

CHAPTER VIII

This Chapter emphasises the need to ensure that India has a cogent stand on AoA within the WTO as well as to align the domestic policy to such a stand. It brings out the in graphic details the perils of global trade in agriculture and legitimisation of the subsidy regime through the WTO by the developed countries. It argues that slowly Indian agriculture is becoming unsustainable and un-remunerative and calls for immediate policy changes these issues. This Chapter also draws attention to the callous attitude of the polity in addressing the issue of farmer suicides as well as points out their supine indifference to even accept that Agriculture in India is under severe stress caused by multiple policy failures.

A GLOBAL SUBSIDY REGIME THAT RENDERS AGRICULTURE IN INDIA UNREMUNARATIVE AND UNCOMPETITIVE¹

One of the key problems since the implementation of the Agreement on Agriculture in 1995 is that domestic support, measured in terms of the Aggregate Measure of Support (AMS) was to be reduced by 24 per cent by developed countries. However as explained earlier, despite these reductions, overall level of supports on the whole have increased, rather than decreased. This is evident from the subsidies declared by various countries. The data given below illustrates the subsidies provided by the world's largest agricultural exporters, the US and the EU. Calculation of total domestic supports includes green box, blue box, AMS and de-minimis supports reveal similar increases in support levels since implementation of the AoA. Let us first examine the matters in the right perspective.

Green Box, Blue Box, AMS and PSE Support Levels of EC and US

<i>European Community</i> (Million ECU)	Base Period (1986-88)	1995	1996	1997	1998
Green Box	9,233.4	18,779.2	22,130.3		
Blue Box	-	20,843.5	21,520.8		
AMS product specific supports Including de minimis	73,644.9	49,823.4	50,751.5		

¹ Source: Significant portions of this chapter are extracted from document No G/AG/NG/W/14 of the WTO

Non-product specific supports	-	776.7	728.4		
Total (green box, blue box, de minimis and AMS)	82,878.3	90,222.8	95,131		
PSE (Million ECU)	90,392	83,442	74,970	96,729	116,075
PSE (million USD)	99,619	94,605	85,000	109,670	129,808
<i>United States (million USD)</i>					
Green Box	24,098	46,041	51,825	51,249	
Blue Box	--	7,030	--	--	
AMS product specific supports Including de minimis	24,659	6,310.877	5,867.84	6,474.668	
Non-product specific AMS supports	901	1,386	1,115	568	
Total (green box, blue box, de minimis and AMS)	49,658	60,767.877	58,807.84	58,291.668	
PSE (Million USD)	41,428	15,205	23,500	30,616	46,960

Sources: OECD in Figures, 1999; WTO, 'Domestic Support', AIE/S2/Rev.2, 23 September 1999; OECD in Figures, 1996.

Clearly the categories of boxes and the way in which domestic support reductions are calculated based only on the AMS allows for members to meet their 24 per cent AMS reduction commitment, while still increasing overall support levels. For many developed countries, especially the EU and the US, supports in the Green Box, which have more than doubled, show that a large number of countries have channelled their

domestic support programmes away from the disciplined AMS and into the undisciplined Green and Blue Boxes, hence avoiding the need to make real domestic support reductions.

While the AoA assumes that the domestic support, decoupled from production, will have no or minimal impact on production levels, studies have shown that it is virtually impossible to break the links between income support and marginal costs and returns, particularly when the support runs into billions of dollars. Huge amounts of decoupled payments will inevitably increase farm input use and allow access to improved technology, hence increasing farm investment and production. Furthermore, decoupled payments are often provided in such a way as to increase land values. This maintains land in farming which might otherwise have been diverted for other purposes. Production is therefore indirectly increased.

The OECD, in 'OECD Agricultural Outlook 2000-05', points out that despite being decoupled from production levels, US aid payments to farmers will affect production levels because

- (i) It will impact on income and wealth of farmers, providing the means to invest more into production
- (ii) It will reduce producer perception of risks associated with future production
- (iii) Farmers will expect similar government responses in future periods of low prices
- (iv) The 'top ups' will create a 'long run incentive' to put resources into agricultural production.

