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Globalisation and Farming Crisis

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'Were those high duties and prohibitions taken away all at once, cheaper foreign goods of the same kind might be poured so fast into the home market as to deprive all at once many thousands of our people of their ordinary employment and means of subsistence. The disorder which this occasion might no doubt be very considerable.' -- Adam Smith in *Wealth of Nations*ⁱ

We were made to believe that everyone can't be fooled at all the times. Ten years after the World Trade Organisation (WTO) came into existence, and looking at the outcome of the sixth Ministerial Conference at Hong Kong, it is time to bury the adage under the heaps of trade drafts.

For the sixth time in a row, the trade ministers of the developing world – representing issue-based coalitions like G-20, G-33 and G-90 – have been duped to believe that trade is for development. Despite making loud noises, threatening and fuming over the injustice done to the poor and developing countries, the trade ministers of the G-110 countries, comprising the entire developing world, finally bowed before the rich and mighty.

Ten years after the WTO came into existence, and after six ministerial conferences, developing countries have failed miserably to force the rich industrialised countries to remove even one dollar (emphasis added) from the massive agricultural support they provide to agribusiness corporations in the name of farmers. Unable to make any dent in the citadel of unfair trade – farm subsidy of US \$ I billion a day – developing

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countries have time and again taken refuge behind an illusionary smoke screen. After each of the ministerial conferences, they have returned 'victorious', and the price has been paid by millions of small farmers edged out of farming.

European Union provides 90 per cent of the global export subsidies. Over the years, it has very conveniently shifted the export subsidies to be part of the domestic support. Still worse, export subsidies have to be phased out over a period of eight years. Some estimates point out that EU does not shell out more than US \$ 1.2 billion as export subsidies. As the French economist, Jacques Berthelot explains: "Formal export subsidies to EU cereals were reduced from Euro 2.2 billion in 1992 to 121 million in 2002. But domestic support in the form of direct payments that helped exported cereals rose from 117 million euros in 1992 to 1.3 billion euros in 2002."

Not only export subsidies, but other export measures with equivalent effect such as export credits, guarantees and insurance in excess of 180 days has also to be eliminated. These pertain essentially to the United States, which provides 95 per cent of such global export measures. Developing countries have probably forgotten that the former USTR, Robert Zoellick, had suggested a flexibility formula for phasing out the export credit programs, which the EU and other members charge is a form of an export subsidy. To eliminate the subsidy component of export credits, all he had promised was his willingness to reduce repayment periods from 36 months to six months on the loans provided for buyers of some commodities.

In turn, developing countries have agreed to a "high level of ambition for market access in agriculture and non-agriculture goods." The text links the market access in both areas, stating that the "ambition is to be achieved in a balanced and proportionate manner." This is what exactly the developed countries had been keenly looking forward, and this is where the developing countries gave in. Step by step, developed countries have been able to get more market access from the developing countries, without showing an equal reciprocation.

More than 200 years ago, the main architect of the free trade paradigm had visualized the disastrous fallout from an uneven trade regime. The consequences of ignoring the warning, which is based more on common sense than the widespread rhetoric of a greater but unethical economic growth has failed to translate the benefits to those who suffer from hunger and live in squalid poverty.

Ten years after the World Trade Organisation (WTO) came into existence, and some 20 years after the holy grail of economic liberalisation for more open markets and less government intervention in the developing world based on the idea that economies must grow if poor people are to reap the benefits of globalisation, the tragedy is that the process of economic liberalisation already have set poor communities back a generation.ⁱⁱ No where has the negative impacts been felt more severely than in agriculture – the first line of defence against poverty. The role of agriculture is central to poverty eradication and removal of hunger and is fundamental to sustainable development and thereby ensuring global peace and political stability.

As an overview, Mark Malloch Brown, administrator of the UN Development Programme, decried the faulty economic prescription being doled out for reducing global economic inequalities. Releasing the *Human Development Report 2003*, he had stated: “In the so-called great decade, a very significant hard core of countries ended further behind with more poor people.” Explaining the socio-economic debacle, he had said that fifty-four countries, almost half of them in Africa, were poorer than in the 1990s, and some will not meet the development goals for 50 years. The UNDP had earlier pointed out that before globalisation became the buzzword, the richest fifth of the world’s population in 1960 were 30 times better off than the poorest fifth. By 1997, the figure had increased to 74.

The impact on farming communities has been more pronounced --- the past decade saw rural livelihoods collapsing in the developing countries, leading to more unemployment and more migration from the rural to the urban areas. Poverty and hunger multiplied thereby leading to further marginalisation of the rural communities. Although many

economists have now begun to concede that the relationship between economic liberalisation and growth is uncertain at best,ⁱⁱⁱ the fact remains that the world hasn't learnt any meaningful lesson from the unethical dichotomy that prevails at the economic and policy planning level.

A year after the launch of the HDR 2003, the WTO reached a 'historic' framework agreement in 2004 that strengthens the dark abyss leading to further marginalization of the developing economies. The July framework as it is called is being promoted as a "common vision" for boosting the global economy without first addressing the worsening income inequality that prevails all around. It is being projected as the road map for furthering the Doha Development Agenda, which had suffered a set back after the failed Cancun Ministerial in September 2003.

In reality, the July framework is aimed at further destroying whatever remains of the strong foundations of food self-sufficiency thereby exacerbating the continuing crisis in food insecurity in some of the developing countries already wilting under the compound impact of the Agreement on Agriculture (AoA)^{iv}. This comes at a time when the World Food Summit and Millennium Development Goals for removing hunger are far from being realised.

Box 1

July Framework: Faulty Frame, Rude Reality

Agricultural subsidies had been (and will remain) the bone of contention in the ongoing trade negotiations. It is because of the disagreement on the reduction of agricultural subsidies (to the tune of US \$ 320 billion) in some of the rich countries that the developed countries had refused to budge thereby even allowing the collapse of the WTO Cancun Ministerial in September 2003. The question therefore is what made them change their stand and that too in a year when the US was into elections?

It is accepted that any move to significantly cut agricultural subsidies will be politically suicidal for the United States, more so in a year of election. US President George Bush would have never stepped into the election fray after agreeing to chop subsidies for his farmers. European nations, especially France, Germany, and the Nordic countries would have been faced with a political turmoil within a day or two of the July framework being agreed if it had meant any drastic cut in subsidies. No political reaction in any of the developed country was more than enough of an indication that the rich countries have managed to protect their subsidies.

