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agenda

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THE COST OF TRADE LIBERALISATION

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Are the rules of global trade free and fair?

What does trade have to do with the crises in Indian
agriculture and livelihoods?

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This issue has been guest-edited by Ammu Joseph

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Trade as if people matter

I UNDERTOOK THE DAUNTING TASK of putting together this edition of *Agenda*, as well as the concurrent section on Trade & Development on the website of InfoChange News & Features (www.infochangeindia.org), in the interest of my own continuing education. I opted to view my ignorance about the subject as an advantage: if I can understand the articles solicited from expert writers so, presumably, will most readers.

I hope this collection of articles will help readers begin to understand how matters of trade — including international trade — impact so many aspects of life today. The topics tackled here are by no means exhaustive but they provide a glimpse of the wide range of issues raised by recent trade-related developments. The articles in this edition of *Agenda* form the nucleus of the online section on Trade & Development which, we hope, will continue to grow and develop over time.

Some articles included here provide a necessary background on the World Trade Organisation and recent developments around it, while others look at how the current international trade regime affects specific sections of society, particularly economically and socially disadvantaged individuals and communities. A number of articles deal with the impact of trade-related policies and practices on agriculture, food security and livelihoods — against the backdrop of the ongoing, under-reported crisis in agriculture, as well as the continuing spate of suicides by farmers that have been making news for some years. Striking a positive note, one of these describes the process through which poor rural communities, led by women, have managed to insulate themselves from the vagaries of a trade-led agricultural economy by returning to traditional crops,

reclaiming sovereignty over seeds and thereby achieving a measure of self-sufficiency in food and livelihoods.

Several articles explore current controversies relating to the Special Economic Zones (SEZs) being set up in different parts of the country in the name of trade. Two pieces present different perspectives on the relationship between trade and the United Nations' Millennium Development Goals, while two others focus attention on how trade can exacerbate the deprivation experienced by women and children from marginalised communities. Also included is a review of a recent publication that argues for trade on human terms. And, finally, excerpts from a longer paper highlight the implications of the WTO's attempts to promote free trade in audio-visual services, especially programmes broadcast through audio-visual media.

The articles reflect fairly diverse opinions on admittedly contentious issues. This is in keeping with the basic purpose of the exercise: to provide information and ideas to enable readers to understand the connections between trade and many current events and issues, and to make sense of trade-related news and debates. The only bias — if it can be called that — is in favour of a bottom-up view of a subject that is otherwise generally looked at from the viewpoint of the movers and shakers of international politics and economics.

— Ammu Joseph

Ammu Joseph is an independent journalist and media-watcher based in Bangalore, India. Her publications include five books: Whose News? The Media and Women's Issues, Making News: Women in Journalism, Terror Counter-Terror: Women Speak Out, Storylines: Conversations with Women Writers and Just Between Us: Women Speak About Their Writing

Desmond Roberts



Can multilateral trade work for the poor?

Protectionism, self-reliance and village republics are not enough to lift 1.3 billion of the world's poor out of absolute poverty. There is sufficient empirical evidence to demonstrate that trade can be a powerful catalyst for poverty reduction, that free trade with fairer policies will benefit the world's poor more than aid or charity. The problem is that World Trade Organisation negotiations and global trade are far from free and fair

ROBIN KOSHY

THE RECENT COLLAPSE of the Doha Round of trade talks presents a dilemma to both champions of free trade and opponents of free trade. For supporters of free trade and multilateralism, the World Trade Organisation (WTO) provides the ideal framework for relatively unrestricted movement of goods and services, which will free markets, strengthen competition, spur innovation, and trigger growth and development around the world. Its apparent failure represents the undoing of years of progressive global integration and the success of protectionist governments and far-left outfits. To them, any doubts cast over the efficacy of multilateralism in reducing poverty are misplaced — free trade will cure all! They fear that repairing faith in multilateralism will take years, and alternatives such as Free Trade Agreements (FTAs), also known as Preferential Trading Agreements (PTAs), are a poor second choice.

For opponents of economic globalisation, the WTO is the epitome of the West's neo-colonial agenda, the greed of transnational corporations, and the perpetration of the developing world's economic dependence. To them, the WTO is the rich world's negotiating range where developing countries are enmeshed in unfair trade agreements that diminish the policy space for national governments, open up domestic markets to the dumping of subsidised foreign goods and limit the access of producers from developing countries to rich-country markets. The WTO represents a growing web of binding agreements that threaten to stretch beyond regulating goods and services, to controlling basic services and traditional knowledge.

Opposing the WTO has served both as a rallying point and a profession for thousands of campaigners and advocacy outfits in the North and South. Now that the talks have actually stalled, most anti-WTO campaigners find themselves without a popular battle cry or answers about the immediate future of world trade.

Understanding the WTO

This crisis of purpose and surplus spare time that is beleaguering both ends of the ideological spectrum raises interesting questions. Firstly, what would the fence-sitter's view on the WTO be? To understand whether the WTO is mostly good or evil, one needs to take a closer look at its structure and founding principles.

The WTO can be seen, simplistically, as the successor to the

General Agreement on Tariffs and Trade (GATT), a trading system in existence since 1948 that provided rules primarily for trade in goods. The Uruguay Round (UR) of GATT negotiations (1986-1994) led to the creation of the WTO and saw its mandate expand beyond goods to cover trade-related aspects of intellectual property and trade in services. With the stated goal of helping producers of goods and services, exporters and importers to conduct their business, the WTO provides a forum for its member governments (149 at present) to negotiate trade agreements. While WTO agreements have enabled the liberalisation of trade in agricultural and manufactured goods, they also have rules to impose barriers where national and public interests are threatened.

The WTO provides a rule-based framework based on agreements negotiated by governments that are binding in nature. Whether there is equity of negotiating capacity amongst member countries is a frequently debated topic, but it can be accepted that the WTO agreements provide a transparent and predictable set of rules for individuals, firms and governments. The WTO follows the 'one country, one vote' principle, where the weight of each country's vote is the same, unlike many other multilateral organisations. It does not, for instance, have a Security Council with veto powers! It also has a dispute settlement process that facilitates the settlement of differences on trade issues between countries, with retaliatory powers under a neutral process and established legal framework. This new dispute settlement mechanism that was agreed upon during the UR was a significant advancement over the dispute mechanism enshrined in GATT. In fact, the dispute settlement mechanism in the WTO is considered the most advanced dispute resolution mechanism in international law.

The legal framework of the WTO is a lawyer's dreamland. The legal text, which has nearly 60 agreements, annexes, decisions and understandings running into thousands of pages, falls into several categories. At the highest level, it has 'broad principles' such as GATT (goods), General Agreement in Trade and Services (GATS) and Trade-Related Aspects of Intellectual Property Rights (TRIPS). Further, it has extra agreements and annexes for specific sectors and issues, and detailed 'schedules' of commitments made by individual countries on products and services allowed into their markets. At the narrow end, it has 'plurilateral agreements' — like the ones on civil aircraft and government procurement — that are agreements that do not have the approval of all WTO member countries. These are further underpinned by the dispute settlement and trade policy review

mechanisms that settle conflicts and ensure transparency, respectively.

This legislative framework of the WTO, which the voluminous legal text embodies, has some fundamental principles underlying it. The WTO seeks to promote trade without discrimination, whereby countries cannot discriminate between trading partners (all partners get Most Favoured Nation [MFN] status) and treat foreign and national products, services or persons equally (national treatment). It seeks to promote progressive liberalisation through negotiations that will contribute to the lowering of tariff and non-tariff barriers, and provide longer periods to developing countries to fulfil their obligations. It seeks to make trade more predictable by encouraging countries to 'bind' their customs tariffs for goods and market access commitments for services, removing quantitative quotas for imports and making trade policies transparent. Finally, the legal texts are also meant to create a set of rules that enable open and fair competition.

Truly a picture of fairness, equity and transparency?

Sadly, in reality, WTO negotiations and functionings have been very different. At least part of the fear about it in the South is justified. The distribution of power at the negotiating table is skewed in favour of powerful trading blocs such as the United States and the European Union, while developing countries have struggled to influence the agenda. Till the Doha Round that began in 2001, developing countries were largely ineffective in altering agreements or commitments to protect national interests. Actual negotiating processes have been far from democratic, with Least Developed Countries (LDCs) and small nations often pressurised into accepting deals through a combination of sanction threats, aid, and closed room ('Green Room') meetings. This gunboat diplomacy of the trading powers has, in recent years, been challenged by the bigger emerging economies — namely Brazil and India. Cartels of developing countries, such as the G20 and G33, have rallied support on key issues to significantly influence the outcome of WTO negotiations.

The glass ceiling in trade

What have been the points of difference between the rich and the poor world, at the WTO? The numerous differences can be seen in simple terms. Poor countries have wanted greater market access for products in which they enjoyed comparative advantages, such as farm goods, textiles and leather. However, poor countries face tariff barriers on average four times higher than those applied when developed countries trade with each other.

For example, textile quotas in developed countries were meant to have been progressively dismantled over a 10-year period up to the end of 2005. But significant liberalisation measures of benefit to poor countries like Bangladesh and Cambodia were not taken till the very last moment. This slow back-loaded rollback of quotas in a labour-intensive sector such as textiles that offers immediate economic benefits to developing countries was seen as testament to the developed world's lack of commitment in offering better market access.

Developing countries had further demanded reductions in generous domestic support for farmers in rich countries that have made it impossible for them to compete on fair terms in the open market. For instance, US farm subsidies covered 72% of the total cost of production of rice in the country in 2003; today it is the third largest exporter of rice by virtue of these subsidies and the low tariff boundaries it has secured in many developing countries. Similarly, in 2002, Oxfam estimated that US cotton farmers (around 25,000 of them) get an estimated \$ 230 per acre, which was more than three times the USAID budget to sub-Saharan Africa's 500 million people!

Developed countries were also expected to make deep concessions in the markets for agricultural and industrial goods and services. In industrial goods, the US wanted India, Brazil and other developing countries to cut bound tariff levels even below their applied levels. For tariff reduction, the US favoured the application of a tariff reduction formula that would require developing countries, which generally had higher tariff levels, to make deeper cuts. The Doha Round buckled, as developing countries found these concessions indefensible domestically.

The TRIPS Agreement has been another major flashpoint. The inclusion of the TRIPS Agreement was opposed by most developing countries as it was seen as a way for the WTO to bring intellectual property rights into a trade regime. The inclusion of the TRIPS Agreement was viewed as a major victory for US pharmaceutical firms, at a time when there were serious reservations about its suitability for the US itself. Innovation and research are largely led by developed countries, while developing countries are primarily end-users. Under the circumstances, strengthening the patent rights of technology-holders would, in effect, work as a resource transfer mechanism from South to North.

However, more important than the financial aspect has been concern about how the stringent application of patent rights in the pharmaceuticals sector favours large transnational pharma companies and restricts competition from the manufacturers of cheaper, generic medicines. The affordability of medicines and the public health disaster that could arise from non-affordability in sub-Saharan and Asian countries has, in part, been assuaged by the Doha Declaration on TRIPS and Public Health. However, concerns remain about the possibility of pharma companies manipulating regulations in developing countries. Moreover, many countries, under pressure from pharma and business lobbies, have not made adequate use of the leeway that the TRIPS Agreement provides. There is also no delusion that TRIPS-compliant patent regimes are going to spur research in tropical, infectious and parasitic diseases that abound in the poor world — only \$ 400 million of the \$ 70 billion spent on health research in 1998 was spent on HIV/AIDS and malaria research (Sudip Chaudari, 2003). Ironically, 84% of the expenditure on research and development incurred by Indian companies in 1999 was on diseases prevalent in rich countries!

Perhaps it has been the experience with the TRIPS Agreement that has made most developing countries vociferously oppose the inclusion of 'the Singapore issues' (named after four working groups set up during the WTO Ministerial Conference in

Singapore in 1996) — investment, competition policy, transparency in government procurement, and trade facilitation. Although some progress has been made in trade facilitation, most developing countries prefer to make progress on these issues unilaterally rather than as a binding multilateral commitment. The remit of the GATS Agreement, especially where it expands to the liberalisation of financial services and utilities such as water and power, also faces obstacles in the developing world.

Even where market access concessions were offered, it was typically in sectors where poor countries had no comparative advantage. The 'Everything but Arms' initiative of the EU has been derided as the 'Everything But What You Produce' initiative. The US too offered 97% duty-free access to LDCs, which was great so long as LDCs produced robots, advanced computers and jet turbines. The goods that they actually produced, such as farm products and textiles, were carefully packaged in the remaining 3%. To the surprise of the US, the developing countries denounced such offers. Instead, the offers bred the collective belief in the South that the North was negotiating in bad faith.

Indisputably, there have been huge leaps in the negotiating capacity of countries of the South at the WTO negotiations. Many Western trade experts rummaging through the rubble of the collapsed Doha Round of talks have been apportioning

large helpings of blame on Brazil and India. Some analysts worry that developing countries, including India, have displayed inadequate interest in a Doha deal, and that this could affect the resumption of talks. However, there is no denying that many of the high ambitions with which the Doha Development Round was launched, in the aftermath of the 9/11 terrorist strikes in the US, as an opportunity to build solidarity across rich and poor nations and share the benefits of globalisation, have been buried. The Doha Round and the WTO have largely failed to improve access to rich-country markets for goods and services from poor countries, or to reduce the handicap of poor-world farmers competing with rich-world farmers pampered by generous government subsidies. The failure of the multilateral talks has been seen by many as the failure of multilateralism itself.

Which brings us to the third question — is the multilateral trade regime good for development?

Making sense of multilateralism

There is enough empirical evidence to demonstrate that trade can be a powerful catalyst for poverty reduction. The success of East Asia in lifting nearly half-a-billion people out of poverty since the mid-1970s can be attributed to export-led growth that generated employment, created investment opportunities, enabled the production of goods with a higher technology component, and created linkages that filtered benefits to the



Desmond Roberts

rural economy. Oxfam's 2002 trade report, 'Rigged Rules and Double Standards', had suggested that 128 million people could be lifted out of poverty if Africa, South Asia, East Asia and Latin America increased their share of world exports by 1%. Contrary to what many detractors of global trade might believe, autarchy, protectionism, self-reliance and village republics are not enough to lift 1.3 billion of the world's poor out of absolute poverty.

If the alternative to trade as a catalyst is aid, then there is no doubt that most LDCs would opt for trade. In his book, *Trade Policy and Global Poverty*, William Cline of the Centre for Global Development established on the basis of empirical analysis that liberalisation in agricultural trade would be the most powerful way to reduce global poverty, as three-fourths of the world's poor live in rural areas. The poor in villages are more likely to be dependent on farming, and any increase in export opportunities would leave them better-off. He estimated that global free trade could increase agricultural prices by 10%, hike real wages of unskilled labour in developing countries by 5%, and boost the global economic welfare of developing countries by US\$ 90 billion annually. This could pull an estimated 200 million people out of poverty, or even 650 million people, if one factors in capital investment and a period of 10-20 years. Poverty reduction gains are highest from liberalisation of agriculture and textiles. The US\$ 90 billion that developing countries could gain would tower over the US\$ 50 billion that developing countries receive in aid. Free trade with fairer policies and trade relations that are not skewed in favour of rich countries would benefit the world's poor more than aid, charity and preferences.

Those who are dismissive of the WTO should also remember that the alternatives are not attractive. FTAs/PTAs — regional and bilateral — will take over where multilateralism ends and, unlike at the WTO, poor countries cannot fire from the shoulders of bigger countries like India or Brazil with better negotiating capital. Each country will be pitted against the trading and negotiating clout of the US or the EU. FTAs have been growing rapidly since the 1990s, and there could be as many as 300 by 2008. In the last six years, the US has concluded 14 FTAs and it is currently negotiating 11 more. The EU is following a similar approach, and the underlying logic is clear. Developed countries have been effectively using the regional and bilateral route to extract commitments that developing countries collectively refuse at the WTO. In fact, the regional route has been used either to make existing commitments at the multilateral level more stringent, or to facilitate the entry of non-trade issues. During the Tokyo, Uruguay and Doha Rounds, the US used bilateral and regional agreements with developing countries to extract commitments on agricultural subsidies and intellectual property rights that these countries collectively refused to give in to at the multilateral talks. Indeed, US FTAs that are being concluded with developing countries are replete with clauses more stringent than those in the WTO agreements.

FTAs between developing countries have become rampant too. Many hope that the web of FTAs and associated trade discrimination will ultimately push nations back to the

multilateral trade regime. The optimists among them hope that this will lead to a WTO system with fairer governance and operation. The rule-based framework that the WTO provides is indeed the best forum for poor countries to ensure that the global trading system is not an exchange where each country protects its own special interests. Genuine free and fair trade will see countries specialising according to their comparative advantages.

Finally, it needs to be noted that not all the ills of trade can be blamed on the WTO and developed countries. Developing countries and their institutions are equally culpable. The social and economic shocks that are frequently blamed on trade liberalisation are accentuated by weak institutions and policies, at the national and regional levels. Few developing country governments integrate trade policies or, for that matter, agricultural and industrial policies within their overall poverty reduction strategies. Economist Dani Rodrik has highlighted the importance of property rights, regulatory institutions that correct the operation of markets (such as SEBI and TRAI), institutions for macroeconomic stabilisation (the RBI), social insurance (for example, job security and welfare) and institutions that manage social conflict (for instance, effective police, free media and independent judiciary) in boosting economic growth. One could argue that this is commonsense, but not many developing countries can claim to be following these maxims. Inequalities in access to education, health, assets, markets and finance keep the poor from reaping the benefits of trade and growth.

In a review of evidence linking trade liberalisation to economic growth in the *Economic Journal* (2004), Alan Winters cites the work of economists like Ann Krueger and Arnold Harberger that demonstrated that trade liberalisation reduces avenues for corruption and improves competition. Corruption (or 'rent-seeking', as the euphemism of the economists goes) is higher in countries with strict industrial policies such as licensing, and simple, non-discretionary policies reduce the scope for it. Further, openness improves access to the intermediate goods and heavy machinery that are needed to increase production. Reduced corruption, a skimpier bureaucracy, improved competition and better access to intermediate goods contribute to economic growth. This is another dose of commonsense that suggests that good governance at the national level can contribute to shared prosperity and poverty reduction.

There is no doubt that trade is poorly managed at all levels, and that reforms are indeed necessary. The current hiatus in the trade talks is an opportunity to correct some of the imbalances at the WTO and at national levels. The champions and opponents of free trade need to find a middle ground where sloganeering is replaced by consensus on a new order for making world trade work for the poor as well.

Robin Koshy is a trade economist based in London. The views expressed in this article are his personal views

A brief history of the WTO

The principle of non-discrimination was meant to be the cornerstone of the World Trade Organisation and the multilateral trading regime. But 10 years down the line, it is clear that the trade rules favour developed countries, and the promise of greater market access for developing countries has not been sufficiently realised

**PRABHASH
RANJAN**

THE FORMATION OF THE WORLD TRADE ORGANISATION (WTO) in 1995 was a watershed development in the sphere of international trade. It was a major advancement in the multilateral trade regime, with the previous regime embodied in the form of a treaty known as the General Agreement on Tariffs and Trade (GATT).

GATT was signed in 1948 and had close to 30 member countries. Its primary objective was to see that impediments to international trade — mainly in the form of tariffs — were reduced or removed in order to facilitate the movement of goods across borders. In the course of six to seven rounds of negotiation, it succeeded in getting countries to lower their tariff rates, thus enabling greater movement of goods.

However, over time, the nature and character of global trade started to get very complex. Countries began to realise that GATT did not have all the answers to the questions posed by the increasingly complicated nature of global trade.

This led member countries to launch a new round of negotiations, from 1986-1994, known as the Uruguay Round (UR). This series of negotiations was much more elaborate and detailed. It not only covered trade in goods but also brought trade in services and intellectual property rights within the ambit of the multilateral trading regime. Even within trade in goods, a far more thorough set of rules was discussed and negotiated. Further, trade in agricultural goods was brought into the fold of the multilateral trading regime in a major way. In GATT, trade in agricultural goods was, at best, minimal and at the fringes of the discussions.

The end of the UR resulted in the formation of the WTO, which established a substantial set of rules regarding trade in goods — including agricultural goods, agreements on trade in services and on trade-related aspects of intellectual property rights, as well as a strong and comprehensive mechanism to settle trade disputes between member countries. Notwithstanding these additions, the WTO retained some of the basic characteristics of GATT, such as the principles of non-discrimination embodied in the Most Favoured Nation (MFN) and National Treatment (NT) rules.

Today the WTO, the youngest of the world's multilateral organisations, is over 10 years old.

It may be instructive to follow the journey of the WTO from 1995 onwards, even though it is difficult to assess the overall impact of the organisation on the global economy or on

individual developing countries. It has been good for some, bad for others and a mixed bag for the remaining. It is also difficult to capture all the developments that have taken place from 1995 to 2006. However, one can certainly attempt to outline some of the key developments of the past decade.

Non-discrimination

As mentioned above, the WTO recognised and institutionalised the principle of non-discrimination embodied in the MFN clause, which was present in GATT as well. According to the MFN principle, no WTO member country can discriminate against other member countries. For example, if country X imposes a tariff rate of 5% on steel coming from country Y, it has to impose the same tariff rate on all imported steel, irrespective of the country of origin. This non-discrimination principle of the WTO is said to be the cornerstone of the multilateral trading regime.

However, both GATT and the WTO also recognised certain exceptions to the MFN principle. Preferential Trading Agreements (PTAs) constitute one such exception, which permits two or more countries to sign an agreement to form a free trade area where they can provide preferential access to each other's products. By signing a PTA, countries would be able to violate the MFN obligation that they have with other WTO member countries and provide preferences to countries that are members of the free trade area.

Ten years into the WTO regime this exception appears to have become the rule, while the primary principle of MFN is becoming an exception. By the end of 2004, about 300 PTAs had been notified with GATT and the WTO. Of these, close on 180 came into existence after 1995 — that is, after the formation of the WTO. In other words, about 60% of all PTAs in existence today came into effect after the most remarkable advancement in the multilateral trading regime happened, in 1995. Estimates suggest that by the end of 2007 the total number of PTAs will be well above the 300 mark. Today, more than 50% of global trade takes place through PTAs, on a non-MFN basis. Hence, what was considered an exception has now become the rule.

There could be many reasons for this development.

Industrially developed countries get into PTAs in order to extract benefits that they would be unable to secure through the multilateral trading regime, such as a more stringent intellectual property rights regime, as well as rules relating to competition,

investment, labour and the environment. Less economically developed countries are lured into PTAs by the prospect of getting greater market access. However, the growing number of PTAs has created a substantial degree of confusion in the global trade regime, bringing in complicated rules and procedures and creating difficulties for member countries in their administration.

Dispute settlement

One of the major advancements in the multilateral trading regime that the WTO brought in was the setting up of a substantive dispute settlement mechanism. This has, so far, worked well. From 1995 up to the end of 2004, WTO member countries brought 300 complaints to the Dispute Settlement Body (DSB). The panel formed by the DSB, which is a temporary judicial body, successfully decided 80 of these cases. About 50 such cases were appealed with the Appellate Body (AB), a permanent judicial body of the WTO. These figures are quite remarkable, especially compared to the situation in the pre-WTO era — from 1948 to 1994. During that period, the settlement of disputes was marked by inordinate delays and lack of transparency, with any one country able to delay the implementation of the rulings, and so on. The increasing number of complaints demonstrates the faith that member countries have in the new dispute settlement mechanism, where disputes are decided according to a timeframe, with transparent procedures. And no country can block or delay the implementation of the ruling.

However, the functioning of the DSB within the WTO, over the last 10 years, has also revealed certain limitations in the system. One major problem is the increasing degree of non-compliance with the rulings of the DSB by industrially advanced countries and formations like the United States and European Union.

The DSB does provide for a retaliatory mechanism whereby the winning country can retaliate against the country that does not comply with its ruling. It is this provision that gives some teeth to the DSB. The intention behind this mechanism is to ensure that countries comply. However, a number of cases have demonstrated that the mechanism has not served its purpose in situations where smaller, economically vulnerable countries are involved in disputes with larger or economically stronger countries. One such case involved Ecuador and the United States. In that dispute, the US refused to comply with the ruling of the DSB, which then authorised Ecuador to retaliate against the US. However, Ecuador did not retaliate because such retaliation would have brought more harm than good to its economy. Notwithstanding the remarkable performance of the WTO's DSB, therefore, the fact that it has certain lacunae has become clear in the past decade.

Non-tariff barriers

The WTO came into existence at a time when tariffs — the customs duties that countries levy on goods entering their country — were very low. The intent of successive rounds of negotiations under GATT, which led to the formation of the WTO, was to reduce barriers to international trade. Reduction of tariff barriers was one of the consequences of this process.

Although barriers to international trade in the form of tariffs have come down, other non-tariff barriers have increased manifold after the formation of the WTO.

These non-tariff barriers exist mainly in the form of food standards, technical requirements, antidumping duties, etc. Industrially developed countries often impose stricter food standards on imports from developing countries. These standards are sometimes even stricter than what is warranted under existing international standards. An interesting trend in the imposition of non-tariff barriers after the formation of the WTO has been the growing tendency of developing countries to use these measures. It is important to recall that antidumping rules represent a remedial tool whereby countries impose additional duties on imports that are sold in their markets at prices lower than the domestic price of the imported goods in their country of origin. For instance, India has emerged as the biggest imposer of antidumping duties after the formation of the WTO.

Doha Round of negotiations

By the late-1990s there was a growing realisation amongst developing countries that the outcome of the Uruguay Round of negotiations was imbalanced. Many trade rules favoured developed countries, and the promise of greater market access for developing countries was not realised. As a result, many of these countries wanted to re-negotiate the WTO agreements.

With this as the basic objective, a new round of negotiations was launched at the fourth WTO ministerial conference that took place in Doha in 2001 (the first, second and third ministerial conferences of the WTO were held in Singapore in 1996, Geneva in 1998, and Seattle in 1999). This round covered important topics such as agriculture, industrial goods, services, intellectual property rights, antidumping duties, dispute settlement, etc.