The Green and Blue Box therefore masks huge supports that continue to be provided by OECD countries. This point can also be ascertained by the shift in supports in 1995, for example, by the US. The Table maintained above shows that US AMS supports amounted to 24 billion in the base period. On the first year of implementation in 1995, its AMS supports drastically dropped to only over 6 billion. However, its Green Box supports increased by 22 billion.

Subsidies previously classified as trade distorting were obviously shifted to the non-trade distorting category. The problem is that the Green Box criteria have not been vigorously defined. **What is considered 'no or at most minimal, trade-distorting effects' remains a value judgment on the part of the government providing the subsidy. Nowhere in Annex 2 or the Agreement on Agriculture has it been defined. Does this mean that the subsidy cannot increase production output or that it cannot affect world prices? But is it possible to make those judgments in all cases? Direct payments are often provided to boost farmers' incomes without reference to their production. How can governments guarantee that the extra income is not used to buy more inputs and hence increase production levels? Thus the word 'minimal' also requires a value judgment on the part of the government providing**

the subsidy. What in their eyes may be 'minimally distorting', could in fact have devastating effects for another economy.

It is in this connection that Mr. Devinder Sharma² has the following to state on the impact of the green box subsidies and their impact on the Indian economy.

“That the developed countries are not willing to reopen the ‘green box’ first became evident when the concept of a ‘development box’ for developing countries was proposed. It was backed up by some large western NGOs, who too were trying to protect their home turf. Many developing-country NGOs, receiving funding support from these western outfits, too had begun to chant the mantra saying export subsidies were the only culprit. Then came the ‘multi-functionality’ of agriculture, a term coined by the EU to protect its massive agricultural support. This doesn’t mean that this writer is against income support for western farmers, but it is unfair to use faulty economics to pamper one class of farmers in developed countries at the cost of millions of poor and subsistence farmers in the majority of the planet.

Economists tell us that elimination of agricultural subsidies (and that includes the ‘green box’ payments) actually changes nothing. Land has a greater influence and the withdrawal of subsidies would mean that farmers change the cropping pattern. Such a change doesn’t have a significant impact on reducing global prices and therefore there is no economic sense in phasing out agricultural subsidies. Several US institutes and European university studies now point to the same conclusion. The reason is obvious. It is not economics that drives the analysis but politics, and the line between economics and political economy has now blurred. Such analysis is the outcome of a faulty prism being used to actually protect the subsidies. Let me explain.

For an Indian rice farmer, for instance, it doesn’t matter what the prevailing international price is. He doesn’t know what constitutes competitiveness in a globalized world. But what shocks him is that despite having among the lowest-cost production of rice in the world, the Indian government refuses to pay him an assured price on the plea that the ‘minimum procurement price’ that he is supposed to get has actually become a ‘maximum support price’ since rice is available at a much lower price in the international market. The government therefore has frozen rice procurement price at the 2002 level of Rs 6.10 for a kilogram of rice paddy.

In reality, an average Indian farmer produces 1 kg of rice at Rs 6.10. Taking the prevailing conversion rate of Rs 43 for one US dollar, each dollar would buy roughly 7 kg of rice. Can the economists tell us where in the developed world can you get 7 kg of rice for a dollar? How come then the Indian farmer is priced out of the market? In that case, isn’t there something terribly wrong with the way economics is dictating the

² Source: EPW issue dated the 15th May 2004.

trade agenda? Even in the retail market, 1 kg of rice is available for Rs 10, which means you can get more than 4 kg for a dollar. On the other hand, look at the retail market in the UK. A kilogram of rice is available at 2.54-pound sterling, good enough to buy 20 kg of rice in India.

And yet the Indian farmer does not receive any income support. His income is not secured, and the growing volume of 'green box' subsidies merely forces him to abandon farming and migrate to the urban centres. Domestic support in developed countries is leading to the newly emerging phenomenon of agriculture displacements in developing countries. In the years to come, developing countries will witness an upsurge in the displacement of farming populations from their only economic possession – meagre landholdings”.

