APRODEV

Trade Liberalization in Agriculture

Lessons from the First 10 Years of the WTO

Devinder Sharma

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Introduction

There was no bread in the whole country, so severe was the famine, and Egypt and Canaan were laid low by it. Joseph collected all the silver in Egypt and Canaan in return for the corn which the people bought, and deposited it in Pharaoh's treasury. When all the silver in Egypt and Canaan had been used up, the Egyptians came to Joseph and said, 'Give us bread, or we shall die before your eyes. Our silver is all spent.' Joseph said, 'If your silver is spent, give me your herds and I will give you bread in return.' So they brought their herds to Joseph, who gave them bread in exchange for their horses, their flocks of sheep and herds of cattle, and their asses. He maintained them that year with bread in exchange for their herds. The year came to an end, and the following year they came to him again and said, 'My lord, we cannot conceal it from you: our silver is all gone and our herds of cattle are yours. Nothing is left for your lordship but our bodies and our lands. Why should we perish before your eyes, we and our land as well? Take us and our land in payment for bread, and we and our land alike will be in bondage to Pharaoh. Give us seed-corn to keep us alive, or we shall die and our land will become desert.' So Joseph bought all the land in Egypt for Pharaoh because the Egyptians sold all their fields, so severe was the famine; the land became Pharaoh's. As for the people, Pharaoh set them to work as slaves from one end of the territory of Egypt to the other. But Joseph did not buy the land which belonged to the priests; they had a fixed allowance from Pharaoh and lived on this, so that they had no need to sell their land.

Joseph said to the people, 'Listen; I have today bought you and your land for Pharaoh. Here is seed-corn for you. Sow the land, and give one fifth of the crop to Pharaoh. Four fifths shall be yours to provide seed for your fields and food for yourselves, your households and your dependants.' The people said, 'You have saved our lives. If it pleases your lordship, we will be Pharaoh's slaves.' Joseph established it as a law in Egypt that one fifth should belong to Pharaoh, and this is still in force. It was only the priests' land that did not pass into Pharaoh's hands. *(Genesis 47:13-26, NEB)*

'Our daily bread' is not just another commodity which can be left to market forces alone. Neither should it be governed by policies which narrowly focus on protecting the interests of small groups of actors, or which use food as a political tool. Balanced policies are needed to safeguard basic human needs and rights of all. Such a balanced approach to the economics of food production, distribution and consumption should systematically address the patterns of ownership of, access to, and use of resources, with the ultimate aim of eradication poverty, hunger and injustice.

The story of Genesis 47 was written many centuries ago. Yet, it still rings bells when we consider the situation of the world today. It tells us about the enormous power which is associated with control over food and agriculture. Also today, the ownership of land is more and more concentrated in fewer hands. Many small farmers are, de facto, held in bondage by the agro-industrial complex, and many governments represent and defend vested interests of powerful groups in our societies. Therefore, the question can be asked who are the Pharaohs, the Josephs, the Egyptians and the priests in today's world.

Obviously, today's world is much more complex than the situation in which the Egyptians found themselves many centuries ago. More than ever before, policies and events in one part of the world have, literally, far-reaching effects on people in countries which can be on the other side of the globe. The liberalisation of agricultural trade, as negotiated in the context of the World Trade Organisation, is an important factor, albeit not the only one, leading to increased marginalisation of many poor people in the world.

Agricultural issues will be high on the agenda of the WTO Ministerial meeting in Hong Kong, in December this year. In order to unravel the complicated global picture, Aprodev asked the well-known Indian journalist and researcher Devinder Sharma to write a report describing and analysing the effects of international and national agricultural policies under the present regime. From this, important lessons could be learnt for necessary steps to be taken in the future.

In compiling this report, Devinder Sharma worked with a team of four other researchers, Dr. T.N. Prakash, Mr. Bhaskar Goswami, Mr. Raghav Narsalay and Ms Abigail Dymond. Devinder Sharma was not asked to reflect the position of Aprodev and its member organisations but to write his report from the perspective of somebody who lives and works in the South. The result is an, at times, provocative analysis which will hopefully stimulate debate about the serious issues which are at stake.

On the basis of, and in order to complement this analysis, the Aprodev Working Group on European Union Trade and Food Security policies from a gender perspective, wrote a paper expressing its views on the main issues at stake in the present WTO negotiations on agricultural issues. This paper is included as an annex in this publication.

Aprodev is very grateful to Devinder Sharma and his team for compiling this report and we hope that the findings will convince the readers that, for the sake of present and future generations, fundamental changes are necessary in national, regional and international agricultural policies.

Rudolf Buntzel*, chair of the Aprodev Working Group on EU Trade and Food Security policies from a gender perspective.*

Rob van Drimmelen*, Aprodev General Secretary*

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Executive Summary

Trade liberalization has been widely linked to human development. Trade contributes to growth, provides higher incomes and opens up enormous employment opportunities thereby helping in ameliorating poverty. Given the right environment, international trade leads to greater interdependence among countries thereby narrowing economic inequalities.

In recent years, trade in agriculture has not only attracted growing attention but is being viewed as the vehicle for global growth and equity. By expanding markets and by removing distortions caused by high levels of protection in agriculture, global trade will not only facilitate competition but spur growth in an area that is linked directly to poverty and hunger. The main goal of agricultural trade has been said to be to provide an enabling environment for a majority of the world's poorest to take advantage of the enormous opportunities to improve incomes and enjoy healthy lives.

The World Bank estimated that more rapid growth associated with a global reduction in trade protection could reduce the number of people living in poverty by as much as 13 per cent in 2015. In simple words, 300 million people could be pulled out of poverty. Using computer modeling, William Cline (2003) estimated that 75 million people in India could be lifted out of poverty through free trade. Many other studies pointed to the direct link that 'open' economies had with faster growth. Jeffrey Sachs and Andrew Warner (1995) concluded that open economies double in size in 16 years, whereas closed ones take a hundred years. The United Nations Development Program (UNDP) subsequently established that such studies were flawed.[1]

It is forgotten in such theoretical and computer modeling pursuits that development is not about growth figures but about people. The link between trade liberalization in agriculture and poverty alleviation has to be seen from the impact it leaves behind on farming livelihoods, as well as on national food sovereignty. Statistical and economically significant effects on growth is no measure of resulting human development, they merely push people from the ambit of development discussions. A re-look at the implications of free trade in agriculture through the prism of human lives will probably reverse the trend.

Poverty reduction does not depend simply on growth of agricultural productivity and more openness in international trade. The WTO agreement on agriculture aimed at setting up rules in consonance with the national trade policies that would provide the much needed fillip to agricultural growth, thereby improving efficiency. These rules, essentially designed to provide a level-playing field, were in reality heavily tilted to protect the agricultural interests of the developed countries. In the name of removing poverty and helping the small and marginal farmers of the developing countries, the rich and the powerful countries continue to fortify the protective ring around their agriculture.

This report is an attempt not only to map a wide spectrum of issues that are currently at the heart of the ongoing negotiations in agriculture but also to trace the impact such policies have left behind on the farming communities of the developing countries. Theory notwithstanding, ultimately the link between agricultural trade and development has to be vindicated by the ground realities. There is extensive empirical literature discussing these linkages, but not much when it comes to reality bites.

The effects of trade liberalization were expected to be uneven given the diversity of geographical regions and the socio-economic conditions. This report tries to go beyond the mainline dialogue on trade and development, and look at how the developing countries are faring in a free market era. It therefore tries to examine the available literature on agricultural trade liberalization and its impact on the income and livelihood of the poor. What comes out very clearly is that the resulting impact of the agreement on agriculture cannot be seen in isolation. For a large number of developing countries, the process of economic liberalization tied to the Structural Adjustment Program that the World Bank and the International Monetary Fund launched in the 1980s laid the foundations for free trade.

What the report has found is that, ten years after the WTO came into existence on 1 January 1995, the impact of agricultural liberalization on farming communities and landless workers, especially on women, has been disastrous -- the past decade has seen rural livelihoods collapsing in the developing countries, leading to more unemployment and more migration from the rural to the urban areas. This report also shows how agricultural exports from the developing countries remain restricted and how import surges in many developing countries have not only shifted the terms of trade but lead to further marginalization of the rural communities.

Import surges, depressed prices, loss of livelihood, closing down of domestic enterprises, shifts of cropping patterns to export-oriented cash-crop agriculture and corporate take-over of farming are some of the impacts that have been increasingly reported across the world. While trade negotiators are terming these as short-term upsets that will be offset in the long-run, the rules of the game are not being suitably modified to ensure that the negative impacts are minimized. Much of the developing world - in Asia, Latin America and Africa - as the report shows, is faced with a serious agrarian crisis resulting from the cumulative impact of the economic liberalization policies and the agreement on agriculture.

Four years after the Doha Development Round was launched in 2001, the developed countries have been unable to fulfill their promise of making trade work for development. No rule significant enough to bring about a positive change has been incorporated into the WTO obligations since then. The 2004 July Framework agreement has been termed as ‘historic’ but as our analysis shows it not only strengthens the existing trade barriers but allows the developed countries a cushion to further increase agricultural subsidies. Like the entire WTO package, the July Framework is also being greatly oversold.

Call it 'anecdotal' or 'emotional', the report has collated available studies and literature from across the continents. Besides the regional overview, the report also presents some of the national case studies to illustrate the negative impact, both static and dynamic, of such policies. We hope the report serves as an eye-opener for the policy-makers, stakeholders, researchers and academics, civil society organizations and the political masters. With the few concluding suggestions to make trade fair and equitable, we are hopeful that the report will help bring the focus of international trade in agriculture back where it legitimately belongs - to bring back the smile to the face of small farmers.

Trade Liberalization in Agriculture: Lessons from the First 10 Years of the WTO

"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 (present) no doubt (will) be very considerable."
Adam Smith in Wealth of Nations[2]

Background

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 has been that rapid economic growth failed to translate the benefits to those who suffer from hunger and live in squalid poverty.

While there is wide agreement that trade liberalization can contribute significantly to global economic growth and thereby reduce poverty, the extent to which the poor have been impacted has not been adequately assessed. It is ten years since the World Trade Organization (WTO) came into existence and some 20 years since economic liberalization called for more open markets and less government intervention in the developing world on the underlying assumption that economies must grow if poor people are to reap the benefits of globalization. The tragedy is that the process of economic liberalization may already have set poor communities back a generation.[3]

Through the UN resolution on the Right to Development, the International Covenant on Economic, Social and Cultural Rights, the Peasants' Charter and the various summits of the 1990s, the world has seen a huge volume of rhetoric (often repetitive) in support of the rural poor. Before globalization became the buzz word, 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. As globalization rolled on, the world's richest 500 individuals continue to amass wealth - with a combined income that is greater than that of the poorest 416 million.

Beyond these extremes, 40 per cent of the world's poor - roughly 2.5 billion people living on less than $ 2 a day -- account for only 5 per cent of global income. The richest 10 per cent, almost all of whom live in high-income countries, account for 54 per cent.[4] The poor have more or less remained outside the gambit of economic development.

The current dominant paradigm of the market economy so stridently advocated and compulsively implemented through stabilization programs by the Bretton Woods twins with the full support of the WTO therefore ignores the plight of the rural poor. As an overview, Mark Malloch Brown, former administrator of the UN Development Program, decried the faulty economic prescription being doled out for reducing global economic inequalities. Releasing the *Human Development Report 2003*, he 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 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.

Economic liberalization and free trade as enshrined under the WTO have further widened the gulf. Nowhere else were the negative impacts expected to hit 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, thereby ensuring global peace and political stability.

Removing Protection in Agriculture

Agriculture plays a central role in the economies of low-income countries, accounting for more than 70 per cent of employment - compared with 30 per cent in middle-income countries and just 4 per cent in the high-income countries.[5] More than 3.1 billion people in the developing countries are directly or indirectly dependent on agriculture for their livelihoods. For a majority of them, the sale of agricultural commodities or employment in producing and processing commodities for export is their only source of income.

Long before the WTO came into existence, a number of governments had initiated structural changes in their macro policies in the area of agriculture. This was based on the advice of the World Bank/ IMF. Under the guise of reducing fiscal deficit and better targeting of subsidies, governments cut the quantity and quality of resources, including subsidies, especially for small and marginal farmers. In the ten year period from 1986 to 1996, budgetary allocations for agriculture in the developing countries fell by about 50 per cent.

In order to bridge budgetary deficits, governments ruthlessly and often without any economic logic, started privatizing public utilities in the irrigation, power and agricultural credit sector and this automatically increased the cost of inputs flowing to the small farms. Instead, the government spending on private corporations to manufacture technology and inputs that could improve the productivity of farms increased. The increasing dependency on private entities coupled with the withdrawal of government support for agriculture changed the political economy of agriculture.

Big corporations became natural allies in this process of rejuvenation. Promising larger revenues to the governments, through the use of latest technologies including transgenic crops, the private companies virtually sucked dry resources and subsidies meant for small and large farmers. They also started consolidating their control over crops such as corn, soybean, maize, rice, coffee and many others in agriculturally diverse countries. Consequently, supermarket chains began dominating the commodity markets.

The Food and Agricultural Organization of the UN (FAO) rightly observes: "Over recent decades, a handful of vertically integrated, transnational corporations have gained increasing control over the global trade, processing and sale of food. The 30 largest supermarket chains now account for about one third of food sales worldwide. In South America and East Asia, the supermarket share of retail food sales has ballooned from less than 20 per cent to more than 50 per cent over the past decade. And the biggest chains, most of them owned by multinational giants, now control 65 to 95 per cent of supermarket sales in Latin America." *(Ref: FAO 2004, State of Foood Insecurity 2004)*

Food policy choices are often extremely political and, in the age of globalization, such policies have become more and more concerned with trade rather than with national production. The growing contribution of trade and foreign direct investment in determining the types of inputs into agriculture, into the structure of food markets, and in the globalization of the food industry has impacted all dimensions of food security and more importantly has linked vast segments of small retailers to food chains.

Although many economists have now begun to concede that the relationship between economic liberalization and growth is uncertain at best[6], the fact remains that the world has not learnt any meaningful lesson from the unethical dichotomy that prevails at the economic and policy planning level. Increasing corporate control over food and agriculture has meant that the profits are being shared among the traders, processors, wholesalers and retailers. This is not only limited to the developing countries where policy makers tend to blindly ape the farm model from the industrialized countries. In the US till as late as 1990, a farmer used to receive about 70 per cent of every dollar spent on food. Today it is no more than 3 to 4 per cent.

The WTO Agreement on Agriculture therefore came at a time when the focus was on removing the remaining distortions in international agricultural trade, thereby providing a renewed thrust to farm trade. Aligning farm trade rules with the rules applying to trade in other goods, agriculture was brought into the global trade negotiations for the first time in the Uruguay Round of multilateral trade negotiations in 1986-94. Since then it has been one of the most contentious and hotly debated issues in international trade.

It is well known that the WTO Agreement on Agriculture hinges on three pillars - domestic support, export subsidies and market access. It allowed for different rates of tariff reduction and levels of domestic support and export subsidies. Developed countries were to reduce tariffs by an average of 36 per cent and a minimum of 15 per cent in six years. Developing countries had lower targets of 20 per cent reduction over a period of ten years. Subsidies were classified by the degree of distortions: green box, amber box and blue box.

Several critics had argued that the AoA when implemented would leave behind a trail of agrarian distress, thereby acerbating hunger and poverty. Brushing aside these arguments, those who supported free trade said it would bring prosperity to all. After all, trade binds countries together and has the potential to act as a powerful force for poverty reduction. However, the upswing in poverty in the short-term is a price that the developing countries will have to pay for long-term economic growth and development.

Politics of Farm Trade

A year after the "Doha Round" in November 2001, where the developed countries committed themselves to a 'development round' of multilateral trade negotiations, the two biggest agricultural exporters - the United States and the European Union - continued to preach free trade while at the same time fortifying the wall of protectionism around agriculture. The real intention behind the aggressive posture on

Corporate Concentration in National and Global Agrifood Markets

Seed and agrochemicals

- Six TNCs – BASF, Bayer, Dow, DuPont, Monsanto and Syngenta – now control 75-80% of the global pesticides market, down from 12 corporations in 1994.
- DuPont and Monsanto together dominate the world seed markets for maize (65%), and soya (44%).
- Monsanto controlled 91% of the global genetically modified (GM) seed market in 2001 and took over 60% of the Brazilian non-GM maize seed market in the space of two years (1997-1999).
- Bayer controls 22% of the Indian pesticide market.

Bulk commodity trading

- Two US TNCs, Chiquita and Dole Foods, control almost 50% of the world trade in bananas.
- Archer Daniels Midland (ADM), Barry Callebaut and Cargill dominate Côte d'Ivoire's cocoa processing industry, where 95% of processing capacity is controlled by TNCs.
- Fyffes the largest fresh produce distributor in Europe, is the sole exporter of bananas from Belize & Surinam.
- Three companies – ADM, Cargill and Zen Noh – handle over 80% of US corn exports.