The Doha Round was supposed to be completed by December 31, 2004. However, it has not been completed to date, mainly due to outstanding differences between developed and developing countries on various issues. As a result of this lack of meeting ground, negotiations are still going on and it is difficult to predict when the round will come to an end.

The three most important issues in the Doha negotiations are agricultural subsidies, agricultural tariffs and industrial tariffs. Developed countries are guilty of providing mammoth subsidies to their agriculture sector. Such large subsidies allow these countries to sell or, rather, dump their produce in international markets at very cheap rates. This dumping depresses international prices and makes trade in agriculture not very remunerative for developing countries.

For instance, domestic subsidies given by the US to its agriculture sector increased from US\$ 250 billion in 1995 to US\$ 350 billion in 2003. It is this kind of subsidy that has enabled the US to become the world's third largest exporter of rice in 2003, after Thailand and Vietnam, exporting 3.8 million tonnes of rice. This, despite the fact that it costs twice as much to grow rice in the US than it does in the other two countries.



Such excellent export performance has been aided by the US\$ 1.3 billion that American rice farmers received as subsidies in 2003, which made up 72% of the total cost of production.

Similarly, developing countries face formidable tariff barriers in developed countries in the form of tariff escalation. For instance, in Japan, the bound tariff (the maximum committed tariff that a country can impose on a particular product) rate on raw sugar is 224%, and the rate climbs to as much as 328% for refined sugar. Canada levies 9% on raw sugar, and 107% on refined sugar. The respective bound tariff rates for raw and refined sugar in the European Union are 135% and 161%, respectively. The story is the same if one looks at the tariff rates on cocoa beans vis-à-vis chocolate, or fresh orange vis-à-vis orange juice. The net effect of these differential tariffs on raw and processed commodities is that it is difficult for developing countries to move up the chain of value-addition.

On industrial tariffs, although developed countries have low average tariffs, products of export interest attract a much higher tariff. For instance, the average tariff rate in the US for industrial goods is 3.2%, but for textiles and clothing it is more than 8%. Hence, if India exports textiles and clothing to the US at a price of 100 units, those products will cost 108 units in the US whereas any other commodity priced at 100 units would cost only 103 units. In other words, products like textiles and clothing, in which India has a comparative advantage, are made expensive by imposing higher tariff rates.

Developing countries want developed nations to reform their agriculture sector and open their manufacturing sector to products from developing countries. It is worth recalling that when the Doha work programme was agreed upon it was sold to many developing countries as the Doha Development Agenda. If this is indeed an agenda for development, then developing countries should be given greater access to the markets of developed countries.

Instead, developed countries are keen to see developing countries steeply reduce their agricultural and industrial tariffs. Developing countries argue that tariffs in agriculture constitute the only protection available to them, and that they cannot reduce them until developed countries drastically reduce their

subsidies. Agriculture is a very sensitive sector for developing countries because it is not so much a trade issue as a livelihood issue. It is only through tariffs that they can protect their domestic agriculture and poor farmers from the vagaries of international agricultural trade. Developing countries cannot afford to cut their subsidies till developed countries cut theirs. Otherwise, the markets of developing countries will be flooded with the cheap agricultural imports of developed countries.

After 2001, countries could not agree to a common framework on most of these issues. This impasse was reflected in the collapse of the fifth ministerial meeting of the WTO in Cancun, in 2003. An important development that preceded the Cancun ministerial was the formation of a coalition of 20 major developing countries, comprising India, Brazil, Argentina, China, South Africa, etc. This coalition came to be known as the Group of 20 countries (G20). The primary objective of the group was to put forward the interests of developing countries on agriculture in a collective manner. The formation of the group also marked the emergence of a new power equation within the WTO. Through the G20, developing countries asserted very strongly to the US and the EU that they could not be taken for a ride and that any multilateral rule that came into existence had to take into account the interests of the global South.

In July 2004, all member countries were able to strike a deal whereby they agreed to a framework to establish further modalities. This process was taken forward, albeit marginally, during the sixth ministerial meeting of the WTO in Hong Kong, in December 2005. Hong Kong saw world leaders reiterating their commitment to the Doha work programme. However, after Hong Kong, negotiations have again reached a dead end, with none of the parties willing to soften their stand. As a result, the Doha Round was suspended in July 2006. It is difficult to say when the negotiations will begin again. In the interests of the multilateral trading regime, especially the economies of developing and least developed countries, it would be best that they restart sooner rather than later.

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Protection for the rich; free play of market forces for the poor

The most striking aspect of the farming crisis in India is that its severity is directly proportionate to the degree of integration with international trade and global markets

PARSHURAM RAY

IT IS NOW WELL RECOGNISED, even by the government, that Indian agriculture is facing a serious crisis. Over 40,000 farmers are estimated to have committed suicide since 1997.

The reported incidents of farmer suicides represent just the tip of the iceberg called distress in the rural economy. For every case of reported farmer suicide, there are at least 100 farmers who have not committed suicide but who face similar or even worse economic conditions. However, the government, the media and many non-governmental organisations (NGOs), while constantly debating the tragedy of farmer suicides, do not engage with the larger issues of the disastrous predicament of the farm sector and/or the pain and suffering in rural areas.

Even official surveys now reveal that the average Indian farmer earns less than an unskilled daily wage worker. In other words, farmers have slipped to the bottom of the economic pyramid. Several villages in Maharashtra and Punjab have literally put themselves up for sale, and indebted farmers in some villages have opened 'kidney sale centres' in a desperate attempt to rid themselves of huge debts. Thousands of farmers have written to the President of India seeking his permission to commit suicide.

The most interesting aspect of the farming crisis, or farmer suicides, is that the severity of the crisis is directly proportionate to the degree of integration with international trade and global markets. Farmer suicides are happening mostly in the so-called 'developed' states of India — Punjab, Maharashtra, Andhra Pradesh, Karnataka and Kerala. In these states, agriculture has become highly commercialised and hence vulnerable to volatilities in the international market. There has been no case of farmer suicide in the so-called 'backward' states of Uttar Pradesh, Bihar, Jharkhand, Orissa, West Bengal, and in the northeastern region.

The World Trade Organisation-driven (WTO) free trade regime in agriculture is widely regarded as the chief reason behind the widespread farming crisis and farmer suicides. As a result of the WTO, Indian farmers are unable to get remunerative prices for their agricultural produce in the export market. This is mainly due to the fact that global prices for most agricultural products are depressed.

Liberalisation of the Indian economy, introduced during the early-1990s, was initiated with a view to accelerating agricultural growth by ending discrimination against agriculture. The idea was to turn the terms of trade in favour of agriculture through a major, real devaluation of currency and an

increase in the output prices of agriculture. During that period, the annual Economic Survey was in an upbeat mood, predicting substantial gains for India from increased agricultural exports running into billions of dollars.

Such exponential growth was expected to have a significant impact on poverty reduction and, thereby, a positive impact on the livelihood security of hundreds of millions of rural poor. Numerous studies have shown that the sector that has the most beneficial effect on poverty reduction is agriculture. Agriculture is a major sector in India, accounting for 38% of Gross Domestic Product (GDP) in 1980, and declining but still remaining a significant 27% in 2000. It also accounted for 62% of employment as recently as 1998, and since then there has been no major decline. Consequently, any significant growth in agriculture is viewed not only as a means of achieving food security but also as a strategy to fulfil the broader goal of poverty eradication. After all, in a country that has over 600 million farmers, sustainable agriculture is the only way to provide viable livelihoods for a substantial section of the population.

Nearly 15 years after the ushering in of economic liberalisation, rather than experiencing unprecedented growth, the agriculture sector is in the grip of a severe crisis. This is reflected in a significant deceleration of growth rates in agriculture, both in terms of gross product and output. Within the crop sector alone, the growth rate of agricultural output decelerated to just 2.37% per annum during the 1990s, compared to a growth rate of 3.5% during the 1980s. This was the lowest growth achieved during any period. It has now slumped even further, reaching an abysmal 1.5% in 2004-05.

At a time when food production struggles to keep pace with population growth, farmers are being asked to diversify, produce crops that are suitable for export, and compete in the international market. With the promise of cheap food available off the shelf in the global market, the focus has shifted from agriculture to industry, trade and commerce, from small and marginal farmers to agri-processing companies. The WTO Agreement on Agriculture and other trade liberalisation measures have not only shifted the focus to export-oriented cash crop agriculture but also opened the door to cheap imports into developing countries.

India is no exception. Cheap food imports depress prices for domestic produce. Large-scale cash crop cultivation not only shifts land away from basic food production, it also leads to the

concentration of land and resources in the hands of big farmers, landlords and private companies. This kind of agriculture also accelerates the depletion of the natural resource base. Meanwhile, the withdrawal of state subsidies and institutional support to agriculture has pushed up the cost of agricultural inputs and production.

All this has led to marginalisation, displacement, loss of land, and greater poverty among small farmers. Many small farmers have become daily wage workers, receiving low wages. Others have migrated to urban centres in search of menial jobs, often leaving an extra burden (of the farm as well as domestic work and the responsibility of looking after the family) on women. In other words, economic liberalisation is impacting not only food security at the household level but also the sustainability of livelihoods.

Over the past few years, ever since economic liberalisation became the development mantra, Kerala has been at the receiving end. Flooded with cheap and highly subsidised agricultural imports, its agrarian economy has been thrown out of gear. Whether it is the import of palm oil, rubber, coffee or spices, almost every aspect of the state's socio-economy has been negatively impacted.

It is now a well-known fact that the European Union provides dairy farmers with a daily subsidy of US\$ 2.7 per cow, the

United States US\$ 3 per cow, and Japan three times that: US\$ 8 per cow. Meanwhile, half of India's 1,000 million people live on less than US\$ 2 a day.

Although the annual subsidies, amounting to over US\$ 360 billion, given by countries belonging to the Organisation for Economic Cooperation and Development (OECD) to their farmers have remained intact, in one form or another India was forced to lower its tariffs and remove all quantitative restrictions by April 2001. With the result that imports of agricultural commodities have multiplied over the years. In the post-globalisation period between 1996-97 and 2003-04, imports increased by 375% in volume, and 300% in value terms. For an agrarian economy, importing food is like importing unemployment.

Coconut prices have crashed, rubber prices have plummeted and coffee prices have declined. Even spices have not been spared, with pepper prices falling steeply. The travails of the plantation sector in Kerala alone, in the era of globalisation, symbolise the tragedy of an unjust trade regime. Over a million people depend on tea plantations for their living. Of the 32 tea factories functioning in one of the popular tea-growing regions of the state — Peermade taluka — 18 have pulled down their shutters. Another 13 tea estates have been abandoned by their owners, leaving some 30,000 people jobless in the high ranges. India produces 850 million tonnes of tea annually; internal



consumption amounts to 670 million tonnes. Until the WTO regime began, plantation products from Kerala — tea, coffee, cardamom and pepper — found excellent spice markets and earned considerable foreign exchange.

Kerala is not alone. The destructive fallout from the emerging global trade paradigm has been felt all over the country, though not in the same magnitude. Coffee plantations have laid off over 25% of their workers in the southern provinces of Karnataka and Tamil Nadu. More than 63% of edible oil, worth US\$ 3.2 billion a year, is now imported. Ten years ago, India was almost self-sufficient in oilseed production. The lowering of tariffs has forced farmers to abandon the cultivation of oilseeds. Not long ago, India recorded a spectacular increase both in area under oilseeds as well as output. Production doubled from 11 million tonnes in 1986-87 to around 22 million tonnes in 1994-95, justifying the term ‘yellow revolution’. The near self-sufficiency in edible oil was, however, not palatable to the economic pundits as well as so-called ‘market forces’. Whilst acknowledging that oilseeds had demonstrated a rate of growth that exceeded the national trend, the World Bank called for the discarding of policies that had brought about this positive change. The Bank’s argument was that India lacked a “comparative advantage” in oilseeds vis-à-vis production trends in the US and EU, and should, therefore, be importing edible oil. This, despite the known fact that the support prices paid to Indian groundnut and mustard-growers were less than the support prices paid to groundnut and mustard farmers in the US and Europe.

What the World Bank also did not acknowledge was that the selling price of India’s oilseeds per tonne was equivalent to the production cost of one tonne of oilseeds in the US. Moreover, production costs in the US would have been even higher if the massive subsidies it doles out to its farmers were to be withdrawn. In fact, it is the US that suffers from a “comparative disadvantage,” given the reality that its subsidies distort prices. The US and, more importantly, the EU should therefore be importing edible oil from India every year, given the latter’s advantage of cheap production costs.

Ignoring the ground realities, and blindly following the World Bank’s flawed prescription (under pressure, since India was restructuring its economy in accordance with the Structural Adjustment Programme), the country began the process of phased liberalisation of edible oil imports from 1994-95

Farmer suicides are happening mostly in the so-called ‘developed’ states of India — Punjab, Maharashtra, Andhra Pradesh, Karnataka and Kerala

onwards. This was at a time when edible oil-exporting countries like Malaysia, Indonesia and Brazil were preparing to flood the Indian market with palm and soya oil. Two years later, the negative consequences of liberalising the edible oil policy became clearly visible. With the country’s edible oil import bill soaring to nearly US\$ 1 billion during 1996-97, it was the ministry of agriculture that finally pressed the panic button.

While wholesale prices of edible oil rose by an estimated 14%, production slackened. The only beneficiary of the government’s ‘disastrous’ policy was private trade, which imported sunflower oil and palmolein at approximately Rs 22,000 per tonne and, after blending it with groundnut and mustard oil, sold the mixture for Rs 38,000 per tonne. The free import regime benefited neither farmer nor consumer.

In a complete reversal of the objectives enshrined in the ongoing Technology Mission for Oilseeds, imports of vegetable oil rose three-fold between November 1998 and July 1999. Compared to the import of 1.02 million tonnes in 1997-98, imports multiplied to 2.98 million tonnes in 1999. In 1999-2000, India imported 5 million tonnes of edible oil, thus, once again, emerging as one of the biggest importers of edible oil in the world. In 2005, the import bill soared to \$ 3.2 billion. Since most of the oilseeds grown in India are dryland crops, the adverse impact is being felt by millions of farmers languishing in harsh environs in the country. With their economic livelihood lost to edible oil imports, more and more oilseed-growers, particularly coconut farmers in Kerala, began to commit suicide.

India is one of the biggest producers of vegetables in the world. While nearly 40% of vegetables produced in the country rot because of post-harvest mismanagement, imports of vegetables have almost doubled in just one year — from Rs 92.8 million in 2001-02 to Rs 171 million in 2002-03. Imports crossed 2.7 million tonnes, valued at Rs 480 million, in 2003-04. Ironically, what is being imported — peas, potatoes, garlic, cashew, dates, gherkins — are crops that the country has a surplus of, and a comparative advantage. But, while Indian exports are rejected on account of non-tariff barriers, imported vegetables flood the domestic market.

Brazil’s dispute with the US on cotton subsidies notwithstanding, the import of raw and waste cotton has also multiplied. In 2003-04, India imported 300,000 tonnes of cotton, valued at Rs 22,000 million, which constitutes roughly 9% of domestic production. Such heavy imports have depressed domestic prices, as a result of which farmers are forced to ‘distress sell’. Cotton prices have dipped by about 20%. No wonder that the majority of farmers who have committed suicide in Andhra Pradesh and Maharashtra are cotton-growers.

To understand the full impact of international trade on national food security, it is necessary to explore the internal dynamics and imperatives of globalisation on agriculture. Commercial farming is a double whammy. It preys on both producer and consumer by controlling the supply side as well as the demand side. On the one hand, it pushes small and marginal farmers out of business by dumping highly subsidised farm products and killing off domestic production. On the other hand, it facilitates profiteering by grain traders like Cargill that create



artificial scarcities of food products through hoarding. For example, while Indian wheat producers were forced to sell their produce at Rs 500-600 per quintal last year, the same wheat was subsequently sold in the market at Rs 1,000-1,200 per quintal. It is now an established fact that government subsidies to farmers in Western countries damage the livelihood of farmers in developing countries. A report by ActionAid says: "The subsidies have led to overproduction and dumping — exporting at prices below the cost of production — which is throwing small farmers in developing countries out of business." The report, titled 'Farmgate: The developmental impact of agricultural subsidies', says rich countries are practising double standards: "Protection for the rich and the free play of market forces for the poor." Industrially developed countries have put pressure on developing countries to reduce or eliminate subsidies, but have not done the same on home ground. Farm subsidies in the EU and the US have encouraged over-production, distorted trade and depressed prices: farm goods from these countries are made available in world markets at artificially low prices, resulting in the dumping of cheap, subsidised produce in poor countries.

For instance, each tonne of EU wheat is now sold in the international market at a price that is 41% below the cost of production, up from 33% in 1997. The EU has historically ensured that returns to its wheat farmers are artificially high, by using a combination of market price support — including through intervention buying and export subsidies — and direct payments. In 2000, there was a sudden and dramatic increase in the volume of cheap, duty-free wheat flour imported by Kenya from Egypt, undercutting local prices by up to 50% and threatening the livelihood of about 500,000 Kenyans

dependent on wheat for their income. In 2000-01, the US and the EU together supplied Egypt with almost 4 million tonnes of the grain. Significant quantities of this were dumped. "There are strong suspicions," says the ActionAid report, "that subsidised US and possibly EU wheat has been used to manufacture the flour in Egypt that has been sold to Kenya at cheap prices."

Cheap wheat exports from the US to Nigeria have nearly doubled since 2000, and are having a detrimental impact on the country's production of staple foods. Subsidised wheat coming into Bangladesh as food aid is also having a negative effect on local farmers. The Washington-based International Food Policy Research Institute says food aid helped undercut prices for local wheat producers, acting as a disincentive for the country to become more self-reliant and grow its own crops.

The Indian government's decision to import wheat is the direct result of mismanagement of stocks and the failure to procure adequate quantities to maintain a buffer. The government deliberately reduced wheat procurement to cut its subsidy bill. Now, it will pay 50% more for imported wheat. The government has allowed private and multinational traders to play on the foodgrain market, and this has resulted in hoarding even as the Food Corporation of India has been unable to meet the demands of the Public Distribution System (PDS). At the same time, sharp increases in the prices of wheat, atta and bread have hit the Indian consumer hard without any benefit to Indian wheat producers.

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Subsidising suicides

Cotton has become a symbol of the inequities and distortions of global trade, demonstrating how agricultural subsidies in developed countries devastate farmers in developing countries

JAIDEEP HARDIKAR

SHRIKRISHNA GANGARAM RAHATE'S 30 years of experience in farming was worth nothing. He did not realise that larger factors at play accounted for most of his problems.

"He had seen crop failures, floods and droughts, but not to this extent," says his 26-year-old son Mohan, squatting on the mud floor of his hut in Kavitha village in Amravati district, Maharashtra. It is all left to an inexperienced Mohan now — to farm, tend his family and repay mounting debts. His father committed suicide on July 31, 2006, when agricultural distress grew in alarming proportions. Exactly a month ago, in the same district, the visiting Prime Minister Manmohan Singh shared the "pain" of the cotton farmers and admitted to a far deeper crisis in India's agriculture sector. During his visit, the prime minister declared a special package for Vidarbha's six districts.

"For some reason we are not getting the right price for our produce even though our production cost is shooting up every year," says Mohan. "The PM's package doesn't mention better prices or a complete loan waiver; it's of no use to us." Mohan and thousands of farmers say that what they need is proper pricing, not packaging of schemes. "Give us price, not packages," says Kaka Tadas, a veteran farmer from the same village.

Neither Tadas nor Mohan know that a complex spiral of global trade distortions is crushing their hopes of a good price. The prime minister and his entourage knew, of course. "That's why the packages," says farm activist Kishor Tiwari. "They know the wounds won't be cured, but band-aids might salvage some political ground."

As fresh suicide figures break previous highs every day in the cotton country of Vidarbha, agrarian distress travels much deeper. Says P Sainath, the country's frontline commentator on the agrarian crisis: "Suicides are the most visible of the symptoms, not the crisis itself." It is the effect, not the cause, he tells us. The tragedy, though, is that even such a grave symptom has not been enough for the government to act with urgency. Tens of farmers continue to kill themselves — over 800 farmers committed suicide between July 2005 and the end of August 2006.

"If I were given a choice," says Vijay Jawandhia, a farmer leader in Wardha, "in my next birth I would like to be born a European cow — certainly not an Indian farmer." A cow in Europe gets a subsidy of US\$ 2 per day and enjoys all the comforts of life. "And here, in India, a farmer is a debtor all his life. After his

death, his son inherits his debt and has to borrow money for his funeral."

Jawandhia sums up the mood sweeping through the farming community, particularly in crisis-ridden Vidarbha. But his sarcastic remarks underline the great paradox of today's distorted global trade, touted by many economists as the answer to all woes.

For many who have been singing to the tune of the WTO, the Indian farm crisis remains an ugly fallout of "lack of enough reforms", although cotton was — and still is — the freest of all agricultural commodities. Their argument is that there are too many government strings attached to policies, and that they need to be detached for the growth and prosperity of the poor agrarian masses. A close look at the processes that plague agriculture, especially imports, contradicts these claims.

Long before acute distress set in, in Vidarbha, farmers rejoiced in near self-sufficiency on all fronts — food, clothes, seeds, fertiliser, festivals, marriages, construction. Pre-1991, nobody had ever heard of farmers taking their own lives. Veteran farmers and farm leaders in the region confirm this almost unequivocally. Farmers were poor, but they ate enough and were not caught in a debt trap.

Today, in this eastern region of Maharashtra, the green fields are transforming into killing fields. Distress is devouring the region at a much faster pace in the wake of the opening of markets. The past four years have seen hundreds of farmers commit suicide in a region rich in cotton, paddy, soybean and oranges. The past year — the 2005-06 agriculture season — saw close to 550 suicides. Over the last three months, around 300 farmers ended their lives — all due to the ruthless policies of the past decade, which pushed them over the edge. Those holding on to life have little hope of lifting themselves out of the crisis unless the state hikes its investments in the agriculture sector and takes corrective steps on the policy front. So far there have been no signs that the situation is improving. The collapse of WTO talks in Doha point to this fact.

According to several experts, cotton has become a symbol of the inequities of global trade. The case of cotton clearly demonstrates how agricultural subsidies in developed countries have had a harmful impact on farmers in developing countries. Subsidies elsewhere skew local production levels and values, undermining the income of cotton farmers in developing countries. Some of the poorest countries in the world are

cotton producers, and they stand to gain significantly from reforming trade and agricultural policies. Yet these countries face a depressed cotton market caused, in part, by rich-country subsidies.

Globally, more than 70 countries produce and export cotton. Of these, just eight countries are responsible for almost 80% of global output: China, the United States, India, Pakistan, Uzbekistan, Turkey, Brazil and Australia. World production of cotton has stagnated — in February 2001 it was 19.1 million tonnes (MT), marginally down from 19.6 MT in 1995-96, when cotton prices were 50% higher. Significantly, though, cotton remains the world's single most important fibre in textile production, with a share of about 40% in recent years.

Over 25% of global cotton production — roughly 5.4 MT — is traded internationally. The world's cotton market is dominated by the US, the second largest producer after China and the largest exporter. The country exports almost 70% of its cotton. The US is followed by Uzbekistan, Australia, Brazil and Greece, in exports. These top five exporters contributed 70% of all cotton exports in 2001. The major importers are Indonesia, the European Union, China (although it is also the largest producer), Mexico and Thailand.

Across the world, over a quarter of earnings from raw cotton production comes from government support to the sector — in other words, subsidies. Official support to the cotton sector is greatest in the US, followed by China and the European Union.

World cotton prices have dropped since 1990, mainly because of price distortions created by subsidies given to farmers in rich countries. During the 1960s, cotton prices averaged US\$ 2.31 per kilogram. During the 1990s, they dropped drastically, averaging only US\$ 1.34 per kg. The price of cotton expressed in current US dollars fell in the 2001-02 crop year to its lowest annual level in 30 years, to less than a dollar per kg. The present price is no better, hovering in the range of US\$ 1.15 to US\$ 1.20 per kg — roughly Rs 54 per kg.

World cotton prices have witnessed a sharp and steady decline ever since agriculture was opened up to free global trade in the post-WTO era. This is because, despite promises to cut protection in agriculture, there has been no reduction in the protection given to farmers in rich, industrially developed parts of the world like the US and EU. At the same time, the little protection that farmers in developing nations once enjoyed has been lifted.

For instance, in India, import duty on cotton stands at a meagre 10%, up from 5% in the 1990s. In contrast, China's import duty is 90%. Since raw cotton is an agricultural commodity, the Indian government can actually increase its tariff (import duty) to 150% — the bound tariff rate. Ironically, even the current, minimal 10% import duty can be waived if the importer promises to export the yarn in return. Many textile mills take advantage of this leeway.

Globally, governments spend as much as \$ 5.7 billion annually on cotton subsidies. The biggest subsidiser is the US. Economists estimate that US subsidies and over-production cause a 10% reduction in global cotton prices, on average. Of

the leading cotton producers, only the US provides such massive government support to its farmers. In crop year 2002, the US government provided \$ 3.4 billion in total subsidies to its cotton sector. That is more than the combined GDP of Benin, Burkina Faso and Chad — which, ironically, receive US aid. The EU and China also provide significant subsidies to their cotton producers, though not on the scale of the US, and both these regions are net importers of cotton.

By 1999-2000, eight countries had significant subsidy programmes that distorted prices. The average level of assistance provided across all subsidising countries was US\$ 0.58 per kg. At the average productivity of Indian cotton farms, this would mean that each farmer would be paid roughly Rs 13,000 per hectare in subsidy. It is important to note that this subsidy was equivalent to 48% of the world price. Naturally, this caused cotton prices to crash.

With international prices depressed and production costs rising, developed and industrialised nations take the subsidy or tariff route, or a combination of both, to protect their farmers. India, on the other hand, has shunned both options.

