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South Asia Economic Journal 2003 4: 1

DOI: 10.1177/139156140300400102

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Globalization, South Asian Agriculture and the WTO

ALAN BULLION

This article explores the largely deleterious impact that globalization and trade liberalization is having on agricultural trade in developing Asian countries such as India. Although Asian countries cannot be treated as a homogeneous bloc, it is argued that the hegemonic 'Quad' powers (the European Union, US, Canada and Japan) advocate liberalization for developing countries while practising protectionism in their home markets. This article suggests the way forward is for Indian proposals put to the WTO for reform to be taken seriously by the developed world.

(JEL: F13) **Keywords:** Agreement on Agriculture, India, World Trade Organization, Tariff, Doha Round, South Asia.

I. Introduction

Agriculture played a highly contentious part in the seven-year Uruguay Round (UR) negotiations of the General Agreement on Tariffs and Trade (GATT). This was largely at the behest of the so-called hegemonic 'Quad' powers—the European Union (EU), the United States (US), Canada and Japan. The Quad wanted tariff barriers lowered and eventually removed for most agricultural products exported to developing countries as part of the newly-established regulatory structure for international trade.

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SOUTH ASIA ECONOMIC JOURNAL, 4:1 (2003)
Sage Publications New Delhi ■ Thousand Oaks ■ London

The Uruguay Round Agreement on Agriculture (AoA) was eventually signed in the Moroccan city of Marrakesh in 1994 and came into force when the World Trade Organization (WTO) succeeded GATT in January 1995. However, the WTO is now becoming increasingly dominated by developing countries, and it was largely because they became fed up with the Quad powers' high-handed tactics that the 1999 talks in Seattle fell apart and specific conditions for a new round were finally agreed at the 2001 meeting in Qatar. The main complaint of the developing world is that when it comes to agricultural trade, the Quad powers preach liberalization, but themselves practice protectionism. Trade barriers imposed by developed countries are calculated to be costing farmers in the developing world around US\$ 20 billion a year (Denny 2001).

The formation of the WTO and the spread of neo-liberal economics can be seen as part of the wider process of globalization, succinctly defined by Tony McGrew (1997) as 'growing global interconnectedness'. However, the novelty and extent of this same process is increasingly critiqued by others (Hirst and Thompson 2000). The growing impact of globalization is also being opposed by disparate anti-systemic movements such as anarchists, anti-capitalists, greens and environmental protestors, and small farmers from India and other developing countries, who came together at the 'Battle of Seattle' in November 1999 to try and ensure that no new round of trade talks could commence (Watson 2001). These disparate groups have particularly focused on the WTO as an 'enemy', which they either want abolished or replaced by a fairer, more equitable and transparent body under the auspices of the United Nations. A leading French campaigner against the global spread of McDonalds restaurants, José Bove, claimed that 'the most symbolic day was when we stopped the WTO talks in Seattle—people all over the world understood it could be possible to change' (Hattenstone 2001).

India provides a good example of a large Asian developing country that is slowly adapting to the demands of WTO membership, albeit at considerable cost to millions of its small farmers. On 1 April 2001, as part of its WTO agreement, the Indian government announced that quantitative restrictions (QRs) would be removed on 715 items, which may now be freely imported without a licence. This was seen by some commentators as the crossing of a crucial threshold in India's decade-long integration into the global economy (Bullion 2001a). The liberalization list included 147 agricultural products, including meat and poultry, eggs and dairy products, vegetables, fruit and nuts, coffee and tea, spices and condiments, cereals and pulses, coconut products and beverages. However, staple crops such as wheat, rice, maize, copra and coconut oil are still monopolized by state trading agencies (STEs). This partial liberalization raised considerable objections from representatives of small farmers concerned about poultry and other imports from the US. 'In the United States, farming is agribusiness. Here it is a way of life,' said Ajit Singh, a member of Parliament (MP) who represents a major farming district in Uttar Pradesh state. 'Seventy per cent of Indians depend

on farming in some way. This is a matter of food security' (Constable and Lakshmi 2001).