Food manufacturing and processing

- Top 10 food processing companies account for 37% of sales by the largest 100 companies in the industry.
- 3 companies control 85% of the world's tea market, and Unilever is the world's biggest tea supplier.
- Nestlé has established a virtual monopoly of the UHT milk market in Pakistan, and controls around 80% of Peru's milk production.
- 4 companies, including Cargill and Tyson, control 81% of the US beef packing industry.
- 6 largest chocolate manufacturing companies account for 50% of world sale.
- Just 3 global companies control 80% of the soybean crushing market in Europe andn more than 70% in the USA.
- 3 or 4 companies control 60% of the terminal grain handling facilities, 61% of flour milling, 81% of maize export and 49% of ethanol production in the USA.

Food retailing

- The 30 largest food retailing corporations account for around one-third of all world grocery sales, with the top 10 amassing combined sales of US$649 billion in 2002.
- Wal-Mart controls 40% of Mexico's retail sector.
- Thirty-six per cent of all food sales in Thailand are now channelled through TNC retailers, where Tesco had 48 outlets and sales of around US$1.2 billion in 2003.
- Asda Wal-Mart, Safeway, Sainsbury, and Tesco account for 75% of food sales in the UK.

Source: Action Aid (2005) Power Hungry: six reasons to regulate global food corporations. Action Aid International, Johannesburg. January 2005. p13; * FAO (2004)

agricultural trade liberalization becomes obvious from the following disclosure.

The US, for instance, in a neck-to-neck race with the European Union to retain supremacy over agricultural trade, 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 to allow easy penetration of American farm commodities and processed products, it began 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.[7]

While steadily expanding foreign demand - brought on by trade liberalization, and changes in global market structures - helped American exports double over the past 15 years to an estimated $53.5 billion for 2002 fiscal, 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, had increased its performance from 13.5 per cent to 17 per cent, in the same period. In 1980-81, the EU was the largest importer in the world, accounting for 32 per cent of world imports. By 2000-01 its import share had dropped to 23 per cent and its export share had increased to 16 per cent (from 13 per cent).[8] In fact, agriculture exports from EU during the period 1995-2005 increased by a phenomenal rate of 26%.[9]

The US intentions were very clear. "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 said before the Senate Agriculture Committee in 2002.

Developed countries however were not willing to apply any meaningful reforms to reduce the distorting effect of subsidies. EU Common Agricultural Policy (CAP) reforms initiated in 2003, with implementation beginning from 2005, have for instance ensured that the overall level of subsidization of Europe's farm producers will not change. The amount of subsidy that a farmer received 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.

The WTO will have little, if any, control over 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 does not have to make any drastic reduction commitments in blue box subsidies, the July 2004 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."[10]

Extracts on EU agricultural subsidies to Danish agriculture (June 2004)

[...] Some of the top beneficiaries in 2003 included: Arla Foods (DKK 1.3 billion); Danish Crown (DKK 119.6 million); and The Danish Institute of Agricultural Sciences (DKK 111.1 million). In 2003 The Danish Agricultural Centre for Advisory Services received DKK 29.9 million - and its Board members (including Peter Gæmelke, Henrik Høegh and Chairman of the Board Gert Karkov) collectively received subsidies totalling DKK 8.9 million in the same year.

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 the bulk of the direct payments. No 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 receives more than 50,000 euros every year. Nearly 80 per cent of the subsidies are paid to only 20 per cent of farmers. The remaining support goes to larger farms, especially the richer ones.[11]

As a result, small farmers are becoming uncompetitive and therefore opting out of agriculture. In the UK, for instance, 17,000 farmers and farm workers left the land in 2003, and currently across the EU one farm is lost every minute.[12]

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 as direct payments, and in addition gets £350,000 a year for the 1,200 dairy cows he owns.[13]

In Great Britain, among the beneficiaries is the Royal Family. Queen Elizabeth II received more than £769,000 in farm subsidies in 2003-04, while Prince Charles benefited from around £300,000 in agricultural payments to his personal estate, the Duchy of Cornwall, and the Duchy's Home Farm.[14] In Denmark there are 109 recipients getting more than 1million DKK annually (i.e. 134,353 Euro). The Danish Royal Family is amongst those receiving some of the largest single payments. In 2003, Prince Joakim received subsidies worth DKK 1.4 million for the maintenance of his Schackenborg estate in South Jutland.[15]

No wonder that the European Commission proposal to cap the direct payments at 300,000 euros in single farm payments every year met with such stiff opposition that it had to be withdrawn. It is essentially because of these subsidies that in many of the high-income OECD countries the average farm household income is higher than the average household income. In the Netherlands, the average farm family income is almost 275 per cent of average household income, 175 per cent in Denmark, 160 per cent in France and 110 per cent in the United States and Japan.[16] The US spent over $ 50 billion in green box payments in 2005. Among the recipients are Ted Turner and David Rockefeller.

In 2001, the 20,000 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). In 2005, the cotton subsidy is likely to increase to $ 4.7 billion. It is 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.

Between 2000 and 2003 it cost on average $415 to grow and mill one tonne of white rice in the US. However, that rice was exported around the world for just $ 274 per tonne, dumped on developing country markets at a price 34 per cent below its true cost.[17]

Faulty Framework

After the failure of Cancun in September 2003, negotiations for a new AoA reached a critical stage. Realising that the failure of any more WTO Ministerials would spell a death-knell for international trade agreements, the focus was very conveniently shifted to the WTO General Council. The July 2004 Framework, signed hastily in Geneva, is the outcome. It does not have much legal sanctity but, more importantly, it has political backing.

The framework makes an empty promise of reducing contentious agricultural subsidies. In reality, it provides a legal approval for enhancing agricultural subsidies. At the same time it seeks more market access from the developing countries.

The devil is in the detail. Paragraph 7 of the Framework for Establishing Modalities in Agriculture (July 31st final draft) says: "As the first installment 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."

Reading this together means that firstly all the efforts made by developing countries to see that the trade-distorting Blue Box is removed have not only been nullified but counteracted. This allows the developed countries to shift a large chunk of their 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 31 December 2003 (under which the developing countries could not challenge agricultural subsidies in the rich countries) has at the least been nullified. 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 installment 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 now been authorized. 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.[18] Similarly, it allows the US to raise subsidies from the existing US $ 19.10 billion to US $ 48.8 billion. Even after the 20 per cent cut in the first year of implementation, these trade-distorting subsidies would still be 100 per cent higher - at US $ 39.10 billion.

The US, on the other hand, is wanting to shift the US $ 180 billion for ten years that it has provided to farmers under the notorious Farm Bill 2002 (70 per cent of this amount was to be spent in the first three years, before George Bush went for re-election) to the Blue Box. Since the Doha Round, the US has been increasing agricultural support by $ 7 billion a year.[19]

The framework also provides more protection measures for the developed countries. In fact they are the ones that in reality enjoy "Special and differential treatment", not the developing countries. They can use special safeguard measures and, on top of that, the provision for designating some of the key products under the category of 'sensitive' products makes the domestic market security of the developed countries more solid. If the tariff equivalents of subsidies are taken into account, the overall tariff protection in the EU and US rises substantially.[20] They can compensate their farmers with direct payments for the price cuts under liberalization and pay in cash for all their Not-Trade concerns.

Double Standards

The high level of support to agriculture in the developed countries, exceeding US $ 350 billion[21], encourages overproduction and depresses global prices, thereby pricing out the producers in the developing countries. Export subsidies on the other hand have far reaching trade distorting affects. Add to that the barriers to agricultural exports that are routinely enacted by Europe, Japan and the United States and agricultural trade becomes a one-way process - from the developed to the developing countries.

While developing countries have opened up their markets, removed the quantitative restrictions and exposed their small scale producers to competition with the subsidized exports from the industrialized countries, the rich and developed nations have breached the underlying faith of the free trade argument by further strengthening protectionism. The amount of subsidies provided enable developed countries to sell their produce at lower prices than the cost of production. This results in the depression of world market prices for most staple foods, as a result of which farmers in developing countries are priced out of the market.

What the developed countries have been preaching is not what they actually practice. Here are some of the startling methodologies they adopt to protect their agriculture.

Some developed countries have strict and sophisticated anti-dumping laws to protect their own markets, and have no qualms about imposing their anti-dumping obligations and compensation measures against other countries. The most important US law to unilaterally address what it considers unfair trade practices is Section 301 of the 1974 Trade Act, which gives the US trade Representative considerable discretion in determining what constitutes dumping. The US anti-dumping law has been used effectively against Chilean mushrooms and salmon, frozen Brazilian orange juice, fresh flowers from Colombia, Chile, Ecuador and Mexico, tomatoes from Mexico and honey from Argentina.

No developing country has been able to use comparable measures against the US. In fact, the experience of many Latin American and Caribbean countries with Section 301, for instance, has made them distrustful of anti-dumping standards as a means of containing US trade practices. The mere threat of invoking Section 301 has led developing countries to restrict exports.

Tariff escalation, or duties that rise with each step of processing, is a standard feature of industrialized-country protectionism. In the EU, fully processed food products face tariffs almost twice as high as tariffs in the first stage of processing. Latin American exporters to the EU, for example, face tariffs five times higher for tomato sauces than for fresh tomatoes. At the same time, fresh tomatoes face prohibitive tariffs in the EU during several months of the year to protect mainly Italian and Spanish producers from those in Latin America and, to a lesser degree, from African producers.

Non-tariff Barrier

A successful Mauritanian enterprise, Tiviski, has been prevented from selling its pasteurised camel cheese to the EU for several years. Despite finding a buyer in Germany, Tiviski's efforts have been thwarted by EU trade regulations - or rather a lack of them! The EU has no specific regulations relating to camels, and would incomplete need to pass a special directive to allow Tiviski to export its camel cheese, leaving the company unable to access lucrative EU markets. This means <u>lost opportunities for the 800 nomadic herders</u> who have benefited from higher incomes as a result of selling their milk to the company.

Source: Oxfam (2002) Milking The CAP: How Europe's dairy regime is devastating livelihoods in the developing world. Oxfam Briefing Paper # 34 Oxfam December 2002

It is no wonder that, since 1970s, the proportion of imported food in the total food basket has increased steadily in the developing countries. The volume of gross food imports grew at an annual rate of 5.6 per cent - far higher than the 1.9 per cent annual growth in developed countries.[22] The increase was more pronounced in the least developed countries where the value of food imports rose from 1 per cent of their GDP to over 4 per cent. This means that the food import bill has outstripped overall economic growth and their export earnings. Such an economic trend accentuates poverty in these countries.

The Agreement on Agriculture came at a time when the prices of most of the developing country exports were at the lowest level since the Great Depression of the 1930s. Agricultural commodity prices have fallen by some 50 per cent in the last two decades, though prices have been marginally restored over the past two years, due to the increasing demand in China. This has resulted in a net loss of

US $ 60 billion a year in the annual export earnings of the developing countries.[23]

Amidst the long-term trends and short-term shocks on agricultural commodity markets, what emerges crystal clear is that the direct impact goes far beyond households and communities to the national economy. Free trade does not only adversely affect the average household income and thereby lifestyle by undermining rural wages and exacerbating unemployment. What is lost, however, between the empirical evidence, computer modelings and the linear models is the human face, the havoc that the unjust trade rules play with farming livelihoods, necessitating an increased pace of migration to the urban areas and above all adding to poverty, hunger and squalor.

The complete impact on human lives - women and children in particular - and the resulting loss in livelihood security and the consequent accelerated march towards hunger and destitution cannot be easily quantified. 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 compound impact of free trade policies amidst economic liberalization restructuring that brings prosperity to some amidst the mass poverty of others certainly breeds inequality and injustice. The claim that enhanced trade will reduce poverty, which will automatically lead to a decrease in the number of hungry and malnourished people, has so far failed to show results. A decade of liberalized trade in developing countries, in the name of all round development, has acerbated the agrarian crisis, adding to the existing woes of the farming community and to rural misery.

Let us try to see the real impact on food security, employment and livelihoods.

Africa

Some call it a 'dark continent' some refer to it as a 'hopeless case'. Many others feel strongly feel that Africa is a classic victim of global politics and economic policies. Nevertheless, agriculture provides livelihoods for about 60 per cent of the continent's active labour force, contributes 17 per cent of Africa's total gross domestic product and accounts for 40 per cent of its foreign currency earnings. Agriculture has been starved of investment, with many governments devoting less than one per cent of their budgets to it.

Crop productivity has stagnated for decades. Although total output has been rising steadily, often by simply extending the land area under cultivation, growth in agriculture has barely kept pace with Africa's increasing population. Food production in particular has lagged.

While the proportion of the hungry is dropping slightly, the absolute numbers are rising inexorably. Some 200 million people - or 28 percent of the population - were reportedly chronically hungry in 1997-99, compared to 173 million in 1990-92. Imports of agricultural products have risen faster than exports. Africa as a whole has been a net agricultural importing region since 1980, spending an estimated $ 18.7 billion in 2000 alone.[24]

It is apparent from the available literature that the impact of the WTO on agriculture cannot be seen in isolation as it is closely linked and even facilitated by structural adjustment and economic liberalization. There are three reasons for this. Firstly, several African countries are still undergoing structural reforms. Secondly, there are many countries that are yet to join the WTO[25]. Thirdly, most African nations have been net food importers for decades, some in the form of food aid and others through trade.

Structural adjustment sapped the economic vitality from Africa, something that is now recognized both explicitly and implicitly by the opponents and designers of the policy reform package. Africa has the dubious distinction of being the only developing region in the world that experienced zero per capita growth during the period 1965-95, which includes negative growth in post-1980 period when SAP was being implemented. It is therefore from an extremely weak platform that African nations were made to confront the inequalities of the global trade regime.

Since the 1980s, the IMF and World Bank have used formal loan conditionality and informal arm-twisting to persuade developing country governments to deregulate and liberalize their agricultural markets rapidly. In sub-Saharan Africa, for example, 80 per cent of loans were tied to agricultural pricing reform as a major component of their conditionality.[26] The AoA was one factor contributing to liberalisation which had a negative impact on the development of millions of small farmers.

Since the mid-1990s, many low-income food insecure countries have been resorting to food imports which tend to disrupt local markets, including the transmission of depressed world prices to domestic markets. This has had negative effects on local production in many cases. Many of these cases could be classified as import surges.[27] Amongst the most severely affected countries in Africa were Guinea which suffered 55 cases, Niger (54), Malawi (50), Mali (50), Burkina Faso (48), Madagascar (46), Benin (44), and Kenya (45). On the whole, import surges have occurred more frequently since 1994, which points to the role played by the WTO. According to the FAO[28], "Given the large number of cases of import surges and increasing reports of the phenomenon from around the world, this could be potentially a serious problem."

It is quite clear (see box Africa: Import Surges Due to AoA) that import surges are related to domestic subsidies in the exporting country for those specific commodities. These commodities generally are dairy and livestock products, processed fruits and vegetables, and sugar. Coupled with the reduced tariff barriers in the importing countries, it is easier for these countries to dump commodities in the developing world, with disastrous consequences.

African nations, already poor and hungry, have suffered as a result. Agriculture in most African countries is in shambles and this has caused the loss of millions of livelihoods.

Africa: Import Surges due to AoA

The import of tomato paste by ***Senegal*** *increased 15-fold, from an annual average of 400 tonnes during 1990-94 to roughly 6,000 tonnes in 1995-2000. Between the same periods, average annual production fell 50 percent from 43,000 tonnes to about 20,000 tonnes. The post-1994 liberalization of tomato paste imports is blamed for the dramatic rise in imports and the negative impact on production.*

In ***Burkina Faso****, the import of tomato paste increased by four times between the same periods, from 400 tonnes to 1,400 tonnes, while tomato production fell by 50 percent from about 22,000 tonnes to 10,000 tonnes.*

In ***Kenya****, during 1980-90, the volume of milk processed rose steadily from 179,000 tonnes to 392,000 tonnes, i.e. by more than 100 percent. From 1992 onward, the volume processed fell dramatically, to as low as 126,000 tonnes of milk in 1998. This decline was mainly due to the deregulation of the Kenyan Milk board. At the same time, the import of milk powder rose from 48 tonnes to 2,500 tonnes (in fresh milk equivalent, 408,000 litres to 21 million litres). The influx of the imported milk powder, as well as other dairy products, depressed the demand by milk processors of fresh local milk. Small milk producers in particular bore the brunt of the impact. Also, Kenya's ability to diversify into processing activities was undermined.*

In ***Benin****, chicken meat imports increased 17-fold by 1995-2000 from the 1985-1989 annual average of about 1,000 tonnes. During this period, growth in domestic production remained stunted and rose only modestly from 25,000 tonnes to 27,000 tonnes. Most of the imported chicken meat was smuggled into Nigeria, which banned the import of chicken meat completely.*

Source: FAO (2003) Some Trade Policy Issues Relating to Trends in Agricultural Imports in the context of Food Security. Committee on Commodity Problems: sixty-fourth session. Rome 18-21 March, 2003

Highly subsidized agriculture in the OECD has had a negative impact on the African farming systems, with the US and EU turning out to be the biggest sources of food dumping. EU agriculture policies alone have reduced African exports of milk products by more than 90 percent, livestock by nearly 70 percent, meat by almost 60 percent, non-grain crops by 50 percent and grains by more than 40 percent.[29] Let us look at a few of the major impacts that the WTO has had in Africa.

