

EDITORIAL

## Win or Lose, Cancun Will Choose

The WTO ministerial at Cancun in Mexico may prove to be the last jumbo of World Nations to decide (or dictate) which way the global trade would move. Chances are that it may go the Seattle way as the differences between the North and South have grown wider particularly on the issues dearer to the developing nations. The US-EU joint paper presented on the agriculture modalities was not only criticised by the developing countries but as a counter move, 17 developing countries including India, Brazil, China and South Africa put forward their own framework paper on the modalities. This is a clear indication that the clouds of confrontation are hovering around Cancun. Moreover, though US-EU have jointly presented the paper on Agriculture, differences do exist between them as far as the issue of GM agri-products are concerned. Another reason for apprehending Cancun going the Seattle way is the rapidly growing opposition of the people to the destructive neo-liberal policies of the WTO.

Chances are also that Cancun may be an end to the familiar gesture of the developed nations to pay lip service to the process of consultation or negotiation with the developing nations because they can do anything - from pursuance to bargaining and finally to bullying - to get the "New Round" of negotiations completed since the failure at Cancun will mean depriving the corporates of US and EU of future benefits accruing to them as a result of the reached agreements on Agriculture and Singapore issues particularly the issues of investment and competition because agreement on these issues will mean 'freedom' to the MNCs from the regulatory regimes of the developing nations. This will give them a freehand to exploit to their advantage the developing countries' agri and non-agri business markets since the proposed rules under the Singapore issues of investment and competition would pave the way for multinational corporations to enter national markets by eliminating every special treatment given to nation-based small and medium-sized businesses.

Moreover, these rules would license the private companies to sue governments for potential profit-loss due to legislation that protects human health and the environment while not granting similar licence to citizens against damaging company practices. That's why the corporates like Unilever, Boeing Co., Pfizer Inc. and Nestle SA have asked WTO to limit its agenda at Cancun to reaching accords on farm subsidies and access to cheap drugs. Their fear seems to be that if there is no progress on agriculture and poor countries' access to medicines, then the progress on any other issue is highly unlikely and the negotiations might collapse before their scheduled 2005 deadline. And that would be the end of their dream of milching the third world markets. Their concern for making 'Cancun round' a success can also be gauged in the statement of British government's Department of Trade and Industry Director General,

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Mr.M. Richard Carden. Mr. Carden had said, "if Cancun meeting fails, WTO will fail and Seattle will repeat which will be potentially damaging. We have to try hard to avoid that."

This fear of losing the vast markets of the developing countries perhaps forced the US to see sense in agreeing to accept poor nations access to the cheap generic drugs. That's why the drug deal was finally hammered out at the WTO mini-ministerial on 31st August though with a cap.

The US not only forced the nations to accept its old stand on the number of diseases but has also made the agreement to restrict the diseases to AIDS and Malaria only, leaving out even Tuberculosis while developing nations were demanding no limits on the scope of the diseases covered under the TRIPS and Public health issue. This has been done when "the nations had agreed at Doha that the flexibility in the intellectual property rules could be used to allow poor countries to license medicines compulsorily to deal with HIV/AIDS, Tuberculosis, Malaria and other epidemics. Perhaps the US has been the biggest stumbling block on the way of meeting this Doha resolution because somewhere it suffers from the gut feeling that the developing nations like India can beat it in its own game. It is to be remembered that the US was the only WTO member to block the agreement on access to drugs, fearing a deal would allow generic drug-makers such as India's Cipla Ltd. to override patents held by companies including Pfizer and Merck & Co. on other drugs.

This fear-psychosis can be seen also in the double standards adopted by the developed countries whereby in the name of 'free trade' they vouch for the dismantling of tariff barriers by the developing countries but they themselves put up protectionist walls in the form of domestic support and export subsidies. This is what is happening in the context of Agriculture. While demanding easy access to the agri-businesses of the developing countries, the developed countries are keeping their protectionist walls intact. For instance, whereas Farm Bill of George Bush provides a subsidy of 54.7 billion dollars for the US farmers, the EU has also refused to dismantle its agriculture subsidies. That's why there has been very little progress on the proposals for curbing domestic support to agriculture by developed nations since Doha round.

In fact, there is great schism between the North and the South on various issues particularly those of interest to the developing countries such as Standard and differential treatment, implementation issues, TRIPS & Public health and cut in domestic support for agriculture by developed countries. Moreover, there is also conflict within the controlling powers of the WTO.

Therefore, the fate of negotiations at Cancun will be decided by what shape this conflict takes place. If the developing nations could enhance their cooperation and forge solidarity in resisting the imperialistic trade designs of the developed world, then Cancun will certainly have some importance for the developing countries. But the previous experiences at WTO ministerials convey a different story. As is well known, Seattle happened due to the high-handedness of the developed countries in implementing WTO policies. At Doha also, US and EU strong-armed the negotiating countries into guaranteeing the implementation of free trade. These 'economic powers' maintained that if developing nations did not pledge their support to free trade, all aid and foreign markets would be denied to the desperate nations of the third world. Rather than working towards further liberalisation of global trade, the participants from developing nations were more interested in the implementation of policies, and their impacts but were intimidated into a 'false consensus'. Besides, only a handful (20-25) of countries were allowed to negotiate in the closed "green room" which had no access for dissident nations.

As the WTO meets at Cancun, these words of Walden Bello ring in the ear - "WTO is an organisation threatening to collapse under its own weight".

*- Piyush Pant  
September 2, 2003*



## At Cancun

# World Trade Deadline Looks Dead

US President George W. Bush's administration is already tempering expectations for progress at global trade talks in Mexico as deep divisions throw a January 1, 2005 deadline for final agreement into serious doubt, analysts say.

Instead of being a half-way point, the September 10-14 World Trade Organisation talks in Cancun, Mexico, would be an "early way station" for a deal that is more likely to come in 2007, if at all, senior Washington-based trade analysts said.

Trade ministers set the deadline in November 2001 when they launched the agenda for the talks in the Qatari capital of Doha.

But negotiators now secretly realised the deadline was unrealistic as they failed to bridge chasms about how to topple trade barriers in sensitive but critical areas such as agriculture and services, and whether even to discuss issues such as investment, analysts said.

"Everyone is working against a stated deadline of the end of next year but I think in practice there is more and more realisation that it is not going to end then," said Fred Bergsten, director of the Institute for International Economics.

"It is probably going to end in 2007," he said.

Negotiating authority for the US team, led by Trade Representative Robert Zoellick, would not expire until May 2007 - widely considered the real deadline, Bergsten said.

Also, legislative timetables meant neither the United States nor Europe could realistically reform their hotly disputed agricultural policies until at least 2006, he said.

"Cancun is not really a midway point that tries to tee up a deal for an agreement in a little over a year. It is more an early way station that, to be sure, needs to keep things going."

Negotiators, rightly, would not admit it publicly, but there was growing consensus that the deadline was already dead, Bergsten said.

Deputy US Trade Representative Peter Allgheier, speaking to reporters after preparatory talks at the

Geneva-based said the United States remained ambitious.

But "frankly, as you survey the various countries, the US is practically alone in being an advocate of high ambition across all aspects of trade," he added.

The "bottom line" goal for the United States in Cancun would be setting up frameworks for strong future negotiations, Allgheier said. But "we don't expect for people to agree on what we want the agreement to look like at the end," he said.

Allgheier was clearly trying to dampen expectations "because they are not making much progress with any of the main dimensions of the negotiations: with the service agreement, with agriculture, with investment," said Economic Policy Institute international economist Robert Scott.

Agriculture had driven a wedge between the negotiators, he said.

"You have the United States pushing big cuts in subsidies to agriculture and the Europeans and the Japanese being unwilling to go along. Then of course you have the developing world that believes that that is not the right way to go," he said.

The Cancun talks would likely result in a statement from the WTO General Council chairman Carlos Perez del Castillo calling for ministers to re-assemble soon, and reaffirming the January 1, 2005 deadline, Scott said.

"But I think that (deadline) is an overly optimistic forecast. I think that these continued differences of opinion are unlikely to be resolved at this point."

Negotiations could last as long as the previous major trade talks, the so-called Uruguay Round, which dragged on for nearly eight years, he said. It may even prove impossible to forge a deal under the format drawn up in Doha, he warned.

The most likely result in Cancun would be a statement to save face, he said.

"I think it is going to be a lot of attempting to posture without real progress being likely," Scott said.

Despite portraying itself as the free trade crusader, the United States would likely come under pressure

itself at Cancun, analysts said.

US trading partners were angered by Bush's farm bill, which increased domestic agricultural subsidies by 70 percent over six years, giving an extra 4.8 billion dollars a year to the sector, and by its imposition of steep tariffs on steel imports to protect its crumbling domestic industry.

"There will certainly be some barbs at the US farm bill from developing countries," Bergsten said. And its steel tariffs were being cited as an example of the US abuse of WTO provisions allowing the imposition of anti-dumping or emergency "safeguard" measures to protect local industries from imports, he said.

The United States would be content if the Cancun talks resulted in modest progress and no disasters, analysts said.

"If there is a single big risk at Cancun it would be the developing countries walking out or throwing up their hands in disgust or exasperation that the rich countries are not doing enough to move things forward," Bergsten said.

WTO countries may have lowered that risk, however, by securing a deal Saturday on intellectual property protection that aims to make it easier for poor countries to import cheap generic drugs if they are unable to manufacture the medicines themselves.

*(Courtesy: World Trade Observatory)*



## **Cancun Meet The Worst of Times**

*George Monbiot, September 2, 2003*

The world is beginning to look like France, a few years before the Revolution. There are no reliable wealth statistics from that time, but the disparities are unlikely to have been greater than they are today. The wealthiest 5% of the world's people now earn 114 times as much as the poorest 5%. The 500 richest people on earth now own \$1.54 trillion - more than the entire gross domestic product of Africa, or the combined annual incomes of the poorest half of humanity.

Now, just as then, the desperation of the poor counterpoises the obscene consumption of the rich. Now, just as then, the sages employed by the global aristocrats - in the universities, the thinktanks, the newspapers and magazines - contrive to prove that we possess the best of all possible systems in the best of all possible worlds. In the fortress of Camp Delta in Guantanamo Bay we have our Bastille, in which men are imprisoned without charge or trial.

Like the court at Versailles, the wealth and splendour of the nouveau-ancien regime will be on display, not far from the stinking slums in which hunger reigns, at next week's world trade summit in Cancun in Mexico. Between banquets and champagne

receptions, men like the European trade commissioner Pascal Lamy and the US trade representative Robert Zoellick will dismiss with their customary arrogance the needs of the hungry majority. There we will witness the same corruption, of both purpose and execution, the same conflation of the private good with the public good: le monde, c'est nous. As Charles Dickens wrote of the ruling class of that earlier time: "the leprosy of unreality disfigured every human creature in attendance."

The unreality begins in Mexico with the World Trade Organisation's statement of intent. It will, its director general says, ensure that "development issues lie at the heart" of the negotiations. The new talks, in other words, are designed to help the people of the poor nations to escape from poverty. In almost every respect they are destined to do the opposite. Every promise the rich world has made the poor world is being broken. Every demand for the further expropriation of the wealth of the poor is being pursued with ruthless persistence.

Take, for example, the issue of "tariffs", or taxes on trade. A new report by Oxfam, shows that the poorer a nation is, the higher the rates of tax it must

pay in order to export its goods. The United States imposes tariffs of between 0-1% on major imports from Britain, France, Japan and Germany, but taxes of 14 or 15% on produce from Bangladesh, Cambodia and Nepal. The British government does the same: Sri Lanka and Uruguay must pay eight times as much to sell their goods over here as the United States.

This happens for two reasons. The first is that the poorer nations can't fight back. The second is that, without taxes, the poor would outcompete the rich. The stiffest tariffs are imposed on goods such as textiles and farm products, in which the weak nations possess a commercial advantage.

The current trade talks were launched with the promise that tariffs would be reduced or eliminated, "in particular on products of export interest to developing countries". The deadline for producing an agreed text for the Cancun meeting was May 31. Because the rich nations have blocked every attempt to agree upon the wording, nothing has been produced. Instead, last week the European Union, the US and Canada submitted a new paper. It proposes that the poorest countries must do the most to cut their trade taxes. Bolivia and Kenya must reduce their tariffs by 80%, the EU by 28% and the US by just 24%. It appears to be a calculated insult, designed to prevent any agreement on this issue from taking place.

Nor has any progress been made on farm subsidies. In 1994, the rich countries agreed that they would phase them out, if the poor countries promised to open their markets to western corporations. The poor nations kept their promise, the rich countries broke theirs. The new round of talks is supposed to lead to the "phasing out [of] all forms of export subsidies", and a negotiating text to this effect was meant to have been produced by March 31. Again, the promise has been broken, and again the poor have been told that only if they grant the rich world's corporations even greater access to their economies, farm subsidies will come to an end.

But the powerful nations, while refusing to address the demands of the poor, press their own claims with brutal diplomacy. They now insist that the

"development round" be used to force nations to grant foreign corporations the same rights as domestic ones; to open their public services to the private sector and to invite foreign companies to bid to run them. What this means, as nearly all the big multinational corporations are based in the rich world, is a rich world takeover of the poor world's economy.

Lamy and Zoellick and the governments (such as ours) they represent must know that these demands are impossible for the weaker countries to meet. They must know that the combination of their broken promises and their outrageous terms could force the weaker governments to walk out of the trade talks in Cancun, just as they did in Seattle in 1999. They must know that this will mean the end of the World Trade Organisation. And this now appears to be their aim.

Subverted and corrupted as the WTO is, it remains a multilateral body in which the poor nations can engage in collective bargaining and, in theory, outvote the rich. This never happens, because the rich nations have bypassed its decision-making structures. But the danger remains, so the EU and the US appear to wish to destroy it and to replace world trade agreements with even more coercive single-country deals. The narrow path campaigners have to tread is to expose the injustices of the proposed agreements without assisting the rich world's underlying agenda by demanding that "the WTO has got to go".

But eventually, as in France, there must be a revolution. It is likely to happen only when there is a globalised crisis of survival: a worldwide shortage of grain, for example (like the deficit which followed the bad harvest of 1788) or - and this is currently more likely and more imminent - a shortage of fossil fuel. In previous columns I have suggested some of the means (such as a threatened collective default on the debt) by which this revolution can take place. Until the nouveau-ancien regime has been overthrown, and Lamy and Zoellick and their kind are (metaphorically) swinging from the lampposts, the rich, like the aristocrats of France, will devise ever more inventive means of dispossessing the poor.