In its 2001 submission to the WTO, India noted that its six-year process of liberalization in the agricultural sector has been largely asymmetric in its impact: 'While trade liberalization has led to an almost instantaneous surge in food imports, [developing] countries were not able to raise their exports.' This, in turn, has led to 'small producers' being 'marginalized' and 'added to unemployment and poverty' (Muralidharan 2001). As a remedy, India has proposed that developed countries should adopt 'tariff bindings [that effect a] substantial reduction in all tariffs'. Concurrently, developing countries should be permitted to 'maintain appropriate levels of tariff bindings, keeping in mind their developmental needs and the high distortions prevalent in the international markets' (GATT 1986). And, in addition, a special safeguards mechanism under Article 5 of the AoA is urged that would allow for the 'imposition of quantitative restrictions under specified circumstances'. Another proposal that India has placed before the WTO goes right to the core of the developed countries' policies on agriculture. Under the AoA, income support programmes for the farm sector are exempted from any reduction commitments, since they are deemed to have minimal distorting effects on trade. However, this argument is devoid of any convincing rationale other than that of the developed countries' convenience. Since the late 1980s both the US and the EU have favoured the mechanism of directly funding farm incomes rather than propping up prices through assured purchase commitments.

Under the system of deficiency payments that the US and EU practise, farmers are compensated directly by governments if the prices of their produce fall below a certain level. Since this means effectively that the farmer is able to sustain situations of glut in the agricultural market, there seems to be little basis to the argument that income support is less trade distorting than price support. India has suggested that these programmes also be recognized as subsidies that distort trade patterns to the detriment of developing countries. It can also be argued that developed countries benefit from relatively less stringent requirements on the reduction of farm subsidies. While countries that had no export subsidies in operation at the conclusion of the WTO agreement are now prohibited from introducing them, heavily subsidizing exporters such as the US and the EU were obliged to reduce export subsidies by the relatively modest amount of 36 per cent over six years. India's recent submission to the WTO claims that even within this less demanding regime, developed countries have been reallocating subsidies between different commodities, rolling them over from one year to another (for example, on sugar), and resorting to a variety of devices to neutralize their competitive advantage in agriculture. A further proposal from India is that a 'Food Security Box' should be created along the lines of the Green, Blue and Amber Boxes. This would mean that measures for poverty alleviation, rural development and diversification of agriculture should be exempt from reductions.

According to recent estimates, the total support rendered to the farming sector by the countries comprising the Organization of Economic Cooperation and Development (OECD) increased from US\$ 308 billion in the period 1986–88 to US\$ 347 billion in the most recent three-year period for which dates are available, 1997–99. This is now estimated at US\$ 360 billion and contrasts with the entire US\$ 170 billion agricultural output of the developing world (Muralidharan 2001). This effectively means that the global market continues to be awash in highly subsidised agricultural products, which could penetrate developing country markets, with potentially destabilizing consequences. As a result, it has been suggested by some critics that a reformed, more democratic and transparent WTO should come directly under the UN umbrella (Dunkley 2000).

2. The Renegotiation of the Agreement on Agriculture (AoA)

The parameters for agricultural trade negotiations were established at the beginning of the Uruguay Round (UR) in the Punta del Este Declaration of 1986. Contracting parties agreed 'that there is an urgent need to bring more discipline and predictability to world agricultural trade by correcting and preventing restrictions and distortions including those related to structural surpluses so as to reduce the uncertainty, imbalances and instability in world agricultural markets' (GATT 1986). According to Article 20 of the AoA, agreed at the end of the UR in 1994, WTO members are obliged to continue the reform process, beginning one year before the end of the implementation period. Governments agreed to submit initial negotiating proposals by the end of 2000, prior to a meeting in March 2001, to decide on the scope and the format of, and possibly a deadline for, further negotiations. This process is to continue irrespective of what happens concerning attempts to launch wider WTO negotiations.