The EU support programme began in 1981 when Greece and Spain joined its Common Agriculture Policy (CAP). Together, Spain and Greece accounted for 2.5% of world cotton production, 6% of world exports in 2001, but a whopping 16% of world cotton subsidies. According to a detailed 2005 Oxfam report: "If the EU subsidy is removed, the cotton crop will be wiped out from Greece and Spain."

China follows a different route. Since it cannot match the gigantic subsidies of the US or the EU, it provides support to farmers through protection against imports. China's subsidy is close to US\$ 0.2 per kg. Translated in terms of productivity in Vidarbha, where 93% of cotton acreage is non-irrigated and soil quality is poor (300 kg per hectare), it would stand at US\$ 60 per hectare, or Rs 3,000. With the productivity of Punjab, where irrigation is more widespread (about 700 kg per hectare), it would mean Rs 6,300. It is worth noting that production costs are high in Punjab too, and farmers there are also committing suicide. In China, with yields at over 1,000 kg per hectare, farmers get close to Rs 9,000 per hectare for their cotton crop only in terms of direct subsidy. China also imposes a steep tariff on imports — up to 90%, compared to global tariffs of 5.3%.

In the US too, cotton production has reached historic highs in recent years. However, with domestic demand for cotton having slumped, exports have surged. In crop year 2003-04, the US exported 76% of its cotton production and took a 41% share of world exports. These drastic increases could not have been accomplished without government support. According to the US department of agriculture, without subsidies the average US cotton farmer would have lost \$ 871 for each acre planted with cotton over the past six years. All told, between crop years 1998 and 2002, the US spent \$ 14.8 billion on cotton subsidies. Harvesting government subsidies is nearly as lucrative as growing cotton there. Without subsidies, most US cotton production would simply not be economical.

From a share of 18.16% in 1998-99, America's share in world exports jumped to 38.96% in 2002-03 and then reached 41% in the 2003-04 crop year. Indian cotton imports rose sharply in the same period, crushing local cultivators. In 2004-05, global prices stood at around 50 cents per pound, the seventh year in succession that they were below the long-term average of 72 cents per pound. Even the most efficient producers in India are now operating at a loss, unable to cover the costs of production.

Marketing projections by the International Cotton Advisory Committee (ICAC) suggest that prices will remain “chronically depressed in the foreseeable future”. Forecasts point to a modest recovery, but prices look likely to remain at 50-60 cents per pound until 2015, if present conditions continue. Using its world textile demand model, the ICAC indicates that a withdrawal of American cotton subsidies would raise cotton prices by 11 cents per pound, or by 26%. Governments in developing nations cannot pay their farmers a realistic price because US subsidies help its farmers grow surplus cotton, creating a glut in the international market and causing international prices to crash.

The subsidy-based surplus crushes cultivators in a country like India in two ways. Without direct subsidies, Indian farmers cannot compete with the artificially depleted prices prevailing in

the international market. To make matters worse, the domestic textile industry opts for cheap imported cotton instead of what is grown by farmers in the country. The crash in international prices thus leads to a crash in local markets. At a time when production costs are spiralling, this is clearly disastrous for local cultivators.

Contrast the subsidy bills of developed countries with the scenario in India. A briefing paper prepared by the Centre for Science and Environment (CSE), New Delhi, for its round table discussion on 'The fabric of cotton: seeds, farmers and textiles', on July 10, 2006, points out that the Government of India does not give its cotton farmers any direct subsidy. It buys the crop based on the annually calculated cultivation cost, through a minimum support price. If the market price is higher, farmers can sell in the open market (except, until recently, in the case of Maharashtra: till 2002-03, the state had a monopoly cotton procurement scheme in place). At best, it offers a floor price, but not a subsidy. The only subsidy for agriculture — including cotton — is the annual fertiliser subsidy that is paid to the manufacturing company and not directly to the farmer (it has the indirect benefit of containing fertiliser prices, to some extent). The per capita subsidy has been calculated by officials in the ministry of commerce as averaging a low Rs 12, mostly because of the trickle-down effect of the fertiliser subsidy provided to manufacturing units.

Desmond Roberts



Taking into account the number of farmers involved in cotton farming in India — estimates suggest that 60 million farmers depend on cotton for their livelihood — government support amounts to a measly Rs 5 crore annually. It is often argued that the government also gives farmers free power to energise their wells, and that this must be viewed as a subsidy. But the fact is that the government provides this 'subsidy' in the absence of infrastructure needed for irrigation.

The late-1990s witnessed a spurt in cotton farmer suicides, as their indebtedness grew. The suicides can also be linked to the fact that both the state and central governments steadily lifted even the little protection that marginal farmers enjoyed until then: an assured buyer in the form of the government, a guaranteed price higher than the minimum support price, and access to institutional credit.

Traditionally, India has been a net cotton exporter. But, by 1998, the country emerged as a major importer due to several policy changes. Imports were liberalised when the Cotton Corporation of India's (CCI's) import monopoly was terminated in 1991. Now, imports are subject to the Open General Licence (OGL), which allows for unrestricted imports even by private traders. To attract imports — on the ground that cheap raw material will help boost the textiles sector — the duty was initially brought down to zero. However, at that time, domestic prices were competitive. Imports rose sharply with the decline in world prices. This meant that, in order to compete, Indian cotton farmers had to reduce their prices considerably.

The late-1990s saw precisely that trend — a steep decline in raw cotton prices. Between 1980 and 1995, says a recent Oxfam report, Indian prices for extra-long staple and short staple cotton lint were, respectively, 40% and 15% below world price levels. A fixed and distorted world price has meant disaster for farmers in Vidarbha. For, even as the Indian government has been lifting subsidies here, European and American farmers continue to receive huge direct subsidies.

While cotton prices have declined by over 60% since 1995, US subsidies to its barely 25,000-strong cotton farmers reached \$ 3.9 billion in 2001-02, double the level of subsidies in 1992. Interestingly, the value of subsidies provided by American taxpayers to the cotton barons of Texas and elsewhere, in 2001, exceeded the market value of cotton output by 30%.

To put this figure into perspective, according to an Oxfam report, that subsidy was nearly twice the total US foreign aid to sub-Saharan Africa.

There is another dramatic fallout: subsidies in the developed world deepen poverty in the developing world. An International Food Policy Research Institute (IFPRI) report in 2005, focusing on Benin, indicates that a 40% reduction in farm-level cotton prices leads to a 21% reduction in income for cotton farmers, and results in a 6-7% increase in rural poverty.

It is clear that major policy shifts in domestic pricing and support, together with falling global prices and rising imports, have resulted in huge financial losses for the Indian farmer. Despite fluctuating productivity, farmers like those in Vidarbha are being forced to sell their cotton at prices far lower than



Desmond Roberts

their current costs of production. And this does not take into account interest on loans they take from private moneylenders or government institutions. Even in Gujarat, farmers are able to survive and recover their production costs only because of low input costs. But they stand on the brink, with no margin of error.

India's Minister for Agriculture Sharad Pawar says: "The country's agriculture sector is suffering in part due to the unequal nature of global trade." He confirmed in May that between 1993 and 2003, at least 100,000 farmers had killed themselves because of their inability to repay loans. That's an average of 10,000 deaths every year. These victims of unfair global trade are often more numerous than the victims of war. But they die unseen, unheard and unsung.

Jaideep Hardikar is a Nagpur-based journalist who has been covering the agricultural crisis for the last several years

Cotton crisis

Photographs and text by DESMOND ROBERTS



Once, there were good yields and good prices for cotton: Ram Reddy, one of the largest farmers of Uglapur village, Andhra Pradesh, remembers a time when the cotton crop meant wealth and security. He has been planting cotton on his 6 acres of land since the 1980s. “Because of the cotton crop, we built good homes, we could educate our children, life had improved,” he says. One of his sons now lives and works in New York, where he went to pursue an M Tech degree sponsored by a cotton-serviced loan his father took. “That was a time when we used to get a good yield from cotton and a good price for our stock,” reminisces Reddy. Now, things are different. Most farmers in this 500-household village still devote a significant part of their marginal landholdings to cotton. “We live in the hope that if it rains, the yields may increase, the prices may improve. We keep waiting, telling each other — better prices are coming, coming, coming... but each year we sell at a loss.”

Waiting to sell: A woman waits atop the bales she would like to sell, but the market is closed.



Input costs are spiralling: “You don’t just buy pesticides once and think ‘that’s it, I’ve got all I need, I can stop now,’” explains M Sambasiva Reddy, a cotton cultivator from Seetampett. “There are different pesticides for hybrid varieties every year; then you end up buying different pesticides even during the season. Often, if a spraying doesn’t get rid of the bugs, I go back to the shop and they tell me, ‘now try this one, it’s really good, it will do the job’...so I buy another. Some farmers lose track of the number of times they spray their fields. Sometimes I lose count myself!”

A blustery day in Warangal agricultural market: Farmers bring their produce here, get it weighed and labelled. Then the price is negotiated between the farmer and the dealer, depending on the going rate at the market and the best price being offered by buyers. Sellers pay their agent a commission for the transaction; buyers pay nothing. The rate is volatile. P Krishna Rao says: "I have sold leftover stock from last year. I had been holding onto it thinking that prices would increase; the slight upward trend last year had given me this hope. But I am selling now, at a loss."



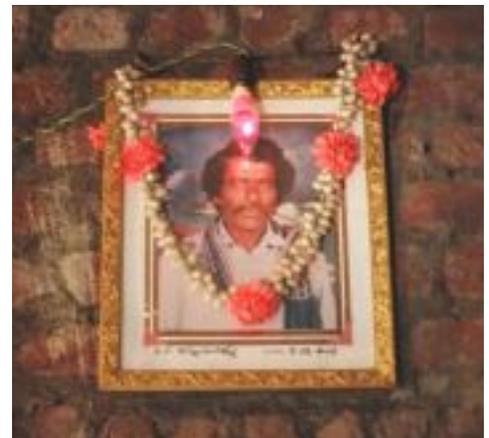
Dadi Kumraiyya's struggle: The idea of growing cotton without using hybrid seeds or expensive chemical inputs is one that now requires a substantial leap of the imagination for farmers. It was a feat that 40-year-old Dadi Kumraiyya could not accomplish. To pay for frequent applications of pesticide and fertilisers, he took loans from relatives and private moneylenders at interest rates ranging between 2-3% per month. Stagnant prices, low yields and high investments eventually created a situation where he owed Rs 4 lakh. "We had just got our elder daughter married," recalls his wife, Dadi Ramma. "He would constantly worry about his debt, about the fact that he had another daughter to marry off. I told him we would manage, but it didn't help. Where will we get the dowry from, how will we pay for our son's education — these thoughts would torture him day and night." Finally, they drove Kumraiyya to drink a bottle of the same pesticide he used on his fields. His wife sold their two acres of land and used part of the compensation paid by the state government to reduce her debts to Rs 1.2 lakh, but the family is painfully aware that they are still on the brink. Ramma now works as an agricultural labourer for a daily wage of Rs 75; her children join her on holidays. Ask them if they are set against farming and they all shake their heads in a collective 'No'. If the state gave them land they would farm it, and they would use the same techniques and inputs that their father used. Despite knowing that these cost him his life? They looked at us, surprised. "Yes, they are difficult to afford, but what can be done? They are compulsory."



A fresh load of cotton gets into Sri Balaji Mills: The cotton is painstakingly hand-graded by 200 women labourers, and then taken to the ginning area where it is processed, packed and finally transported to spinning mills in Tamil Nadu. "Now, some mills in Tamil Nadu have started depending more on imported cotton, from Pakistan or China. It is cheaper," says V Sunil, the cotton clerk at Balaji Mills.



The final, desperate act: The farmer in the close-up committed suicide by hanging himself in this room.



Building a global partnership for development

Goal 8 of the MDGs is about building a global partnership for development, an external economic environment that is favourable for development. From this perspective, the prevention of development-distorting rules, measures, policies and approaches should be the overriding concern of the WTO

MARTIN KHOR

THE ORIGINS OF THE MILLENNIUM DEVELOPMENT GOALS (MDGs) lie in the United Nations Millennium Declaration, adopted by all 189 UN member states (147 of them represented by their heads of state or government) on September 8, 2000. The Declaration embodies many commitments for improving the lot of humanity in the new century. Subsequently, the UN Secretariat drew up a list of eight MDGs, each of them accompanied by specific targets and indicators. This paper provides a view on Goal 8, which is to “develop a global partnership for development”. Seven targets are listed under Goal 8, as well as 17 indicators. The selection of indicators is subject to further refinement.

Goal 8 is extremely critical in the overall scheme of the MDGs as it is the only goal that generally and specifically covers international relations. As is generally accepted, successful development efforts require appropriate policies at both domestic and international levels. International factors have become proportionately more important in recent years, as a result of the globalisation process. Developing countries have generally become more integrated in the world economy and thus their development prospects and performance are more dependent on global economic structures and trends. More importantly, many policies that used to be made solely or primarily at the national level are now very significantly influenced or shaped at international fora and by international institutions.

This applies especially to those developing countries that are dependent on international financial institutions for loans and debt restructuring, and have to abide by loan conditionalities. However it also applies to most developing countries that are members of the WTO, as they are obliged to align or re-align national laws and policies to conform to the WTO's legally binding agreements. Thus, the “external economic environment” (comprising global economic structures and trends, and the policies determined or influenced by international agencies such as the International Monetary Fund, the World Bank, the WTO, the UN, and developed-country groupings such as the Group of Eight, the Organisation for Economic Cooperation and Development, and bilateral aid agencies) does impact tremendously on a typical developing country.

In the context of the MDGs, the extent to which a developing country is able to make progress on many of the goals (especially Goal 1 — to eradicate poverty and hunger — but

also Goals 4, 5 and 6 relating to health, and Goal 7 on environmental sustainability) depends not only on domestic policy choices, but also on how “friendly” or “hostile” the external economic environment is to that country. Four examples can illustrate this.

The continuous fall in the prices of export commodities has caused tremendous income and foreign exchange losses to many developing countries, and is a major cause of persistent or increased poverty at the local/community level.

The financial instability and sharp currency fluctuations caused by large inflows and outflows of external funds have led many developing countries (including those considered the most successful among them) into financial and economic crises, with dramatic and sudden sharp increases in poverty rates.

Many developing countries have suffered declines in, or threats to their industrial jobs and farmers' livelihoods as a result of inappropriate import liberalisation policies, partly or mainly due to external policy influences resulting from loan conditionalities or multilateral trade rules.

Cutbacks in social sector expenditure, as well as the introduction of the “user-should-pay” principle, as a result of structural adjustment policies in the past, have been identified as a significant factor for the deterioration of social wellbeing of vulnerable and poor groups in several developing countries.

These examples, as well as a continuation of the debt crisis in many countries, show that attempts to improve domestic policies, however exemplary, are insufficient if developing countries are to attain the MDGs. This underlines the importance of developing a “global partnership for development” to underpin or at least to accompany other efforts at attaining all the goals.

Another general point is that in the effort to meet the MDG targets, “getting policies right” is of crucial importance. If economic and social structures are inequitable, and if policies (either for preserving the status quo or for reform) are inappropriate, then the mere expansion of funds and programmes in a country would not be enough, and may indeed increase the problems. This applies to structures and policies at both national and international levels. Efforts to attain Goal 8 for developing global partnerships should, therefore, as a priority, focus on getting international economic structures, policies and rules right.

The rest of this paper will further discuss this aspect...

Conclusions and proposals on WTO

In the context of the MDGs, there is a clear rationale for improving and reforming the WTO system of multilateral rules and decision-making process. Developed countries need to provide greater opportunities for developing countries, so that the latter's export opportunities can expand. If this is done properly, it can lead to increased export earnings, foreign exchange and income, thus helping provide the extra resources for financing measures to meet the MDGs. However, it must be recognised that many developing countries will be unable to take up the opportunity because of supply-side constraints. On the other hand, the problems caused to developing countries by the existing agreements need to be rectified. Failure to do so can adversely affect the realisation of several of the goals. Failure would hinder efforts towards achieving the global partnership for development inherent in Goal 8, since WTO rules are today recognised as representing an unequal partnership between North and South.

For example, by allowing artificially cheap subsidised imports to threaten small farmers' livelihoods in developing countries, the Agreement on Agriculture would threaten the realisation of Goal 1 (eradicate poverty and hunger). Unless there is a satisfactory clarification or amendment of the TRIPS Agreement, access to healthcare and other services will be adversely affected, thus threatening Goal 6 on combating HIV/AIDS and other diseases. The pressures for liberalising services under the GATS Agreement could adversely affect access of the public, especially the poor, to essential services such as education (thus affecting Goal 2), healthcare (thus affecting Goal 4, 5 and 6), and water supply (thus affecting Goal 7 on the environment).

The following measures are thus proposed in order to further the goal of developing a global partnership for development:

(1) Developed countries should commit to meaningfully opening their markets to developing countries in sectors, products and services in which the latter are able to benefit. These include textiles, agriculture, and products processed from raw materials, as well as labour services. A meaningful expansion of market access for developing countries would be able to provide large opportunities for earning more revenue that could be the basis for significant extra financing to meet the MDGs.

(2) The process in the WTO of reviewing implementation problems arising from existing agreements should result in appropriate changes to the rules or authoritative interpretations of the rules that help resolve the imbalances and the problems facing developing countries. For example, the following are among the changes that should be considered:

(a) Developing countries should be given adequate flexibility in implementing their obligations in the Agreement on Agriculture on the grounds of the need for food security, defence of rural livelihoods and poverty alleviation. In developing countries, food produced for domestic consumption and the products of small farmers should be exempted from the agreement's disciplines on import liberalisation and domestic subsidies.

(b) In the agreement on Trade-Related Investment Measures (TRIMs), "investment measures" such as the local content requirement (obliging firms to use at least a specified minimal amount of local inputs) and foreign exchange balancing (limiting the import of inputs by firms to a certain percentage of their exports) have been prohibited. Such measures had been introduced to protect the country's balance of payments, promote local firms and enable more linkages to the local economy. By prohibiting them, developing countries stand to lose some important policy options to pursue their industrialisation. The TRIMs Agreement should be amended to provide developing countries the flexibility to continue using such investment measures to meet their development goals.

(c) The TRIPS Agreement should be amended to take into account development, social and environmental concerns. For example, full clarification or amendments are still required to ensure that members can effectively take measures to provide medicines at affordable prices. Members should also be allowed to prohibit the patenting of life forms, and to protect the traditional knowledge and practices of farmers, indigenous people and local communities. Other amendments are also needed to re-balance the agreement towards the interests of consumers and technology users in developing countries. The issue of whether IPRs should be covered at all under the WTO should also be reviewed.

It should be clarified that essential services required by the public, and especially by the poor, such as water supply, healthcare and education, should or can be exempted from the general rules and the specific sectoral schedules of the General Agreement on Trade in Services (GATS).

(3) There should be a re-orientation in the operational principles and rules of the WTO so that the development principle is accorded the highest priority. The preamble to the Marrakesh Agreement recognises the objective of sustainable development and also the need for positive efforts to ensure that developing countries secure a share in international trade growth commensurate with the needs of their economic development.

The objective of development should become the overriding principle guiding the work of the WTO, and its rules and operations should be designed to produce development as the outcome. Since developing countries form the majority of the WTO membership, the development of these countries should be the first and foremost concern of the WTO. The test of a rule, proposal or policy under consideration in the WTO should not be whether this or that is "trade distorting" but whether it is "development distorting". Since development is the ultimate objective, whilst reduction of trade barriers is only a means, the need to avoid development distortions should have primacy over the avoidance of trade distortion. So-called "trade distortions" could, in some circumstances, constitute a necessary condition for meeting development objectives. From this perspective, the prevention of development-distorting rules, measures, policies and approaches should be the overriding concern of the WTO. (TWN 2001)

The re-orientation of the WTO towards this perspective and approach is essential if there is to be progress towards a fair and balanced multilateral trading system with more benefits rather than costs for developing countries. Such a re-orientation would make the rules and judgment of future proposals more in line with empirical reality and practical necessities. Taking this approach, the goal for developing countries would be to attain "appropriate liberalisation" rather than to come under the pressure of attaining "maximum liberalisation". The rules of the WTO should be reviewed to screen out those that are "development-distorting", and a decision could be made that, at the least, developing countries be exempted from being obliged to follow rules or measures that prevent them from meeting their development objectives. These exemptions can be on the basis of special and differential treatment.

(4) The next phase of the WTO's activities should focus on the above three areas in order that the review of existing rules, the realising of opportunities in the developed countries' markets, and the re-orientation of the WTO to developing countries' needs and interests can be carried out. These processes would in themselves be a massive task, requiring the commitment, energy and resources of all WTO members. However, this is urgently needed to build a mutually beneficial multilateral trading system.

(5) The proposal to begin negotiations on "new issues" (especially investment, competition, transparency in government procurement) after the WTO Ministerial Conference in Cancun in September 2003 should be withdrawn as this would not only distract and detract from the tasks of reform detailed above, but also add new, heavy obligations onto developing countries and render the WTO system much more imbalanced.

(6) The process of decision-making in the WTO must be democratised, made more transparent and enable the full participation of developing countries. At present, the system of participation is flawed. The so-called 'consensus system' enables developed countries to pressurise developing countries to accept what has been agreed among the former. Moreover, non-inclusive and non-transparent processes are used, especially surrounding the ministerial conferences, during which the key decisions are taken.

For example, at the Singapore Ministerial Conference in 1996, only 30 countries were invited to the "informal" meeting where the major decisions were taken, and the remaining countries were asked to accept the decisions on the last night. At the Doha Conference in 2001, the proposals of a majority of developing countries on key subjects were not included in the drafts of the Declaration, despite their objections. This put them at a great disadvantage. The decision-making processes should, therefore, be reformed, and the absence of such reform would make it difficult or impossible for the other improvements being suggested.

At the very least: (a) All members must be allowed to be present and participate in meetings. (b) The views of all members must be adequately reflected in negotiating texts. (c) Pressure should not be applied on members to accept the views of other members. (d) Adequate time must be given to all members to

consider proposals being put forward. (e) The practice of late-night exclusive meetings at ministerial conferences should be discontinued.

(7) There should also be a rethinking on the scope of the WTO's mandate over issues, and the role of other agencies. It is misleading to equate the WTO with the "multilateral trading system", as is often done in many discussions. In fact, the WTO is less than and more than the global trade system. There are key issues regarding world trade that the WTO is not seriously concerned with, including low commodity prices. On the other hand, the WTO has become deeply involved in domestic policy issues such as intellectual property laws, domestic investment and subsidy policies. There are also proposals to bring in other non-trade issues, including labour and environment standards, as well as investment and competition.

The WTO and its predecessor, the GATT, have evolved trade principles (such as non-discrimination, MFN and national treatment) that were derived in the context of trade in goods. It is by no means assured or agreed that the application of the same principles to areas outside of trade would lead to positive outcomes. Indeed, the incorporation of non-trade issues into the WTO system could distort the work of the WTO itself and the multilateral trading system. Therefore, a fundamental rethinking of the mandate and scope of the WTO is required. Firstly, issues that are not trade issues should not be introduced in the WTO as subjects for rules. Secondly, a review should be made of the issues that are currently in the WTO, to determine whether or not the WTO is the appropriate venue for them (the obvious issue to consider here is IPRs).

The processes of reviews, reforms and changes suggested for the WTO above are important elements that will contribute towards MDG 8: 'Developing a global partnership for development'. In fact, the above measures could be included as new targets, with accompanying indicators. Within its traditional ambit of trade in goods, the WTO should re-orient its primary operational objectives and principles towards development, as elaborated in the sections above. The imbalances in the agreements relating to goods should be ironed out, with the "re-balancing" designed to meet the development needs of developing countries and to be more in line with the realities of the liberalisation and development processes.

With these changes, the WTO could better play its role in the designing and maintenance of fair rules for trade, and thus contribute towards a balanced, predictable international trading system which is designed to produce and promote development. The WTO, reformed along these lines, should then be seen as a key component of the international trading system, co-existing, complementing and cooperating with other organisations, and, together, the WTO and these other organisations would operate within the framework of the trading system, in a "global partnership for development".

Excerpts from a paper by Martin Khor; the complete paper is available on the website of Third World Network: http://www.twinside.org.sg/crisis_10.htm. The site also offers updated news and analysis of trade-related events and issues

MDGs and the free trade mantra

The Millennium Development Goals address targets and percentages without relating these to the effect of structural inequalities, denial of social justice, economic inequities and the imposition of adverse policies. How then can the MDGs usher in a just new world order?

RAHUL GOSWAMI

A PERSISTENT FICTION of our times is that the concept of development exists as a subset of global trade and the regimes that control it. At its most fundamental, the free trade ideology is designed to be and is used as a means of domination over the resources and livelihoods of the peoples of the South. The World Trade Organisation (WTO) — which was created to regulate (most) world trade — and international financial institutions have as their mandate the protection of this ideology. That is why they say, in a hundred tongues through a myriad media: “The solution for poverty is trade.” It is the “in trade we trust” currency we are being asked to adopt as the measure of all things.

Shorn of the thickets of legalese and minus the expensive seminar and conferencing and portentous agenda-setting, the discussion about world trade is a simple one. The ideology of world trade permits and seeks to extend a basic rule of misdirection — the global focus on poverty and the identification of ‘the poor’ (and their countries, or societies) as ‘the problem’. It is, rather, the quantity of wealth, its concentration and its protection that is the problem. It is wealth that creates the poverties that so fascinate our august global organisations.

It is these poverties that came together in a missionary symphony known, since 2000, as the Millennium Development Goals (MDGs). They number eight, fine-tuned with 18 ‘targets’. They have enjoyed being the dominant buzzword of this decade in the international development aid industry, and have spawned substantial employment-generation for ‘development practitioners’, a species that is today as ubiquitous as lawyers.

It is difficult, given that they sound like earnest homilies, to take issue with the MDGs. They promise to focus global efforts to: eradicate extreme poverty and hunger; achieve universal primary education; promote gender equality and empowerment of women; reduce child mortality; improve maternal health; combat HIV/AIDS, malaria and other diseases; ensure environmental sustainability; and develop a global partnership for development.

Wonderful and stirring. How are they expected to work?