*(Courtesy: The Guardian)*

# **Proposal of a Framework Document on Agriculture**

20 August 2003

*(Joint Proposal by Argentina, Brazil, Bolivia, Chile, China, Colombia, Costa Rica, Ecuador, Guatemala, India, Mexico, Paraguay, Peru, Philippines, Thailand and South Africa. This proposal on agriculture issue was given as counter move to the paper jointly presented by US and EU. It was welcomed by a number of developing countries and also some Cairns Group developed countries. However, it was attacked in aggressive tones by the EC representative who accused the co-sponsors of confrontation.)*

Members reconfirm the objectives as established in paragraphs 13 and 14 of the Doha declaration, including the objective to establish a fair and market-oriented trading system through fundamental reform in agriculture. Members recognize that reforms in all areas of the negotiations are inter-related, that operationally effective special and differential treatment for developing countries will be an integral part of the negotiations, and that non-trade concerns should be taken into account as provided for in the Agreement on Agriculture.

Ministers agree to intensify work to translate the Doha objective into reform modalities, including by adopting the following approaches for reduction/elimination commitments and related disciplines on key outstanding issues on market access, domestic support and all forms of export subsidies and stress their commitments to submit comprehensive draft schedules in time to conclude negotiations by 1/1/2005.

**In that context, Ministers agree as follows:**

## **1. Domestic Support**

The Doha declaration calls for “substantial reduction in trade-distorting domestic support”. All developed countries shall achieve substantial reduction in trade distorting support with Members having the higher trade distorting subsidies making greater efforts.

1.1. Substantial reductions shall take place under the following parameters:

- (i) Reduce all trade-distorting domestic support measures in the range of [ ]% - [ ]%, on a product specific basis. The difference between the upper and lower limits shall be no greater than [ ]% points. Products which benefited from levels of domestic support, above the average, during the period [...] shall be subject to the upper levels of reduction regardless of the percentage reduction applied in each case, a first cut of not less than [%] of such reduction shall be applied to all trade distorting domestic support measures within the first 12 months of the implementation period.
- (ii) For products benefiting from domestic

support which are exported and which have accounted, on average over the last [...] years, for more than [ ]% of world exports of that product the domestic support measures shall be subjected to the upper levels of reduction, with a view to elimination.

- (iii) Eliminate article 6.5 of the Agreement on Agriculture;
- (iv) Reduce de minimis by [ ]% for developed countries
- (v) The sum of AMS support and de minimis shall be subject to a cut of at least [ ]%

1.2. Green box direct payments (paragraphs 5 to 13 of Annex 2 of the AoA) shall be, as appropriate, capped and/or reduced for developed countries. Additional disciplines shall be elaborated and agreed upon.

## **Special and Differential Treatment**

1.3. The scope of art. 6.2. of the Agreement on Agriculture shall be expanded, so as to include focused and targeted programmes.

1.4. Maintain de minimis at the existing levels for developing countries

## **2. Market Access**

2.1. The formula applicable for tariff reduction in developed countries shall be a blended formula, under which each element will contribute to substantial improvement in market access for all products, in an effective and measurable way. The formula shall be as follows:

- (i) [ ]% of tariff lines subject to a [ ]% tariff cut. With a view to addressing tariff escalation, a factor of [ ] will be applied to the tariff rate cut of the processed product, in case its tariff is higher than the tariff of the product in its primary form;
- (ii) [ ]% of tariff lines subject to a Swiss formula coefficient [ ];
- (iii) [ ]% of tariff lines shall be duty-free.

2.1.1 The total average tariff cut of items i) and ii) above shall be at least [ ]% and, in any event, significantly higher than the tariff cut in i).

- 2.2 For the tariff lines that exceed a maximum of []% Members shall reduce them to that maximum.
- 2.3. Tariff rate quotas shall be expanded by []% of domestic consumption and in quota tariff rates shall be reduced to zero. Strict rules for their administration will be agreed to. Larger expansion or creation of TRQs could be the result of a request and offer process.
- 2.4. The Special Agricultural Safeguard (SSG) for developed countries shall be discontinued.
- 2.5. All developed countries shall provide duty-free access to all tropical products and others mentioned in the Preamble of the Agreement on Agriculture as well as to other agricultural products representing at least []% of imports from developing countries.

**Special and Differential Treatment**

- 2.6. Having regard to their rural development and food security needs, developing countries shall benefit from special and differential treatment, including lower tariff reductions and longer implementation periods, as well as from the establishment of Special Products (SP), under conditions to be determined in the negotiations. The formula applicable for tariff reductions shall be as follows:
  - (i) all tariff lines subject to a []% average tariff cut and a minimum cut of []%;
  - (ii) there will be no commitments regarding TRQ expansion and reduction of in quota tariff rates for developing countries;
- 2.7. Under conditions to be determined in the negotiations, a special safeguard mechanism (SSM) shall be established for use by developing countries, the scope of which would depend on the impact of tariff cuts as per 2.6 above.

**3. Export subsidies**

- 3.1 With regard to export subsidies budgetary and quantity allowances:
  - Members shall commit to eliminate over a [x] year period export subsidies for the products of particular interest to developing countries [...];
  - Members shall commit to eliminate over a [y] year period export subsidies for the remaining products.
- 3.2 With regard to officially supported export credits, guarantee and insurance programmes, disciplines shall be implemented on a rules based approach, without prejudice to existing disciplines on the prevention of circumvention of export subsidies commitments and taking into account paragraph 4 of the Decision on Measures Concerning the Possible Negative Effects of the Reform Programme on Least Developed Countries and Net Food Importing Developing Countries. The rules based approach shall, inter alia, identify and eliminate the subsidy component.
- 3.3. Additional disciplines shall be agreed in order to prevent commercial displacement through food aid operations.

**Special and Differential Treatment**

- 3.4. The provisions on paragraph 9.4 shall be continued.
- 4. Other**
  - 4.1. Under conditions to be determined in the negotiations, the question of preference erosion shall be addressed.
  - 4.2. The particular concerns of recently acceded members and Least Developed Countries shall be effectively addressed.



**Protests Against WTO**

**WTO-Related Meeting Opens to 100 Arrests, Smashed Shop Windows**

Montreal, July 28, 2003 (AFP) - A key meeting of trade officials opened in preparation for a World Trade Organization summit, while a small group of protesters smashed shop windows and vandalised cars.

Police arrested about 100 demonstrators as the meeting got underway.

Trade ministers representing some 25 nations, including the United States, China and the European Union, gathered in Montreal in a bid to hammer out a

consensus on farm subsidies and medicine for poor countries, issues that have stalled recent global trade talks.

Most of the arrests came hours after a wide demonstration, consisting of some 200 protesters, rampaged through Montreal's main shopping street smashing shop windows and vandalising two luxury cars in their path.

Described by the police as an "illegal gathering," the mainly young protesters had initially attempted to march on the Sheraton hotel where the trade ministers

—representing 75 percent of international commerce and the two-thirds of the world-wide population — were meeting.

“These are specific targets. Gap is a multinational corporation which has a terrible record in human rights and which represents global capitalism that is defended by the WTO,” said Stefan Christoff, a spokesman for “Popular Mobilisation against the WTO,” which represents several groups which took part in the protest.

“We have always been clear with our message: we oppose this meeting taking place in our city,” he said describing the demonstration as “a success.”

The free trade talks have made little progress since being launched in 2001 in Doha, Qatar. So far, none of the deadlines for fixing negotiation modalities have been respected.

### **More Than Two Lacs Join Anti-WTO Protest in France**

August 11, 2003 - The 'action and discussion weekend' that the French farmers' organisation Confederation Paysanne organised in Larzac (France) broke all limits. Organisers who were tabling on a 100,000 people attending their Anti-WTO rally in response to WTO intergovernmental talks in Cancun from 10th to 14th of September had to cope with about 250,000 participants turning up.

The Larzac meeting has yet again proved that resistance and debate against globalization is just as large and real after the Iraqi war as before, and it proves the need for political meetings of the anti-globalization movement independent of actual summits.

The meeting was planned to take place where the nine farmer activists, among them Jose Bove, were put on trial because they helped dismantling a Mc Donalds in protest against the WTO decision forcing the EU to accept US meat treated with growth hormones. Some 50,000 people showed up for the trial to show their solidarity. Bove was sentenced to 10 months prison, was arrested in June, and released on 2 August in a general amnesty.

### **Critics of Globalization Arrive in Cancun**

With the aim of preparing public demonstrations against the Fifth ministerial of the World Trade Organization, which will be held from September 10 to 14, Walden Bello, Raul Bennett, and Peter Rosset of the network “Our World is not for Sale” arrived in Cancun on August 6, 2003.

After holding a brief meeting with the critics of globalization of the Welcome to Cancun Committee that has organised the Forum of the People, the activists told the press that they did not come to

promote, initiate, or provoke acts of violence. On the contrary, they said that from their experience in previous ministerials of the WTO, it was the government side that infiltrated agitators into the ranks of activists in order to unleash violence and that they themselves had been committed to preventing any violent response from their ranks.

Walden Bello of Focus on the Global South had this to say to the Mexican government: “You should not worry about us, since we come simply to defend our ideas and our rights. You should worry, instead, about defending Mexican sovereignty from the security forces of the United States during the meeting.” Bello recounted his experiences in other gatherings, where US security forces took over control of the events and the streets during the protests.

The critics of globalization expressed their confidence that the Mexican government would understand their movement and not repress it, as in previous WTO ministerials. However, they expressed their concern with measures taken by some Cancun hotels against some of the anti-globalization activists, such as canceling their reservations “without giving explanations or saying they were acting under orders of the government, only to be told by the government that it knew nothing about the moves of the hotels. But this will not deter us from coming to Cancun.”

In the press conference, Peter Rosset of the Institute for Food and Development Policy, who also acted as Bello's translator, expressed his view that the meeting offered Cancun the opportunity of being not only the most popular tourist destination in the world but also having the distinction of becoming the graveyard of the WTO.

Bello expounded on three elements that contributed to the collapse of the Third Ministerial of the WTO in Seattle in 1999 that were beginning to reappear in the negotiations on agriculture and other areas in the lead-up to Cancun.

He cited, first of all, the “serious” conflicts between the European Union and the United States as the two parties sought to preserve their subsidies in agriculture.

The second element was the “tremendous resentment” on the part of the governments of the South at the constant pressure on them by the governments of the North to open their markets without their gaining any benefits from the process.

Finally, he said, “We will see whether the third element will emerge in Cancun, and this is the response not only of the people of Mexico but also of the peoples of the world, since the event in Cancun will not only be a Mexican affair but one that involves the whole world against the interests of the big transnational

corporations.”

## No WTO

### Parade and Festival of Resistance to War & Corporate Rule

On September 13, in solidarity with protests at the World Trade Organization meeting in Cancun, Mexico, **United for Peace and Justice** is organising a festive “tour of shame” parade in New York City to highlight the links between globalization, war, and immigrant rights. Using music, art, and performance, the participants will stand in solidarity with popular movements in Mexico in saying no to the WTO and yes to a world that values human dignity and ecological sustainability over profit.

They will be visiting three corporations that exemplify the links between corporate-driven globalization,

militarism, and the denial of basic human rights to immigrants, working people, and the poor: These corporations are:

\* **Starbucks** ... which recently signed a contract with CINTAS, a union-busting commercial laundry company with a long history of worker abuse.

\* **Exxon/Mobil** ... a major backer of the WTO and FTAA, a key culprit in global warming, and a powerful force behind the blood-for-oil foreign policy of the Bush Administration.

\* **Taco Bell** ... a corporation that exploits its agricultural workers, promotes a model of corporate agribusiness that is destroying peasant livelihoods around the world, and used genetically modified corn deemed unfit for human consumption in its taco shells.



## The Imperialist Offensive and Indian Agriculture

*N. Bhattacharyya*

The mainstream political parties agreed to implement the trade related policies of the World Trade Organisation (WTO) knowing fully well that these instead of helping the Indian economy to grow faster would bring disaster to the entire economy in general and agriculture in particular. Agriculture and related activities in rural India provide jobs to around two-thirds of our total work force. The WTO’s game plan is specifically targeted against the interest of millions of small and marginal cultivators who are the vast majority in numbers but own hardly 43 per cent of the cultivated land area. To please the previous American President Clinton, who visited India in March 2000, the Government of India withdrew Quantitative Restrictions on 714 items out of 1429 items just before his visit and promised to withdraw restrictions from the rest of the items in March 2001, twenty-two months ahead of the WTO’s dictated date i.e. 2003. ‘True’ democrats in the Indian republic can only expect such loyalty to imperialists. Coconut, rubber, tea and oilseed and sundry other crop producers in south India in particular and in rest of the country in general are suffering huge losses due to unrestricted dumping of agricultural commodities from outside India. The problem will aggravate further when as per the WTO guidelines India will be compelled to import at least 3 per cent of its gross agricultural production. The Government of India, as we saw on the quantitative restrictions issue, is not a silent and indifferent spectator. Rather it is an active collaborator with the MNCs: they specialise in international production and trade in agricultural commodities and cannot expand without the

destruction of our vast agricultural economy. **Foreign wheat in an increasing quantity is reaching the southern ports as the rolling mills of south India find it much cheaper than that of Punjab and Haryana. Indian oilseeds producers are making distress sales as they cannot compete with the imported edible oil from Southeast Asia. This year the import bill for edible and non-edible oil will be exceeding Rs 10,000 crores and that will account for the third highest import bill after petroleum products and diamonds.**

### I

Since independence the main agenda of our mainstream political parties has been to appease their imperialist masters. They have completely surrendered to the imperialist institutions like the World Bank, IMF and WTO who decide and implement the economic policies of this country. There was never any attempt to seek public opinion on joining these institutions or to canvass public opinion on various issues concerning these organisations. The Indian ruling classes have taken for granted public support on these vital issues which concern the life and liberty of one billion people while pretending that India is the largest democracy in the world! The apex Chambers of Commerce e.g. CII, FICCI and ASSOCHAM have stopped demanding a level playing field to compete in an imaginary market economy. All union governments since 1991 have surrendered to the demands of the agents of the imperialists by abolishing the licence and permit raj, drastically reducing the rates of both direct and indirect taxes, privatising the

entire finance sector including the insurance and banking sectors (though they were never part of the WTO agenda) and offered so many other advantages to the MNCs that they had never dreamt of. **The net result at the end of ten years of 'reforms' is clear and transparent to the entire world. Industries owned and operated by both resident and non-resident Indians whether big, small or tiny, producing both capital goods and consumer goods have either stopped production or are on the verge of sickness.** The agents of the MNCs are advising our industrialists to get ready to survive in the competitive market economy, but where is the competition? The sharks of the west are well prepared to eat up all the local industrialists in one gulp so that they may enjoy among themselves the entire market of one billion people as monopolists. Fair or free competition is meant exclusively for the kids' school textbooks. At least in developed countries they have some form of anti-trust laws. **The Microsoft of Bill Gate was charged with monopolistic trade practices. Under the pressure of the World Bank and the IMF the Central Government has withdrawn the Monopolies and Restrictive Trade Practices Act (MRTPC) from the statute book and allowed the MNCs unlimited freedom in an unorganised market structure.**

The entire organised wage earning labour force of the country which accounts for 8 to 9 per cent of the total labour force working in the north, south, east and west are on the streets demanding job security and employment opportunities. The MNCs want the complete withdrawal of all labour laws and want blanket powers of 'hire and fire'. The anti-people decisions of the apex court to close down factories in the metropolitan cities are directed against the poorly paid factory workers in the name of pollution control but there is no urge to ban the motor car which is the main factor polluting the cities. The Supreme Court does not compel the governments to clean the sewage water that flows in the rivers. Slum demolitions and factory closures by the judiciary and the executive are directed against the poor and the weak and to help the land mafia and builders. The judiciary with other state organisations promoted by the ruling class of the country are helping the imperialist powers to comfortably settle down permanently in India and definitely not without considerations.