While the primary aim of the AoA is to reduce support and protection, it also requires broader issues to be addressed in the reform process. Thus, Article 20 states that continued reform would take account of: the experience to date from implementing the reduction commitments; the effects of the reduction commitments on world trade in agriculture; non-trade concerns, special and differential treatment to developing country members, the objective to establish a fair and market-orientated agricultural trading system, and the other objectives and concerns mentioned in the preamble to this Agreement; and what further commitments are necessary to achieve the above-mentioned long-term objectives. The preamble to the Agreement, alluded to in Article 20, recalls the aim of establishing 'a fair and market orientated agricultural trading system'. However, 'market orientation' need not entail the development of a free market without regulations. Indeed, the preamble goes on to note that the reform programme should proceed while

having regard to non-trade concerns, including food security and the need to protect the environment; having regard to the agreement that special and differential treatment for developing countries is an integral element of the negotiations, and taking into account the possible negative effects of the implementation of the reform programme on least-developed and net food-importing developing countries.

It is also important to recognize that the public good nature of some non-trade concerns, legitimized in the preamble, implies the need for intervention. Such issues raise deep suspicions among many WTO members and the debate in the Agriculture Committee of the WTO is often characterized by those purporting to support 'free trade' attacking such concerns as 'protectionism'. While these suspicions are not without foundation, the danger with such a debate is that positions will become increasingly politicized and entrenched, while ignoring the real problems facing agriculture. Renegotiation of the AoA clearly cannot take place without a broader consideration of the impacts of agricultural trade policy on people and the environment. Indeed, agricultural trade policy cannot be seen in abstract economic terms if it is to help promote more sustainable agriculture. Central to a more thoughtful approach to reforming the AoA is an understanding of the diversity of problems facing agriculture and how these interact with trade policy.

3. Trade Policy and Agriculture

3.1 The Liberalization Agenda

Liberalization of agriculture under the AoA was expected by some to decrease production, increase prices, and make farming more profitable. In the event, the small profit margins to which most farmers are working have increased pressure for maximizing production with a corresponding tendency to further depress prices (Murphy 1999). Simultaneously, agricultural systems have become more commercialized, with economic growth, urbanization and the withdrawal of labour from the agriculture sector. This is true both for staple food crops as well as high-value export crops, and has led, according to some commentators, to a greater market orientation of farm production; progressive substitution of **non-traded inputs** in favour of purchased inputs; the gradual decline of **integrated farming systems**; and their replacement by specialized enterprises for crop, live-stock, poultry and aqua-culture products.

This is partly because of product-specific demands on the expertise of the farmer and investment, and its effect has been to disrupt the integrated systems of enterprises within a single farm under which by-products from one component become inputs to another. The substitution of non-traded for traded inputs

means that power, soil fertility maintenance, animal fodder and household nutrition have become increasingly sourced as external inputs. Overall, the agriculture sector may diversify. However, at the level of the farm, mixed farming systems are replaced with specialized market-orientated production units.

To take the example of rice:

Increased commercialization shifts farm households away from traditional self-sufficiency goals and towards profit and income-orientated decision making; farm output is accordingly more responsive to market needs. The returns to intensive subsistence production systems that require high levels of family labour generally decline relative to production for the market with predominant use of hired labour. The proportion of farm income in total household income declines as family members find more lucrative non-agricultural employment opportunities. At the same time, the share of agriculture in farm household income declines. (Pingali et al. 1997: 14).

That liberalization of agricultural trade will lead to the restructuring and intensification of the agriculture sector seems clear. Summaries of recommendations given in 10 country reports from selected Asian countries that are undergoing structural adjustment to the agriculture sector stress the need for increased farm productivity and efficiency. For example, recommendations as to how the Malaysian agriculture sector must respond to an increased exposure to world markets include: the restructuring of production to allow farm consolidation and operation of better economies of scale; the reduction of labour requirements in the palm oil production process; the provision of an environment conducive to private sector investment in food production on a large-scale commercial basis; and the promotion of programmes targeted at increased participation by larger operators able to exploit economies of scale (Kanai and Titapiwatanakun 2000).