The MDGs are supposed to usher in a just new world order by employing a combination of strategies: providing more international aid to, and bringing about policy change in, developing countries. There has been abysmally little aid, and even that little has been of low quality.

Initially meant to reach 1%, and later 0.7% of the rich countries’ Gross National Product, actual overseas development assistance has steadily fallen throughout the prosperous 1990s, from 0.33% to 0.22% of the rich countries’ aggregate Gross National Product. Moreover, most assistance is spent for the benefit of agents capable of reciprocation: while India receives about \$ 1.50 annually per citizen, high-income countries like the Czech Republic, Malta, Cyprus, Bahrain and Israel receive between \$ 40 and \$ 132 per citizen annually.

Furthermore, a large part of assistance is allocated to support exporters at home, or small, affluent elites abroad, and only a tiny fraction — US\$ 4.3 billion — for basic social services targeted at the poor. If affluent countries spent as much on assistance as they have pledged to do, severe poverty worldwide could be essentially eliminated by 2015 — the date goal for the widely-hailed MDGs — if not before.

As for policy, the changes suggested and thrust upon the ‘poverty-as-problem’ developing countries typically involve free market-obsessed deregulation that has already created employment stagnation and greater income inequalities.

These contradictions appear to be entirely invisible to the official aid industry, which seems to be in a state of more or less permanent celebration vis-à-vis the MDGs. That the dismantling of states via policy ‘reform’ (call it the ‘structural adjustment’ of yore, or the ‘poverty reduction strategy papers’ currently in vogue) ensures that the MDGs, however vapid, will never be achieved is a logical loop that is happily ignored. Yet such intellectual astigmatism is not entirely unexpected, at least for those who have been observing the inner workings of the mechanisms unleashed by the processes of national and international deregulation, aided by governments left, right and centre, scurrying away from their basic social responsibilities.

Take agriculture and India. The establishment line is that India is a modern (even post-industrial) economy, whereas agriculture — and even the misnamed ‘subsistence agriculture’ — remains its base, the backbone of the functioning production-exchange cycle that enables societies to live. This is so not only in the artificially depressed prices of inputs it supplies to industry. Manufacturing growth in the country is still substantially linked to the demand generated by agricultural performance, as a rapid assessment of the last four decades of economic growth will reveal. That this is so even in agriculture’s present stunted state speaks for the sector’s vitality, and the boost that would result if it were freed of its present shackles can only be imagined.

It's clear that such freedom is unlikely to ever be enjoyed by the sector under the 'free trade is the best medicine' regime of global thought and practice. The freer movement of trade and capital has been a fundamental characteristic of the past 25 years of globalisation. The WTO's series of negotiations on the subject, initiated in 2001 officially as the Fourth Ministerial and colloquially known as the Doha Round, was the latest attempt to keep the process rolling. It now looks doomed and the deadlock between the United States, the European Union, Japan and the developing countries seems final, in this form, and therein lie the roots of another struggle.

On July 24, 2006, WTO Director General Pascal Lamy halted the five years of negotiations that began in Qatar. The talks were to yield a trade deal but broke down because the US, as usual, demanded all take and little give in return, expecting that it could strong-arm developing nations into accepting whatever it proposed, as has always been its practice. No longer, as countries with growing clout — like Brazil, India and others — refused to buckle under.

Opposition to the refusal of the US to cut its farm subsidies has been widespread enough for the European Union (EU) trade commissioner (and US ally), Peter Mandelson, to accuse the US of trying to exact a "disproportionate" price from developing countries. The grotesquely imbalanced equation is that the US refusal to cut farm subsidies elevates the wellbeing of the 2% of that country's farming population — less than 6 million farmers — above that of at least half the rest of the world — or 3 billion people — who depend on agriculture for their livelihood, including more than 60% of India's population.

In India, as elsewhere in the less industrialised world, the premise behind the push for liberalisation as a key poverty reduction mechanism is that while poor urban consumers will lose from higher food prices, a greater number of poor rural producers will gain. Research conducted by the World Bank, for example, estimates that an average 10% increase in agricultural prices as a result of liberalisation would lift 200 million people out of poverty in 72 developing countries for which data is available.

Such research makes a grossly insensitive mockery of actual conditions in India, with over 2 million farmers of Vidarbha in Maharashtra sunk in debt on account of their continuous losses in cotton farming. There, as much as elsewhere in the agricultural sector, but transformed into a horrible spectacle unfolding over recent months, the suite of problems besieging farmers has been primarily financial, policy-related and, ultimately, dictated by trade.

For all the official commiserating noises made by the authorities over Prime Minister Manmohan Singh's Rs 3,750 crore 'special package' for the affected farmers, the issue of fresh bank credit has not been resolved. Moreover, price protection for the Indian cotton crop was withdrawn under pressure from the World Bank and other international financial institutions in order to protect US cotton-growers (recipients of a \$ 2.5 billion export subsidy) who have dumped raw cotton in India. This is a constructed catastrophe that the Vidarbha Jan Andolan Samiti had

complained about and then warned against for months.

Internationally, such an agri-disaster is an indicator of how the development agendas of countries and regions are derailed by the illogic of global trade.

'Delivering on Doha: Farm Trade and the Poor', a volume published by the Institute For International Economics, warns that "recent research derived from household surveys finds that the short-term effects of agricultural liberalisation for the poorest people may be either neutral or negative. Liberalisation-induced price effects may not trickle down to poor farmers at all... to the extent that higher prices do trickle down to rural areas, other research shows they could have negative effects for the poorest people because they are often net buyers of food rather than net sellers".

Until the Vidarbha suicides, the discussion in India on economic reform was preoccupied with issues of fiscal and trade policy, financial markets and capital account convertibility. Among policymakers and the cabals that influence such groups, the perception was that reform would be more popular if it ran parallel to equal concern with standards relating to basic needs (health, education, food security, livelihood, community-building) and governance concerning basic social and infrastructure services, along with the need for greater transparency.

Hence the drive to universalise knowledge of and recognition of the MDGs, which are high-minded regarding the increasing poverty reflected in health, education and access to other basic services of the majority of the peoples of the world, but which ignore the need for environmental sustainability, growing inequities, and human rights. Just as trade regulations address mercantile and financial issues without recognising that trade is an act between peoples, so too do the MDGs address targets and percentages (for example MDG Target 10: Halve by 2015 the proportion of people without sustainable access to safe drinking water and sanitation) without relating these to the effect on real persons of structural inequalities, denial of social justice, economic inequities and the imposition of adverse policies.

Can an understanding of the link between trade and development bring about a change in India's economic agenda? The ideology of free trade contaminates policymaking, with many officials and ministers either ignorant of the link or politically helpless to act responsibly.

Unsurprisingly, the principles of free trade, which are presented as inherently good, are absent in the North's approach to agriculture. In this sector, free trade is turned on its head because the WTO has allowed the North to use trade-distorting subsidies. Thus, it is a system that suffers from a schizophrenia that the Indian government chooses not to see. The recent collapse of the Doha Round of negotiations may, in the long term, mean a significant shift in the globalising process, but what is urgently called for is a recognition of the impact of trade regimes on development.

Rahul Goswami is an independent writer based in Goa

The decline and fall of the Kerala coconut

The coconut was once the equivalent of cash in Kerala's rural economy. Not any more. Wild fluctuations in coconut prices and cheap imports of palm oil have cast a dark shadow over Kerala's coconut farmers

P N VENUGOPAL

OCTOBER 2, 2000. No, this is not about Gandhi Jayanti celebrations. It's about the burning of palm oil on the streets of Choorakundu, a small village of 16,000 people, 45 km from Kozhikode in northern Kerala. Those engaged in the 'arson' were mainly coconut farmers, up in arms against the import and sale of palm oil. The price of a single coconut had plummeted from Rs 7 to Rs 2, and that of copra (dried coconut) from Rs 40 to Rs 18. The farmers attributed this steep fall to imports of palm oil into the land of coconuts, Kerala.

Kerala, or Keralam, got its name from *ker*a (coconut). As anyone who has ever visited the state will know, no image of Kerala is ever complete without the swaying fronds of the coconut palm. For centuries, coconut trees and coconuts have played a vital role in the everyday life and economy of the state. There was a time when a mother, living on her "five cents of land" with two coconut trees, could ask her child to rush to the provision shop with two coconuts that they had somehow managed to pull down with a pole, and exchange them for some rice and salt for a meal. Or, as evening set in, her husband would surreptitiously pluck four or five nuts and exchange them for a bottle or two at the village toddy shop! The coconut was once equivalent to cash in Kerala's rural economy.

"Yes, I could balance my household budget with the help of my coconut trees," says Raghavan of Udayanapuram, a village 45 km from Kochi. Raghavan owns 50 cents of land and has 25 coconut trees around his modest house. "I used to get 750 coconuts, on an average, every 45 days, and there were a few occasions when I could sell the lot for over Rs 5,000, at Rs 7 a coconut."

This was the case a decade ago. Over the last few years, the price of coconuts has been fluctuating wildly, and along with it the fortunes of small landholders like Raghavan.

Although coconuts are cultivated on nearly 9 lakh hectares of land, constituting almost 30% of the state's cropped area, there are very few large coconut plantations in Kerala. More than 95% of coconut trees are grown in the front and back yards of homesteads. A household with even 10 trees would often have nuts to spare after its own needs were taken care of; these would be collected by small-time buyers who would, in turn, sell them to big players who converted the nuts into copra to sell to big oil companies in Mumbai and other cities. It is decisions made at this end of the chain that determine the price that Raghavan in tiny Udayanapuram gets for his coconuts. With

slices of the pie taken away with every change of hands, the system already has enough potential for farmers to be fleeced. Trade policies and practices that have emerged over the past decade have only added to their woes. The price of coconuts has been falling all through the 1990s, with the exception of 1997. The average annual fall in price was 8.64% between 1996-97 and 2001-02.

Palm oil was virtually unheard of in Kerala until the 1990s; it was coconut oil all the way. The advent of palm oil drastically altered the scenario. India, which is one of the largest importers of edible oil in the world, imports 35 lakh tonnes of palm oil, mainly from Malaysia and Indonesia. There has been a sharp increase in palm oil imports during the post-1998 period, which also witnessed a sharp decline in import duty. According to the Uruguay Round of the World Trade Organisation (WTO), India can impose a maximum duty of 300% on palm oil. In 1985, the basic tariff was 200%. By 2000-2001, it was reduced to 100%, even though Quantitative Restriction (QR) bound tariffs were not required to be revised until 2004.

There have been allegations that import duties are often slashed to win favours in other sectors. In 2001, the then prime minister A B Vajpayee, during a visit to Malaysia, announced that import duty on palm oil would be reduced to 75%. Kyodo News International, a news agency based in Malaysia, said in its dispatch that day: "As part of a sweetener to the deal, Malaysia has awarded Indian Railway Construction International Ltd a \$ 1.5 billion contract to build a 300 km electrified double-track rail network linking Ipoh to Padag Besar." There is not much doubt where the Indian government's priorities lay.

The duty reduction syndrome has not changed with the change in regime. The present rate is 60% and it will remain so at least till the end of 2006, according to a government notification.

The 'unkindest cut' for the coconut farmer was yet to come. In the early days, not many people in Kerala cared for palm oil. Then it was put into the Public Distribution System (PDS) — not in regular ration shops but in outlets of the Kerala Civil Supplies Corporation during festivals like Onam, Christmas and Ramzan. While coconut oil was sold at around Rs 50, the hugely subsidised palm oil was being sold at Rs 20. Long queues in front of retail outlets became a common feature. It is worth noting that coconut oil never acquired the status of a PDS item.

It was only a matter of time before palm oil became a routine shopping item. Says Sebastian P Augustin, an agriculturist from

Kasargode, who received the Kerala government's Kera Kesari Award for best coconut farmer in 1998-99: "Hotels and establishments that make chips, etc, quickly shifted to palm oil, and that was a body blow to the coconut farmer." Palm oil also replaced coconut oil in the soap-making industry.

"It's more of a psychological game," says Fr Mathew Vadakkemuri of the India Farmers' Movement (INFAM), an organisation of farmers formed in 2000 with the objective of protecting the interests of agriculturists. "It is not so much the increase in consumption of palm oil but the exploitation of any announcement of duty reduction for palm oil by the 'Bombay lobby'. They reduce the purchase price of coconut oil, claiming that the price of palm oil is coming down due to the import duty cut and that the demand for coconut oil will diminish further."

"There is no such thing as a 'Bombay lobby'," says P Balachandran Nair, marketing officer, Coconut Development Board (CDB), Kochi, a central government undertaking. "The volatility of the price of coconuts is due to factors that are as yet undecipherable. But it is certainly not due to government policies." According to him, imports of coconut products from Sri Lanka or the Philippines, under various Free Trade Agreements (FTAs), are minimal and do not impact the price of coconut or coconut oil. "Only 26,000 tonnes of coconut oil cake have been imported and very little of desiccated coconut," he says. But his figures are from 2002-03, and sources that prefer to remain unnamed say that things have changed drastically in the last three years.

Nair does concede, however, that oil majors like Tata import crude coconut oil, refine and export it. There is no answer to the question of why crude coconut oil is imported when there is plenty available within the country. However, Dr Muraleedharan,

director, CDB, Kochi, is more forthcoming: "For the time being we've managed to keep imports down. But for how long, we do not know." He is obviously referring to the FTA with ASEAN countries that is all set to go on stream from January 1, 2007. The ASEAN contract promises all sorts of duty concessions on imports of agricultural products.

The spate of suicides by farmers in Kerala cannot be directly attributed to the fall in coconut prices. Debt incurred for coconut cultivation is minimal, especially when compared to other crops. "It is single crops like pepper, cardamom or rubber that ruins farmers and drives them to desperate acts," says Fr Vadakkemuri. Augustin agrees. "Coconut gardens leave abundant scope for intermingling crops," he says. "So I have pepper, vanilla and various vegetables in my six-acre plot, and I can withstand fluctuations in the price of coconuts."

That is certainly a shrewd move, but it cannot take away the fact that he is being driven by market forces. The mantra is 'cultivate what the market wants' rather than 'find a market for what is cultivated'.

Less income translates into less care and fertiliser for the plants. Average yields have declined and, in 2004-05, productivity per hectare was only 6,379 nuts in Kerala, while it was 9,083 in neighbouring Tamil Nadu. Diseases like root wilt and mite, too, have contributed to the decline. But the main reason is loss of heart among the farmers and the feeling that the future of the coconut is bleak.

"Earlier, I could ask for an advance from the buyer and manage my family's expenses," says Sugathan of Kaipamangalam, a village in Thrissur district. "Then, the buyer could be certain that within a fixed period he would get 1,000 coconuts. But now he is no longer confident. The price is so volatile that the small buyer cannot risk an advance."

To return to the woman who could pull down a couple of coconuts to buy the bare essentials for the family, and her husband who could indulge in the mild intoxication of toddy by bartering a few coconuts, why is it that they are unable to do so now, even during the rare months when a coconut could fetch them Rs 5? "I agree that the price of coconuts has not kept up with the times or with inflation," concedes Nair of the CDB. Twenty years ago, the maximum price a coconut could fetch was Rs 7; today, the situation remains the same.

If macro-level arithmetic is required to understand the coconut scenario in Kerala, the state's production in 2004-05 was 5,727 million nuts, according to the CDB. The fall in value by a mere Re 1 results in a loss of Rs 572.7 crore to Kerala's economy.

The Kerala Karshaka Munnetta Samithi claimed in 2000 that the 'palm oil-free' village of Koorachundu inspired many neighbouring areas, and that the message spread to 175 other villages. But clearly the message has not been taken on board by the policymakers and powers-that-be that continue to hold sway over the fortunes of the coconut farmers of Kerala.

(The Quest Features & Footage, Kochi)

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Desmond Roberts

'Instead of Special Economic Zones, why not Special Agricultural Zones?'

Resentment against the Mumbai Special Economic Zone has been building up in Pen, Uran and Panvel talukas of Raigad district, where over 10,000 hectares of land across 45 villages are being acquired. Thousands have filed objections to the land acquisition notices, asking why their lands and livelihoods should be sacrificed to promote world trade

MEENA MENON

'INDIA'S NEW FARMERS!' screams a glossy business magazine cover, with pictures of industrialists Mukesh Ambani and Sunil Mittal. 'The Big Indian Land Rush' is the cover of another business weekly, with highlights, in red, on how much land corporate houses are acquiring for Special Economic Zones (SEZs). Along with agri-business, SEZ is the big new buzzword in corporate circles, and in the media too.

While these new Indian farmers are being hailed, the existing ones seem all but forgotten. However, farmers' struggles are intensifying and have attracted a lot of political support as well — at Singur in West Bengal, for instance, things have reached a flashpoint, making national headlines. In fact, reports in the media seem to suggest that farming in India is not lucrative any more, using the spate of farmer suicides, poor soil quality and increasing land erosion or salinity to illustrate the point.

No one is asking the farmers what *they* think of the whole idea. There is little mention of the kind of land that is being acquired, how the acquisition will affect the people concerned, and where all the displaced farmers will go after they get their compensation, generous as it may be. On the other hand, there was a debate about how single-crop land can be acquired for SEZs. Such is the arbitrary nature of what is legitimate and what is not, as far as SEZs are concerned.

The imperious manner in which legislation relating to SEZs was passed in 2005, and the way the government is going about acquiring land under the Land Acquisition Act for corporate houses to set up duty-free trade and real estate zones, are worth thinking about. The more one thinks, the less reason one finds for the government's actions. The Special Economic Zone (SEZ) Act 2005 was passed without debate or discussion. There is no provision for a public hearing or for an environment impact assessment. Now the Left has woken up and is demanding changes in the Act. Yet the SEZ Act is a mere complement to India's existing policies on trade and export/import (exim) in the era of globalisation. According to a report by the Federation of Indian Chambers of Commerce and Industry (FICCI) and Ernst & Young, the SEZ Act has presented a lucrative development alternative for players in the realty business.

The Economic Survey 2005-06 lauds the SEZ Act, saying it provides for very attractive fiscal incentives and tax concessions for developers as well as manufacturers. Other salient features of the law relate to the establishment of free trade and warehousing zones to create world-class trade-related

infrastructure, apart from the setting up of a separate authority for each SEZ, to ensure greater administrative autonomy. "The Act will provide confidence and stability to domestic and foreign investors, and signal the government's commitment to the SEZ policy framework." (Economic Survey 2005-06)

In a global environment where trade and export are magic mantras, it seems as if nothing can stop the SEZ juggernaut. Of course, there are some rehabilitation plans in the offing, at least in Maharashtra, for SEZ oustees, although they are not yet in the public domain. The state government has also set up committees to examine rehabilitation proposals and determine whether or not so much land is really required for the SEZs. However, there is an implicit understanding within the bureaucracy and the corporate sector that SEZs are inevitable and that, without them, the country cannot really progress. The example of China is always offered as a justification. As a result, the government is refusing to acknowledge the opposition to SEZs from farmers and other local communities.

SEZs will also be "world class" cities for those who can afford them. However, the fate of people already living in these areas is hardly debated. It is likely that villages will become small clusters in a posh urbanised landscape. In the Mumbai SEZ, proposed by the Reliance group in Raigad district, the company claims that people will not be displaced from their houses: only farmland will be acquired and people will be allowed to continue living there. However, the villagers contest this, saying that their movement will be restricted and that they will eventually have to move out. According to the company, the SEZ has been planned to ease the congestion in Mumbai. Not only will there be no displacement, says the company, but infrastructure will be upgraded to improve road connectivity, education and health. In addition, around 25 lakh jobs will be directly or indirectly generated over a period of 10 years.

The bulk of SEZs approved in India are in Maharashtra, and the number continues to rise. The way clearances are being given and the manner in which SEZs are mushrooming on a daily basis seems slightly unreal. However, the land acquisition notices peremptorily sent to hundreds of people whose lands will be acquired for the proposed SEZs are certainly real. In Raigad, where the Mukesh Ambani-led Reliance group is proposing the 10,000-hectare-plus Mumbai SEZ (earlier called the Mahamumbai SEZ), thousands of farmers have opposed the acquisition of their lands. But the key question is whether or not their opinions will be taken into account.

While SEZs are being touted as engines of economic growth that can boost manufacturing, augment exports and generate employment, the nature of this employment remains a mystery. While guaranteeing “hassle-free” regimes to private parties to develop large tracts of farmland into glitzy real estate areas or industries with an eye on exports, the problems of the farmers are glossed over.

Opposition to SEZs has snowballed all over the country, with more and more people viewing corporates as the new colonisers, aided and abetted by the government. On September 25 every year, the people of Chirner village in Uran taluka, Raigad district, and the surrounding areas, remember the eight martyrs who were killed on that day in 1930 in what has become famous as the Chirner Jungle Satyagraha. A memorial with bronze casts of the eight men, inaugurated last year, is a hallowed spot. This year, the 76th commemorative function was marked by vows of a fresh satyagraha, this time against Reliance.

Resentment against this SEZ has been building up in Pen, Uran and Panvel talukas of Raigad district, where over 10,000 hectares of land, encompassing 45 villages, will be acquired for the purpose. Notices have been sent to over 1 lakh landowners in these villages. Thousands of people have filed objections to the individual notices they have received, under Section 4 (1) of the Land Acquisition Act, which informs them that the state intends to acquire their land for a “public purpose” — namely the SEZ — and asks them to file their responses.

Chirner, the land of satyagraha and freedom fighters, is the largest village to be affected, with over 1,400 hectares set to be acquired. “We sent the British packing but they seem to have come back in the guise of Reliance,” says Yeshwant Narangikar who made a special placard for martyrs' day, asking Reliance to go away. The first the people heard about the project was through a notice in a local paper, on June 19, 2006, which clearly stated that land was being acquired under the Land Acquisition Act 1894, for a public project — the SEZ. Neither the company nor the government bothered to inform the villagers about the project, let alone take them into confidence, says Santaji Gondhali. “What's wrong with our area? We have two crops, education, plenty of water. Since the city is close by, we also get jobs. Why does the government want to take away

“What's wrong with our area? We have two crops, education, plenty of water. Since the city is close by, we also get jobs. Why does the government want to take away all this?”

all this,” he asks.

Each village has set up a farmers' action committee, and two umbrella organisations are spearheading the struggle against the SEZ. Says Savita Subhash Thakur, a gram panchayat member from Chirner: “If we give up our land, what will we eat? They will not give us any jobs and finally we will have to give up our homes. People are willing to sacrifice their lives to oppose this SEZ. Our land is productive and fertile — why should we give it up to a private company?”

Like most people, Hiranman Patil of Pirkon village thought SEZ was the name of a company that was going to set up a factory in the area. “People did come to survey our village and they kept asking us for various details. They probably worked for Reliance. But now we don't allow anyone to enter,” he says. A massive morcha in September in Navi Mumbai has only strengthened people's resolve not to give up their land. About two truckloads of people from Pirkon went to the demonstration.

“People here are clear that they don't want to give up their land — we don't want this money. When we give up land for godowns at the nearby Jawaharlal Nehru Port Trust, we at least get jobs as compensation. Can this SEZ give all of us jobs,” asks Patil, a leader of the Shiv Sena. Most people in Pirkon have filed their objections to giving up their land. “Whose side is the government on? Why are they giving a private company so many concessions,” Patil asks.

In Vashi village, Pen taluka, Raigad district, the farmers' thoughts are far from suicide. Vashi is among the 24 villages in Pen taluka faced with the prospect of its fertile agricultural land being acquired for the Mumbai SEZ. Resistance to the project is fierce here; no official from Reliance can set foot in these parts. Already, Vishesh Arthik Shetra Hatao Sangharsh Samitis (action committees against the SEZ) have been formed in every village in the region. “We will commit *hatya* (murder), not *atmahatya* (suicide) like the farmers in Vidarbha,” says Jaywant Madhvi, a Vashi farmer.

The region has witnessed many militant agitations. Over the last two decades, farmers have been fighting for water from the Hetawane dam. Instead of the promised water, they have been offered an SEZ. Janardhan Mhatre, a 72-year-old Gandhian from Vashi village, has been leading the Antyodaya Chalval farmers' struggle for water from the dam for the past 20 years. There are 52 villages in the command area of the Hetawane project, which was proposed in 1980 to irrigate around 5,750 hectares in the area, apart from providing drinking water to Pen and Navi Mumbai. Although the region enjoys good rainfall and is famous for its rice, farmers here get only a single crop without irrigation.

According to Mhatre, the government has served land-acquisition notices for the SEZ in over 20 of the 52 villages. He claims this is illegal. “There is a law that land located in the command area of an irrigation project cannot be used for any other purpose,” he explains. Since 1983, work has been in progress on the dam, and already Rs 221 crore has been spent on it. Villagers who took out a morcha to the dam authorities in

Kalwa, on June 21, 2006, were told in writing that no one could sell land in the command area and that it could not be used for any other purpose without the express permission of the irrigation department. But, at an August 18 meeting between district officials in Raigad and activists, an official clarified that 20 villages in the command area of the Hetawane dam were being acquired for the proposed SEZ. If that happens, all the money spent on the irrigation plan will go waste.

Farmers in the region have their own plans to develop the area once they get water. Mhatre says that if they have irrigation, sugar beet, a five-month crop, could be grown and sugar could be produced locally if the government sets up a processing factory. Also, they could grow basmati if irrigation is assured. “Instead of an SEZ, why not a Special Agriculture Zone (SAZ) for us? Wouldn't that be more useful,” he asks. Fishing is also a major activity here, and that could be another focus for economic development.

On the drive from Vashi to Mothebhal, lush green paddy fields stretch as far as the eye can see. In the distance are the hills of Uran. In Vithalwadi, on the coast, the fields are nine feet below sea level. People fear that once the SEZ comes up, the inevitable landfills will have an adverse impact on their houses.