In the dictionaries of capitalism the stock markets are supposed to show the clear picture of a capitalist economy. Today there is a mad rush to get listed in overseas stock exchanges like NASDAQ and/or NYSE by many of our corporations. Official speculators treat these corporations with due respect. After the 1992 Harshad Mehta's securities' scam

stock markets in India have refused to revive. The continuous downfall in international stock exchanges clearly indicate the recession which developed countries are passing through. The recent reduction in the interest rate by the Federal Reserve of US and its promise to reduce it further in future clearly shows that the US economy is on the sick list. Everyone knows that world economy is willingly or unwillingly tagged to the US imperialist economy. Absolute command and control over the vast markets of India and China is required for the survival of world capitalism. **The imperialists had never pretended that they have any concern for the welfare of the vast millions of poor in the colonial world.. Workers in the European Union, Japan, South Korea and in the erstwhile Asian Tiger countries are on the streets over the last decade demanding the opening of their factories and restoration of their lost jobs. After the 1997 debacle of the so-called Asian Tigers' economies in south east Asia, the Indian market is flooded with goods and services at the lowest possible international prices which is technically called 'dumping'.**

Our steel, engineering, capital goods and a host of other industries have fallen sick due to uncontrolled imports. At the same time the developed countries are increasing the height of the protective tariff wall every day so that imports from the developing world are reduced substantially. The US has an adverse balance of payment of more than US \$ 450 billions. They are not importing Indian goods under the convenient argument of 'dumping'. Those industries that are still surviving will be destroyed completely very soon by the unrestricted imports of manufactured goods from China. **Let us ask our captains of industry and trade who hailed the Structural Adjustment Programme of the World Bank and IMF, why are they dumb and speechless today. Are they not happy after handing over the secondary and tertiary sectors of the Indian economy to the MNCs of the developed world. They have gained what their peers could not achieve through the 'Bombay Plan' at the dawn of independence.**

It must be considered a big achievement for any civilised government in the world that MNCs are invited in India to process potatoes, tomatoes and corn. They procure the crops from the poor cultivators at the cheapest possible price and exploit them in that process and sell the finished products at exorbitant prices taking full advantage of the unorganised consumers in India. Macdonald's retail shops are crowding the Indian market while more than half the children in the age group 1 to 5 years in rural India

are undernourished. Our governments do not care to discharge their constitutional responsibility to supply safe drinking water to the people. MNCs are allowed to earn fabulous profits by selling adulterated water under international brand names at irrationally high prices. The poorest section of the people is forced to depend on unhygienic water and compelled to suffer from waterborne diseases. Crooks and fixers have tons of black money but they don't know what to do with this huge idle fund due to the lack of highly profitable avenues of investment in a recession-affected economy.

**The imperialists are pressurising the weak central government to act according to its dictates and close down the public sector units and dismiss lakhs of employees. The puppet governments wish to oblige because each mainstream political party is waiting for the huge commissions which will be earned from the sales proceeds of public sector undertakings.**

What happens in privatisation and globalisation in a third world country is now glaringly transparent from at least one controversial power project in India. Enron, a notorious US MNC paid handsomely everyone concerned including the 13 day Vajpayee government. They took time off from the Parliament debate on the no confidence motion and signed the counter guarantee agreement on the Enron issue. After 2 years of the implementation of agreement, the Maharashtra state electricity board has stopped purchasing power from Enron because it was selling power at around Rs 8 per unit when the average cost of other producers in the state is less than Rs 4 per unit. The Maharashtra government is being pressurised by public opinion to review the Enron agreement immediately and has decided to stop payment. Even the American corporations are afraid of losing business in the third world countries due to worldwide recession. It depends on the Indian people whether they will surrender to such blackmail and threats from these international robbers. After ten years, our experience of the Structural Adjustment Programme is that it is designed to exploit this country in a more cruel fashion than what the British did in their 200 years of colonial rule. The international corporations, the modern instrument of imperialism, have already taken up strategic positions in the Indian economy and the three international institutions of the World Bank, IMF and WTO are deployed both as watch dogs as well as blood hounds for their successful global 'operation exploitation'. The world's richest moneylender, the President of the World Bank, a paid servant of the G- 8 countries, was recently directed to go around the country specially to meet

the Chief Ministers of the poorer states and to assure them that their begging bowls would be filled up with more and more US dollars. They have to place all orders for goods and services from the developed countries and from no other country. What is the role of Indian workers in such a challenging situation?

## II

The MNCs are busy in destroying Indian industry, trade and finance, as they have done in other developing countries. They have already entered into our villages where three-fourths of our population and about 65 per cent of our labour force reside. The rural people are on the warpath as the cost of production in agriculture is growing with each successive season but the selling price of the crops is declining much faster. This has resulted in the accumulation of huge debts even amongst owners of large areas of land in the agricultural prosperous states like Punjab, Haryana and western Uttar Pradesh. The rich peasants of Andhra Pradesh, Maharashtra, Karnataka and Tamil Nadu are also suffering from this 'huge outstanding loan' disease. Suicides by well to do cultivators are no longer news; rather their absence makes people surprised. In the seventies Indira Gandhi coined 'Garibi Hatao' the slogan of removing poverty to cheat people and ultimately it was the poor that suffered most and that resulted in her own downfall after 'emergency' in 1977. In the beginning of the 21st century, the World Bank has taken up the same theme of 'poverty alleviation' programmes and is trying to implement this cosmetic activity through the anti-people chief ministers. The Prime Minister had to admit before foreign dignitaries attending the India Economic Summit 2000 held at the end of the year in Delhi that there are not less than 300 million people who in the language of the officials of the Planning Commission are 'living below the poverty line' (the unofficial figure is more than 500 million). In 1960-61 this number was merely 173 million. The United Nation's Food and Agricultural Organisation's report in 1999 (State of Food Security of World, 1999) stated that the figure of malnourished people in India is around 240 million out of the total malnourished people of the world of 800 million.

Nitish Kumar, then Indian Minister of Agriculture, while placing before Parliament the first National Agricultural Policy after independence, spoke the same language that is used by the representatives of the WTO and World Bank. **In the early sixties India faced food scarcity and tried to produce High Yield Variety seeds, fertilizers and pesticides to reduce its dependence on imported food. The US administration discouraged India from producing more and it unloaded its substandard American wheat which was used for**

**animal fodder.** Today our FCI warehouses are overfilled: more than 50 million tonnes of grain are being stored against the economic holding limit of less than 20 million tonnes. The government refuses food to the hungry millions as they do not have any purchasing power. It allows millions of rats to eat a large quantity of this grain.

In the early 21st century US warehouses are also overfilled with wheat, corn and soyabean produced by a few MNCs with the help of biotechnology. The US biotechnology industry's turnover is more than US \$ 4 billion per annum. **The entire developed world refuses to touch these food crops; even they refuse to use it for animal fodder. The UK Prime Minister, Mr. Tony Blair recommended genetically modified (GM) food to the British people but his own citizens refused to consume GM food and NGOs dumped tonnes of soyabean before his official residence, 10 Downing Street, for his own consumption.** It is suspected to be dangerous even for birds eating these crops in the field where it is grown. The government of India has already allowed MNCs to produce such GM seed and cotton crops in different parts of the country totally ignoring protests both from our scientists and foreign scientists. Thus there is again pressure from the imperialists that India should go slow in producing more grain and depend on the MNCs for cheaper GM grain. **Our cultivators and agricultural workers must understand the implications of such proposals and if this move is to be opposed it must be noted that there is a clause in the WTO agreement that we have to import a minimum of 3 per cent of our production from foreign countries. Our political leadership has to explain what they propose to do with our own agriculture and the people dependent on the agricultural economy.**

The government of India has allowed US MNCs having a monopoly in the agricultural industry such as Monsanto and Cargill to deprive our own farmers of their inherited intellectual property rights which have been handed down through generations of a hard and painful process of learning. Indian farmers are forced to depend entirely on foreign GM seed, fertilizer and pesticide producers who enjoy monopoly rights under the (Trade Related Intellectual Properties) TRIPs clause which was incorporated in the WTO agreement for their benefit and which is against the interests of the farmers of the developing countries. **These international robbers deny our farmers their traditional right to use their own seed developed in this country and which now has been pirated. Thus our ruling parties irrespective of the colour of their flag have**

**agreed with their masters—the imperialist corporations—that Indian agriculture including agricultural crop processing industries will be handed over completely to the MNCs.**

**The World Bank and IMF were ceaselessly trying to stop government initiatives in agriculture, industry, infrastructure and in the social sector since the days of independence and by the beginning of the 21st century they are particularly happy that the Indian ruling class in a bloodless coup has handed over to their imperialist masters a market of more than a billion population with its vast untapped natural resources and highly qualified efficient manpower. After the aggressive introduction of Structural Adjustment Programme in the early nineties, the main thinking of the Indian government is to balance the Budget and reduce the fiscal deficit. They know that to do this the government has to withdraw from all types of plan expenditures and that is why it has already stated that in future there will be no plan or non plan expenditure shown separately in the budget. The subsidies given to the social and productive sector will be gradually withdrawn under the World Bank directives.**

In the rural sector our rich cultivators enjoy subsidised power, fertiliser, diesel and bank credit. The World Bank declares that there cannot be a free lunch for the well to do cultivators in India. But in the country from where the World Bank president comes—the US - total government support to agriculture in 1999 was US \$ 361 billions or 1.4% of the GDP, 80% of which was given to producers i.e. the limited number of MNCs engaged in cultivation. In addition further support is given to cultivators directly which the WTO calls 'green box' and which is not technically treated as a subsidy and so is exempted by the WTO. Over and above this, an additional US \$ 7 billions were given by the developed countries as export subsidy so that these MNCs can dump their agricultural products in the developing countries and thereby destroy the farmers and their livelihood. In the USA agriculture accounted for 2% of GDP in 1998 and hardly 2 million people out of the population of 272 million are engaged in agriculture. Agriculture is fully corporatised and mechanised. In the developed countries governments are allowed by the WTO to pay cash compensation to the MNCs for agreeing not to cultivate in a season.

Due to stunted industrial development in India there are virtually no jobs for our weavers, potters, blacksmiths, cobblers, fishermen and artisans who are living in the 5 lakh odd villages. Naturally the number of landless agriculture labour is increasing alarmingly.

In the age of information technology there may be a scramble to print the 'Prime Minister's Musings' by the press but nobody knows the exact number of Indian landless agriculture labour over a period of time. The Indian political parties refused to disturb the ruling class and never wanted to implement land reform laws. Land has concentrated over a period of time in the hands of a few families in the villages. In 1990-91 1.6 % of the cultivating families owned more than 10 hectares of land and operated 17.4 % of the cultivated area while 59 % of households owned less than 1 hectare of land and operated 14.9 % of the land.

It is a fact that subsidies to Indian agriculture are insignificant. How long will the Indian government deny more subsidy to Indian agriculture in a globalised economy especially when 65 percent of the country's

labour is dependent on it and till today a minimum wage for agricultural workers—male, female and children is a foreign concept. The WTO cannot give eternal protection to the developed world and deny permanently the developing countries their right to export without any kind of hindrance from the developed world. **The slogan that developing countries need not produce agricultural crops and that they can depend on cheaper GM crops from the developed world is misconceived. It is against the accepted policy of food security for the people of developing countries. It is high time that our poor cultivators and the millions of landless agricultural workers should unite and send clear warnings to the imperialists to keep from destroying our agriculture as they tried to do long back with our indigo cultivators.**



### Globalisation and Food Security in India

The process of globalisation has sharpened the threat to food security of many people living in developing countries, and India is no exception. Chronic hunger is increasing in several parts of the World. Improving food security at the household level is an issue of great importance.

An estimated 400 million Indians do not have access to regular and adequate quantities of food. Hunger, malnutrition and under-nourishment are widespread. Many parts of the country, particularly Orissa, are stalked by death due to starvation. Such unusual hunger amidst plenty can be attributed to a host of reasons, many of which are direct or indirect consequences of the structural adjustment and stabilisation programmes India adopted at the start of the nineties.

The government set out to reduce subsidies and fiscal deficit by

- \* cutting state expenditure on rural development;
- \* cutting food subsidies;
- \* reducing priority credit to agriculture; and
- \* allowing Indian agricultural prices to move closer to world prices, which led to increased food prices.

All of this however meant falling rural employment and real wages for the landless, and more insecure and volatile incomes from cultivation for small farmers. Simultaneously food prices in the Public Distribution System went up because of the reduction in food subsidies. Very few could purchase foodgrains at such high prices. The government was left with huge stocks, and it ran up enormous storage costs.

Structural adjustment and stabilisation programmes failed to reduce subsidies and fiscal deficits. The only effect has been on poverty and its consequences: hunger, malnutrition, infant and neo-natal mortality and deaths due to starvation. India now has 360 million people below the poverty line, of which 50 million are the poorest of the poor, those living in conditions of extreme deprivation.