Similarly, an academic from the National Centre for Agricultural Economics and Policy Research in New Delhi, in reviewing the ongoing liberalization of the agriculture sector in India, has concluded:

The best strategy to face the challenge of import liberalization and to take advantage of export potential would be to ensure... continuous improvement in efficiency of production to keep the cost of production low. These would require [an] increase in the use of modern inputs like fertilizers and plant protection technologies... promotion of improved seeds, improvement in production technologies, full exploitation and efficient use of irrigation resources... agricultural diversification at the macro level; by promoting specific specialization at the micro level. (Chand 2000: 22)

The summary report of this same study lists such recommendations to address the effects of agricultural liberalization, collated from national reports from 10 countries. Of these 115 recommendations, only two make perfunctory reference

to environmental concerns. None allude to concerns regarding the sustainability of intensified food production (Kanai and Titapiwatanakun 2000).

4. Agricultural Trade Policy and Food Security

4.1 Food Security and International Trade

The AoA is premised on the assumption that domestic food security is best achieved through promoting liberalized trade, although food imports are contingent upon both foreign currency reserves and the reliability of transportation networks. Such an approach is outlined by the US government, which states that:

The United States believes, in addition to the non-trade distorting domestic support measures countries take to enhance their food security, further liberalization of trade in agricultural products and promoting legitimate assistance programs are important elements in strengthening food security... In addition to specific disciplines which expand sources of supply and encourage efficiencies in agricultural production, trade reform will result in economic growth and spur innovation, expanding global food security. It is important that liberalization alone will not address food security needs in all developed and least developed countries. As a consequence, the negotiations need to take into account the continuing role of international food aid and credit programmes in providing for food import needs. (G/AG/NG/W/15)

There are problems inherent to such an approach to food security. As a communication from India prior to the 1999 Ministerial Conference of the WTO suggests: 'In [countries with a large agrarian peasantry], a purely market-oriented approach may not be appropriate' (WT/GC/W/342). Where there are unpredictable fluctuations in international prices, or where foreign currency reserves cannot be relied upon in the event of famine, domestic food security is best achieved through local means of production rather than exposing small, resource-poor farmers to the vagaries of international commodity markets. Indeed, international commodity markets are such that there are inherent reasons why developing countries are likely to become net food importers under liberalized trade regimes. By and large, developing countries import food products with relatively high-income elasticities in their markets, while exports to the saturated markets of developed countries generally create relatively little income and show low price elasticities. That is, competition between developing countries for export to the inelastic markets of the developed world leads to price decline rather than increases in volumes exported (FAO 1995). As a result, the overall balance of trade may well favour developed countries.

The importance of domestic food security runs beyond even the basic humanitarian goal of removing the supply of staple foodstuffs from the vagaries of international markets and foreign currency reserves. As one informal Indian submission claims,

Agricultural self-reliance forms a vital underpinning for the growth of the GDP of agrarian developing economies since good agricultural production provides purchasing power to a large majority of the population, which in turn spurts industrial growth. Self-sufficiency in food production has therefore a specific developmental perspective as opposed to a purely commercial perspective. (India 1998)

All too often, hunger arises not from problems with domestic production or the availability of imports, but because the poor cannot afford to buy food on the domestic market. In countries where the majority of the poor live in rural areas, measures that improve the remuneration received by the agrarian peasantry will directly improve their food security.

4.2 The Problem of Dumping

Problems arising from premising food security upon international markets are compounded by the interventionist policies of developed countries that continue to support exports (either directly through export support or indirectly through highly production distorting domestic support measures). Such export support policies are expensive to pursue, and can therefore only be adopted by a limited number of countries. Furthermore, countries that were not already using export subsidies were forbidden to introduce them under the AoA, while those that were using them have made only modest cuts. Only 25 of the current 137 members of the WTO have export subsidy entitlements in their Schedules (G/AG/NG/W/11). Direct subsidies are still employed extensively by the EU, for example.