Cotton: The bales of poverty

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 2003. They voiced their concern at the way direct financial assistance by a number of exporting countries, including the US, European Union and China, to the tune of 73 per cent of the world cotton production, had destroyed millions of livelihoods in West African countries.

Unmindful of the damages that accrued from heavy subsidization of cotton, the WTO delivered its verdict. The text of the Draft Cancun Ministerial said: “The Director-General is instructed to consult with the relevant international organizations including the Bretton Woods Institutions, the Food and Agriculture Organization and the International Trade Centre to effectively direct existing programs and resources towards diversification of the economies where cotton accounts for a major share of their GDP.” This has been reiterated in the July 2004 Framework.

In simple words, there is nothing wrong with the highly subsidized cotton farming in the US, EU and China, the fault rests with millions of small and marginal farmers in West Africa. In other words, the WTO says the West African farmers should stop growing cotton.

The subsidy that the US provides for cotton alone is equivalent to four times the value of cotton produced by the four West African nations - Benin, Burkina Faso, Chad and Mali. Incidentally, this is also more than the combined GDP of Benin, Burkina Faso and Chad. Oxfam estimates that the US and EU cotton subsidies result in $250 million in direct losses, and $1 billion in indirect losses in West Africa each year.[30]

The EU is not a major global player in cotton, but provides $ 1 billion annually or $ 2.5 million a day to some 100,000 cotton farmers in Spain and Greece. Producing only 2.5 per cent of the world's cotton, they enjoy 17 per cent of world cotton subsidies.[31] Cotton production has risen sharply in these two European countries thanks to the subsidies.

In Burkina Faso, although cotton exports have increased by almost 50 per cent since 1994, the revenue earnings have declined by US$60 million. The sharp fall in export earnings is directly correlated to the increase in rural poverty - now exceeding 51 per cent, with malnutrition levels particularly high among women and children. In 2001, the loss in export earnings calculated in terms of percentage of GDP was one per cent for Burkina Faso, 1.7 per cent for Mali and 1.4 per cent for Benin.[32] US cotton subsidies had caused a harvest of poverty for 2 million farmers in Burkina Faso.[33]

In Benin, like in other cotton growing nations, cotton sales account for half of all household income. Depressed prices led to increased indebtedness among farmers, coupled with higher rates of interest for loans. This has also forced many farmers to sell portions of inputs for cotton production, which undermines their future income. Such practices reduce yields and push farmers further into debt.[34] A study by the International Food Policy Research Institute (IFPRI) concludes that a 40 per cent reduction in the farm-gate price of cotton reduced the income of cotton growers by 21 per cent and raised the incidence of poverty from 37 to 59 per cent. In absolute terms, 40 per cent price drop meant that 334,000 people fell below the poverty line in Benin.[35] The US contributed to losses in export revenue of $33 million to Benin and $43 million to Mali in 2001.[36] The same trend continues for the year 2002 and the figures are staggering.[37]

Using the research analysis from the International Cotton Advisory Committee (ICAC), Oxfam[38] estimated that in the 2001 crop year sub-Saharan cotton exporters lost $305 million. The next year, in 2002, cotton exporters in sub-Saharan Africa continued to lose critical export earnings due to subsidies.

Losses from export earnings also raise concerns over the implementation of the Heavily Indebted Poor Countries (HIPC) Initiative. To date, 23 African countries have received approval for debt reduction packages, including Burkina Faso, Mali, Chad, and Benin. These four countries qualified for further relief under the Enhanced HIPC Initiative, in part due to depressed cotton prices. But such high losses in export earnings also have implications for current debt relief packages. In the case of Benin, the debt-to-export ratio[39] was projected at 161 per cent for 2003. However, when implementation was complete in March 2003, the debt-to-export ratio was 191 per cent, in large part due to lower cotton export earnings.[40]

To prevent a collapse of their cotton sectors, West and Central African governments have been forced to divert limited financial resources away from other critical areas such as education, delivery of health services and development of rural infrastructure.[41] Access to food is also threatened by low cotton prices because these countries rely on export revenue from cotton to purchase food imports.

The collapse in cotton prices has convinced some West African countries to focus on other export-earning activities. For example, from 1998 to 2002, Mali tripled its production of gold for export. Gold is now Mali's top export by value. However, gold only provides a fraction of the employment of cotton, so it does little to provide livelihoods or reduce poverty.[42]

Bitter Sugar

Sugar is another commodity that has robbed the African farmers. With support to the sugar sector totaling more than $6.3 billion a year, the EU has become the world's second largest exporter of sugar, having only recently been replaced as largest by Brazil.[43] In 2004, the EU spent Euro 3.30 in subsidies to export sugar worth Euro 1. In addition to the Euro 1.3 billion in export subsidies recorded annually in its budgets, the EU provided hidden support amounting to around Euro 833 million on nominally unsubsidized sugar exports. These hidden subsidies reflect the gap between EU production costs and export prices. Heavy export subsidies and high import tariffs are a consequence of the wide gap between EU guaranteed prices and world prices. Domestic prices are maintained at levels three times those prevailing on world markets.

Sugar: In Numbers

- £1.34bn: amount EU pays in sugar subsidies every year
- £120m: amount paid to Tate and Lyle in export refunds in 2003-04
- 300%: subsidy paid on EU sugar (it spends €3.3 on every euro of sugar it exports)
- €64: amount every household in the EU pays a year to support the sugar regime
- Two-thirds: number of people in Mozambique living on less than $2 a day
- 1.8 million: number of people in Mozambique with HIV and AIDS
- 38: life expectancy in Mozambique
- 20,000: number of jobs that could be created in Mozambique if sugar trade distortions were scrapped
- The losses for Mozambique are equivalent to total government spending on agriculture & rural development.
- Ethiopia's losses are equivalent to total national spending on programs to combat HIV/AIDS.
- Malawi's losses exceed the national budget for primary health care.

Source: Maxine Frith (2005) Bitter Harvest: How EU Sugar Subsidies Devastate Africa. Independent, June 22, 2005. www.independent.co.uk; Oxfam (2004) Dumping on the World: how EU sugar policies hurt poor countries. Oxfam Briefing Paper # 61, April 2004. p2

African countries figure prominently among the ranks of losers. Countries in the African, Caribbean and Pacific (ACP) enjoy preferential access to the European sugar market at prices linked to EU guaranteed prices. Least Developed Countries also have preferential access for a limited quota, a transitional arrangement under the 'everything-but-arms' initiative providing duty-free access from 2001. The LDC export should not exceed more than one per cent of EU consumption in terms of volume. In other words, 49 of the world's poorest countries are allowed to supply to Europe, one of the world's richest blocks, only three days' worth of sugar consumption.

The following table details the competing African countries who suffer massive losses due to dumping of sugar by the EU.

Dumping Ground	Quantity Exported by EU (2000/01)	Competing African Nation
Democratic Republic of Congo	4,846	Zambia
Nigeria	129,000	South Africa
Angola	68,000	South Africa
Egypt	176,000	South Africa, Malawi
Jordan	151,430	South Africa
Syria	634,000	South Africa
Kenya	15,926	Malawi, Mozambique, Zambia, South Africa, Sudan
Djibouti	130,000	Ethiopia
Yemen	52,000	Sudan
Bangladesh	21,457	South Africa
Indonesia	133,077	South Africa
China	16,263	South Africa

Source: Adapted from Oxfam (2004) Dumping on the World: how EU sugar policies hurt poor countries. Oxfam Briefing Paper # 61, April 2004. p30

South Africa's sugar sector suffered losses to the tune of around $60 million in 2002. The South African sugar industry depends primarily on exports. There are around 51,000 small and medium-sized sugar growers and 2,000 large-scale estates stretching from the province of Eastern Cape to Kwa Zulu Natal and Mpumlanaga. According to estimates, each medium-sized farm employs five full-time and ten seasonal workers. Overall, the sugar sector sustains around 250,000 full-time and 500,000 seasonal jobs whose livelihoods are under threat from EU dumping.

The sugar sector is the single largest source of formal employment in Mozambique and is also among the most efficient in the world, producing refined sugar at approximately $280 a tonne, far less than the average cost of production in Europe. But Mozambique has been unable to expand sugar production due to limited access to the EU market and unfair competition from dumping.

Chicken parts

Besides cotton and sugar, there are ample studies that present the deleterious impact of import surges. Take, for instance, the case of imports of frozen poultry from the EU. In 2000, the economic regulation body of French speaking West African countries - Union Economique et Monétaire Ouest-Africaine (UEMOA -

Benin, Burkina Faso, Cote d'Ivoire, Guinea Bissau, Mali, Niger, Senegal and Togo) decided to reduce customs duty on frozen poultry products by one-third ostensibly under pressure from the EU and the financial institutions. The custom duties were lowered despite the fact that the import of frozen poultry products was increasing between 1995 and 1999 at a steady rate of 20 per cent annually.

These imports were primarily of leftover pieces, because the European consumers only eat the chicken breast and upper legs now. In the past these parts were used for the production of meat meal or canned feed for cats and dogs. These parts can be exported at a price near zero, since they no longer have a market in Europe and would have needed to be destroyed. The EU has been dumping such rejects in African markets at a throwaway price of 50 cent per kilo against the domestic price of $1.5 - 2 per kilo for live birds. Consequently, several poultry breeding African companies, particularly in West Africa, are closing down.

The import of frozen chicken into Cameroon increased sharply from 978 metric tons in 1996 to 25,000 metric tons in 2003, a phenomenal increase of nearly 2,500 per cent. In the same period, local poultry production halved from 27,000 to 13,500 tonnes. These imports have forced 110,000 rural poor from their meager livelihood.[44] The same trend has been witnessed in Senegal where the import of frozen chicken products multiplied fivefold between 1999 and 2003, closing 70 per cent of the local businesses.[45] Import surges of frozen poultry were also reported by the FAO in Benin (*see box Africa: Import Surges Due to AoA*).

Beef and Dairy

Earlier, Africa had been a victim of a combination of economic policies and the resulting political upheavals. Since the early 1980s, under World Bank supervision, grain markets in Somalia were deregulated.[46] The SAP disrupted the nomadic and commercial livestock industry. Subsidized beef and dairy products from the EU had put the pastoral economy under extreme stress. European beef imports to West Africa increased seven fold in the ´80s . Interestingly, EU beef sold at half the price of locally produced meat, as a result of which the Sahelian farmers, for instance, found no buyers for their cattle herds.[47] This came to an end after the massive devaluation of the CFA-Franc and the introduction of safeguard measures by West African countries.

Years of economic deprivation and conflict have swelled Mogadishu, the capital of Somalia, with the influx of refugees and gunmen. Rwanda, Sudan, Somalia and the Horn of Africa remained continuously in a state of strife and terror. In Northern Uganda, people have lived for 18 years in refugee camps and have become completely dependent on food aid, without learning and without the possibility of developing their own livelihoods: a lost generation. Food aid has led to a structural dependency for the country and its people, keeping both in poverty.[48]

More detailed and country-wide analyses of the impact on the agricultural front for Kenya, Senegal, Mali, Uganda, Ghana and Mauritius are provided in the annexes.

Latin America & the Caribbean Countries

Latin America has given the world many of its most important crops. Foods like potatoes, sweet potatoes, maize and beans have taken root in myriad national cuisines that today would be unimaginable without them. Agriculture and agro-industry are central components for the economies of Latin America and the Caribbean (LAC). Approximately 123 million people (25 per cent of the population) are directly and indirectly dependent on agriculture.

Averages apart, countries such as Haiti (67 per cent), Guatemala (52 percent), Bolivia (47 per cent), Honduras (40 per cent), Paraguay (39 per cent), Peru (36 per cent), El Salvador (36 per cent), and Ecuador (33 per cent), have significantly large numbers of people who are employed directly and indirectly in the agriculture sector.[49] Similarly, agricultural performance weighs heavily in the national economy. It has been quite accurately described as 'one of the engines driving domestic economies' in Argentina, Brazil, Chile, Colombia, Peru, Uruguay and Venezuela, where roughly 74 per cent of primary agricultural output is used for developing other sectors of the economy.

While large scale agriculture is driving export-led revenue generation for many of the countries in the region, small scale agriculture remains the backbone of employment and income generation in large parts. Creation of incomes in small scale agriculture also helps in reducing income inequities, providing a further boost to the demand for basic consumption goods that are labour intensive and less foreign exchange dependent.

Significantly, agriculture in recent years has undergone a shift from food crops to cash crops. The emergence of fruits and vegetables as the leading agricultural export (in value terms) has displaced traditional commodities such as coffee and sugar. Oilseed production has also increased, contributing to the surplus in net agricultural trade. Much of the shift was the outcome of the structural adjustment policies. Net imports of cereals and dairy products have therefore grown, due to the resulting increased demand.[50]

As far as trade is concerned, an important characteristic of agricultural trade in the region (in fact, of all international trade in the Americas) is a steady increase in the share of intra-regional commerce. Abetted by regional pacts, such as the North American Free Trade Agreement (NAFTA) and Mercado Común del Sur (MERCOSUR), trade within the Americas (including the United States and Canada) rose from one-fourth of total agricultural exports in 1981-1983 to more than one-third by the mid 1990s. Regional trade agreements in this region are on the rise and with every new agreement the future of agriculture is not only getting more and more complex but also deteriorating.

Studies have shown that since the inception of the WTO, the net agricultural trade balance of the 17 Latin American and Caribbean countries is skewed in favour of a few countries -- Argentina, Bolivia, Brazil, Chile and Ecuador, all of them faced with worsening second-generation environmental impacts that make their agriculture growth highly unsustainable. On the other hand, the FAO reports on the steadily deteriorating farm situation in a number of countries such as Barbados, Jamaica, Mexico, Paraguay, Peru and Venezuela. Trade liberalization, which began with economic restructuring some three decades back, and hastened after the inception of the WTO, has therefore only accentuated the existing macroeconomic inequities between countries in the region.[51]

Perpetuation of Inequity

The WTO agreement on agriculture was sold to farmers by the respective governments with the promise of a better market access resulting in higher prices and better livelihoods. Perhaps what the governments forgot to tell was which countries' farmers they had in mind when they negotiated a completely iniquitous Agreement on Agriculture.

Everardo Orellana Villverde, a farmer from Peru is completely disillusioned with the agriculture regime under the WTO.[52] He sums up:

> *"The threat and the biggest danger is the indiscriminate growth of imported products. We compete against wheat flour and milk imported from the US and other countries. We do not export our products. And we cannot have a balanced diet if we do not have the resources. The imported products destroy our consumer habits. With the little we have, sometimes we buy imported products such as spaghetti and cans of milk because it lasts longer."*

Mr. Villverde has hit the nail on the head. Several publications, both academic as well as from civil society (IATP, 2005[53]; OXFAM, 2004; et al), highlight massive agricultural dumping that has taken place, a central feature of the evolving WTO trading system on agriculture.

Corn, Cotton, Rice, Meat, Soybean and Wheat - products that are central to the food and agriculture systems of the region - continue to be dumped freely by EU and US agribusiness corporations. With average tariff levels of 14 per cent for Latin America and the Caribbean (from 9.8 per cent in Chile to 20 per cent in the Dominican Republic), it becomes impossible for these countries to provide a protective shield from cheap imports. While large farmers (essentially corporations engaged in bulk production of these crops) do survive on the basis of the subsidies that are being diverted to them by respective governments, small farmers get pushed out of farming as their local markets are flooded with cheap produce.

In the Dominican Republic, from 1990 onwards, two import surges in wheat,

Children of maize

For the indigenous peoples of Mexico and Guatemala, maize is the basis of life. In the Popol Vuh (creation story of the Maya), maize was the only material into which the gods were able to incorporate the breath of life and the gods used it to make the flesh of the first four people on Earth. For other peoples of Mexico, maize is the food of the gods and different gods are responsible for caring for maize at particular stages of its development.

For others, maize itself is a goddess. Maize has also been the fundamental food of Mexicans for centuries and thousands of varieties provide an amazing range of flavours, consistencies, recipes, nutrients and medicinal uses. It has kept indigenous peoples alive in the face of discrimination, poverty and plundering.

It has become equally key and often equally sacred for peasant communities in Mexico and in many other parts of the world. The vast majority of Mexicans will not hesitate to tell you "we are the children of maize".

Source: http://www.grain.org/seedling/?id=280#5 three in vegetable oil, eight in bovine meat and six in pig meat and poultry[54] have taken place - most of which were post-Uruguay, and almost none of which reflected an increase in demand. In only one instance was there a production shortfall. In Chile, between 1985-89 and 1995-2000, imported vegetable oil increased from 58,000 to 173,000 tonnes, with a concomitant drop in domestic production by 50 percent.[55]

Table 1 shows interesting data on how the US has been dumping these crops in the international markets.