Due Restraint Clause Provides Boxes Complete Protection from Countervailing Duties

As seen above, it is important that in cases where there is lack of clarity if a subsidy is more than 'minimally trade distorting ', that importing countries have the leeway to bring the case to Dispute Settlement. However, the Due Restraint Clause in Article 13 provides Annex 2 subsidies with complete protection from countervailing duties. In fact, of all the types of supports where protection is accorded - Blue Box; de minimis; special and differential treatment supports; and export subsidies - it is only Annex 2 subsidies that are completely protected. Blue Box and export subsidies can be challenged if there is proof of injury or threat to another member.

Green Box Meets Non-trade and Other Concerns of Developed, but not Developing Countries

The Green Box is often seen as the provision, which allows governments to provide for the non-trade concerns, mentioned in the preamble of the Agreement, such as food security and protection of the environment. However, a closer look at Tables above illustrate that it is used most frequently by a small group of developed countries. Therefore, while its provisions on the one hand, are too vague and provides leeway for abuse by those who can afford to provide outright financial supports, it is too narrow for the purposes of protecting developing countries' non-trade concerns such as the protection of small farmers' livelihoods, and food security.

Usage of Green Box Subsidies

Measure	Developing (46) (per cent of countries claiming measure)	Developed (11) (per cent of countries claiming measure)

Measure	Developing (46) (per cent of countries claiming measure)	Developed (11) (per cent of countries claiming measure)
General Services		
· Research	67	100
· Pest and disease control	50	91
· Training Services	43	55
· Extension and advisory services	59	91
· Inspection services	30	73
· Marketing and promotion services	41	64
· Infrastructural services	52	55
· General services (not specified)	28	45
Direct payments to producers		
· Decoupled income support	4	27
· Income insurance and income safety-net programmes	9	27
· Crop insurance for natural disasters	24	91
· Structural adjustment assistance provided through producer retirement programmes	2	27
· Structural adjustment assistance provided through resource retirement programmes	2	45
· Structural adjustment assistance provided through investment aids	15	64
· Environmental programmes	30	45
· Regional assistance programmes	20	36
· Others (not specified)	20	27
Public stockholding for food security purposes	17	45
Domestic food aid	15	27

Source: WTO, Supporting tables relating to commitments on agricultural products in Part IV of the Schedules, G/AG/AGST/Vols 1-3. WTO, Geneva cited in Greenfield and Konandreas 1996, Food Policy Vol. 21 'Uruguay Round Commitments on Domestic Support: their implications for developing countries'.

The Table below is useful in providing a breakdown on the usage of the Green Box by members. It shows that in 1996, developing countries provided only 12.5 per cent of

all Green Box supports, with developed countries providing the other 87.5 per cent. The US is by far the largest provider of Green Box supports (40.9 per cent of the total in 1996), followed by the EU (22.4 per cent) and Japan (19.7 per cent). The majority of developing countries do not even provide 0.5 per cent of total Green Box supports.

Total expenditure on Green Box (GB) measures, by member, 1995-6.

Country	1995		1996	
	Amount (USD million)	Share in reported GB expenditure of all members	Amount (USD million)	Share in reported GB expenditure of all members
Grand total of reported expenditure	129,440	100.0	126,735	100.0
Total of reporting developed countries	110,173	85.1	110,958	87.5
Total of reporting developing countries	19,266	14.9	15,776	12.5

Country	1995		1996	
	Amount (USD million)	Share in reported GB expenditure of all members	Amount (USD million)	Share in reported GB expenditure of all members
Developing countries:		0.00	137	0.11
Argentina		0.00	0	0.00
Bahrain	11	0.01		0.00
Botswana	4,883	3.77	2,600	2.05
Brazil	176	0.14	170	0.13
Chile	318	0.25	578	0.46
Colombia	908	0.70	1,090	0.86
Cuba	130	0.10	128	0.10
Cyprus		0.00	16	0.01
Fiji	n.a.			0.00
Gambia		0.00		0.00
Guyana	2,196	1.70		0.00
India		0.00	7	0.01
Jamaica	53	0.04	66	0.05
Kenya	5,174	4.00	6,443	5.08
Korea	244	0.19	300	0.24
Malaysia	1	0.00		0.00
Malta	1,626	1.26		0.00
Mexico	n.a.		n.a.	
Mongolia	157	0.12	378	0.30
Morocco	50	0.04		0.00
Namibia	440	0.34	392	0.31
Pakistan	23	0.02	9	0.01
Paraguay	136	0.11	282	0.22
Philippines	730	0.56	756	0.60
Romania	1,353	1.05	1,624	1.28
Thailand	61	0.05	98	0.08
Trinidad and Tobago	30	0.02	39	0.03
Tobago	18	0.01	33	0.03
Tunisia	539	0.42	618	0.49
Uruguay	14	0.01	12	0.01
Venezuela				
Zimbabwe				