With the disciplining of import tariffs under the AoA, developing countries are now vulnerable to the sale of goods in world markets at less than cost of production. Such subsidies increase production for sale on world markets, increasing global supply and thus depressing the world price. This so-called dumping can thus depress domestic food prices, undermining the welfare of agrarian communities. It may also be the case that concentration in world agricultural trade has allowed some large companies that control significant proportions of particular commodity markets to 'dump' products strategically on countries at less than costs of production in order to undercut competition and create markets. Under current anti-dumping laws, the onus is upon the importing country to demonstrate that dumping has occurred if they are to impose countervailing measures. Developing countries may have neither the national legislation nor the financial resources to take disputes to the WTO. In practice

it is difficult for developing countries to demonstrate that dumping has occurred, and to date most anti-dumping measures have been taken by developed countries. The importance of domestic support payments in exacerbating problems of dumping is less transparent, yet of more general impact. The extent to which Blue and Green Boxes' domestic support payments are trade distorting is highly controversial. However, it is inevitable that some such payments lead to some production distortion and thus could affect world market prices. Clearly, for the importing country, the effects on world prices of increased production for export facilitated by production distorting domestic support subsidies are indistinguishable from those of price support and export subsidies.

The effect of the current approach is to deny policy flexibility and to give undue weight to the rights of farm produce exporters. As one author concludes:

It is clear that the AoA primarily has favoured agricultural exporters. The agreement in effect codifies a 'right to export' through the rules about minimum market access, the practical consequence of which is that a country no longer has the right to opt for full self-sufficiency as a strategy in any category of agricultural products. No matter what the reasons might be, as long as there is an exporter anywhere willing to sell at a lower price, the AoA is on the side of that exporter... remarkably, regardless of whether the lower price is made possible through export subsidies. (Einarsson 2000)

5. The Impact of the AoA on Food Security in Developing Countries

5.1 Countries that are Inherently Food Insecure

Some Asian countries face a serious food import burden as a result of economic problems, the heavy dependence of agricultural production on weather conditions, or due to agricultural policies that place greater emphasis on the production of exportable goods than on the production of basic foodstuffs.

It was predicted that the AoA would lead to an increase in world market prices of basic foodstuffs. While this may have been to the benefit of domestic producers in many developing countries, it would have generated increased financial burdens for countries relying upon food imports. Some such countries, the net food importing developing countries (NFIDCs), were supposed to receive assistance under the Marrakesh Agreement to help avert the impacts of projected increases in world commodity prices under the AoA. In fact, the Marrakesh decision has been poorly implemented. In addition to NFIDCs, many least developed countries (LDCs) will experience fluctuations of global food prices particularly acutely. Both NFIDCs and LDCs are reliant upon high levels of imports, and have low foreign currency reserves. Thus, over the period 1995/96–96/97 expenditure on cereal imports by LDCs and NFIDCs increased 49

per cent by comparison to the previous period. Ninety-six per cent of this increase was as a result of increased prices of cereals rather than increased imports (Einarsson 2000).

A United Nations Food and Agriculture Organization (FAO) study on the impacts of the implementation of the AoA on 14 developing countries found that the value of food imports in the period 1995–98 exceeded those over the period 1990–94 in all 14 countries (by as much as 168 per cent in the case of India, where the trend in the value of food imports had been downward over the 10 years preceding 1994). Over this period food import bills increased relative to agricultural export earnings in 11 of these 14 countries (FAO 2000). In the case of India and Jamaica this represented a reversal of the trend over the preceding 10 years; and in the case of Bangladesh and Senegal, a significant worsening of these existing trends.

In the Philippines domestic production of the staple foodstuffs rice and maize fell by 24 per cent and 20 per cent respectively over the period 1993–98. Whereas in 1994 the country imported no rice, in 1998 it imported over 2 million tonnes, or 20 per cent of its annual consumption. This is despite the Philippines applying Special Safeguard (SSG) provisions on rice, with an out-quota tariff rate of 100 per cent. Yet since 1997 rice imports were well above the minimum access quota. Similarly, maize imports increased annually from 643,000 tonnes in 1994 to 1.67 million tonnes in 1998. Meanwhile, dietary preferences have changed, and Filipinos are eating more wheat, which is imported predominantly from the US. Initially this was distributed free as food aid. Subsequently, it has supplied fast food chains operating in the Philippines, including American multinationals like McDonalds (Yabut-Bernardino 2000).