***Table 1:* Dumping Farmers in LAC to death**

Years	Cotton	Maize	Rice	Soybean	Wheat
1996	16%*	-26%	6%	-12%	18%
1997	24%	12%	3%	-23%	27%
1998	40%	21%	13%	1%	30%
1999	50%	30%	20%	27%	42%
2000	50%	33%	19%	24%	43%
2001	63%	18%	20%	28%	44%
2002	65%	11%	34%	16%	43%
2003	47%	10%	26%	10%	28%

*Figures pertain to percent to export dumping = the difference between the full cost (which includes farmer's production cost, government support costs and transport & handling costs) and the export price, devided by the full cost of production. For example, in 2003 cotton was exported at an average price of 47 percent below the full cost of production. *Source: WTO Agreement on Agriculture: A Decade of Dumping, IATP, 2005*

Milking the economy dry

Milk and dairy products is a sector that is very important to the rural economy in most of the LAC countries. Let us look at how the cheaper milk and dairy imports from the EU have destabilized the farm economy of Jamaica and Peru, pushing thousands of farmers into poverty.

The Jamaican dairy industry first got into difficulties in 1992 when the government liberalized import tariffs on milk powder under the World Bank/IMF adjustment policies. Ten years on and farmers are still unable to compete with subsidized milk imports. The major source of imports is the EU, which has quadrupled its exports, accounting for more than two thirds of the milk powder imports in the year 2000.

EU support to its dairy industry is to the tune of Euro16 billion a year, or about Euro 2.7 per cow per day, more than the daily income of a quarter of Jamaicans. The EU Common Agricultural Policy (CAP) encourages over-production of milk and the resulting under-priced surpluses, paid for by export subsidies, are dumped on world markets.

With the availability of cheap milk powder, Jamaican food processing companies have been turning their backs on indigenous produce. Nestlé, a major purchaser, has reduced its purchases. In 2001, it bought 10 million of the 25 million liters of milk produced by domestic dairy farmers. Two year later, in 2003, this was reduced to 6 million liters. Small farmers were therefore edged out, their production slumping to 300,000 liters in

5 years from a high of 2.5 million liters.[56] Left with no alternative, farmers started selling their cows to butchers.

In Peru, the situation was no better. Peru has witnessed four major import surges of bovine meat, nine for pig meat and six for milk at a time when there were no production shortfalls. Even at times when production shortfalls did occur (as happened once each in the wheat and poultry sectors), the import surges over-compensated for this, with inundating inflows recorded three and nine times, respectively.[57] This brought about an unwanted change in the dairy landscape. Whilst in the 1980's milk production was mainly carried on by small scale producers living around the highland areas of Arequipa and Cajarnarca, nowadays it is mostly imported or produced on large scale farms in Lima and coastal valleys.[58]

In Central America and Mexico, where some of the world's highest quality coffee is grown, the World Bank estimates that 600,000 permanent and temporary coffee workers have lost their jobs in the past two years alone. Relief agencies estimate that more than 1.5 million peasants in the region lack food.

Source: The Asian Wall Street Journal, July 9, 2002

The Mexican Chicken Casserole

US and Mexican consumers differ in their choice over chicken parts they consume. While the former prefer breast meat, Mexicans eat the whole chicken. Spurred by the zero tariffs under NAFTA, chicken legs and thighs have been exported into Mexico at rock bottom price - a lucrative and complementary market for US exporters. Since NAFTA, two US companies (Pilgrim's Pride and Tysons) have taken over a third of Mexican production. This has destroyed the small producers in Mexico supplying the local markets. Their condition has been further aggravated by Walmart's taking over the retail food sales.

Lower labor costs could have been Mexico's comparative advantage in chicken production and processing. But the country's labor advantages have been undermined by mechanization and by the peculiarities of NAFTA itself. Tyson, the largest US chicken company has also been accused of smuggling Mexican workers over the border to work in terrible conditions at the chicken processing plants. U.S. companies also take advantage of cheap Mexican labor by establishing offshore processing plants in the border Maquiladora zones. The losers are the poor Mexican chicken producers and local processing plants.

Source: Laura Carlsen (undated) Chickening out on NAFTA? International Relations Centre, Silver City, New Mexico, USA.

In the Dominican Republic, many of the 30 thousand milk producers are now unemployed - despite the increased domestic demand for dairy products - as a result of heavily subsidised milk powder of which it has now become the fifth largest importer.[59] In Haiti, between 1984-89 and 1995-2000, milk imports increased 30 fold, engendering a concomitant decrease in domestic production from 72-65 thousand tonnes[60], thereby creating severe employment and food security issues in a country where 56 per cent of the population are already undernourished.[61]

The only real potential beneficiary of expanded quotas for dairy imports into the US from Nicaragua under the Central American Free Trade Agreement (CAFTA) is the dairy industry giant, Parmalat.

Parmalat earlier used to pay local dairy farmers US$0.45 per litre for fresh milk. But now they are buying more powdered milk from the United States, and asking farmers in Nicaragua to supply milk for only $ 0.25 a litre.[62] It controls the only dairy processing facility in Nicaragua with the capacity to meet pasteurizing requirements for entry into US markets, and is the main supplier of domestic dairy products.

Restricting Exports

Kevin Watkins[63] very convincingly explained that one per cent increase in Latin America's share of world exports would generate a per capita GDP of 4 per cent, and if Latin America (were) to capture a share of world trade commensurate with its share of world population, the equivalent gain would be $ 460 per person, or 10 per cent increase in the average income.

With the thrust on growing export-oriented horticulture crops, some of the LAC countries have achieved a higher degree of export competitiveness in fruits. Brazil sells apples and grapes; Chile has a very good kiwi export business and some fine fruits like raspberries and strawberries. Colombia, Honduras and the Dominican Republic sell bananas, pineapples, mangoes and other tropical fruits; Argentina sells apples, pears and citrus fruits, Mexico also has apples, avocados and bananas on the world market. Costa Rica is exporting more than 2 million kilos of bananas for the baby food industry in Europe and America. For Central America, pineapple is a growing export possibility.[64]

Even for these products, they have to face immense competition from subsidized EU fruit produce. The EU provides subsidies to fruit producers, as well as marketing and promotion assistance. All assistance is provided through producer organizations. The producer organization can qualify for subsidies to carry out activities aimed at supply and price management, marketing programs, quality improvement, and for promoting environmentally friendly methods. Subsidies are primarily in the form of either market intervention (withdrawal compensation) or export refunds.

In 2001, withdrawal compensation subsidies authorized by the EU totaled 117 million euros (for fruit and vegetables). EU export refunds in 2001 for fresh fruit and vegetables equaled 36.1 million euros. Combined, the EU provided a total subsidy of 153 million euros in 2001, in addition to assistance for marketing and promotional activities. In 2004, the EU approved five programs for marketing assistance abroad. The EU is expected to provide another 3 million euros to selected groups for marketing of fruit and wine in Switzerland, Japan, Russia, the United States, Canada and Brazil. The range of subsidies provided by the EU to the wine sector also becomes a great barrier to Latin American entrepreneurs looking for markets.

> *"Liberalization and deregulation in Mexico have provided widely divergent sets of opportunities and threats to different regions and social groups. For owners of capital, the privatization of State industries and the 1992 land reform, which allows investors to purchase smallholder land, have created new sources of wealth accumulation.* ***In the midst of one of the most severe economic crises which the country has ever faced, the number of billionaires increased from ten to fifteen.*** *In 996, their combined wealth was equivalent to 9 per cent of Mexico's GDP."*
>
> Source: Kevin Watkins (1997) Trade Liberalisation, Poverty, and Distribution. Human Development Report Office Occasional Paper No. 32

Aid being extended to the fruit and vegetable processing industries is higher than the total income of fruit and vegetable growers in countries like Chile, Venezuela and Mexico.[65] Take coffee as an example. If the market access agreement had been implemented fairly, and Costa Rica's coffee exports worldwide allowed to increase by 10 per cent - which no doubt could have been done - this measure alone would have engendered one per cent increase in the total aggregate value of its economy, and increased rural wages by 0.8 per cent, three times the increase experienced by urban workers.[66]

These are some examples of the visible impacts that are widespread. More detailed reports from some of the worst-affected countries like Brazil, Peru, Guyana, Haiti, Honduras, Ecuador, Bolivia, Venezuela and Argentina, are given in the annexes.

Asia

Describing the vicious cycle of poverty and the growing inequalities in the context of Asian economies, Prof Gunnar Myrdal said: “The theory of international trade and indeed economic theory in general were never worked out to serve the purpose of explaining the economic underdevelopment.”

Later in his seminal work “Asian Drama - An Inquiry into the Poverty of Nations” (1968), he remarked: “Behind the complexities and dissimilarities we sense a rather clear cut set of conflicts and a common theme as in a drama. The action in this drama is speeding towards a climax. Tension is mounting: economically, socially and politically.” Almost four decades later, the drama is unfolding in the backdrop of trade liberalization. An attempt to reinvestigate the drama in the context of Asian agriculture is most relevant at this juncture.

Like Africa and Latin America, the heterogeneity in terms of level of development, size of the economies, the volume and terms of trade defies simple generalization. India, for instance, is a hugely populated country with a self-sufficient agriculture and negative aggregate measure of support (AMS) to agriculture. In contrast, Indonesia, Malaysia, the Philippines and Thailand are members of the Cairns Group with non-subsidized agriculture and supporting a market-oriented agriculture. China, the world's largest producer of agricultural commodities, along with Vietnam and Taiwan, has recently acceded to the WTO. On the other hand, Japan - the biggest economy in the region, still maintains a very highly protective agriculture. And finally, several low-income food importing countries like Bangladesh, Laos, Nepal, Cambodia and the Maldives present a set of different concerns all together.

What is however common and runs through with a high degree of homogeneity are the unique socio-cultural as well as agro-ecological characteristics. The two common denominators that make Asian agriculture unique are: (a) predominance of rice cultivation - nearly 97 per cent of world's rice is grown, and 92 per cent of it is eaten in Asia and (b) agriculture is carried out in small holdings - in India and China, for example, the average land holdings hover around one hectare per family.

The great design with which the drama has been scripted has got several plots. It all began by re-defining the term 'food security' which for a developing country meant the ability to become self-sufficient in order to feed the nation. By extending the definition of ‘food security’ in a global context, the term was diluted to mean that any country can fulfil its food needs by purchasing food off-the-shelf. In other words, self-sufficiency was decried simply to ensure a market for the mountains of agricultural surpluses being produced in the developed countries.

Removing state support

'De-coupling' food security from food self-sufficiency triggered a systematic assault to undermine the domestic policies that had so assiduously ushered in what is now referred to as 'food sovereignty'. This meant gradual reduction in the government 'interventions' and responsibilities in the pricing, production, stockholding and distribution of food; diluting the spirit of land reforms aimed at equity and social justice; promoting contract or corporate or lease farming aimed at enhancing private profitability and undoing 'minimum' support and stable prices being paid through a system of 'administered pricing' to farmers; and in turn promoting future markets and forward trading so as to feature agriculture in speculations; and finally turning the focus of agriculture from the domestic market to export trade.

Asian countries, too, bent backwards to make the necessary adjustments. They reduced tariffs to the levels prescribed by the WTO, and some of them (India, for example) phased out quantitative restrictions, thereby removing all protection measures that could act as a shield against highly subsidised cheap imports. On an average, the South Asian countries have reduced tariffs at a rate of seven percent per annum. As against the agreed bound tariff rates ranging from 50 to 300 percent under the WTO, the South Asian countries have an average applied tariff rate of just 46.22 percent on agricultural products.

Sri Lanka was first to undertake trade liberalization providing easy market access. The average tariff rate for agricultural commodities is presently 35.5 per cent. Sri Lanka does not have any trade distorting programs and the trade restrictions and domestic support provisions are now well within WTO rules.

Surprisingly, Pakistan was much ahead on economic liberalization, probably due to the undemocratic regimes that were easily pressurized. It introduced agricultural sector reforms (*read privatization*) as early as in the 1980s. Complying with the needs of the structural adjustment program, farm input/output prices achieved parity with the world prices, thereby reducing state interventions and in turn increasing the role of the private sector.

Subsequently, much of the state support for farm inputs was withdrawn and a programme for the phased removal of fertiliser subsidies was also set up. Such was the government's commitment to push for private sector control, that the ration shops system was abolished way back in 1988. The private sector was encouraged in the agricultural commodities trade, procurement of rice and cotton, and in the distribution of pesticides and fertilizers.

All non-tariff barriers have been reduced and quantitative quotas have been almost eliminated; negative lists have also been reduced and administrative measures such as export licensing have been eliminated in Pakistan. However, these policy measures were not a direct consequence of the WTO regime and in fact were part of the country's compliance with the structural adjustment programs.

Pakistan voluntarily reduced tariffs on agricultural products from a peak of 65 per cent in 1995 to 25 per cent in 2002-03. An overall negative AMS in the base period (1986-88), did not however require Pakistan to undertake specific commitments for reduction of agricultural support. It still went ahead regardless, and according to the WTO Trade Policy Review (2001), Pakistan reported a 44 per cent reduction in domestic support to agriculture and livestock activities during 1995 to 2000.

Similarly, a 30 per cent cut in federal and provincial product-specific subsidies has been reported for wheat and sugar in the same period. In addition to specific budgetary support, subsidies on fertilizers and credit have also been phased out. Even a small amount of subsidy in lieu of tariff reduction on electricity for tube wells has been removed since July 2000. In addition, the Punjab (Pakistan's Punjab) government subsidy on sinking tube wells has also been taken away. Pakistan therefore presents a classic case of what economic liberalization and trade policies mean for agriculture and food security.

Trade liberalization for Indian agriculture began in the early 1990s. The currency devaluation of mid-1991 heralded the *neo-liberal* economic reform process, followed by the removal of export subsidies on plantation crops like tea and coffee. Economic liberalisation, in tune with WTO agreements, involved freeing of export controls, liberalization of quantitative controls on imports and decontrol of domestic trade.

From 1998 to mid 2001, 35 million Chinese lost jobs in the state sector through bankruptcies, downsizing or privatization called corporatization. Exporters to China of fruit, grains and other food stuffs will enjoy a gradual reduction of tariffs, but million of Chinese farmers stand to suffer from steep reduction in their subsidies.

Source: Time, Jan 28, 2002, Vol 159#3

India had maintained a high tariff binding of 300 per cent for edible oils and 100 per cent for raw products. The average applied tariff rate on agricultural commodities has subsequently been scaled down to 29 percent. A range of primary imports were de-canalised and thrown open to the private sector. Import tariffs were substantially lowered over the decade. Exports of important cultivated items, including wheat and rice, were freed from controls and subsequent measures aimed at promoting the exports of raw and processed agricultural goods.

India also used quantitative restrictions (QRs) on some 1,500 sensitive commodities. This provision was permitted under the pretext of the unfavourable balance of payment (BoP) position. With the BoP position subsequently improving, it was made to comply with the 'market access' compulsion. QRs on import and export of groundnut oil, agricultural seeds, wheat and wheat products, butter, rice and pulses were all removed from April 2000 onwards. Almost all agricultural products are now allowed to be freely exported.

Meanwhile, East Asian countries remain divided over the issue of any further liberalization of agricultural markets. Japan and South Korea are particularly opposed to more liberalization. Japan till recently followed a protectionist agricultural policy. Under trade pressure, it signed an MOU with Australia in December 1995, for the first time allowing access for oysters. The tariff on beef imports was reduced by 1.9 per cent a year until it reached a low of 38.5 per cent in the year 2000. East Asian countries like Indonesia, Malaysia, the Philippines and Thailand on other hand are for still faster liberalization.

The protection measures, which the WTO treats as an obstacle to free trade, were required by the Asian countries to protect their agriculture and, in turn, the survival of the farming communities. More so, going by what Prof Myrdal had earlier demonstrated, prices of the primary commodities sold by the less developed countries never rise in the same proportion as the prices of the commodities purchased by them from the developed countries. He termed it as "*the spread effects* of international trade are less than the *backwash effects* of international trade". His conclusion was that the "foreign trade multiplier is very weak in less developed countries," and hence the need for 'protectionism' against free trade.

Growing Food Insecurity

Structural adjustment and economic liberalization programs have seriously undermined the spirit of agrarian reforms, food and agricultural policies in Asia. Farm trade liberalization, pushed by the WTO, has further eroded the capacity of domestic agriculture to provide food and livelihood security in the region. This has resulted in a sharp increase in the cost of cultivation, pushing the poor peasantry deeper into indebtedness and penury. Removing all restrictions on food imports, encouraging export-oriented agriculture and leaving farmers to face the vagaries of the markets have destroyed food self-sufficiency in the region.

Intended to protect the interests of peasants as well as the landless poor who otherwise were unable to bear the volatility in the prices and supply of food grains, government 'interventions' in production, procurement, stockholding and distribution of food grains in most Asian countries were historically very high.

China upsets US apple cart

China has flooded the United States market with apple juice concentrate. Not satisfied with only concentrates, China is now seeking quarantine approvals from the US Department of Agriculture for export of fresh apples. A red tide of apples is therefore expected to sweep over America.

Such has been the surge in apple concentrate that American growers lost an estimated US $ 135 million in revenues from the imports in 2002 alone. Despite imposing anti-dumping duty to the tune of 51.74 per cent on Chinese apple concentrates beginning May 2000, the imports continue to pour in. Within the last five years, the share of Chinese apple concentrate in the US apple juice market has risen to 45 per cent. The industry is now crying for help.