Country	1995		1996	
	Amount (USD million)	Share in reported GB expenditure of all members	Amount (USD million)	Share in reported GB expenditure of all members
Developed countries:				
	707	0.55	740	0.58
Australia	1,539	1.19		0.00
Canada	132	0.10	197	0.16
Czech Republic	24,110	18.63	28,378	22.39
EC	105	0.08		0.00
Hungary	30	0.02	50	0.04
Iceland	292	0.23	414	0.33
Israel	32,859	25.39	25,020	19.74
Japan	128	0.10	136	0.11
New Zealand	647	0.50	638	0.50
Norway	436	0.34	549	0.43
Poland	1	0.00	1	0.00
Slovak Republic	85	0.07	91	0.07
Slovene	763	0.59	525	0.41
South Africa	2,299	1.78	2,404	1.90
Switzerland-Liechtenstein	46,041	35.57	51,815	40.88
United States				

Source: FAO 1999, FAO Symposium on Agriculture, Trade and Food Security: Issues and Options in the Forthcoming WTO Negotiations From the Perspective of Developing Countries. 'Issues at stake relating to agricultural development, trade and food security', Paper No. 4.

PRESENT STRUCTURE OF SUBSIDY BOXES-CREATES LOOPHOLES AND IS A HEAVY ADMINISTRATIVE BURDEN IN CASE THE DEVELOPING COUNTRIES DECIDE TO SHIFT THEIR SUBSIDY PATTERN

As noted above, the various subsidy boxes have not been helpful in lowering overall subsidy levels. The reality is that huge amounts of subsidies will mostly be production and trade distorting. The present structure of subsidy boxes should therefore be changed. Collapsing all subsidies into one category would eliminate the existing loopholes and bring rationale and structure to the Agreement.

Furthermore, the different subsidy boxes have imposed a heavy administrative burden for developing country member delegations, which are more often than not severely under-resourced. If the present system was constructive and if it really worked in terms of bringing down overall OECD supports, the present structure should be maintained despite the administrative load.

For instance India seems to have shifted its subsidy burden from the direct and input based subsidy to the output-based subsidy over the past decade. The effect of the same has been dealt in great detail in Part I to this document. This shift in the subsidy pattern has been without any clear strategy and policy. The fact of the matter remains that India cannot adopt the practices of developed countries in distributing her subsidies. The administration costs of distributing direct subsidies as sanctioned in the Blue Box of the AoA are simply not feasible in India. The administration costs of distributing this subsidy to the 100 million farmers are simply unworkable and would give way to the leakages and other related issues.

Similarly the other allowable subsidy within the AoA – the green box requires that the farmers should have reached a threshold level in their development to be benefited through such subsidies. For instance, improvement of rural infrastructure is of no use and practically irrelevant to the farmer who is in the self-consumption mode. This means that the farmers needs to be at-least protected and directly subsidised till they reach a stage of even benefiting the subsidy regime permitted by the green box.

So what is left is the input subsidy route only. This has proved to be cost effective and administration friendly. Our experience of the past two decades has shown that it is comparatively superior to any other mode of administering the agricultural subsidy. Further, India has a negative AMS – meaning that we can give direct input support to our farms without running foul of the AoA disciplines. The elbow room of the AoA is needed to be understood fully and exploited to the maximum before we look at other alternatives of protecting out farm income.

