms of sustained growth. A related explanation is that even with trade liberalisation, growth is being stifled by poor infrastructure, low education and corruption. Again, this would suggest that policy makers bear a substantial responsibility for low growth and the persistence of poverty. However, there are alternative possible explanations. One suggestive one is that some countries suffer from the fundamental disadvantages of location – landlocked disease-prone tropical countries with harsh natural environments face a fundamental cost disadvantage (Sachs and Warner (1995)). There is indeed evidence for Africa that marketing and transport costs are substantially higher, but these are largely influenced by investment in the quality of infrastructure. For example, Collier and Gunning (1999) report that port charges in Abidjan are far higher than in Antwerp: a container costs $200 in the former compared to $120 in the latter. Air transport in Africa is four times as expensive as in Asia, while rail freight charges are about double. In short, the differential growth experience between some of the largest Asian economies compared to Africa cannot easily be explained by simple geographical disadvantage.

Whatever the reason for the past failure of some of developing countries to increase their growth rates and trade shares, there is reason to be concerned that they may 'have missed the boat' (World Bank (2002)). Possible reasons could be that increasing returns in manufacturing activities and general agglomeration effects, i.e. externalities to locating in the same geographical areas, would have meant that firms locate in clusters. While many clusters could be formed, firms have already located in some labour-abundant economies so that latecomers have little to offer. Furthermore, the mere fact that some developing countries with similar initial characteristics have *not* missed the boat may induce further negative externalities from globalisation: not only will firms not locate in the latecomers, increased capital market liberalisation in the globalising economies, so that capital inflows are easier, will encourage capital to flow away from the marginal economies. This could happen even if these marginal economies did not liberalise capital markets; in that case via illegal capital flight. For example, by 1990, 40 percent of private African wealth was held outside Africa, even though capital is scarcer in Africa than anywhere else in the world. Another self-perpetuating mechanism of marginalisation includes the apparent higher risk of civil war in economies more heavily dependent on primary commodities, increasing the cost of its failure to engage in the world economy (Collier, Hoeffler and Pattillo (2001)).

All this paints rather a bleak future for these marginal economies, not least in Africa. They may be stuck in a growth and poverty trap – an equilibrium outcome with permanently low growth and high poverty. While plausible, there is no reason for uniform pessimism, although naive optimism would be misplaced as well. In recent few decades a number of countries, often written off by experts, have been able to transform themselves. For example, World Bank (2002) quotes how Nobel winner Gunnar Myrdal wrote off Indonesia in the 1960s only for it to emerge in the 1980s as a fast growing economy substantially reducing poverty aided by labour-intensive manufacturing exports. Even after the serious crisis of the late 1990s, poverty is far lower than in the early 1980s. Similarly, after descending into chaos and civil war in the first part of the 1980s, Uganda has emerged as a fast growing economy, delivering large poverty reduction in both rural and urban areas.

However, the change required in many developing is substantial. If the current outcomes are an equilibrium growth and poverty trap, then

mere small changes would be ineffective. If there are indeed multiple equilibria at play, then only a substantial 'shock' may bring these countries onto a higher growth path. Few would argue that mere trade orientation would do the trick. A drastic transformation of the investment climate, with better institutions and infrastructure would be required, as well as much improved public service delivery of education and health services to increase the human capital required to fully capture the benefits from new investment. Globalisation may have moved the production processes of many goods across the world, making Nike and other multinational companies the scourge of antiglobalisation campaigners across the world. But multinationals do not even appear to consider investing in these marginal economies, not least in Africa.

So where does this leave a country like Ethiopia? It started with economic reform towards a more market oriented economy over the last decade, but it is hard to find evidence of a real transformation. Some quarters of Addis Ababa appear to experience a boom, but these are largely an aid-fuelled real-estate led expansion of the non-tradable sector. Some urban centres with their surrounding countryside appear to have experienced strong growth in recent year, but their scale is too small to suggest the establishment of serious growth poles. It remains on the fringes of the world economy, with only its coffee ever appearing in shopping baskets in Europe. Poverty levels have declined a little, but population growth has meant that the number of poor has probably increased in the last 10 years.

It has only just emerged from another war, this time with Eritrea, which it only 10 years ago granted independence. Even if observers and most international donors do not pin much blame on the Ethiopian government for the conflict, it again underlined the regional political instability, with civil war also raging in neighbouring Sudan and continuing anarchy in parts of former Somalia. Its own political institutions remain characterised by a reluctance to grant much voice to opposition groups even if many have little credibility. Ethnic tensions remain substantial. Its infrastructure has improved in recent years but it still has only a very limited road and communications network. There is evidence of some improvement in education as well, but skill and health levels remain generally poor.