The devil is in the detail. Paragraph 7 of the Framework for Establishing Modalities in Agriculture (July 31st final draft) says: "As the first instalment of the overall cut, in the first year and throughout the implementation period, the sum of all trade-distorting support will not exceed 80 per cent of the sum of Final Bound Total AMS (Aggregate Measurement of Support) plus permitted *de minimis* plus the Blue Box at the level determined in paragraph 15. And in para 15, it adds: "In cases where a Member has placed an exceptionally large percentage of its trade-distorting support in the Blue Box, some flexibility will be provided on a basis to be agreed to ensure that such a Member is not called upon to make a wholly disproportionate cut."

Reading this together means that first all the efforts made by developing countries to see that trade-distorting Blue Box is removed has not only been nullified but strengthened. This allows the developed countries to shift a large chunk of its agricultural subsidies (under the Green Box and Amber Box) to the Blue Box. In other words, the advantage that the developing countries had gained with the termination of the Peace Clause on Dec 31, 2003 (under which the developing countries could not challenge agricultural subsidies in the rich countries) has been negated. They will now be confronted by an equally detrimental Blue Box.

The framework actually provides a cushion to the US and EU to raise farm subsidies from the existing level. If you read the draft carefully, it becomes obvious that the first instalment of a cut in subsidies by 20 per cent is not based on the present level of subsidies but on a much higher level that has been now authorized based on the three components -- the final bound total AMS, plus permitted *de minimis*, plus the Blue Box. For the EU, this should come to Euro 101.6 billion and after applying the first cut, the subsidies that can be retained will be Euro 81.3 billion.

If we were to add all the components as specified in the WTO framework, the EU subsidies at present will total around (including the under-notified coupled support) Euro 78.1 billion, which is

far less than what it is supposed to reduce. In other words, EU gets enough leverage to increase its subsidies.

Furthermore, the EU has Blue Box subsidies to the tune of Euro 22.3 billion. This is a huge amount, and therefore the framework states: “In cases where a Member has placed an exceptionally large percentage of its trade-distorting support in the Blue Box, some flexibility will be provided on a basis to be agreed to ensure that such a Member is not called upon to make a wholly disproportionate cut.” EU therefore has nothing to worry about cutting the Blue Box subsidies.

United States on the other hand is shifting the cyclic payments (part of the US \$ 180 billion for ten years) that it had provided to farmers under the notorious Farm Bill 2002 (70 per cent of this amount is to be spent in the first three years) to the Blue Box. Since the WTO will now specify the historical period from which the Blue Box implementation will begin, it means that the US can now protect the yearly installment of its counter-cyclic payments to farmers.

Special and Differential Treatment was a measure that was originally carved out for the developing countries given the varying levels of development and therefore these countries needed to be given some concessions in implementation. However, in reality these S & D measures were actually used only by the developed countries. Instead of dispensing with these measures, the framework legitimizes its application for the rich countries. The only redeeming feature being that the developing countries have been promised that a special safeguard mechanism will be established.

The question of market access assumes importance in the light of the special and differential treatment, special safeguard measures and the domestic support (including Green Box subsidies) remaining intact in the developed countries. Using a tiered formula, the developed countries have managed to seek an overall tariff reductions from bound rates and aims at “substantial improvements in market access will be achieved for all products.” The only defense that the developing countries have been allowed is to bring some of their important agricultural products under ‘special product’ category. But the fact is that the developing countries have already opened up their markets by phasing out or removing the quantitative restrictions or lowering the tariffs. It is the developed world, which has failed to reduce subsidies as per the rules of the game.

This 'benevolence' is no justification for the developing countries to rejoice. The fact is that the developed countries have also been allowed the provision to put some of their products in the category of 'sensitive', which means that they can term some crucial commodities as sensitive and thereby deny market access. For instance, the US, EU, Japan and Canada maintain tariff peaks of 350 to 900 per cent on food products such as sugar, rice, dairy products, meat, fruits, vegetables and fish, which can be easily brought under the category of 'sensitive' and some 25-40 of the sensitive tariff lines under the tariff rate quota can be easily protected under this category.

In any case, let us not forget that a country like India cultivates some 260 different crops a year whereas Europe does not grow more than 25. For India, therefore to say that areca nut is not a sensitive product would mean destroying the livelihood of thousands of farmers cultivating areca nut, from cheaper imports. For Europe getting a score of crops protected under 'sensitive' and 'special products' will be justified. But to expect WTO to accord 'special product' status to over 200 crops from India would be asking for the impossible.

If you are wondering as to why the developing countries still agreed to reach an agreement and that too within five days of intense negotiations, let us take a peep at what transpired behind the scenes through arm-twisting, coercion and allurements (read bribery). The leader of the G-20 group of developing countries, Brazil, was among a number of developing countries that were thrown a sugar-coated bait just a week before the negotiations had entered the decisive phase. On 23 July, US announced its sugar quota allocation for 40 countries. This system allows these countries to export a fixed quota to the US at a lower tariff rate. The largest recipients were the Dominican Republic (185,335 metric tons) followed by Brazil (152,691 metric tons), Philippines (142,160), Australia (87,402), Guatemala (50,546), Argentina (45,281).

International NGOs have said that the EU had withdrawn aid to Kenya, the most vocal of the African countries. It may be recalled that Kenya was the country that had staged a walkout at Cancun thereby leading to the collapse of the WTO Ministerial. This time EU withdrew US \$ 60.2 million aid to Kenya on July 21 under the pretext of 'bad governance'. UK Trade Minister Patricia Hewitt has already gone on record stating that Britain was using its influence to persuade developing countries. Obviously, free trade does not operate on ethics and morality. Nor is it directed towards the humanitarian objective of fighting hunger and malnutrition.