It is argued that when in need India should buy foodgrains from abroad with the foreign exchange earnings from exports. However, in the face of competition from other developing countries, prices of India's exportables have been falling. Grain export, in contrast, is a monopoly of the developed world, which usually operates as a cartel. Faced with rising import costs and falling export earnings, India will soon find the system unviable.

Primary producers have made no gains from the agricultural trade liberalisation. They are now exposed to the vagaries of international price fluctuations, and with little state support to fall back on during hard times when prices of their produce are depressed. Many find themselves in deep debt, mostly to local moneylenders, and some have committed suicide.

Agricultural trade liberalisation has led to commercialisation of agriculture and a shift in cultivation away from food crops to cash crops. Reduction in food subsidies and a gradual withdrawal of the Public Distribution System have increased people's dependence on the market for their basic food needs.

# Can Indian Agriculture Become Globally Competitive?

*G. Chandrashekhara*

One of the main weaknesses of the Indian agricultural system is its dependence on the monsoons, and the consequent low yields.

Indian agriculture faces several challenges. These are both internal and external. Internal challenges have been with us for some time, they are well recognised and need to be addressed urgently. External challenges have emerged in recent years and are threatening to weaken the already emaciated agricultural sector.

Because external challenges have come to stay and cannot be wished away, addressing internal issues assumes special urgency. Ignoring the challenges will be perilous because the livelihood of two-thirds of the population is dependent on agriculture and allied activities. Internal challenges include those in farm production, processing industry and marketing. Dependence on monsoons, fragmented land-holding, low level of input usage, poor pre- and post-harvest practices and inadequate marketing infrastructure are some of the well-known weaknesses that lead to low yields and high cost of the farm produce.

The processing industry is highly fragmented and suffers diseconomies of scale. High cost of funds and power in addition to erratic supplies make production expensive. Government controls, in vogue until recently, stymied business growth and provided no incentive to modernise. In addition, lack of competition had generated a protected environment with consumers not getting a good deal.

In the area of marketing too, our agribusinesses face challenges. High cost of production and non-uniform or even suspect quality compromise consumer interest and make the product over-priced. A long-term strategy for marketing of processed agricultural goods is conspicuous by its absence because policy support appears so unsteady. The result of all these is stark 'uncompetitiveness'. We are competitive neither in raw material production, nor in processing or in marketing. But this is not all. External challenges appear really daunting. What are they?

The OECD countries extend massive support to agriculture. Total support to agriculture granted by OECD countries in 2001 was a mind-boggling \$311 billion, which represented 1.3 per cent of GDP of the OECD area. As much as 70 per cent of the

subsidy went to producers. It is the admitted position of the developed countries that since the mid-1980s, there has been only a modest progress in agricultural policy reforms. There are wide variations in support levels across commodities and countries. Market price support and output payments remain high.

Both level and nature of current policy support continue to shield producers in OECD area from world market signals. It is, no doubt, well recognised that subsidies impose burden on consumers and taxpayers; contribute to environmental damage; and constrain growth and developmental opportunities in poorer developing countries. But little is likely to change in the near future.

Ironically, the World Food Summit, held in Rome in June, placed on record its concern about the fact that out of the global population of six billion plus, there were nearly 800 million hungry people, mostly in Asia and Africa. The problem is with respect to both availability of food and access to food. As many as 182 countries have called for global alliance against hunger.

The world farm goods trade is highly distorted. Most developing countries are agrarian, but global trading is loaded against them. In November 2001, in terms of the Doha Development Agenda, over 140 countries agreed to reform global agri-trading system by reducing export subsidies, improving market access and reducing trade distorting domestic support measures. However, if the past conduct of most developed countries is any guide, the world agricultural markets are unlikely to see in the near future any significant or far-reaching changes that would protect the interest of developing countries or even reduce the threat they currently face.

Developed countries account for virtually all of domestic support and export subsidies that distort world markets. Domestic support in the USA is \$19 billion, in Japan it is in excess of \$30 billion and in the European Union over \$60 billion. In terms of market access, the average import tariff in the US is 12 per cent, in the EU over 30 per cent and Japan over 50 per cent.

As if all this was not enough, the Food Security and Rural Development Act of the US hiked federal payments by \$ 83 billion. Additional funding of \$100

million has also been released for overseas market access. Grains (rice, wheat, corn), oilseeds (soyabean, groundnut), pulses and cotton would benefit from the new farm legislation. Already American farm exports are in excess of \$50 billion per annum. Subsidies are expected to give further boost to exports.

WTO's Trade Policy Review of India in June was marked by pressure on the country to further reduce tariffs as also remove duties such as countervailing and special additional duty on imports. While India's economic performance in terms of reforms — trade liberalisation, tariff reductions and removal of quantitative restrictions on imports — was commended, concern was expressed by the review officials over regulations relating to anti-dumping and labelling. Agri-subsidies also came in for mention.

**It is clear, there are external forces that challenge Indian agriculture and agribusiness. The intention is to crack open the one billion strong Indian market to highly subsidised foreign goods. Obviously, all stakeholders in the country have to guard against India becoming a dumping ground for subsidised agri-products.**

What can India do? Given the challenging internal and external environment and considering the fact that the fortunes of three-fourths of the population are directly dependent on our country's farm-related policies, the need of the day is to strengthen domestic agriculture. India has all the factors of production — land, labour, sunshine, water and agro-climatic zones — except appropriate policies for an efficient management of resources. Input management is the most critical part that needs serious attention.

**Quite apart from supply of quality seeds, fertilisers and agro-chemicals, scientific management of scarce water resources deserves the highest priority. Flow of credit and delivery of credit needs special attention. Budgetary outlay for agriculture related programmes and schemes has been shrinking. Funding for agriculture has to be raised and at the same time, an effective monitoring mechanism to ensure application of funds and value-for-money should be evolved.**

Rural infrastructure is non-existent. The money being wastefully spent on storage of unconscionable levels

of foodgrain stocks as buffer should be better utilised for creating rural assets in the form of warehouses, roads, market yards etc. The private sector should be encouraged to go in for backward integration. Grant of some fiscal and other concessions may not be out of place to induce private investment in farming.

In many of these promotional activities, State governments have to take interest. They have to be pro-active and evolve policies that are friendly to both primary producers and processors. Under the Constitution, agriculture is a State subject. States should become accountable.

The question is: Can India do it? It should be conceded that in agriculture no dramatic changes are possible; but surely, time is of the essence. If timely action is not taken to resurrect and strengthen agriculture, it could be too late soon. If agriculture survives, India survives. Globalisation is a challenge. The country cannot wish away the challenge, but will have to face it squarely. The process of globalisation and liberalisation we have adopted is irreversible. Therefore, we need to create conditions and also empower both agriculture and industry to face globalisation without getting blown away.

Global competitiveness is the ability to produce globally acceptable quality at globally comparable cost. Currently, Indian farm goods do not pass this test. Given the burden of history and generic constraints, our agri-products cannot become globally competitive any time soon; but the process to move towards achieving such competitiveness must begin today. **The immediate goal is to become strong enough to withstand competition from cheap imports. It may be easier said that the country should not allow market access or should raise tariffs, etc., to prevent imports. But such an artificial protection cannot be sustained for long given the compulsions under WTO. Therefore, strengthening domestic agriculture and building an efficient agricultural production base through appropriate policy support is imperative.**

*(Excerpts of a speech delivered by the author on "Can India attain global competitiveness in agriculture" at a seminar on "WTO v/s Indian Agriculture," organised by Soyabean Processors' Association of India, in Indore on August 7.)*

# **Contract Farming in India: Death Knell for Farmers**

Piyush Pant

*"Private sector participation will be provided through contract farming and land leasing arrangements."*

*- National Agriculture Policy 2000*

This naked championing of the cause of the private sector in agriculture in National Agriculture Policy (NAP) clearly shows that India's agriculture policy is now being dictated by and written under the aegis of the WTO and the greatest manipulator of International trade regime i.e. the US. That's why the Indian agriculture is being put on sale to our own corporates as well the multinational corporations. Thus the NAP seems to serve the interests of the private corporates, while putting the interests of the marginal and small farmers at the backburner. Whereas the questions of livelihood and food security are being abandoned in the name of global competition and market access.

In the name of consolidation of land holdings, the right to land of the smaller farmers is being taken away. It should not be forgotten that our agriculture is characterised by small holdings and preponderance of small and marginal land holders. Moreover, a large part of Indian agriculture is rainfed. Its subsistence character has not changed for a vast majority of peasants. They are without any supplementary source of employment or income. They also don't have any kind of social security as well. Hence providing security of livelihood to them must be the integral part of our agriculture policy.

That is why the production relations side of this objective had been spelt out in comprehensive land reforms. But now, these land reforms are being given a silent burial by the government. The "Institutional Structure" section of NAP document is totally silent on the major component of land reforms viz abolition of absentee- land-lordism and providing land-to-the-tiller. On the contrary, it talks of "making legal provisions for giving lands on lease for cultivation and agri-business".

This, in a way, is a pretext for opening up the Indian agriculture for the corporate sector. In fact the gates have already been opened up for the entry of Indian and Multinational corporates in the form of 'contract farming'. Now preparations are on to give it a legal backing. As is evident from the statement of the former Union Agriculture Minister, Mr. Ajit Singh . **Addressing the Confederation of Indian Industries (CII) on 3rd April 2003, Mr. Singh had said the Indian government is planning to come out with a model contract farming law,**

**which would enable a partnership between farmers and industry and lead to increase in agriculture produce in India.** He identified three specific areas of input support, credit, and marketing as possible priority areas for corporate involvement. It seems the government thinking, to a greater extent, is influenced by the corporate thinking. Look what FICCI says in a major policy paper entitled "Indian Agriculture Unbound - Making Agriculture Globally Competitive" submitted to the Agriculture Ministry. It says, "although India is the largest producer of food grains, fruits and vegetables in the World, its share in the global market is negligible. This is mainly due to comparatively lower quality of produce and concerns of foreign buyers about food safety due to pesticide residue and fungus infestation. This is due to outdated and adhoc pre and post harvest agricultural practices. To address this issue we need to introduce modern management practices of commercial farming both for domestic consumption and exports." Thus it is not surprising that time and again we hear the Confederation of Indian Industry (CII) and the Federation of Indian Chambers of Commerce and Industry (FICCI) saying that the agri-business industry aims to reduce the huge losses incurred in fruits and vegetable crops.

**One gets the impression as if the industry has the interests of Indian farmers in its mind. Whereas the reality is that these flag bearers of Indian industry are keen to seek all kinds of financial and infrastructure support from the government in the interest of the American farmers.** This will be clear from the instance of orange juice products. It is a known fact that more than 30 per cent of India's orange crop rots for want of a suitable market. Judging the immense possibilities in Rs.1000 million orange juice market in India, three private companies entered into it, supplying "fresh" orange juice in tatra-packs. But these units do not use the Indian oranges. The juice concentrate is imported from California.

**Though this nexus between the government and the Indian corporates is in the process of activation at the national level, it has already taken place in various states in India.** Thus 'contract farming' is already in vogue in states of Punjab, Haryana, Maharashtra, Madhya Pradesh and

Tamil Nadu. Uttar Pradesh is the new entrant into this field. The UP government has amended the Agriculture Produce Marketing Committees' (APMC) rule which said that the entire farm produce has to be kept with mandies. Because of this amendment corporates can now directly procure goods from farmers. States of Gujarat and Karnataka are also promoting contract farming.

It is often said that contract farming was already in practice in India. Instances of Amul and National Dairy Development Board (NDDB) are given in support of this contention. But these are more in the nature of cooperative movement (models) than contract farming models. **What is alarming is the fact that in the name of contract farming, more and more corporate houses are entering into the agriculture sector in India. Several corporates including multinationals like Cargil, Frito-Lay, Pepsi Foods Ltd., Hindustan Lever Ltd. (HLL), Monsanto and Indian corporates like Appachi Cotton Company (ACC), Vijay Mallya Controlled UB group, Rallis India (a Tata Group of Company), Escorts, Satnam Overseas Ltd. are increasingly getting involved in the contract farming of agri-products. Even players like Ahmedabad-based textile major Arvind Mills are in the process of identifying locations to start a contract farming project to grow cotton.** The Tatas and the Punjab government have joined hands to undertake contract farming of basmati rice in Punjab. Under the plan, the Punjab government will provide 35,000 acres of land to cultivate basmati rice in the state. Tata group of company Rallis India, Punjab Agro Industrial Corporation (PAIC) and the New Delhi-based company LT Overseas have formed a partnership to execute the project. Similarly Satnam Overseas Ltd., producers of Kohinoor branded basmati rice, plans to source approximately 30 per cent of its annual basmati requirements from contract farming for next year. The company has already initiated a dialogue with farmers' associations of Punjab and Haryana for this purpose. In fact, Punjab government has signed agreements for at least five projects this year taking the total areas under cultivation to 3,00,000 acres. These include a project to cultivate basmati rice with LT Overseas and barley with the UB group. Pepsico is also expanding the scope of its basmati rice project in the State. Encouraged by the sweeping success of contract farming in tomato in several districts of Punjab, Pepsi Co. has been emulating this model in food grains (Basmati Rice), Spices (Chillies) and Oilseeds (groundnut) as well, apart from other vegetable crops

like potato. During 2002-03 crop year, the company contracted farmers from Jalandhar, Amritsar, Hoshiarpur and Sangrur districts of Punjab, and parts of western Uttar Pradesh for Basmati rice cultivation.

**Punjab is not an exception. Across the country, corporates are forging alliances with state governments for contract farming. For instance, Hindustan Lever Ltd. (HLL) has already been running a joint venture project with the Madhya Pradesh government to grow wheat.** The project was started three years ago to cultivate wheat in 250 acres of land. The area has now been increased to almost 15,000 acres. In Tamil Nadu Supersales, a textile company, has heavily invested in a cotton cultivation project. In Andhra Pradesh, the State government entered into an agreement with M/s BHC (India) Pvt. Ltd. in September 1997 to run the Kuppam Pilot Project with Israeli Technology offered by the company to promote and demonstrate corporate farming as part of its new strategy for agriculture development in the state.