Recommendations

In the light of the above problems of the Green Box, particularly for developing countries, the following policy initiatives could be explored by India:

1. Bring all domestic support categories into one 'General Subsidies' box. One category of subsidies will bring rationality and structure to the Agreement. It will also ease the unnecessary administrative burden on under-resourced developing country delegations.

A common level of supports should be allowed e.g. 10 per cent of production for all countries. This level of subsidies should be non-actionable. Subsidies of 5 per cent above this 10 per cent level will be 'actionable' for developed countries. (Developing

countries should be protected under the Due Restraint Clause). Subsidies beyond this level should be treated as prohibited. Developing countries, however, will be allowed additional flexibility under a “Development” box or an “employment” box.

2. The AoA has not satisfactorily addressed the food security and development concerns of developing countries. The present Green Box largely meets the non-trade concerns of developed countries. Flexibility should be provided to developing countries in the form of a “Development” box to address developing countries’ rural employment and food security concerns. The aims of the Development box are to encourage developing countries to maintain or increase their present domestic production capability of foods consumed domestically, as well as to protect the livelihoods of small farmers. The Development box should provide developing countries with flexibility of import controls, tariffs barriers and domestic supports for items which are already being produced in sufficient quantities or which countries would like produced in sufficient quantities locally, until such time they are exporters of these products.

3. The Due Restraint Clause protecting Green Box subsidies from challenge and which is in place until the end of 2003 should be terminated as soon as possible. Certainly, its protection of Green Box subsidies should not be extended beyond 2003. Protection under the Due Restraint Clause for the Blue Box should likewise be terminated. The Due Restraint Clause should be a special and differential treatment provision that will protect only developing countries in the 'General Supports' box and the 'Development' box. The purpose of the Due Restraint Clause should be to protect developing countries in their efforts to increase food security (food accessibility and availability to all), ensure rural employment and to increase domestic production capacity.

NEED TO ENSURE THAT INDIA HAS A COGENT STAND ON AOA WITHIN THE WTO AS WELL AS TO ALIGN THE DOMESTIC POLICY ACCORDINGLY BY RECOGNISING THE PERILS OF GLOBAL TRADE IN AGRICULTURE

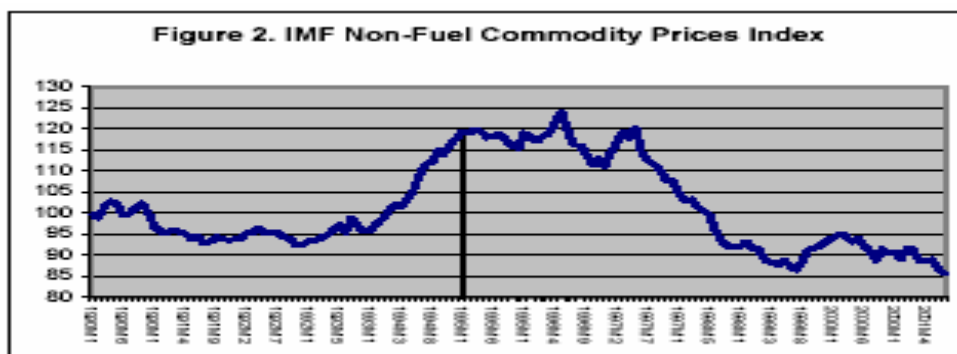
The AoA has linked the farming in India to global corporations and global markets, the viability of small farmers and small farms is destroyed. Farmers’ suicides are the most tragic and dramatic symptom of the crisis of survival faced by Indian peasants. 1997 witnessed the first emergence of farm suicides in India – a paradigm that was relatively unknown in the Indian context. A rapid increase in indebtedness was at the root of farmers committing suicides. Un-serviced debt is a reflection of a negative economy, a loosing economy. **Broadly speaking two factors have transformed the positive economy of agriculture into a negative economy for peasants – that of rising costs of production and the simultaneous fall in the prices of farm**

commodities. Both these factors are rooted in the current policies of the government of India, the former has its ideological moorings in the IMF driven policies leading to fiscal orthodoxy and the later with its emphasis on global integration. As debts increase and become un-payable, farmers are compelled to commit suicide. More than 50,000 peasants in India have taken their lives since 1997 when the first effects of globalisation began making its effect felt in our economy.