In Mothebhal, too, people are hostile. They suspect every vehicle that enters the area, and treat Reliance with disdain. Uppermost in their minds is the drinking water problem. Kusum Mhatre, a former panchayat member, says: “There is no drinking water and sometimes we have to walk up to Vashi, eight kilometres away, for water. In the summer we have to buy water,” she adds. Most of the 1,200 farmers who have got notices for the SEZ oppose the land acquisition. Eighty-five-year-old Ramubai Patil still works for a living. “I am a landless labourer and live by myself. What will happen to people like me? Generations have lived off agriculture, but suddenly the government feels it's all wrong,” she says. Bhaukamal Mhatre and others say: “We will shed blood but not give up our land. Once we give this up what do we have?” Most people in the area are small and marginal farmers; about 30% of them are landless. “I do not think the SEZ can give us any jobs — we don't have the skills or the education they require. So, finally, we will be displaced from here,” says Mhatre.

The mystery surrounding SEZs and the arbitrary manner in which land is being acquired, without even the semblance of a public debate, have caused a lot of resentment among the already beleaguered farming community. This must be corrected soon if India is to live up to its claims of being a democracy. No democracy can allow large projects to be initiated without a public debate and without the participation of affected people in the discussions and decision-making. If the SEZ Act goes against these democratic principles it needs to be revised, if not repealed. Laws are meant to serve the interests of citizens, not only to enrich industry and encourage world trade.

Meena Menon is Special Correspondent at The Hindu

Economic or exploitation zones?

SEZs provide livelihood opportunities for thousands. But what are the working conditions that are actually being created in these zones?

M SUCHITRA

THE SPECIAL ECONOMIC ZONE (SEZ) policy of the Congress-led United Progressive Alliance (UPA) at the Centre has once again hit the headlines. In February 2006, when the SEZ Act came into effect, much was made of it in the regional and national media. Newspapers and television news channels quoted Commerce Minister Kamal Nath as saying: “The SEZ Act and Rules will provide comfort to and instil confidence in prospective investors.” The mood was clearly upbeat.

But now things have suddenly changed. Thousands of villagers and farmers in states like Maharashtra, Haryana, West Bengal and Orissa are agitating against large-scale land acquisitions by big corporations like Reliance Industries Limited (RIL) — with help from the government — that wish to develop SEZs. The finance and commerce ministers spoke to the media, contradicting each other. UPA chairperson and Congress president Sonia Gandhi cautioned the chief ministers of Congress-ruled states to be careful while acquiring land. The Reserve Bank of India expressed its reservations over tax concessions being granted to SEZs. Even the International Monetary Fund (the IMF, that ardent advocate of economic liberalisation and globalisation) has warned against the present trend of promoting SEZs in India. In other words, an utterly chaotic situation now prevails.

Yet, the commerce ministry and the Board of Approvals (BoA) for SEZs are going ahead with the process of clearing SEZ proposals. By early-October, the BoA had given “formal approval” to 181 SEZ projects and “in-principle approval” to another 128. The finance ministry's argument that the promotion of SEZs in the present manner would cause revenue losses amounting to Rs 160,000 crore by 2010 was countered by the commerce ministry's assertion that these projections of loss were based on “paper calculations”. In addition to world-class infrastructure, it claims, SEZs will bring in investments of up to Rs 100,000 crore and create 5 lakh jobs by the end of 2007.

It is indeed true that these “foreign territories”, which enjoy huge tax concessions and financial incentives, provide livelihoods to thousands of people. But what sort of employment do the zones create? Are the benefits of SEZs in terms of employment sustainable? It is important to remember that SEZs entice investors with the promise of cheap labour and a peaceful work environment.

The plight of workers

Take the example of the Madras Export Processing Zone (MEPZ)

at Tambaram, on the outskirts of Chennai. The zone, set up in 1984, became an SEZ in 2002 along with seven other Special Export Processing Zones (Kandla, Kochi, Visakhapatnam, Falta, Noida, Surat and Indore). It currently houses over 100 factories, all of them 100% export-oriented. The zone employs around 22,000 workers. About 70% of them are women, most between 18 and 30 years of age. In the morning, company buses pick them up from the suburbs, even villages as far away as 60 km in the neighbouring districts of Chengalpattu, Thiruvallur and Vellur. Many of the workers are contract labourers supplied to the companies by recruiting agencies operating in the villages. They are employed on short-term contracts so that they can be hired and fired at any time. Most of the workers do not get even the minimum wage.

Since industries in the zones are export-oriented, the emphasis is on minimising production costs so that prices are competitive in the international market. It is the workers, especially women, who bear the brunt of tight competition in the global market. To meet production targets, they are compelled to work harder and longer until they burn out or quit. They work 10-12 hours a day, without overtime, and get daily wages ranging between Rs 30 and Rs 70.

"The management keeps on increasing the work quota," says a 21-year-old sewing machine operator in a garments unit, speaking on condition that neither her name nor that of the factory are revealed lest she be fired from her job. "Most days we can't even take a break for tea or lunch. If we even lift our heads to talk to others whilst working, the supervisors shout at us." Many workers complain that if they are unable to finish the quota, supervisors take away their identity cards, making it impossible for them to mark their attendance.

The pressure to meet stiff targets often means that workers can hardly take any time off, even to visit the toilet. "Each of us has a token number, and every time we go to the toilet this number is entered against our names. They check the register to find out how many entries are made. If there are many entries against a person's name, they can even cut our salary or increments," says a 29-year-old woman working in a leather unit.

Workers point out that even pregnant women do not get any consideration when work targets are set, and that they too are forced to work standing or sitting for hours at a stretch. Companies reportedly prefer unmarried women who are assumed to be more efficient and more easily available for overtime work. According to workers, some companies employ women on condition that they do not get married or pregnant in the near future. "At the time of recruitment I removed my *thali* and told them that I was unmarried," says a 25-year-old worker from Kerala who migrated to Chennai to work in the zone. "At that time I actually had a three-month-old baby."

It is true that some international buyers insist on healthy and safe working conditions and reasonable wages. They play a crucial role in determining the working environment in the firms. Some buyers even visit the companies and place orders only when they are satisfied with the facilities there. There are a few companies in all the zones that abide by labour laws and

recognise workers' basic rights as well as the importance of healthy industrial relations. While some lucky employees benefit from this positive trend, thousands of others try to earn their living in an atmosphere of threat, fear and uncertainty.

Stiff targets, overwork and an unhealthy work environment take their toll on the health of workers. A study on female factory workers, mainly at the MEPZ, done by Padmini Swaminathan, director, Madras Institute of Development Studies, revealed that the women suffered from frequent headaches due to tension and intense concentration at work, acute back pain, joint pains, swelling in the legs, severe abdominal pains, various types of allergies, skin ailments, and piles (the result of sitting in the same position for hours on end). The majority of women working in the garment units suffered from respiratory disorders such as asthma, persistent cough and breathlessness.

Since some companies do not remit employers' and employees' contributions to the Employees State Insurance (ESI) Scheme, many workers are denied the benefits of the scheme. This also happens in the case of the Provident Fund.

The plight of workers on the lower rungs of the hierarchy is the same in most other such zones: no job security, high levels of work pressure and stress and, not surprisingly, premature burnout.

So why do people still work there? Sajitha, who migrated from a remote village in Kerala's Idukki district, following the collapse

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of the plantation sector in the state, to Kochi to take up a job in a garments unit in the Cochin Special Economic Zone (CSEZ), explains: “Had there been any way out I would have escaped from this hell. But I cannot quit this job and go back to my village. My family depends on me. I feel trapped.”

No collective bargaining

Development Commissioners (DCs) of various zones have a standard answer to questions about the plight of workers: the zones are not exempt from labour laws. “SEZ workers are entitled to all the rights and benefits enjoyed by workers under various laws outside the zones. Why don't they complain if there is any violation,” asks C J Mathew, the development commissioner of the CSEZ.

The answer is simple: they are afraid that they will lose their jobs. “The management says that if we let out the truth the company will be closed down,” says Kumaran, a CSEZ worker. He adds that workers are often forced to present a rosy picture of their companies to factory inspectors and enquiry commissions. “Workers in different units are prevented from interacting with each other,” points out Ajitha, another worker in the CSEZ.

Although trade union activities are not banned inside the zones, restrictions on the right to join trade unions, the right to collective bargaining and the right to strike are common features of all the zones. Companies campaign strongly against trade unions and threaten employees with dire consequences if they associate with such organisations. “It is difficult to organise contract labourers, especially women,” says E Ponmudi, secretary, MEPZ Employees Union. “They are so scared that they literally run away on seeing us.” He alleges that while enjoying all the benefits of the zones, the industries squeeze workers in order to maximise their profits, while the central and state governments protect the interests of multinationals by liberalising labour laws.

Labour laws

Ponmudi's point appears valid. While it is true that, unlike in many other countries, in India, labour laws are also applicable to SEZs, in practice these laws are rarely implemented. Workers hardly benefit from labour legislation, not just because the laws are not implemented properly but also because there are many loopholes in the existing legislation concerning zones. For instance, all zones in the country have been declared 'public utilities'. This restricts workers from going on strike and reduces the scope for collective bargaining.

In the name of creating an investor-friendly environment, many state governments have formulated SEZ policies that do not protect workers' rights. For example, under Kerala's SEZ policy, the powers of the labour commissioner are delegated to the development commissioner. “Who can we take our grievances to,” asks Anju Joseph of the CSEZ Workers' Union. “The DC is only interested in projecting the image of the zone so as to attract investors.”

Further, except in emergency situations, state government agencies themselves require prior permission from the

development commissioner to inspect industrial units in the zone. Also, the zones are exempted from the Contract Labour (Regulation and Abolition) Act, 1970. Andhra Pradesh, a frontrunner in the SEZ promotion business, has laid down rules that prohibit external union leaders, which significantly and adversely affects the ability of workers to resist victimisation by company managements.

In fact, the original SEZ Bill, introduced for debate in Parliament in May 2005, had a number of provisions that denied workers even their basic human rights. For instance, Section 50 of the Bill said: “Directing that any of the provisions of any state Act relating to trade unions, industrial and labour disputes, welfare of labour including condition of work... invalidity, old-age pensions, and maternity benefits or any other activity relating to the SEZ shall not apply...” Though this section was later deleted, under pressure from the Left parties, the fact that it was even drafted shows that the UPA government actually wanted to keep SEZs out of the purview of the country's labour laws.

Industrial lobbies are demanding more liberalised labour laws — “like those in China” — to compete in the international market. Since the 1980s, when the communist nation opened up its economy to foreign investments, millions of young workers have been encouraged to toil for low wages for the sake of the country. But recent reports indicate that China is planning to adopt new legislation that seeks to crack down on sweatshops and protect workers' rights by giving the hitherto weak labour unions real powers to negotiate worker contracts and ground rules regarding workplace safety and protection. China seems determined to tackle the severe side-effects of the country's remarkable economic growth. It has taken a quarter of a century for China to realise the perils of the new work culture ushered in by policies that sought to make it the most attractive destination for foreign investment.

Neo-liberal trade and economic policies have already resulted in the spread of an exploitative work culture in India and other developing countries, especially with regard to unorganised labour. And now, apart from huge revenue losses, large-scale displacement of farmers and regional development disparities, the proliferation of SEZs will certainly worsen the plight of workers. In fact, promoting these export enclaves, where domestic trade, tariff and labour laws are not applicable, as the one and only way to development is likely to negatively impact the real development that the country needs.

(The Quest Features & Footage, Kochi)

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Huligamma and Big Mac

Does trade liberalisation affect investments in children's health and education? There is growing evidence that children from families denied livelihood security, and deprived of the most basic social benefits, are forced into child labour and a precarious existence in urban centres

NANDANA REDDY

AMID THE CACOPHONY of blaring horns, the smog emitted from the exhaust of hundreds of vehicles, and a hoarding screaming the advantages of the new wave of globalisation, little Huligamma dodges through traffic at a major intersection in one of India's teeming cities.

Nothing much has changed for Huligamma. She has worked for as long as she can remember. Now aged 11, she dare not dream and, on the rare occasion she does, her dream is not an extravagant one: just to become a teacher some day. But even this dream seems to be becoming more and more elusive.

Actually, things have changed. When she first came to the city from her village and began rag-picking, she used to sort through the piles of garbage in mute companionship with the

cows. She would collect paper, tins, magazines and cloth while the cow munched on banana leaves and scraps of food. She sold these to wholesalers who, in turn, recycled the waste material and made a few rupees from the trade. Now much of what Huligamma finds in the garbage heaps are Styrofoam cups, bubble wrap, plastic containers and discarded mouses, keyboards and CDs. And these have very little resale value.

In August 2005 there was an interesting battle in Chennai, India, between Coca-Cola and the photographer Sharad Haksar. The latter had been using a billboard for three years to focus on social issues affecting India through photographs. The one displayed in August 2005 showed a line of empty water pots waiting to be filled at a hand pump, with a Coca-Cola logo in the background. It was a commentary on the water shortages that the country is experiencing. Coca-Cola India sent a copyright infringement notice to Haksar. He responded by saying that he had not infringed any law and was only exercising his freedom of expression.

Activists have been claiming that water shortages due to depleting groundwater usually accompany the arrival of a Coca-Cola or Pepsi bottling factory in the area. These companies have been vociferously denying the allegations. Now, a year later, many institutions, even states, have banned colas, claiming that the levels of pesticide found in the soft drinks are far above permissible limits.

Huligamma extracts a half-eaten Big Mac from the dustbin outside McDonald's. She munches on it as she gazes at a hoarding advertising 'power lunches' for busy executives at a five-star hotel. A steaming plate of food stares back at her as she chews on the dry bread. So different from the occasional packet of curd rice or chapatti and subzi (vegetable) that she used to find. This dry, tasteless meat sandwiched between white flavourless bread is difficult to swallow and will barely satisfy her hunger.

Although economists promoting liberalisation and 'free trade' suggest that trade improves living standards, this is a controversial proposition that is widely debated in development circles. Experience has shown that trade does not necessarily promote economic growth. Even if trade boosts the economy, the benefits either do not trickle down to most citizens or are offset by the attendant costs. These potential costs could include environmental degradation, increased exposure to disease, decreased public spending due to lower ability to tax capital, increased exposure to international financial crises,

Raej Deyal



increased demand for low-skilled labour, including child labour, and subsequent reduced returns to human capital acquisition.

Back in her village, Huligamma's 13-year-old sister spends 12 hours a day spraying fertiliser on crops. She works as a daily wage labourer on the farms of a multinational agro corporation that has a chain of stores selling vegetables, fruit and other agricultural products. She is paid Rs 15 a day, from which the contractor takes a cut.

Her brother, aged 14, works as an unskilled labourer in the nearby iron ore mines, digging for ore and loading trucks. It is backbreaking work, in extreme conditions. The temperature is 45 degrees Celsius in the summer, there is no water in this drought-prone region, and the ore dust causes chronic respiratory ailments. He is paid Rs 30 a day and he too has to give his contractor a cut. But together, brother and sister are able to feed themselves and their grandmother. They even manage to put a little money aside for days when there is no work.

It is often asked whether a country's openness to the international economy affects investments in children's health and education. This question goes to the core of the debate on globalisation. Child health and education are important ends in their own right (Sen 1999). Health and education are two important means of achieving long-term economic sustainability. Experience has shown that trade is unlikely to be a long-lasting propeller of overall development, especially if it only spurs economic growth but substantially harms health and education through reduced public spending and the removal of safety nets. Trade also influences the degree to which governments are willing and able to fund public health and education. More generally, in open economies, governments have a hard time taxing capital; in fact, they may end up largely subsidising capital, at the expense of investments in children.

To draw from economist Adam Smith, policies such as structural adjustment have contributed to “the greatest peacetime transfer of wealth from the periphery to the imperial centre in history”. And this has been achieved without much media or public attention.

The prescriptions of the International Monetary Fund and the World Bank for developing nations, at the behest of rich and powerful countries, is that the former should open up to allow more imports as well as export more of their commodities. This is precisely what contributes to poverty and dependency.

Mainstream economists and politicians have long been criticised for concentrating on economic growth in ways that ignore the human and environmental costs of such growth. Perhaps one of the harshest ironies is how food and farm products flow from areas of hunger and need to areas where money and demand is concentrated. Farm workers — women especially — are among the hungriest people in the world.

Although Huligamma's family was not considered poor, they were small farmers; education beyond the 4th standard was never an option for the young girl and her siblings. Living in a drought-prone area, at the age of 10 Huligamma had to walk six kilometres every day to collect two pots of drinking water for

the family. Her brother and sister would take the goats in search of grazing land. As pastures are scarce in this district, it would be several days before they returned, only to pack another bundle of dry rotis and set out again. Meanwhile, their mother and father worked in the fields.

After four years of continuous drought, the family could no longer service its debt and her father committed suicide. Huligamma left the village with her mother and two younger siblings and came to the city to find a way to survive. They left behind her old grandmother, elder sister and brother to manage the little land they had left.

UNICEF's 1999 report on the 'Progress of Nations' suggested that debt was killing children. It stated that as countries were diverting resources away from social provisions, to repay debt, those most affected were the poor, especially women and children. UNICEF's 2000 report, 'State of the World's Children', claimed that in 1960 the income gap between the richest one-fifth of the world's population and the poorest was 30:1. By 1997 it had become 74:1.

'Trade, not aid' is regarded as an important statement of the kind of development promoted by some nations. But in the context of international obligations, it is also criticised by many as an excuse for rich countries to cut back on levels of aid that have been agreed upon and pledged at the United Nations.

A coalition of Indian organisations, spearheaded by the Delhi-based HAQ-Centre for Child Rights, is campaigning for trade justice — not free trade — with the rules weighted in favour of poor people and the environment. They are “calling on world leaders to change the rules that govern international trade so that poor countries have the freedom to help and support their vulnerable farmers and industries”.

The HAQ report claims that although the direct impact of free trade on children may not be apparent, the experiences of other countries with the processes of globalisation and liberalisation definitely indicate that there is a strong case for close examination of the possible linkages.

Huligamma remembers how, some years ago, her father, along with other farmers, had dumped their tomatoes on the highway because the selling price had dropped to 90 paise per kilogram. Her father was a proud man who did not believe in taking handouts from anybody. He would save money before each festival to buy clothes and rations. What a joy that was! To dress up and go with the family to the sante (weekly market) and choose the fresh fruit and vegetables that would go into making the festive meal and sweets. And to buy flowers and bangles and new clothes. What different days those were!

Huligamma also remembers how her father was told about the new economy. 'Buy now and pay later'. He finally fell into the trap and took a loan, not realising that agriculture was not a sustainable occupation any more. She thinks of the new TVs and cars and scooters that are displayed outside factories offering fantastic schemes. A car for a down payment of just Rs 999! She wonders how sustainable these city jobs are.

In its report 'State of the World's Children 2006', titled 'The Excluded and Invisible', UNICEF makes a passionate plea for

nation states to focus on “creating a world fit for children”. According to the report, such a world “may seem impossibly far away, but achieving it is as simple as this: We must do everything in our power to keep our commitments to children. These commitments are clear and unambiguous. What is now required is the understanding that a commitment is a pledge with both moral and practical obligations. In a moral sense, a commitment signifies a relationship of duty. In practical terms, a commitment binds those making it to a course of action”.

It appears that the UNICEF report is trying to desperately counter the effects of corporate globalisation and, without stating as much, the authors are making an emotional plea, playing on the sense of humanity and values that they assume nations still retain at some level.

The report says: “At the extremes, children can become invisible, in effect disappearing from view within their families, communities and societies and to governments, donors, civil society, the media, the private sector and even other children. For millions of children, the main cause of their invisibility is violations of their right to protection.”

For example, child labour is banned in India at least in certain sectors of work deemed particularly hazardous to them, and children are periodically rounded up and removed from their work situations. However, the alternatives offered to them are neither viable nor sustainable. The most detrimental aspect of this “rescue” strategy is that it pays little attention to rehabilitation. Children working in banned sectors are afforded no protection whatsoever and are, in fact, themselves considered infringers of the law. This criminalisation of child labour has forced working children into more and more hidden forms of work that render them even more invisible than they were before.

In November 2005, *The Daily Pioneer* in New Delhi (in an article titled '500 Child Labourers Rescued in Raids') reported a drive against child labour in which over 500 minors working in inhuman conditions at 50 embroidery units in east Delhi were rescued in simultaneous raids on several establishments. The next day, the same paper published an investigative report ('Lure of UN Funds Drives NGO to "Rescue" Kids') on the same issue. This is how the report described the intervention: “Children rescued from a cage and incarcerated in a pigeonhole.” According to the report, the “477 children who were rescued... amid much publicity... (are) now faced (with) an even more uncertain future. Investigations by *The Pioneer* revealed that what prompted the raids was utilisation of funds under a UN-funded scheme rather than concern for the rehabilitation of the children. Neither the government nor the NGO that carried out the operation has an answer about their future. The children would be sent back to the same homes they had fled to escape hunger and disease.

“It was revealed that the raids were carried out to facilitate utilisation of funds received by the labour department from the International Labour Organisation, a UN body, for carrying out programmes to eradicate child labour. Sources in the Delhi government said that such raids are planned with a lot of media hype, and positive media reports are submitted to the ILO to

embellish the application for the release of more funds.”

A Delhi government official was quoted as saying: “There is no provision for the rehabilitation of children rescued under the Child Labour Act. The NGOs and the Delhi government's claim that they would help rehabilitate the children is hogwash. The labour department has coordinated with the NGO only to the extent of rescuing and deporting these children from Delhi.”

The co-option of NGOs to do government work or act as extensions is an integral part of the liberalisation process. The fate of the few independent NGOs that have managed to retain a sense of political activism despite the growing influence of neo-liberal policies is well summed up by Dom Helda Camara, one of the South American apostles of 'liberation theology': “When I give food to the poor, they call me a saint. When I ask why the poor have no food, they call me a communist.”

The UNICEF report says: “Statistical analyses of key MDG (Millennium Development Goals) indicators related to child health and education show a widening gap between children growing up in countries with the lowest level of development... and their peers in the rest of the developing world. These factors not only jeopardise these children's chances of benefiting from the Millennium agenda, they also increase the risk that they will miss out on their childhood and face continued exclusion in adulthood.”

According to the latest statistics in the UNICEF report 'State of the World's Children 2006', enrolment figures for primary schools in India are 111% for boys and 104% for girls (over 100%, thanks to the peculiar mode of statistical calculation adopted by the government). However, secondary school enrolment figures drop dramatically to 58% for boys and 47% for girls. Among children who enrol in secondary school, attendance is only 45% and 36% for boys and girls respectively. This indicates that more than half of India's young people between the ages of 14 and 18 are not in school and, presumably, are engaged in some form of economic activity. Under-educated, unskilled and, therefore, underpaid, these young people will join the ranks of frustrated, under-employed, excluded adult population.

There has been a lowering of standards in education, basic health, nutrition and shelter in India as a result of reduced public expenditure in the social sector. The policies, programmes and development initiatives framed by the Government of India, based on the dictates of the World Bank and the Asian Development Bank (ADB), increasingly deprive communities and families of resources on which they have traditionally depended. Loss of access to and control over land and forest resources, fuel, fodder and water, and privatisation of social services such as education, healthcare and basic needs such as water supply are clearly taking their toll on millions of Indian children.

The symptoms of this negative fallout are visible. Children from families denied any livelihood security, and deprived of the most basic social benefits, are forced to migrate to urban centres in the hope of finding a means of survival. We have seen a dramatic increase in the number of street children — both girls

and boys — in cities and towns; more and more children are being trafficked within and across borders; and there are growing numbers of children engaged in part- or full-time labour.

Children form practically half the world's population. In many poor countries, children constitute more than 50% of the population. Therefore, what happens to children affects all of humanity.

While Huligamma picks rags and occasionally begs, her younger siblings — six-year-old brother and eight-year-old sister — jump through hoops and perform somersaults to amuse bored multinational company executives as they wait in their air-conditioned cars at the traffic lights. Their tiny bodies have been trained at an early age to do these tricks; when they are older they will have to graduate to rag-picking and begging, like Huligamma.

Their mother works as a daily labourer when she can get work on a construction site. She is pregnant and doesn't know who the father is. She has been violated so often that she has lost track. This is a 'service' she performs for the beat policemen, in return for their ignoring her presence on the street. She bears the torment with gritted teeth.

The recent ILO global report, 'An end to Child Labour — Within Reach', released on May 4, 2006, makes tall claims and sweeping statements. Since there is no one who would not welcome an end to the tragic reality and consequences of child labour, one hopes that there is some truth in its content. However, many of the claims remain on the boundary between rhetoric and wishful thinking.

According to the report, child labour has reduced globally by 11%. Statistics in this area have always been dubious. On the ILO site providing data on child labour there is a lengthy and complicated document titled, 'Statistical Information and Monitoring Programme on Child Labour [SIMPOC]' (last updated in March 2006). The data that this document contains are all referred to as *estimates* and, although the methodology used to arrive at these figures is elaborate and detailed, in the latest update many countries that are said to have high populations of child labour, such as India, do not even find a mention!

Giving the ILO the benefit of the doubt, the 11% reduction claim is impressive. However, reading carefully between the lines reveals that this claim is only applicable to children working in the most intolerable forms of child labour. (ILO Convention 182 defines the term 'the worst forms of child labour' as: (a) all forms of slavery or practices similar to slavery, such as the sale and trafficking of children, debt bondage and serfdom and forced or compulsory labour, including forced or compulsory recruitment of children for use in armed conflict; (b) the use, procuring or offering of a child for prostitution, for the production of pornography or for pornographic performances; (c) the use, procuring or offering of a child for illicit activities, in particular for the production and trafficking of drugs as defined in the relevant international treaties; (d) work which, by its nature or the circumstances in which it is carried out, is likely to

harm the health, safety or morals of children.) This would mean, for example, that for every 1,000 children working as child prostitutes in Thailand, now there are only 890. The 110 who got away are certainly fortunate, although one wonders where they are now and how they are faring. Or have they just grown up and crossed the age of 18, to be now counted as adult prostitutes? If this is the kind of progress that can be shown by the ILO in the decade since Convention 182 has been in force, when will the 'end be within reach' for the remaining 8,900 child prostitutes, and how? (ILO Convention 183 concerns the prohibition and immediate action for the elimination of the worst forms of child labour. By ratifying this convention, countries commit themselves to taking immediate action to prohibit and eliminate the worst forms of child labour.)