Barely 20 years after it had started planting apple trees, China's exports of concentrates begun to dominate the US market, increasing gradually to 1200 per cent. With the rise in exports, the price continued to be on a downward slide from US $ 7.65 per gallon in 1995 to $ 3.57 in 1998. While the apple producers and the industry cried aloud, the consumers were visibly happy. Supermarket chains like Wal-Mart procured the concentrates at rock bottom prices, packed them into juice cans and bottles, but did not pass on the price benefit to the consumers in the same ratio as they gained from the reduction in import prices.

The US apple industry is crying foul.

Source: Devinder Sharma, The Hindu, June 2, 2005

India, for instance, provided protection in the form of a minimum support price (MSP) for 24 commodities, including mainly cereals, pulses, oilseeds and other essential crops. These crops not only form major components of the food and nutritional basket of an average household, but also account for about 82 per cent of the gross cropped area and almost 75 per cent of the total value of crop output. This is linked to the buffer stock operations and the subsequent efforts of the government to get the procured food to deficit areas through an elaborate Public Distribution System (PDS), hailed rightly as one of the most effective instruments of food security.

China, Vietnam, Thailand, Sri Lanka and Indonesia were also following such 'market intervention' programs to protect their peasantry as well as consumers.

Some of the state trading enterprises - like the Food Corporation of India (FCI), National Food Authority in Philippines, Paddy Marketing Board of Sri Lanka and BULOG in Indonesia were engaged in putting into operation the governments' commitments to ensure food and livelihood security for the small farmers as well as to meet the demands of the consumers.

While the effort is now to dismantle the procurement operations, a decade of trade liberalization has seen hardships. Instead of improving exports, these countries are becoming net importers, leading to more unemployment, food insecurity, increasing inequality and environmental deterioration. The terms of trade in agriculture have been negative.

Agricultural items had formed around 21% of Asian exports prior to trade liberalization, coming down drastically to

12% in South Asia and 10% in East Asia. The decline is more dramatic in China where the farm exports are down from 16% to 5%. It is quite natural that, as economies progress, their composition shifts from primary (agriculture) to secondary (manufacturing) and then towards tertiary (service) sectors. But this did not happen on the import front, especially in South Asia, a cause for great concern. For India and Bangladesh, agricultural imports have also increased.

Rice is Asia's lifeline. Rice is the principal food of three of the world's four most populous nations: the People's Republic of China, India and Indonesia. For more than 2.5 billion people in these three countries alone - rice is what they grow up with. For centuries, rice has been the sociology, tradition and lifeline for the majority world.

It is interesting to note that, in spite of the variation in production and productivity, Asian countries remained active partners, in terms of exports and imports, in the rice trade. China, India, Thailand, Vietnam and Pakistan are the major exporters of rice, whereas Indonesia, the Philippines and Bangladesh have now turned into net importers of rice.

The world rice market is highly distorted, partly because of the high degree of intervention in rice markets across the world. While poor countries such as Thailand, Vietnam and India tend to remove protection, the rich countries of East Asia (Japan and Korea), Europe and the US heavily support their rice producers. As a result, there is great diversity in domestic rice price levels. Given this backdrop, it is widely recognised that rice trade liberalization has tremendous implications on economic well being, food security and poverty.

We will discuss the rice debacle in subsequent pages as we begin to analyse the deleterious impact of trade liberalisation on some of the important countries in the region. Also in the annexes are the country case studies from India, Indonesia, The Philippines, Sri Lanka, Thailand and Vietnam.

Conclusion

From what one can gather from above, the impact of trade liberalization policies for the developing world is crystal clear.

The writing is on the wall. The underlying objective of the free trade paradigm is to ensure that the developing countries should stop growing staple foods and some of the commercially most important commodities like cotton and sugar. The OECD countries will - thanks to the monumental subsidies and increasing protection - continue to maintain their dominance of these crops. In fact, the process to shift the production of staple foods and major commercial commodities to the OECD had begun much earlier. The WTO is merely legitimizing the new global farming systems.

The World Bank and IMF, under the structural adjustment policies, had very clearly tied up credit with crop diversification. This 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. This 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 that enable the corporate sector to move into agriculture. Farmers need to be left at the mercy of market forces. Since they are 'inefficient' producers, they need to be replaced by industry.

The same prescription for farming is not vigorously pursued in the industrialized 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 beet and cotton, and that under environmentally unsound conditions too. 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.

If the WTO has its way and the developing countries fail to understand the prevailing politics that drive the agricultural trade agenda, the world will soon have two kinds of agricultural systems - the rich countries will produce staple foods for the world's 6 billion plus people and developing countries will grow cash crops like tomatoes, cut flowers, peas, sunflowers, strawberries and vegetables. The dollars that developing countries earn from exporting these crops will eventually be used to buy food grains from the developed nations - in reality, back to the days of a 'ship-to-mouth' existence.

Take the case of Central America. The debt crisis that afflicted the Central American countries in the 1980s was very conveniently used 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 beans and have now

A true reform in agriculture is only possible when the global community accepts the guiding principle 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 AoA. It can only be put into practice when the developed and the developing countries refrain from a battle for food supremacy to reorient efforts to bring equality, justice and human compassion to addressing mankind's biggest scourge - chronic hunger and acute malnutrition. This is possible by ensuring the following:

- **Expand the Degree of Food Sovereignty for Developing Countries:** Every country should have the right to take measures to protect its food security and the livelihood security of its farming community. Developing countries are reliant on increased sovereignty over their own agricultural and trade policies to meet such ends. Production systems based on efficiency that do not include energy consumption in the cost analysis have to be discarded.
- **Segregate Agricultural Subsidies:** Classify farm subsidies under two categories: one which benefits small farmers and the other which goes to agri-business companies and the big farmers/landowners. Since barely 20 per cent of the US $ one billion farm subsidy being doled out every day benefits small farmers, the remaining 80 per cent of subsidies need to be scrapped outright before proceeding any further on agricultural negotiations.
- **Restoration of Quantitative Restrictions:** Developing countries should be allowed to restore quantitative restrictions (and special safeguard measures for those countries which did not follow the QR route) and tariffs. In fact, the removal of subsidies should be linked with the removal of quantitative restrictions. Since the agricultural subsidies (including the income subsidies being granted under the green box) are not being phased out, the developing countries need an immediate protection from the flood of cheap imports. That alone will provide the necessary safeguards for developing countries' agriculture and food security.
- **Re-opening of July 2004 Framework:** The framework provides a cushion to the US/EU to raise farm subsidies from the existing level. Except for the talk of reducing export subsidies, no definite time schedule has been spelled out. The framework also provides more protection measures for the rich and industrialized countries. Special and differential treatment, special safeguard measures and on top of this the provision for designating some of the key products under the category of 'sensitive' products makes the domestic market security of the rich and industrialized countries more solid.
- **Multilateral Agreement against Hunger:** So far, hunger is a non-trade concern. Among the new issues to be introduced, the developing countries need to strive for the inclusion of 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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- Annexes -

Annex I: Country Case Studies

From Africa

Kenya

Although nearly 70 per cent of the population in Kenya depends on agriculture for their livelihood with three million smallholders producing 75 per cent of all crops, agriculture accounts for only 27 per cent of the GDP. The bulk of production is based on small-scale family-farms, producing both food and cash crops, accounting for two thirds of agricultural output.

Since the structural adjustment of the 1980s and 1990s, Kenya has undertaken economic reforms resulting in a cut back in State support to farmers. Agricultural productivity has been on a decline, with an increasing dependence on imports. More sweeping reforms were undertaken in the early 1990s, aimed at encouraging the participation of the private sector in production, marketing, processing and trading of agricultural commodities. As a result, most agricultural prices are now determined by market forces, with import and export parity prices being the main determinants of domestic prices. Tariffs have become the sole instrument for regulating trade.

Despite the reforms, poverty in Kenya worsened in the 1990s, with the number of poor going up from 11.3 million (48.4 percent of the population) in 1990 to 17.1 million people in 2001, or 55.4 percent of the population.[1]

Exports from Kenya enjoy preferential access to world markets under a number of special access and duty reduction programmes. Intra-regional trade is on the increase as Kenya has access to the regional markets through membership in the East African Community (comprising Kenya, Uganda and Tanzania) and also through membership in the Common Market for Eastern and Southern Africa (COMESA). Exports and imports with member countries enjoy preferential tariff rates, including the EU under the ACP/Cotonou Agreement. It also enjoys duty free access to the US market under the African Growth and Opportunity Act (AGOA) enacted by the USA. Kenya's major products that qualify for export under AGOA include textiles, apparels and handicrafts.

All these factors ought to have helped the Kenyan economy. The reality is actually quite dismal. Sample the following.

Maize is the staple food of Kenya. Since 1992, maize production has fallen short of the consumption target, turning the country into a net importer. Maize marketing was liberalized way back in 1993 which exacerbated the problem as input costs spiraled. Before implementation of liberalization reforms started in Kenya, the National Cereals and Produce Board (NCPB) was charged with the responsibility of regulating movement of maize and stabilizing prices. The NCPB ensured movement of maize produce from the

> *"Maize farmers have in the past few years suffered enormous losses due to importation of cheap maize. The Government should check this practice if it is serious about boosting agriculture." Samuel Gitonga, Chairman of Nakuru branch of Kenya Federation of Agricultural Producers, July 2003.*

surplus producing regions to the deficit areas. As the reform process intensified, the role of the NCPB was marginally reduced to that of maintaining strategic national food reserves. Since then, uncertainty has dominated the maize market with prices fluctuating widely in response to both seasonal and political forces.

From being a net exporter, Kenya has become a net importer of maize. The bulk of maize imports are from Italy, the US, South Africa and Malawi. The case with rice is similar. Imports of rice not only come from Asia but also from the EU (Asian and US rice is imported in rough form into the UK, where it is milled and re-exported around the world, including Africa). Since 1995, these re-exports have been on the rise, peaking at 22,000 tonnes in 2000, and adding to total rice import pressures in the country. Consequently, by 2002, domestic rice growers were receiving close to half the price that they had received in 2000.[2]

For a country whose lifeline and economy depends on agriculture in terms of food security, employment, economic growth and poverty reduction, this constitutes a narrowing of livelihood options both directly and indirectly.

Kenya is also a victim of sugar dumping. According to government reports, sugar production dropped from the peak of 470,000 tonnes in 1999 to about 377,440 tonnes in 2001 against the estimated demand of 600,000 tonnes per annum. Low prices to farmers as sugar imports continued to flood the local market resulted in the drop in production. In fact, the imports more than doubled in 2000, thus suppressing the market for the locally produced sugar. Due to cheaper imports, Kenyan sugar firms are unable to compete in the domestic market. All of Kenya's major sugar firms are currently indebted to their suppliers, resulting in protracted disputes between domestic millers and farmers. Facing an imminent collapse of the local industry, the Kenya Sugar Cane Growers Association lobbied in March 2003 for a ban on the importation of sugar. The government, however, was unable to close borders due to WTO commitments. Though prevented from altogether banning imports, Kenya was granted a one-year extension by the Common Market for Southern and Eastern Africa (COMESA) on the right to levy duties on sugar to fend off massive inflows of cheap imports.

Similarly, in the case of cotton, both cotton farming and textile production have been hit. Cotton production, a key income earner for poor households, fell from 70,000 bales a year in the mid-1980s to less than 20,000 bales in the mid-1990s. Employment in textile factories fell from 120,000 people to 85,000 in just ten years[3] .

Farmers at the receiving end

Justus Lavi Mwololo is a farmer from Kenya. He farms maize, beans, bananas, sweet potatoes and potatoes. Around 1982, the situation in the country was quite favourable and small-scale farmers were able to make their ends meet quite comfortably. Yet today, with agriculture in deep trouble in Kenya, he realizes that nobody is going to do anything for farmers. Farmers like him are unable to access credit due to stringent conditions and exorbitant interest rates (@25%) of local banks. Due to liberalization and WTO regimes, on one hand the cost of inputs have shot up while the price of crops like maize has plummeted forcing farmers to sell at a loss. Germany, he says, is the biggest buyer of Kenyan coffee which buys raw nuts, processes it and sells it back to Kenya. Similar problems are being faced in the case of cotton, sugar, dairy, in fact, across every sector of the agrarian economy. Pastorates, who sold their livestock to meat factories in Kenya, cannot do it anymore as these have closed down. Due to liberalized imports of planting material, GM maize has been introduced by Pioneer in Kenya, which requires higher doses of fertilizers, chemical sprays and irrigation - large parts of Kenya are drought prone and maize crops are repeatedly failing. At the same time, traditional maize varieties are fast disappearing.

Adapted from an interview given to the In Motion Magazine (accessible at http://www.inmotionmagazine.com/global/jlm1.html)

Coffee being the most traded commodity in the world after petroleum should have translated into high returns for Kenya. Growing the premium *arabica* beans, coffee growers were expecting to sell at a premium owing to its unique aroma and taste. With falling international prices and diminishing returns, coffee prices globally fell by almost 70 per cent between 1997 and 2001, farmers can no longer afford to give their plants the care required for top-quality beans, instead choosing to plant red beans and corn between the 8-foot-high coffee bushes. Many have abandoned coffee entirely[4] .

Employing 600,000 small farmers, the dairy sector provides for about 10 per cent of the country's GDP. For a country that has been largely self-sufficient in milk production, a surge in imports of milk powder and butter from the EU was felt in 2001. Imported by private dairy and food processing companies, including Nestlé Foods Ltd, Spin Knit Ltd, and Wonder Foods Ltd, the public sector companies had to lower the prices offered to local producers.[5] Subsequent to lobbying efforts led by the Kenya Dairy Board, the government did agree to double the dairy import tariffs to protect local producers. These higher tariffs are however not being enforced, leaving producers to unfair competition from cheap and highly subsidised imports.

To raise farm incomes and also to earn foreign exchange, the Kenyan government has been promoting horticulture. This is in tune with the World Bank's prescription of diversifying the cropping pattern. In value terms, horticultural exports have almost doubled from Ksh 7,700 to 13,900 million during the period 1996 to 2000. However, it is important to understand that horticultural exports primarily comprise cut flowers and vegetables. The intensification of flower production is being done at the expense of food production and is undertaken by transnational companies or the local elite. Flower cultivation is one of the dirtiest of the farming systems that has been very conveniently translocated to Kenya, India and Colombia by the EU.

Senegal

Like in other African countries, 60 per cent of the population in Senegal depends on agriculture for its livelihood, accounting for 18 per cent of the GDP. The economic reform process initiated in mid-1980s not only eliminated some agricultural extension services but gradually ended fertilizer subsidies. The resulting higher cost of production forced poor farmers to seek private credit. Since the output prices did not keep pace with the high input cost, farm household debts began to mount. As a result, fertilizer use for groundnut cultivation, the main cash crop, dropped from 45,500 tonnes in 1997-98 to 25,000 tonnes in 2001-02 and yields plummeted.

As a pre-condition for debt relief (under the HIPC - Heavily Indebted Poor Countries Initia-

What trade liberalisation has cost Mali

Mali began to liberalise its trade in 1991. In 2000, its GDP was US$2.4 billion. As per Christian Aid, without trade liberalisation, the country's GDP would have been US$191 million higher in 2000 than it actually was - more than what Mali spent on healthcare during that year. Adding the loss over the ten years since Mali liberalised gives a total of US$1.4 billion.

In 2000, Mali's population was 10.8 million and it lost nearly US$18 dollars per person from trade liberalisation - more than half of the US$33 per person they received in aid. Since the early 1990s, Mali has lost nearly US$130 per person from trade liberalisation - or half a year's income. It is as if everyone in Mali stopped working for six months.

Source: Christian Aid (2005) The Economics of Failure: the real cost of "free" trade for poor countries. Christian Aid Briefing Paper, June 2005 tive), Senegal had to withdraw State support for groundnuts. In November 2001 groundnut collection was handed to the private sector. In the absence of State procurement, private agents bought the crops at below the official price, often paying cash for a small portion and giving 'vouchers' for the rest. Only 335,000 tonnes out of an estimated 1.2 million tonnes was collected, with the bulk of the crop rotting in storage. When farmers tried to sell in local markets, they were confronted with the same speculators. Most of those holding vouchers did not get paid.

Similarly, in crops like millets, sorghum, rice and maize, the total production fell to 835,000 tonnes in Dec 2002-03 from a record of 1.2 million tonnes in 1999-2000. Consequently, food insecurity and hunger became a major problem, forcing the government to undertake an Emergency Relief Plan. In fact, the number of undernourished increased from 23 percent in 1990/92 to 24 percent in 2000/02[6]. Quite clearly, liberalisation measures undertaken in Senegal – together with a 50 per cent devaluation of the CFA franc in 1994 – have not improved the competitiveness of the agricultural sector but have, in fact, affected the food security. Under these policies, Senegal's debt burden has escalated. In 2002, the external debt of the country stood at 70 per cent of its GDP.