But Ethiopia should be given some credit. It is generally considered one of the developing countries with least corruption. Its civil service, while using antiquated and opaque procedures, tends to be relatively

efficient and definitely accountable. Its macroeconomic policy management has made the birr a remarkably stable currency, even during the years of civil war and famine[3]. It appears committed to reform, even though opening up appears to go slowly. Recurrent drought puts much pressure on efforts to transform agriculture, even if there is also evidence of improved ability to manage these drought-induced crises in the short run using food aid and other transfer mechanisms.

Poverty and growth traps may ask for bold measures, in the form of risk-taking in economic policy to enforce a regime change, even though recent economic history across the world suggests that one cannot guarantee success. The political economy in Ethiopia with serious suspicions towards the government among the nascent middle-classes suggests that gradual reform may only be possible, even if possibly insufficient. An improved investment climate requires not only a commitment to change; it requires that this commitment is credible to local and foreign investors. At present, the policy environment is not sufficiently credible, also affecting the willingness of donors to commit at a large scale the essential foreign aid to support the transformation of institutions, public services and infrastructure, which supported for example the Ugandan success story.

III. GLOBALISATION AND THE POOR: RISKING FURTHER MARGINALISATION

So far, we have focused on the evolution of poverty, comparing the experience of 'globalising' and seemingly marginalised developing countries. The faster growing 'globalising' developing countries managed to reduce poverty substantially, while the other developing countries appear rather stagnant, including in terms of poverty. However, there is another dimension that has received far less attention. Growth induced by market and trade liberalisation is not necessarily shared equally across the poor. Liberalisation induces relative price changes within countries, improving terms of trade between tradable and non-tradable sectors. Some groups depending on the latter sector may lose in this process. Furthermore, to the extent that geography and agglomeration effects matter, certain regions may permanently lose out, for example to regions near seaports and near international or key internal transport routes. Ravallion (2001) reported that trade liberalisation, while correlated with growth, is also correlated with increased

inequality in the poorer developing countries. Jalan and Ravallion (2000) find 'geographical poverty traps' in China, i.e. particular areas that have permanently lower growth rates linked to community or regional level externalities. In India, there is substantial variation across and within states in growth rates, with some urban areas such as Bangalore, Bombay, Madras and Hyderabad far outpacing growth rates and poverty reduction in other states and areas.

This process is also likely to be relevant in African countries such as Ethiopia. In fact, it is possible to see this process in action in Ethiopia well before true globalisation takes hold. As part of its moves to a more market based economy from a centrally controlled 'socialist' economy, the Ethiopian government liberalised its domestic agricultural markets between 1989 and 1992. Combined with the end of the civil war in 1991 and the liberalisation of the movement of goods across regions around the same time, this change can be seen as an overall trade liberalisation between regions, from a situation of regionally closed economies. Before 1989, most trade between regions was either banned or very heavily taxed (Dercon (2002)), so that internally, the Ethiopian economy more resembled a set of closed economies with high tariff barriers limiting the free flow of goods and services. The liberalisation within Ethiopia from 1989 was then in the first instance a move to greater openness *between* regions *within* a country, not unlike the changes advocated by international institutions *between* countries. The growth and distributional impact of these changes can be studied using the Ethiopian Rural Household Survey, a panel data survey covering households in different communities from 1989 until 2000. Lessons from studying welfare changes in this period are likely to be relevant to understand the implications on the poor of trade and investment policy liberalisation. Dercon and Krishnan (2002) and Dercon (2002) give more details on the data and the findings. The results related to the first phase of trade liberalisation, between 1989 and 1995, are briefly summarised below. They are only based on a small sample of 351 households in six different communities across the country. No other data covering this period exist in Ethiopia.

The policy measures meant that compared to before 1989, agricultural crops could move freely across regional borders within the country, without trade restrictions and heavy tariffs. Cereals such as teff, wheat and maize were most strongly affected. The result was that there was downward pressure on staple food crop prices in food deficit areas

while they increased in surplus areas following liberalisation. A further measure allowing free entry in many trade and other business activities meant that food and other markets became spatially more integrated, resulting in lower marketing margins (Dercon (1995)). The measures had less impact on previously smuggled crops, such as coffee and chat: now legally traded, prices settled at first close to the levels seen in black markets before the liberalisation, while a decline in world coffee prices meant actual declines in prices for coffee farmers. Finally, crops that were typically non-traded across regional borders, such as bulky crops like enset and yams, became relatively less interesting to grow, since they were typically grown in cereal deficit areas, where consumer now could benefit from decreases in staple food prices. The overall result was that terms of trade moved very favourably for farmers in food surplus areas, especially in cereal areas, but they (relatively) declined for farmers specializing in export crops such as coffee and chat, as well as in less traded crops such as enset.