The private sector branch of the World Bank known as IFC has already granted loans to Global Green, a subsidiary of Thapar Group of Industries to buy two processing plants near Bangalore and do contract farming of Jarkin. It has also provided huge amount of loans to Mahindras for expansion of their agribusiness operations. The Madhya Pradesh State Cooperative Oilseeds Growers' Federation Ltd. has initiated contract farming in organic Soyabean in an area of 3500 ha. in Malwa belt of Khargaon and Dhar district. Similarly, Ugar Sugar Ltd. has initiated contract farming in Belgaum region of Karnataka, now also extended to Bijapur district for cultivation of Barley. **The Union Ministry of Textiles has tied up with five villages in Bharuch to take up contract farming in cotton. The Tamil Nadu government has also proposed to lease out wasteland to corporates. These lands were earlier allotted to the landless.**

Thus contract farming has triggered increased opportunities for agri-service centres. With the information technology spreading across the fields, these corporate houses have targeted different regions, based on the agro-climatic conditions for specific produce, to set-up Krushi Vihars or e-chaupals or even call centres cashing on the vast business opportunities in the agriculture sector.

The Tatas have taken up the farm management services at Chitradurga in Karnataka to support the pomegranate growers. It has future plans to take up contract farming for fruits and vegetables in Andhra

Pradesh, wheat in Madhya Pradesh and basmati rice in northern states.

A helpline to assist the farmers from Monsanto Holdings Pvt. Ltd. called Monsanto Meekosam, is the first of its kind in the agriculture sector. Andhra Pradesh is the first state where Monsanto has set-up such a helpline for farmers in seven districts in the state. These districts are Karimnagar, Nizamabad, Kurnool, Medak, Rangareddy, Mehboobnagar and Warangal.

The International Business Division of ITC has devised a unique click and mortar initiative, called e-chaupals, which offers the farmers to enhance farm productivity, improve farm gate price and cut transaction costs. IBD plans to further expand its existing network of e-choupals by adding another 2,000 e-chaupals during 2002-03. Presently it has about 750 e-chaupals spread across 4,000 villages. For this purpose ITC is planning to pump in around Rs. 50 crore. It has already spent Rs. 20 crore on its project.

Currently, under e-chaupals, ITC-IBD has a portal for soyabean growers called *Soyachoupal.com*, for coffee it has *plantersnet.com* and for shrimp growers it has *aquachoupal.com*. It plans to increase its export business for a better realisation and e-chaupal projects will be extended for wheat and basmati rice from Uttar Pradesh, spices from Kerala, groundnut from Gujarat, pulses from Madhya Pradesh, vegetables and fruits from Andhra Pradesh and Tamil Nadu.

Tata group has also jumped into the wagon. Two of the Tata group companies namely Tata Chemicals and Rallis India have their own set of Kisan Kendras. These Kendras number 200-plus across various villages. Those kendras which were set-up earlier have roped in the National Remote Sensing Agency (NRSA) for using its satellite imaging service, known as 'precision farming'. The service combines the use of information technology alongwith satellite mapping techniques to maximise agriculture yields.

In fact, this trend of coming together of farmers and agribusiness in the name of 'contract or corporate farming' is fast emerging in many parts of Asia. In the "contract farming" system small farmers have the task of investing capital and labour in the production process on their own land whereas the corporations take the role of decision makers and supervise production and marketing. This mechanism also gets the support of the State as the State considers this to be an effective management method enabling the agribusinesses to centralise the production at low cost, thereby helping the country to be more "competitive"

in the market.

Companies engaged in processing and marketing of agricultural products provide farmers with the inputs and buy back the product with a rate specified in advance. The inputs normally provided by the contract farming company includes :

- \* The variety of seeds needed for processing/marketing.
- \* Guidelines to grow the crop
- \* Pesticides
- \* Free of cost Extension Services,
- \* Fertilisers, hormones required for crop growth
- \* Other materials not available locally.

The terms of the contract are well designed and spelt out in advance and a consent letter is obtained from the farmer. In fact, the company monitors the arrangement from "seed to shelf".

'Contract farming' ensures the following advantages for the company -

- \* Backward market integration is possible with assured supply;
- \* Ensured quality; and
- \* Ensured residual toxicity level, which is necessary for export.

It is said to be advantageous for the farmers as well on the following counts :-

- \* Assured market and support price
- \* Efficient, timely technical guidance, almost free of cost financial support
- \* Assured quality of seeds and pesticides
- \* Better price for the produce without middlemen
- \* Access to technology, supply of inputs and extension services

Thus the system of 'contract farming' is eulogised for helping in eliminating the chain of middlemen and bringing the producers and the processors face-to-face, and putting an end to the uncertainties regarding quality, quantity and price involved in the spot market purchases.

**Despite these advantages, farming under contract has many constraints. Though contract farming envisages allocating risk between the firm and its farmers, the distribution of risk depends largely on such factors as bargaining power, availability of alternatives and access to information.**

Besides both the contracting parties often fail to

honour their commitments. Especially in short-term crops such as vegetables, farmers tend to divert the produce to the open market rather than supply to the processing firm when the prices are high. Thus the cost calculations of the company crumble, as they are forced to arrange the supply of raw materials from alternative sources with attendant uncertainties. Similarly, in long-duration crops such as plantation crops, the firms often fail to honour the contract, as they know that farmers have no alternative but to sell the products to them at lower prices. The farmers often succumb to the company's diktats.

Next, agency costs in agriculture are extraordinarily complex and tough to keep in check. There are numerous opportunities and incentives to divert resources. For instance, it is almost impossible to monitor rainy days; pest and insect attacks, topsoil erosion and the effect of gusty winds over every hectare of a large holding in order to objectively justify expenses. The failure of many companies in the sectors like fishing, forestry and floriculture has been the result of uncontrollable agency costs.

Moreover, the large size of collectives often leads to disenfranchisement and dispossession in different sections of society. This is what happened in China where collective ethos reigned from the mid-1950s until the early 1980s. Far from economising on human labour and capital, the collective institutional framework wasted resources.

**Besides, the social impact of the corporate farming is very adverse. It pushes the farmers tilling their lands out from their profession and only some are able to work as hired labourers. It is to be reminded that the medium and small farmers of the so called green revolution areas who were compelled to lease out their lands to relatively large farm holders finally lost their lands to the 'bigger fish'. So the plots of land leased out to the agribusiness MNCs will have remote chances of being evacuated and even if the land is given back to the original leasee, the land will not be worth anything because of excessive use of agro-chemicals.**

**Lands of many farmers are taken against their will and their right to decide why, what, and how should they grow is taken away. The contract farming also results in the alienation of the lands of small and marginal farmers. This alienation is reflected in the form that the owners do not have any say or control on how their land and**

**labour are going to be used. Title may formally rest with them but products of their labour and their resources in the form of land holdings will be alienated. Thus they will become insecure wage-labourers on their own lands. In a country like India, where large majority of its population still depends upon land as source of its livelihood, the implications would be disastrous.**

Contract farming encourages child labour as well. For instance, both Hindustan Lever Ltd., an Indian subsidiary of British-Dutch multinational company Unilever, as well as the American multinational Monsanto are making use of hazardous forms of child labour in cotton seed productions in India on a large scale. An estimated number of 25,000 children, mostly girls, work on an average of ten to thirteen hours a day for HLL, while around 17,000 children work for Monsanto and its Indian subsidiary Mahyco. These children get no education, earn less than Rs. 20 a day and are exposed to poisonous pesticides like Endosulphan during their work.

Moreover, Indian experiment with the 'contract farming' has not been very encouraging. It has already been in practice in sugar cane sector on a large scale and for a long time but with a dismal scenario. For instance, 'sugar mills in the country owe farmers a staggering Rs. 230 crores (of the total dues of Rs. 1325 crores) as payment arrears for the cane supplied during the 2001-02 crushing season".

**Ignoring these adverse impacts of the "contract or corporate farming" the NDA government is bent upon disinvesting the Indian agriculture. Perhaps it is pursuing the agenda of its major constituent BJP whose agriculture committee meeting held in August 2001 had recommended the adoption of "contract farming".**

That's why the Indian government is encouraging 100 per cent foreign direct investment (FDI) in tea plantation. This decision of the government has sent a signal that it favours further corporatisation of landholdings. Government has said that more farm land for estate can be acquired by tea multinationals with the approval of the concerned State government. This will make it easier for any tea company having 100 per cent FDI to acquire any land with candid approval of concerned State government. **This is likely to speed up further corporatisation of farm holdings, displacing many farmers and making a mockery of the National Agriculture Policy.**

## The Fallacy of Rising Crop Yields

*By Devinder Sharma*

Ever since the Agreement on Agriculture of the World Trade Organisation (WTO) began to be debated in the country, increasing agricultural productivity and improving food quality are being tossed as the only solutions for farmers' survival. Invariably, at every conference and seminar on WTO, the common refrain is that farmers are left with no choice but to increase productivity and thereby reduce the cost of production to remain competitive in a globalised world.

The productivity bug has bitten not only the agricultural scientists but also the policy-makers, planners and, of course, the politicians. So much so that even the President, Mr A. P. J. Abdul Kalam, has urged agricultural scientists to work for doubling crop productivity in the next decade.

He was addressing a gathering of agricultural scientists at the 30th anniversary celebrations of International Crops Research Institute for the Semi-Arid Tropics (ICRISAT), near Hyderabad in Andhra Pradesh.

Within a fortnight of President Kalam's exhortation to agricultural scientists, farmers in Kurnool district in Andhra Pradesh, dumped cartloads of tomato on the streets. Excess production had resulted in a crash in tomato prices, with prices slumping to 50 paise a kilo (less than half a cent for a kg), farmers were left with no choice.

In Maharashtra, Uttar Pradesh and Punjab, irate potato growers have demonstrated their anger by throwing potatoes onto the highways. There are no takers for the bountiful potato harvest.

**Not only crop failures, even bumper harvests have begun to push farmers into a vicious cycle of mounting debt and distress. Whether it is Andhra Pradesh, Karnataka, Tamil Nadu, Maharashtra or Punjab, farmers are increasingly becoming a victim of the new emerging phenomenon of "produce and perish".**

**Farmers have been misled to believe that diversification from staple grains to cash crops is the only way out to escape an uncertain future. At the same time, farmers are being asked to increase crop productivity to remain competitive in an era of 'free' trade.**

Since the global trade parameters are being relaxed and phased out, increasing productivity is being touted

as the new survival mantra. The high productivity refrain comes in handy for the biotechnology industry to bring in expensive and risky technologies, further compounding farmers' woes. In the bargain, it is the farmer who faces the brunt, often opting for the fatal route to escape the humiliation and distress that such half-baked advice brings in.

At every national and international conference, it is not unusual to see slide projections that point at the low productivity in India and, for that matter, in other developing countries. The projections for area and productivity under cereals, including wheat and rice, and crops such as sugarcane, cotton and vegetables, points to the prevailing dichotomy.

Take the case of rice, the most important staple food crop of India. In the year 2000, India's rice paddy yield was hovering at 3,008 kg per hectare. In Thailand, the major rice exporter, paddy productivity stands at 2,329 kg.

**In US, the average yield per hectare was more than double at 7,037 kg. If productivity alone was the criteria, the US should have captured the entire world market in rice. And, at the same time, Thailand should not have been able to export rice considering that its average productivity is lower than even India. Moreover, even with such low rice paddy productivity, India had a record procurement of 20.9 million tones of rice in the 2001-02 marketing season.**

The grain stock build-up over the last few years has seen India's rice and wheat surplus increase to an unmanageable level of 51.4 million tonnes in October 2002 (against a record 65 million tonnes in June 2001).

In fact, chief ministers of surplus rice-producing states of Punjab, Haryana, and Andhra Pradesh have been repeatedly asking their farmers not to produce more of rice as they have no place to stock it. The Centre too has been toying with the idea of getting out of food procurement leaving farmers to the vagaries of the market.

In the US, however, despite the high paddy productivity, farmers find its cultivation uneconomical. The US government, therefore, continues to subsidise its farmers.

**Estimates point that the American farmers receive an average subsidy of \$30,000 per farm per year. As if this is not enough, the new Farm**

## GM Foods : Towards an Apocalypse

The noose is slowly tightening. An all-out offensive has been launched, using the three most important instruments of economic power - World Trade Organisation (WTO), the World Bank and the International Monetary Fund (IMF) along with the badly bruised but democratically elected governments. And this time, the target is not oil but to force the world to accept genetically modified foods and crops.

In reality, the battle for controlling the global food chain has begun.

The American administration fired the first missile by formally launching a complaint with the WTO against the European Union for its five-year ban on approving new biotech crops, setting the stage for an international showdown over an increasingly controversial issue. Interestingly, the US Trade Representative, Mr Robert Zoellick, says the European policy is illegal, harming the US economy, stunting the growth of the biotech industry and contributing to increased starvation in the developing world.

As if loan conditions of the IMF/World Bank that have forced developing countries to lower their trade barriers, cut subsidies for their domestic food producers, and eliminate safety nets for rural agriculture were not enough, the WTO Agreement on Agriculture could be used very effectively to allow the US and 12 other food exporting countries to dump unwanted genetically altered foods, thereby destroying food self-sufficiency in developing countries and expanding markets for the large grain exporting companies.

The overt and covert machinations to push unhealthy and risky GM foods had actually begun a decade ago. The US has so far opposed the Cartagena Protocol on Biosafety, which has been signed by over 100 countries and was intended to ensure through agreed international rules and regulations that countries have the necessary information to make informed choices about GM foods and crops. Earlier, the US had made every possible attempt to see that the Cartagena Protocol does not come through. And when it did, the US preferred to stay away.

Food aid to starving populations is about meeting the urgent humanitarian needs of those who are in dire need. Ideally, it should not be to push the commercial interests of the biotechnology corporations (while staying away from the international consensus such as the Cartagena Protocol), or planting GM crops for export, or indeed finding outlets for domestic surplus. First finding an outlet for its mounting food surplus through the mid-day meal scheme for African children (force fed through the World Food Programme), the US then literally arm-twisted four African countries to accept GM food at the height of the food scarcity that prevailed in central and southern Africa in 2002. It even tried forcing the International Federation of Red Cross to lift the GM food as part of an international emergency so as to feed the hungry in Africa.

It did not work. Zambia led the resistance against GM foods, saying that it would prefer its poor to die than to feed them with unhealthy food.

**The US has finally found a way out to force the African countries into submission. The US Senate has passed a Bill "the United States Leadership Against HIV/AIDS, Tuberculosis, and Malaria Act of 2003," (HR 1298)", which in a diplomatic way (calling it as `sense of Congress') links financial aid for combating HIV AIDS with GM food acceptance.**

In 1986, the US had enacted a legislation, called Bumper's Amendment, that prohibited "agricultural development activities, consultation, publication, conference, or training in connection with the growth and production in a foreign country of an agricultural commodity for export which would compete with a similar commodity grown or produced in the United States". As a result, the American support for research and development for crops, which competed with those grown in the US were stopped. No wonder, the FAO, the Consultative Group on International Agricultural Research (CGIAR) and the numerous other developing country agricultural programmes continue to remain starved for financial support.