Realizing that it is better, where possible, to premise domestic food security upon domestic production, many developed countries, and some Asian countries, successfully achieved a higher rate of agricultural production than population growth by raising their food self-sufficiency ratio (Ohga 2000). Such self-sufficiency can be eroded by the liberalization of trade in agriculture. As has been noted by one government economist in India:

There are signals that the agricultural sector has started responding to economic reforms initiated in the country. The crop pattern is getting diversified with a shift away from foodgrain crops towards high value, in some cases export orientated, crops. This has implications for food security in the country. The growth rate in foodgrain output during the 1990s has declined to around 2%, which is the lowest ever realized in the post Independence period. This development is depressing when viewed in the light of existing nutritional intake and future demand for foodgrains. (Chand 2000: 24)

These predictions are echoed by economists at the National Agricultural Research Centre in Pakistan:

Due to lower (or negative) net returns from planting food grains, including wheat, the cropping pattern is getting diversified with a shifting away from food grains towards high value crops or export-orientated crops. This is a very serious issue, since with the existing population growth of around 3 per cent, demand for food commodities is increasing at a faster rate. (Akhtar 2000: 53)

It has been forecast that implementation of the Uruguay Round in China, which finally became a member of the WTO in January 2002, would also have negative impacts on domestic food security, particularly in grains. The Chinese government has set a target of 95 per cent grain self-sufficiency, and yet under free trade scenarios domestic grain production is predicted to fall far behind consumption (Bullion 2002; Huang and Chen 2000). Exports of staple foodstuffs comprise the surplus to domestic requirements. Generally, this is quite small as a proportion of total production (for example, just 4.5 per cent of the world's rice is traded). Consequently, fluctuations in supply can have disproportionate impacts on world prices (Japan and Republic of Korea 2000).

This problem is compounded by the relatively limited number of countries that contribute to international markets (60 per cent of the international market for wheat and 90 per cent of that for soybeans are supplied by the three largest exporting countries). But increased reliance upon growing crops for export markets can also have more immediate implications for the food security of small-scale producers. Increased use of monoculture, arising from orientation towards income-orientated production, leads to abandonment of traditional self-sufficiency goals, tends to reduce on-farm diversity and leads to increased vulnerability to the economic impacts of crop failure. It also diminishes production of staple foodstuffs for local consumption (Shiva and Crompton 1998). Failure to utilize and maintain local landraces leads to the erosion of plant genetic resources for use in future breeding programmes for pest and disease resistance.

Export-orientated farming also tends to favour larger producers over smaller farmers who cannot produce volumes demanded by exporting companies, or who are trying to cultivate crops with which they are unfamiliar. There is thus increased use of plantation farming or contract growing to supply export markets, and a corresponding displacement of small farmers. However, food security is affected as the one-time rural producers migrate to swell the ranks of the urban poor. Finally, production of export crops may be inherently less sustainable than production of staple foodstuffs. Use of pesticides and fertilizers may increase, undermining long-term productivity in ways that have already been discussed. Where food procurement is increasingly premised upon the long-term sustainability of export earnings, environmental degradation will have important implications for food security.

While domestic production provides some insurance against food shortages, supply reliant entirely upon domestic production is vulnerable to harvest failures. In practice the optimal level of dependence upon food imports will be country specific. A proposal by Japan and the Republic of Korea, recently suggested:

The optimum solution for each country varies according to its specific situation and cannot be found by relying only on market mechanism [*sic*]. In order to find this optimum solution, external effects and public goods aspects of food security as well as the element of risk (uncertainty in supply) must be fully taken into account.... [E]ach country has a right to pursue the optimum combination of domestic production, importation and public stockholding to ensure its food security. A desirable international framework should allow countries to pursue their respective goals based upon their specific situations. (Japan and Republic of Korea 2000: 17)

While such a position is likely to come under attack during the AoA negotiations, it is worth noting that at the Commission for Sustainable Development (CSD) in 2000 governments nevertheless agreed 'to reaffirm their individual and collective commitments to achieving food security, particularly through development of domestic food production, combined with the importation, where appropriate, and storage of food (UNCSD 2000).