And the crisis of suicides shows how the survival of small farmers is incompatible with the economics of global agriculture and how it can hardly withstand the global subsidy regime. The significant pressure Indian farmers are facing is the dramatic fall in prices of farm produce as a result of free trade policies of the W.T.O. The WTO rules for trade in agriculture are essentially rules for dumping. They have allowed an increase in agribusiness subsidies while preventing countries from protecting their farmers from the dumping of artificially cheap produce.

High global subsidies in excess of USD 365 billion combined with forced removal of import restrictions are a ready-made recipe for farmer suicides. Global prices have dropped from USD 216 / ton in 1995 to USD 133 / ton in 2001 for wheat, USD 98.2 / ton in 1995 to USD 49.1 / ton in 2001 for cotton, USD 273 / ton in 1995 to USD 178 / ton for soya bean³. This reduction to half the international price is not due to a doubling in productivity but due to an increase in subsidies and an increase in market monopolies controlled by a handful of agribusiness corporations.

Consequent to the widespread presence of domestic and export subsidies in the developed countries, prices of agricultural commodities continued to remain depressed during most of the post-UR period. The accompanying table shows the index of non-fuel commodity prices for the period January 1990 to July 2001, on a monthly basis⁴.



The vertical line in the figure marks the introduction of AoA. The figure shows that after a small recovery from 1995 to 1997, commodity prices have recorded a sustained decline. This is contrary to all the simulation exercises carried out in the pre UR

³ Source: The Suicide Economy Of Corporate Globalisation By Vandana Shiva

⁴ Source: The IMF

period to convince developing countries while suggesting that there would be an increase in the prices of agricultural products in the post UR period, benefiting the farmers.

It was also expected that deepening the global agricultural market would lead to a decline in the volatility of agricultural prices in the post-UR phase. However, empirical evidence shows that for many products, price volatilities (measured by the coefficient of variation) have actually increased. The sustained decline and high volatility of international agricultural prices are evidence of continued distortions in world agricultural trade even after five years of implementation of AoA disciplines. A study by Anderson, Hoekman and Strutt (1999) has estimated that the farm policies of OECD countries, even after the reforms under the UR AoA have been taken into account, cause annual welfare losses of USD 19.8 billion for developing countries. That is more than three times the losses that developing countries incur from OECD countries' import restrictions on textiles and clothing. On distortions present in agriculture, Stiglitz points out **“A 40 per cent reduction in agricultural support policies globally contributes almost exactly the same amount to global welfare as a 40 percent cut in manufacturing tariffs”**.

Another issue that needs to be borne in our mind is that the AoA despite being in its infancy has proved that the international prices of foodgrains become volatile. For instance we compare the Coefficient of Variation of Monthly Prices – Comparison of the pre UR period to the post UR period⁵ and find that the variation in prices of the

Commodity	Jan 1990 to Dec 1994	Jan 1995 to July 2001
Non-Fuel Commodity prices index	6.36	12.25
Wheat; U.S. number 1 HRW, fob Gulf of Mexico	12.15	25.48
Maize; U.S. number 2 yellow, fob Gulf of Mexico	7.81	26.28
Rice; 5 per cent broken, nominal price quote, fob Bangkok	12.91	21.70
Soybean; U.S., cif Rotterdam	5.81	17.41
Soybean Meal; 44 per cent, cif Rotterdam	5.58	23.60
Soybean Oil; Dutch, fob ex-mill	15.27	23.74
Palm Oil; Malaysia and Indonesian, cif NW Europe	24.90	28.83
Cocoanut Oil, Philippine/Indonesia, cif Rotterdam	25.50	24.17
Fishmeal, 64/65 per cent, any orig, cif Rotterdam	12.95	20.91
Groundnut Oil, US runners, cif European	20.10	14.69
Sugar; International Sugar Agreement price	18.67	26.25
Sugar; US, import price contract number 14 cif	3.48	6.82
Sugar; EC import price, cif European	7.04	9.37

Agricultural products are significantly higher as compared the volatility in the prices prevailing in the pre UR period.