Source: Devinder Sharma in *Hindu Business Line*, Aug 5, 2004

For the giant agribusiness in North America, Europe and the Pacific, it will however be business as usual. Rich countries subsidise agribusiness by allowing them to buy very cheap, with the government then making up some of the differences with direct payment to farmers. So much so that the recipients of the US agricultural subsidies in 2001 also included Ted Turner and David Rockefeller.^v The richest man in the United Kingdom, the Duke of Westminster, who owns about 55,000 hectares of farm estates, receives an average subsidy of 300,000 pound sterlings as direct payments, and in addition gets 350,000 pounds a year for the 1,200 dairy cows he owns.^{vi}

It certainly is an unequal world, and perhaps the most debasing and demeaning of all the world's inequalities is the manner in which the cattle in the rich countries are pampered at the cost of several hundred million farmers in the developing world. When I first compared the life of the western cow with that of the Third World farmer,^{vii} I didn't realize that this would hit the sensibilities of at least some of the economists and policy makers. It has now been worked out that the EU provides a daily subsidy of US \$ 2.7 per cow, and Japan provides three times more at US \$ 8, whereas bulk of India's 1000 million people live on less than \$ 2 a day.^{viii}

Irrespective of the stark inequalities, the new agreement throws a stronger protective ring around the domestic producers in the richest trading block – Organisation for Economic Cooperation and Development (OECD). Unmindful of the negative consequences inflicted with impunity, the rich countries continue to protect their own agriculture with massive subsidies (estimated to be in range of US \$ 320 billion a year) and other protectionist measures. The resulting impact was two fold for the developing countries – it greatly restricted the access for developing country farmers to western markets and at the same time inundated the domestic markets with cheaper agricultural imports thereby driving out the small farmers from their meagre land holdings.

Towards Food Insecurity²: First, let us get a glimpse of the extent of exploitation that the WTO has already inflicted on the poor and vulnerable ever since the international trade agreement was signed in January 1995 with the aim to fight hunger, food insecurity and destitution. In the Philippines, agricultural export earnings were expected to increase by billions of pesos a year after 1994, generating 500,000 additional jobs a year in the Philippines. Instead, traditional exports such as coconut, abaca and sugar have lost markets. Corn production suffered significant negative growth between 1994-2000, partly because of cheaper subsidized grains. With incomes falling, the agricultural sector had lost an estimated 710,000 jobs, and another 2 million by the year 2000.^{ix}

Trade liberalization has already exposed developing country farmers to ruinous competition, driving down prices, undermining rural wages and exacerbating unemployment. In the Philippines, opening up of corn market in 1997 reduced corn prices by one-third. At that time, US corn growers were receiving US \$ 20,000 a year on average in subsidies, while Filipino farmers in Mindanao had average income levels of US \$ 365.^x Between 1993-2000, cheap corn imports from US into Mexico increased eighteen times, leading to accelerated migration from rural areas to urban centres.

In Central America -- Colombia, Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua – the price of coffee beans have fallen to just 25 per cent of its level in 1960, and the region lost an estimated US \$ 713 million in coffee revenues in 2001. In these countries, traditionally dependent upon coffee exports, over 170,000 jobs were lost the same year with the loss in wages computed at US \$ 140 million.^{xi} Haiti has been forced to import highly subsidised rice (imports total 312,006 tonnes) from the United States by the World Bank/IMF.^{xii} The negative impact was also felt in sub-Saharan Africa, where Ethiopia and Uganda reported huge losses in export revenues. In 2000-01, Uganda exported roughly the same volume, but it earned the country \$ 110 million, a steep drop from \$ 433 million that it notched five years earlier in 1994-95.^{xiii} Ethiopia reported the export revenues dropping from US \$ 257 million to US \$ 149 million between 1999-2000.

² For a more detailed analysis on the impact of trade liberalisation on agriculture, refer to “Trade Liberalisation in Agriculture: Lessons from the first 10 years of the WTO” by Devinder Sharma, published jointly by APRODEV, Brussels and the Forum for Biotechnology and Food Security, New Delhi (Dec 2005).

Ironically, in January 2002, the EU and USAID warned of increased poverty and food insecurity in Ethiopia not realizing that much of the fault rests with their own policies.

In Vietnam's Dak Lak province, farmers who were solely dependent upon coffee are now categorized as 'pre-starvation'. In Brazil, low coffee returns have resulted in increased unemployment and hunger. In Honduras, such has been the terrible impact that the World Food Programme reported in March 2002 that the coffee crisis, coupled with prevailing drought, had left some 30,000 farmers in the hunger trap, with hundreds of children so malnourished that they needed to be hospitalised.

In 2001, the 25,000 US cotton growers received roughly \$3.9 billion in subsidy payments, for producing a cotton crop that was worth only US\$ 3 billion at world market prices (One Arkansas cotton grower received US\$ 6 million, equal to the combined annual earnings of 25,000 cotton farmers in Mali). It's also more than the gross domestic product of several African countries and three times the amount the US spends on aid to half a billion Africans living in poverty. In 2002, direct financial assistance by a number of exporting countries, including China, European Union and the US, to the tune of 73 per cent of the world cotton production, destroyed millions of livelihoods in West African countries (Benin, Burkina Faso, Mali, and Chad).

Kenya is another victim of the cotton subsidies. Studies have shown that by 1995, Kenya's cotton production had plummeted to 20,000 bales per year from a peak of 70,000 bales being produced some ten years back. Government record shows that while in the mid-1980s there were more than 200,000 small-scale cotton farmers, there were less than 140,000 in 2000.^{xiv} Employment in Kenyan textile industry too dropped within a decade of liberalisation – from 120,000 to 85,000. In Ghana, the tomato canning industry was first wiped out by internal reforms pushed through by the World Bank/IMF and then 24,077 tonnes of cheaper tomato paste was dumped from southern Germany.^{xv}

Indonesia was rated among the top ten exporters of rice before the WTO came into effect. Three years later, in 1998, Indonesia had emerged as the world's largest importer of rice.

Rice imports in Sri Lanka have doubled between 1985 and 1998. Far away in Peru, food imports increased dramatically in the wake of liberalization. Food imports now account for 40 per cent of the total national food consumption. Wheat imports doubled in the 1990s, imports of maize overtook domestic production, and milk imports rose three times in the first half of the previous decade, playing havoc with Peruvian farmers^{xvi}

Looks shocking, but this is merely a peep into the destruction wrought by the 'disagreement' on agriculture. Everyday, thousands of farmers and the rural people in the majority world – without land and adequate livelihoods – constituting a reservoir of frustration and disaffection, trudge to the cities, their abject poverty contrasting vividly with the affluence of the urban centres. These are the victims – in fact, the first generation of the affected -- of the great trade robbery. These are the hapless sufferers, who are being fed a daily dose of promises – increase in poverty in the short-run is a price that has to be paid for long-term economic growth.