Some developing countries have also supported a similar line. In the course of preparing for further reform of the agriculture sector, one developing country has pointed out:

Non-trade concerns such as maintenance of the livelihood of the agrarian peasantry and the production of sufficient food to meet domestic needs [should] be taken into consideration Countries which argue for and support rapid liberalization of the agriculture sector, contend that global food sufficiency would in a way ensure food security since countries could then produce what they are most competent and efficient in while importing the rest of their food requirements. Such an argument presupposes that all countries would at all times have sufficient foreign exchange to procure their food requirements internationally. (India 1998: 22)

6. Agricultural Trade Policy and Rural Livelihoods

6.1 Increased Vulnerability of Small Farmers

Small family-run farms tend to produce more equitable economic opportunities for those who live in rural areas in both developed and developing countries. However, as the size of the manufacturing and service sectors increase, the opportunity cost of using family labour on agricultural holdings also increases and the profitability of family-run farms tends to diminish. While farmers who are cultivating large areas plant less labour-intensive monocultures, small farms are more likely to plant a high diversity of crops, rotate crops and livestock, and rely more upon waste products produced on the farm for the replenishment of soil fertility. Such reliance alleviates the environmental impacts of heavy use of

agricultural inputs and maximizes the overall profitability and real efficiency of the business.

Rather than generating seasonal work for hired workers, small farms tend to rely upon family labour. Reversing the trend for the aggregation of farms into large agricultural production units is important in addressing the problems associated with the loss of rural livelihoods and mass rural–urban migration (Rosset 1999). Small farmers can also come under pressure from processors and retailers. Increasingly, firms sourcing produce for processing and export are turning away from the use of spot markets and towards a reliance upon plantations or contract growers. Neither plantations nor contract growing need to be beneficial for small farmers. In the case of the plantations, hired labour is used to cultivate the land, and little secure employment needs to be provided for those living among the rural communities from which this labour is drawn.

In the case of contract farming, firms are able to exercise control over production without engaging in farm ownership. It has been suggested that such contract growing may provide a means for the integration of small-scale farmers into the modern agricultural sector. But there are problems here, too, and many small-holders have fallen foul of contract farming. Creeping dependency upon an agro-industrial firm through investment in fixed resources or changes in cropping patterns can be exploited by such-firms, leaving farmers vulnerable to extortionate contracts. Moreover, increased reliance upon cash crops can make families more exposed to food scarcity and price fluctuations. Other firms exclude small-holders as contractors; a policy which in the context of liberalized land markets can again lead to increasing farm size and marginalization of the rural poor, who may then be hired as seasonal labourers on large contract farms (Key and Runsten 1999).

Where smallholders are excluded from contracting, contract farming may serve to exacerbate income and asset inequalities. In addition to reliance upon a restricted market for their produce, small-scale farmers who shift towards producing export-orientated crops are also beholden to a diminished number of suppliers. One extensive study in India found that small domestic seed companies struggle to compete with large foreign companies that sell a restricted variety of hybrids. Rather than saving seed to replant the following year, farmers who plant hybrids must return to their supplier to repurchase seed each season. As local landraces are lost and small seed companies flounder, crop genetic diversity diminishes, heightening vulnerability to disease, exacerbating risks of crop failure and increasing dependence upon external inputs (Shiva and Crompton 1998).

6.2 Unemployment

It seems that both liberalization of the agriculture sector and the perpetuation of a number of intervention policies are tending to exacerbate pressures for the amalgamation of farms and displacement of small family farmers. Several case studies reviewed in an FAO report on the impacts of the implementation of the AoA found:

A growing trend towards the consolidation of farms as competitive pressure began to build up following trade liberalization. While this has generally contributed to increased productivity and competitiveness, it led to the displacement and marginalization of farm labourers, creating hardship that involved typically small farmers and food-insecure population groups, and this is in a situation where there are few safety nets. (FAO 2000: 144)

Although subsistence farmers may be highly efficient at producing food for their own consumption or for local markets, many experience difficulty competing internationally for sales of a restricted range of commodity crops. And yet many such farmers are compelled to turn to the production of crops for export, as domestic markets are opened to imports of staple foodstuffs—in many instances from developed countries where production and exports have been stimulated through the use of subsidies, tax breaks or other competition measures. These FAO findings are corroborated by the forecasts of economists in several Asian countries. In Malaysia economists at the Economic and Technology Management Research Centre, Kuala Lumpur, suggest that continued liberalization will only generate major gains in the palm oil and wood product sectors.