India was among the countries that questioned the unfair rules of W.T.O in agriculture and led the G-22 alliance along with Brazil and China. India with other developing

⁵ Implementation Issues of the Agreement on Agriculture and its Implications for Developing Countries by PARTHAPRATIM PAL

countries addressed the need to safeguard the livelihoods of small farmers from the injustice of free trade based on high subsidies and dumping. Yet at the domestic level, official agencies in India are in deep denial of any links between free trade and farmers survival. An example of this denial is a Government of Karnataka report on "Farmers suicide in Karnataka - A scientific analysis". The report while claiming to be "scientific" makes unscientific claims that the farm suicides have only psychological causes, not economic ones, and identifies alcoholism as the root cause of suicides. Vandana Shiva best illustrates the divergent thought and policy recommendation of the polity in her article⁶, the relevant portions of which have been faithfully reproduced here for the benefit of the reader.

While the "expert committee" report identified "alcoholism" as the main cause for suicides, the figures of this "scientific" claim are inconsistent and do not reflect the survey. On page 10, the report states in one place that 68 percent of the suicide victims were alcoholics. Five lines later it states that 17 percent were "alcohol and illicit drinkers". It also states that the majority of suicide victims were small and marginal farmers and the majority had high levels of indebtedness. Yet debt is not identified as a factor leading to suicide. On page 32 of the report it is stated that of the 105 cases studied among the 3544 suicides, which had occurred in five districts during 2000 - 2001, 93 had debts, 54 percent had borrowed from private sources and moneylenders. More than 90% of suicide victims were in debt. Yet a table on page 63 has mysteriously reduced debt as a reason for suicide to 2.6%, and equally mysteriously, "suicide victims having a bad habit" has emerged as the primary cause of farmers' suicides.

The government is desperate to de-link farm suicides from economic processes linked to globalisation such as rise in indebtedness and increased frequency of crop failure due to higher ecologic vulnerability arising from climate change and drought and higher economic risks due to introduction of untested, untested seeds. This is evident in recommendation no. 4.3.24.3 "The government should launch prosecution on the responsible persons involved in misleading the public and government by providing false information about farmers suicide as crop failure or indebtedness" (page 113 of expert committee report).

However, farmers' suicides cannot be de-linked from indebtedness and the economic distress small farmers are facing. Indebtedness is not new. Farmers have always organised for freedom from debt. However, under globalisation, the farmer is losing

⁶ The Suicide Economy Of Corporate Globalisation By Vandana Shiva

her / his social, cultural, economic identity as a producer. A farmer is now a "consumer" of costly seeds and costly chemicals sold by powerful global corporations through powerful landlords and money lenders locally. This combination is leading to corporate feudalism, the most inhumane, brutal and exploitative convergence of global corporate capitalism and local feudalism, in the face of which the farmer as an individual victim feels helpless. The bureaucratic and technocratic systems of the state are coming to the rescue of the dominant economic interests by blaming the victim. It is necessary to stop this war against small farmers. It is necessary to re-write the rules of trade in agriculture. It is necessary to change our paradigms of food production. Feeding humanity should not depend on the extinction of farmers.

This clearly demonstrates very clearly the mindset of the polity in dealing with the issue relating to the farmers suicides. This illustration is merely a reflection of the lackadaisical manner in which the polity has been dealing with the issue relating to the suicides of the farmers. The amusing fact is that India takes the correct stand in the WTO and in the international arena. However when it comes to the domestic policy formulations and explicitly taking appropriate policy recommendations to negate the deleterious impact of the AoA the polity has sadly found to be wanting. Why the polity remains silent on this vital issue and takes ambiguous stand in the domestic policy formulations while precisely explicitly pointing out the fallacy implicit within the AoA, is a billion dollar question that remains unanswered.