**At the same time, biotechnology research in the developing countries get a tremendous boost for the simple reason that the US knows that none of the developing countries, including India and China, pose any serious threat to the profits of the multinational corporations. In fact, the ongoing biotechnology research programmes in the developing countries only help facilitate the scientific and public acceptance of GM crops and foods.**

Never in the past history has any government stepped in to force the world and that too literally down the throat into accepting what it produces. Never before has the world been forced to accept technologies (howsoever risky these might be) and that includes nuclear power, in the name of poor, hungry and sustainable development. Never before has any country tried to force feed a hungry Continent by creating a false scenario of an impending famine, which never happened. Never before has science and technology been sacrificed in such a shameful manner at the altar of commercial growth and profits.

The tragedy is that `good' science has been given a quiet burial. On the other hand, the party for the biotechnology industry has just begun.

**Bill brings an additional federal support of \$180 billion for the next ten years.**

If high productivity is the criteria for global competitiveness, there is no plausible reason why the American farmers would depend on government doles for survival.

To ask the Indian farmers, therefore, to increase paddy productivity, is to merely push them into a death trap. Already, rice farmers in Punjab and Andhra Pradesh continue to suffer for producing more. For the past two years, with the Food Corporation of India (FCI) refusing to buy paddy under one pretext or the other, distress sale has become a common phenomenon. At many a places, a number of rice farmers preferred to commit suicide waiting endlessly for buyers in the markets. The scenario for wheat producers is no different. They too are faced with the 'produce and perish' syndrome.

In cotton, India has the dubious distinction of having the largest area under the crop and one of the lowest average yields. This unexplained paradox was exploited by the multinational seed company, Monsanto, to hastily push in its genetically modified 'Bt cotton' variety.

The Department of Biotechnology and the Indian Council of Agricultural Research (ICAR) too used the productivity yardstick to justify the approval granted to Bt cotton. By reducing pesticides use, Bt cotton was expected to reduce crop losses thereby increasing per hectare productivity.

The rise in productivity will help farmers get more for the produce, and also enable them to export.

While the impact both negative and positive of Bt cotton was too small to make any dent on the national production figures, the fact remains that cotton has lately emerged as the crop that has increasingly pushed growers into a death trap.

In 2002, more than 100 suicides were reported alone from 12 districts that constitute the Vidharva region of the eastern Maharashtra. Faced with mounting debt, a failed crop for the second year and government indifference, cotton farmers are resorting to suicides as a way out of misery. The Government's denial notwithstanding, more than 10,000 cotton growers have committed suicides throughout the country since 1987.

In contrast, the US remains the world's largest exporter of cotton. Armed with roughly \$3.4 billion in subsidy, US farmers last year harvested a record crop of 9.74 billion pounds of cotton, aggravating a US

glut and pushing prices far below the break-even price of most growers around the world, including India, China and west Africa.

In 2002-03, US cotton farmers are expecting to pocket even more, thanks to the Farm Bill signed by the US President, Mr George Bush, in May 2002. The Government programme ensures farmers reap about 70 cents a pound of cotton by making up for any shortfall in the market with state support.

Although relatively small share of the farm population (just 25,000 of US' 9,00,000 farming families) actually raise cotton, their affluence and influence is legendary. The average net worth of a full-time American cotton-farming household, including land and non-farm assets, is about \$800,000, according to the US Department of Agriculture.

And more than half of it comes from the government subsidies. The slump in world prices, therefore, has no impact on their lifestyles. But, in turn, brings misery to farmers in the majority world.

No wonder, US cotton continues to dominate the world market. Even if Indian farmers were to double the cotton productivity, how can they ever compete with the American cotton-producers who receive a lavish federal support?

Further more, with the phasing out of quantitative restrictions on agricultural commodities, the import of cotton (from the US) has increased from 21,200 tonnes in 1999 to 48,805 tonnes in 2000.

It is strange that the government, which asks domestic farmers to improve productivity so as to attain global competitiveness, should allow highly subsidised imports so as to help the American cotton growers?

Let us move to another part of the world. Monica Shandu was adjudged the best small-scale sugarcane grower for 2001 in the Entumeni Hills of South Africa. She farms four acres with sugarcane, and the harvest brings her an equivalent of \$200.

Despite being a progressive farmer with high productivity levels, Monica lives in penury, barely managing to survive against all odds.

Far away in France, Dominique Fievez cultivates his farm of 400 acres with sugar beet. His is an average farm, which remains untouched by the price fluctuations in international market since 1984.

The reason: Fievez receives a huge subsidy support under the European Union's Common Agricultural Policy at the rate of \$23,000 for each of the 33 acres that he grows with beet. Such heavy subsidies depress

the international sugar prices, making it difficult for developing countries to export.

Monica Shandu gets a low price for her cane harvest because of the subsidies that farmers like Fievez in France continue to pocket.

To ask Monica Shandu in South Africa to work more for further raising the sugarcane productivity, therefore, is a sure recipe for disaster.

Similarly, asking the sugarcane growers in Uttar Pradesh and Maharashtra to raise productivity so as to be globally competitive is to further push them towards an uncertain future. And if you think that crop diversification may perhaps bail-out farmers, think again.

Even in the frontline agricultural State of Punjab, where diversification has been the goal since the early 1980s, it has been estimated that increasing the fruit and vegetable production by just one per cent will

cause an unmanageable glut.

It is primarily for this reason that Punjab farmers have refused to diversify from the wheat-rice crop rotation despite the faulty recommendations of the agricultural scientists, year after year, and that too for the past 20 years!

There is something terribly wrong with the way developing country policy-makers continue to follow the economic prescriptions being doled out essentially to protect the massive subsidies being given to a few million farmers on either side of the Atlantic.

Equally more tragic is that it is the mainline economists and scientists in India and, for that matter, in other developing countries, who eagerly join the chorus.

Like the four blind men with an elephant, they continue to grope in the dark not knowing what actually ails agriculture. All they try to do is to fit the round holes in square pegs.



### **India Sits-Up After Agri-Export Rejections**

Rejection of several export consignments of agriculture produce and processed food from India by the US and the European Union (EU) over the past few months has industry representatives and authorities here worried.

Indian authorities are keen to find out if it is genuinely a question of quality, poor labelling or a non-tariff barrier.

"We are now analysing the trend on a weekly basis in the case of EU exports and on a monthly basis in the case of the US on what are the products being rejected and for what reason," Vijay Sardana, Executive Director of the Centre for International Trade in Agriculture and Agro-based Industries (CITA), said.

The reasons for rejection have varied from presence of pesticide residues in grapes beyond permissible levels under EU food laws to the presence of non-permissible artificial colour, higher than permissible level of antibiotics in products like egg powder, and filth.

According to data CITA has compiled, around 30 consignments were rejected by the EU in May and June. These included grapes (eight consignments), chilli powder, honey, soft drink concentrate and prawn.

The US rejected around 50 consignments of food articles and health supplements in April alone.

"In many cases we have found no scientific basis (for the rejection), nor is it explained what constitutes 'filth' - whether it is rat droppings or any other foreign matter in the case of basmati and other such products; At no point is the world 'filth' explained," claimed Sardana.

"While we do not rule out that in some cases quality is genuinely a reason for rejection, at the same time vested interest often comes into play and a consignment is rejected intentionally", said Pravin Gupta, General Manager of the state -owned Agricultural and Processed Food Products Exports Development Authority (APEDA).

Back from a promotion visit to the US, Gupta said the reasons for intentional rejection of consignments could include "a slump in the price of a product contracted for and the importer not wanting to be at a loss". Incidentally, APEDA does not support the CITA view that exporters are not well informed about the food law in the countries they are dealing with because the information is available on the internet.

Industry representatives, however, feel it is not easy complying with changing legislation in the US, where new regulations like making the source of ingredients in a produce traceable to the country of origin have been introduced.

## **Bush's Biotech Bullies vs the World**

*By Aziz Choudry*

The Bush Administration, in the interests of Corporate America (how can anyone tell where one ends and the other begins?) is on the warpath again. Like its "war on terror", it is fighting on several fronts.

Its goal is to force food and seeds containing genetically modified organisms into mouths and fields across the planet, by any means necessary. **After brutally bombing Afghanistan and Iraq it "donated" food aid contaminated with GMOs. Now the "United States Leadership Against HIV/AIDS, Tuberculosis, and Malaria Act" ties US international medical assistance for HIV/AIDS victims to countries' acceptance of US food aid containing GMOs.**

Claims that the US WTO challenge against the EU moratorium on genetically engineered (GE) food and crops is driven by (in Dubya's words) "the great cause of ending hunger in Africa", make me wonder if Bush and co. will re-record USA for Africa's "We Are The World". Just imagine. Senior US politicians linking arms, swaying and singing with agribusiness executives.... "There's a choice we're making, we're saving our own lives, it's true we'll make a better day just you and me". Ugh!

This biotech offensive offers the world an unoriginal "choice". You're either with us or against us. Bush and his trade representative, former Enron consultant Robert Zoellick portray themselves as champions of the poor, standing up to the elitist European anti-biotech scaremongers, who are denying food to starving simple Africans who don't really understand much about anything. It's US agribusiness to the rescue! Who said they were only interested in new markets and higher profits? Monopoly control over the world's food supply -- surely not? Billions of dollars in markets for GM crops and seeds? No way! Ah, the white man's burden..

They will take their song and dance to WTO mini-ministerials in Egypt (June) Montreal (July) the Cancun WTO Ministerial Meeting, and beyond. .

The Ministerial Conference and Expo on Agricultural Science and Technology, sponsored by the US Department of Agriculture (USDA), State Department, and the US Agency for International Development (USAID), took place in Sacramento from 23-25 June. The USDA called it "2003's premier forum for top-level policy and industry dialogue relating to agricultural technology."

Anxious to stave off and discredit planned opposition to the meeting, officials denied any relationship between the Sacramento meetings and the WTO. In an interview with the Sacramento Bee (May 8), Christian Foster,

assistant deputy administrator of the USDA's Foreign Agriculture Service, claimed: "The WTO has absolutely nothing to do with it."

It may not be a WTO meeting but for the US government and agribusiness, Sacramento had everything to do with their global trade and investment agenda. Informal pressure can be just as effective in securing results as binding trade agreements. **The US administration uses every opportunity to coerce the rest of the world into compliance with its economic and geopolitical interests, through its aid budget, its embassies, and through meetings like this.** Sacramento brought together many of the same players -- officials and corporations - behind the controversial addition of agriculture and intellectual property rights on the world trade agenda during the GATT Uruguay Round which set up the WTO. These agreements protect the corporate players that now dominate vast areas of the world's food supply while undermining the rights and lives of small farmers, peasants and indigenous communities.

The conference opening plenary said it all: "How science and technology, in a supportive policy environment, can drive agricultural productivity increases and economic growth to alleviate world hunger and poverty".

But as Hope Shand of the ETC Group wrote in the NY Times on 27 May: "There is no scientific evidence that genetically modified foods are cheaper, safer, better-tasting or more nutritious. Lacking consumer benefits for its genetically modified crops, the biotech industry is desperately seeking moral legitimacy". Expo exhibitors included biotech giants Monsanto and DuPont (Qualicon), CropLife America (whose members read like a who's who of US agribusiness/biotechnology corporations), and DC-based International Food Information Council (funded by US food, beverage and agricultural industry and an advocate of biotech). Food irradiation corporations like Ottawa-headquartered MDS Nordion, and San Diego-based Surebeam (sponsor for the Expo grand opening) were also there. Food irradiation, a technology which brings together the food processing, agribusiness, medical science and nuclear industries is highly controversial. US agribusiness researcher and campaigner Al Krebs writes: "Critics of irradiation believe it is really not only just a quick (and temporary) fix for poor slaughterhouse sanitation, but also a way of disposing of nuclear wastes by selling them to private industry and leaving the taxpayers to fund the inevitable clean-up costs."

Agriculture remains a hugely contentious trade issue, with the EU and US in apparent stalemate in WTO negotiations. Many countries in the South are resisting

pressure to make yet more concessions on a range of issues, including agriculture, saying that the system is based on double standards which favour the powerful, and that the promised benefits of free trade have not materialised.

The USDA, USAID and the State Department are advancing US geopolitical and corporate interests internationally, and a market model of development which has caused ecological and human devastation, both in the South and in the USA. These agencies work to promote biotechnology as a "solution" to hunger. USAID has been promoting agricultural biotechnology for over a decade. The title of its recent policy document, "Foreign Policy in the National Interest: Promoting Freedom, Security and Opportunity" speaks volumes about the agency's agenda.

The international peasant and small farmer movement, Via Campesina, accuses the US of "trying to usurp the process of the World Food Summit held in June 2002 by the United Nations Food and Agriculture Organization (FAO) by claiming that Sacramento is a "follow up to the Rome Summit." Via Campesina had denounced the Sacramento meetings urging governments not to attend. Via Campesina believed that another "Blair House Agreement" between the US and the European Commission -- may be under negotiation. This agreement broke the standoff between the US and EU during the Uruguay Round, and maintained support for corporate, export-oriented agriculture at the expense of small farmers, peasants, and food producers worldwide.

**Industrial farming and the reorientation of agriculture to a corporate model is a human and ecological disaster. Under free trade, the dumping of subsidised (and often genetically modified) imports on the Third World is destroying the livelihoods of millions of farmers, many of them women, who simply cannot compete. The free market model which the US so ardently supports is behind much of the social and economic injustice which underpins food insecurity -- not inadequate access to biotechnology.**

The US backs international institutions like the IMF and the World Bank which force countries to deregulate and open up their economies, and reorient their agricultural production away from meeting domestic needs to growing cash crops for export. Via Campesina is campaigning to get the WTO out of agriculture altogether.

The fact that an official meeting and a business expo took place side by side in Sacramento neatly illustrates the cosy relationship between the US administration and big business. Secretary of Agriculture Anne Veneman is a former director of Calgene (now a

Monsanto subsidiary) the first company to bring genetically-engineered food, the Flavr Savr tomato, to consumers.

When Veneman recently proclaimed that the WTO case against the EU represents "fighting for the interests of American agriculture" she clearly means US agribusiness. It is merely a different way of saying what Robert Fraley (co-president of Monsanto's agricultural sector) told the Farm Journal in 1996 -- "What you are seeing is not just an consolidation of seed companies, it's really a consolidation of the entire food chain."