Other producers will be severely affected, particularly rice farmers. Concerns that this will lead to competitive disadvantage at a national level have prompted recommendations for 'altering the structure of production to allow farm consolidation and operation of better economy of scale', and reduced employment in the palm oil sector (Ahmad and Tawang 2000). Academics from the Centre for Chinese Agricultural Policy at the Chinese Academy of Agricultural Sciences (CAAS) predict that trade liberalization will reduce domestic production of grains and lead to unemployment for an estimated 3.5 million farmers. Projected expansion of the rice and livestock sectors under liberalization would not offset this, with net reduction in employment estimated at 2.5 million in the period 2000–5 (Huang and Chen 2000). Some other estimates put this far higher.

An International South Group Network study contrasts the Philippines government's predictions of the benefits of implementation of the WTO with the impacts as experienced in 1998. Rather than the 20 per cent increase in agricultural export earnings that was forecast, these fell by 12 per cent over the period 1995–98. An additional 500,000 jobs had been forecast in the agriculture sector. In fact, between 1996 and 1998, 710,000 jobs were lost in the agriculture sector (Yabut-Bernardino 2000).

As outlined above, intervention in production in developed countries has important implications for producers of staple foodstuffs in developing countries. But interventionist policies, where these are poorly targeted, may have comparable impacts on small-scale producers in developed countries. Production-linked subsidies under the European Common Agricultural Policy (CAP), for example, have provided incentives for intensification analogous to those that are generated by liberalization, benefiting those who produce most. With the top 17 per cent of producers receiving 50 per cent of CAP funds, subsidies have failed to reduce

the economic vulnerability of the majority of farmers, while at the same time driving intensification (ABARE 2000).

7. Conclusions

It is clear that international trade policy has a range of impacts on sustainable agriculture—from the impact of export subsidies on small farmers in South Asia to the impacts of radical liberalization on rural communities and the environment through the encouragement of intensive agricultural methods. The key conclusion to be drawn from this is that both agricultural protection and agricultural liberalization can have adverse impacts. Neither is appropriate in all situations. This highlights the need, first, for sustainability impact assessments of policies in order to inform policy makers and, second, the necessity for flexibility at the national level in order to pursue policies that are appropriate to national and local circumstances.

India's farm sector has reaped no immediate dividends from the recent WTO talks in Qatar. However, it can potentially look forward to a long-term boost to its competitiveness arising from subsidy and tariff cuts in the developed world. Some officials say there were also longer-term positive gains for India in safeguarding its vital interests while embracing free trade in agriculture. 'There are no near term gains but a commitment for phase-out of export subsidies by the developed world has been secured in the declaration at the WTO meeting,' said T.K. Bhaumik, a policy advisor at the Confederation of Indian Industry (CII) in New Delhi. 'The message from Doha for India is: Reform your agriculture to take advantage of the international market which is going to be liberalised substantially' (Bullion 2001b).

India, whose brinkmanship in Doha to some observers nearly scuttled chances for a new round of trade talks, is now counting its gains and losses at the meeting. The farm sector provides employment to 67 per cent of India's population of over 1 billion and also contributes 25 per cent of the country's gross domestic product (GDP). Despite this, it has less than 2 per cent of the total world trade in agriculture. Indian officials have long argued that the AoA, as presently constituted, does not comprise a level playing field.

Exporters of farm commodities currently do not get any direct subsidies from the Indian government, while items such as wheat, sugar and dairy products enjoy significant support in developed countries. However, it is expected that India will cut back on its own domestic subsidies over the next decade, thus making its agricultural sector more competitive in the international arena. This also needs to be accompanied by better productivity, water management, and improved distribution and transportation methods. In conclusion, India is becoming more assertive in fora such as the WTO in arguing for its long-term objectives. This is a trend that is likely to continue and may start to redress the continuing inequities in global agricultural trade.

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