It is unfortunate that the ILO, the last surviving body to be formed as a result of the Versailles Treaty, has gone the way of other UN agencies. As the doctrine of 'free trade' increased in momentum, most UN agencies have been slowly and surely dismantled and rendered increasingly powerless.

With the setting up of the IPEC or International Programme for the Elimination of Child Labour, in 1992, the ILO — which was thus far a regulatory body and a protector of workers' rights — became an implementing agency as well. This programme is largely funded by the United States and is therefore, controlled and directed by it to serve its trade agenda. The IPEC is also the only growth area within the ILO — in fact the programme keeps the organisation afloat while all other sections of the ILO have been reduced to tokenism.

The ILO was set up to be a tripartite body consisting of representatives of governments, workers and employers. However, when it came to discussions on child labour, the ILO refused to recognise the right of working children to represent themselves — and this was not for want of trying on the part of working children's movements around the world.

Instead, the ILO chose to recognise some select, privileged First World children to be their ambassadors to end child labour and turned a deaf ear to the solutions offered by child workers themselves. Excluding them from the debate and criminalising their means of livelihood without offering any viable alternatives, the ILO now resorts to issuing Red Cards to child workers around the world, symbolically debarring them from participation in the economic arena. In the presence of football stars who "kicked the ball" against child labour, this initiative was launched with a football match between children from the International School of Geneva and the Signal de Bernex Football Club, two sets of very privileged human beings who will never experience or understand the ensnarement of poverty, the complexity of the lives and the pain of working children who know they have few choices.

Footballers are shown the red card by umpires for misdemeanours they commit, but working children are shown this card by the privileged for no fault of theirs. They work because of the prevailing political and socio-economic conditions, for which the world that is zealously engaged in 'globalising' our planet along

corporate lines is too busy to find solutions.

To quote journalist Palagunmi Sainath in *Everybody Loves a Good Drought*: “Development is the strategy of evasion. When you can't give people land reform, give them hybrid cows. When you can't send children to school, try non-formal education. When you can't provide basic health to people, talk of health insurance. Can't give them jobs? Not to worry, just redefine the words 'employment opportunities'.” To this one may add: “If you don't want to really solve the causes of child labour — just ban it and hope it will go away.”

Interestingly, the MDGs do not include the elimination of child labour even though the ILO lobbied vociferously for its inclusion. Instead, they make a strong call for “fair globalisation” and “full and productive employment and decent work for all, including for women and young people,” combining this with the central objective of “poverty reduction strategies”. In fact, the MDGs go even further by resolving to “ensure full respect for the fundamental principles and rights to work”.

This is contrary to the approach of the ILO (which is mirrored by the World Trade Organisation and the World Bank) which denies children the 'right to any work' and violates their 'fundamental rights' and the principles governing these in their zeal to implement conventions banning child labour. On the one hand, the trade organisation clamours for clauses that will reduce the so-called “trade competition” between First and Third World countries, and on the other hand traditional UN agencies set up to protect human and fundamental rights fight for autonomy to continue to fulfil their role.

With the US's attempt to include social clauses — the issues sought to be included as part of the social clauses in GATT were: (1) freedom of association; freedom to collective organisation and bargaining; (2) freedom from forced or compulsory labour; (3) a minimum age of employment for children; and (4) measures setting minimum standards in respect of conditions of work — in the General Agreement on Tariffs and Trade (GATT), the arbiter of world trade donned the mantle of the ombudsperson of human rights. This is akin to the local moneylender becoming the protector of human rights.

The irony is that while multinational corporations are demanding more deregulation of industry and the lowering of labour standards to give them more freedom to be 'efficient', they are also clamouring for increased regulation of child labour laws to reduce competition from domestic industry. Neither is acceptable. On the one hand, deregulation can lead to corporations being able to undermine basic social and human rights; on the other, overbearing regulations with regard to child labour give too much power to a few — and a situation that leads to unfairness in trade and basic human rights.

In his lecture titled 'How did the rich countries really become rich?' Ha-Joon Chang of the faculty of economics, University of Cambridge said: “The short answer to this question is that the developed countries did not get to where they are now through the policies and the institutions that they recommend to developing countries today. Most of them actively used 'bad'

trade and industrial policies, such as infant industry protection and export subsidies — practices that these days are frowned upon, if not actively banned, by the WTO. Until they were quite developed (that is, until the late-19th to early-20th century), they had very few of the institutions deemed essential by developing countries today, including such 'basic' institutions as central banks and limited liability companies.

“If this is the case, aren't the developed countries, under the guise of recommending 'good' policies and institutions, actually making it difficult for the developing countries to use policies and institutions they themselves had used in order to develop economically in earlier times?

“It is a very common clever device that when anyone has attained the summit of greatness, he *kicks away the ladder* by which he has climbed up, in order to deprive others of the means of climbing up after him. In this lies the secret of the cosmopolitical doctrine of Adam Smith, and of the cosmopolitical tendencies of his great contemporary, William Pitt, and of all his successors in the British government administrations.”

Huligamma remembers a time in her village when they heard news of the 'golden road' or 'Golden Quadrilateral' that was being built some four kilometres away. The family decided to go on a picnic to see this marvel. They packed their rotis and chutney and went to view it. They ate their lunch on the divider. Huligamma stared into the distance. It looked as if a mammoth black serpent had uncoiled itself, slithering over villages, fields, hills, lakes and forests.

At dusk, as they were returning home in their bullock-cart, they passed rows and rows of women who were defecating along the road. Villages here had no toilets, no water and no sanitation. Women had to wait until dark to relieve themselves, and the road was the safest place for that. Huligamma thought back to what she had seen that day, the golden road, and wondered at the incredible creation. How it had subdued nature and humankind! If Mother India was capable of this, why had she not bothered with the numerous problems her own community suffered? Was Mother India too busy, or too tired? Had she no affection for them?

The chief economist at the World Bank, Larry Summers (later US treasury secretary in the Clinton administration), who was an ardent supporter of structural adjustment policies, wrote a leaked internal memo in 1992 that exposed the extent to which international policies have an impact on countries around the world:

“Just between you and me, shouldn't the World Bank be encouraging more migration of dirty industries to the LDCs (least developed countries)?... The economic logic behind dumping a load of toxic waste in the lowest wage country is impeccable, and we should face up to that... Under-populated countries in Africa are vastly under-polluted; their air quality is probably vastly inefficiently low compared to Los Angeles or Mexico City... The concern over an agent that causes a one-in-a-million change in the odds of prostate cancer is obviously going to be much higher in a country where people survive to

get prostate cancer than in a country where under-five mortality is 200 per thousand.”(Lawrence Summers, 'Let them eat pollution', *The Economist*, February 8, 1992. Quoted from Vandana Shiva, *Stolen Harvest*, South End Press, 2000, p 6)

This is in an era where there is immense wealth in increasingly fewer hands. “Twenty per cent of the world's people in the highest-income countries account for 86% of total private consumption expenditures — the poorest 20% a miniscule 1.3%,” according to the United Nations Development Programme's 1998 'Human Development Report'.

Huligamma coughs and tries to cover her mouth against the exhaust fumes. She often has a bad cough, but this time it does not seem to be going away. She suddenly tenses; she had heard the corporation van approaching with a convoy. This signals the periodic round-up by the labour department in cooperation with the municipality and the police. She grabs her brother and sister and rushes for a gap in the wall of an old house where a multi-storeyed office complex is being constructed. She ducks behind some rubble. Just in time! They have managed to escape. What a relief! Otherwise they would have been taken to the beggars' colony and would have had to buy themselves out by paying Rs 200 each. She did not have that kind of money.

The Canadian government's website says: “Child labour is not an easy issue to resolve; while it seems noble to immediately withdraw investments and cooperation with firms and factories that employ child labour, it may do more harm than good. Many of these children are from very poor families and work to pay for their family and/or their education. Depriving them of this income has led to some children seeking different, lower-paid work, and even prostitution in some cases. Other ways with schemes to help children would likely be needed so that this labour can be phased out. A gradual phase-out is said to be a more preferable solution.”

In a recent article in *Business Standard*, August 10, 2006, 'Child labour ban: If wishes were horses...', journalist Shyamal Majumdar reflected on the recent piece of child labour legislation seeking to ban children from working as domestic servants or at hotels, tea shops, restaurants and resorts, which is just an extension of the existing Child Labour Act of 1986. “Will the ban work,” he asked. “The answer is quite obvious, going by the track record so far. 'If wishes were horses, law could change men's minds,' says a former official in the Maharashtra labour department. That legislation can have only a negligible impact is apparent from the fact that child labour is nothing but a by-product of grinding poverty. These children are holding out a slim lifeline to impoverished families, or are just trying to keep themselves from starvation.

“The dilemma is similar to that of the ban on dance bars in Mumbai on the grounds that it would put an end to the exploitation of these women. What happened to those 70,000-odd bar girls after the ban? Some became prostitutes, some went back home only to be ostracised, and some committed suicide. As long as alternative sources of income are not found for families whose children work in banned sectors, the law would continue to be flouted.”

Huligamma's dream of becoming a teacher is fast fading. She stares at the new ad for jeans, a bare-chested man with his hand inside the waistband of his faded and frayed jeans. She looks down at her own torn and faded skirt and loose-fitting blouse, two sizes too big. She wonders how she fits in. Are these two sides of the same world? Will they ever become one?

She watches her little brother and sister sharing a banana, each one making sure the other has had an equal share. Why didn't others do the same when they who had so little were so giving? What future did her siblings have? What would become of them? They had no options and no choices. Each day was a struggle for survival, and things were changing so fast.

Huligamma and her siblings, like millions of other children around the world, will live on the fringes of society, never really counted, never considered an economic or social asset, never becoming one of the mindless consumers who are central to the new age economy. She will remain one of the 'excluded and invisible,' a mere embarrassing statistic to be hidden amidst the folds of political rhetoric.

Nandana Reddy, former Founder Executive Director of Concerned for Working Children (CWC), is currently Director Development of CWC. She was also Chairperson of the International Working Group on Child Labour

Trade on human terms

The first Asia-Pacific Human Development Report 2006 is a timely reminder that the hosannas to globalisation may be slightly out of tune: economic growth is not a magic mantra for development and poverty reduction

SHERNA GANDHY

THE FIRST ASIA-PACIFIC HUMAN DEVELOPMENT REPORT 2006 of the United Nations Development Programme (UNDP), titled 'Trade on Human Terms', is a timely reminder that the hosannas sung to the process of globalisation may be slightly out of tune. It is a timely reminder also to governments that there is no magic mantra for development; sound, humane, correctly targeted government policies will do more to lift people out of poverty than economic theories.

Hafiz A Pasha, UN assistant secretary-general and director of the UNDP's regional bureau for Asia and the Pacific, put it succinctly when he said at the launch of the report: "Asia and the Pacific have embraced globalisation, but globalisation cannot embrace the region's poor without determined action on the part of governments."

The report is not dismissive of the role that free global trade can play in reducing poverty, but recommends that "selective and sequenced opening to trade is crucial to successfully manage globalisation". It advocates that developing countries in Asia and the Pacific need "bold new domestic policies" in order to benefit from free trade.

The report documents the general improvements in health, education and poverty in the Asia-Pacific region over the past decade, and attributes them to the increase in global trade. According to the report, in South Asia the number of people living below the poverty line fell from 41% to 31% between 1990 and 2001. The number of underweight children decreased from 53% to 47% during the same period. But the decline is too slow. One child in five still fails to enrol in primary school and, although the number of girls entering school has gone up, it is nowhere near the same as boys.

Revitalise agriculture

Agriculture is a major issue in the region. While liberalisation of agricultural markets as a consequence of the WTO regime has helped reduce food prices, particularly food produced with the backing of subsidies in the United States and European Union, this has not led to any improvements in food security for South Asian countries.

More countries now face food deficits, and Asia still has more hungry people than any other region of the world — over 510 million in 2002. In India, the total number of hungry people decreased by 13 million between 1990 and 1995, but increased by 18 million in the second half of the 1990s. Although the economy grew during that period, agriculture

began to be neglected.

As is well-known, agriculture was one of the major sticking points in the World Trade Organisation negotiations that were suspended in July 2006. Developing countries like India blamed large EU-US farm subsidies for their farmers' problems. The report accepts that such skewed policies hurt developing countries badly. But it also blames the decline of agriculture in developing countries on poor agricultural policies and neglect of the agriculture sector as a whole.

In South Asia, including India, public expenditure on agriculture has fallen sharply, to as low as 1.9% in 1990. By 2001, public expenditure on agriculture reached barely 1.2% of the population, even though agriculture supports a vast majority of the region's poor. Governments need to support agricultural development through price supports, affordable loans and, most importantly, by strengthening land reform, the report says.

The important point the report makes is that global policies, together with domestic neglect of agriculture, have resulted in a situation where the Asia-Pacific region has become a net agricultural importer, threatening food security and deepening rural poverty.

South Asian countries that were self-sufficient in food are now becoming food importers. In countries such as Afghanistan, Bangladesh and Nepal, food imports were more than double exports, at the end of the 1990s. Food imports by developing countries will grow two to three times, from US\$ 18 billion in 2004 to around US\$ 50 billion by 2030. "Considering the fact that farming supports half of Asia's workforce, growing reliance on cheap food imports could wipe out rural livelihoods," the report warns.

India, which was self-sufficient in food for two decades, has placed orders for huge imports of wheat, pulses and sugar this year. Yet, according to the report, "it is necessary that national security is built on domestic food production".

Combat jobless growth

A worrying phenomenon is that although many Asia-Pacific economies have grown, unemployment remains high. This is because employment has become less labour-intensive, tending towards technology-oriented exports. Even within the manufacturing sector, the emphasis is on cutting labour costs and investing in labour-saving equipment.

While some sections of workers have been able to reap the

benefits of free trade, those most in need — lower-skilled workers — have been left out. At the same time, the labour force is growing rapidly, by 15.4% in East Asia and the Pacific Island countries, and 24% in South Asia.

The East Asian 'miracle economies' have not escaped this jobless growth. Their export-led growth in the 1980s created 337 million jobs in the Asia-Pacific region. But in the 1990s, when trade was expanding, only 176 million jobs were created.

According to the report, employment in South Asia has grown modestly, at 1.6%. While it has fallen in agriculture, the informal sector has taken up the slack, not the manufacturing sector. Hence, such labour is probably not well-organised or well-paid.

South Asia has done well in trade in services. Between 1990 and 2003, countries in this region increased their share in goods only marginally, but did better than East Asia in trade in services. The financial, insurance and business sectors have seen a 67% increase, along with hotels and restaurants, construction and transport.

The report concludes that “the failure of employment to rise and the growing income disparities imply that the 'trickle down' effect of fast trade and income growth on human development and poverty reduction is limited”.

Regional inequalities

Some seemingly positive trade liberalisation policies can have adverse effects. For example, the removal of quotas in textiles and clothing helped some countries, such as China and India, since increased market access resulted in more jobs for workers in the textile industry.

But Least Developed Countries (LDCs) like Bangladesh, Sri Lanka and Nepal have seen factories close and unemployment escalate since they have not been able to compete with stronger economies in their own region. The report suggests that such countries need to increase their competitiveness and protect workers in the textile and clothing sector, the vast majority of whom are women and lower-skilled workers.

The report cites Malaysia as an example of a country where trade liberalisation, accompanied by pro-poor domestic policies, has led to a remarkable reduction in poverty. On the trade front, it liberalised progressively; on the development front, the government provided social and physical infrastructure and assisted target groups where poverty was highest. In agriculture, it switched from its main traditional export product — rubber — to palm oil when demand for the former fell, and grew for the latter.

Recommendations

The Asia-Pacific HDR 2006 concludes by making eight key recommendations:

- Invest for competitiveness, including in technical or tertiary education as well as in research and development, especially for agriculture and trade-related infrastructure.
- Adopt strategic trade and industrial policies. Strategic industries should not be opened up too early; properly

sequenced tariff barriers with a clear timeframe are necessary.

- Focus on agriculture. Invest in rural development, maintaining tariffs on food imports, and ensuring that global trade negotiations agree on special safeguard mechanisms.
- Combat 'jobless growth'. Recalibrate interest rates, phase out fiscal incentives that artificially raise the return on capital and result in moves away from labour; adopt labour-market policies to encourage flexibility and re-training.
- Prepare a new tax regime, ensuring that new taxes are equitable and protect the poor; develop income taxes and curb evasion, while exploring promising new areas such as real estate, capital gains and value-added tax to compensate for revenue losses from trade liberalisation.
- Maintain stable exchange rates, providing realistic exchange-rate management that values a currency neither too high nor too low and maintains real stability.
- Persist with multilateralism. Building up slower but ultimately more productive relationships under the multilateral global trade regime is better for human development than seeking highly imbalanced bilateral agreements with rich nations.
- Promote regional cooperation, strengthening regional trade agreements, pooling foreign exchange reserves and developing an Asian bond market.

What the report advocates is a commonsense approach to trade and development. If trade is to help development, then those most in need of development must be at the centre of any policy, national or international. The Doha Development Round at the WTO, the Millennium Development Goals (MDGs) of the United Nations and other initiatives recognise that the world must develop equitably. To do that it must put the needs of the poor first.

The Doha Round failed to do that. The MDGs which countries themselves must meet are seriously off-target in many developing countries, including India. The recipe for success, the UNDP report says, is to judiciously combine trade-driven economic growth and poverty reduction strategies.

Much of what the report says is well-known. To be beneficial to poor countries, global trade must be fair. At the same time, developing and least developed countries need to pay serious attention to human development issues. What is significant is that the report states quite strongly that economic growth does not necessarily lead to poverty reduction. This is an important point to consider for developing countries like India where the government is obsessed with growth figures, equating them with poverty reduction.

The aim of the Asia-Pacific Human Development Report series is to “provide the region with a forum for furthering dialogues and structuring debates to support a pro-poor agenda”. Whether governments, used to short-cut development models, will take part in the dialogue and further the debate is another matter.

Sherna Gandhi is a senior journalist

The new threat to Kerala's fishermen

Fishing bans, rich-country subsidies and import of fish products have had a severe impact on the livelihoods of Kerala's fisherfolk. The small operator is virtually out of business

N P CHEKKUTTY

KERALA, ESPECIALLY IN DISTRICTS LIKE WAYANAD, has witnessed an unprecedented decline in agricultural activities and a spate of farmer suicides over the last few years. Recent studies by independent scholars as well as the official machinery have concluded that the decline in farm profitability and consequent debt trap posed by the import of cheap agricultural products, rise in input costs, and dependence on global market forces are the root causes of the farmers' misery. Most of the state's major agricultural products like coconut, spices and rubber are prone to international market price fluctuations and are dependent on them. According to the Economic Review of Kerala, 2005, the recent Indo-Sri Lankan Free Trade Agreement (FTA), allowing free imports of pepper, and the South Asian Preferential Trade Agreement (SAPTA) among SAARC countries have had a negative impact on the agricultural sector, especially as regards rubber, palm oil, pepper and marine products.

While the situation in the farm sector has received the attention of policymakers and administrators, thanks to the spate of farmer suicides and media attention on the nationwide impact of trade policies, the fisherpeople who face a similar situation in the coastal villages have been largely ignored. The WTO agreement on Non-Agricultural Market Access (NAMA), of which fishery is a part, has had a severe impact on the lives of

the fisherfolk, both traditional and mechanised boat crews. While the farmers had their influential political and trade organisations that kept their grievances on the national agenda, the fisher people had no such organised lobby and were trapped in the clutches of obscurantist and communal outfits, as seen in the coastal villages of Kerala in the last few decades. Instead of fighting a common enemy, the fisherfolk fought amongst themselves, leaving the wealth of the sea to be plundered by local middlemen and the global marine industry.

According to recent figures, there are roughly 4,300 mechanised fishing boats in Kerala, while the number of inboard-engine-fitted canoes is only around 400. Their operations centre on nine fishing harbours along the coast, namely Kochi, Vypeen, Munambam, Sakthikulangara, Neendakara (all in south Kerala), Beypore, Ponnani, Puthiyappa and Cheriya Azheekkal (in the north.) A recent report in *The Hindu* claimed that many boat-owners were in deep debt, as catches in the past year have been lean. The Kerala State Fishing Boat Operators Association estimates that each operator has to spend Rs 2.5 to 3 lakh on annual maintenance. Painting alone costs between Rs 75,000 and Rs 90,000. With new trade agreements covering marine resources, the financial stability of the fisherfolk is under a lot of strain.

Desmond Roberts



The second aspect is the investment needed to compete in the international market, following the agreement on Sanitary and Phyto-Sanitary (SPS) conditions, which forms part of the WTO agreements. The SPS conditions have been harsh for small and medium exporters. Bans have been imposed by rich countries like the European Union, Japan and the United States. The ban on shrimp from Bangladesh, Nile perch from Uganda and some shipments from India are recent examples, as pointed out by the Kerala government's economic review.

Despite the fact that the ongoing agreements in the fishery sector are likely to hit the fishing community hard, the central government has entered into new agreements allowing imports of fish products into the country. The state government itself expressed the view that the provisions of the Indo-Thailand trade agreement, signed in New Delhi in August 2004, would adversely affect the fisheries sector in Kerala as it allows the import of fish products. The Government of India would have to re-negotiate the duty structure of fish products in order to save the fishing community, said the official document.

The Early Harvest Scheme in the Indo-Thailand agreement envisages duty reductions for 82 items, including mango, marine products and a number of industrial products. Among the marine products covered in the agreement are salmon, sardines, mackerel and crab, which are some of the most abundant fish items in south Indian waters.

Experts have pointed out the serious nature of the global threat to our local fisheries sector, because, according to a 2001 estimate, the global subsidy in the fishing sector is as high as US\$ 15 billion, most of which goes to fishermen in rich countries. On the other hand, in order to achieve safety standards in conformity with European Union norms, exporters will have to set up their own capital-intensive Hazard Analysis and Critical Control Points (HACCP) plants. The economic review points out that the installation cost of HACCP plants in India varies between Rs 10 million and Rs 25 million. The annual maintenance cost itself would come to around Rs 2 million, increasing pre-export handling charges by another Rs 7-10 per kg of fish products. The government document says that the state would have to move towards international standards for product hygiene in order to retain its existing market share in the overseas market. But exporters involved in the marine sector say that the cost of such factories is much higher; a number of exporting firms have faced ruin in recent years owing to rejection of shipments because of the strict standards set by importing countries.

The age-old enmity between traditional fisherfolk and mechanised boat crews, which has been the main source of conflict in the coastal region since the late-'60s, is giving way to new contradictions. Mechanised boat crews and traditional artisans are now coming together against a new threat of global dimensions. The Joint Coordination Committee (JCC) for fish workers and traditional artisans has launched a series of action plans to fight the import of fish products from other countries and to prevent joint operations by Indian and foreign vessels in Indian waters.

In the monsoon of 2006, fish workers from the mechanised boat segment as well as traditional fishermen declared their intention to defy the blanket fishing ban. The unprecedented 62-day ban on monsoon trawling in Kerala's coastal regions, which ended only on Independence Day, 2006, caused frustration and anger among the fishing community. Traditional fishermen in their engine-fitted country boats were included in the ban for the first time, as a result of a Supreme Court order in July 2006. Much of the coastal belt was on the brink of a violent uprising, forcing the authorities to issue prohibitory orders along many parts of the coast. Fisherfolk observed a day of *hartal* in the coastal belt during the first week of August.

The trawling ban was first enforced in Kerala and other southern states in 1988 when studies proved the depletion of fish resources owing to trawling by mechanised boats. Although there was stiff resistance from the mechanised boat segment in the initial days, in the past decade the ban has been imposed, varying from 30 to 62 days. Traditional fisherfolk in their small vessels were allowed to venture out into the sea. The ban in 2006 was the longest, as, at the end of a 45-day ban imposed by the state, the Supreme Court ordered its extension by another 17 days on the basis of a petition filed by a group in Goa. And traditional vessels were included in the ban. The government machinery strictly enforced the ban with prohibitory orders on many beaches.

State government figures show that the trawling ban did augment fish stocks. At the peak of heavy trawling through the years, from 1977 to 1986, annual average fish landings in Kerala declined to around 3.49 lakh tonnes. The ban was imposed from 1988, and the figures for the period 1988 to 1997 show that fish landings increased to 4.58 lakh tonnes, and from 1998 to 2005, to 5.75 lakh tonnes.

But the gains from the increased fish wealth did not benefit the ordinary fisherfolk. Today, the fishing sector is dominated by huge vessels operated by Indian and foreign owners as part of new international agreements. The annual Economic Review of the Government of Kerala for 2005 notes: "Subsidy reform in the fishery sub-sector forms part of the multilateral trade negotiations agreed at the fourth ministerial conference [of the WTO] at Doha. Significant work on the relationship between fishery subsidies and overfishing has been done by various international organisations in recent years... Most of them focused on marine capture fisheries rather than on aquaculture."

Fishing bans and rich-country subsidies have adversely impacted many small and medium export-processing firms in Kerala. In fact, the traditional sector is now almost extinct; its negligible catch exclusively caters to the local market. The mechanised segment provides fish products for the export-processing firms that operate in various parts of the state.

The present situation calls for huge investments, even as the fisheries sector faces a major setback, with falling prices, cost escalations, intense competition and other problems.

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A looming public health crisis?

With effect from January 1, 2005, India has had to amend its patent law and introduce product patenting in pharmaceuticals. This is likely to reduce access to affordable medicines, especially for the poor. But why has India failed to exploit the existing flexibilities in the TRIPS Agreement that could have protected the public interest?

**PRABHASH
RANJAN**

WHEN ONE THINKS about an agreement on Intellectual Property Rights (IPR) in a trade organisation such as the World Trade Organisation (WTO), the first impression is that of a mismatch. Is a global and multilateral trade organisation the right place to negotiate and implement IPR provisions? The answer would appear to be 'No'. IPR, at best, has an indirect link to trade in goods and services and hence should be beyond the jurisdiction and mandate of any trade organisation. If this is the case, then the obvious question is: Why does the WTO contain an agreement on IPR in the first place?