Surging food imports have hit farm incomes and had severe employment effects in many developing countries. Unable to compete with cheap food imports, and in the absence of any adequate protection measures, income and livelihood losses have hurt women and poor farmers the most. The complete impact on human lives – women and children in particular – and the resulting loss in livelihood security and thereby the accelerated march towards hunger and destitution cannot be easily quantified. But unless the social and environmental costs of globalization are first computed, it is futile to treat the economic growth as a touchstone of development.

Through a variety of instruments, the rich countries have ensured complete protectionism. Trade policies therefore have remained highly discriminatory against the developing country farmers. Such is the extent of protection, that the benevolence OECD exhibits through development aid to all countries – totalling US \$ 52 billion – dwarfs before the monumental agricultural subsidies of US \$ 320 billion that these countries provided to its own agriculture in 2001.^{xvii} In reality, you don't even give by one hand to take back with the other. Rich countries effectively use development aid to convince the domestic

audiences of their generosity towards human suffering, in essence using aid as the human face for 'ambitious' one-way trade – from the OECD to the rest of the world.

The colourful band of boxes – green box, blue box and amber box – have come in handy for the rich countries to protect its subsidies to agriculture, and at the same time dump the surpluses all over the world. Considering that the world commodity prices are far from adequate anywhere to provide them with a living, these subsidies are actually the cause of excessive supplies in the world markets, and thus resulting in low prevailing world markets. Still further, US is permitted under AoA to provide \$ 363 million in export subsidies for wheat and wheat flour, and the EU can limit it to \$ 1.4 billion a year.^{xviii} At the same time, the US incurs annually \$ 478 million under its Export Enhancement Programme (EEP).

With the availability of all such subsidies, agribusiness companies find it much easier and economical to export. Export credits, used primarily by the US, and not counted as export subsidies, doubled in just one year to reach US \$ 5.9 billion in 1998. The export subsidies and credits are therefore cornered by the food exporting companies. In the US, for instance, more than 80 per cent of the corn exports is handled by three firms: Cargill, ADM and Zen Noh. The level of dumping by the US alone hovers around 40 per cent for wheat, 30 per cent for soybeans, 25 to 30 per cent for corn and 57 per cent for cotton.^{xix} Further, each tonne of wheat and sugar that the United Kingdom sells on international market is priced 40 to 60 per cent lower than the cost of production.^{xx}

The shocking levels of food dumping and its little understood but horrendous impact on the farming sector in the developing countries is the result of clever manipulations at the WTO. The US and EU were successful in ensuring that some subsidies –and that included direct payments -- have little or no impact on production levels and so have little or no impact on trade. Using sophisticated models and taking advantage of the un-preparedness of the developing country negotiators, they devised a complicated set of rules that termed only 'amber box' subsidies as 'trade distorting' that needs to be cut. As it turned out, these were the type of subsidies that the poor countries were also using.

On the other hand, 'green box' and 'blue box' subsidies categorise the farm support that only the rich countries were providing, and which the developing countries are not in a position to afford. Subsequently, in July 2002, the US proposed significant cuts in 'trade distorting' domestic support for all products and trade partners, with a ceiling of five per cent of the value of agricultural production for industrial countries and 10 per cent for developing countries. This however does not mean that the US will make any major cuts in its farm subsidy support (as is evident from the July Framework agreement), despite the US Farm Security and Rural Investment Act 2002, which provides for US \$ 180 billion in subsidies to agriculture for the next ten years, with more than a third coming in the first three years.^{xxi}

Impact on Indian Agriculture: For any tourist, Kerala, in down south India, is an attractive destination. The tropical climate and the unique backwater systems have added charm to its pristine beauty. Add to it the stupendous growth in literacy and the overall growth in human development, Kerala has rightly earned the sobriquet: "God's own country".

But 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 (resulting from bilateral agreements), 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.

With the subsidies in the rich countries remaining intact, in one form or the other, India was forced to lower its tariffs and remove all quantitative restriction by April 2001. The result is that imports of agricultural commodities have multiplied over the years. In the post-globalisation period, between 1996-97 and 2003-04, imports have increased 270 per

cent by volume and 300 per cent in value terms.³ For an agrarian economy, importing food is like importing unemployment.

Coconut prices had crashed, rubber prices have plummeted and coffee prices have declined. Even spices have not been spared, with pepper prices falling steeply. The travails of plantation sector in Kerala alone in the era of globalization symbolize the tragedy of an unjust trade regime. Over a million people depend on tea plantations for their living. Out of 32 tea factories functioning in one of the popular tea growing regions - - Peermade taluk -- 18 have pulled down the shutters. Another 13 tea estates have been abandoned by their owners, leaving some 30,000 people jobless in High Ranges alone.⁴

Until the WTO regime began, plantation products from Kerala – tea, coffee, cardamom and pepper - found excellent spice markets and earned considerable foreign exchange. India produces 850 million tons of tea annually. The internal consumption is 670 million tons. “By exporting 180 million tons of tea India was accumulating a big sum in its foreign reserve. But the globalization-oriented new import policy has undermined the situation,” says P S Rajan, President, Hill Ranges Estate Employees Association.

Kerala is not alone. The destructive fallout from the emerging global trade paradigm have been felt all over the country, though not in the same magnitude. Not only tea, coffee plantations have laid off over 25 per cent of the workers in the southern provinces of Karnataka and Tamil Nadu. More than 63 per cent of edible oils worth US \$ 3.2 billion a year are now imported. Ten years back, India was almost self-sufficient in oilseeds production. Lowering of tariffs has forced farmers to abandon oilseeds cultivation (see the accompanying box).

³ Prakash, T.N: Paper presented at a regional consultation on “Small Scale Agriculture in an era of globalization” Dhaka, Bangladesh, Jan 17-18, 2005

⁴ <http://indiatogether.org/2003/may/eco-keralatea.htm>

Box: 2

Destroying India's Oilseeds Revolution

India recorded a spectacular increase both in area under oilseeds as well as its output, with production doubling from 11 million tonnes in 1986-87 to around 22 million tonnes in 1994-95 thereby justifying the term "yellow revolution". The near self-sufficiency of edible oils was, however, not palatable to the economic pundits as well as the so-called market forces.

While acknowledging that oilseeds had demonstrated a rate of growth that exceeds the national trend, the World Bank actually called for discarding the policies that had brought about the positive change. World Bank's argument was that India lacked a "comparative advantage" in oilseeds when compared with the production trend in the United States and the European Union, and should, therefore, be importing edible oil. It was, however, known that the support prices paid to Indian groundnut and mustard growers were less than the support prices paid to the groundnut and mustard farmers in the US and Europe.