While agricultural liberalization was in process, WTO regimes started adding to farmers' woes. Tomato paste imports, primarily from the EU, increased 15 fold during the 1990s, taking markets away from local tomato growers. According to the FAO, "The post-1994 liberalisation of tomato paste imports is blamed for the dramatic rise in imports and the negative impact on production".[7] In addition, the poultry sector too was negatively impacted. Coming mostly from the EU, frozen, pre-cut poultry imports boomed. In just five years, from 1998 to 2003, imports multiplied five times as a result of which local production slumped, driving out 40 per cent of the local breeders.[8]

Imported milk powder from the EU has almost crippled the domestic market. Senegalese dairy farmers simply are unable to compete with subsidized powdered milk from the EU, which never runs out and is fiercely marketed. In just three years, powdered milk imports into West Africa have grown by 25 per cent. Locally produced milk (costing 28p a litre) simply cannot compete with the heavily subsidised imports. The impact of milk dumping is not restricted to Senegal. In neighbouring Mali the story is depressingly similar.[9] (*see box: What trade liberalisation has cost Mali*)

Ghana

Agriculture is the mainstay of Ghana's economy, employing 65 per cent of the active work force. Even before the WTO came into existence, IMF/World Bank loan programmes required Ghana to dismantle agricultural subsidies for all farmers producing tomatoes, rice and poultry. At the same time, Ghana was asked to open up its market. Following this, cheap imports of poultry and tomatoes from the US and EU, and rice from the US and Asia flooded the market. Lack of subsidies eroded local farmers' competitiveness, and consumers chose the cheaper, imported products, to the detriment of small-scale producers.[10]

Rapid agricultural trade liberalisation - following the structural adjustment programmes - led to rising imports of cheap rice from Thailand and the USA. Not only undermining producers, processors and traders of local rice, these imports also changed dietary preferences encouraging consumers to buy imported rice instead of traditional foods – yam, maize and sorghum – staple crops that are widely cultivated by women farmers.[11] Despite the government wanting to raise tariffs to block these imports, the IMF managed to get the move stalled in behind-the-scenes consultations. As a result, in 2003, the US exported 111,000 tonnes of rice to Ghana. Between 2000 and 2003, it cost on average $415 to grow and mill one tonne of white rice in the US. However, that rice was exported around the world for just $274 per tonne, dumped on developing country markets at a price 34 per cent below its true cost.[12]

Dumping of rice in Ghana was also done in the form of food aid. This had for long depressed the domestic price at the cost of Ghanaian rice growers. Under sustained pressure, USAID has now stopped sending rice as food aid (it imports around 55,000 to 60,000 tonnes of wheat each year instead).[13] However, in 2002, Japan gave Ghana US$ 3 million worth of rice in the form of food aid.[14]

Similarly, in the case of tomatoes, Ghana is a choice destination of dumping for Italy. The upper districts of Ghana have for decades been growing tomatoes that were sourced by local processing units. A reduction in tariff resulted in cheap processed-tomato imports from Italy. The local market was flooded (tomato processing in Southern Europe receives Euro 372 million as subsidies each year), forcing most of the tomato processing units out of business. Resulting loss of livelihoods in the processing units and for farmers has been colossal. For instance, when the Pwalugu Tomato Cannery closed down, 60 permanent staff and 100 temporary workers lost their jobs. More importantly, thousands of farmers contracted by the cannery had no choice but to resort to distress sale.

The devastation wrought on the rural economy has forced large scale migration to urban areas. An estimated 10,000 children and young people live and work on the streets of Accra. Many of them come from Ghana's rural regions where poverty and high rates of unemployment drive them towards the big city.[15] Despite their obvious plight, trade norms demand further liberalization of the country's economy.

Global Rules and Ghana's Bananas

Hubert van den Broek, Director of operations, Volta River Estates Ltd., is a producer of bananas. After the 2001 agreement on banana between US and EU expired, he believed that he would be able to begin exporting 5,000 crates of bananas per week. However his optimism was short-lived. Due to the new treaty between US and EU, which not only maintained the previous quotas and also offered entry to non-traditional banana producers, his exports fell from 3,000 crates per week to just 600; 100 permanent employees were laid off straight away.

Source: Christian Aid (2002) Listen to Africa. May 2002 p17

In 2000, its gross domestic product (GDP) was just under US$5 billion. According to a study by Christian Aid[16], if Ghana had not liberalised, its GDP that year would have been nearly $ 850 million higher. Adding the loss every year from 1986 to 2001 gives a total loss of nearly $10 billion, or around ten per cent of Ghana's GDP in that period.

In 2000, Ghana lost $ 43 for every one of its 20 million people. In the same year, Ghana received aid worth just $ 31 per person. In 15 years of trade liberalisation Ghana's population has lost the equivalent of $ 510 per person – a huge sum, given that per capita GDP in 2000 was just $ 330. It is as if everyone in Ghana stopped working for one and a half years.

Mauritius

Despite its small land area and a population of only 1.18 million, Mauritius, strategically located between Africa, Asia, and the Indian sub-continent, is one of the few African economic success stories, with a per capita GDP of $3,600. Since gaining independence in 1968, Mauritius has transitioned from a low-income, mono-agricultural sugar-based economy to a more diversified, export-driven middle-income country, unlike most of its fellow African states. The government remains strongly focused on increasing and diversifying exports and securing foreign investment.

The country is a Single Commodity Exporter (SCE) of sugar. Its main market is the European Union, where it benefits, under the ACP-EU Sugar Protocol and the SPS Agreement, from trade preferences. In addition to being a SCE, Mauritius is also a Net Food Importing Developing Country (NFIDC). Basic commodities like wheat, rice, pulses, bovine meat, milk and edible oil are imported.

This situation stems from the overwhelming importance of sugar, which is the country's main agricultural export, representing 90 per cent of total agricultural export earnings and being produced on more than 85 per cent of the arable land and about 41 per cent of the island's total surface area. Apart from sugar, local production of agricultural goods is limited to fresh vegetables, some tropical fruits and a few other agricultural and agro-industrial items (poultry meat, eggs and pork).

There is some fear among financiers in the country that preferential trade advantages in some sectors may soon wane. As a technique to maintain its market position, Mauritius is promoting development of its higher-end value-added food industries, such as specialized sugars, pre-peeled pineapples, fruit and vegetable pickles, pastes, powders and chips.

Uganda

Liberalisation of the agricultural sector has hurt food security. Increasingly, more food crops like maize, beans and millet are being marketed and promoted for exports. This has resulted in reduced food reserves and food insecurity, particularly among poor households in the regions.[17]

Economic liberalisation has resulted in an increased inflow of foreign exchange, the terms of trade for the agricultural sector, which employs 80 per cent of the work force, have deteriorated. Even though agricultural production may have increased the liberalisation policy has led to an adverse situation of food insecurity instead.

Not long ago, a major source of foreign exchange for Uganda was coffee exports. However, due to depressed global coffee prices (reasons for the same have been discussed in the section on Kenya), a coffee farmer in Uganda received 14 US cents per kilo for his green beans, which, in turn, reaches the roaster factory at a price of $1.64 per kilo. It finally ends up at a UK supermarket shelf at $ 26.40 a kilo, which is 7000 per cent higher than the price paid to the farmer. A similar journey into a pack of roast and ground coffee sold in the US involves a price rise of nearly 4000 per cent.[18] In 1994-95, coffee exports fetched the country $ 433 million which dropped to 110 million in 2000-01.

In 2000, Uganda's GDP was nearly $ 6 billion. According to Christian Aid[19] , if the country had not liberalised, its GDP in 2000 would have been over US$735 million higher than it was – more than what Uganda spent on health and education combined that year. Adding the loss every year from 1986 to 2001, gives a total loss of almost $ 5 billion or eight per cent of Uganda's GDP over that period. In 2000, Uganda lost $ 32 for every one of its 23.3 million people, thanks to trade liberalisation. In the same year, the country received aid worth just $ 35 per person. Over the ten years since trade was liberalised, Uganda has lost $ 204 per person – compared with a per capita GDP in 2000 of $ 253. It is as if everyone in Uganda stopped working for ten months.

From Latin America

Brazil

Growing corporatisation of agriculture coupled with increased food imports has marginalized small and marginal farming communities. Being the world's fourth largest agricultural exporter, large farmers and agribusiness firms dominate the $20 billion export market: just four or fewer firms account for more than 40 per cent of exports of soy, orange juice, poultry and beef. Agriculture contributes around 26 per cent of Brazil's GDP.

Though soybean earnings for Brazil jumped from $ 393 million in 1980 to $ 2.7 billion in 2001, only 35 exporters are responsible for 95 per cent of Brazil's soy exports. Originally grown mainly on small farms in southern Brazil, soybean is now cultivated in farms of the Cerrado region (central frontier of Brazil), where farm size is larger than 1000 hectares. This has made soybean production capital and technology intensive, displacing a lot of farm workers. A thousand acre farm is said to employ only 3 workers.

The inequalities are shocking and are further widening, thanks to liberalization in farm trade. Nearly 40 per cent of farmers share a mere 1 per cent of the land, while the richest 20 per cent own 88 per cent of the land.[20] Obvious fallout of this unholy cartel is that, since 1975, more than 30 million agricultural workers, men and women, have quit the land. Only 4.8 million farming families dream of owning land. One of the most shocking consequences of this injustice is hunger: of the 31.5 million people suffering from hunger in Brazil, half of them live in the countryside.[21] Official statistics[22] however show that 4.4 million people suffer from hunger, 46 per cent of these live in rural areas.

Despite the growing earnings from expanding soybean and sugar production, landlessness has grown. The Landless Workers' Movement (MST) estimates that there are 20 million landless people in Brazil (4 million families), while 7 million more barely survive as squatters, sharecroppers and migrant workers. This has also given rise to conflicts over cattle ranchers' expansion into jungle areas and clashes between rural families and the government, police and private militia (in Pernambuco). The landless had reportedly occupied uncultivated plots intended for sugar production and were subsequently evicted.[23]

Proliferation of large farmers and agribusiness companies has been the consequence of structural adjustment. Spearheaded by the IMF, Brazil signed two structural development agreements, in 1982 and another in 1988. Both these deals have caused cuts in jobs and services. Due to privatization of financial services in the late 1980s, rural credit, producer price supports and marketing supports completely disappeared. The FAO finds that there was "simply no flow of credit for small farmers" after the implementation of the Uruguay Round.[24] With price decontrol, land prices soared and the poor could not acquire or retain land. As a result, rural poverty soared to 41 per cent in 2001 and is twice that of urban poverty. Small farmers have been the worst hit. In 1997 alone, 1.6 million jobs in agriculture were wiped out and subsequently, during 1998-2000, another 400,000 small holders left their land.[25]

Tariff reduction over the years doubled food imports during 1995-98. In fact, Brazilian imports of wheat and wheat flour increased by 43.3 per cent and dairy products by 194 per cent comparing 1995-8 levels with those of 1990-4.[26] Dumping by OECD nations has also affected the agrarian economy of Brazil - subsidized sugar imports from the EU have caused an estimated $ 494 million loss to the country.[27]

Small scale dairy farmers have also been adversely affected. Inability to meet rising technical standards required by supermarkets pushed 60,000 small-scale dairy farmers out of the local market in the second half of the 1990s.[28]

Peru

Peru is among those countries that have been flooded with imports from time to time, thereby significantly damaging the country's food sovereignty. It experienced 4 import surges of bovine meat, 9 for pig meat and 6 for milk, with no production shortfalls. Even in cases where production shortfalls occurred over this period (as happened once each in the wheat and poultry sectors), the import surges over-compensated for this, happening three and nine times, respectively[29].

Furthermore, food imports nearly doubled from 1.6 million tonnes in 1990-5 to 2.5 million tonnes in 1996-99. The annual agricultural trade deficit soared to $ 346 million with the result that 40 per cent of food consumed in the region is now imported. Most of those who were forced out of farming because of cheaper imports migrated to urban centres in search of low-paying jobs.

In 2000, one million tonnes of maize was imported — imports exceeding domestic production — with dire consequences for small scale producers, especially those in jungle areas such as San Martin, who were unable to compete. And whilst in the 1980s, milk production was mainly carried on by small scale producers living around the highland areas of Arequipa and Cajarnarca, nowadays it is mostly imported or produced on large scale farms in Lima and the coastal valleys (as explained earlier).[30]

Guyana

When the import of food and live animals doubled between 1994-8, it caused dramatic increases in the dairy and poultry sectors. Moreover, 'fruit juices from places such as France and Thailand have displaced domestic production…increased exports have led to a decline in the production of *minca* peas, local cabbage and carrots….it is thus feared without adequate protection, accompanied by development programmes, many more domestically produced commodities will be displaced'[31].

Dumping - this time in the guise of 'food aid' - also impacted Guyana's rice exports to other third world countries, most notably Jamaica. In 1997, Guyana had captured 50 per cent of the Jamaican rice market from the US, which had an unbelievable 99 per cent control. US rice imports into Jamaica equalled 24 thousand tonnes in 2000 alone. Subsequently, in a blatant violation of the AoA through somewhat unenforceable 'most favoured nation' principle, the US pressurised Jamaica into allowing their rice imports on a tariff free basis[32]. It is important here to note that Guyana's rice sector once created jobs for 150,000 people[33] who have been severely marginalised due to subsidised rice exports by the US in the Caribbean region.

Haiti

Poverty and malnutrition have shown a dramatic rise as Haiti took rapid strides in market liberalization. When the tariff on rice was drastically reduced from 35 per cent to just 3 per cent in 1994-95, imports of US subsidized rice flooded the domestic market, destroying the livelihood of 50,000 rice-producing families.

Presently, two-thirds of the rice consumed in Haiti is imported. With hardly any avenues to improve balance of payments reserves, Haiti is only ending up spending its precious

Haiti: Deepening Poverty

- 76 percent of Haitians live on less than US$2 per day, while 55 percent live on less than US$1 per day.
- In 25 years Haiti has not known a single period of lasting economic growth and has sustained a yearly decrease of –2 percent of its Gross Domestic Product (GDP). In 2002 the GDP hardly represented 61 percent of its value in 1980.
- Food supply covers only 55 percent of the population and daily food insecurity affects 40 percent of Haitian homes.
- Haiti ranks along with Afghanistan and Somalia as one three countries of the world with the worst daily caloric deficit per inhabitant and 2.4 million Haitians cannot afford the minimum 2,240 daily calories recommended by the World Health Organization.
- The effect is particularly critical on children: 42 percent of those below age 5 are malnourished and easily preventable maladies like malnutrition and diarrhea kill 28 percent and 20 percent of children age 0-5 respectively; one child under Five died each hour.

Source: Govt. of Haiti & UNDP (2004) A Common Vision of Sustainable Development.

foreign reserves on importing rice – a product that it could have easily produced, which in turn would have provided the means of survival to its farmers.

With cheaper imports coming in, Haiti farmers have been forced to abandon their meagre land holdings to work in sweatshops, further worsening the quality of life. The IMF itself has acknowledged that 50 percent of Haitian children of less than 5 years of age suffer from malnutrition, and because of the lost job opportunities, per capita income has dropped from around $ 600 in 1980 to $ 369 in 2004.

Honduras

Food security has been the casualty in Honduras. From an import of 50,000 tonnes in 1990, rice imports multiplied to 7, 252,000 tonnes a decade later. More specifically, in 2001, 90,000 tonnes of milled rice and another133,000 tonnes of un-milled rice were imported; a quantum increase from 1990s. Some blame it on Hurricane Mitch that hit Honduras in 1998, but it certainly is not the only factor and is hardly the most important for exacerbating the import trends. The impact this import surge has left behind for rural communities cannot be better illustrated - in the former rice-growing area of Guayaman, once home to 24 subsistence farming families, only 4 grow rice now.[34]

As if this is not enough, subsistence rice producers also face fierce competition from banana plantations for land and labour inputs.

Ecuador

Despite promises of benefits due to WTO regimes, agricultural liberalisation has adversely affected domestic production. With export promises failing to materialise, the negative ramifications from subsidised imports are amply visible. Between 1990 and 1998 imports increased almost 5 fold, from $1.6 to $5.1 billion and significantly, within this, imports of consumer goods increased 6 times.[35]

The negative fallout on food security and rural unemployment has been shocking. In 1980, unemployment in Ecuador was 4 per cent, but two decades later, by 1999, it climbed three times to reach 13 per cent. Rural unemployment accounted for a majority share (55 per cent) of this, and that too at a time when rural under-employment stood at a staggering 70 per cent.[36]

Indeed, the case of Ecuador is rather interesting. With 70 per cent of the population living in poverty, of which 48 per cent is undernourished[37] , the decimation of the mangrove forests to make way for shrimp farms has brought misery to quite a sizeable population. Mangrove forests provided food and livelihood to 1.2 million people and these forests have now shrunk by 70 per cent. There have been cases where shrimp companies have barred local communities from access to communal land[38] .