The answer is that the rich and powerful wanted an agreement on IPR in the WTO because it suited their economic interests. This is borne out in the Uruguay Round of negotiations that took place from 1986-1994, which ultimately led to the formation of the WTO in 1995. In these negotiations, developing countries, led by India and Brazil, were firmly against the inclusion of IPR within the ambit of multilateral trade negotiations. On the other hand, the United States was very keen to have an agreement on IPR in the yet-to-be-formed WTO. The US was keen to expand its IPR agenda, essentially on patents, in order to strengthen the prospects of large multinational pharmaceutical companies. Since a majority of patents were held in the US, it perhaps made economic sense for the US to augment the existing IPR agenda.

Why did the US choose the WTO for its ambitious agenda? There are two reasons. First, the US was frustrated with the pace of things at the World Intellectual Property Organisation (WIPO), the specialist United Nations (UN) agency dealing with IPR, where it tried to expand the IPR agenda but did not succeed. Second, the WIPO lacked a strong enforcement mechanism and hence could not police the rights of the IPR-holder, whereas the yet-to-be-formed WTO was to have a strong dispute settlement mechanism that would do the required policing of implementation of the rights of IPR-holders.

So the US used all kinds of methodologies, including coercive techniques, at the Uruguay Round of negotiations to counter opposition from developing countries. It used Section 301 of the US Trade Act (Section 301 of the US Trade Act enables the US president to take *suo moto* action, including the removal of tariff preferences or the imposition of sanctions against countries that do not provide adequate protection to the IPR rights of US citizens) as a coercive tool to threaten countries that were opposing the TRIPS negotiations at the Uruguay Round. Using this tool, the US was able to overcome the

resilient Brazilians. (1) India, which was representing the developing world, also buckled under US pressure and accepted the TRIPS Agreement. (2)

Apart from pressure by the US, the TRIPS Agreement was also seen as part of the overall WTO package, where concessions had to be made in order to get certain benefits. For developing countries, the alleged benefit was a dismantling of the quota regime on textiles and clothing by developed countries, through the enactment of the Agreement on Textiles and Clothing (ATC).

Ever since the TRIPS Agreement was reluctantly accepted as part of the grand bargain to get the dismantling of textile and clothing quotas it continues to remain

The biggest apprehension regarding the introduction of product patenting in pharmaceuticals is that once patented medicines start coming into the market, their accessibility will be restricted to those who can afford them. Poorer sections of society will find it difficult to access them. This could lead to a major public health crisis in the country

controversial and contentious.

Once TRIPS became part of the WTO it meant that all WTO member countries, including India, were bound to change their IPR laws in accordance with the provisions of the TRIPS negotiations. These changes were needed, since countries like India had weak IPR, particularly a weak patent regime. The key difference was that India's patent law (Indian Patent Act, 1970) did not recognise product patenting of pharmaceuticals, unlike the TRIPS Agreement. Indian patent law gave patent protection to the process that was used to invent a medicine. In other words, it was only the *process* of invention that was protected, not the *product* (medicine) itself. This allowed generic manufacturers to produce all kinds of medicines and drugs through reverse engineering. The presence of generic manufacturers in the pharmaceuticals market ensured that there was a lot of competition and abundant supply, which kept the price of medicines down. This, in turn, ensured accessibility of medicines even to disadvantaged sections of society.

However, with effect from January 1, 2005, this scenario has changed. India has had to amend its patent law and introduce product patenting in pharmaceuticals in order to fulfil its obligations under the TRIPS Agreement. Before we understand the ramifications of this change it is important to remember that this change, made to introduce product patenting in pharmaceuticals, was the third change in a series of amendments made to the Indian patent law from 1995 (post the formation of the WTO) to make it TRIPS-compliant. The first and second changes were made in 1999 and 2002, respectively. The change in 1999 introduced the mailbox system and Exclusive Marketing Rights (EMR). The second change, in 2002, was made to agree on the duration of patent protection.

The biggest apprehension regarding the introduction of product patenting in pharmaceuticals is that once patented medicines start coming into the market, their accessibility will be restricted to those who can afford them. Poorer sections of society will find it difficult to access them. This could lead to a major public health crisis in the country.

To face such a scenario, where product patenting could lead to a monopoly and hence extremely high medicine prices, the TRIPS Agreement provides certain mechanisms. One is the use of Compulsory Licensing (CL). CL is a mechanism whereby a competent national authority grants a licence in order to permit either the national authority or any third party to manufacture a patented product without the authorisation of the patent-holder. The significance of CL in pharmaceuticals (medical patents) is that it allows the production of generic medicines that can be sold at cheaper prices. The TRIPS Agreement offers wide discretion to countries to use CL as a flexibility option. For instance, it does not limit the grounds under which CL can be issued, although it does list certain conditions in Article 31, such as paying adequate remuneration to the patent-holder.

However, the Indian patent law, as amended by the third amendment, provides that CL can be issued only after three years of granting a product patent. This condition is not in the TRIPS Agreement and is, therefore, a unilateral measure

adopted by India. Its provision in the Indian patent law is unnecessary, as it sends out a signal that the state is not serious about public interest issues. The third amendment to the Indian Patent Act also dilutes the scope of patentability (criteria adopted to patent a product), by allowing patent-holders to claim patents with the most trivial of improvements. This could lead to continued monopoly by the patent-holder (known as 'ever-greening' of a patent). (3)

We see, therefore, how India has not made full use of existing flexibilities in the TRIPS Agreement, and has instead opted for a much tighter patent law. This may, in the long run, undermine public interest by affecting accessibility to medicines, especially by disadvantaged sections of society.

Another important change in the Indian IPR regime after the emergence of TRIPS has been the enactment of a plant variety legislation, with the twin aims of protecting the rights of farmers in the development of new plant varieties, and protecting the rights of breeders to stimulate investment in the production of new plant varieties. (4) One of the reasons for adopting this legislation was that the TRIPS Agreement requires countries to provide protection to newly-developed plant varieties, either through an internationally recognised patent protection system or through a *sui generis* (indigenously developed) system.

These are some of the basic changes that have been made in the Indian patent regime after the WTO came into existence. On the issue of medical patents, the Indian policy space appears to have shrunk. However, instead of complaining about the TRIPS Agreement, India must also blame itself, for it has adopted a number of measures in its new legislation that it did not have to take. India should have exploited the existing flexibilities in the TRIPS Agreement in order to develop a regime that can mitigate the harmful effects of product patents in pharmaceuticals. It needs to change its patent law and incorporate provisions to ensure cheaper and better access to drugs by all its people.

Endnotes

(1) For more on this see Jayashree Watal, 'Intellectual Property Rights in the WTO and Developing Countries' (Oxford University Press: New Delhi, 2001) at 11-48

(2) For more on this see 'Intellectual Property Rights: Government Buckles under US Pressure', *Economic and Political Weekly*, May 13, 1989

(3) For more on this see K M Gopakumar and Tahir Amin, 'Patents (Amendment) Bill 2005: A Critique', April 9, 2005, *Economic and Political Weekly*

(4) For more on this see Philippe Cullet, 'Intellectual Property Protection and Sustainable Development (Lexis Nexis: New Delhi, 2005)

The struggle for affordable medicines

India, which amended its patent laws for TRIPS-compliance in 2005, introduced a clause to ensure that pharmaceuticals did not block the entry of low-cost generic drugs. A year ago, this clause blocked Novartis' patent application for its anti-cancer drug Gleevec. Now, in a major case that will have a profound effect on the affordability of essential medicines in India, Novartis is challenging this unique Indian provision

CHAN PARK

A DIVISION BENCH of the Madras High Court is set to hear a case that could potentially have a profound effect on the affordability of essential medicines in India and throughout the developing world. Swiss pharmaceutical giant Novartis AG is challenging the constitutional validity of a key provision in India's Patents Act; a provision designed to ensure that frivolous 20-year patent monopolies are not granted at the cost of public health. If Novartis succeeds in this unprecedented challenge, India's status as the primary supplier of low-cost essential medicines to the developing world will be jeopardised. More fundamentally, if it succeeds, it will mark the first time in history that a multinational corporation succeeds in legally abrogating a country's sovereign right to implement its obligations under the Agreement on Trade-Related Aspects of Intellectual Property (TRIPS) in a manner consistent with the protection of public health.

The legal provision at issue — Section 3 (d) of the Patents Act — is a provision unique to Indian law, and stipulates that modifications of already-known medicines cannot be patented unless such modifications make the drugs significantly more effective. This provision was designed to prevent an all-too-common practice in the pharmaceutical industry known as 'evergreening', whereby patent owners patent trivial modifications of already existing drugs to artificially extend their

In 2004, Novartis had been granted an exclusive marketing right (EMR) for Gleevec, and obtained a court order preventing generic drug makers from selling their versions. A drug that had been available for Rs 8,500 to Rs 12,000 per month

monopolies beyond the 20-year period granted it on the original patent. Pharmaceutical companies have been engaging in such practices in other countries, effectively blocking the entry of low-cost generics for years. India, which amended its patent laws to come into TRIPS-compliance in 2005, had the benefit of hindsight, and took proactive measures to ensure that such practices do not block the entry of affordable medicines in the Indian market.

Armed with this provision, the Cancer Patients Aid Association (CPAA), in September 2005, filed an opposition against Novartis' patent application for its anti-cancer drug Gleevec, claiming that this application only concerned a modification of an already-known drug that did not improve its efficacy. Subsequently, in a landmark decision, the patent office in Chennai declared, in January 2006, that Novartis' patent application for Gleevec was insufficient to meet the requirements of Section 3 (d), and denied Novartis a patent on this and other grounds, despite the fact that Novartis has already been granted a patent on Gleevec in 35 other countries.

The immediate consequences of this decision were remarkable. In 2004, Novartis had been granted an exclusive marketing right (EMR) for Gleevec, and obtained a court order preventing generic drug makers from selling their versions. A drug that had been available for Rs 8,500 to Rs 12,000 per month — already out of reach for many — was then only available from Novartis, at an unaffordable Rs 125,000 per month. However, with Novartis' patent application denied, the EMR automatically came to an end and generic manufacturers were then free to resume sale of the cheaper versions, bringing renewed hope to the approximately 24,000 patients suffering from chronic myeloid leukaemia, who once again have easier access to this lifesaving drug.

The broader consequences, however, were perhaps even more striking. For the first time after the amendment of the Patents Act, there was a clear indication from the patent office that this novel provision would be taken seriously, and that this provision could serve as an effective tool in the ongoing struggle for access to essential medicines. Following upon the CPAA's success, other civil society groups — primarily networks of HIV-positive people — began filing oppositions against patent applications for key antiretroviral medicines and other drugs essential for treating AIDS. In the year that has passed since the Gleevec decision, subsequent events have demonstrated the importance of Section 3 (d) in promoting access to medicines.

In March 2006, the Indian Network for People Living with HIV/AIDS and the Manipur Network of Positive People filed an opposition against GlaxoSmithKline's (GSK's) patent application for Combivir, an important fixed-dose combination of two of the most widely used antiretroviral medicines in the developing world. The substance of GSK's patent application proved to be exceedingly silly, and is demonstrative of exactly the type of frivolous patenting that Section 3 (d) was enacted to prevent. Essentially, GSK sought a 20-year monopoly for combining two already known drugs — Lamivudine and Zidovudine, neither of which are patentable in India — with something called a 'glidant', of which the preferred variety is silicon dioxide, better known to most people as sand. To be fair, it was not just sand that is the subject of GSK's 'invention'. It also included corn starch, talc, calcium carbonate (better known as chalk) and a host of other simple, commonplace substances that drug makers routinely add when making a drug in pill form. Remarkably enough, as with Novartis and Gleevec, GSK had already obtained a patent for this in the United States, the United Kingdom, and several other countries.

In the face of the strong opposition filed by the activist groups, and the sheer frivolity of its patent application, GSK announced, in March 2006, that it would be withdrawing its patent application for Combivir, thereby allowing several Indian generic manufacturers to continue making their versions of this essential drug combination without fear of liability. The ripple effect of this decision spread beyond the highly politicised arena of AIDS treatment. Recently, GSK announced that it would be withdrawing a patent application for a combination asthma

Rather than risk unfavourable judgments in the Indian patent office on their dubious patent claims, some multinational pharmaceutical companies have chosen to tactically retreat from the aggressive patenting strategies that they have been able to pursue practically unabated in other countries.

drug, presumably to avoid setting a negative precedent should the application be rejected on the basis of Section 3 (d).

In contrast to GSK's apparent strategy of withdrawing dubious patent applications in the face of Section 3 (d), another global pharmaceutical manufacturer, US-based Gilead Sciences, has taken a different approach. When HIV treatment activists and numerous Indian generic companies filed patent oppositions against Gilead's application for the important AIDS drug Tenofovir, in May 2006, Gilead responded by announcing that it would offer voluntary licences to Indian generic manufacturers to manufacture this drug at seemingly favourable royalty rates.

However, behind this apparently generous gesture from Gilead to offer licences to generic manufacturers was an ingenious initiative to ensure that it would be able to retain exclusive rights over a product whose patentability under Indian law was in doubt. As an explicit condition of accepting Gilead's voluntary licence, generic manufacturers were required to withdraw their pending patent oppositions against Tenofovir. In addition, these generic manufacturers were, by the terms of the licence agreements, effectively locked into these royalty arrangements regardless of whether or not the patent for Tenofovir was ultimately granted in India. Thus, even before Gilead's rights over this drug were determined under Indian law, Gilead acted quickly to salvage a steady stream of royalty from risk-averse generic companies.

As these developments over the past year show, Section 3 (d) of the Patents Act has had a real and measurable effect in promoting access to affordable generic medicines. Rather than risk unfavourable judgments in the Indian patent office on their dubious patent claims, some multinational pharmaceutical companies have chosen to tactically retreat from the aggressive patenting strategies that they have been able to pursue practically unabated in other countries. The end result of these retreats has been greater freedoms on the part of Indian generic manufacturers to continue India's role as the major supplier of low-cost essential medicines to the developing world. With Novartis' pending legal challenge to Section 3 (d), however, the outlook in the coming years is far from clear.

In response to the patent office's rejection of the Gleevec patent application, Novartis has taken the step of not only challenging the patent office's denial, but also of challenging the validity of Section 3 (d) itself, claiming that the section fails to comply with the requirements of TRIPS. This marks the first time the world over that a private entity has challenged the prerogative of a country to implement the TRIPS Agreement in accordance with its public health priorities. The significance of this case is hard to overstate. Should Novartis succeed in its challenge, it will not only mark a significant step back in the struggle for affordable medicines, but it will mark the first time that the demands of a private multinational corporation have overridden a sovereign country's right to protect the health of its people.

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More media, less democracy

This article explores the implications of attempts by the World Trade Organisation to include audiovisual media, especially broadcast programmes, into the General Agreement in Trade and Services (GATS) and thereby promote international free trade in audiovisual services

MANFRED KOPS

BROADCASTING PROGRAMMES, like other mass media, serve private interests for information, education, and entertainment. As such they can be sold like other economic goods, either to viewers and listeners directly (pay TV) or advertising companies that use the programmes as a means of catching the attention of audiences and transporting advertising messages. In this form, TV programmes can be provided by the market, and they can generate high profits.

The exchange of TV programmes can further increase these profits. Due to the economic peculiarity of the media known as non-rivalry in consumption, additional revenues can be generated without additional production costs, especially if large foreign markets can be opened up. At the same time, the enlargement of markets and output units diminishes the average costs per unit, and strengthens the efficiency and competitiveness of media companies to the benefit of the companies and the national economies of the countries where they reside, but also to the benefit of the viewers and listeners. From this point of view, the expansion of media markets also increases public welfare.

However, there are some economic peculiarities of broadcasting programmes — at least programmes with certain contents — for which the market fails. The most important reasons for such failure are: 1) sub-additivity of costs (due to non-rivalry in consumption), 2) non-excludability, 3) positive and negative externalities, and 4) asymmetric distribution of information about the programme quality. They cause 1) media concentration and low diversity of programme contents, 2) discrepancies between the programme preferences of viewers and listeners and the advertising companies served by commercial broadcasters, 3) paucity of programmes with positive externalities that benefit the public and an excess of programmes with negative externalities to the disadvantage of the public, and 4) adverse selection by viewers and listeners, resulting in the crowding out of high quality (and expensive) programmes by low quality (and inexpensive) programmes.

For these reasons mere market provision cannot sufficiently fulfil the broad and diverse public communication that is necessary for complex societies which have to adjust to changing environments and find common and integrative solutions. In Germany, this fact has been recognised, especially by the Constitutional Court, and a dual order has been established, consisting of commercial broadcasters that provide marketable programmes, and public service broadcasters that provide the

whole range of marketable and non-marketable programmes.

In view of such failures of the market, on the supra-national and international level, too, strong commercialisation would be to the disadvantage of public communication — both for the public and political communication within nations and between them. The expansion of international programme exchanges and the concentration of media in the course of globalisation (for broadcasters especially as a consequence of the digitalisation) thus jeopardise media diversity and the opportunity for nations to participate in international public communication.

Currently there are conflicting forces on either side of the divide over media globalisation. On the one hand, the World Trade Organisation (WTO) promotes the international free trade of audiovisual services. On the other side there are other organisations, like the United Nations Educational, Scientific and Cultural Organisation (UNESCO), which combat these attempts. In this dispute, large nations with well-established audiovisual industries that stand to profit economically from further commercialisation of the international broadcasting markets, such as the USA, promote the WTO regime, while small nations that would not earn profits on international markets but whose national culture and identity would be jeopardised by the international free trade of programmes, resist it.

As many countries ... will be affected both positively and negatively by further commercialisation and globalisation of the media, it will be hard to predict their future policies.

TV programmes as marketable or non-marketable economic goods

Implications for supra-national broadcasting orders

The quality and quantity of market failure in the media sector does not affect only the design of national media orders; they are also relevant at the supra-national and international levels. Some of the market failures that impact national markets could, in fact, be even more potent in international markets.

If, for instance, media markets grow spatially in the course of globalisation, the costs per unit of output will further diminish, the optimal output size of media companies will further increase, and the number of surviving media companies will further reduce. A higher degree of media concentration and an increase in the economic, journalistic and political power of the

Currently there are conflicting forces on either side of the divide over media globalisation. On the one hand, the World Trade Organisation (WTO) promotes the international free trade of audiovisual services. On the other side there are other organisations, like the United Nations Educational, Scientific and Cultural Organisation, which combat these attempts

few remaining companies would be the consequences for the international media markets. (1)

The reduced diversity of media content — already a problem in domestic media markets — could also intensify in the course of globalisation. “Minority” programmes — for small cultural, ethnic or religious communities within countries or for small countries in the international arena — would be crowded out further; and the domination of programmes for “majorities” — representing large language communities at the domestic level and large nations at the global level — would escalate. This would especially benefit nations with large domestic markets, allowing them to dump their programmes on foreign markets. (2)

Despite the opportunities and advantages associated with free trade in TV programmes, the above reasons underpin objections to further commercialisation and globalisation of the media at the supra-national and international levels. There are concerns, for instance, about the attempts of the World Trade Organisation (WTO) to include the audiovisual sector, especially broadcasting programmes, into the General Agreement in Trade and Services (GATS). The apprehensions stem mainly from non-governmental and non-market organisations representing civil society.

The United Nations Educational, Scientific and Cultural Organisation (UNESCO), for instance, has adopted a Convention on the Protection of the Diversity of Cultural Contents and Artistic Expressions (CCD), (3) meant to serve as a

counterweight against the WTO regime. (4) The CCD does not view broadcasting programmes (and other audiovisual goods and services) as economic goods but as parts and forms of national, regional and local cultures. Such a categorisation would allow WTO members to exclude certain audiovisual services from the GATS, and to regulate their production and distribution by national law.

During the World Summits on the Information Society (WSIS) (5) — Geneva 2003 and Tunis 2005 — these voices created a platform to articulate their views. (6) It will be interesting to observe to what extent they can combat the worldwide globalisation, commercialisation and concentration of media, which at present takes place in most parts of the world as a consequence of changing cost structures within the broadcast sector (especially as a result of the digitalisation).

Member states of the WTO will have to reveal their various positions on this in the course of negotiations on the GATS. They will have to decide about the allocation between goods (ruled by the General Agreement on Tariffs and Trade, or GATT) and services (ruled by the GATS). Further, within services they have to decide about putting specific services into a Service Sectoral Classification List. The latter is important because some classes (like telecommunication services) are currently more liberalised than others (like audiovisual services). It is on the basis of this classification list that all member states can request and offer measures for liberalisation. At present the Doha Round of negotiations (indefinitely suspended since July 2006) aims to fit the “initial requests” from 2002 with the “initial offers” from 2003. (7)

Member states' positions in these negotiations depend on their national views about the relative capabilities of markets and free trade, and on whether they perceive the media as primarily an economic or cultural good. Additionally, or maybe even predominantly, these positions are determined by the various states' differing chances of making profits from a commercial audiovisual industry.

Therefore, it is not surprising that states with a well-established audiovisual industry and with a sufficiently large domestic market attempt to classify certain services that are currently classified as “less liberalised” audiovisual services (eg audio streams) as “more liberalised” telecommunication services. It is also not surprising that — within the audiovisual services — these countries try to eliminate existing exemptions from free trade (the so-called “carve-out”). States with small domestic markets and without domestic audiovisual industries, on the other hand, usually try to preserve their autonomous national audiovisual policies. These states therefore prefer a broader definition of the audiovisual sector, and they generally try to expand the number and strength of the exceptions for the audiovisual sector. (8)

In addition, the effects of commercialisation and globalisation of mass media on their citizens and societies as a whole determine states' positions in the WTO negotiations. If the mainstream content of the commercialised mass media corresponds to citizens' opinions and preferences (and thus confirms and reinforces them) states will evaluate the disadvantages (costs) of commercialisation as negligible. The

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USA, for instance, is not bothered by American dominance of the international film industry because — in economic terms — US-made films fit with the “consumer preferences” of its own citizens. A benevolent American government that aims to maximise the welfare of American citizens will therefore promote commercialisation and globalisation.

Under these conditions, even an authoritarian government that tries to maximise the welfare of ruling politicians would favour a commercialised media supply which is in line with its citizens' social, cultural, and political attitudes, and thus would stabilise the existing political system.

In contrast, the disadvantages (the costs) of commercialisation are high if citizens' attitudes (in economic terms again — ie consumer preferences) deviate considerably from the mainstream supply of a globalised commercial media industry. With regard to cultural attributes, media economists have traditionally labelled this as “cultural discount”. (9) However, to what extent the (globalised) supply differs from citizens' demands depends not only on cultural peculiarities but also on social and political attributes. If, for instance, in a given country, the political attitudes of citizens contrast with those presented by a commercialised mainstream media industry, this could induce a rapid and perhaps uncontrollable social and political transformation. Even benevolent governments (not to mention authoritarian regimes), could consider this as a high cost for society since the influence of foreign mass media could be the cause of a revolution, whether peaceful or violent.

The figure illustrates this. It distinguishes between states for which an increased commercialisation of the audiovisual sector would generate (a) high or low benefits of a further commercialisation of the media (due to additional market

revenues), on the horizontal axis, and (b) high or low costs of a further commercialisation of the media due to a deviation and modification of the citizens' cultural, social, or political attitudes (in economic terms: consumer preferences with regard to audiovisual services), on the vertical axis.

States that yield additional revenues from a further commercialisation of the audiovisual sector and that are not affected by large discrepancies between demand and (globalised) supply (Cell 2 in the figure) will clearly prefer the globalisation of the audiovisual sector, and they will support the WTO regime (in the figure, the USA is taken as an example). States that yield no or only small additional revenues and are considerably affected in their cultural identity (Cell 3), on the other hand, will combat the WTO regime (Malaysia is taken as an example). (10)

For states that do not gain considerable additional revenues from a further commercialisation of the audiovisual sector and are also not considerably affected by large discrepancies between demand and (globalised) supply (Cell 1, eg, the Netherlands), the action is not determined *per se*. The same is true for states that do gain considerable additional revenues from a further commercialisation of the audiovisual sector, but also have to suffer from expanding discrepancies between demand and (globalised) supply (Cell 4, eg France, Germany, Canada, the UK, Japan, India and China). In these cases the positions depend on the nations' evaluation of the costs and benefits, which are often intangible and seldom evaluated explicitly and transparently.