**Planting high-yield crops, maintained by imported fertilizers and insecticides reinforces farmers' dependency on patent holders like Monsanto and Cargill, which increasingly insist on the use of genetically modified seeds and threaten farmers who generate their seeds saved from last season's crop. The US wants to turn farmers into bioserfs and strip communities and countries of their rights to determine what they grow and eat.**

While the US Administration perpetuates a racist worldview that people in the South are too dumb to make up their own minds about biotechnology, it studiously overlooks mass opposition to genetic engineering by small peasants and farmers movements in both North and South. Many US family farmers' organisations strongly oppose genetic engineering. Over 70 towns in Vermont have passed resolutions opposing the planting of GE crops, and calling for the labeling of GE foods. In 2000, the City and County of San Francisco passed a resolution calling on the Food and Drug Authority, the Environmental Protection Authority and the USDA to consider a moratorium on all GE foods, urging that consumers be provided with information about the use of GE ingredients in food products

Not far from the conference venue, Sacramento's civic square was named the Cesar Chavez Plaza. Cesar Chavez Park is close by. Ten years after his death, Chavez is revered as a David who stood up to the Goliath of US agribusiness corporations, environmental racism and social and economic injustice using non-violent direct action -- and won. Who can forget the 1966 march on Sacramento demanding justice for farmworkers which he led and the grape boycotts which followed? I am struck by the relevance of his words from a January 1990 speech in honour of Martin Luther King. **"The powers that be make themselves richer by exploiting the poor. Our nation continues to allow children to go hungry, and will not even house its own people. The time is now for people, of all races and backgrounds, to sound the trumpets of change".**

## **Activists Say U.S. Manipulating Meeting to Promote GM Food**

Activists, gathered at a California conference this week to counter what they call the U.S. administration's attempts to force-feed genetically engineered (GM) crops on developing countries, rejected Washington's argument that science and technology provide all the answers to fight against hunger.

"It is a myth that science and technology play a critical role in reducing hunger in developing countries. The claim that we must accept genetically engineered foods if we are to feed the poor in the Third World is simply 'poorwashing'," said Anuradha Mittal of California-based Food First.

**"Hunger is a complex phenomenon that cannot be solved by technology alone. We need political commitment and not technology. Countries suffering from hunger need basic social economic change," she added.**

**A growing number of activists and Third World farmers and politicians challenge the value of genetically engineered (GE) food and instead stress the importance of access to food, local food sovereignty and capacity building as essential tools to solve the problem of hunger.**

In a report prepared for the conference, which was sponsored by the U.S. Department of Agriculture, its Agency for International Development (USAID), and the Department of State, activists say that the development of GE technology has not focused on feeding people but on securing markets for the world's largest agro-chemical and biotech companies.

"Genetically engineered crops are instruments of industrialized agriculture," said Silvia Ribeiro of the ETC Group and one of the authors of the report, 'Voices from the South: The Third World Debunks Corporate Myths on Genetically Engineered Crops'.

"They benefit the richest people in the world, not the hungriest," he continued. "GE crops are designed to take control of production of food away from local communities, by creating greater dependence on huge agribusiness corporations for seed and pesticides."

**The report says there is already enough food in the world to feed the population one and a half times over but that poverty and inequality are leading to starvation. In fact, almost 80 percent of the countries that face hunger are food-exporting nations, it adds.**

The three-day Ministerial Conference and Expo on Agricultural Science and Technology, billed as the first meeting of its kind, brought together ministers of agriculture, health and environment from over 120 nations.

Protesters who took to the street in the city of Sacramento were met by a small army of riot policemen. Local news reports said 36 people were arrested. But next day larger demonstrations, of about 5,000 people took place.

It came as the United States is pressing the World Trade Organization (WTO) to force the European Union (EU) to accept genetically modified food (GMF), after having filed a formal complaint with the trade body last month.

"This ministerial is about U.S. arm twisting to force feed the world corporate controlled 'free trade' and genetically engineered food. Countries around the world are rejecting genetically engineered food because it is an unnecessary, dangerous technology which has been disastrous for small farmers, consumers and the environment," said Doyle Canning of the Institute for Social Ecology's Biotechnology Project.

"What farmers in the developing world need are policies that give farming communities control over their own resources and build on local ecological knowledge," said Timothy Byakola from Pesticide Action Network (PAN) Uganda.

Activists also argue that the root causes of hunger have to be addressed if policy makers want to solve the problem of hunger effectively.

"Malaria, like hunger, is a disease of poverty. When economic conditions improve, it disappears, just as it did in the United States and Europe," said Food First's Mittal.

"The focus ought to be on the root causes of the problem, not the symptom. The hungry don't need a technological quick fix. They need basic social change."

# Look What Agricultural Liberalisation has Done !

## United States

The U.S. government has been in the forefront of bilateral and multilateral trade agreements worldwide. The government claims that its negotiating strategy has been to open markets in those sectors in which it has been competitive. The agricultural sector was, at the time these agreements were on the table, touted as one of the U.S.'s strongest industries. Yet the story of U.S. agricultural liberalization hasn't been a happy one. It has been found that the U.S. has experienced

- \* a reduced trade surplus in agriculture
- \* reduced numbers of family farms
- \* racial discrimination against farmers
- \* increased levels of subsidy to large agricultural concerns
- \* increased levels of pesticide use
- \* decreased crop and biological diversity in the US countryside
- \* falling levels of rural social welfare
- \* increased indicators of poverty and malnutrition across the United States

Domestic policy has advanced in lock step with these agreements; the same administrations that have advanced trade liberalization have invariably authored domestic policy changes to comply with these new agreements, at least nominally. The new policies and international market structures have not been neutral in their effects. The U.S. government has created incentive structures that favour large scale monocultural farming operations. In these structures, small family farmers have been marginalized.

Despite strong international rhetoric against agricultural subsidies, and equally vocal domestic rhetoric for a "level playing field", American direct payments to agriculture are at record levels. The findings of this report suggest that these payments are not being directed to those farming operations most in need of support, but have instead gone to already affluent agricultural concerns and banks.

Farm subsidies have been and continue to be inequitably and inefficiently distributed. The top 1 percent of beneficiaries from one programme collect an average \$83,000 per year and those in the top ten percent average \$32,000; the typical program participant, however, receives just \$1,200 annually. Recipients include fifteen Fortune 500 Companies.

**At the same time, small family farmers, facing falling returns from farming together with rising costs, are relying on off-farm income as a survival strategy. Fifty-five percent of U.S. farm operators work off-farm, with 80 percent working full-time jobs.<sup>i</sup> This is a 24 percent**

**increase from 1979. During the same period, the percentage of farm operator spouses working off-farm increased by 65 percent, from 27.7 percent to 45.8 percent. This is indicative of self-exploitation on the part of farm operator households, as they must manage both farm responsibilities and off-farm employment.**

While there is no doubt that all small family farmers are facing increasing pressure as a result of consolidation in the sector, the disappearance of American farmers has proven to be quite discriminatory. **Minority farmers are at greater risk of being pushed out of the sector than their white counterparts. While 925,000 farmers (14 percent of all farm operators) were African-American in 1925, there remained fewer than 18,000 African American farmers (less than 1 percent of all farm operators) at the turn of the twenty-first century.<sup>ii</sup> With black farmers exiting the sector at a rate almost five times greater than whites, a 1990 House Committee report declared that black farmers were on the verge of extinction.**

## CONSUMERS

The situation for consumers has improved very little. A look at the distribution of revenue in the final prices of food shows that both consumers and farmers have been losing out. The farm-to-retail spread, a measure of the difference between the amount farmers receive and the amount consumers pay for a basket of goods, suggests that consumers have failed directly to reap the rewards of lower farm commodity prices. This can be accounted for by the increased level of food processing and marketing, which, in turn, has had serious consequences for US consumers. **Over the past three years, there have been upward trends in the level of household food insecurity within the US Simultaneously, as advertising, the development of new products, and increased portion sizes promote increased consumption, obesity has become a serious problem.** Approximately 65 percent of Americans are overweight. While obesity among American children has doubled since 1980, it has tripled among teenagers. There now exist as many underfed persons as overfed (1.2 billion each, 2.4 billion total), creating a "global epidemic of malnutrition."

We explain the paradox whereby farmers receive a decreasing share of the price of final food products, despite record subsidy levels, by examining the agribusiness sector. **Agribusiness firms have increased both their market power and wealth in the United States:**

- \* four companies (Cargill, Cenex Harvest States, Archer Daniels Midland, or ADM, and General Mills) now own 60 percent of the nation's terminal grain handling facilities
- \* three companies (Cargill, ADM, and Zen Noh) are responsible for 82 percent of corn exporting
- \* four companies (Tyson, ConAgra, Cargill, and Farmland Nation) hold 81 percent of the beef-packing industry
- \* four companies (ADM, ConAgra, Cargill, and General Mills) own 61 percent of flour milling capacity.

Thus it is clear that the direction of US agricultural policy is being set not by the needs of farming communities, nor by the needs of the majority of US citizens, but by the political influence of a handful of powerful corporate interests. It can be suggested that, with the historic and continuing influence of corporations on the US government, agricultural policy in the public interest remains unlikely.

- *Sanaz Memarsa*

## Mexico

Mexico's experience of liberalization is a canary in the mineshaft for other agricultural economies in the Global South. Mexico's political and economic ties to the United States mean that it is subject, perhaps more than any other country in the world, to the direct political-economic intervention of its powerful northern neighbour. The effects of such interventions have unequivocally hurt the poorest people in the country: those who work on the land in rural areas.

Following open market policies, we have seen increases in raw measures of economic change in foreign direct investment, aggregate GDP per capita, and export volumes. For example, Mexico's overall exports increased 7-fold between 1981, the year before liberalization, and 2001. Imports have matched this rise, with a 6.7-fold increase from 1981 to 2001.

**At an aggregate level, then, it would seem as if Mexico has profited from liberalization. Yet closer scrutiny of the figures show that the benefits have been divided very unequally.** Some farmers have been able to take advantage of newly open markets in the U.S. Since the onset of NAFTA, exports of fruits and vegetables have increased 57%. Yet, given that tariff barriers in these products were already low, before NAFTA, it is more reasonable to attribute the shift to these crops as a response to "push factors", foremost among which is the rapid fall in the domestic price of maize.

**Maize farmers have been particularly badly hit, and given the rural dependence on corn farming, this means that the poorest farmers have been hit the hardest.** Subsistence farmers account for

45% of all corn growing units in Mexico, and production for household consumption represents 38% of total production. For the most part these farmers operate under inferior conditions with poor quality rain-fed soil, slopping terrain, irregular rainfall, and little if any access to technology, credit, storage facilities and marketing channels. These producers are often forced to sell their crops immediately after harvest, when local prices are at the lowest, because they are too poor to afford the appropriate storage facilities.

**These farmers were subject to the full onslaught of the US corn industry, a recipient of substantial US government subsidy. The opening of the Mexican market to US corn led to a massive influx of subsidized, and hence cheaper, US corn.** Corn prices are currently \$1.74 a bushel, and the latest US Department of Agriculture figures show production costs at about \$2.66 a bushel, the difference being attributable to direct and indirect subsidy. Mexico has experienced devastating crop "dumping" - when the international price is lower than the domestic cost of production.

**The response of Mexican peasants to this dumping has puzzled proponents of free trade. Economic theory suggests that when prices decrease, supply should contract. But that has not happened. In fact, when prices fell, the amount of corn planted increased. This was predicted in advance by NAFTA's critics. Without options or access to credit, and with the "opportunities" under NAFTA being so limited for Mexican producers, peasant farmers responded by increasing their reliance on their 10,000-year-old staple, expanding the area under cultivation even as prices fell, as a last-ditch attempt to grow and sell enough corn to fight off life-threatening poverty.**

And there continues to be substantial poverty and inequality in Mexico, despite the rosy aggregate statistics. Real wages are decreasing and incidence of poverty in rural areas is on the rise. **Indeed, inequality is higher after the reforms than before.**

Proponents and critics alike knew that free trade would hurt rural producers- the corrective winds of the global market were intended to "weed out" inefficient producers. **Research has shown, however, that small producers are more efficient in terms of total farm output than large-scale producers. But lacking the subsidies and support of their larger competitors, these poor producers have been left to twist in the wind.**

## CONSUMERS

The one group in whose name these reforms have been carried out, however, is consumers. With a

dramatic fall in domestic corn prices, we would expect to see cheaper food for the Mexican people. Yet tortilla prices have increased 279 % in real terms.<sup>vi</sup> This can be explained through the combination of two factors: first, the tortilla market has long been a duopoly; second, consumer price supports were removed by the government through its agricultural liberalization programme.

**The poorest farmers have adopted a number of coping strategies. Rural out-migration has been increasing since trade liberalization. People migrate in order to secure jobs and send remittances home. In 1998, 130,661 Mexicans were known to have migrated to the US, compared to 56,680 in 1980.**

Aware of the inherently political character of NAFTA and the liberalization programme around it, farmers have been taking to the streets, with the largest assembly of peasants in Mexico City since the 1930s taking place earlier this year, under the slogan “El Campo No Aguanta Más” – The Countryside Can’t Take It Anymore.

Yet the political will to address the hardship undergone by the poorest people in Mexican society is lacking. Under NAFTA rules, the Mexican government could legally, and without prejudice, have invoked tariffs on US corn imports once they exceeded a certain threshold. This threshold was set at a high level at the beginning of the NAFTA phase-in period and has continued to rise. Each year since NAFTA began, this threshold has been exceeded. Yet the Mexican government chose not to invoke these protection right, despite clear economic incentives to do so; the revenue forgone was around US \$2 billion. It can only be concluded that political pressures - from the US government, from domestic processors, and from the increasing number of foreign food processing companies who have invested in Mexico since NAFTA - outweighed both the interests of small domestic corn producers, and the \$2 billion in revenue.

Farming communities have made clear demands for an end to the agricultural provisions within NAFTA and, by extension, the cessation of Mexican participation in the WTO Agreement on Agriculture. These demands have been made by the poorest, and most numerous, production sector in Mexico. Their political will seems fixed. It remains to be seen whether the Mexican government is willing to cede to it.