What the World Bank, however, did not say was the selling price of India's oilseeds per tonne was equivalent to the production cost of one tonne of oilseeds in the US. Moreover, the production cost in the US would have been still higher if the massive amounts of subsidies that it doles out to its farmers were to be withdrawn. In fact, it is the US which actually suffers from a "comparative disadvantage" given that the fact that its subsidies distort the price. The US and more importantly the EU should, therefore, be importing edible oil from India every year given its cheap cost of production.

Ignoring the ground realities, and blindly following the World Bank's flawed prescription, (under pressure since India was restructuring its economy as per the SAP) India started the process of phased liberalisation of edible oil imports from 1994-95. And 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, which pressed the panic button.

While the wholesale prices of edible oils rose by an estimated 14 per cent, production slackened. The only beneficiary of the government's "disastrous" policy was the private trade which

imported sunflower oil and palmolein at about Rs 22,000 per tonne and after blending with groundnut and mustard oils, sold it for Rs 38,000 per tonne. The free import regime neither benefitted the farmer nor the consumer.

But then, the government is committed to protect the economic interests of the oilseeds trade and industry. Or else how can one explain that the decision to allow one million tonne of soyabean in 1998 at a time when the US was burdened with an unmanageable glut in production. Such was the government's desperation to import soyabean, and that too at a time of no apparent crisis, that it was willing to overlook the fact that the imported seed was coming with five exotic weeds and at least 11 viral diseases. Moreover, this would have been the first major consignment of genetically engineered grain to be imported without any regard for health and environmental risks associated with the manipulated gene.

In a complete reversal of the objectives enshrined in the ongoing Technology Mission for Oilseeds, imports of vegetable oil between November 1998 and July 1999 had risen three-fold. Compared to the import of 1.02 million tonnes imported in 1997-98, the imports multiplied to 2.98 million tonnes. In 1999-2000, India imported five million tonnes of edible oil thereby once again emerging as one of the biggest importer of edible oil. In 2005, the import bill soared to \$ 3.2 billion.

Since oilseed is a crop of the drylands, the adverse impact is being felt by millions of farmers languishing in the harsh environs of the country. With their most economic livelihood lost to edible oil imports, more and more oilseed growers begin to commit suicides.

In 1999-2000, India imported over 130,000 tonnes of European Union's highly subsidized skimmed milk powder. This was the result of Euro 5 million export subsidies that were provided, approximately 10,000 times the annual income of a small-scale milk producer.⁵ Butter export subsidy paid by the EU, for instance, is currently at a five-year high and butter export refunds have risen to an equivalent of 60 per cent of the EU market price. Consequently, butter oil import into India has grown at an average rate of 7.7 per cent annually. This trend has already had a dampening effect on prices of *ghee* in the domestic market.

⁵ Oxfam 2002. Milking the CAP, Oxfam Briefing Paper 34.

In recent years, India has emerged as the biggest producer of milk with an output of 81 million tonnes in 2000-01. Indian milk production, however, in contrast to other milk producing countries, is characterised by millions of small and marginal farmers including landless milk producers for whom dairying is not only a business but also the main source of employment. More than 80 million dairy farmers, mostly women, are members of more than 60,000 dairy cooperatives. The dairy cooperatives have been the road that has pulled millions of poor from the poverty trap.

It took nearly thirty years to achieve self-sufficiency in milk production, and in the process emerge as the biggest milk producer in the world. Ever since the launch of Operation Flood in 1969-70, before which the Indian dairy industry was in the depths of despair, the effort has been to involve the farmers through a network of cooperatives, owned and controlled by farmers, with an intelligent mix of policies that provided the incentive for enhancing productivity and production. The thrust now is to dismantle the milk cooperative system.

India is also one of the biggest producers of vegetables in the world. While nearly 40 per cent of the vegetables produced in the country rot because of post-harvest mismanagement, the import of vegetables has almost doubled in just one year – from Rs 92.8 million in 2001-02 to Rs 171 million in 2002-03.⁶ The imports had crossed 2.7 million tonnes valued at Rs 480 million in 2003-04. Ironically what is being imported – peas, potato, garlic, cashew, dates, *gherkins* -- are crops in which the country is surplus and has a comparative advantage. But while the Indian exports are rejected on account on non-tariff barriers, the imports of vegetables continue to flood the market.

Brazil's dispute with the United States on cotton subsidies notwithstanding, 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 forms roughly 9 per cent of the domestic production. Such heavy imports have depressed the domestic prices as a result of which farmers were

⁶ Mishra, S. 2003. Foreign fruits and vegetables imports at what cost, Hindustan Times, July 1

forced into distress sale. Cotton prices had dipped by about 20 per cent. Cotton farmers did demonstrate their anger at the inability of the government in buying the produce. This had forced the government agencies to step in belatedly.

CAP Reforms: New EU Common Agricultural Policy reform proposals that have been announced prior to the Cancun WTO Ministerial have also made no attempt to make radical changes in reduction commitments. Moving on US lines, it has shifted most of the 'blue box' subsidies to 'green box'. European agriculture will continue to be subsidised to the tune of Euro 43 billion for another decade, and that amount will increase further when the new members join in. Like a magician, both the US and EU have managed to juggle the farm support from one box to another without making any significant commitments. The magical trick is now being used to create an illusion of sincerity of the rich towards 'free' trade.

Probably drawing inspiration from the influential work of Nobel laureate Amartya Sen, European Union is using the same principles to reform its notorious Common Agricultural Policy (CAP). While Sen's entitlement theory focuses on the socio-economic relationship with food, the CAP reforms uses the entitlement approach to protect the massive agricultural support it doles out to its miniscule farming population.

The CAP reforms initiated in 2003, with its implemented slated to begin from 2005, have therefore ensured that the overall level of subsidisation of Europe's farm producers will not change. The amount of subsidy that a farmer receives in the reference period 2000-2002 becomes his personal entitlement. For the next ten years, till 2013, farmers are entitled to receive the same amount of subsidy. All that he must do is to ensure that he keeps the land, and if he sells or rents a part of the land to another tiller, an equal proportion of subsidy also goes to the new cultivator.

The WTO will have little, if any, control over taming these subsidies. Decoupling the subsidies from production to single farm payments means that the EU is justified in shifting the subsidies from the blue box to the green box. Further to ensure that the EU

doesn't have to make any drastic reduction commitments in blue box subsidies, the recently agreed framework (also called July framework) explicitly states: "In cases where a Member has placed an exceptionally large percentage of its trade-distorting support in the Blue Box, some flexibility will be provided on a basis to be agreed to ensure that such a Member is not called upon to make a wholly disproportionate cut."