These effects are also apparent in the survey villages. Those villages in large cereal producing areas saw their terms of trade[4] improve by about a third. Villages dependent on coffee or non-traded food crops saw their terms of trade decline by about 30 percent. These large shifts in terms of trade also had substantial welfare implications. Overall, poverty, based on an absolute poverty line, declined substantially in this period in the sample: the number of poor households declined by about a third in our sample, even though it still kept more than a 40 percent of households poor[5]. In Dercon (2002), it is shown that a substantial part of this poverty decline can be directly linked to the terms of trade changes, with the extent of the poverty decline per village correlated with the terms of trade change. In fact, in the two villages were terms of trade declined, poverty did not decline at all, and it increased substantially in one of them.

However, this is not the full story. Terms of trade changes do not affect every household in a village in the same way, while the other liberalisation measures may also provide opportunities or introduce other costs on households. A simple means of illustrating these effects, is to consider a profile of the characteristics correlated with poverty changes. Table 1 gives details of changes in poverty by characteristics of households in the sample. Poverty declined for (virtually) all different groups considered. However, it is striking that for some groups it declined much more and some changes are insignificant. Very few household heads have education, but those heads with primary education live in house-

holds who experienced the largest declines in poverty. Older heads and female-headed households saw no significant decline: the younger and male-headed households have gained most. Similarly, those with substantial land and with oxen saw large declines; those with less land or no oxen saw none. Those close to all-weather-roads and those close to towns also experienced substantial declines in poverty. Households living in remote areas have not been able to benefit in this period.

However, better weather in some areas is definitely a mitigating factor. We used data on rainfall in the last year before each survey, as well as rains in the last five years preceding the survey. Half the villages experienced better rains in the last year before the survey. The rainfall in the last year in comparison with 1989 does not contribute in explaining the differential experience of households and villages: for both groups, poverty declined by a similar percentage and the decline is significant. However, one year of poor rain may not lead to impoverishment. The last line of Table 1 groups households on the basis of whether the average yearly rainfall in the five years preceding the survey in 1994/95 compared to the rains in the five years preceding the 1989/90 survey. Here, we get a very significant effect of improved weather, while in areas where rains in 1990-94 were worse, poverty actually went up.

These findings were confirmed by further multivariate analysis of welfare changes – details are in Dercon (2002). Controlling for the impact of better weather, it was found that proximity to roads and towns, and stronger household characteristics in terms of land, labour, education and oxen were all important determinants of larger consumption changes and stronger poverty declines. Microsimulations have shown that the entire observed poverty decline can be attributed to geography, infrastructure and household endowments, implying that those poor people in 1989 that were living far from roads or towns, and/or had limited household endowments in terms of assets and labour could not at all take advantage of the changed economic environment by 1995. They stayed as poor as before, and would have been further impoverished had the rains not been somewhat better than in the late 1980s. In other words, one group of the poor benefited substantially from the relative price changes and the generally improved market incentives, while another group became even more marginalised. Further analysis of more recent data from the same villages has confirmed this result: we find a *growth* effect in the 1990s from better initial levels of endowments in terms of household characteristics, geography and infrastructure.

TABLE 1

Poverty profile: poverty changes between 1989 and 1994/95 (n=351)

	YES			NO		
	P_o 89	P_0 94/95	change t-test	P_o 89	P_0 94/95	change t-test
Household head did complete primary school? (3%)	0.83	0.25	3.54**	0.60	0.47	3.65**
Head of household is below 45 years of age? (55%)	0.64	0.41	4.18**	0.59	0.50	1.84
Household head is male? (83%)	0.62	0.45	4.12**	0.57	0.48	0.93
Household own oxen? (67%)	0.59	0.42	3.93**	0.65	0.55	1.62
Household owns more than 0.45 ha per adult? (50%)	0.54	0.38	3.15**	0.68	0.54	2.76**
Village is <5km from all-weather road? (44%)	0.54	0.29	4.54**	0.67	0.59	1.67
Village is <10km from town? (53%)	0.70	0.35	7.08**	0.52	0.58	1.11
Rains in 1993/94 better than in 1988/89	0.57	0.41	3.16**	0.66	0.51	2.71**
Rains in last 5 years better than previous 5 years (53%)	0.70	0.35	7.08**	0.52	0.58	1.11