Bolivia

Against the annual demand for wheat of 500,000 tonnes, Bolivia imports 360,000 tonnes. With such high imports, domestic production refuses to pick up despite the availability of 16 million hectares of cultivable land. As a result of the increasing reliance on food imports, domestic production has fallen by some 20 per cent between 1980 and 2001. Food imports continue to increase in the consecutive period.[39]

Liberalisation has undermined local produce and caused the prices and returns on food products to decline. At the same time, the entire effort has been on replacing domestic production with increasingly cheaper imports, making it difficult for the native population. This had led to a series of violent clashes in the provinces of Santa Rosa and Las Mercedes between timber merchants and small holders and the indigenous Tacanian people who rely on the jungle for hunting, fishing and collecting chestnut.[40]

Venezuela

In oil-rich Venezuela, staple foods including cereals, grains and leguminous crops have undergone a drastic slump in production, falling by almost half during the period 1988-99. This is happening at a time when land area for growing fruits for export has increased from 185,000 to 200,000 hectares. Similarly, for vegetables, the area under cultivation has increased from 25,700 thousand to 40,000 hectares. This change in cropping pattern was the outcome of the crop diversification that structural adjustment preached.

Amidst the consistent instability in food supply, Venezuela now produces only 25 to 30 per cent of its total food needs, leaving the country vulnerable to 'severe and sudden changes' in very short periods of time. The resulting food insecurity becomes still more precarious due to the volatility of the currency markets.[41]

Crop diversification and increasing reliance on food imports has changed dietary habits. Arepa tortillas, made from corn, are being replaced with pasta as wheat flour is cheaply available. Since 1997, consumption of corn flour has decreased by 115 per cent. Wheat flour has instead made up for the shortfall. Unfortunately, this is only one manifestation of a widespread trend - replacement of the traditional, not to mention locally produced, staples of meat, especially chicken, fish and flour with imported pasta, margarine and eggs.

Argentina

Like Brazil, Argentina too has witnessed a growing corporate take-over of its

Argentina: More Exports, More Hunger

Perceived by the neo-classic pundits as the glorious model of economic growth, an unprecedented humanitarian crisis confronts Argentina. The Guardian explains the dichotomy of economic growth in Argentina, quoting the Centre for Child Nutrition Studies, which advises the World Health Organisation, as saying that 20 per cent of children in the Latin American country are suffering from malnutrition. Dr Oscar Hillal, the deputy director of the children's hospital in Tucuman, said: "This is not Africa, this is Argentina, where there are 50 million cattle and 39 million people - but where we have a government which is totally out of touch with the people's needs."

Some of the children pictured in northeastern Tucuman province had bloated stomachs, blotchy skin and dry hair associated with severe protein deficiency. The national charity Red Solidaria said that 60 children a month were being taken to hospital with severe malnutrition, and 400 were being treated as outpatients. Five non-government organisations from Tucuman province had filed a legal suit against Tucuman's governor for "wilful neglect" of the children who have died of malnutrition in his province, where 64% of people live in extreme poverty. They accused him of diverting national funding for social programmes into "clientelism and corruption".

Source: The Guardian, London, Nov 25, 2002 agriculture. Recent years have witnessed an explosive shift of the farmland to soybeans, the cultivated area rising from 9,500 hectares in the early 1970s to 5.9 million hectares in 1996. At least 95 per cent of all this soy is genetically-engineered and belongs to the Roundup Ready variety, a product of the US-based biotechnology giant Monsanto[42] .

The switch to soybean has been in response to a number of economic pressures. First, local producers are unable to compete against massive and cheap agricultural imports resulting from liberalised trade policies. With the government actively promoting soy cultivation, providing fiscal incentives and subsidies, farmers find it favourable to switch over. To further tip the balance, Monsanto provides producers with expert advisers, seeding machinery for mass soy production, and herbicide - all on credit.[43]

All these combined efforts displaced other farming systems and pushed them towards extinction as the country's farmland converts to soy monoculture. Fields of lentils, yams, cotton, wheat, corn, rice, sorghum, leafy greens, vegetables, fruit, dairy farms and even the country's world-famous cattle ranches are fast disappearing.

Soy expansion has come at the expense not only of other food crops but has also stretched into the forests. Land owners and agribusinesses are deforesting broad swaths of the once afforested tracts at the foot of the Andes Mountains. In the province of Entre Rios, north of Buenos Aires and bordering Uruguay, over one million hectares were deforested between 1994 and 2003 to make way for soy. Such a heavy deforestation has caused disastrous and unprecedented floods, especially in the province of Santa Fe, leaving behind a devastating socio-economic trail.

Soy monocultures have destroyed farm livelihoods. While a hectare of apricots or a lemon grove of the same size requires 70 to 80 farm workers, soy farms employ just two people at the most. Coupled with severe environmental consequences of intensive cultivation practices, the rural exodus in recent years has increased at an alarming rate: 300,000 farmers abandoned the countryside and almost 500 towns have been left deserted. As a consequence, crime and violence are increasing with each passing day.[44]

Argentina has also witnessed clashes between subsistence farmers and the food exporters. In 2004, a local subsidiary of the American MNC, the Seaboard Corporation, contested the rights of the Guarani indigenous community in Iguopeingenda El Algorrobal, culminating in a police raid on the villagers resulting in violence and illegal detentions. The same company is also challenging indigenous communities in the Salta province, threatening their small-scale production of cassava, peanuts, bananas, corn and citrus fruits; and the Guarani are also involved in land disputes in the Mato Grosso do Sol region. Despite being entitled to 100,000 hectares of land in this area, they have only been able to inhabit 20 per cent, as the rest has been used for cattle ranching and soy bean production.[45]

From Asia

India

The liberalization of the Indian economy initiated during the early 1990s was launched 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 large, real devaluation of the currency and increase in output prices of agriculture. The *Economic Survey* was in an upbeat mood and predicted a substantial gain to India, running into billions of dollars from increased agricultural exports.[46] Such an exponentional growth was expected to have a significant impact on poverty reduction and thereby have a positive impact on 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. Considering that agriculture is a major sector for India, accounting for 38 per cent of the Gross Domestic Product (GDP) in 1980, declining but still remaining at a significant 27 per cent, and accounting for 62 per cent of employment even in 1998, any significant growth in agriculture is not only viewed as a means towards food security, but as a strategy to achieve the broader goal of poverty eradication. After all, for a country which alone has over 600 million farmers, sustainable agriculture is the only means to provide viable livelihoods.

Nearly 15 years after ushering in economic liberalization, instead of experiencing an unprecedented boom in growth, the agricultural sector is faced with a serious crisis. This is reflected in a significant deceleration of the growth rate of agriculture, both in terms of gross product and in terms of output. Taking the output of the crop sector alone, as compared with a growth rate of 3.5 per cent during the 1980s, the growth rate of agricultural output decelerated to only 2.37 per cent per annum during the 1990s. This was the lowest growth achieved during any period.[47] It has now slumped still further, reaching an abysmal low of 1.5 per cent in 2004-05.

The philosophy of agricultural planning is changing.[48] Gone are the days when the nation's emphasis was solely on attaining self-sufficiency in foodgrain production. Gone are the days when a set of policy mix helped keep hunger and sure starvation at bay. At the beginning of the new millennium, at a time when food production struggles to barely keep pace with the burgeoning population growth, farmers are being asked to diversify, produce crops that are suitable for export and to 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 the small and marginal farmers to the agri-processing companies.

Cultivation of staple food is being replaced by cash crops, tomatoes in place of wheat, durum wheat (for bakery purposes) replaces wheat as a staple diet in Punjab and Haryana, flowers in place of rice, and so on. In the coastal areas, private enterprise is taking away the fish catch, depriving the local communities of a livelihood and the only nutrition source. In Kerala, for instance, vast tracts of forests and paddy fields have been converted into rubber, coffee and coconut plantations. Commercial crops are eating into the fertile land tracts meant for growing essential foodgrains. The diversion of good agricultural land, which in any case is limited, to commercial farming and even industries, is further exacerbating the crisis in sustainability.

The WTO's Agreement on Agriculture and other trade liberalization measures have not only shifted the focus to export-oriented cash crop agriculture but also opened the door to cheap imports in the developing countries, and India is no exception. Cheap food imports depress prices for domestic produce, and large scale cash crop cultivation has not only shifted land away from basic food production but has led to concentration of land and resources in the hands of big farmers, landlords and private companies. It also accelerates the depletion of the natural resource base.

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 farm as well as domestic work and the responsibility of looking after the family) on women. In other words, economic liberalization is not only impacting food security at the household level but also impacting the sustainability of livelihoods. Unlike the conventional growth and 'trickle-down' assessment approach, where human lives are portrayed as mere economic figures, the sustainable livelihoods approach emphasizes assessing the community's assets and strengths.

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

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.

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. India's tariffs on edible oils were cut from 65 per cent to 30 per cent, then to 15 per cent in 1998, while non-tariff restrictions were also lifted. Compared to the import of 1.02 million tonnes 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 oilseeds 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.

to it the stupendous growth in literacy and the overall growth in human development and 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, 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.

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.[49] For an agrarian economy, importing food is like importing unemployment.

Coconut prices have crashed from 25 cents to 5 cents per unit, rubber prices have plummeted and coffee prices have declined from $ 1.5 in 1999 to $ 0.75 per kg in 2001. Even spices have not been spared, with pepper prices falling steeply, from $ 5 to $ 2.5 per kg in the consecutive period. The travails of the plantation sector in Kerala alone in the era of globalization (the destruction is mainly due to regional trade agreements/ WTO) 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.[50]

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 has been felt all over the country, though not in the same magnitude. Not only tea, but coffee plantations too have laid off over 25 per cent of the workers in the southern provinces of Karnataka and Tamil Nadu. The oilseed sector too has been badly hit due to imports - 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)*.

In 1999-2000, India imported over 130,000 tonnes of the 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.[51] 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.

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.[52] 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 of non-tariff barriers, the imports of vegetables continue to flood the market.

Between 1996-97 and 2003-04, agriculture imports into India have increased by a whopping 375 percent by volume and 300 percent in value term. It is important to note that the value of imports as proportion to the agricultural GDP has also increased from less than 3 percent to 4.34 percent during the same period.

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 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 to buy the produce. This forced the government agencies to step in belatedly.

Sugar imports touched 1.5 million tonnes in 2004-05. As against a bound tariff of 150 per cent, basic custom duty on sugar is 60 per cent.

Internationally, food is being traded by powerful multinational companies. By passing on the reins of the nation's food security to these companies and the trading blocks through a policing system under the WTO, India is witnessing a gradual collapse of food self-sufficiency and the scrapping of the public distribution system, the very foundations of food security.

Sri Lanka

Prior to 1977, Sri Lanka had achieved near self-sufficiency in rice. It was in 1995 that the rice trade was liberalized, abolishing the licensing system and replacing it with a tariff rate of 35 per cent. Later that year, the tariff was reduced to 20 per cent.

According to the FAO, food imports into Sri Lanka have increased significantly thereafter. The surge in imports was also followed, as expected, by a decline in domestic production in a number of food products, resulting in a clear drop in rural employment. As per estimates, 300,000 jobs were lost following the drop in the production of onions and potatoes alone.[53]

Rice procurement by Sri Lankan State Trading Corporation in 1996 had fallen to as low as 1.3 per cent of the total production for the period 1993-95. In the absence of government intervention, cheap imports caused a slump in domestic prices. Moreover the market structure was so designed that a few traders and millers of paddy were able to reduce the bargaining powers of the farmers.

The consistently increasing rice imports have played havoc with the agrarian economy. Sri Lanka has lately emerged as a hot spot for farmers' suicides. One estimate points to nearly 55,000 farmers having committed suicide during the liberalized era, which is higher than the total number of human lives lost in the ethnic civil war in the same period.[54] Ethnic strife in the North and the youth uprising elsewhere in recent years has, some experts believe, its roots in the liberalized policies insensitive to poverty and unemployment situations. No wonder, extreme poverty has actually been on an upswing, rising from 4 per cent of the population living on less than $1 per day in 1990 to 6.6 per cent in 2000, an increase of over 50 per cent.

Sri Lanka also provides an interesting example of the US bullying on genetically modified food imports. To avert suspected health risks, Sri Lanka banned the import of GM foods, from May 1, 2001. New legislation was introduced by the Health Ministry, banning all imports of raw and processed food in 21 categories, if they have been genetically modified.

The list also included soybeans and all other products that contain its derivatives, including soy milk, soy sauce and soy flour. To comply with the legislation, importers were asked to obtain official proof from the exporting country's health authorities or accredited laboratories, confirming their products are non-GM.

In response, the US reportedly threatened Sri Lanka, saying that the ban would trigger an inquiry by the WTO. Weyland Beeghly, the agricultural counselor of the US Embassy in India, told a news conference in Colombo: "We know of no credible scientific evidence justifying Sri Lanka's ban. We believe it is totally unwarranted," adding "there is a view in some circles that this is very risky technology and that the US is testing it on the poor populations of developing countries. This is both false and offensive."

Beeghly said the WTO had already called on Sri Lanka to provide scientific evidence to support its decision, and added that he saw little evidence the other countries in the region would follow suit. Sri Lanka subsequently lifted the ban.

The Philippines

It is not a widely recognized fact, but the Philippines were a net food exporter between 1970s and 1990s. Following economic liberalization, it took a u-turn to become a food importer by 2000.[55]

Proponents of trade liberalization had projected that free trade will create 500,000 new jobs in agriculture annually, increase agricultural export earnings by 3.4 billion pesos annually, and increase gross value added of agriculture by 60 billion pesos. However, after ten years of deeper trade liberalization, there has been no study that affirms or even approximates these promised gains.

Among the first casualties was the corn sector. Corn production suffered negative growth during 1994-2000, partly because of cheaper imports. A large number of corn farmers were forced to quit agriculture, and subsequently farms devoted to staple foods have been converted into agribusiness plantations, industrial zones and real estate sites, displacing a large number of people. By 1998, the agricultural sector had lost an estimated 710,000 jobs and by 2000 another 2 million.[56]

Cheap imports of rice followed. In 1998, about two million tones of rice imports brought the domestic prices crashing. Statistics from the Philippine Bureau of Agricultural Statistics show that agricultural imports rose from $1.3 billion in 1993 to $ 2.1 billion in 2001, almost doubling in seven years. Farm exports on the other hand dwindled from $1.9 billion to $1.2 billion in the same period. In the ensuing battle of the markets, it was the small farmers who lost out. Resulting displacement of small farmers is reflected in the declining rural employment – dropping from 11.14 million in 1993 to 10.8 million in 2001.[57]

Rice and corn are the two important staples. Suffering steep declines by 1998, rice prices came down by almost 24 per cent in 1996-98 and corn by 20 per cent during 1993-98. Such was the rise in imports that rice imports had jumped from 160 metric tonnes to reach a staggering 2,170,830 million tones in just four years. Despite the 100 per cent out-of-quota tariff that the Philippines imposed, imported rice was still available at one-half the price of locally produced rice.

Similarly, corn imports grew by 500 per cent during 1994-98. The total imports of corn and feed substitutes like wheat were estimated to be equivalent to about 25 per cent of local production from 1994 to 1998. Wheat and corn imports, mostly from the US, comprised 80 and 60 percent of the import basket. While imports had risen, exports had gone down. In 1998, an estimated four million jobs were lost in industry, agriculture and service sectors. In agriculture, 710,000 jobs were lost in 1998 alone.[58]

Traditional exports like coconuts, abaca and sugar have in the process lost markets. The same devastating pattern was also witnessed in the meat and poultry sectors. Massive imports of chicken parts, especially from the US, nearly killed the domestic industry. Washington had pressurized the Philippine government to allow liberal imports of chicken parts, resulting in a stupendous rise of 101 per cent in 1998, reaching an all-time high of 2,021 per cent increase a year later, in 1999.

Chicken parts were imported at a price which was 50 per cent lower than the domestic farm gate price for local chicken. Imports of cheap beef and "carabeef" also grew five times between 1993 and 1998. Cheap imports as well as other factors stemming from the Asian financial crisis led to the shutting down of two of the country's big poultry integrators, some 30 commercial farms, each producing 100,000 head of cattle, and five cooperatives in 1997. Hog producers were also faced with a 50 per cent slump in prices from cheap imports in 2002. At the same time, the US stridently kept out tuna and banana exports from the Philippines using high tariffs. Export earnings from canned tuna fell precipitously from $130 million in 1998 to $ 64 million in 2001. Possible losses suffered by the tuna industry from the discriminatory treatment in the US market alone were estimated at $ 50 million a year by the Department of Trade and Industry.[59]

Vietnam

Vietnam has turned into a success story for the WTO.

Emerging from the shadows of the long war, Vietnam had followed a centrally planned economic development model, where the government's intervention was total when it came to promoting agriculture. Later, taking advantage of the rapid changes in the global economy, Vietnam began the transition towards a market-oriented farm economy, which was based on more intensive farming systems. When it came to trade liberalization, a number of policy measures were undertaken since the early 1990s. This includes the removal of the government monopoly on rice export as well as freeing internal trade, fertilizer import restrictions and so on.

Paddy cultivation is the major source of livelihood for more than two thirds of households. The reforms have generated great results for Vietnam, which is banking more on producing low quality rice. The impetus accorded on rice production linked to exports resulted in a growth of almost five percent per annum. As a result the cropping intensity almost doubled during the 1990s. Such a rapid growth transformed the country from a net importer to become a major exporter.