As if this not enough, the EU has received another waiver to keep the subsidies intact. Spelling out the criteria for direct payments to farmers, Article 14 of the Framework for Establishing Modalities in Agriculture (Annex A) of the July framework agreement states: "Any new criteria to be agreed will not have the perverse effect of undoing ongoing reforms."^{xxii} Thank to the wisdom and analytical skill of the developing country negotiators at WTO, Europe's CAP reforms have for all practical purposes become sacrosanct.

Before we try to understand the implications of CAP reform on developing country agriculture, it is important to see what it means to small farmers in Europe. In 1999, 56 per cent of all EU agricultural expenditure was in the form of direct payment to farmers. Like elsewhere, it is the big industrial farms that continue to receive bulk of the direct payments. Not more than 2.2 per cent of the 4.5 million farms in Europe receive 40 per cent of the total payments. This small but influential group of farmers receive more than 50,000 euros every year. For reasons that remain unexplained by proponents of free market economy, these 2.2 per cent of the farmers will continue to receive the same level of direct payments year after year till 2013.^{xxiii}

Interestingly, EU Commission proposal to cap the direct payments at 300,000 euros in single farm payments every year met with such a stiff opposition that it had to be withdrawn. The opposition came from a mere 2,000 farmers (0.04 percent of all farms), a majority of them living in eastern Germany (1260) who receive more than the stipulated ceiling. These are the farms, which are industrially managed and feed the large agribusiness companies. In other words, these direct subsidies go indirectly to the agribusiness companies.

For the small farmers, the direct support does not exceed 5,000 euros a year. Such farmers constitute 78.6 per cent of the European farm holdings. While the subsidy entitlements of small farmers may be justified considering the socio-economic context they are farming in, it is obvious that a handful of rich farmers in Europe are holding the global trade negotiations on agriculture to ransom. These farms are located in prosperous areas, and depending upon the industrial lobby whose commercial interests are paramount the political lobbying becomes intense.

Take the case of maize. It never got any price support but continues to attract a large chunk of the agricultural subsidies. It now attracts the highest price support among cereals, 475 euros per hectare compared to 323 euros for wheat. The reason being that maize is a crop that benefits the industry the most. Approximately, 1600 million euros are distributed as direct payment to maize growers in mainly three countries – Germany, Italy and France. At the same time, direct payments are also provided to consolidate diplomatic control over the developing countries through the supply of improved livestock breeds. France, for instance, supplies purebred rabbits for breeding purposes to Caribbean (and also to India), subsidising each rabbit to the tune of 60 euro.

The subsidy benefit does not percolate to all farmers. It is so designed that it benefits the sector where the EU countries have more commercial interests. The direct payments are therefore loaded in favour of beef and veal whereas poultry and pigmeat does not receive the same level of support. Take beef for example, the EU policy encouraged dairy farmers to also rear a bull to become eligible for subsidy. Why bulls, because the government was so far protecting the interest of the slaughter houses. In other words, it was a subsidy to the slaughter houses. Under the reforms, a dairy farmer is not expected anymore to slaughter a bull to claim subsidy but instead maintain the grassland under cultivation.

Huge subsidies also go to ‘milk and milk products’. Bulk of the milk subsidies have so far gone to the milk retailers for producing skimmed powder and products like ice-creams. The reforms will reduce the intervention prices thereby lowering the domestic prices for

milk and milk products. This will result in lower production of skimmed milk powder but the world prices are not expected to make any appreciable jump. For the dairy farmer, the subsidy will move from the number of cows he keeps to the area under grasslands. The overall milk quota will however remain stagnant till 2013 and therefore the reforms process is unlikely to make any meaningful impact for international trade.

For the majority of the farmers, the CAP reform does not provide any cut under the planned 'modulation' that reduces direct payments to foster rural development. For the remaining, the direct payments have to cut in an arithmetic proportion by a nominal 3 per cent in 2005, 4 per cent in 2006 and 5 per cent in the following years.^{xxiv} Two-third of Europe's farmers will therefore continue to receive the same subsidy entitlement of 5000 euros every year during the period of the reform. The resulting distribution of funds among the member countries will therefore differ based on its farm structure and composition. In Germany, for instance, 61.7 per cent farmers receive less than 5,000 euros. In Portugal, this exemption will benefit 96 per cent of the farmers (as they receive less than 5000 euros in 2002).^{xxv}

Behind the complexities of the CAP structure and the reform process, the real intention is only to pacify the growing anger of the tax-payers. With mounting outrage, tax-payers have begun to ask uncomfortable questions about the necessity to maintain farm support. The entire exercise in the name of reforms is to make certain adjustments that hoodwinks the tax payers to believe that farming is multifunctional and also performs the important role of environmental protection. The subsidies are therefore being shifted from production to environmental protection. In reality, the EU Commission is not making any meaningful change in the farming systems that becomes more sustainable and environmentally safe.

The direct payments are not linked to environmental protection. Payments are made without any consideration of the environment relevance of these crops, mainly in the arable lands, which are under intensive and industrial farm practices. Except for a small set of 'rural development' measures that will bring in an additional diversion of 1.2 billion

euros every year, the entire focus of European farming remains highly skewed and unsustainable. In fact, given the groundwater contamination and the destruction of soil structure and fertility, Europe's agriculture tops the global chart in environmentally unfavourable and highly unsustainable farming systems.

No wonder, EU support for environmental programmes is increasing. In 1998-99, EU made available 4,965 million euros under various environmental programmes, which increased to 5,458 euros the next year. Environment subsidies alone are more than seven times what the Indian farm sector gets as state support. EU makes the highest provision for environmental protection programme, followed by Japan, Switzerland and USA.^{xxvi} Interestingly, a significant proportion of these subsidies (especially in Germany) are provided under the MEKA programmes. Talking to German farmers, it becomes apparent that these subsidies are in reality a bonus payment. Farmers are not even sure of purpose of these subsidies and are utilising these to write-off the expenses under other heads.^{xxvii} In short, it is an additional income support that is being doled out to farmers.