- *Gisele Henriques*

## **Brazil**

The liberalization process began with the first structural adjustment programmes. As a result of the debt crisis at the outset of the 1980s, Brazil signed its first structural adjustment deal with the International

Monetary Fund in 1982, followed by another in 1988. In the agricultural sector, the result was that rural credit, producer price supports, and marketing services virtually disappeared after 1987. Despite heterodox efforts to stabilize the economy without raising interest rates, by temporarily freezing prices (Cruzado Plan 1986, Bresser Plan 1987), both inflation and interest rates spiraled out of control for much of the decade. In addition, with the removal of regulations on prices, the cost of land soared, making it even more difficult for the poor to acquire and retain land. Liberalization had a predictable and negative effect on prices: world prices for Brazil’s major crops, including its principal exports coffee and sugar, have been falling since the early 1980s. Poor farmers who attempted to enter the agro-export markets alongside profitable large producers were hit hardest by this trend because of their vulnerability to loss. In addition, prices for crops on the domestic market have fallen almost as drastically. For 1980-1991 alone, real producer prices for both domestic crops and exports were cut in half. Prices have continued to drop in the 1990s. Over the last thirty years, rice prices have declined 53% and maize prices by 60%. Again, the rural poor suffered, as rice and maize are two of their principal crops.

Brazil joined the World Trade Organization upon its formation in 1995. The WTO was formed out of the former GATT (General Agreement on Tariffs and Trade) as a governing body over international trade rules. The Uruguay Round of the GATT, 1986-1994, gave rise to the formation of the WTO and mandated major reductions in tariffs, export subsidies, and domestic price supports. Developing countries, including Brazil, were to reduce import tariffs and export subsidies by 24% and to reduce domestic price supports by 13.3%, both over a period of ten years. By joining the WTO, Brazil agreed to extend market integration from a regional to a global level. The Uruguay Round contained a specific Agreement on Agriculture that required unprecedented liberalization of agricultural markets. As predicted, trade liberalization increased Brazil’s international trade. But it also increased Brazilian farmers’ exposure to the fluctuations of international prices.

Brazil is currently in negotiations with the U.S. and other Latin American countries over the creation of a trading bloc that would reach from Canada to Chile, essentially expanding NAFTA to the rest of the continent. The FTAA would involve more of the same for Brazil: lower tariffs, taxes, and export subsidies, and more competition from abroad. Competition would now come from the United States, which is hesitant to hold itself to the same standards. So far, the U.S. government has refused to eliminate the billions of

dollars in subsidies it provides to its farmers. If the FTAA goes through without stronger anti-dumping provisions and major cuts in U.S. farm subsidies, Latin American farmers will be even more threatened by cheap food crops pouring in from the North.

Against this backdrop, the conditions of the poorest Brazilians remain grim. While estimates for poverty in Brazil range from the World Bank's 20% to UNICEF's 32%, with rural poverty twice as high as urban poverty (a conservative World Bank estimate placed rural poverty at 41%), authorities agree that the reforms of the 1990s failed to improve the lot of Brazil's poor. **Small farmers were hardest hit by the changes, unable to withstand the price fluctuations that came with trade liberalization and the elimination of price controls. In addition, despite the fact that Brazil is a food exporter and enjoys the world's 10<sup>th</sup> largest economy, 10% of Brazil's people are hungry; half of the poorest live in rural areas, where food is grown.**

Brazil is infamous for its income inequality. The UNDP's Human Development Report in 2003 found that Brazil had the greatest inequality among middle income countries, and was surpassed on the global level only by Sierra Leone. For the past twenty-five years, throughout the period of trade liberalization, Brazil's GINI coefficient has held fast at around .59 or .60, settling at .61 in 2003. Putting these trends in words, the data show that the poorest 10% of the population receives just 0.7% of total income, while the richest 10% receives almost half.

This situation is particularly severe for Brazil's rural population. Rural workers include independent small farmers, sharecroppers, tenant farmers, and agricultural day laborers. **They are Brazil's poorest and most vulnerable sector, and they depend upon the land to produce the crops that are their livelihood. Yet, at last count, 40% of farmers shared a mere 1% of the land, while the richest 20% owned 88% of the land. Despite a feeble attempt at land reform during the 1990s, land tenure has not become more equitable over the last two decades. The Landless Workers' Movement (MST) estimates that there are 20 million landless people in Brazil (4 million families), while 7 million more barely survive as squatters, sharecroppers, and migrant workers.**

In large part, the continuing poor distribution of land is due to liberalization policies that favour large-scale, technologically-advanced, export-oriented agriculture rather than small farmers growing for local markets. The result of trade liberalization has been to consolidate these inequalities. In a study of the impacts of the

Uruguay Round of WTO negotiations and its Agreement on Agriculture, the FAO found a trend of larger farms dominating, with the consolidation of maize and soyabean farms, import substitution of wheat, rice, and cotton production, and increased farm failure in the dairy industry, while larger farms and foreign companies such as Nestlé and Parmalat take hold.

The Brazilian government support for its soyabean sector has been lauded as an example for other developing countries to follow. Because of government support, soyabean earnings jumped from US \$393 million in 1980 to US \$2.7 billion in 2001, and Brazil is now the second largest producer of soy in the world. Yet this support would now be illegal under the current international trading regime. In addition, the benefits of this sort of aggressive state intervention on behalf of the industry have concentrated the benefits in the hands of a few; soya producers tend to be large scale operators, and this has resulted in the displacement of smaller farmers. In addition, while soyabean production is capital-intensive, it requires very little labor. A 1000 hectare soyabean farm employs only three people. Two consequences of this type of production deserve note: first, the growing profits from soyabean production remain in the hands of relatively few already rich producers, and second, soyabean production fails to fill the social need for employment in the countryside and thus stem the tide of urban immigration. Contrary to the aims of the government, the expansion of soybean production has actually diminished food security.

There are alternatives to the export-agriculture model that has failed the majority of poor Brazilians. Social movements in Brazil, among them the Landless Peasant Movement (MST) have proposed and implemented bold reforms, including 'bottom-up' land reform and redistribution, which have demonstrably improved the lives of hundreds of thousands of its members, despite frequent opposition and footdragging from state and federal government. The MST are clear about their vision of rural development – it is a vision that unites democracy, social justice, and ecological sensitivity. It has flourished in certain parts of Brazil while other rural communities have withered. Their major new campaign of land settlement is one that deserves welcome and support from the government, whose own history of rural policy has reinforced historical patterns of inequality. It is time, in other words, that the government started to support the policies tried and tested by the very people in whose name it rules.

- *Amanda Cassel and Raj Patel*  
(*Courtesy: Food first*)

### **Asia**

#### **Indonesian coal miners strike**

Over 2,000 workers for PT Kaltim Prima Coal (KPC), in Indonesia's East Kalimantan province, struck on August 29.

Kaltim Prima Coal operates one of the largest coal mines in the world and is jointly-owned by the Australian-based mining giant Rio Tinto and BP, the British-based energy giant. The transnationals want to sell a 100 percent stake to the Indonesian investment company, Bumi Resources. The workforce has struck to demand that whatever the outcome, 15 percent of company shares be allocated to the employees as a bonus.

#### **Sri Lankan health workers fight for salary hike**

Some 80,000 workers across Sri Lanka, from minor staff to assistant medical practitioners, went on sick leave on August 26 as part of a campaign for a pay increase. They are demanding a similar pay hike to the 43 percent recently won by medical officers.

The government condemned the workers and cancelled all leave in the health sector just prior to the industrial action. A union federation comprising 53 health sector unions has threatened to launch an indefinite strike from September 15 if the pay demand is not met.

#### **Sri Lankan glass workers fight lay offs**

Hundreds of glass workers staged a four-hour picket outside the Ceylon Glass Company (CGC) office on August 20, protesting against a contract system and voluntary retirement scheme being proposed by the management. Other workers joined the picket.

Workers at the company's plant in the Ratmalana industrial area, 15 kilometres south of Colombo, have been on strike since July 18. They have been protesting outside the plant daily.

The factory was recently modernised. With the installation of newer technology, CGC has been attempting to find ways to lay-off or retire workers who were trained to use the old machinery. They will be replaced with low-paid contract workers.

The planned staff cuts are severe. The chemical mixing section, which used to employ 50 people on four different shifts, will now be run by four contract workers. The workers who are laid off will only receive minimal compensation.

#### **Sri Lankan mineral workers fight factory closure**

About 100 workers from Ceylon Quartz plant in Dekatana, Katulanda, 40 kilometres from Colombo, are continuing a protest campaign in front of the factory they began on August 20 in opposition to the plant's closure.

The management closed the plant on July 30 after workers began industrial action for a 25 percent salary increase and the introduction of a production and annual bonus. They are also demanding the company recognise their union.

#### **Pakistani municipal health workers strike for overtime pay**

About 900 cleaning and garbage workers in Lyari Town, Karachi, went on strike on August 22 in protest over delays in salary payments and the non-payment of outstanding overtime. The stoppage has resulted in garbage accumulating on the main thoroughfares and streets of Lyari.

### **Australia and the Pacific**

#### **Australian Broadcasting Commission staff strike over suspension**

Several hundred staff employed at the state-owned Australian Broadcasting Corporation (ABC) walked off the job on August 28 in Sydney and Melbourne to protest the suspension of broadcaster Stephen Crittenden from the *Religion Report*, a Radio National feature.

Management suspended Crittenden six weeks ago because he did not seek management approval for an article he wrote for the *Sydney Morning Herald*. Some staff believe that the suspension is due to Crittenden's role in reporting rape allegations against the former Governor-General Peter Hollingworth. Others fear it is part of a systematic attempt to curb outside activities by ABC staff and ensure that only senior management speak. ABC employees have vowed to take further action if Crittenden is not reinstated.

#### **Workers harassed at Mt Isa Mines**

Service workers at Mt Isa Mines (MIM) in Queensland walked off the job for 24 hours on August 21 in protest over unfair treatment. The strike action, which involved members of the Australian Manufacturing Workers Union, was in response to workers' claims that the company management had maltreated two workers.

#### **New Zealand health workers to strike**

Workers in public health, health promotion and mental health services in New Zealand's upper South Island are preparing to take industrial action over low pay rates. It will start with an initial two days' strike in early September by registered nurses at Alexandra Psycho-Geriatric Hospital in Nelson.

A Public Service Association spokesman said workers were left with no choice but to take industrial action to get "fair and reasonable salary terms and conditions". Workers are not prepared to accept the low Nelson Marlborough District Health Board (DHB) salary rates, and industrial action is likely to spread as collective employment agreements expire.

Public Health and Mental Health Services nurses and related staff are receiving considerably less than health workers employed by other DHBs.

### **Europe**

#### **Bus drivers strike in York, England**

Bus drivers employed by First Bus in York took strike action on August 27 in pursuit of a pay rise.

The drivers, members of the Transport and General Workers' Union, are trying to secure a pay deal of £8 an hour which the company has so far rejected. Wednesday's action was the first of 15 strike dates that have been announced over the next three months.

**UK postal workers set to ballot for industrial action**

The UK's 160,000 postal workers are set to ballot for their first national strike action in seven years following the breakdown of talks with Royal Mail.

The Royal Mail and the Communication Workers' Union (CWU) met on August 27 for negotiations brokered by the government's arbitration service Acas. But the talks broke down with the CWU rejected a 14.5 percent pay rise over 18 months, conditional on meeting targets and changing working practices. The CWU has called for an unconditional 8 percent increase.

**Irish community workers on hunger strike**

Community workers in Dublin, Ireland began a hunger strike on August 27 to protect their jobs.

Thirty-four of the 325 people affected by cuts to the Job Initiative Programme gathered outside Dublin's General Post Office for a 24-hour hunger strike aimed at pressuring the government to reverse the cutbacks.

**Africa**

**Tea plantation workers strike in Kenya**

About 3,000 workers in tea factories in Kenya went on strike on August 19. Workers walked off the job to oppose harassment by management and poor living conditions.

Employees complained of six people, some with families, being made to share a small room. Overtime payments have also been stopped. In some cases, the multinational companies that control the Kenyan tea industry have sent workers home without any benefits. One worker recently died on duty after a senior manager refused to grant him a sick day.

The strike was called off after one week, following a meeting at the weekend of August 23-24 between trade union leaders and the factory management.

**Public sector workers strike in Zambia**

Public sector workers came out on their second national strike in two weeks after the government refused to honour a recent pay deal.

Civil Servants and Allied Workers Union of Zambia (CSUZ) Secretary-General Darrison Chaala told reporters, "We have officially started a countrywide strike because the government seems to be ignoring our demands, even after they signed a collective agreement. The strike we have started today is indefinite and all the workers have responded to it."

Zambian President Levy Mwanawasa has refused to

implement the pay deal under pressure from aid donors who predict a \$US124 million budget overrun this year.

Zambia has just failed to qualify for debt relief because it has not instigated an IMF privatisation programme to sell-off the state-owned Zambia National Commercial Bank and the Zambia Electricity Supply Corporation.

Gregory Chikwaka of the Civil Society for Poverty Reduction explained, "The suffering of the majority of Zambians is definitely ignored by the western bilateral and multilateral donors when they make a decision to deny us debt relief. What this means is that money that could have gone towards poverty reduction will now be going towards debt servicing, and poverty reduction [programmes] will suffer again because the West has changed the goal posts."

**Latin America**

**Paraguayan workers shut down hospital**

Thirteen hundred workers in Asuncion's "Clinics Hospital" have launched a strike of indefinite duration. They are demanding decent pay and working conditions as well as salaries paid on time from now on. Clinics Hospital is the main source of medical care for Paraguay's poor.

On August 20, recently installed President Nicanor Duarte visited the hospital and agreed that the strikers deserve more pay and that the hospital is being starved for funds. However, he also said the government has no money.

Paraguay is a country of six million inhabitants. Currently it is in the midst of an economic depression, with 20 percent unemployment, 15 percent inflation and 64 percent of its population living below the official poverty level.

During the brutal dictatorship of General Alfredo Stroessner (1954-1989) the Clinic Hospital was a focus of resistance against the regime's violations of human rights.

**United States**

**Presidential commission attacks postal workers**

The President's Commission on the United States Postal Service (USPS) has recommended new measures that will further erode the living standards and working conditions of postal workers. While temporarily shelving demands to privatize the postal service, the Bush administration is pressing for more outsourcing of USPS jobs and an increased pace in the closure of the national network of post offices and mail sorting facilities.

The report also calls for "compulsory mediation," which will end the tripartite arbitration of union, postal management and the system of so-called "neutral" arbitrators, and implement "last best offer arbitration" before government-appointed arbitrators.



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