The discussions till now have shown that though AoA introduced some discipline in world agricultural trade, distortions still exist. Most of the commitments undertaken by developed countries did not prove to be effective because AoA contained too many escape clauses and loopholes to make these commitments really binding. Due to the latitude provided the AoA, most developed countries have managed to fulfill their WTO commitments without introducing any significant reform in their farm sector. The resultant distortions in agricultural trade are hurting the developing countries most. For the agricultural exporters among developing countries, continuous decline in commodity prices exert a downward pressure on their export earnings. This problem is most severe for countries that depend on agricultural exports for their foreign exchange earnings. In most of the developed countries significant market access barriers still exist for products where most developing countries have export interest. Tariff peaks and tariff escalations effectively peg developing countries to the bottom end of the value chain and force them to continue as primary commodity exporters thereby denying them the advantages of value addition. Also, developing countries are finding it increasingly difficult to match the high SPS standards adopted by developed countries. FAO's investigation has revealed that developing countries are experiencing increasing trade obstacles due to SPS measures. On the other hand, cheap and subsidized imports from developed countries can create problems for domestic agriculture producers in most developing countries and can lead to a substantial decline

in domestic farmers' income. The instability of international commodity prices also introduces uncertainty factors in the domestic markets. It should be pointed out that most developing countries are not privy to the special safeguard (SSG) provisions of AoA, which allows imposing protectionist measures in the event of an import surge.

So far, all the implementation problems of AoA have benefited the developed countries.

It is in this connection that the **Guardian of London**⁷ has the following to state on the issue of subsidies pertaining to the developing world:

Kicking the subsidies: Third world farmers need a fair deal

Developing countries are about to be sold down the river again and hardly anyone seems to care enough to do anything about it. It is now only a few weeks before the crucial World Trade Organisation (WTO) trade talks open in Cancun, Mexico, but they have become so bogged down in complexity and international stitch-ups (like last week's deal between the US and the EU) that real progress is unlikely. The risk of a walk-out by developing countries grows daily.

Let's get back to basics. Giving subsidies to farmers was a brilliant idea that transformed the food shortages after the Second World War into a surplus. But it has grown into an institutionalised nightmare preventing developing countries from fulfilling their potential in one of the few areas where they enjoy a natural advantage - agriculture. Europe and the US are the main culprits. It is economic and social madness for Europe to be growing, for instance, subsidised sugar beet when its average cost of production is more than double that of efficient exporters such as Brazil and Zambia. It is only possible thanks to ludicrous subsidies, including protective tariffs of up to 140%. Mozambique loses almost as much as a result of EU sugar policy as it gets in European aid.

The US is no better. America's 25,000 cotton farmers received more than USD 3 Bn in subsidies last year, equivalent to 100% of the market value of cotton output. This works out at a staggering subsidy of USD 230 an acre. West Africa, one of the most deprived places on earth, happens to be one of the most efficient cotton producers, with an estimated 11 million people dependent on cotton as their main source of income. But it can't compete with subsidised products from the US, which has 40% of world exports. If subsidies were removed, West Africa, according to IMF figures, could produce profitably at two thirds of US production costs.

In this context it is premature to welcome last week's alleged breakthrough in negotiations between the US and Europe, which is regarded by Oxfam and others as

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reneging on the WTO aim to eliminate export subsidies. A joint commitment to cap the amount of direct payments to farmers to 5% of output sounds good. But it ignores the fact that there has been a parallel explosion of payments linked to other factors such as land ownership or past production levels. This merely preserves the featherbedding in a form less under the control of the WTO. Under this category comes the USD 180 Bn increase in spending on export credits and food aid by the Bush administration, which is regarded by fair trade lobbies as disguised dumping. There is only one way to deal with this. Make it simple and effective. Abolish all agricultural subsidies so that every proposed reform doesn't generate new escape routes that negate its primary purpose. This is one of those rare topics that unites right and left. It is also one of the few remaining free lunches in economics from which practically everyone gains. It would galvanise developing countries' agriculture while freeing more than USD 300 Bn currently being spent by governments - over USD 200 per capita - every year on subsidies for other purposes. There will inevitably be transitional problems for some western farmers but nothing like the structural change other industries have experienced. And in the long run it will be of benefit to them, too. They will be able to grow crops they are good at rather than those attracting subsidies. All that the developing countries are seeking is a level playing field on which to compete. Is that too much to ask?