Whatever be the impact of CAP reforms on domestic agriculture in Europe, the fact remains that the entire exercise is to reinforce the protective ring around European agriculture. Whether these subsidies are socially and environmentally justified is a matter of internal debate for the EU member nations but when such highly subsidised agriculture is linked to international trade, it brings in glaring inequalities in the trade regime negatively impacting the farmers in the developing world. EU agriculture subsidies (including the environmental subsidies) provide a cushion for the European farmer that insulates them from the volatility of the commodity markets. Whether the international prices fall or rise, European farm income remains largely unaffected.

Protecting OECD Agriculture: As if the massive subsidies are not enough, developed countries have used high tariffs to successfully block imports from developing countries. They have used special safeguards (SSG), used only by 38 rich countries so far, to restrict imports from developing countries. Developed countries took advantage of this flexibility by reserving the right to use the SSG for a large number of products: Canada reserves the

right to use SSG for 150 tariff lines, the EU for 539 tariff lines, Japan for 121 tariff lines, the US for 189 tariff lines, and Switzerland for 961 tariff lines. On the other hand, only 22 developing countries can use SSG. A majority of the developing countries, whose trade in agricultural products take place under a tariff only regime, have no access to these instruments.^{xxviii}

Interestingly, there is a talk of phasing out the SSG provisions in the next 5 to 7 years. By that time, the developing countries would have been forced to open up their markets still further with devastating impacts. The markets of the developed countries will however remain protected for the next seven years.

At the same time, these countries have managed to fulfil the technical requirements for tariff cuts under AoA without any meaningful reductions. Technically speaking the reductions in tariff cuts are in place, but in reality they have defied the letter and spirit of the agreement. Although the US, EU, Japan and Canada maintain tariff peaks of 350 to 900 per cent on food products such as sugar, rice, dairy products, meat, fruits, vegetables and fish^{xxix} the thrust of the ongoing negotiations remain on pierce opening the developing country markets to more subsidised exports.

The United States, for instance, is in a neck-to-neck race with the European Union on retaining the supremacy over agriculture trade. While steadily expanding foreign demand - - brought on by income gains, trade liberalization, and changes in global market structures -- have helped American exports double over the past 15 years to \$53.5 billion estimated for 2002, its market share had dropped from 24 per cent of global agricultural trade in 1981 to 18 per cent in 2001. The EU, on the other hand, has increased its performance from 13.5 per cent to 17 per cent, in the consecutive period.

“Losing six points over 20 years may not sound like much, but every percentage point loss of market share amounts to \$3 billion in lost export sales and a reduction of \$750 million in agricultural income. But, the good news is that every percentage point we can recover will add \$3 billion in export sales and \$750 million to agricultural income each year,”

Mattie Sharpless, the then Acting Administrator, Foreign Agriculture Service of the US Department of Agriculture had told the Senate Agriculture Committee in 2002.

“Dollar for dollar, America export more meat than steel, more corn than cosmetics, more wheat than coal, more bakery products than motorboats, and more fruits and vegetables than household appliances,” Sharpless had said, adding that agriculture is one of the few sectors of the US economy that consistently contributes a surplus to its trade balance. In fact, the US projections for 2002-03 were that 53 percent of its wheat crop, 47 percent of cotton, 42 percent of rice, 35 percent of soybeans, and 21 percent of corn to be exported. This has only been made possible by the heavy subsidies and the removal of trade barriers or QRs by the developing countries.

The US, therefore, has adopted an aggressive posture. After ensuring that the developing countries are made to conform to the WTO obligations of phasing out or lifting of quantitative restrictions that allow easy penetration of the American farm commodities and the processed products, it is now preparing for the final assault. The new policy is directed at the 600 million “new consumers” in Asia and Southeast Asia and another 400 million in Latin America and Central America. It also meets “an eye for the eye” with the EU’s Common Agricultural Policy. And in this ‘clash of civilisations’ the battle is primarily between the developed and the developing countries, between industrial agriculture and food security, between value-added functional foods and growing hunger.

The hypocrisy of the developed countries has been echoed by the former World Bank Chief Economist Nicholas Stern, while travelling through India recently, denounced subsidies paid by rich countries to their farmers as "sin ...on a very big scale" but warned India against any attempts to resist opening its markets. “Developing countries must remove their trade barriers regardless of what is happening in the developed countries.” No wonder, while the negotiation continues and the developing countries are kept busy with diversionary tactics like ‘special products’, agricultural exports from the OECD countries continue to rise. Between 1970 and 2000, France increased its share from 5.7 per

cent to 8.1 per cent, Germany from 2.6 per cent to 5.9 per cent and United Kingdom from 2.7 per cent to 4.1 per cent.^{xxx}

Box: 3

Lessons from the Cotton Conundrum

Just before the Cancun Ministerial, President Toure of Mali co-authored a letter to the New York Times condemning the cotton subsidies in America that have been devastating for West African countries -- Burkina Faso, Mali, Chad and Benin. His colleague, President Compaore of Burkina Faso, spoke to the Trade Negotiating Committee of the WTO in June. They voiced their concern at the way direct financial assistance by a number of exporting countries, including US, European Union and China, to the tune of 73 per cent of the world cotton production, destroyed millions of livelihoods in West African countries. As a result, African cotton producers realise only 60 per cent of their costs, although their cost of production is less than half of that reaped in the developed countries (see the details of cotton subsidies in Box 1).

Unrelenting, the WTO had delivered its verdict. The text of the Draft of the failed Cancun Ministerial said: "The Director-General is instructed to consult with the relevant international organizations including the Bretton Woods Institutions, the Food and Agriculture Organisation and the International Trade Centre to effectively direct existing programmes and resources towards diversification of the economies where cotton accounts for major share of their GDP."

In simple words, there is nothing wrong with the highly subsidised cotton farming in the US, EU and China, the fault rests with millions of small and marginal farmers in West Africa. Cancun Ministerial had instructed (the draft obviously remains rejected with Cancun failure) the WTO director general, the FAO and the World Bank/IMF to make available adequate investments for suitable programmes that enable these farmers to diversify from cotton to other crops. This was also reiterated under the WTO July Framework.

WTO says the West African farmers should stop growing cotton.

The lesson for the rest of the world is crystal clear. The developing world should stop growing crops that are being negatively impacted by monumental subsidies that the rich and industrialised

countries provide. For the G-20, that created a lot of noise and dust over the US \$ 311 billion in farm subsidies that the richest trading block –OECD – provides for its agriculture, the writing is on the wall. And this is exactly what I have been warning all these years. The process to shift the production of staple foods and major commercial commodities to the OECD had in fact begun much earlier. WTO is merely legitimising the new farming system approach.