Vietnam is also the second largest low-cost coffee producer in the world. However, the crash in coffee prices left an adverse impact on the rural economy. A study in the Dak Lak province showed that the price farmers received at the beginning of 2002 only covered as little as 60 percent of their production costs. The World Food Programme reported in March 2002 that, in the Dak Lak province, farmers solely dependent on coffee are now categorized as "pre-starvation".[60]

Indonesia

From 1984 to 1988, Indonesia not only enjoyed self sufficiency but also had an exportable surplus in rice. Thanks to government support, rice yield had grown by an impressive 3.5 percent during the period. Following the 1997 Asian financial crisis, the IMF imposed sweeping trade liberalization conditions as part of its $ 49 billion loan to Indonesia. These included lowering of tariffs as well as the deregulation of BULOG, the state food purchasing and distribution agency.

Before the deregulation, BULOG had sole control over imports of the major food commodities coming into Indonesia, and hence was able to regulate food supplies and domestic prices. It has since been dismantled. BULOG no longer controls the quantities being imported and private traders have full freedom in this regard. This is exactly what the IMF had wanted. BULOG's role in ensuring distribution of rice and other staples between regions (to meet the deficit) was also clipped.

In the late 1990s, the government also withdrew support for agricultural inputs: fertilizer, seed, pesticides and fungicide. Fertilizer subsidies have decreased from 4.4 percent to 0.7 percent. Public investment in agriculture has dropped from 18.1 percent in 1985 to 10.4 percent in 1996. Meanwhile, the merger credit provided to agriculture was also reduced. Consequently, the production cost for rice increased by almost 50 percent.

In 1999, the rice crop was hit severely by pests. With input prices running high, the pest control programme suffered, as a result of which production also fell. Meanwhile the applied tariff for staple crops was lowered to 5 per cent or less. Tariff on soy and rice was set at zero and for corn it was 5 per cent. It was only after the resulting socio-political crisis that the tariff for rice was raised to 30 per cent.

Indonesia turned into a net importer of rice.[61] From an enviable position of being the 9th biggest exporter of rice before 1995, it has now become one of the major importers. Imports have flooded the country. Overnight, rice imports tripled and have now stabilized at about 3.5 million tonnes per year (or close to 6 per cent of domestic consumption).

Indonesia requires about 30 million tonnes of rice every year. Surprisingly, the neglect and apathy towards domestic agriculture has cost Indonesia dearly. It has now emerged as one of the major recipients of global food aid. The downswing has cost an estimated annual loss of around $ 2 billion to Indonesia's economy. For a country that could easily be food self-sufficient and provide sustainable livelihood opportunities to its millions of farmers and work force, the trade liberalization formula has wreaked havoc.

Thailand

Thailand's experience is appalling in a slightly different context. The land of the white Elephant has over the years emerged as the leading rice exporter. It has consolidated its position in the WTO era, but its peasantry suffered heavily from the woes of liberalization and globalization. Since 2001, Thailand has exported more than 7 million tonnes of rice annually, which accounts for 30 percent of the total rice export in the world.

Wedded to the policy of liberalization, the Thai government withdrew support to farmers. Consequently, like in Indonesia, the cost of production, increased. While the cost of producing a kilogram of rice has increased to a high of 3.30 Baht, what the farmers got was much less. This again led to a low return and increased rural indebtedness. Presently, roughly 73 percent of Thai farmers have a debt ranging from 5000 to 250,000 Baht, and over 0.8 million farm families are not in a position to continue with agriculture. The rate at which farmers are abandoning agriculture every year hovers around 4 percent. Real farm income in 2000 had not increased from that in 1977.

The rice trade is in the hands of rich merchants, middlemen and multinationals who garner major chunks of the export earnings. They also maintain a tight control over the pricing and distribution of key inputs: seed, fertilizer and pesticides.

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Annex II: Rebalancing the Agreement on Agriculture in Favour of the Poor

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Rebalancing the Agreement on Agriculture in Favour of the Poor

Position Paper by the Aprodev Working group on Food Security, Trade and Gender

Preamble – Now Is The Time

More than 70% of the world's poor live of the land. The moral and developmental merit of the WTO Agreement on Agriculture (AoA) rests upon its capacity to promote opportunities for and uphold the rights of these poor small farmers and farm workers – a majority of which is women – by contributing to their food and livelihood security.

After 10 years of the AoA it is not too soon to say that little if anything has been achieved in terms of attaining fairer terms of trade and more decent employment opportunities for all the poor that live of the land. AoA has effectively consolidated the perverse recycling of wealth to the benefit of the few: In 2004, OECD countries spent some USD 230 billion on agricultural supports, representing almost as much wealth as that held by the world's 1 billion poorest people combined, and 4-5 times that of total OECD aid. This exclusive recycling has very adverse consequences on the trading opportunities of poor farmers in the South, as it depresses world food prices, and crowd small farmers out of domestic, regional and rich countries' markets.

Such is the unholy political economy of “you liberalise – we subsidise”: While Southern governments are forced to liberalise their domestic trade under pressure from bilateral agreements and donor conditionality, the AoA effectively locks in such liberalisation and legalises the continued subsidisation of northern agribusiness.

As ministers meet in Hong Kong to negotiate a new AoA, it is already clear that many of the hopes held by worlds’ poor farmers at the outset of the “Doha Development Round” is to be betrayed. In order to rebalance the Agreement of Agriculture, APRODEV calls for the following changes:

- *Now is the time to end tax-financed dumping*: All direct export supports and cross-subsidised exports are to be terminated no later than 2010. GATT Article 16/3 should be eliminated.
- *Now is the time to end dumping disguised as aid*: Food aid may only be given in grant form, only under exceptional conditions in-kind.
- *Now is the time to countervail subsidised exports*: The Blue Box must be explicitly defined as transitory and upwardly capped; blue box subsidies paid toward exported products must be notified on a per-product basis, and are liable to countervailing measures in the form of tariffs representing the same “ad valorem amount” as the supports paid.
- *Now is the time to allow protection of vulnerable producers*: Developing Country members are given access to Special Products and a Special Safeguard Mechanism, in accordance with the proposal tabled by G33.
- *Now is the time for fairer market access*: Tariff reductions are made according to a tiered formula in which rich countries take bigger commitments than poor, in particular to reduce tariff escalation.

A. Export competition

1.) **Export subsidies** and subsidised exports should be eliminated no later than 2010.

2.) The same pace of reduction should be applied for **cross-subsidised exports** (i.e. indirect export subsidies, such as those that have been found to be cross-subsidised in recent dispute panels).

3.) There shall be a **standstill** on future export subsidies at, or below, current spending levels.

4.) **The present Blue Box**: The amount of subsidies given to exported products under the Blue Box should be notified on a “product specific base”. Importing countries should be able to levy a tariff of the same “ad valorem amount” as **countervailing measure** on any “product-specific” Blue Box support (and AMS)**.**

5.) **The new Blue Box**: Products benefiting from the new Blue Box support should not be exported.

6.) **Exports should be forbidden** for all products that have an import duty of more than 30 % or are categorised as “sensitive”.

7.) **GATT Article 16/3**, which allows countries to provide export subsidies on primary products as long as they do not result in “more than an equitable share of world export trade”, should be eliminated, since it exempts agricultural products from restrictions on dumping and anti-dumping measures.

8.) **Exporters of processed food** should not receive cost compensations for higher prices of raw agricultural material.

9.) **Food Aid** should only be given as grant. Food transfers given on preferential basis need to be notified, including the margin of preference (in relation to commercial transactions). The subsidised margin needs to come under reduction commitments, unless the food transfer is based under a multilateral food security programme or unless the food aid enters a national Public Stockholding Programme of receiving Developing Countries for the sole purpose of Food

1.) Security and/or Domestic Food Aid.

2.) **Export credits**: the preferential margin needs to come under reduction commitments.

B. Domestic support

1.) The **Amber box** need to be reduced by a tiered formula with higher reduction rates for higher AMS. There should also be a product specific cap.

2.) The old and the new **Blue Box** must be defined as transitory. A specific date of elimination should be decided. Moreover, they should be capped percentage-wise of the total agricultural production value of the country.

3.) The **old Blue box**: product specific caps should be introduced, and production limitation needs to be monitored for its effectiveness.

4.) The **new Blue box** should only include support for products that are not exported (see above, point 5).

5.) **The Green Box**: New non-trade concerns of a selective scale should be introduced for the South (especially related to Public Stockholding for Food Security, Domestic Food Aid and strengthening Art. 6.2), and for the North and South together (support for local marketing of farmers, animal welfare, traditional races/species, biodiversity, income diversification, rural development, traditional landscape, auditing of quality and environmental standards, traceability programmes). In return the disciplines need to be strengthened, and monitoring and surveillance should be improved.

6.) **De minimis** support has to be eliminated for developed countries, but maintained for developing countries. Developing countries should be eligible for de minimis of up to 5% of agriculture GNP (up to 20% product specific).

C. Market Access

1.) **Definition of Special products**: The criteria “food security, livelihood security and rural development needs” as agreed in the July framework all focus on the social objective of poverty reduction in rural areas. The existing category “low-income or resource-poor producers” in Article 6.2 in the Agreement on Agriculture expresses the same concern, and should be made operational in order to define Special products in the following way: Every country should notify which kind of farmers in their country fall under this category. The notification may be challenged by the other members – but such challenge must happen within one month of its notification, and the burden of proof falls on the complainant. After each country’s specific target group is accepted, all products that are produced to a degree of X % by these "low-income/resource-poor" farmers qualify as "special products". The exact percentage should be negotiated, but should in any case be more than 50%.

2.) **Special products** are exempted from all tariff reduction commitments (and AMS-reduction), and they qualify for SSM.

3.) **Sensitive products** need to be defined by (empirically verified) “non-trade concerns”, such as environmental benefits, marginal areas, landscape and nature protection, importance for low-income farmers, or maintaining a traditional agricultural structure. They qualify for less tariff reduction and a SSM, under the condition of 8 % minimum market access for developed countries, and none for developing countries. Sensitive products may not be exported. Tariff Rate Quotas used to fulfil the minimum market access condition should be used as much as possible to defend long-standing trade preferences for developing countries. Only 9 % of the total agricultural *production value* may fall under sensitive products in developed, and 12 % in developing countries.

4.) A **Special Safeguard Mechanism for Developing Countries (SSM)** should be introduced, which applies for all special and sensitive products. In comparison to the existing SSG, it shall have lower barriers of implementation (lower trigger mechanism, easier and faster to assess and initiate, higher special tariff, longer time frame, new definition of import surge). The safeguard has its rational by itself and its introduction should not be dependent upon the level of ambition in the field of the formula for tariff reduction.

5.) We support a Harbinson-like **tiered Formula**, but do not advocate the specific numbers of Harbinson. The G20 proposal presented at Dalian constituted a major step forward, and consensus should be built along that line.

6.) **LDCs** must be left out from all reduction obligations. They shall be granted duty-free access for all products to the markets of developed countries.

7.) **Preference Erosion:** If the reform process in the North resulting from the new Agreement have substantial impact on long standing trade preferences of developing countries, the liberalisation process needs to be accompanied by financial commitments to an international fund, helping the affected developing countries in their diversification and adjustment process.

8.) **Tariff Escalation:** On markets, where the tariff for processed agricultural imports increases by over 30 % points from the mean tariff of the main agricultural raw material of that product, a special Swiss formula has to be applied.

Brussels, Nov. 17, 2005

Abbreviations

ACP	African, Caribbean and Pacific
AGOA	Africa Growth Opportunity Act
AMS	Aggregate Measure of Support
AoA	Agreement on Agriculture
ASEAN	Association of Southeast Asian Nations
CAP	Common Agricultural Policy (European Union)
COMESA	Common Market for Eastern and Southern Africa
EU	European Union
FAO	Food and Agriculture Organization of the United Nations
GATS	General Agreement on Trade in Services
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
GSP	Generalized System of Preferences
HIPC	International Food Policy Research Institute
IMF	International Monetary Fund
LAC	Latin American Countries
LDC	Least Developed Countries
Mercosur	Mercado Comun del Sur (Common Market of the South)
NAFTA	North American Free Trade Agreement
NFIDC	Net Food Importing Developing Country
OECD	Organisation for Economic Co-operation and Development
SAP	Structural Adjustment Programme
SCE	Single Commodity Exporter
SPS	Sanitary and Phytosanitary Standards
TBT	Technical Barriers to Trade
TRIMs	Trade-Related Investment Measures
TRIPS	Trade-Related Aspects of Intellectual Property Rights
UEMOA	Union Economique et Monétaire Ouest-Africaine (French speaking West African countries -- Benin, Burkina Faso, Cote d'Ivoire, Guinea Bissau, Mali, Niger, Senegal and Togo)
UN	United Nations
WIPO	World Intellectual Property Rights Organization
WTO	World Trade Organization

Glossary

African, Caribbean and Pacific (ACP) countries: Group of African, Caribbean and Pacific countries whose partnership with the EU has been defined in a series of agreements, from the Lomé Convention to the Cotonou Agreement.

Aggregate Measure of Support: An index that measures the monetary value of government support to a sector. The Agreement on Agriculture's Aggregate Measure of Support includes direct payments to producers, input subsidies, programs that distort market prices to consumers and interest subsidies on commodity loan programs.

Agreement on Agriculture. WTO agreement committing member governments to improve market access and reduce trade-distorting domestic support payments and export subsidies in agriculture.

Amber Box: All domestic support measures considered to distort production and trade fall into the amber box. These subsidies are subject to reduction under the Agreement on Agriculture.

Blue Box: Comprises measures regarded as exceptions to the general rule that all subsidies linked to production must be reduced or kept within defined minimal levels.

Comparative Advantage: The ability of one country compared with another to produce a good at lower cost relative to other goods. Under conditions of perfect competition and undistorted markets, countries tend to export goods in which they have comparative advantage.

Cotonou Agreement: Agreement between EU and African, Caribbean and Pacific countries signed in June 2000 in Cotonou, Benin. (Replaces the Lomé Convention).

de minimis: The level of domestic support below which subsidies are exempt from reduction commitments, quantified in monetary terms on a product-specific basis and, for sector-wide measures, a non-product-specific basis.

Dumping: Occurs when goods are exported at a price less than their normal value, generally meaning they are exported for less than they are sold in the domestic market or third-country markets, or at less than production cost.

Everything but Arms: The name given by the EU to the package it offered to the least developed countries in 2001, which is expected to eliminate quotas and tariffs on all of their exports—except arms.

Geographic Indication: Measure aimed to protect the reputation of goods originating in particular geographic locations by limiting the use of distinctive place names and regional appellations to goods actually produced in those locations.

Green Box: Contains income support and subsidies that are expected to cause little or no trade distortion.

Gross Domestic Product: Total value of new goods and services produced in a given year within the borders of a country, regardless of by whom.

Mercosur: Common market among Argentina, Brazil, Paraguay and Uruguay, known as the Common Market of the South (Mercado Comun del Sur), created by the Treaty of Asunción on 26 March 1991. Chile and Bolivia were added as associate members in 1996 and 1997.

Non-tariff Barriers (NTBs): Barriers to international trade other than tariffs.

Organisation for Economic Co-operation and Development (OECD): Group of industrial countries that 'provides governments a setting in which to discuss, develop and perfect economic and social policy'.

Precautionary Principle: The view that when science has not yet determined whether a new product or process is safe or unsafe, policy should prohibit or restrict its use until it is known to be safe.

Production Subsidy: A payment by government to producers encouraging and assisting their activities and allowing them to produce at lower cost or to sell at a price lower than the market price.

Quantitative restriction: Measure restricting the quantity of a good imported or exported.

Sanitary and Phytosanitary Measures: Border control measures necessary to protect human, animal or plant life or health.

Special and Differential Treatment: The principle in the WTO that developing countries be accorded special privileges, either exempting them from some WTO rules or granting them preferential treatment in the application of WTO rules.

Tariff Binding: Commitment not to increase a rate of duty beyond an agreed level. Once a rate of duty is bound, it may not be raised without compensating the affected parties.

Tariff Escalation: An increase in tariffs as a good becomes more processed, with lower tariffs on raw materials and less processed goods than on more processed versions of the same or derivative goods. For example, low duties on fresh tomatoes, higher duties on canned tomatoes and higher yet on tomato ketchup.

Tariff Peak: A single, particularly high tariff, often defined as more than three times the average nominal tariff.

Technical Barrier to Trade: Trade-restrictive effect arising from the application of technical regulations or standards such as testing requirements, labelling requirements, packaging requirements, marketing standards, certification requirements, origin marking requirements, health and safety regulations and sanitary and phytosanitary regulations.

Trade Liberalization: Reduction of tariffs and removal or relaxation of non-tariff barriers.

Uruguay Round: The last round under the GATT, which began in Uruguay in 1986 and was completed in 1994 after nearly eight years of negotiations. Included agreements in trade-related intellectual property rights and services for the first time, in addition to agreements in traditional trade areas such as agriculture and textiles and clothing. Its conclusion led to the creation of the World Trade Organization.