Source: calculated from the Ethiopian Rural Household Survey
Percentage in brackets after each question is the proportion with the particular characteristic. 'YES' block gives the percentage of poor in 89 and in 94/95, restricted to those with a particular characteristic. The 'NO' block gives the poverty levels for those without this characteristic. The t-test tests the null whether these poverty levels are significantly different using Kakwani's test. The characteristics are those in 1994/95. In a very small number of cases there was a change in these chareacteristics. For example, a few households had a different head and a change in the sex of the head (due to the death of the household head). No new roads were constructed in the survey areas. A few households had a change in land size (due to inheritance, marriage of children, and in one village a redistribution of collective lands). These changes are generally too small to significantly affect the results.

IV. CONCLUSION

There is a close correlation between the role of trade in GDP, overall growth and poverty reduction in developing countries. Growth and poverty reduction has accelerated in those economies that have successfully increased their trade share in income. However, whether there is a direct causal link between trade policy, growth and poverty reduction is still disputed. Still, the substantial poverty reductions in some developing countries, such as China and more recently, parts of India are beyond doubt.

For many other developing countries, globalisation is still far removed. In fact, there are concerns that these countries may well become further marginalised. The reasons include poor policy environment but also poor geographical endowments. It will be a difficult task to stop this process of marginalisation, not least since there are risks that they may get trapped in permanently low growth and high poverty due to the externalities related to globalisation and marginalisation. Concerned efforts within these countries with substantial outside

support are likely to be needed to improve the investment climate in these economies.

There is some evidence that particular groups and areas may also risk becoming marginalised within the globalising economies. High growth may provide the means to avoid this process to become self-perpertuating, but action would in any case be needed. The factors correlated with this marginalisation are typically poor local endowments in terms of geography and infrastructure, as well as poor household endowments in terms of labour and assets. In many ways, the factors causing marginalisation on the global scale are similar to these causing within-country marginalisation.

These insights were illustrated using Ethiopia as a case study. Ethiopia has started a process of market and international trade liberalisation, but definitely still belongs to the group of 'marginalised' economies in the world. Growth remains limited, and poverty is highly persistent. The welfare impact of the domestic market liberalisation in the first part of the 1990s also illustrates the risks related to further marginalisation of some of the poor in Ethiopia. While one substantial group of the poor has been able to take advantage of the recent improved economic environment, another group seems to have become increasingly marginalised. Investment in infrastructure and human capital provides the best hope to overcome their inherent marginal endowments in terms of infrastructure and other assets.

Nike, that controversial symbol of globalising investment in developing countries, is definitely not about to invest in Ethiopia. I for one believe that Ethiopia has intrinsically far more potential for success in growth and poverty reduction than Uganda and many other African countries. But for the foreseeable future, Nike is Ethiopia's Godot. Substantial efforts in creating a better investment climate, as well as creating the conditions so that the poor could take advantage of such changes are needed to at least prepare the ground for its arrival.

NOTES

1. The group also includes Argentina, Bangladesh, Brazil, Malaysia, Mexico, the Philippines and Thailand, and some other smaller countries.
2. World Bank (2002) is aware of this possible misleading use of the term 'globalisers' noting that the rise in trade may not have been the consequence of pro-trade policies but 'may have been due to other policies or even to pure chance'.
3. In 1970, the Kenyan Shilling, the Tanzanian Shilling, the Ugandan Shilling and the Ethiopian Birr were all trading at 2 to the U.S. Dollar. The exchange rates are now about 76 Kenyan Shillings per dollar, 1070 Tanzanian Shillings per dollar and

2000 Ugandan Shillings per dollar, while the Ethiopian Birr is trading at 8.5 Birr per dollar.

4. Terms of trade are here defined as a (Laspeyres) output-weighted producer price deflated by a local consumer price index, using 1989 as a base.
5. Since it is not a nationally representative sample, this is not necessarily consistent with national figures. Whether poverty declined in this period in Ethiopia cannot be established since no large nationally representative samples were collected until 1995. The poverty line used in this study is based on a food basket needed to consume the absolute minimum calories to be active. Using other conventional poverty lines, such as the one-dollar-a-day line used by the World Bank would put poverty substantially higher.

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