World Bank/IMF have under the Structural Adjustment Programmes (SAP) very clearly tied up credit with crop diversification. It continues to force developing countries to shift from staple foods (crucial for food security needs) to cash crops that meet the luxury requirement of the western countries. It has therefore been forcing developing countries to dismantle state support to food procurement, withdraw price support to farmers, dismantle food procurement, and relax land ceiling laws enabling corporates to move into agriculture. Farmers need to be left at the mercy of the market forces. Since they are ‘inefficient’ producers, they need to be replaced by the industry.

The same prescription for farming has never been suggested for the rich and industrialised countries. Let us be very clear, one part of the world that needs to go in for immediate crop diversification is the industrial world. These are the countries that produce mounting surpluses of wheat, rice, corn, soybean, sugar beat, cotton, and that too under environmentally unsound conditions leading to an ecological catastrophe. These are the countries that inflict double the damage – first destroy the land by highly intensive crop practices, pollute ground water, contaminate the environment, and then receive massive subsidies to keep these unsustainable practices artificially viable. These are the countries that are faced with the tragic consequences of massive farm displacements, and are in the grip of food calamities arising from industrial farming.

If the WTO has its ways, and the developing countries fail to understand the prevailing politics that drives the agriculture trade agenda, the world will soon have two kinds of agriculture systems – the rich countries will produce staple foods for the world’s 6 billion plus people, and developing countries will grow cash crops like tomato, cut flowers, peas, sunflower, strawberries and vegetables. The dollars that developing countries earn from exporting these crops will eventually be used to buy foodgrains from the developed nations – in reality, back to the days of ‘ship-to-mouth’ existence.

Take the case of Central America. The debt crisis that inflicted the Central American countries in the 1980s, was very conveniently used as the right opportunity to shift the cropping pattern to non-

traditional exports. Aided and abetted by the United States Agency for International Development (USAID), farmers were lured to the illusion of greener pastures in the developed world. They shifted to crops like melons, strawberries, cauliflower, broccoli and squash that were shipped to the supermarkets, mainly in America. In turn, these Central American countries disbanded cultivation of staple crops like corn and bean, and have now become major importers and that too from the United States.

In India, which has only three decades back emerged from the shadows of massive food imports, the strategy is the same. World Bank/IMF have forced successive governments to adopt policies that forces farmers to abandon staple crops like wheat, rice and coarse cereals, and diversify to cash crops. Punjab, the country's food bowl, is presently engaged in a desperate effort to shift from wheat-rice cropping pattern to cultivating cut flowers and the likes. Andhra Pradesh, in south India, has already embarked on a misplaced rural development vision that aims at industrial agriculture at the cost of its millions of small and marginal farmers. As if this alone is not enough, biotechnology companies are being doled out with State largesse and prime real estate so as to encourage corporate farming.

Developed country agriculture has so far enjoyed a unique 'special and differential' treatment that was actually reserved for the developing and least developed countries. The impeccable wall that has been built since the days of the Uruguay Round is not so easy to impregnate. For millions of toiling farmers in the majority world, the failure of Seattle and Cancun Ministerial does not signal the end of the unequal and unjust trade regime. It is merely a stop in their long and arduous battle to retain control over their own food security needs, to protect their own livelihoods and to move towards a sustainable farming model that survives on equity and justice.

Tragically, the suicide by the Korean farmer Lee Kyung-hae at Cancun amplifies the devastation that WTO has wrought on the farming communities all over the world. Not listening to the voice of the marginalized and the poor, a majority of them actively involved with farming, will not only be suicidal but can be catastrophic for the powers that

be. The message from Lee's sacrifice is loud and clear. Not listening to the growing discontent and frustration that prevails on the farm front, exacerbated through the trade reforms, will only lead to usurping of the human rights of the poor including the threat it poses to right to food and livelihood.

A true reform in agriculture is only possible when the global community accepts the guiding principles of ethics in trade and justice, when it ensures that food for all is an international obligation. It can only be achieved when the need for national food self-sufficiency becomes the cornerstone of the agricultural trade negotiations. It can only be put into practice when the developed and the developing countries refrain from a battle of food supremacy to reorient efforts to bring equality, justice and human compassion in addressing the mankind's biggest scourge – chronic hunger and acute malnutrition.

Easing the transition to more open and ethical global markets has to begun by a radical restructuring of the agriculture in the North America and the European Union. The way to move forward in a manner that it not only minimizes the negative impact of the OECD agricultural subsidies but also addresses the inter-related ethical problems of widespread absolute poverty, skewed and worsening relative income distribution and the massive humanitarian task of removing hunger and malnutrition has to be based on the following four planks:

- **National Food Sovereignty:** Every country should have the right to protect its agriculture, and thereby the livelihood security of its farming community. Production systems based on efficiency that do not include energy consumption (and refuses to examine the resulting social and environmental costs) in the final analysis have to be discarded. Since the OEDC agriculture is environmentally devastating, ecologically unsound and economically unviable, the global focus should be to reduce agricultural production in the North under a phase out programme. At the same time, developing countries will need support to move towards food self-sufficiency.

- **Segregate Agricultural subsidies:** Classify farm subsidies under two categories: one which benefits small farmers and the remaining which goes to agri-business companies and the big farmers/landowners. Since hardly 20 per cent of the US \$ one billion farm subsidy being doled out every day only benefit small farmers, the remaining 80 per cent subsidies need to be outrightly scrapped before proceeding any further on agriculture negotiations.
- **Restoration of Quantitative Restrictions:** Developing countries should be allowed to restore quantitative restrictions and tariffs. In fact, the removal of subsidies should be linked with the removal of quantitative restrictions. Since the agricultural subsidies (including the *income support* being granted under the Green Box) are not being phased out, the developing countries need an immediate protection from the flood of cheap imports. This alone will provide the much need ethical balance to the exploitation in the name of trade and development by adequately safeguarding developing country's agriculture and food security.
- **Multilateral Agreement Against Hunger:** Since international trade has no relation to removing hunger and malnutrition, and has in fact been responsible for worsening the crisis, the international community needs to strive for a Multilateral Agreement Against Hunger. This should be based on the guiding principle of the right to food and should form the basis for all future negotiations. Such a multilateral agreement would ensure that countries will have the right to take adequate safeguard measures if their commitment towards the WTO obligations leads to more hunger and poverty.

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