Some states, like France, seem to consider the costs of a further commercialisation of the audiovisual sector as high, perhaps because of the assumed alteration of the (cultural) preferences that were induced by a globalisation (Americanisation) of audiovisual products, especially of movies and broadcasting programmes. Although France could benefit substantially from

		Benefits of commercialisation of the AV sector due to increased market revenues	
		Low	High
Costs of commercialisation of the AV sector due to increasing cultural, social, and political discrepancies between supply and demand	Low	Undetermined action ① (The Netherlands)	Supporting globalisation of the AV sector ② (USA)
	High	Combatting globalisation of the AV sector ③ (Malaysia)	Undetermined action ④ (France, Germany, Canada, UK, Japan, India, China)

a further commercialisation and globalisation of its audiovisual sector, as there is a large Francophile and French-speaking community worldwide, and although it possesses a considerable audiovisual (film) industry, it always has opposed the WTO's attempts to liberalise the audiovisual sector, (11) and it was one of the European nations that recently paved the way for the adoption of the UNESCO CCD. Similarly, Canada has traditionally defeated all attempts to commercialise the audiovisual sector, especially by its neighbouring country, the USA, although Canada's audiovisual products would find large markets in English and French-speaking foreign countries. (12)

The positions of other countries — like Germany, the UK, India, Japan or China — are more ambivalent, and have been less consistent and continuous in the past. In these countries, many media companies would definitely benefit from commercialisation of the audiovisual sector, where they could raise additional market revenues. These companies consequently favour commercialisation, and they support the WTO regime. On the other hand, there are voices from civil society organisations that resist commercialisation of the audiovisual sector. The public service broadcasters in these countries usually share these concerns. Hence, a clear national position cannot be identified for these countries. (13)

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This article is excerpted from a recent paper by Manfred Kops ('The German Broadcasting Order: A Model for China?', Manfred Kops, Working Paper of the Institute for Broadcasting Economics, Cologne University, Germany, No 215e, September 2006, <http://rundfunkoek.uni-koeln.de/institut/pdfs/21506e.pdf>). For a more detailed description and discussion of media globalisation, including trade-related issues, see 'Globalising Media Markets: Benefits and Costs, Winners and Losers', Manfred Kops, Working Paper of the Institute for Broadcasting Economics, Cologne University, Germany, No 211e, May 2006 — <http://rundfunkoek.uni-koeln.de/institut/pdfs/21106e.pdf>

Endnotes

(1) In his book *Rich Media, Poor Democracy*, Robert McChesney has criticised this perspective (which partly has come true already), and he has warned that these global media companies possess a high political power which is not controlled by public institutions. For details, see KOPS 2006

(2) *Ibid*

(3) See http://portal.unesco.org/culture/en/ev.php-URL_ID=11281&URL_DO=DO_TOPIC &URL_SECTION=201.html

(4) The UNESCO CCD does not consider broadcasting programmes (and other audiovisual goods and services) merely as economic goods but also as parts and forms of national, regional and local cultures. This allows WTO members to exclude certain audiovisual services from the GATS, and to regulate its production and distribution by national law. See KOPS 2006

(5) <http://www.itu.int/wsis/>

(6) KLEINWÄCHTER 2004

(7) See http://www.wto.org/English/tratop_e/dda_e/dohaexplained_e.htm. For the Doha Round an agreement originally was expected for 2005. Meanwhile, most observers do not believe in an agreement before the end of 2006, at the earliest, mainly because of the controversy developing countries have with the USA and the European Community on subsidies for agriculture. See BBC News: "Q&A: World trade in crisis", <http://news.bbc.co.uk/1/hi/business/4512367.stm>

(8) There are growing concerns, for instance, with the WTO's attempts to include the audiovisual sector, especially broadcasting programmes, into the GATS. They

stem mainly from non-governmental and non-market organisations of civil society. Consequently, the UNESCO CCD mentioned above, does not consider broadcasting programmes (and other audiovisual goods and services) as economic goods, but as parts and forms of national, regional, and local cultures. This allows WTO members to exclude certain audiovisual services from the GATS, and to regulate its production and distribution by national law

(9) If, for instance, viewer (consumer) preferences for films in a country differ considerably from the output of the Hollywood film industry, the costs of a further globalisation of the film industry are high. Already in the '60s of the last century this effect was discussed and criticised as "media imperialism", with regard to the dominance of US-American media products, also as "Americanisation" of the media, for example, by SCHILLER 19690, p 8: "Free trade is the mechanism by which a powerful economy penetrates and dominates a weaker one, the "free flow of information", the designated objective incidentally of UNESCO is the channel through which lifestyles and value systems can be imposed on poor and vulnerable societies." Similar arguments are provided by Noam, Collins and Tracey in NOAM/MILLONZI 1993

(10) It is a simplification that the nations' decisions about combating or supporting the globalisation of the AV sector only are determined by the related benefits and costs. Also states whose net benefit from globalising the AV sector is negative might support it (and vice-versa, states whose net benefit is positive might condemn it), if they are compensated for their decisions by advantages in other sectors. BIRDSALL/LAWRENCE 1999, p 147, state that such bargains are common practice: "In the Uruguay Round, for example, many developing countries were only willing to conclude an agreement on intellectual property in return for the elimination of the Multi-Fibre Arrangement, which restricted textile export from developing countries."

(11) See CHAUDENSON 2003, COCQ 2005

(12) The Canadian broadcasters cannot compete with the US-American networks that possess considerable economies of scale. The Canadian government, therefore, traditionally has regulated the Canadian broadcasting system to enable its domestic broadcasters to provide content for Canadian citizens. See the instructive report of the Standing Committee on the State of the Canadian Broadcasting System — www.parl.gc.ca/InfoComDoc/37/2/HERI/Studies/Reports/herirp02/18-Ch17-e.htm#4. Also see DORLAND 1996, ACHESON/MAULE 2005

(13) For Germany, the UK and other ambivalent European countries, such a clear position might not really be necessary, though, as the European states are not directly involved in the GATS negotiations (the European Commission takes a common position on behalf of all European states). However, as unanimity is required for all contracts that affect the cultural and linguistic diversity of the European Community, the national interests of the member states are guaranteed

Marginalising the marginalised

The WTO erodes women's rights not only to the security of a regular meal, but also involvement in decision-making around food production and agricultural development

ASHA BEE
ABRAHAM

"NOW WE ARE LANDLESS, AND IMPOVERISHED MORE THAN EVER," says Carmen Buena, a rice and vegetable farmer from Pampanga, Philippines. Carmen was one of the witnesses in the December 2005 Women's Tribunal that accused the World Trade Organisation (WTO) of committing crimes against humanity. While the WTO held its ministerial conference in Hong Kong, rural and indigenous women gathered in the city and charged the organisation with causing displacement and loss of livelihood, resulting in poverty, malnutrition and death among women and children.

International trade occurs in the context of gender and class inequalities, which are arguably the greatest in certain parts of Asia. Women produce the majority of the world's staple food crops, providing around 90% of the labour involved in rice cultivation across South East Asia. However, despite being primary agricultural labourers and food producers, women are generally the first to lose their food security in times of income or food shortages. The Women's Tribunal on the WTO called for food sovereignty — the right not only to the security of a regular meal, but also involvement in decision-making around food production and agricultural development — to ensure the wellbeing of the family and community. The WTO, they say, erodes these rights.

Desmond Roberts



Export-oriented agriculture

Until very recently, the majority of farmers throughout Asia would grow a range of seasonally varied crops for their own consumption, along with some extra for trade at local markets. Now, with a switch to export-oriented agriculture, they are required to generate products that fit into the narrow constraints of the global market. What is more, their production is expected to be large-scale, uniform and highly specialised.

In her testimony to the Women's Tribunal, Yaowapa Promwong related that, until a decade ago, families in her village in northeast Thailand exchanged seeds with each other. Most families would grow rice as their main crop, each usually growing several different varieties. Different families therefore had different harvesting seasons, allowing community members to help each other during the harvests. Through such activities, production costs were kept low and community spirit was strong. In addition to their primary crops, families would often farm fish, prawns and other shellfish in the rice fields, grow vegetables, and raise livestock around their homes. They produced enough food for their own consumption, often with surplus to trade at local markets.

Around 10 years ago, however, many farmers, including Yaowapa's father, were personally invited by Thai government officials to attend workshops on how to industrialise their farms and raise productivity for export. Several multinational agri-businesses attended these workshops and gave out gifts of seeds, fertilisers and pesticides, which farmers immediately began using with enthusiasm. Yaowapa describes the resulting changes in her village as socially and environmentally devastating.

The decline of seed-saving

In much of rural Asia, women like Yaowapa have traditionally been seed-savers and plant-breeders. Their knowledge of seed-selection and conservation has enabled villagers to grow produce appropriate to the land. Thus, heritage seeds have been passed down over generations, along with the family land itself. When growing for export, however, the produce must fit certain characteristics defined by foreign marketers. Many farming families have now discontinued seed-saving, turning instead to seeds from multinational agri-businesses that supposedly know the market demand.

In addition, the WTO Trade-Related Aspects of Intellectual Property Rights (TRIPS) Agreement allows multinational agri-

businesses to patent local seeds and life forms. As a result, multinationals such as Monsanto and Syngenta are now able to patent the results of centuries of breeding by Asian peasant women.

Chemical-intensive agriculture

The move towards large-scale monoculture farming brings greater vulnerability to farmers as their seasonal income depends on the outcome of just one or two crops. In order to facilitate fast and uniform growth, fertilisers, pesticides and herbicides have been promoted by agri-businesses in the place of local, natural and generally free agricultural inputs such as manure. According to Carmen, the costs of agricultural inputs have increased by 200-300% over the last 10-15 years, while the selling prices of produce have not matched this rise.

“Our land, water and the environment are poisoned,” said Shanthi of Tamil Nadu, whose family is dalit, belonging to the lowest rung of India's caste system. She explained that because women — specifically dalit women — usually apply the pesticides, they have been most harshly affected, with many in Shanthi's village suffering from breast and cervical cancer, infertility, or giving birth to children with mental/physical disabilities. Ill health, of course, causes more financial problems, especially while trying to access healthcare services privatised through the WTO's General Agreement on Trade in Services (GATS).

Imports and subsidies

The introduction of the Agreement on Agriculture (AoA), along with the resulting drop in import tariffs and regulations in Majority World countries, has seen more and more small-scale farmers unable to compete with the influx of cheaper, subsidised foreign products. The consequences of this are exacerbated since farmers, encouraged to grow just a few varieties of produce primarily for export, are rendered vulnerable to price fluctuations relating to those particular items.

Like most families in her *soum* (village), Purevdulam, from Gobi province in Mongolia, trades dairy products and sells wool and cashmere in the spring. However, ever since Mongolia joined the WTO in 1997, the influx of subsidised foreign products has forced large numbers of local and national processing factories out of business and, along with other local herders, Purevdulam now sells her wool, cashmere and skin products to export agencies at a loss.

Women resist

Although the stories of Carmen, Yaowapa, Shanthi and Purevdulam number just four, similar tales can be heard millions of times over in rural communities across the region. The Asia-Pacific region is home to two-thirds of the world's undernourished. Rural and indigenous women make up the majority of this figure, as the socio-economic hardships brought by the WTO compound existing gendered discrimination and the inherent disadvantages of a rural life. During the 11 years of the WTO's existence, women throughout rural Asia have been facing heightened economic, health and social problems as their governments have adopted trade liberalisation policies, and as

local farms have shifted to capital-intensive, export-oriented agriculture.

With the support of campaigns such as that of the Asia-Pacific Forum on Women, Law and Development (APWLD), 'Don't Globalise Hunger' (<<http://dontglobalisehunger.org/>>), rural and indigenous women have come together from around the region to share their experiences and thereby learn that their problems are not isolated or unique. Women in the region have been organising local meetings to disseminate their understanding of trade liberalisation and its impact on their communities, and to discuss how they can resist corporate control of their villages and livelihoods. The women in Yaowapa's village, for example, are reverting to organic agriculture systems and encouraging a community shift towards self-reliance in production and consumption. Farmers in Kerala, India, hold organic bazaars as alternative trading markets where they can sell their produce, independent of middlemen (see <http://www.thanal.org/organicbazaar/id1.html>). The bazaar connects small, marginalised farmers with consumers in ways that build mutual trust and local accountability.

Women are also forming farmers' coalitions for lobbying governments around food and agriculture policies. For example, despite her 18-hour workday, 60-year-old Carmen also acts as the chairperson of the National Federation of Peasant Women in the Philippines (AMIHAN), an NGO that supports peasant women to advocate for agrarian reform in ways that respond to their situations as peasants and as women. Rural women are also forging alliances with other regional organisations, such as the Asian Peasant Women Network, the Asian Indigenous Women's Network, the International Gender and Trade Network (<http://www.igtn.org>), and the Pesticide Action Network (<http://www.panap.net>).

Although such forms of resistance may be considered miniscule in the face of the huge power structures of the WTO, the United States, the European Union and multinational corporations, these actions have had the immediate effect of replacing feelings of frustration, isolation and depression with community spirit and hope. Through these means, women are not only acting defiantly against the global corporate system, but also powerfully towards meeting their own needs and fulfilling their visions for food sovereignty at the local community level.

This article is also being published in the G20 edition of Chain Reaction, the magazine of Friends of the Earth, Australia

Asha Bee Abraham uses her personal experience of having worked with the Asia-Pacific Forum on Women, Law and Development to outline the destruction caused by World Trade Organisation agreements in Asia, and how women are organising to resist

The alternative: Community autonomy over food and seeds

In a globalised, mechanised, transnational-controlled industrial food and seed regime, the Deccan Development Society's women's sanghams have demonstrated that it is possible to set up autonomous, localised food and seed systems

P V SATHEESH

THE YEAR IS 2002. A severe drought grips the south Indian state of Andhra Pradesh, regarded as one of the most 'modern' states of India, the first to embrace neo-liberal reforms and implement them with unprecedented aggression. The state has large river networks, is known for its long pursuit of Green Revolution technologies in agriculture, has the highest rate of fertiliser and pesticide use in India, and prides itself as being a major IT hub in the country.

In spite of all this, in the Year of the Drought, the state could not find an answer for hunger in its chemically-fertilised farms. It was running critically short of foodgrain and sent an SOS to the Government of India. When the federal government promised to send 500,000 tonnes of rice every month, the government of Andhra Pradesh heaved a huge sigh of relief.

Switch to the southwest corner of Andhra Pradesh, the semi-

arid region of Zaheerabad in Medak district. Farming here is completely rainfed, with no supporting canal irrigation. This is where the Deccan Development Society, a grassroots organisation, has been working for over two decades, with very poor dalit (a caste formerly referred to as 'untouchables', at the bottom of the Indian caste hierarchy) women, who comprise the most marginalised sections of society.

Since 1995, DDS sanghams (village-level women's collectives) have been running what they call an 'alternative public distribution system' in over 50 villages. This is a self-provisioning food system based on the principles of local production, local storage and local distribution. By bringing cultivable fallow land under production, the women have been producing a basket of crops through a biodiversity-based, ecological food-production system. They now have enough grain for food-deficit members of their community (landless people, non-farming artisans, etc).

In 2002, the Year of the Drought, some of these villages produced more grain than they needed. At a meeting of members from all the villages, the question went around: "There is extra grain in some villages. Does anyone want it?" All the other villages announced that they had adequate grain in their community baskets and did not need any more.

Thus, some of the poorest and most marginalised women of Andhra Pradesh challenged the high-tech government of their state, which had proved incapable of feeding its people, through their capacity to produce adequate food by using traditional ecological agricultural practices.

Cut to 2003. The government of Andhra Pradesh announced, as it does every year, that it would supply subsidised seeds to farmers from its mandal outlets. There was a mad rush for seeds by farmers from all over the state. In Chevella mandal, close to Hyderabad, the state capital, the rush was so uncontrollable that the police had to fire on farmers, killing some of them. In Anantpur mandal, farmers were so desperate to access seeds that a stampede ensued and a few farmers were killed.

At the same time, in the Zaheerabad area, village-level community gene banks set up by the DDS' women's sanghams were overflowing with dozens of varieties of local seeds. Every family in the village had sufficient quantity and variety of seeds to meet its own needs, making the community gene banks almost redundant. Some villagers did not know what to do with their extra seeds so they started selling them in the market,

Desmond Roberts



Farmers' verdict: 'We oppose GM crops'

much against the inherent cultural principle that seeds could only be exchanged, not sold. In the midst of the agricultural desert that the state of Andhra Pradesh had become, these villages had turned into farming oases.

In both instances, the women's sanghams demonstrated that it is possible for the most marginalised people to recover their own food and seed sovereignty, and to set up autonomous, localised food and seed systems even in an era marked by a globalised, mechanised, transnational-controlled industrial food and seed system. The women's achievements are the result of a decade-long struggle to retrieve community autonomy over food production and seed control.

The sangham women had a prolonged confrontation with the Telugu Desam government's policies — and its Vision 2020, which was drafted by a US consultancy firm — designed to build a WTO-compliant Andhra Pradesh.

Vision 2020, which declared that “small farming was unviable”, proposed four principles as a way out of the severe agricultural crisis facing the state. These included: a) consolidation of landholdings; b) replacement of human labour and mechanisation of agriculture; c) contract farming; d) export-orientation. Vision 2020 also strongly advocated the pursuit of biotechnology as a major option for rescuing agriculture from its present crisis. (The Telugu Desam government was subsequently voted out of power thanks to a massive electoral revolt by agrarian communities.)

The sangham women, who were aghast at the policies of the government, organised protest rallies in village after village, day after day. They held public consultations and protest meetings. They also initiated a signature campaign endorsed by over 1 million farmers all across Andhra Pradesh. Not content with this, they put together a farmers' jury called *Prajateerpu* (people's verdict) consisting of 18 small and marginal farmers belonging to the poorest sections of agrarian society, with a majority representation for women, dalits and adivasis (indigenous people). After hearing evidence from government bureaucrats, agricultural scientists, biotech-industry representatives, farmer leaders and environmentalists, the jury delivered the now-famous verdict, categorically declaring its opposition to genetically-modified (GM) crops, including Vitamin A rice and Bt cotton, whilst advocating food and farming for self-reliance as well as community control over resources (see Farmers' verdict).

The agro-cultural context

The Zaheerabad region hosts a wide variety of agricultural crops including sorghum, a range of millets, pulses and oilseeds, all of which grow in rainfed conditions. The diversity of this cropping system and its capacity to grow in infertile soil without demanding much water or external inputs, makes it uniquely important for the survival of ecologically sustainable agricultural systems.

As a matter of fact, the local people call these crops *satyam pantalu* (crops of truth), a powerful imagery to signify that these crops grow with practically no inputs at all, surviving on available sub-soil moisture. This perception guides the biodiversity-based agricultural system through a series of agro-

Farmers' verdict

“We oppose:

- The proposed reduction of those making their livelihood from the land, from 70% to 40% in Andhra Pradesh.
- Land consolidation and displacement of rural people.
- Contract farming.
- Labour-displacing mechanisation.
- GM crops — including Vitamin A rice and Bt cotton.
- Loss of control over medicinal plants, including their export.”

“We desire:

- Food and farming for self-reliance and community control over resources.
- To maintain healthy soils, diverse crops, trees and livestock, and to build on our indigenous knowledge, practical skills and local institutions.”

— *From Prajateerpu, the farmers' jury on food and farming futures in Andhra Pradesh*

economic, survival, cultural and spiritual paths.

Government intrusion

For these culturally rich, vibrant, self-reliant communities, the government's neo-liberal economic policies constitute a harsh intrusion. They are seen as an unprecedented infringement on the autonomy of the people's food and farming futures. In response to these policies, the women of the DDS sanghams were more determined than ever to withstand the onslaught through their own forms of resistance.

One of the new institutions of resistance that they decided to build was an alternative public distribution system, through a community grain fund. This initiative was meant to resist the havoc over the dryland food system caused by the government-sponsored Public Distribution System (PDS), which was originally intended to provide essential foodgrain at subsidised rates. Through the PDS, the Indian State introduced a frightening homogeneity into the people's food systems, selling only wheat and rice as staples at cheap prices through fair price shops across the length and breadth of a vast and diverse country like India, with its population of over a billion.

India's rainfed farming system, covering millions of hectares, grows hundreds of varieties of millet. The PDS-induced homogenisation proved to be the death knell for these dryland food-producing communities. Cheap rice and wheat offered at government ration shops started destabilising agriculture, discouraging farmers from working hard on their lands and producing their own nutritionally-rich crops. As a consequence of this policy, farmers began leaving hundreds and thousands of acres of land fallow. It was also an assault on the food

APDS: Local food autonomy

Quantitative outcomes

- Increase in agricultural productivity
- Employment-generation
- Change in land prices
- Change in migration rates and patterns

Qualitative outcomes

- Restoration of environmental and ecological balance, enhancing productivity and value of land
- Conservation of biodiversity
- Increase in food intake and improvement in health and nutrition status
- Fodder for livestock
- No more distress migration
- Social capital formation
- Women's empowerment

A tale of two systems		
	PDS	APDS
Mode of operation	Centralised operation	Decentralised/Community role
Location of control	Centralised control	Local control over production, procurement, storage and distribution
Framework of implementation	The present PDS system and procurement policies linked to the PDS are ecologically damaging as they promote input-intensive and monocropping patterns of agriculture such as rice and wheat	Ecologically safe, focus on crop diversity, sustainable practices, resource conservation practices, biodiversity
Access	Access to PDS and coverage good in some states but not so good in many states	Community access for everyone without administrative problems
Operational costs	Excessive overhead costs	No overheads
Operational loopholes	System suffers from leakage and corruption	No such problems

From a study by the Glocal Research Group, Hyderabad

culture nourished by these communities over thousands of years.

To fight this multi-pronged attack on their traditional farming practices, the communities decided to institutionalise their own community-controlled local grain-based Alternative Public Distribution System (APDS). The APDS was dependent on local production, local storage and local distribution, which alone would ensure community autonomy over food production and consumption (see APDS: Local food autonomy).

Some important gains made through this initiative are:

- The women brought 2,000 hectares of fallow land in 50 villages under the plough. As a result, they produced an extra 1.5 million kilograms of sorghum in their villages every year since. This meant that they were able to produce nearly 3 million extra meals per year in 50 villages. In other words, 1,000 extra meals were available per participating family.
- The fodder provided by the newly cultivated fields sustains over 10,000 head of cattle in 50 villages every year. In each village, 2,500 extra wages/year have been created. In all, over 120,000 extra wages are earned in 50 villages, every year. (When new land comes under farming, and when farmers start cultivating diverse grains, at least 50 employment days are created per year. The above wages have been calculated on the basis of each village having brought at least 50 additional acres under the plough.)
- Dalit women, who were once recipients of grain under the government-run public distribution system, became the patrons of a system designed, controlled and managed by themselves. This resulted in a massive status reversal in favour of the poor and the marginalised.

As their knowledge increases, so too does the fascinating wealth of practices they employ to survive through dryland, rainfed farming in extremely hostile and fragile conditions, and the rationale behind these practices.

Food availability has been enhanced through a self-reliant, equitable and low-cost food security system in which people's criteria for and definitions of poverty are central to the decision-making process. The complementary links between different forms of agro-biodiversity and rural livelihoods have created new job opportunities, some local economic surplus and a growing sense of dignity among the villagers. The programme has also generated tremendous self-confidence among women, with the realisation and recognition that the poor can be producers of food for the PDS, not always helpless recipients of subsidised food.

The decentralised storage system followed by the women is in stark contrast to the government's PDS where all the grain is stored in the central warehouses of the Food Corporation of India. Each warehouse probably stores millions of kilos of grain, thereby necessitating a huge army of officials, reams of paperwork and miles of red tape. In addition, as is well known, the official system results in considerable losses, with much of the grain getting spoiled under poor storage conditions and the presence of pests. Besides, the existing system can only operate through a centralised mechanism like the state government, in which bureaucrats and others define problems and solutions. Recurring investments are required every year to run the official PDS; much of the money goes towards subsidising agricultural inputs for resource-rich farmers, energy-consuming long-distance transportation, warehousing, and the maintenance of extensive distribution networks.

Moreover, the centrally-managed government PDS is dependent on ecologically and genetically uniform farming, on good quality land. It uses large quantities of expensive inputs, like chemical fertiliser, water, pesticides and improved rice varieties grown as monocrops. The scope of the existing system is restricted to areas with water potential. Tapping, storage and supply of water in these areas is expensive — so large amounts of credit are needed for this, as well as for mechanisation and other industrial inputs. As capital requirements are high, this type of intensive farming is largely in the hands of richer, male farmers in resource-rich parts of the country.

In 2002, the community-controlled PDS that the sangham women spread into 25 more villages helped in the reclamation of 1,233 acres of fallow land, providing more than 55,000 person-days of employment (including over 40,000 person-days of female employment), producing over 1 million kilos of extra foodgrain per year, and fodder that could support nearly 5,000 head of livestock in these 25 villages.

In another remarkable example of taking control of their food sovereignty, over 1,500 women farmers of DDS sanghams retrieved around 80 land races that had been obliterated by so-called modern agricultural practices, by growing diverse crops on their marginalised lands. They have conserved these seeds both at the individual farmer level as well as at the community level. The community-level conservation is done by a village-level seed-keeper, a woman who is responsible for managing and maintaining the community gene funds in over 60 villages. This effort has not only re-established vibrant agro-biodiversity on the farms, it has also restored women's control and leadership over community knowledge about germplasm.

Local markets

Having understood that in the era of the globalised market, the only way to fight the invisible globalising forces is to establish their own markets, about 2,500 women from DDS sanghams have established their own cooperative market. The market purchases all the surplus millets and other food crops produced by the women, at a price fixed by their own committees. Prices at the sangham market are not dictated by external market forces.

One of the major concerns of the women is that the outside market does not recognise the value of their ecologically-produced foods, especially millets. In order to deal with this, they have promoted a consumer group called the Zaheerabad Consumer Action Group (Z-CAG) that facilitates regular interface between producer and consumer groups.

Biodiversity festivals

One of the major 'tools' used by DDS sanghams to take the message of community conservation to larger communities outside their sanghams is the 'mobile biodiversity festival', an annual, month-long celebration of biodiversity.

Displays of local seeds are mounted in traditional reed baskets and stacked inside colourfully decorated carts drawn by bullocks. The carts enter each village in a procession, with musicians and dancers, stop at a number of locations in the

village and end up at the edge of the village from where the next village picks them up with their own bullocks. Each village is responsible for the festival's process through the village.

A facilitated discussion takes place immediately after the procession, in a public place, and then village women feed the gathered people with traditional food. Some 60 villages, several mandal towns (representing a group of villages) and the district capital are involved in the festival every year, making it possible to engage village, mandal and district-level officials along with the general population.

The biodiversity festival has been getting the message of ecological farming, biodiversity, conservation and culture across to an ever-widening circle of farmers year after year. Over 150,000 farmers have so far engaged in the discussions, and many thousands are moving back to their traditional farming practices.

The year 2001 was a watershed year for the mobile biodiversity festival, with over 50,000 farmers participating in village-level discussions. They presented their agenda for the revival of the region's traditional ecological farming systems, and the biodiversity inherent in them. Together, these communities produced an action plan for the agro-biodiversity of the region. The plan became a major part of the Government of India's National Biodiversity Strategy and Action Plan created as part of India's commitment to the International Convention on Biological Diversity.

For the first time in the history of India, a small community came together to voice its concerns, eventually turning the discussions into a national plan — a phenomenal achievement for the people of Zaheerabad.

P V Satheesh is a founder member of the Deccan Development Society



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